

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION	:
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Plaintiff,	:
	:
	:
vs.	: Civil Action No. 19-cv-_____
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	:
JAYAT P. KANETKAR and GUARANTEED INVESTIGATIONS, INC.	: Jury Trial Demanded
	:
	:
Defendants.	:
	:

COMPLAINT

Plaintiff United States Securities and Exchange Commission (“SEC”), for its Complaint against Defendants Jayat P. Kanetkar and Guaranteed Investigations, Inc. (“Guaranteed” and, collectively, with Kanetkar, “Defendants”), alleges as follows:

SUMMARY

1. From 2013 to 2016, Defendants aided and abetted four fraudulent investment schemes that ultimately defrauded investors out of approximately \$2.1 million. Defendants provided substantial assistance to the primary perpetrators of

these fraudulent offerings, by, among other things, providing escrow services when Defendants knew or were reckless in not knowing that the schemes were fraudulent, disbursing investor funds from escrow in contravention of written contracts and escrow agreements, and providing false assurances to investors regarding the status of their transactions.

2. Defendants knew or were reckless in not knowing that investors were relying on Kanetkar, a former FBI agent, to keep their funds safe and to disburse funds only as permitted in the investors' escrow agreements and written contracts. Instead, Defendants blindly disbursed funds at the request of the promoters of the fraudulent investment schemes, ultimately resulting in approximately \$2.1 million in investor losses.

3. By engaging in the conduct alleged in this Complaint, Defendants aided and abetted violations of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [*15 U.S.C. § 78j(b)*] and Rule 10b-5 thereunder [*17 C.F.R. § 240.10b-5*] and Section 17(a) of the Securities Act of 1933 ("Securities Act") [*15 U.S.C. § 77q(a)*].

4. Unless Defendants are permanently restrained and enjoined they will again engage in the acts, practices and courses of business set forth in this Complaint.

5. The Commission brings this action against Defendants pursuant to Sections 21(d) and 21(e) of the Exchange Act [*15 U.S.C. §§ 78u(d) and 78u(e)*] and Section 20(b) of the Securities Act [*15 U.S.C. §§ 77t(b)*] to enjoin the transactions, acts, practices, and courses of business alleged in this Complaint and to seek orders of disgorgement, along with prejudgment interest, a civil penalty, and such further relief that the Court may deem appropriate.

JURISDICTION AND VENUE

6. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [*15 U.S.C. §§ 78u(d), 78u(e), and 78aa*] and Sections 20(b) and 22(a) of the Securities Act [*15 U.S.C. §§ 77t(b) and 77v(a)*].

7. Venue in this District is proper pursuant to Section 27 of the Exchange Act [*15 U.S.C. § 78aa*] and Section 22(a) of the Securities Act [*15 U.S.C. § 77v(a)*] because acts or transactions constituting the violations alleged herein occurred within this District and because Defendants conducted business in this District.

8. Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, and the means and instruments of transportation and communication in interstate commerce, in connection with the transactions, acts, practices, and course of business alleged in this Complaint.

9. Defendants entered into agreements to toll the applicable statute of limitations period from November 26, 2018 through August 31, 2019.

DEFENDANTS

10. **Defendant Guaranteed Investigations, Inc.** (“Guaranteed”) is a New Jersey corporation with its principal place of business in Edison, New Jersey. Guaranteed has only one employee, its owner Jayat P. Kanetkar.

11. **Defendant Jayat P. Kanetkar** (“Kanetkar”), age 52, is a resident of North Brunswick, New Jersey. At all relevant times, Kanetkar was the owner, President, and Chief Executive Officer of Guaranteed, and his actions in this matter were conducted in those capacities.

FACTS

I. Kanetkar’s History as an Escrow Agent for Failed Transactions Involving “Bank Guarantees” and “Standby Letters of Credit”

12. Kanetkar, a former FBI agent, began working as a private investigator in 2010. Around the same time, an individual named Peter Baker engaged Kanetkar to run background checks for his business, Prestige Global Trading, Ltd. (“Prestige”), and, later, to provide escrow services for fraudulent prime bank investments that Baker offered to investors.

13. At all relevant times, Baker has resided in this District, and Prestige has had its principal place of business here.

14. Baker told Kanetkar that he and his business partner, Elizabeth Oharriz, who acted through her company, Diversified Initiatives Consulting & Logistics, Inc. (“Diversified”), had access to prime bank instruments, such as bank guarantees and standby letters of credit. Baker told Kanetkar that investors could purchase the bank instruments for a small advance fee and then earn astronomical profits in just a few months with little or no risk.

