

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 10596 / December 21, 2018**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 84914 / December 21, 2018**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 33336 / December 21, 2018**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3- 16318**

**In the Matter of**

**MICHAEL W. CROW,**

**Respondent.**

**ORDER MAKING FINDINGS  
AND IMPOSING REMEDIAL  
SANCTIONS AND A CEASE-  
AND-DESIST ORDER  
PURSUANT TO SECTION 8A OF  
THE SECURITIES ACT OF 1933,  
SECTIONS 15(b) AND 21C OF  
THE SECURITIES EXCHANGE  
ACT OF 1934, AND SECTION 9(b)  
OF THE INVESTMENT  
COMPANY ACT OF 1940**

**I.**

On December 16, 2014, the Securities and Exchange Commission (“Commission”) instituted public administrative and cease-and-desist proceedings pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Michael W. Crow (“Respondent”), Alexandre S. Clug (“Clug”), Aurum Mining, LLC (“Aurum”), PanAm Terra, Inc. (“PanAm”), and The Corsair Group, Inc. (“Corsair”). After an initial decision had issued in this matter and an appeal to the Commission was pending and fully briefed, the Commission remanded the case to Chief Judge Murray for reassignment to a new ALJ pursuant to the Supreme Court’s decision in *SEC v. Lucia*, 138 S. Ct. 2044 (2018).

## II.

Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept in light of the unique procedural posture of this case. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, and Section 9(b) of the Investment Company Act of 1940.

Respondent and the Division recognize that, according to *Lucia v. SEC*, 138 S. Ct. 2044 (2018), Respondent is entitled to a “new hearing” before “another ALJ (or the Commission itself).” 138 S. Ct. at 2055. Respondent knowingly and voluntarily waives any claim or entitlement to such a new hearing before another ALJ or the Commission itself. Respondent also knowingly and voluntarily waives any and all challenges to the administrative proceedings or any and all orders that were issued during or at the conclusion of those proceedings, whether before the ALJ, the Commission, or any court, based upon any alleged or actual defect in the appointment of ALJ Jason Patil.

## III.

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>1</sup> that:

### A. **RESPONDENT**

1. **Crow**, age 59, was a resident of Miami, Florida, and Lima, Peru during the relevant period. Until early 2014, Crow was a principal and manager of Aurum. Together with Clug, Crow also owned and controlled Corsair.

### B. **OTHER RELEVANT INDIVIDUALS AND ENTITIES**

2. **Clug**, age 50, was a resident of Miami, Florida and Lima, Peru during the relevant period. Clug is a principal and manager of Aurum and, together with Crow, owned and controlled Corsair. Clug did not hold any securities industry licenses during the relevant period.

3. **Aurum** is a Nevada limited liability company established in April 2011, with its principal place of business in Miami, Florida. Crow and Clug each owned 50% of Aurum’s voting shares during the relevant period. Crow and Clug served as managers of

---

<sup>1</sup> The findings herein are made pursuant to Respondent Crow’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Aurum. Aurum was not registered with the Commission in any capacity during the relevant period.

4. **Corsair** is a Florida corporation incorporated in April 2011 with its principal place of business in Miami, Florida. Crow and Clug owned and controlled Corsair. Corsair was not registered with the Commission in any capacity during the relevant period.

**C. FACTS**

**Prior Sanctions against Respondent Crow**

5. On September 24, 1996, the Commission filed an action alleging, among other things, that Crow, as President and Chairman of the Board of Wilshire Technologies, Inc. (“Wilshire”), a public company, caused Wilshire to materially overstate its earnings through various fraudulent schemes and also that Crow engaged in insider trading. *SEC v. Crow*, 96-cv-1661 (S.D. Cal.).

6. On April 16, 1998, the United States District Court for the Southern District of California entered a judgment that: (1) permanently enjoined Crow from violating Section 17(a) of the Securities Act and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-13, 13b2-1 and 13b2-2 thereunder; (2) ordered Crow to disgorge \$1,248,444 plus prejudgment interest of \$225,773; and (3) permanently barred Crow from acting as an officer or director of any public company. The Judgment stated that the Court did not require Crow to pay the disgorgement and prejudgment interest because he had surrendered certain stock, in settlement of a related class action lawsuit, that was in excess of the amount of the disgorgement and prejudgment interest. Crow consented to the entry of the Judgment without admitting or denying the allegations.

7. The Commission then issued an order, with Crow’s consent, denying Crow the privilege of appearing or practicing before the Commission as an accountant. *Michael W. Crow, CPA*, Rel. No. 1025, 1998 WL 188291 (Apr. 22, 1998).

