

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:

EMGOLDEX TEAM USA, INC.,
MATTHEW MICHAEL D'AGATI,
JAMES VINCENT PIEMONTE,
JONATHAN HERMAN SEIGLER, and
JOSEPH ZINGALES,

RESPONDENTS.

)
) ADMINISTRATIVE
) COMPLAINT

) Docket No. E-2014-0056
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I. PRELIMINARY STATEMENT

The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (the "Enforcement Section" and the "Division," respectively) files this complaint (the "Complaint") in order to commence an adjudicatory proceeding against Respondents EmGoldex Team USA, Inc., Matthew Michael D'Agati, James Vincent Piemonte, Jonathan Herman Seigler, and Joseph Zingales (collectively "Respondents") for violations of MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act ("Act"), and 950 MASS. CODE REGS. 10.00 *et seq.* ("Regulations"). The Enforcement Section alleges that Respondents, acting individually and collectively, fraudulently offered and sold unregistered and non-exempt securities in the Commonwealth without being registered as a broker-dealer, broker-dealer agent, investment adviser, or investment adviser representative. The Enforcement Section further alleges that the offers and sales of securities were part of a pyramid scheme and Respondents' promotion of such scheme defrauded Massachusetts investors.

Specifically, the Enforcement Section seeks an order to: (1) find as fact the allegations and facts set forth below; (2) require Respondents to permanently cease and desist from acting as unregistered broker-dealers, unregistered broker-dealer agents, unregistered investment advisers, and/or unregistered investment adviser representatives; (3) require Respondents to permanently cease and desist from effectuating the offer and sale of unregistered securities in the Commonwealth; (4) require Respondents to provide an accounting of all proceeds received as a result of the alleged wrongdoing; (5) require Respondents to disgorge all proceeds and other direct or indirect remuneration received as a result of the alleged wrongdoing; (6) require Respondents to offer remuneration to fairly compensate all investors who suffered losses attributable to the alleged wrongdoing; (7) impose an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and (8) take any other necessary action which may be in the public interest and appropriate for the protection of Massachusetts investors.

II. SUMMARY

The Enforcement Section of the Massachusetts Securities Division brings this action as a result of the unregistered and fraudulent activity of Respondents EmGoldex Team USA, Inc. (“Team USA”), Matthew D’Agati (“D’Agati”), James Piemonte (“Piemonte”), Jonathan Seigler (“Seigler”), and Joseph Zingales (“Zingales”), throughout Massachusetts, including the offer and sale of unregistered securities in a pyramid scheme. Specifically, Respondents offer investment opportunities in a pyramid scheme called EmGoldex. Respondents are the most visible and active promoters of EmGoldex in the Commonwealth and have recruited hundreds of investors into the scheme.

EmGoldex is an illegal pyramid scheme disguised as a legitimate multi-level marketing company targeting investors both in Massachusetts and around the world. EmGoldex is purportedly registered in and maintains an administrative office in, the Seychelles, an island nation off the eastern coast of Africa. While representing itself as an internet-based store specializing in the sale of gold, EmGoldex has no discernable retail sales activity and relies on new investor funds as its primary source of income. The substantial returns promised by EmGoldex to investors are based exclusively on the recruitment of new investors into the pyramid scheme. Investors have no incentive to sell EmGoldex's purported product, gold bars. Instead, investor efforts are focused on recruitment, which guarantees profits in excess of 1,105%. Respondents are at the forefront of recruiting efforts in the Commonwealth through an elaborate marketing and social media blitz. Respondents have ensnared hundreds of new investors from the Commonwealth into the EmGoldex scheme, with promises of fast, easy, and risk-free profits.

While holding itself out as a "training center" to help investors understand and succeed in the EmGoldex network marketing program, Respondents are in reality a major cog in the EmGoldex marketing and recruitment machine. Through the use of websites, social media, and live events, Respondents have created a complex web entangling investors throughout the Commonwealth. The extensive recruitment efforts of Respondents serve to benefit Respondents, who earn substantial passive income by recruiting new investors. Respondents have built their own empire within the EmGoldex pyramid scheme. Respondents' investor empire can earn Respondents even more passive income through the EmGoldex leadership program, which rewards investors based on the recruitment successes of downline investors. Through the creation of their vast team of downline investors, Respondents are eligible to receive massive

returns. Respondents receive these massive returns at the expense of later investors, who will be left with considerable losses when the EmGoldex pyramid scheme inevitably collapses.

Respondents advertise and promote the EmGoldex pyramid scheme using promises of quick riches, with little to no risk involved. Some advertising materials created by Respondents are emblazoned with bags of cash, gold, and phrases such as "NOW YOU GET PAID!!!" Investors are even encouraged by Respondents to buy positions for their children in the pyramid scheme. At one point Respondent Team USA's webpage boasted, "Yes, even your children can get paid!!" The Team USA webpage also includes pictures of smiling investors, holding cashier's checks issued by Respondents.

At its headquarters in Andover, Massachusetts, Respondents held weekly "training" sessions, and charged investors an entry fee to advise them on the EmGoldex pyramid scheme. Investors already participating in the pyramid scheme could bring new recruits free of charge to learn about the scheme. Respondents used the weekly meetings to train current investors on recruitment techniques, which would bring even more investors into the EmGoldex pyramid scheme. Respondents were positioned to profit significantly as the number of downline investors grew. The weekly meetings also exposed potential investors to the passive income opportunities available in the EmGoldex pyramid scheme. Although thinly veiled as weekly "training," the Team USA weekly meetings ultimately served as yet another tool for Respondents to increase the value of their personal interests in the EmGoldex pyramid scheme.

On June 20, 2014, Respondents held a "Kick Off" event at a hotel in Andover, Massachusetts. Respondents advertised the event as the launch of EmGoldex Team USA and touted cash awards to entice potential investors. According to a Facebook post advertising the event, "[t]he 50th person to share this posting with their friends will receive a \$50 VISA gift

card. Don't forget to invite them to this huge event. We will have food, a live band, prizes (\$\$ & GOLD), BMW's [sic] and much more." In addition to the food, drinks, and live music, the kick off including a number of speakers. Some of the speakers provided testimonials, raving about the successes they were experiencing in the EmGoldex program. According to Respondent Seigler, the speakers were "not bottom feeders," and included lawyers, millionaires, and other very successful business people. Respondent D'Agati also brought samples of gold received from EmGoldex to show to attendees.

The focus of the EmGoldex pyramid scheme and Respondents is, and has always been, solely on recruiting. Respondents built their own lucrative financial pyramid within the EmGoldex pyramid scheme through their recruitment efforts. Profits are paid to investors in the pyramid from the significant membership fees of new recruits. Respondents make no effort to sell or advertise any product, and marketing materials fail to mention any possible compensation earned through retail sales. Investors have no incentive to sell any product purportedly offered by EmGoldex; the only emphasis in Respondent's marketing materials and recruitment videos is the potential for significant passive income, through the recruitment of more individuals into the EmGoldex pyramid scheme. The recruitment efforts of Respondents have proven fruitful. In April 2014, Respondent D'Agati was listed by EmGoldex as the 40th ranked "Leader" worldwide.

