

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION**

IN THE MATTER OF:

Robert J. Raffa

Respondent

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FINDINGS, RULINGS AND ORDER
I-20140009

Procedural History

On January 15, 2016, the Bureau of Securities Regulation (hereinafter referred to as “the Bureau”) filed a Staff Petition for Relief against the above-captioned Respondent alleging violations of New Hampshire RSA 421-B¹ and requesting relief. A Cease and Desist Order was issued on January 15, 2016, commencing the adjudicative proceeding in this matter. The Order and Staff Petition were sent certified mail return receipt requested to the Respondent’s last known address of record on January 15, 2016. The certified mail went unclaimed and was returned to the Bureau on February 16, 2016. One February 17, 2016, the Bureau submitted to the presiding officer a Motion for Newspaper Notice of the Order and Staff Petition. However, on February 29, 2016, the Bureau received a letter from counsel for the Respondent requesting to withdraw the Motion for Newspaper Notice. The Motion was withdrawn on March 2, 2016. The Respondent, through counsel, then requested a hearing on March 31, 2016 and waived the ten-day requirement for holding a hearing on a cease and desist order. The presiding officer issued a Scheduling Order on May 13, 2016 setting the hearing in this matter for August 1, 2016 at 10:00 a.m.

Synopsis

¹ Please note – references to N.H. RSA 421-B in this document are to the statute as in effect at the time that the Respondent’s violations occurred.

This matter was heard on August 1, 2016 at the N.H. Department of State, Bureau of Securities Regulation in the State House Annex in Concord, New Hampshire. Representing the Bureau was Jeff Spill, Deputy Director for Enforcement. The Respondent was represented by Attorney Biron L. Bedard. The Respondent was not present at the hearing.

In this case, the Bureau has alleged that the Respondent solicited an investor to invest her IRA holdings into low-priced high-risk penny stocks of StarStream Entertainment, Inc. (hereinafter referred to as "SEI"). The Bureau further alleged that the Respondent gained access over the investor's IRA account to conduct transactions. Lastly, the Bureau alleged that the Respondent represented and touted the investor as an appropriate and accredited investor for SEI and aided in the execution of fraudulent documentation to support this, when the investor was not accredited, was unsophisticated and not appropriate for the investment. Respondent, through counsel, asserts that he merely made bad recommendations to the investor, with whom he had a personal relationship at the time. The Respondent believes that the Bureau is unable to demonstrate that he had any control over the investor or her accounts or that Respondent was responsible for any misrepresentation made regarding the investor's status as an accredited and/or appropriate investor for SEI. In addition, the Respondent asserts that the Bureau is unable to demonstrate he aided in execution of fraudulent documentation.

Hearing

The Bureau was called to present its case. Attorney Spill offered one witness and introduced a total of 21 exhibits. Subsequently, Attorney Bedard was called to present the Respondents case. He did not offer any witnesses and did not introduce any exhibits on behalf of the Respondent.

Testimony of the Witness

The sole witness in this matter was Shannon Kamieneski. Ms. Kamieneski resides in Manchester, New Hampshire, has a bachelor's degree in psychology, and has worked in the mental health industry for several years. As part of a divorce, Ms. Kamieneski received \$250,000 from her ex-husband's IRA. She also had approximately \$35,000 in savings. Ms. Kamieneski met the Respondent in or about October of 2010 and began dating him in January 2011. According to Ms. Kamieneski, the Respondent had been a stock broker before she met him. This was confirmed by the introduction of the Respondent's record on the FINRA Central Registration Depository (CRD)(BSR Ex. 1). Ms. Kamieneski testified that, at the time of their personal relationship, the Respondent told her that he was a consultant who took private companies public and told her of companies he had either worked with or that he was currently working with. After Ms. Kamieneski's divorce, the Respondent offered to handle trades in her IRA account with Fidelity Investments. Ms. Kamieneski stated that she gave the Respondent the password for her account so that he could trade electronically. As a result of the Respondent's purchases of SEI and other investments, Ms. Kamieneski stated that the value of her IRA account was now approximately \$60,000.