8. On May 15, 2007, the Commission filed an action against Crow, alleging, among other things, that Crow acted as an unregistered principal of Duncan Capital LLC, a registered broker-dealer, in violation of Section 15(a) of the Exchange Act. *SEC v. Crow*, 07-cv-3814 (S.D.N.Y.).

9. On November 13, 2008, the District Court issued a final judgment that: (1) enjoined Crow from aiding and abetting violations of Sections 15(a), 15(b)(1), 15(b)(7) of the Exchange Act and Rules 15b3-1 and 15b7-1 thereunder; (2) ordered Crow to pay \$6,996,103.87 in disgorgement and prejudgment interest, jointly and severally with others; and (3) ordered Crow to pay a civil monetary penalty of \$250,000.

10. Based on the 2008 District Court judgment, the Commission instituted an administrative proceeding against Crow. Following a motion for summary disposition filed by the Division, an ALJ issued an Initial Decision dated April 22, 2009, which barred Crow from association with any broker, dealer or investment adviser. *Michael W. Crow and Robert David Fuchs*, Rel. No. 376, 2009 WL 1684736 (Apr. 22, 2009). In May 2009, the Initial Decision became final. *Michael W. Crow*, Rel. 2881, 2009 WL 2779121 (May 27, 2009).

### **Crow's Bankruptcy Proceeding**

11. On January 22, 2010, Crow filed a Voluntary Petition in the U.S. Bankruptcy Court for the Southern District of California under Chapter 7 of the Bankruptcy Code. See *In re Michael Wayne Crow*, No. 10-000978-LT7 (Bankr. S.D. Cal. Jan. 22, 2010).

### **The Offer and Sale of Aurum Securities**

12. Between May and June 2011, Aurum, through a term sheet dated May 10, 2011 ("Term Sheet"), raised \$250,000 from nine investors in Florida and Connecticut through the offer and sale of "Senior Secured Convertible Notes." The notes were secured by Aurum's minimal assets and offered investors 8% return with a nine month maturity date. The notes also offered investors an option to convert their notes into equity at a 50% discount or \$2.50 per share at the earlier of the "Close" or maturity. The notes defined the "Close" as "the financing and closing of the acquisition on the land rights and mining rights for the Gold project known as Batalha," a piece of mineral property located in Brazil.

13. Starting in August 2011, Crow, Clug and Aurum's Chief Financial Officer (the "CFO") solicited investors to invest in non-voting Class A equity membership units in Aurum at \$5 per unit. They provided investors, including some of the convertible note investors, with a Private Placement Memorandum dated August 1, 2011 (the "August 2011 PPM"). The August 2011 PPM provided a detailed description of Crow's professional background, including his designation as a CPA and his work experience prior to becoming President and Chairman of Wilshire. However, in a material omission, the August 2011 PPM failed to disclose Crow's history of securities law violations, and his pending bankruptcy; these were not disclosed until the September 2012 PPM.

14. The August 2011 PPM stated that closing would not occur and investor funds would be escrowed until at least \$1 million had been raised in the equity offering and "certain closing conditions" relating to the Batalha gold project had been satisfied. Among other things, the closing conditions required that Aurum receive an opinion of Aurum's Brazilian legal counsel that: (a) the joint venture between Aurum and a Brazilian entity to mine the Batalha property (the "Batalha JV") had been duly formed under Brazilian law and Aurum owned a minimum of 49% in the Batalha JV subject to Aurum's required full funding of \$2.5 million; (b) the Batalha JV owned or had irrevocable rights to the land and mining rights to Batalha; and (c) the Batalha JV had received the licenses from the

Brazilian government required to implement the Batalha JV's business plan with respect to Batalha. However, Aurum never satisfied the closing conditions.

15. In January 2012, Aurum sent another PPM dated December 31, 2011 (the "December 2011 PPM") and an "update" letter ("PPM Update Letter") to investors, mostly convertible note holders. Both the December 2011 PPM and the PPM Update Letter contained material misrepresentations and omissions, including that Aurum had "satisfied the conditions of closing on the Aurum original PPM," referring to the Batalha closing conditions of the August 2011 PPM.

16. The August 2011 PPM projected that investors would receive 17 times their initial investment, and the December 2011 PPM projected investor returns of 40 times the initial investment. The dramatically increased projection in the December 2011 PPM had no reasonable basis and was a material misrepresentation.

17. Between mid-January and February 2012, Aurum sent the PPM Update Letter, which falsely stated that the closing conditions had been satisfied, to all the note investors and all of them converted their notes into equity. Aurum also sent the PPM Update Letter to existing equity investors some of whom invested more money in Aurum.