On April 25, 2014, Respondent D'Agati sent an email to EmGoldex support services asking how Team USA should respond to questions regarding whether EmGoldex was a pyramid or Ponzi scheme. Specifically, Respondent D'Agati asked about the fact that EmGoldex is unable to actually send its product to participants in the United States, which makes EmGoldex's alleged marketing program essentially just an exchange of money. The reply from EmGoldex

makes no sense, containing little more than legal jargon and citations to European internet commerce laws regarding enforceability of electronic contracts. Despite Respondent D'Agati's concerns and EmGoldex's evasive, non-responsive reply, Respondents continued advancing their own personal financial interests by recruiting investors all over the Commonwealth.

In addition, Respondent Team USA, by its own admission to the Enforcement Section, facilitated the purchase of memberships in the EmGoldex pyramid scheme. Investors trade payouts received in the EmGoldex online system for activation codes, which activate membership positions in the pyramid scheme. Respondent Team USA purchased activation codes directly from investors and sold them to new recruits. Respondents have in essence created an uncontrolled secondary market where investors can freely exchange fraudulent EmGoldex securities. Instead of wiring money to EmGoldex, new investors simply paid Respondent Team USA directly to get involved in the EmGoldex pyramid scheme. Respondent D'Agati established bank accounts in his name d/b/a EmGoldex Team USA to further facilitate this process. As of July 14, 2014, over \$473,000 has been deposited in Team USA bank accounts, while over \$282,659 has been wired to EmGoldex financial institutions overseas. In a four month period from March 2014 through mid-July 2014 Respondents facilitated over 370 investments in the EmGoldex pyramid scheme.

As an illegal pyramid scheme, EmGoldex is destined to collapse, harming investors all over the Commonwealth. With this action, the Enforcement Section seeks to stop Respondents Team USA, D'Agati, Piemonte, Seigler, and Zingales from offering and selling fraudulent securities in the Commonwealth, thus preventing further financial harm to Massachusetts investors.

III. JURISDICTION AND AUTHORITY

1. The Massachusetts Securities Division is a Division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities as provided for by the Massachusetts Uniform Securities Act, MASS. GEN. LAWS ch. 110A (the "Act") and the regulations promulgated thereunder. The Act authorizes the Division to regulate: (a) the offer, sale, and purchase of securities; (b) those entities and individuals offering and/or selling securities within the Commonwealth; and (c) those individuals transacting business as broker-dealers, broker-dealer agents, investment advisers, or investment adviser representatives within the Commonwealth.

2. The Division brings this action pursuant to the enforcement authority conferred upon it by Section 407A of the Act and MASS. GEN. LAWS ch. 30A, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and all regulations and rules promulgated thereunder.

3. This proceeding is brought in accordance with § §101, 201, 301 and 407A of the Act and the related Regulations. Specifically, the acts and practices constituting violations originated from and/or occurred within the Commonwealth of Massachusetts.

4. The Division specifically reserves the right to amend this Complaint and/or bring additional administrative complaints to reflect information developed during the current and ongoing investigation.

IV. RELEVANT TIME PERIOD

5. Except as otherwise expressly stated, the conduct described herein occurred during the period from June 1, 2013 up to and including the present.

V. RESPONDENTS

6. EmGoldex Team USA, Inc. ("Team USA") is a Massachusetts corporation with a principal business address at 16 Haverhill Street, Andover, Massachusetts 01810. Team USA's articles of organization were filed with the Commonwealth of Massachusetts, the Secretary of the Commonwealth, Corporations Division on June 10, 2014. The officers of Team USA are Jonathan Herman Seigler, President; James Vincent Piemonte, Treasurer; Matthew Michael D'Agati, Secretary and Vice President; and Joseph Zingales, Director.

7. Matthew Michael D'Agati ("D'Agati") is co-founder of Team USA with a business address of 16 Haverhill Street, Andover, Massachusetts. D'Agati is a Massachusetts resident residing in Methuen. D'Agati has never been registered with the Division as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, or issuer agent.

8. Joseph Zingales ("Zingales") is co-founder of Team USA with a business address of 16 Haverhill Street, Andover, Massachusetts. Zingales is a Massachusetts resident residing in Methuen. Zingales has never been registered with the Division as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, or issuer agent.

9. James Vincent Piemonte ("Piemonte") is co-founder of Team USA with a business address of 16 Haverhill Street, Andover, Massachusetts. Piemonte is a Massachusetts resident residing in Methuen. Piemonte has never been registered with the Division as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, or issuer agent.

10. Jonathan Herman Seigler ("Seigler") is co-founder of Team USA with a business address of 16 Haverhill Street, Andover, Massachusetts. At times during the Relevant Time Period, Seigler was a Massachusetts resident residing in Boston, Massachusetts and most recently moved to New Hampshire. Seigler has never been registered with the Division as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, or

issuer agent. Seigler has similarly never registered with the New Hampshire Bureau of Securities Regulation as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, or issuer agent.

VI. RELATED PARTIES

11. EMGX F.S. Ltd. ("EmGoldex") is an entity purportedly registered in the Seychelles, with a principal place of business located at Suite 1, Second Floor, Sound and Vision House Francis Rachel Str. Victoria, Mahe Seychelles. EmGoldex maintains an internet website at www.emgoldex.com.

VII. FACTUAL ALLEGATIONS

12. Team USA is a Massachusetts corporation with a principal place of business located at 16 Haverhill Street, Unit 8, Andover, Massachusetts 01810.

13. According to filings made with the Secretary of the Commonwealth of Massachusetts, Corporations Division, the officers of Team USA are D'Agati, Zingales, Piemonte, and Seigler.

14. Team USA, D'Agati, Zingales, Piemonte, and Seigler have engaged in the offer and sale of unregistered securities in the Commonwealth.

15. Respondents offer securities in the form of memberships in a multi-level marketing program sponsored by EmGoldex ("EmGoldex Marketing Program").

16. The EmGoldex Marketing Program purportedly pays investors guaranteed returns of up to 1,105% for recruiting more individuals into the EmGoldex Marketing Program.

17. Upon information and belief, memberships in the EmGoldex Marketing Program are investments in a pyramid scheme.

18. Respondents have, directly and indirectly, recruited hundreds of investors throughout Massachusetts into the EmGoldex Marketing Program.

A. EMGX F.S. Ltd. d/b/a EmGoldex

19. According to the EmGoldex website, www.emgoldex.com, EmGoldex is registered in the Seychelles and maintains an administrative office located at Suite 1, Second Floor, Sound and Vision House Francis Rachel Str. Victoria, Mahe Seychelles.

20. The registered address of EmGoldex is also the address of Alpha Consulting Limited, an organization that promotes company formation in a number of offshore jurisdictions, including the Seychelles.

21. Upon information and belief, EmGoldex maintains no physical presence in the Seychelles and the EmGoldex offices in the Seychelles are no more than a mailing address.

22. The EmGoldex website lists a correspondence address in the Netherlands, located at Singel 540, Amsterdam, 1017 AZ, Netherlands.

23. EmGoldex's website also references a second entity, EmGoldex Trade DMCC. According to the EmGoldex website, EmGoldex Trade DMCC is registered with the Dubai Multi Commodities Center in Dubai, United Arab Emirates.

24. According to its website, EmGoldex is an online store specializing in the buying and selling of "investment gold bars."

25. The EmGoldex website also advertises the EmGoldex Marketing Program, describing it as, "[...] provid[ing] the clients of the Internet - shop to receive an **unlimited income** in the long-term period for advertising of selling production." (emphasis added).

