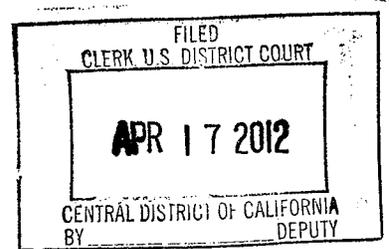


1 SPENCER E. BENDELL, Cal. Bar No. 181220
E-mail: bendells@sec.gov
2 SOLOMON R. MANGOLINI, Cal. Bar No. 149811
E-mail: mangolinis@sec.gov

3 Attorneys for Plaintiff
4 Securities and Exchange Commission
Michele Wein Layne, Associate Regional Director
5 John W. Berry, Regional Trial Counsel
5670 Wilshire Boulevard, 11th Floor
6 Los Angeles, California 90036-3648
Telephone: (323) 965-3998
7 Facsimile: (323) 965-3908



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10 UNITED STATES DISTRICT COURT

11 CENTRAL DISTRICT OF CALIFORNIA

12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 vs.

16 MICHAEL ANTHONY GONZALEZ,

17 Defendant.
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Case No.

CV12-03319 SJD (PLA*)

**COMPLAINT FOR VIOLATIONS OF
THE FEDERAL SECURITIES LAWS**

1 Plaintiff Securities and Exchange Commission (“Commission”) alleges as
2 follows:

3 **JURISDICTION AND VENUE**

4 1. This Court has jurisdiction over this action pursuant to
5 Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”),
6 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e)
7 and 27 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C.
8 §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa. Defendant has, directly or indirectly,
9 made use of the means or instrumentalities of interstate commerce, of the mails, or
10 of the facilities of a national securities exchange in connection with the
11 transactions, acts, practices and courses of business alleged in this Complaint.

12 2. Venue is proper in this district pursuant to Section 22(a) of the
13 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
14 § 78aa, because certain of the transactions, acts, practices and courses of conduct
15 constituting violations of the federal securities laws occurred within this district,
16 and the defendant resides in this district.

17 **SUMMARY**

18 3. Defendant Michael Anthony Gonzalez is conducting an ongoing
19 securities fraud. Gonzalez holds himself out as a bond portfolio manager through
20 solicitations in a local magazine and directly to friends and acquaintances. Since
21 February 2010, Gonzalez has raised at least \$1 million from approximately 20
22 investors, by claiming to purchase specific California municipal bonds on behalf of
23 those investors.

24 4. In reality, Gonzalez did not purchase the municipal bonds for
25 investors as he represented he would. Instead, he concealed his securities fraud
26 with fake trade confirmations and receipts.

27 5. Gonzalez also lured investors by touting his prior association with
28 well known broker-dealers while omitting to disclose that he had been barred, by

1 both the New York Stock Exchange (“NYSE”) and the National Association of
2 Securities Dealers (“NASD”), now known as the Financial Industry Regulatory
3 Authority (“FINRA”), from associating with any of their member brokerage firms.

4 6. Gonzalez also lied to investors claiming that he was currently
5 associated with a New York-based registered broker-dealer which provided
6 investor protection through the Securities Investor Protection Corporation
7 (“SIPC”), when, in fact, he was not.

8 7. In the last several months, Gonzalez has failed to repay investors as
9 the municipal bonds that he supposedly sold to them have reached their purported
10 maturity dates. Instead, he continues to lull existing investors with excuses, false
11 promises of full repayment, and small cash payments.

12 DEFENDANT

13 8. Michael Anthony Gonzalez, age 46, resides in Pasadena, California.
14 Gonzalez operates his purported bond portfolio management business out of his
15 home using two different business names, Michael Gonzalez INV and Michael
16 Gonzalez Investments. In 1994, Gonzalez obtained his Series 7 securities license.
17 From 1994 to 2000, Gonzalez was a registered representative with Salomon Smith
18 Barney, Inc. (“Salomon”), a registered broker-dealer. From 2000 to 2001,
19 Gonzalez was a registered representative with Crowell, Weedon & Co.
20 (“Crowell”), also a registered broker-dealer. In 2003, both the NASD (now
21 FINRA) and the NYSE barred Gonzalez from associating with their member firms
22 for misuse of client funds.

23 THE FRAUDULENT SCHEME

24 Defendant Gonzalez Solicited Investors In Municipal Bonds

25 9. Gonzalez solicited investors in municipal bonds in two ways. First,
26 Gonzalez directly solicited investments from friends and acquaintances. Second,
27 he placed advertisements in 2011 in *The Pasadena Foothills Magazine*, a local
28 lifestyle magazine distributed monthly by direct mail to approximately 20,000 area

1 residents. The advertisements portrayed him as a specialist in the tax-exempt
2 municipal bond market and represented that he managed “AAA-rated portfolios of
3 clients that have outperformed the bond market in general by 2.75%.” The
4 advertisements also touted his experience as a financial consultant for Crowell and
5 Salomon.