According to Ms. Kamieneski, she first became acquainted with SEI in the fall of 2013. She testified that the Respondent was very enthusiastic about SEI, a movie production company, and that he told her that he was working with A.J. Discala to take the company public. The Respondent allegedly stated that a Charles Bonan was involved, that he had been very successful in the movie industry, and that he had once worked for Lionsgate. Ms. Kamieneski said that the Respondent showed her several websites for some of the major players associated with SEI and told her it was going to be the next Lionsgate. According to Ms. Kamieneski, the Respondent invited her down to SEI's Connecticut headquarters to meet Mr. Discala and Mr. Bonan in early November 2013. When she got to Mr. Discala's house, she said that "The Butler" was playing on a computer and that Mr. Bonan her this was SEI's big hit. She was also told a movie with Jennifer Anniston would be their next film. Ms. Kamieneski was presented with a PowerPoint presentation which, among other pages, showed various movies and their expected revenues (BSR Ex. 2). She said that the Respondent later sent her a copy of the PowerPoint presentation by email and encouraged her to recommend to friends and family that they invest. She also said she and the Respondent later reviewed a copy of the PowerPoint slides at the Respondent's house around November 6, 2013. Ms. Kamieneski testified that the Respondent told her that SEI was an amazing investment opportunity, that it was very low risk, and that the company's stock would increase in value when it went public. Shortly after their return from Connecticut, the Respondent asked Ms. Kamieneski to purchase stock in SEI and told her that she would have to act quickly, according to her testimony.

Ms. Kamieneski said she signed the signature page to the Gelia Group, Corp. (hereinafter referred to as "GGC") Investor Package on November 8, 2013 at Fidelity Investments in Nashua, New Hampshire and that the Respondent filled out all other portions of the document. She testified that she did not see the entire GGC Investor Package (BSR Ex. 3) or the Confidential Investor Questionnaire (BSR Ex. 4) until January 2014, when her accountant told her that she did not qualify as an accredited investor and that she would have had to sign a document claiming accredited investor status. She later requested a copy of the Investor Package and Confidential Investor Questionnaire. Ms. Kamieneski stated that she had only seen p. 4 and p. 9 of the Confidential Investor Questionnaire on November 8, 2013. She stated that she did not place a checkmark on p. 2 of the document representing that she had a net worth of \$1,000,000 and said that her net worth at the time was roughly \$300,000. She further stated that, on p. 4, in the Suitability section of the Questionnaire, she wrote that she had prior experience with "stocks, bonds, option, Pipes" at the Respondent's direction. Her testimony was that she did not answer questions II(d)-IV in that section. In particular, she stated that she did not represent that she had occasionally participated in prior private placements involving public companies and that she was familiar with the risk and non-liquidity of the shares she was purchasing. She also stated that she did not fill in the Payment Information on pp. 6-7 of the Questionnaire. Ms. Kamieneski did, however, fill in the identifying information on p. 9, the Investor Questionnaire Execution Page, including her signature. According to Ms. Kamieneski, she did not fill in the Subscription Information on p. 19 that provides her name, address, number of shares of stock subscribed and the amount of money paid. She did, according to her testimony, sign the Lock-Up Agreement (BSR Ex. 5) at the instruction of the Respondent but did not see the whole document. The Lock-Up Agreement restricted Ms. Kamieneski's ability to sell or otherwise transfer the shares she had purchased. She said that afterwards she found out from Fidelity Investments that the shares were restricted and could not be traded. When she expressed her concern about this, she said the Respondent arranged for her to purchase non-restricted shares from SEI. She

testified that, while she signed the Fidelity Withdrawals – IRA One-Time form (BSR Ex. 6), by which funds were withdrawn from her IRA account to purchase shares in SEI, she did not fill in any of the other information. She further testified that the Respondent generally handled the transaction purchasing SEI stock in her account.