18. In mid-2012, Aurum started sending quarterly reports to existing and prospective Aurum investors which contained material misrepresentations and omissions. Through these quarterly reports, Aurum misled investors about the test results obtained from those properties and the timing of production and cash flow associated with those properties. The quarterly reports were written or reviewed by Crow and Clug.

19. From August 2011 to September 2012, Aurum raised approximately \$2.2 million from at least 20 investors in Florida, Connecticut and California.

20. By September 2012, the approximately \$2 million raised from the equity offering was substantially depleted. Aurum then prepared a new PPM dated September 15, 2012 ("September 2012 PPM") in a bid to raise \$1 million. Subsequently, Aurum used another PPM dated January 1, 2013 ("January 2013 PPM"), a Confidential Information Memorandum ("CIM"), and an Aurum Business Plan dated January 30, 2013 ("Aurum Business Plan"), in a bid to raise an additional \$1 million.

21. The September 2012 PPM, January 2013 PPM, CIM, and Aurum Business Plan contained material misrepresentations and omissions, including a projection that Aurum will realize \$194,762,960 in net income from a mineral property in Peru known as Molle Huacan within 5 years. For example, the September 2012 and January 2013 PPMs represented that Aurum's in-house geologist is "convinced that Molle Huacan is a major gold concession and may have more than 1 million ounces in gold." This was a material misrepresentation because Crow and Clug had been informed by a Canadian geologist who tested Molle Huacan that the property did not contain any known mineral resources or reserves.

22. From September 2012 to November 2013, Aurum raised approximately \$1.5 million from at least 10 investors in Florida, Connecticut, California, and elsewhere.

23. The Aurum operating agreement represented that Aurum would provide investors with annual audited and unaudited financial statements. Aurum failed to do so.

24. Crow and Clug knew or should have known that the PPMs, PPM Update Letters, the quarterly reports, and other offering documents disseminated to investors contained material misrepresentations and omissions. Crow and Clug were Aurum's principals and each participated in the drafting and approval of the offering documents.

### **Corsair Was an Unregistered Broker-Dealer**

25. In January 2012, Corsair entered into a referral agreement with an entity called ABS Manager, LLC ("ABS"). The agreement required ABS to pay commissions or fees to Corsair based on the principal amount invested by any investor referred by Corsair to ABS. Shortly thereafter, Crow, Clug and Corsair's CFO facilitated a meeting between the ABS portfolio manager and Aurum investors in which the ABS portfolio manager made a marketing pitch to investors. The ABS portfolio manager informed investors that they could invest in purportedly safe GNMA bonds in the ABS portfolio earning 12% return. Crow, Clug and the Corsair CFO also participated in the preparation of a term sheet to enable investors to borrow up to 70% against the value of the investors' ABS accounts to invest in Aurum's equity offerings.

26. Between January 2012 and December 2012, Corsair referred investors to ABS. Corsair, Crow and Clug received \$39,563 in transaction-based compensation from ABS as a result of investments in ABS made by those referred investors.

27. At the time Corsair received the fees from ABS, Corsair was not registered as a broker-dealer with the Commission. In addition, Crow and Clug were not registered as or associated with any registered broker-dealer. In fact, Crow had been barred from, among other things, association with any broker-dealer.

### **D. VIOLATIONS**

28. As a result of the conduct described above, Crow and Aurum willfully violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities. Crow willfully aided and abetted and caused such violations by Aurum.

29. As a result of the conduct described above, Crow and Corsair willfully violated Section 15(a)(1) of the Exchange Act, which prohibits any person (individual or entity) from making use of the mails or any means or instrumentality of interstate commerce to effect any transactions in securities without registering as a broker-dealer

(entity) or associating with a registered broker-dealer (individual). In addition, Crow willfully aided and abetted and caused such violations by Corsair.

30. As a result of the conduct described above, Crow willfully violated Section 15(b)(6)(B) of the Exchange Act for acting as or associating with a broker-dealer while under Commission order pursuant to Section 15(b)(6)(A) of the Exchange Act.

#### IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest, and for the protection of investors to impose the sanctions agreed to in Respondent Crow's offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED, effective immediately, that:

A. Respondent Crow cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Sections 10(b), 15(a)(1) and 15(b)(6)(B) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Crow be, and hereby is:

barred from association with a municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related

to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondent Crow shall, within 30 days of the entry of this Order, pay disgorgement of \$100,000 and prejudgment interest of \$27,409.08 to the Securities and Exchange Commission. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, transfer them to the general fund of the United States Treasury, subject to Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

## V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields  
Secretary