26. According to EmGoldex, individuals cannot purchase gold from EmGoldex without participating in the EmGoldex Marketing Program, or registering through a sponsor, who is a current investor.

27. Respondents, Team USA and its founders, participate in the EmGoldex Marketing Program and promote participation in the EmGoldex Marketing Program from the Commonwealth.
28. The emphasis of the EmGoldex Marketing Program and Respondents is not on the sale of investment gold bars, but on recruitment for the EmGoldex Marketing Program.
29. When asked by the Division whether he knew of anyone who had purchased gold from EmGoldex without joining the EmGoldex Marketing Program, D'Agati testified that he did not.
30. According to Zingales in testimony to the Division, Zingales has never attempted to make a purchase of gold from EmGoldex.
31. Instead of buying and selling a product, Respondents and other EmGoldex investors focus on enrolling new participants into the EmGoldex Marketing Program.
32. The EmGoldex Marketing Program is structured so that Respondents and other investors receive substantial returns through the recruitment and enrollment of new investors into the EmGoldex Marketing Plan.
33. Respondents promoted participation in the EmGoldex Marketing Program for Massachusetts residents and facilitated the purchase and sale of memberships in the EmGoldex Marketing Program.
34. According to documents Team USA provided to the Division, Respondents have recruited hundreds of Massachusetts residents into the EmGoldex Marketing Program.
35. As of January 24, 2014, EmGoldex claimed to have 350,000 participants worldwide in the EmGoldex Marketing Program.

B. *The EmGoldex Marketing Program*

I. *Overview of the EmGoldex Marketing Program*

36. Respondents have offered and sold investments, in the form of memberships in the EmGoldex Marketing Program, in the Commonwealth of Massachusetts.

37. The EmGoldex website lists three requirements for investors to gain membership in the EmGoldex Marketing Program: (1) register with EmGoldex, (2) place an order for a set of investment gold bars valued at approximately 7,000 Euro, and (3) make a prepayment to EmGoldex.

38. First, investors are required to register with EmGoldex through the personalized EmGoldex website of a current EmGoldex investor, or on the EmGoldex homepage. Registration in either case requires a sponsor, or current investor.

39. Registration requires the investor to input a name, date of birth, and email address, along with the creation of a username and password.

40. Second, once an investor has registered, each investor must submit an order for a set of investment gold bars, valued by EmGoldex at approximately 7,000 Euro. The gold order is noted on an invoice that EmGoldex sends to the investor.

41. Upon information and belief, investors never pay the complete invoice for the set of investment gold bars.

42. According to EmGoldex, the invoice for the set of investment gold bars is ultimately discharged via "credit bonuses," or payouts, if the investor is able to recruit more investors into the EmGoldex Marketing Program.

43. Third, instead of a complete payment of the invoice for the gold bars, investors make a prepayment to, or initial investment in, EmGoldex, which D'Agati described to the Division as a one-time purchase that enters investors into the EmGoldex Marketing Program.

44. The prepayment for gold bars is nothing more than an enrollment fee.

45. Investors who submit the prepayment to EmGoldex receive a coupon ("Coupon"), which includes a subscription fee for a personalized EmGoldex website, as well as an activation code granting investors entry into the EmGoldex Marketing Program.

46. The personalized EmGoldex website assists with the recruitment and enrollment of new investors into the EmGoldex Marketing Program.

47. Once an investor has entered the activation code, the investor is placed into an EmGoldex payout structure, which investors move through pursuant to the one plus two formula ("One Plus Two Formula"), along with the efforts of other investors.

48. Under the One Plus Two Formula, each investor in the EmGoldex Marketing Program recruits two new investors, who also recruit two investors, in theory continuing in perpetuity, thus ensuring a constant stream of new investors into the EmGoldex Marketing Program.

49. Once activated, the only requirement to become eligible for payouts is the recruitment of two new investors into the EmGoldex Marketing Program.

50. According to testimony by Zingales to the Division, once an investor has recruited two new investors into the program, nothing else is personally required to receive a payout from EmGoldex.

51. Instead, as testified to by Zingales, investors move through the EmGoldex payout structures automatically as other investors are recruited into the EmGoldex Marketing Program.

52. Investors who move through two EmGoldex payout structures by completing the One Plus Two Formula ultimately receive gold valued at 7,000 Euro.

53. Investors know they have received gold when it appears in the "My Finances" section of the EmGoldex back office ("Back Office"), a feature of the personalized EmGoldex website.

54. The "My Finances" section of the Back Office tells each investor the value of the gold currently attributed to their account.

55. Investors never actually receive the gold that EmGoldex purportedly gave them.

56. Instead, after receiving gold in their Back Office, investors can sell the investment gold back to EmGoldex for a substantial profit over the initial prepayment.

57. Expected profits range from at least 520% to 1,105%, but as noted by the EmGoldex website, investors are ultimately eligible for "unlimited income."

58. For example, investors who actively recruit new investors, or who have active downline¹ investors, can receive further passive income through the EmGoldex leadership program ("Leadership Program"). The Leadership Program pays additional bonuses based on the recruitment work of other investors.

2. The Basic and Accelerated EmGoldex Investments

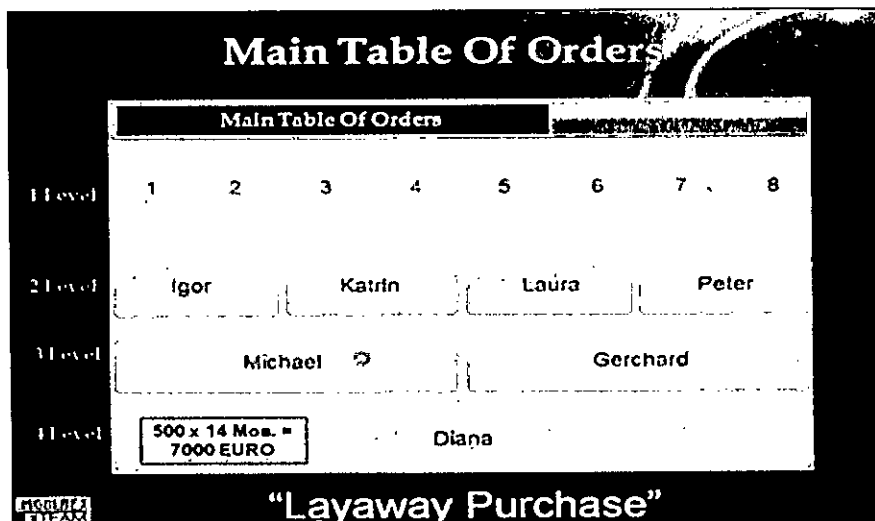
59. Investors who make a prepayment to EmGoldex and receive a Coupon are placed into one of two investment options based on the amount of the prepayment, or initial investment.

60. According to testimony from D'Agati, at the most basic level investors can pay 540 Euro ("Basic Investment") in exchange for a personalized EmGoldex website and a Coupon. The investment breaks down to 500 Euro for the Coupon and 40 Euro for the personalized EmGoldex website.

¹ An investor's downline is made up of all investors directly recruited to the EmGoldex Marketing Program. The downline also includes all investors recruited by and/or emanating from all direct recruits. A large downline generates greater profits for the investor at the top of the pyramid.