According to Ms. Kamieneski's testimony, at the time of her purchase of SEI's stock, she did not know what a Rule 506 offering was nor did she know what an accredited investor was. She further testified that, after she filed her complaint with the Bureau, the Respondent offered to pay back her losses. She alleges that at one point he asked her to get married in Las Vegas to prevent her from being called to testify against him and for which she would be repaid her losses.

The Bureau submitted various filings made by SEI and/or GGC with the SEC. (BSR Ex. 15-Ex. 19). The Bureau pointed out that GGC's January 17, 2013 Form S-1 indicated the company had not had any revenues from its inception and that it had a net loss of \$133. In addition the S-1 stated that GGC's "independent registered public accounting firm has issued an audit opinion for GGC, which includes a statement expressing substantial doubt as to our ability to continue as a going concern. (BSR Ex. 15) In addition, the Bureau submitted a copy of a deposition of the Respondent conducted on October 1, 2015, in which the Respondent invoked his right to remain silent under the New Hampshire and United States constitutions.

On cross-examination, Respondent's counsel asked if the Respondent had relied on the figures presented by SEI executives in Connecticut in telling Ms. Kamieneski what she could expect for returns. Ms. Kamieneski answered no, that the figures presented in Connecticut did not include expected returns on investment and that the Respondent had actually told her she could expect the price of her stock to go as high as four dollars per share. She also told Respondent's counsel that the Respondent never asked her for compensation for any trades he conducted in her account. According to Ms. Kamieneski, she never requested unrestricted stock; rather the Respondent facilitated the purchase of unrestricted stock with Mr. Discala. She also stated that she was unable to deposit the unrestricted stock in her Fidelity account and never had an opportunity to attempt to sell the shares prior to the stock losing value. When presented with GGC's January 17, 2013 Form S-1 (BSR Ex. 15), Ms. Kamieneski testified that she had never seen the document.

Findings of Fact

1. SEI is a company with a location listed as 140 Rowayton Avenue, Rowayton, Connecticut 06853 and 100 Sky Park Drive, Monterrey, California 93940 that was formed in the state of Nevada in August 2011 and is purported to be an entity engaged in the production of featured movies.
2. SEI was previously a standalone entity but merged with GGC on or about November 11, 2013, at which time GGC changed its name to Starstream Entertainment, Inc.
3. GGC filed a registered offering with the United States Securities and Exchange Commission (hereinafter referred to as the "SEC") on January 16, 2013 for the sale of GGC common stock.

4. GGC filed an offering with the SEC under Regulation D, Rule 506(c) on or about October 23, 2013.
5. SEI, after the merger with GGC, filed an offering with the SEC under Regulation D, Rule 506(c) on or about December 3, 2013.
6. Robert J. Raffa, the Respondent and a resident of Penacook, New Hampshire, was previously licensed as a securities professional and has extensive knowledge of stock trading and investing.
7. The investor, Shannon Kamieneski, was a single mother residing in Manchester, New Hampshire who had very little investing experience and did not have the requisite net worth, risk tolerance or investing sophistication to appropriately invest in the private placements and low-priced penny stocks of a startup company like SEI.
8. The Respondent developed a personal relationship with the investor and began telling the investor about SEI in the fall of 2013. The Respondent told the investor that SEI owned the movie rights to famous films, such as *The Butler*, and that it was a good opportunity and a good time to invest in SEI.
9. The Respondent knew that the investor was not an appropriate person to invest in SEI but nevertheless brought the investor to meet the principles of SEI in Connecticut for the purpose of viewing an SEI PowerPoint presentation presented by agents of SEI to solicit investment in the securities of SEI. The PowerPoint presentation included revenue projections for SEI in the hundreds of thousands when in reality SEI had no revenues at the time and actually lost money in 2013.
10. After the SEI PowerPoint presentation and on or about November 8, 2013, the Respondent again solicited the investor to invest money from her IRA in SEI, using a copy of the SEI PowerPoint presentation, of which he had a copy.
11. Through the Respondent, on November 8, 2013 the investor purchased \$166,000 worth of SEI stock and obtained 200,000 shares and a stock certificate numbered 1127. The Respondent obtained a subscription agreement for SEI. Though the subscription documentation listed GGC, the shares purchased by the investor were in SEI. The Respondent gained access over the investor's IRA account, assisted in filling out the subscription documentation for the SEI investment and had the SEI shared deposited into a separate account under the investor's name.
12. The subscription documentation purports that the investor was an accredited investor with a net worth in excess of one million dollars and appropriate for investing in SEI, when in actuality the investor was not accredited at that time. The Respondent knew this and nonetheless filled out the subscription documentation with false information on behalf of the investor.
13. After November 8, 2013, the investor became aware that the SEI shares she purchased were restricted and could not be sold or transferred. As a result, SEI offered the investor additional shares of SEI that were unrestricted. On or about November 14, 2013 through November 19, 2013, the investor made seven additional investments into 125,200 shares of SEI and paid \$27,882.70 for the purchases.