6 10. After interested investors contacted him, Gonzalez provided more
7 details about his business. In his initial meetings, telephone conversations and
8 e-mail messages with investors, he explained that he recommended specific short-
9 term (typically 90 to 120 days) tax-free California municipal bonds to his clients.
10 Gonzalez stated that his bonds were close to maturity and available because the
11 current bondholders sought to redeem them early.

12 **Defendant Gonzalez Made Material Misrepresentations To Investors**

13 11. Gonzalez further informed investors that he cleared his trades through
14 E*Trade, a registered broker-dealer. Gonzalez emphasized that his bonds were
15 high-yield. He also described the bond investments as low risk because of a
16 “double layer of protection” through the municipal bond issuer’s insurance and
17 SIPC insurance. In his meetings with investors, Gonzalez touted his previous bond
18 trading experience at both Crowell and Salomon. He also claimed he conducted
19 research on various bonds.

20 12. After purportedly doing this research, Gonzalez recommended
21 particular bonds through telephone calls and e-mail messages to investors. In each
22 recommendation, he identified the bond issuer along with certain key investment
23 terms including coupon rate, yield, and maturity date. Investors used this
24 information to decide if they wished to invest in any particular bond.

25 13. When an investor wanted to buy that specific bond, the investor
26 informed Gonzalez how much he wanted to invest and provided funds to Gonzalez.
27 Investors typically invested with personal checks payable to “Michael Gonzalez,”
28 “Michael Gonzalez INV,” or “Michael Gonzalez Investments.”

1 14. Contrary to his promises, Gonzalez did not purchase the municipal
2 bonds he had described to investors.

3 15. Gonzalez either cashed investors' checks or deposited them into his
4 personal bank accounts.

5 16. Gonzalez did not conduct bond trades through his accounts at
6 E*Trade.

7 17. Once an investor provided Gonzalez with the funds to purchase the
8 municipal bonds, Gonzalez typically mailed the investor a document entitled
9 "Preview Bond Order," which contained the word "etrade" at the top and which
10 confirmed the details of the bond trade, including the investor's name, account
11 number, amount invested, commission charged, and the bond trade's settlement
12 date. The Preview Bond Order also included the details about the bond
13 purportedly purchased, including the name of the bond issuer, the bond's CUSIP
14 identification number, and the bond's purported coupon rate, yield, and maturity
15 date.

16 18. Upon receipt of funds from an investor, Gonzalez also typically
17 mailed the investor a "receipt," which listed the investor's name, the amount
18 invested, and a statement that the investor's funds were to be used for the purpose
19 of the municipal bond purchase.

20 19. Gonzalez also mailed some investors a third document on "Michael
21 Gonzalez INV" letterhead containing information about purported SIPC coverage.
22 This document stated:

23 Michael Gonzalez INV is registered with May Capital Group, LLC,
24 250 West 57th Street, New York, New York 10107. The May Capital
25 Group membership can be confirmed by visiting SIPC.org under
26 member database. Michael Gonzalez registration number is 04118
27 and can be confirmed by May Capital Group by calling
28 917-279-3079.

1 20. In reality, Gonzalez did not purchase the municipal bonds that he had
2 represented to investors he would purchase.

3 21. The actual investment terms of the bonds identified by CUSIP number
4 by Gonzalez to investors were materially different than Gonzalez represented to
5 investors in recommending the bonds and in the Preview Bond Order he sent
6 investors confirming the supposed bond trade. Specifically, the coupon rate, yield,
7 maturity date, and, in some instances, even the municipality issuing the bonds,
8 described by Gonzalez to investors differed from the actual terms of the bond with
9 the CUSIP number Gonzalez provided.

10 22. Gonzalez touted his experience working for Crowell and Salomon in
11 his advertisements and in his discussions with investors. However, he failed to
12 disclose his disciplinary history to investors. Specifically, he failed to disclose that
13 FINRA and the NYSE had filed actions against him in connection with two
14 separate incidents of misuse of client funds, one each at Crowell and Salomon,
15 based on which he was barred from associating with any FINRA and NYSE
16 members.

17 23. Gonzalez represented that he was "registered" with May Capital
18 Group.

19 24. Gonzalez has never been associated with May Capital Group.

20 25. Gonzalez assured investors that the bonds were insured through SIPC.

21 26. There was no SIPC protection for the purported bond purchases
22 because (a) Gonzalez did not actually purchase any bonds; and (b) Gonzalez was
23 not associated with May Capital Group or any other registered broker-dealer at the
24 time of the purported sales.

25 27. Gonzales has failed to pay certain investors under the terms of the
26 municipal bonds that Gonzalez supposedly purchased on behalf of those investors.

27 28. Gonzalez continues to lull existing investors with false excuses, such
28 as claiming that the bond issuer has defaulted, but that insurance payments will be

1 forthcoming. Gonzalez has also promised investors that they will ultimately be
2 repaid in full and has made small cash payments to them.