61. To pay for the website and Coupon, investors can wire funds to EmGoldex pursuant to instructions that EmGoldex sends to the Back Office of each new investor.
62. Alternatively, investors can purchase a website and Coupon from an existing investor in the EmGoldex Marketing Program, such as Respondents.
63. Respondents buy and sell Coupons from other investors, facilitating investments from new individuals seeking membership in the EmGoldex Marketing Program.
64. The personalized EmGoldex website includes the Back Office area that allows investors to monitor their downlines, view financial information under "My Finances," and communicate with EmGoldex and other EmGoldex investors via electronic mail.
65. The Coupon, once activated, grants membership into the EmGoldex Marketing Program and places each investor onto the table of orders ("Table of Orders"), the Basic Investment payout structure.
66. The diagram below represents an illustration of the Table of Orders as presented in a video narrated by D'Agati, and available at: www.youtube.com/watch?v=dHWzHB_dvuk.

Table of Orders



67. While the Table of Orders is presented as a square, in reality it is an inverted pyramid structure, consisting of four levels and 15 spots. Level 1 contains eight spots, Level 2 contains four spots, Level 3 contains two spots, and Level 4 contains one spot ("Pay Spot").
68. The single investor in the Pay Spot receives a payout each time Level 1 fills with eight investors.
69. Upon activation of the Coupon, the investor in the Basic Investment is placed in an open spot on Level 1 of the Table of Orders, which fills with seven other investors. Levels 2 through 4 are already filled when the investor is placed on the Table of Orders.
70. Each time the top eight spots fill, the entire Table of Orders splits in half, with each investor on the table moving down one level. When the Table of Orders splits, the single individual in the Pay Spot receives a payout, and is then moved to Level 1 on a new Table of Orders to begin the process again.
71. When an investor moves through Levels 4, 3, 2, and 1, and receives a payout, the investor has completed one cycle ("Cycle").
72. For each Cycle completed, investors receive a payout to their Back Office in the form of gold, valued at 3,500 Euro.
73. Investors can ultimately exchange the gold appearing in the Back Office for cash or Coupons.
74. The Basic Investment of 540 Euro enables each investor to move through two Cycles, or 7,000 Euro worth of gold payouts, less EmGoldex fees.
75. To qualify for a payout, investors are required to complete the One Plus Two Formula, recruiting two more individuals who each invest 540 Euro to join the EmGoldex Marketing Plan.

76. After completing the One Plus Two Formula, investors advance through the Table of Orders to the Pay Spot based on the efforts of other investors, who recruit new individuals via the One Plus Two Formula to fill the open spots.
77. Investors who actively recruit more than two investors are positioned to receive payouts at a faster rate.
78. Other investors also benefit from active recruits in their downlines, since they are also pushed through the Table of Orders at a faster rate.
79. Respondents have created a downline with hundreds of investors, positioning Respondents to move quickly through the Table of Orders.
80. Investors have four options for the gold received from EmGoldex and credited to their Back Office upon reaching a Pay Spot: (1) leave the gold in storage with EmGoldex, for a storage fee of 1.2% per year; (2) receive the physical gold from EmGoldex²; (3) exchange the gold for EmGoldex Coupons to participate again in the EmGoldex Marketing Program, or (4) receive the cash value of the gold wired to a bank account.
81. Upon information and belief, the majority of investors associated with Team USA choose to exchange the gold for Coupons or to have the cash value of the investment gold wired to personal bank accounts.
82. Investors who purchase Coupons with their payouts are able to use them personally, or sell them to new or existing investors.

² According to EmGoldex, EmGoldex is currently unable to ship physical gold to investors in the United States due to, "[...] tightening of the customs rules and respective formalization procedures, within the framework of fighting international terrorism [...]." EmGoldex has instructed investors located in the United States to use a third-party proxy located within the European Union to receive gold shipments. D'Agati admitted in testimony to the Division that he has received gold through a third-party proxy located in Italy. D'Agati added that, according to EmGoldex, terrorism and homeland security concerns were alleviated through the use of the proxy.

83. Team USA purchased Coupons from other investors, offering cash or cashier's checks in exchange for Coupons, and thus speeding up the payout process for Team USA investors.

84. As noted by Seigler in testimony to the Division, investors on Team USA could "have us [Team USA] sell your Coupons and get it [a payout] sort of faster [...]"

85. By reselling Coupons to new recruits, Team USA and Respondents enhance their own downlines, thus earning more payouts.

86. EmGoldex, often through Respondents, also offers positions in an Accelerated Investment opportunity ("Accelerated Investment").

87. For nearly twice the cost of the Basic Investment, the Accelerated Investment allows investors to Cycle through a payout structure with fewer investor spots ("Golden Link Table").

88. Investors in the Accelerated Investment pay 1,050 Euro and are placed onto the Golden Link Table, an inverted pyramid structure consisting of only three levels and seven spots. Level 1 contains four spots, Level 2 contains two spots, and Level 3 contains one Pay Spot.

89. Investors in the Accelerated Investment opportunity require fewer new investors to complete a Cycle, and thus reach the Pay Spot at a faster rate.

90. An investment in Accelerated Investment opportunity enables investors to proceed through two Cycles and receive approximately 7,000 Euro.

91. According to testimony provided by Seigler to the Division, as part of a promotion in the summer of 2014, investors who had three direct recruits³ at the Basic Investment level could participate in the Accelerated Investment for a discounted rate of 540 Euro, instead of the usual rate of 1,050 Euro.

³ A direct recruit is any recruit personally recruited into the EmGoldex Marketing Program by an investor and placed in that investor's downline.

92. Prior to withdrawing any payouts from either the Basic Investment or Accelerated Investment, EmGoldex charges a 7% processing fee, which leaves investors in either opportunity with 6,510 Euro worth of gold visible in the Back Office after the completion of two Cycles.
93. At the completion of two Cycles, investors in either the Basic Investment or Accelerated Investment opportunity are automatically renewed for another two Cycles, with either 540 or 1,050 Euro worth of gold, respectively, being withdrawn from the investor's Back Office.
94. Investors in the Basic Investment can make a net profit of at least 1,105%, while the Accelerated Investment generates a net profit of at least 520%.
95. Investors rely on the efforts of others to move through either the Table of Orders or the Golden Link Table to reach the Pay Spot and receive a payout.
96. Upon information and belief, investors in the Accelerated Investment accept a reduced rate of return in exchange for the ability to achieve a Cycle faster than investors moving through the Table of Orders in the Basic Investments.
97. Investors in the EmGoldex Marketing Program receive payouts based solely on the recruitment of two new individuals to the scheme (the One Plus Two Formula), and the efforts of other investors who do the same.
98. Investors receive the payouts with minimal effort and no required sales of any product.

3. The EmGoldex Leadership Program

99. In addition to the Basic Investment and the Accelerated Investment, investors in the EmGoldex Marketing Program are rewarded with additional opportunities for payouts based on successful recruiting efforts, through entry into the Leadership Program.
100. The Leadership Program is a twelve level compensation system that credits investors in the Leadership Program ("Leaders") each time a Cycle is completed by any other investor in

their downline. The program offers further rewards to Leaders each time a personally recruited investor qualifies for the Leadership Program.

101. To qualify for the Leadership Program, an investor must recruit two new investors who also each recruit two more investors into the EmGoldex Marketing Program. Further, each of the seven people must reach receive a payout before the investor at the top of the line is automatically enrolled in the Leadership Program.

102. Once enrolled in the Leadership Program, Leaders receive both points and "bonus gold" each time a Cycle is completed by an investor in their downline. The points accumulate and ultimately allow Leaders to reach higher levels of the Leadership Program.