Rulings of Law

The presiding officer makes the following conclusions of law relative to the Bureau's factual allegations:

1. Respondent Robert Raffa is a "person" within the meaning of N.H. RSA 421-B:2, XVI.
2. The shares of SEI sold to Shannon Kamieneski are "securities" within the meaning of N.H. RSA 421-B:2, XX.
3. The distribution of the securities of SEI constituted "offers" and "sales" within the meaning of N.H. RSA 421-B:2.
4. Pursuant to N.H. RSA 421-B:3, it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly: to employ any device, scheme, or artifice to defraud; to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person. The Respondent violated this provision by: misrepresenting Shannon Kamieneski's status as an "accredited investor" for purposes of Regulation D, Rule 506 when he knew or should have known that she did not qualify as an accredited investor; by touting SEI and its investment potential without making Ms. Kamieneski aware that SEI had not had any revenues up to 2013, that it had a net loss of \$133, and that its auditors had expressed doubt that the company could continue as going concern; by failing to advise Ms. Kamieneski that her purchase of shares in a Rule 506 offering would be restricted from sale or transfer; and by failing to advise Ms. Kamieneski of the substantial risks she faced by investing nearly all of her IRA (which represented nearly all of her liquid net worth) in the stock of SEI.
5. Pursuant to N.H. RSA 421-B:22, IV., upon the Bureau prevailing, the Respondent is required to pay the Bureau's costs for its investigation of this matter and any related proceedings, including reasonable attorney's fees.
6. Pursuant to N.H. RSA 421-B:23, whenever it appears to the secretary of state that any person has engaged or is about to engage in any act or practice constituting a violation of N.H. RSA 421-B or any rule or order under N.H. RSA 421-B, the secretary of state shall have the power to issue and cause to be served upon such person an order requiring the person to cease and desist from violations of N.H. RSA 421-B.
7. Pursuant to N.H. RSA 421-B:26, III, the Respondent is subject to a penalty of \$2,500 for each violation of N.H. RSA 421-B.
8. Pursuant to N.H. RSA 421-B:26, V, the Respondent is subject to an order of rescission, restitution, or disgorgement for violating N.H. RSA 421-B.

Discussion

The presiding officer finds Ms. Kamieneski's testimony to be credible. The Respondent, on the other hand, did not testify at hearing and offered no evidence. Furthermore, the Respondent refused to answer questions at deposition, invoking his right to remain silent under the United States and New Hampshire constitutions. The presiding officer may and does draw adverse inferences from the Respondent's refusal to answer.