15. Kanetkar agreed to provide escrow services for Baker and Prestige despite not understanding the transactions or how small advance fees could generate substantial profits with little to no risk of loss.

16. From at least in or around 2011 to November 2013, Kanetkar provided escrow services for at least five transactions in which Baker and Oharriz sold fraudulent prime bank instruments to investors, promising exorbitant returns in exchange for small advance fees. Each of the transactions failed. Kanetkar was never part of a successful transaction involving bank guarantees or standby letters of credit.

17. Despite knowing that each of the transactions with Baker and Oharriz involving bank guarantees or standby letters of credit had failed and despite not understanding how such transactions were even possible, Kanetkar, acting through Guaranteed, continued to provide escrow services for a series of similar

transactions orchestrated by Baker and Oharriz beginning in late 2013.

II. The Failed Hawk's Rest Transactions

18. In or around late December 2013, Baker entered into a purchase agreement with a group of investors investing through Hawk's Rest, LLC ("Hawk's Rest"). Pursuant to this agreement, Baker promised to deliver a €100 million bank guarantee from the Hongkong Shanghai Banking Corporation ("HSBC") upon payment of an advance fee. In the contract, Baker "affirmed to have control of said instrument." Baker promised that the advance fee was refundable if he did not deliver the bank guarantee.

19. In or around November 2013, as the December 2013 purchase agreement was being negotiated, Kanetkar, acting through Guaranteed, entered into an escrow agreement with Hawk's Rest. Pursuant to that agreement, Defendants agreed to provide escrow services for the advance fee required by the purchase agreement.

20. Given Kanetkar's involvement as an escrow agent in Baker's prior failed schemes, Defendants knew or were reckless in not knowing that the instrument Baker sold to the Hawk's Rest investors was fictitious. Despite this knowledge, Defendants agreed to act as escrow agent for the scheme, with Kanetkar's prior service as an FBI agent making the scheme appear more credible

to the investors. In so doing, Defendants provided substantial assistance to Baker's fraud.

21. By August 6, 2014, Defendants' escrow account had received \$506,000 of investor funds to be applied towards the advance fee. Despite knowing that these funds were supposed to be refundable, Defendants disbursed substantially all of the investors' money to Baker, Prestige or third parties, usually shortly after receiving it. Defendants did not conduct any diligence or make any inquiry into how investor funds were being used.

22. In or about August 2014, Baker and Oharriz coordinated to provide falsified HSBC "bank guarantee" documents to the Hawk's Rest investors and Defendants. The falsified documents contained clear indicia of fraud, including conspicuous errors like the misspelling of "Shanghai" in HSBC's official name as "Shangai" and forged, cut-and-paste signatures. The fraudulent documents provided further evidence to Defendants that the transactions for which they were continuing to provide escrow services were in fact frauds.

23. In or around March 2015, Baker presented a new proposal to the Hawk's Rest investors. Baker misrepresented that, for an additional payment, the Hawk's Rest bank guarantee could be combined with multiple other bank guarantees into a single, larger instrument that could then be leased to a HSBC

customer whom Baker knew and trusted. Baker told the Hawk's Rest investors that this deal was guaranteed to succeed and would earn them at least €50 million.

24. Defendants were aware in or around March 2015 that the Hawk's Rest transaction as contemplated in the purchase agreement had failed. Defendants did not understand the specifics of how the new, larger transaction would work. Despite knowing that the prior transaction had failed and not understanding the new transaction, Defendants continued to provide escrow services for Baker and Oharriz. Defendants received \$200,000 of additional funds from the Hawk's Rest investors and, at Baker's direction, blindly disbursed them to a third party overseas with no apparent connection to the transaction.

25. In or about May 2015, Defendants became aware that the SEC had filed a complaint alleging that other bank guarantee transactions in which Baker was involved were fraudulent. Despite this knowledge, Defendants continued to provide escrow services for Baker and Oharriz for transactions involving these type of instruments.

26. In July 2015, one of the principal Hawk's Rest investors contacted Defendants for updates about the transaction. Defendants assured the investor several times in 2015 and 2016 that the transaction was proceeding, though they had no reasonable basis to believe that this was true.

27. The Hawk's Rest investors lost all of the funds placed into escrow for the payment of the advance fee.

28. Defendants received \$7,560 for the escrow services they provided in connection with the Hawk's Rest transaction.

III. The Failed GALP Transaction

29. Despite the failure of the Hawk's Rest transaction and the many similar transactions prior, Defendants continued to provide escrow services in furtherance of Baker and Oharriz's schemes to defraud investors.