103. The "bonus gold" is a fixed amount of "credit bonuses" for each level of the Leadership Program, increasing as Leaders attain higher levels.

104. According to the EmGoldex "General Terms and Conditions," a Leader may use the credit bonuses to purchase gold from EmGoldex.

105. Upon information and belief, Leaders can exchange all gold in their Back Office received through the Leadership Program for cash or Coupons for new positions in the EmGoldex Marketing Program.

106. According to testimony from D'Agati, Leaders at Level 1 of the Leadership Program receive 48 Euro for each Cycle completed by a downline investor.

107. Each subsequent level of Leadership increases the payout for each Cycle completed by a downline investor.

108. The Leadership Program is an entirely passive income source, driven solely by the recruiting efforts of downline investors.

109. Investors in the Leadership Program are rewarded based on the recruiting efforts of other investors, often completely unknown to them, located all over the world.

110. As described by Respondent D'Agati in an online video accessible in the Commonwealth:

[o]nce you first initially get into the leadership program and you're building your team, whether your team has fifty individuals or fifty thousand individuals, once you get into leadership, every single time someone in your organization, whether you know them or don't know them, whether they're here in your back yard in Massachusetts, whether they're somewhere across the United States, or somewhere, through the network that has expanded through your organization on an international basis, again, whether you know them or not, and they get paid, you get paid.

(available at www.youtube.com/watch?v=dHWzHB_dvuk).

111. Later in that same video presentation, D'Agati added that certain investors overseas are already earning 3,500 Euro per week using the "strategic system" that Respondents developed.

112. The Leadership Program has an added component that rewards Leaders each time a direct recruit qualifies for the Leadership Program.

113. Leaders receive even more bonus gold whenever a direct recruit advances to a new level in the Leadership Program.

114. The bonuses increase as the personal recruit reaches higher levels of the Leadership Program.

115. According to Team USA, if a direct recruit attains Level 12 in the Leadership Program, an investor will have received over 280,000 Euro in passive income from the advancement of that single recruit.

116. In his testimony to the Division, D'Agati stated that he was currently involved in the Leadership Program and was at Level 3.

117. According to an EmGoldex news release in April 2014, available on the EmGoldex website, D'Agati was the 40th ranked "Leader" worldwide in the EmGoldex Marketing Program.

C. EmGoldex Team USA Solicitation in the Commonwealth

1. Overview

118. Team USA was established around January 2014 and was incorporated in the Commonwealth of Massachusetts on June 10, 2014 by D'Agati.

119. As of August 14, 2014, Team USA maintains its headquarters at 16 Haverhill Street, Unit 8, Andover, MA 01810.

120. According to Seigler's testimony to the Division, D'Agati, Piemonte, Seigler, and Zingales each own a one fourth share of Team USA.

121. Team USA markets itself as a training facility created to educate individuals on the EmGoldex Marketing Program.

122. Respondent Zingales noted in testimony to the Division that Team USA provides training on the EmGoldex Marketing Program free of charge.

123. However, according to Piemonte and D'Agati, Team USA hosted weekly training sessions where it charged existing EmGoldex investors a \$10 fee to attend.

124. Respondent D'Agati described the purpose of Team USA in testimony to the Division, stating:

EmGoldex Team USA was created with really the sole purpose that we were – believing we were benefitting those that were coming involved [in EmGoldex]. In other words, that they were given complete transparency of the information and that once they received it and understood it, it was up to that individual to make their decision if it [EmGoldex] was the right opportunity for them.

125. When the Division asked D'Agati if Team USA was expected to generate income for its principals, D'Agati testified, "[n]ot necessarily. It wasn't intended – maybe down the road that's a possibility, but it wasn't something that was intended initially."

126. When the Division asked Seigler about his incentive for recruiting with Team USA, Seigler admitted the significant financial interests at stake, testifying, “[y]eah, so I can get paid [...] I’m not going to pretend that I’m doing this just as a Good Samaritan, no.”

127. Respondents had a major financial incentive to promote the EmGoldex opportunity and to build their downlines through extensive recruitment.

128. Upon information and belief, Respondents failed to disclose to Team USA investors and potential recruits that they stood to make significant profits when new investors joined the EmGoldex Marketing Program.

129. The structure and terms of the Leadership Program provide that Leaders receive additional income any time a downline investor completes a Cycle.

130. Through Respondents’ widespread promotion of the EmGoldex Marketing Program and increasing the size of their collective down lines, Respondents receive significant passive income.

131. Further, by constantly recruiting more individuals into the EmGoldex Marketing Program, Respondents enabled their own positions in the EmGoldex Marketing Program to reach the Pay Spot more frequently.

2. Team USA’s Recruitment of New Investors

132. Team USA holds itself out as a training facility for the EmGoldex Marketing Program.

133. However, upon information and belief, Respondents represent the most visible and active recruiting affiliate of EmGoldex in Massachusetts, utilizing at least five different mechanisms to recruit new investors throughout the Commonwealth.

134. Specifically, Team USA recruits new investors into the EmGoldex Marketing Program through social media, websites, internet training videos, print advertising, and live events.

135. Upon information and belief, Team USA's promotional activities increase the downlines for all Respondents, thus increasing their passive income.

136. Since at least the spring of 2014, Team USA has maintained social media accounts, on at least Facebook and Twitter, to increase recruitment for the EmGoldex Marketing Program.

137. Within Facebook, Team USA uses designated groups and targeted postings to advertise and promote the EmGoldex Marketing Program.

138. The Team USA Facebook group, as accessed by the Division in July 2014, includes posts advertising the EmGoldex Marketing Program, Team USA live events, and Team USA t-shirts.

139. D'Agati and Zingales also use personal Facebook pages to promote the EmGoldex Marketing Program.

140. Around June 13, 2014, Zingales is personally tagged as posting on the Team USA Facebook page advertising a Team USA live event, stating, "Who wants **FREE \$\$\$???** The 50th person to share this posting with their friends will receive a \$50 VISA gift card. Don't forget to invite them to this huge event. We will have food, a live band, **prizes (\$\$ & GOLD)**, BMW's [*sic*] and much more." (emphasis added).

a) The EmGoldex Team USA Website and Advertising Material

141. Although no longer available, the Team USA website at www.emgoldexteamusa.com ("Team USA Homepage"), available for viewing in the Commonwealth, advertised EmGoldex as "[...] a new incredibly simple business system to earn a significant additional income [...]," and "EmGoldex is making fortunes for individuals, just like you, all over the world."

142. The Team USA Homepage makes no mention of sales or products.

143. Instead, the Team USA Homepage focuses on the EmGoldex Marketing Program, displaying investors who have received payouts from the EmGoldex Marketing Program.

144. Upon information and belief, Team USA paid investors pictured on the Team USA Homepage in cash or cashier's checks in exchange for EmGoldex Coupons.

145. The Team USA Homepage includes a section about network marketing and the advantages of a network marketing business.

146. When discussing his understanding of network marketing in testimony to the Division, Piemonte stated, "[y]ou know, I'm always under the impression if there was a product involved, then it's not a pyramid scheme [....]"

147. Yet, despite EmGoldex holding itself out as a network marketing business, Respondents fail to disclose anywhere on the Team USA Homepage that EmGoldex is an e-commerce store with a product to buy or sell.