Ms. Kamieneski's testimony supports the fact that the Respondent had superior knowledge of and experience with investing. It is clear that Ms. Kamieneski relied on the

Respondent to direct her investments, in particular her investments in SEI. She had no idea at the time what an accredited investor was and that she did not qualify as an accredited investor. It is also clear that the Respondent handled the paperwork associated with Ms. Kamieneski's purchase of the SEI shares and involved Ms. Kamieneski to the extent that identifying information or signatures were required. As a result, misleading information was included on SEI's Investor Questionnaire, including statements indicating: that Ms. Kamieneski had a net worth of \$1 million; that she had prior experience with stocks, bonds, options and Pipes; that she had occasionally in the past participated in private placements involving public companies; and that she was familiar with the risk and non-liquidity of the shares she was purchasing. Lastly, due to the Respondent misleading Ms. Kamieneski, she was unaware that she was agreeing to purchase her SEI shares on a restricted basis.

The Respondent's position is that his purchase of SEI shares was no different than any other partner, spouse, or significant other helping a loved one with investments. He did not receive any compensation from Ms. Kamieneski for his investment activities, and past purchases that he had made on her behalf resulted in profits as well as losses. However, this ignores the fact that the Respondent represented to Ms. Kamieneski that he was a consultant to SEI in helping to take the company public. Although no evidence was presented that the Respondent was compensated by SEI or any other person for Ms. Kamieneski's purchase of SEI stock, it is clear that the Respondent perceived his role to be as a consultant for the company. Such a relationship indicates that the Respondent had some interest (and, indeed, a conflict of interest with regard to Ms. Kamieneski) in seeing that SEI successfully solicit investments. This appears to be reflected in the Respondent bringing Ms. Kamieneski to Connecticut in order to meet with executives of SEI and receive more information about investing in the company. In addition, the presiding officer is persuaded that the Respondent's prior history as a broker-dealer agent, as well as his representations to Ms. Kamieneski, meant that he possessed superior knowledge about investing and that he should have provided Ms. Kamieneski with information about the downside of investing in SEI as well as the potential upside. There was no basis on which the Respondent could tell her that her investment in SEI would eventually reach \$4 per share. The evidence shows that at the time she purchased the 200,000 shares of stock in a Rule 506 offering, she paid \$0.83 per share. When she subsequently purchased 120,000 unrestricted shares of SEI stock, she paid \$0.17 per share. Penny stock that is either thinly traded or not capable of being traded is extraordinarily risky. And to tout the investment without explaining any risks, in fact to tell Ms. Kamieneski the investment was low risk, when in fact it was extremely risky, was highly misleading.

Order

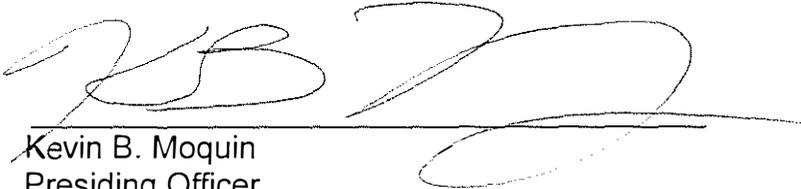
WHEREAS, finding it necessary and appropriate and in the public interest and for the protection of investors and consistent with the intent and purpose of the New Hampshire Securities Act, R.S.A. 421-B, it is hereby **ORDERED**, that:

1. The Respondent shall cease and desist from further violations of N.H. RSA 421-B pursuant to N.H. RSA 421-B:23.

2. The Respondent is hereby barred from licensure or registration privileges pursuant to N.H. RSA 421-B:10.
3. The Respondent shall within 30 days from the date of this order pay the Bureau's costs of investigation in the amount of \$25,000.00 pursuant to N.H. RSA 421-B:22.
4. The Respondent shall within 30 days from the date of this order pay administrative fines and penalties in the amount of \$52,500.00 pursuant to N.H. RSA 421-B:26, III.
5. The Respondent shall within 30 days from the date of this order, pursuant to N.H. RSA 421-B:26, V, pay restitution to Shannon Kamieneski in the amount of \$173,482.70 plus any IRS tax assessment for early withdrawal.

SIGNED,
William M. Gardner
Secretary of State
By His Designee:

Date: 9/27/16


Kevin B. Moquin
Presiding Officer
N.H. Bureau of Securities Regulation