30. In January 2016, Gestión Austral Los Pinos SA ("GALP"), a Costa Rican company, entered into a purchase agreement with Baker and placed \$543,125 into escrow with Defendants.

31. Baker misrepresented to GALP that he and Prestige would provide a standby letter of credit from HSBC with a nominal value of €100 million in exchange for the payment of an advance fee. Baker also misrepresented in written contracts with the investor that Prestige had control of the standby letter of credit and would return the advance fee if it could not deliver the instrument.

32. Defendants knew or were reckless in not knowing that Baker's statements to GALP were false. By this time, the Hawk's Rest transaction and at least five similar transactions prior to 2014 had each failed, and Defendants were

aware that the bank documents provided by Baker and Oharriz to Hawk's Rest contained clear indicia of fraud, including conspicuous errors and cut-and-paste signatures.

33. In January 2016, Defendants entered into an escrow agreement with GALP. The escrow agreement stated that GALP would pay the advance fee described in its purchase agreement with Baker by depositing \$543,125 in Defendants' escrow account and stipulated that the escrow fee would be \$3,000. The escrow agreement also stated that the advance fee would be "accrued toward the purchase of a financial bank instrument."

34. GALP's purchase agreement with Baker contained a provision that the escrow deposit could be disbursed only after the parties confirmed that the final SWIFT formatted message draft and the language of the standby letter of credit had "been accepted by both HSBC and the receiving bank coupled with a written signed acknowledgment and acceptance between the Parties prior to its remittance by SWIFT." Defendants, who received and reviewed a copy of the purchase agreement, were aware of this provision and understood it to establish certain preconditions for the disbursement of GALP's escrowed funds.

35. On or around January 26, 2016, GALP transferred \$543,125 to Defendants' escrow account and the next day authorized the release of that money

for the express purpose of purchasing the standby letter of credit. Despite having no basis to believe that the contractual preconditions for the release of funds had been met, nor that the funds would be used for their stated purpose, Defendants disbursed \$50,000 to Baker and approximately \$490,000 to a third party overseas with no apparent connection to the transaction.

36. By February 2016, GALP began asking for a refund of its advance fee. In response, Baker and Ohaariz sent GALP and Defendants a falsified bank document purporting to show that the standby letter of credit had been issued. The face of the document contained basic errors, including references to the wrong bank and misspellings. Defendants knew or were reckless in not knowing the document was fictitious, providing further evidence to Defendants that the transactions for which they were continuing to provide escrow services were frauds.

37. On or about March 25, 2016, Defendants, at Baker's direction, sent a letter to GALP investors informing them that Defendants had reviewed documents provided to Baker and that, based upon their review, "a transaction is certainly ongoing, and that Mr. Baker's group will certainly receive funds." Defendants had no reasonable basis to believe these representations to be true. In the letter, Defendants blindly relayed information about the transaction from the purported

communications they reviewed without any understanding of what the information meant.

38. On or about March 29, 2016, Defendants, again at Baker's direction, sent a second letter to GALP investors. In this letter, Defendants represented, with no reasonable basis, that the investors would soon receive a refund of their advance fee.

39. Eventually, in October 2016, Defendants, at Baker's direction, used money placed into escrow by other investors to refund \$100,000 of GALP's fee.

40. To date, GALP has not received a refund of the remaining \$443,125 of its advance fee, nor has it received a standby letter of credit.

41. Defendants, net of wire fees, retained \$3,020 of the advance fee as the escrow fee for the GALP transaction.

IV. The Failed Capital Consulting Transaction

42. Baker and Oharriz defrauded another investor in 2016, receiving \$565,000 in exchange for a standby letter of credit they never had the means of providing. Defendants acted at least recklessly and substantially assisted this scheme by: providing escrow services for the transaction, despite their awareness of red flags indicating that the transaction was a fraud; blindly disbursing invcstor

funds; and acting in contravention of the operative agreements.

43. In late September 2016, Baker entered into a purchase agreement with Capital Consulting, LLC. As in the Hawk's Rest and GALP transactions, Baker misrepresented in the purchase agreement that he had control of a standby letter of credit in the amount of €100 million, which he agreed to sell upon payment of a €500,000 advance fee. Baker further misrepresented that he would use the fee for the "sole purpose" of obtaining the standby letter of credit and that the fee was "100% refundable immediately" if he was unable to deliver the instrument.