148. The Team USA Homepage advertises the EmGoldex Marketing Program as a simple and relatively quick way to earn significant residual income.

149. Respondents also advertise on the Team USA Homepage that through the EmGoldex Marketing Program, even children are able to make significant profits, with little to no effort of their own.

150. In a section on the Team USA Homepage titled "Local Success Stories," Respondents feature at least three photos of children, with one caption reading, "Paid \$4000 in only 13 weeks! Yes, even your children can get paid!!"

151. The Team USA Homepage "Local Success Stories" section also includes photos of a number of other EmGoldex investors who are members of Team USA. Each photo is emblazoned on an American flag background, with the title "GOLDEN \$4000 CLUB."

152. The "successful" investors received their payouts by recruiting new investors into the EmGoldex Marketing Program, not through the sale of any purported product.

153. Upon information and belief, each photo represents a Team USA member who has completed a Cycle, exchanged the gold payout from EmGoldex for a Coupon, and sold the Coupon to Team USA in exchange for cash or a cashier's check.
154. Team USA resold Coupons purchased directly from investors to new recruits.
155. Respondents even use the Team USA Homepage to pitch the EmGoldex Marketing Program as a retirement vehicle, noting that EmGoldex can create a "[p]lan B to care for you and your family in the later years." Respondents further add that membership in the EmGoldex Marketing Program is a fully transferrable asset upon death, providing perpetual residual income for an investor's family.
156. Upon information and belief, other photographs visible on the Team USA Homepage appear to show Team USA live in person events, with investors displaying checks that Team USA issued.
157. The Team USA Homepage also features a video describing the EmGoldex Marketing Program. The description for the video notes that, "[...] EmGoldex takes on average only weeks" to earn a payout and "[t]his bonus is a short term, highly achievable goal for almost anyone and can be repeated over and over again without any additional out of pocket investment."
158. Certain printed advertising materials that Team USA provided to the Division further outline the recruitment and investment focus.
159. According to the advertising materials, Team USA states that among its target recruits are "[e]very investor that wants a better return on their money."
160. The same page also notes the passive investment nature of the EmGoldex Marketing Program, stating "[t]ime to have your money work for you."

b) EmGoldex Team USA Weekly Meetings and "Boot Camps"

161. Respondents have hosted frequent in person events in the Commonwealth promoting the EmGoldex Marketing Program and developing strategies on how to best recruit more investors.
162. Recruitment is the only requirement to receive income through the EmGoldex Marketing Program.
163. Respondents held weekly meetings at the Team USA headquarters in Andover, Massachusetts.
164. The weekly meetings allowed current investors to bring new recruits to learn the basics of the EmGoldex Marketing Program and the One Plus Two Formula.
165. Respondents charged investors already participating in the EmGoldex Marketing Program a \$10 fee to attend the meetings, while potential new recruits accompanying an existing investor were admitted free of charge.
166. Respondents generated income not only from the fees charged for weekly meetings, but also received greater returns through the income generated by new investors added to their downlines in the EmGoldex Marketing Program.
167. In testimony to the Division, D'Agati stated that the weekly trainings were advertised predominantly via social media and word of mouth.
168. For certain live in person events, Respondents also used printed advertising material, which was distributed to Team USA investors to then redistribute to potential investors.
169. In a response to interrogatories from the Division, Team USA noted that at least six in person events hosted by Team USA included an "opportunity packet" provided to investors.
170. Upon information and belief, the opportunity packet provided information on the EmGoldex Marketing Program to potential new investors.

171. New investors in the EmGoldex Marketing Program grow the downlines of all Respondents, generating increased passive income opportunities.
172. Upon information and belief, the weekly trainings and other in person events were not for training, but for recruiting new investors into the EmGoldex Marketing Program.
173. According to marketing materials Team USA provided to the Division, Team USA represented EmGoldex as a "life changing opportunity" for new investors. These advertising and marketing materials from Team USA are also adorned with pictures of gold bars, bags of cash and phrases such as "NOW YOU GET PAID."
174. EmGoldex Team USA also held two special training events referred to as "Boot Camps" between approximately May and August 2014.
175. According to Seigler, the price of each Boot Camp was \$79 and included a number of books and CDs focused on network marketing. Bank records show that some attendees paid \$99 for the Team USA Boot Camp.
176. Each Boot Camp was held at the Andover, Massachusetts headquarters of Team USA and took place on a Saturday and Sunday. According to Seigler, each Boot Camp was four hours on Saturday, followed by another four hours on Sunday.
177. Upon information and belief, Respondents used the Boot Camps to further emphasize and encourage the importance of recruitment for the EmGoldex Marketing Program.
178. Recruitment by Team USA investors would directly benefit Respondents, who could receive increased income through the terms of the Leadership Program.
179. According to Seigler in testimony to the Division, his role in the Boot Camps was, "pretty much how to recruit, how to retain, how to train them the right way and personal

development [...] I told people it's, you know, we can all get better, you know, so those are things I train on, how to build a network marketing team, how to build you.”

180. Upon information and belief, Seigler and Team USA trained individuals to build a network marketing team that sold no actual products.

c) EmGoldex Team USA Launch Event

181. On June 20, 2014, Team USA held a launch event at the Wyndham Hotel in Andover, Massachusetts (“Launch Event”).

182. The Launch Event was attended by approximately 300 individuals, and consisted of current EmGoldex investors and their guests. Respondents sold tickets to the Launch Event, priced at \$25 per ticket.

183. The stated purpose of the event was to officially launch Team USA in the United States.

184. The Launch Event was advertised by word of mouth, Facebook, and postcards distributed by existing investors.

185. One postcard, provided by Team USA to the Division, advertised that the EmGoldex Team USA Grand Opening Celebration would include, “LIVE MUSIC, FOOD, FACTS & FUN, ***OH AND CASH AWARDS!!!***” (emphasis added).

186. The Launch Event included individuals who spoke to the audience about their experience and success with the EmGoldex Marketing Program.

187. Upon information and belief, “success” in the EmGoldex Marketing Program is premised on the recruitment of two new investors and reaching the Pay Spot.

188. According to Seigler, the speakers at the Launch Event were “not bottom feeders,” and included lawyers, millionaires, and other very successful business people.

189. D'Agati testified to the Division that he brought a sample of physical gold purportedly received from EmGoldex as part of a payout to show to attendees.

190. For their part, according to documents that Team USA produced to the Division, D'Agati and Zingales adopted speeches from popular movies, such as "Rocky" and "Any Given Sunday."

D. Respondents Offered and Sold Fraudulent Securities in a Pyramid Scheme in the Commonwealth

191. The EmGoldex Marketing Program is a pyramid scheme. Investors pay money to EmGoldex, often facilitated by Respondents, in exchange for the right to join the EmGoldex Marketing Program. Investors also receive the right to substantial payments merely for recruiting two new participants, payments that are unrelated to any product sales.

192. According to documents Team USA provided to the Division, on April 25, 2014, D'Agati wrote to EmGoldex support services via his Back Office, asking: "[i]f EmGoldex isn't able to provide our client partners with the Gold [...] then we are just exchanging money, not a product of gold, and hence these entities are telling us that EmGoldex is nothing more than elaborate Ponzi scheme or Pyramid. Is this true?"

193. D'Agati reported to EmGoldex support services that a number of individuals asked Team USA whether EmGoldex was a pyramid scheme, and Team USA needed a response to give potential recruits.