3 **FIRST CLAIM FOR RELIEF**

4 **Fraud In The Offer Or Sale Of Securities**

5 **Violations of Section 17(a) of the Securities Act**

6 29. The Commission realleges and incorporates by reference paragraphs 1
7 through 28 above.

8 30. Gonzalez, by engaging in the conduct described above, in the offer or
9 sale of securities by the use of means or instruments of transportation or
10 communication in interstate commerce or by use of the mails directly or indirectly:

- 11 a. with scienter, employed devices, schemes, or artifices to
- 12 defraud;
- 13 b. obtained money or property by means of untrue statements of a
- 14 material fact or by omitting to state a material fact necessary in
- 15 order to make the statements made, in light of the circumstances
- 16 under which they were made, not misleading; or
- 17 c. engaged in transactions, practices, or courses of business which
- 18 operated or would operate as a fraud or deceit upon the
- 19 purchaser.

20 31. By engaging in the conduct described above, Gonzalez violated, and
21 unless restrained and enjoined will continue to violate, Section 17(a) of the
22 Securities Act, 15 U.S.C. § 77q(a).

23 **SECOND CLAIM FOR RELIEF**

24 **Fraud In Connection With The Purchase Or Sale Of Securities**

25 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

26 32. The Commission realleges and incorporates by reference paragraphs 1
27 through 28 above.

28 33. Gonzalez, by engaging in the conduct described above, directly or

1 indirectly, in connection with the purchase or sale of a security, by the use of
2 means or instrumentalities of interstate commerce, of the mails, or of the facilities
3 of a national securities exchange, with scienter:

- 4 a. employed devices, schemes, or artifices to defraud;
- 5 b. made untrue statements of a material fact or omitted to state a
6 material fact necessary in order to make the statements made, in
7 the light of the circumstances under which they were made, not
8 misleading; or
- 9 c. engaged in acts, practices, or courses of business which
10 operated or would operate as a fraud or deceit upon other
11 persons.

12 34. By engaging in the conduct described above, Gonzalez violated, and
13 unless restrained and enjoined will continue to violate, Section 10(b) of the
14 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R.
15 § 240.10b-5.

16 **THIRD CLAIM FOR RELIEF**

17 **Failure To Register As A Broker-Dealer**

18 **Violation of Section 15(a) of the Exchange Act**

19 35. The Commission realleges and incorporates by reference paragraphs 1
20 through 28 above.

21 36. Gonzalez, by engaging in the conduct described above, made use of
22 the mails or means or instrumentalities of interstate commerce to effect
23 transactions in, or to induce or attempt to induce the purchase or sale of securities,
24 without being registered as a broker or dealer in accordance with Section 15(b) of
25 the Exchange Act, 15 U.S.C. § 78o(b).

26 37. By engaging in the conduct described above, Gonzalez violated, and
27 unless restrained and enjoined will continue to violate, Section 15(a) of the
28 Exchange Act, 15 U.S.C. § 78o(a).

1 **PRAYER FOR RELIEF**

2 WHEREFORE, the Commission respectfully requests that the Court:

3 **I.**

4 Issue findings of fact and conclusions of law that Defendant Gonzalez
5 committed the alleged violations.

6 **II.**

7 Issue judgments, in forms consistent with Fed. R. Civ. P. 65(d), temporarily,
8 preliminarily and permanently enjoining Defendant Gonzalez and his agents,
9 servants, employees, and attorneys, and those persons in active concert or
10 participation with him, who receive actual notice of the judgment by personal
11 service or otherwise, from violating Section 17(a) of the Securities Act, 15 U.S.C.
12 § 77q(a), and Sections 10(b) and 15(a) of the Exchange Act, 15 U.S.C. §§ 78j(b),
13 78o(a), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

14 **III.**

15 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining
16 order and a preliminary injunction freezing the assets of Defendant Gonzalez,
17 prohibiting him from destroying documents, granting expedited discovery, and
18 requiring an accounting.

19 **IV.**

20 Order Defendant Gonzalez to disgorge all ill-gotten gains from his illegal
21 conduct, together with prejudgment interest thereon.

22 **V.**

23 Order Defendant Gonzalez to pay civil penalties under Section 20(d) of the
24 Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15
25 U.S.C. § 78u(d)(3).

26 **VI.**

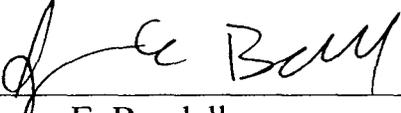
27 Retain jurisdiction of this action in accordance with the principles of equity
28 and the Federal Rules of Civil Procedure in order to implement and carry out the

1 terms of all orders and decrees that may be entered, or to entertain any suitable
2 application or motion for additional relief within the jurisdiction of this Court.

3 **VII.**

4 Grant such other and further relief as this Court may determine to be just and
5 necessary.

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7 DATED: April 17, 2012

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10 Spencer E. Bendell
11 Attorney for Plaintiff
12 Securities and Exchange Commission
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