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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
whether there has been a violation
of the Securities Act of Washington by:

Charles Winn, LLC,

Respondent.

Order Number S-20-3038-21-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST,
IMPOSE FINES, AND CHARGE COSTS

INTRODUCTION

On January 7, 2021, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Issue an Order to Cease and Desist, Impose Fines, and Charge Costs, Order No. S-20-3038-20-SC01 (Statement of Charges) against the Respondent Charles Winn, LLC. The Statement of Charges, together with a Notice of Opportunity for Hearing (Notice) and an Application for Adjudicative Hearing (Application), were served on Respondent Charles Winn, LLC, on January 20, 2021. The Notice advised Respondent Charles Winn, LLC that the Application must be received within twenty days from the date of service. Respondent Charles Winn, LLC failed to request an administrative hearing within twenty days of service.

The Securities Administrator therefore adopts as final the following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enters a final order against Respondent Charles Winn, LLC to cease and desist from violations of the Securities Act, and to impose the fines and costs sought in the Statement of Charges.

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER
TO CEASE AND DESIST, IMPOSE FINES, AND
CHARGE COSTS

1 **FINDINGS OF FACT**

2 **Respondent**

3 1. Charles Winn, LLC (Charles Winn) is a limited liability company that was registered in
4 Delaware in August 2017. Charles Winn uses business addresses of 300 Delaware Ave., Suite 210,
5 Wilmington, Delaware (a virtual office) and 3524 Silverside Road, Suite 35B, Wilmington, Delaware
6 (the office of its registered agent). Charles Winn is headquartered in the United Kingdom.

7 **Prior Enforcement Action**

8 2. On October 22, 2020, the Texas State Securities Board filed an Emergency Cease and
9 Desist Order against Charles Winn, LLC, Charlie Jake Smith, Oscar Valentine, Christian Fonte aka Chris
10 Font, Casey Farrell, Joe Adams, Helen Stanley, and Michael Jones. The order alleges that Charles Winn
11 and its sales agents offered and sold unregistered securities in Texas, and have engaged in fraud by
12 intentionally failing to disclose the identities of the principals and managers of the company and by using
13 aliases to conceal the identities of the sales agents. The order further alleges that Charles Winn and its
14 sales agents misrepresented that the company has a physical office address in Delaware, and failed to
15 disclose material information to investors including the commissions paid to the sales agents, risks of the
16 investment, and information about the performance of previous investments sold.

17 **Introduction**

18 3. Charles Winn and its sales agents have engaged in a cold-calling scheme to target
19 investors throughout the United States to invest in its wine brokerage program. Charles Winn claims it
20 will identify and purchase a portfolio of fine wines on behalf of investors, which will be held in a bonded
21 warehouse until sold for a profit. Charles Winn raised at least \$5 million dollars from investors
22

1 nationwide. Between approximately January 2018 and October 2020, four Washington residents
2 invested approximately \$68,000 in Charles Winn's wine brokerage program. The Washington residents
3 received repeated cold-call solicitations and were told they could make a lucrative return on an
4 investment. To date, none of the investors have received a return on their investment.

5 Sales in Washington

6 4. Between approximately January 2018 and October 2020, four Washington residents
7 invested a total of \$68,275 in Charles Winn's wine brokerage program. The residents received repeated
8 cold-calls by Charles Winn sales agents until they agreed to invest. Charles Winn sales agents claimed
9 that they had access to rare vintage wines, and one Washington resident was told that Charles Winn only
10 deals in the top 2% of the rarest wine in the world. Charles Winn sales agents represented that the wine
11 would appreciate over time, and when the wine was sold Charles Winn would take 10% of the sale
12 proceeds as their commission.

13 5. Charles Winn sales agents represented to investors that Charles Winn had access to certain
14 markets to sell the wine. Sales agents represented to investors that the wine would be sold in China and
15 India, and that there would be a lot of sales during the Chinese New Year and other holidays. One
16 investor was told that Charles Winn had a client list that included hotels in China, which would buy large
17 quantities of wine. One investor was also told that the wine could be sold at auction.