194. EmGoldex support services responded, "EmGoldex is not the [*sic*] 'financial pyramid', we are an internet shop[...]" The EmGoldex response also cited European internet commerce laws regarding the enforceability of electronic documents.

195. On April 25, 2014, D'Agati followed up with EmGoldex, asking, "[s]o what you're telling me is that it does not matter that **your product, Gold, never touches the hands of a USA citizen**, because you're set up as an online ecommerce business?" (emphasis added).

196. The reply from EmGoldex support services did not specifically address the question as to citizens of the United States, and instead stated that EmGoldex could deliver in Europe or that a "client" of EmGoldex could personally pick up gold in Munich [Germany].

197. Upon information and belief, there are no products that investors can reasonably be expected to sell to non-participants in the EmGoldex Marketing Program.

198. The EmGoldex website explicitly states that EmGoldex is, "[for investors] to receive a payment for professional advertising, extended worldwide and to participate in distribution of profits of the Internet shop."

199. Investors in the EmGoldex Marketing Program are not paid to sell a product, but instead receive payment and profit sharing opportunities for the recruitment of new investors into the EmGoldex Marketing Program.

1. The EmGoldex Scheme is unsustainable through the sale of memberships

200. While EmGoldex promotes itself as an internet shop, investors have neither a requirement nor a financial incentive to sell investment gold. Any sale of investment gold bars is ancillary to the EmGoldex Marketing Program.

201. According to Piemonte in testimony to the Division, there is no bonus or other compensation paid if an investor actually sells gold to anyone outside the EmGoldex Marketing Program.

202. Respondents' sole emphasis is on recruitment into the EmGoldex Marketing Program, and as a result, Respondents engage in no retail activity to deliver actual revenue to EmGoldex.

203. The returns promised by the EmGoldex Marketing Program are unsustainable without continuously adding new investors via the One Plus Two Formula.

204. To qualify for returns on their investments, investors in the EmGoldex Marketing Program are required to do nothing more than register with EmGoldex, place an order for investment gold bars, make a prepayment, and recruit two more individuals who also buy into the EmGoldex Marketing Program.

205. Upon information and belief, EmGoldex's primary, if not only, source of revenue is the revenue received from each new recruit into the EmGoldex Marketing Program.

206. Team USA has facilitated the investment process for the EmGoldex Marketing Program for hundreds of investors in Massachusetts.

207. The recruitment focus of Respondents is evident in a slideshow that Respondents provided to the Division, entitled "3 Rules For Success." The slideshow presentation provides new recruits and investors with strategies on how to successfully recruit more individuals into the EmGoldex Marketing Plan.

208. The slideshow from Respondents makes no mention of either product sales requirements or incentives to sell a product.

209. Ultimately, with little or no retail sales, guaranteed returns of up to 1,105% cannot be sustained without the constant influx of new investors into the EmGoldex Marketing Program.

2. Lack of Control Over Investments

210. The EmGoldex Marketing Program also includes unconventional and uncontrolled EmGoldex investments facilitated by Respondents.

211. Upon information and belief, for all investments in the EmGoldex Marketing Program facilitated through Respondents, Respondents make no effort to determine if participants have the financial qualifications to invest, or determine an individual participant's experience in investing before accepting capital for investment.

212. Instead, according to testimony Zingales provided to the Division, Team USA was simply designed to help individuals “pique,” or gain the interest of potential investors in the EmGoldex Marketing Program.

213. Upon information and belief, Respondents focus primarily on increasing recruits in the EmGoldex Marketing Program, allowing anyone to register, including minors with no income.

214. While EmGoldex purports to restrict the number of memberships per individual in its program, its efforts are ineffective, as evidenced by Respondents’ conduct.

215. For example, Respondents are involved in the EmGoldex Marketing Program both individually, and through a number of different business and/or partnership entities. The entities allow each Respondent to acquire more positions in the EmGoldex Marketing Program.

216. More positions in the EmGoldex Marketing Program create an opportunity for Respondents to receive more passive income.

217. In his testimony to the Division, Piemonte stated that he has a position in the EmGoldex Marketing Program through an entity by the name of “NRJP.” Piemonte further testified that he and D’Agati had planned to open yet another position in the EmGoldex Marketing Program using a trust.

218. Additionally, D’Agati, Piemonte, Seigler, and Zingales have enrolled other members of their families, including parents and children, to gain more positions in the scheme.

219. Upon information and belief, D’Agati, Piemonte, Seigler, and Zingales enrolled family members to help their individual positions reach the Pay Spot faster.

220. For example, D’Agati enrolled his sixteen year-old daughter and his wife into the EmGoldex Marketing Program. D’Agati personally financed the positions for his family and then enrolled two recruits for each family member.

221. Zingales noted in testimony to the Division that he enrolled his wife, and then recruited his children to enable his wife to satisfy the One Plus Two Formula, thus becoming eligible to reach the Pay Spot for a payout.

222. Upon information and belief, the ability of an individual to create multiple positions in the EmGoldex Marketing Program has allowed certain investors to receive significant returns, to the detriment of later investors.

223. Investors in the EmGoldex Marketing Program are also able to purchase investment positions directly from other investors, rather than through EmGoldex, creating even greater risks for potential new investors.

224. Specifically, investors already enrolled in the EmGoldex Marketing Program can exchange Back Office gold for Coupons, which are then sold to other investors in exchange for cash or cashier's checks.

225. Respondents, individually and collectively, have created a secondary market for EmGoldex securities.

226. Respondents purchase Coupons from Team USA investors, which Respondents then sell to new recruits.

227. Team USA also planned to offer Team USA investors additional bonus money outside of the EmGoldex Marketing Program.

228. According to testimony from Seigler, Respondents purchase Coupons from investors who are members of Team USA, issuing payment via checks from Team USA bank accounts.

229. Team USA testified to facilitating this process in response to an interrogatory from the Division, stating, "EmGoldex Team USA did facilitate the purchase of Coupons."

230. Respondents provided the Division with multiple photographs showing smiling Team USA investors holding \$4,000 checks issued and endorsed by Team USA.

231. Using multiple pooled bank accounts, Respondents have collected over \$473,000 in Massachusetts for the EmGoldex Marketing Program.

232. Upon information and belief, the funds raised by Respondents represent cash paid by investors to Respondents to gain entry into the EmGoldex Marketing Program.

233. D'Agati opened up a Bank of America business bank account titled "Matthew M D'Agati Sole Prop DBA EmGoldex Team USA" in February 2014 and gave signing privileges on the account to Zingales around March 13, 2014 ("Team USA Bank Account").

234. From February 2014 through mid-July 2014, the Team USA Bank Account held over \$285,177 in deposits and wired out over \$148,807 (103,908 Euro) to EmGoldex's overseas bank accounts.

235. The majority of the deposits to the Team USA Bank Account were in increments of \$800 or the equivalent of 540 Euro, the price of membership into the EmGoldex Marketing Program.

236. D'Agati opened up a Bank of America business bank account in February 2014 titled "Matthew M. D'Agati Sole Prop DBA Matthew M. D'Agati" ("D'Agati Bank Account").

237. Between February 2014 and mid-July 2014, the D'Agati Bank Account had over \$23,679 in deposits and wired out over \$9,203 (6,500 Euro) to an EmGoldex overseas bank account.

238. Zingales opened a Bank of America business bank account around March 11, 2014 and gave signing privileges on the account to D'Agati on March 13, 2014 ("Zingales Bank Account").⁴

239. Between March 11, 2014 and March 13, 2014, the Zingales Bank Account had deposited \$6,400. On March 13, 2014, Zingales wired \$5,486.40 (3,790 Euro) to an EmGoldex account at an overseas bank.

240. From March 2014 through mid-July 2014, the Zingales Bank Account had over \$165,900 in deposits and wired out over \$124,649 (90,142 Euro) to EmGoldex's overseas bank accounts.

241. The majority of the deposits to the Zingales Bank Account were in increments of \$800 or the equivalent of 540 Euro, the price of membership into the EmGoldex Marketing Program.

242. Around April 2014, Piemonte opened a Bank of America personal account. On July 22, 2014, Piemonte's account received a \$3,303.80 wire from Global Transaction Service sent on behalf of EmGoldex.

243. In total, from March 2014 to mid-July 2014, Respondents wired over \$282,659 (200,550 Euro) to overseas financial institutions, located in foreign countries including Bulgaria and Poland for entry into the EmGoldex Marketing Program.

244. The amount wired in Euro divided by 540 Euro, the price of membership in the EmGoldex Marketing Program, equates to around 371 memberships facilitated by Team USA in a four month time frame.

⁴ Around March 11, 2014, Zingales opened a second business account at Bank of America. Between May 2014 and mid-July 2014, Zingales' second Bank of America Account had over \$7,453 in deposits and \$7,452 in withdrawals that included a vacation in Florida.

E. Unregistered and Non-Exempt Offering

245. Respondents individually and through Respondent Team USA offered and sold securities in the form of memberships in the EmGoldex Marketing Program.

246. Respondents have never filed an application for the registration of, or notice of exemption from registration for, securities to be offered in the Commonwealth during the Relevant Time Period.

247. The EmGoldex Marketing Program offers investors guaranteed returns of up to 1,105% for completing the One Plus Two Formula.

248. To receive the guaranteed returns, investors sign up two new investors and complete two Cycles. Investors move through the EmGoldex payout structures through the efforts of others, as other investors, including Respondents, recruit more individuals into the EmGoldex Marketing Program.

249. The Coupons and memberships in the EmGoldex Marketing Program are securities in the form of investment contracts.

250. The investment promoted by Team USA is primarily contingent upon the efforts of other investors to constantly expand membership in the EmGoldex Marketing Program.

F. Unregistered and Non-Exempt Sellers

251. Respondents have never registered or applied for registration in Massachusetts as broker-dealers, agents of a broker-dealer or an issuer, investment advisers, or investment adviser representatives, or in any other capacity in the securities business in Massachusetts during the Relevant Time Period.

252. Respondents indirectly received compensation for the solicitation and sale of securities in the Commonwealth.

253. Respondents directly received compensation for the solicitation and sale of securities in the Commonwealth.

254. Respondents indirectly received compensation for advising Massachusetts investors on purchases of EmGoldex securities, memberships in the EmGoldex Marketing Program.

255. Respondents directly received compensation for advising Massachusetts investors on purchases of EmGoldex securities, memberships in the EmGoldex Marketing Program.

256. Specifically, Respondents advised investors and potential investors on EmGoldex securities through the numerous training events and meetings held at the Team USA headquarters and elsewhere in the Commonwealth.

VIII. VIOLATIONS OF THE MASSACHUSETTS UNIFORM SECURITIES ACT

A. Count 1: Violations of Section 101(3)

257. Section 101(3) of the Act provides, in pertinent part:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

(3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

MASS. GEN. LAWS ch. 110A, § 101(3).

258. The Division herein restates and re-alleges the factual allegations set forth in paragraphs 1 through 256 above.

259. The conduct of Respondents, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 101(3).

B. Count 2: Violations of Section 201

260. Section 201(a) and (c) of the Act provides, in pertinent part:

(a) It is unlawful for any person to transact business in this commonwealth as a broker-dealer or agent unless he is registered under this chapter.

(c)It is unlawful for any person to transact business in the commonwealth as an investment adviser or as an investment adviser representative unless he is so registered under this chapter.

MASS. GEN. LAWS ch. 110A, § 201(a) and (c).

261. The Division herein restates and re-alleges the factual allegations set forth in paragraphs 1 through 256 above.

262. The conduct of Respondents, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 201(a) and (c).

C. Count 3: Violations of Section 301

263. Section 301 of the Act provides:

It is unlawful for any person to offer or sell any security in the commonwealth unless:--

- (1) the security is registered under this chapter;
- (2) the security or transaction is exempted under section 402; or
- (3) the security is a federal covered security.

MASS. GEN. LAWS ch. 110A, § 301.

264. The Division herein restates and re-alleges the factual allegations set forth in paragraphs 1 through 256 above.

265. The conduct of Respondent, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 301.

IX. STATUTORY BASIS FOR DIVISION ACTION

Section 407A of the Act relates to Violations, Cease and Desist Orders and Costs and it provides in pertinent part that:

- (a) If the secretary determines, after notice and opportunity for a hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take affirmative action, including the imposition of an administrative fine, the issuance of an order

for accounting, disgorgement or rescission or any other relief as in his judgment may be necessary to carry out the purposes of [the Act].

X. PUBLIC INTEREST

For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors to: (1) find as fact the allegations and facts set forth below; (2) require Respondents to permanently cease and desist from acting as unregistered broker-dealers, unregistered broker-dealer agents, unregistered investment advisers, and/or unregistered investment adviser representatives; (3) require Respondents to permanently cease and desist from effectuating the offer and sale of unregistered securities in the Commonwealth; (4) require Respondents to provide an accounting of all proceeds received as a result of the alleged wrongdoing; (5) require Respondents to disgorge all proceeds and other direct or indirect remuneration received a result of the alleged wrongdoing; (6) require Respondents to offer remuneration to fairly compensate all investors who suffered losses attributable to the alleged wrongdoing; (7) impose an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and (8) take any other necessary action which may be in the public interest and appropriate for the protection of Massachusetts investors.

XI. RELIEF REQUESTED

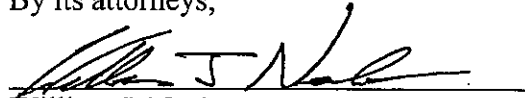
WHEREFORE, the Enforcement Section of the Division requests that the Director or Hearing Officer take the following actions:

- A. Find that all the sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors;
- B. Find as fact the allegations set forth in Section VII, inclusive, of the Complaint;

- C. Require Respondents to permanently cease and desist from acting as unregistered broker-dealers, unregistered broker-dealer agents, unregistered investment advisers, and/or unregistered investment adviser representatives;
- D. Require Respondents to permanently cease and desist from effectuating the offer and sale of unregistered securities in the Commonwealth;
- E. Require Respondents to provide an accounting of all proceeds received as a result of the alleged wrongdoing;
- F. Require Respondents to disgorge all proceeds and other direct or indirect remuneration received a result of the alleged wrongdoing;
- G. Require Respondents to offer remuneration to fairly compensate all investors who suffered losses attributable to the alleged wrongdoing;
- H. Impose a civil administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and
- I. Take any other necessary action which may be in the public interest and appropriate for the protection of Massachusetts investors.

**ENFORCEMENT SECTION
MASSACHUSETTS SECURITIES DIVISION**

By its attorneys,



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Dated: October 22, 2014