44. Defendants knew or were reckless in not knowing that Baker's statements to Capital Consulting were false. By this time, the Hawk's Rest, GALP, and at least five similar transactions prior to 2014 had each failed, and Defendants were aware that the bank documents provided by Baker and Oharriz to Hawk's Rest and GALP contained clear indicia of fraud, including conspicuous errors and cut-and-paste signatures.

45. In late September 2016, Defendants and Capital Consulting entered into an escrow agreement for the receipt of a €500,000 advance fee described in Capital Consulting's purchase agreement with Baker. The parties agreed that Defendants' escrow fee would be \$4,500.

46. The escrow agreement, like the purchase agreement, stated that the

advance fee deposited in Defendants' escrow account was to be used for the "sole purpose" of obtaining the standby letter of credit and that the advance fee was refundable.

47. As in the GALP transaction, Capital Consulting's purchase agreement established certain preconditions that needed to be satisfied before Capital Consulting's escrowed funds could be disbursed. Defendants were aware of and understood these preconditions.

48. Between October 3 and October 11, 2016, Capital Consulting transferred a total of \$565,000 into Defendants' escrow account for the purchase of the standby letter of credit. Defendants promptly disbursed approximately \$228,675 to Baker, over \$230,000 to third parties with no apparent connection to the transaction, and \$100,000 to GALP, a prior investor, as a refund. At that time, Defendants had no basis to believe that the contractual preconditions for the release of funds had been satisfied or that the funds would be used for their stated purpose.

49. On or about October 18, 2016, Baker emailed Capital Consulting falsified bank guarantee documents that he had received from Oharriz. The documents were riddled with errors, including misspellings, grammatical errors, and invalid reference numbers. Most glaringly, Capital Consulting had contracted

to receive a standby letter of credit, not a bank guarantee.

50. Defendants were aware of the conspicuous errors in the documents provided to Capital Consulting and knew or were reckless in not knowing that the documents were fakes.

51. On or about November 3, 2016, Defendants returned the \$4,500 escrow fee to Capital Consulting. But Capital Consulting lost all the funds it had placed into escrow for the payment of the advance fee.

V. Craig's Real Estate Investment Scheme

52. In addition to providing substantial assistance to prime bank schemes orchestrated by Baker and Oharriz, Defendants also provided substantial assistance to a real estate investment scheme perpetrated by Russell H. Craig. From at least 2014 and 2016, Craig, acting through his company, OneStep Financial Services, LLC (“OneStep”), defrauded an investor in California (the “California investor”) by making material misrepresentations about the use and safety of his investment funds, engaging in other deceptive conduct, and misappropriating his money. Defendants aided and abetted Craig’s scheme by accepting \$728,500 into escrow from the California investor and then disbursing the money to Craig and third parties, including Baker, in violation of the terms of the operative escrow agreement.

53. In or around 2013, Craig began to pursue the California investor as a potential investor in a project to purchase and renovate a condominium complex in Atlanta, Georgia known as the Heritage Condominium Townhomes (the “Heritage Condos”). Craig misrepresented to the California investor that his funds would be used only to obtain a proof of funds that would enable OneStep to complete a real estate transaction, at which point, the funds would be returned with a profit. Craig also provided the California investor with materially false information about OneStep and the purported real estate transaction.

54. In or about January 2014, Craig entered into an escrow agreement with Defendants to place \$385,000 into escrow for a real estate transaction. The escrow agreement provided that upon the receipt of \$385,000 from OneStep, Defendants were obligated to issue a “proof of funds” to the company so it could acquire the Heritage Condos. The escrow agreement, which Craig provided to the California investor, also stated that only upon execution of a sales and purchase agreement for the Heritage Condos could Defendants disburse the escrowed funds.

55. Based on all of the information he had received from Craig about the Heritage Condos project and Craig’s assurances that his money would be used only to obtain a “proof of funds” and would not be removed from escrow, the California investor decided to invest in the project.

56. In June 2014, Defendants' escrow account received \$60,000 pursuant to the escrow agreement. Defendants then disbursed \$59,700 of that amount to Prestige, in contravention of the operative escrow agreement and without any diligence or inquiry. Defendants were aware that Baker and Prestige were not involved in the transaction to purchase the Heritage Condos.

57. On or about July 3, 2014, at Craig's request, Defendants represented, in a letter ultimately provided to the California investor, that the escrow account had received \$60,000 and had a minimum of \$100,000 on deposit for the purchase of the Heritage Condos. Defendants knew or were reckless in not knowing that these representations were not true. No such funds were on deposit at the time, and Defendants had already disbursed \$59,700 of the \$60,000 to Prestige, a party not involved in the transaction to purchase the Heritage Condos.

58. In August 2014, Defendants' escrow account received \$170,000 pursuant to the escrow agreement. Defendants then disbursed \$8,470 to third party and \$160,680 to Prestige, in contravention of the operative escrow agreement and without any diligence or inquiry. Defendants knew these transfers were not for the purchase of the Heritage Condos.

59. In November 2014, the California investor deposited a total of \$175,000 into Defendants' escrow account. Defendants then disbursed \$80,000 to

OneStep via a third party and \$75,000 to Prestige, in contravention of the operative escrow agreement and without any diligence or inquiry. Defendants knew these transfers were not for the purchase of the Heritage Condos.

60. On or about early December 2014, Defendants became aware that the Heritage Condos had been acquired by another entity through bankruptcy proceedings and was no longer available for sale. Despite the unavailability of the real estate property, Defendants would receive an additional \$323,500 from the California investor and disburse the funds to OneStep, Prestige, and other third parties. Each disbursement was in direct contravention of the operative escrow agreement, which stated that the escrowed funds would be returned upon the issuance of a proof of funds.

61. Craig represented to Defendants that the California investor was an officer of OneStep. Defendants did not conduct any diligence or make any inquiry into why, if that were true, the California investor would transfer funds into the escrow account only for them to be disbursed upon receipt to OneStep. Defendants knew or were reckless in not knowing that Craig was using their escrow account for a deceitful purpose.

62. In or around April 2016, despite Craig's admonitions, the California investor finally contacted Defendants and learned that his funds had been removed

from escrow and that approximately \$230,000 of his money had been invested in the Hawk's Rest transaction.

63. Defendants represented to the California investor that the Hawk's Rest transaction was proceeding even though he was aware that the current transaction should have been completed in or about July 2015 and that the transaction as outlined in the purchase agreement from August 2014 had failed.

64. In total, between June 2014 and May 2016, Defendants' escrow account received a total of \$728,500 from the California investor who believed that his money would remain in escrow and that it would be used for the Heritage Condos project. All of the California investor's funds were disbursed from the escrow account in contravention of the escrow agreement.

65. Of the \$728,500 deposited into the Defendants' escrow account, OneStep returned \$135,313 of the disbursements it received to the California investor to pay for loans taken out by the California investor to purchase the Heritage Condos. The California investor believed these funds were coming from OneStep and was not aware that he was receiving a return of his own funds.

66. Defendants received escrow payments of \$3,555 from OneStep.

FIRST CLAIM FOR RELIEF
**Aiding and Abetting Violations of Securities
Exchange Act Section 10(b) and Rule 10b-5
Thereunder**

67. The SEC re-alleges and incorporates by reference each and every allegation in paragraphs 1 through 66, inclusive, as if fully set forth herein.

68. Pursuant to Securities Exchange Act Section 20(e) [15 U.S.C. §78t(e)], each Defendant knowingly or at least recklessly aided and abetted Baker, Craig, and their companies by providing them with substantial assistance in furtherance of their violations of Section 10(b) of the Securities Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

SECOND CLAIM FOR RELIEF
Aiding and Abetting Violations of Securities Act Section 17(a)

69. The Commission re-alleges and incorporates by reference each and every allegation in paragraphs 1 through 66, inclusive, as if fully set forth herein.

70. Pursuant to Securities Act Section 15(b) [15 U.S.C. §77o(b)], each Defendant knowingly or at least recklessly aided and abetted Baker, Craig, and their companies by providing them with substantial assistance in furtherance of their violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a

Final Judgment:

I.

Finding that Defendants violated the provisions of the federal securities laws as alleged herein;

II.

Permanently restraining and enjoining Defendants from, directly or indirectly, engaging in conduct in violation of Section 10(b) of the Exchange Act [*15 U.S.C. § 78j(b)*] and Rule 10b-5 thereunder [*17 C.F.R. § 240.10b-5*], and Section 17(a) of the Securities Act [*15 U.S.C. § 77q(a)*];

III.

Ordering Defendants to disgorge, with prejudgment interest, all ill-gotten gains received or benefits in any form derived as a result of the actions alleged herein;

IV.

Ordering Defendants to pay civil penalties pursuant to Exchange Act Section 21(d)(3) [*15 U.S.C. § 78u(d)(3)*] and Securities Act Section 20(d) [*15 U.S.C. § 77t(d)*]; and

V.

Granting such other and further relief as this Court may deem just, equitable,

or necessary.

Dated: August 30, 2019

Respectfully submitted,

/s/ M. Graham Loomis
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