18 6. The sales agents represented to investors that the wine brokerage program has a high
19 return. Two investors were told that that they could make returns of approximately 10-30%, and one
20 investor was told that he could make four to five times the amount of his principal. One investor was told
21 that he could make a return in four months, and another investor was told that he could make a return in
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1 six months or less. Charles Winn sales agents failed to provide a reasonable basis for the projected return
2 on investment.

3 7. Charles Winn and its sales agents did not provide the investors with any disclosure
4 documents prior to their investments. Charles Winn failed to provide the investors with material
5 information regarding their company, including the operational history, litigation history, financial
6 statements, the identities of the principals and managers of the company, and the location of its principal
7 office. Charles Winn and its sales agents also failed to disclose the general and specific risks of the
8 investment, and the amount of the commission that the sales agents would receive.

9 8. Between approximately January 2018 and May 2020, four Washington residents made
10 initial investments totaling \$22,095 with Charles Winn. The Washington residents paid by wire transfer,
11 check, and credit card. The majority of the funds were deposited into a bank account in the name of
12 Charles Winn, LLC. Charles Winn sales agents represented to at least three of the Washington investors
13 that their investment was for the purchase of one case of wine.

14 9. Over two years after his initial investment, one investor asked to sell the case of wine that
15 he purchased. Charles Winn sales agents represented to this investor that he did not have a large enough
16 portfolio of wine to sell, and that he needed to invest more funds to increase the value of his portfolio,
17 which he could then combine with other investor portfolios to sell. The investor agreed to invest
18 additional funds, and between August and October 2020, the resident invested an additional \$46,180 with
19 Charles Winn. The investor made payment via cashier's check and wire transfers. Charles Winn sales
20 agents represented to the investor that his additional investment was for the purchase of seven cases of
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1 wine. Charles Winn and its sales agents failed to disclose to the investor, prior to his investment, the size
2 that his wine portfolio would need to reach before he could sell it.

3 10. Charles Winn sales agents also repeatedly solicited the three other investors to invest
4 additional funds. When one investor asked Charles Winn about the return on his investment to date, he
5 was told that he had made a 12% return, and was solicited to invest additional funds. Another investor
6 has received phone calls from Charles Winn sales agents more than one time a week. These three
7 investors have not invested additional funds with Charles Winn.

8 11. To date, none of the investors have received a return on their investment. The investors
9 have held their initial investments in wine between seven months to almost three years, which exceeds
10 the approximate four to six month projection for when they could expect a return on their investment.

11 **Registration Status**

12 12. Charles Winn, LLC was not registered to offer and sell securities in the State of
13 Washington during the relevant period, nor has it filed a claim of exemption from registration.

14 13. Charles Winn, LLC has never been registered as a broker-dealer in the State of
15 Washington.

16 Based upon the above Findings of Fact, the following Conclusions of Law are made:

17 **CONCLUSIONS OF LAW**

18 1. The offer and/or sale of the wine brokerage program described above constitutes the offer
19 and/or sale of a security as defined in RCW 21.20.005(14) and (17).

1 IT IS FURTHER ORDERED that the Respondent Charles Winn, LLC shall be liable for and
2 shall pay investigative costs of \$5,000.

3 **AUTHORITY AND PROCEDURE**

4 This Final Order is entered pursuant to the provisions of RCW 21.20.390, and is subject to the
5 provisions of RCW 21.20.440 and RCW 34.05. The Respondent has the right to petition the superior
6 court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements
7 for filing a Petition for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW
8 21.20.395, a certified copy of this order may be filed in Superior Court. If so filed, the clerk shall treat
9 the order in the same manner as a Superior Court judgment as to the fine, and the fine may be recorded,
10 enforced, or satisfied in like manner.

11 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE**

12 DATED AND ENTERED this 23rd day of February 2021.

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16 _____
17 William M. Beatty
18 Securities Administrator

19 Approved by:

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21 _____
22 Suzanne Sarason
23 Chief of Enforcement

24 Presented by:



Bridgett Fisher
Financial Legal Examiner

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Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor