
IN THE MATTER OF:
SOLACE INVESTMENTS, LLC
RAFAEL ALVES MUZZI
(Collectively, “Respondents”)

ORDER TO CEASE AND DESIST
ORDER TO MAKE RESTITUTION
NOTICE OF INTENT TO FINE
AND
NOTICE OF RIGHT TO HEARING
DOCKET NO. CRF-20-8411-S

I. PRELIMINARY STATEMENT

1. The Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 672a of the General Statutes of Connecticut, the Connecticut Uniform Securities Act (“Act”), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”) promulgated under the Act.

2. Pursuant to Section 36b-26(a) of the Act, the Commissioner, through the Securities and Business Investments Division (“Division”) of the Department of Banking, has conducted an investigation into the activities of Respondents to determine if Respondents have violated, are violating or are about to violate provisions of the Act or Regulations (“Investigation”).

3. As a result of the information obtained during the Investigation, the Commissioner has reason to believe that Respondents have violated certain provisions of the Act. Accordingly, the Commissioner has reason to believe that a basis exists to: (i) issue a cease and desist order against Respondents pursuant to Section 36b-27(a) of the Act; (ii) order that Respondents make restitution pursuant to Section 36b-27(b) of the Act; and (iii) impose a fine upon Respondents pursuant to Section 36b-27(d) of the Act.

II. RESPONDENTS

4. Solace Investments LLC (“Solace”) is a Connecticut limited liability company that was formed on June 14, 2017. Solace’s principal place of business and address last known to the Commissioner is 90 Church Street, Naugatuck, Connecticut 06770. Solace is not and has not been registered in any capacity under the Act.

5. Rafael Alves Muzzi (“Muzzi”) is an individual whose addresses last known to the Commissioner are: 127 City Hill Street, Naugatuck, Connecticut 06770-3331; and 339 Hoop Pole Hill Road, Woodbury, Connecticut 06798. Muzzi is the founding member and sole member of Solace. Muzzi is not and has not been registered in any capacity under the Act.

III. STATEMENT OF FACTS

6. In 2016, Muzzi developed a software program that he used to trade currency in the Foreign Exchange Market (“FOREX”).

7. In November 2016, Muzzi established an account in his own name at a foreign exchange brokerage to trade currency in FOREX (“Muzzi FOREX Account”).

8. From at least January 2017 to June 2018, Muzzi, both individually and through Solace, raised approximately eight hundred thousand dollars (\$800,000) from at least twenty-five (25) investors primarily located in Connecticut (“Investors”) and pooled the Investors’ funds for the purported purpose of investing such funds in FOREX accounts managed by Muzzi to trade currency (“FOREX Investments”).

9. Respondents represented to the Investors that the Investors’ funds would be used for FOREX Investments, and that Muzzi would make the trading decisions on the Investors’ behalf. Muzzi claimed that “Solace Investments used proprietary algorithmic trading software to make trades in the foreign exchange markets.” The Investors did not have any input into how the money that they invested with Muzzi was going to be managed, and Muzzi and his software program controlled all investment decisions.

10. From approximately February 2017 to January 2018, Muzzi, both individually and through Solace, only used part of the pooled Investors' funds for FOREX Investments. A significant portion of the pooled Investors' funds were not used to invest in FOREX Investments or investments of any kind.

Muzzi FOREX Trading

11. From January 2017 through August 2017, Muzzi received over two hundred thousand dollars (\$200,000) from Investors to invest on their behalf in FOREX.

12. From February 2017 through July 2017, Muzzi only deposited approximately one hundred fifty thousand dollars (\$150,000) of the over two hundred thousand dollars (\$200,000) Investors funds he received into the Muzzi FOREX Account.

13. During March 2017 and April 2017, Muzzi withdrew approximately six thousand four hundred dollars (\$6,400) out of the Muzzi FOREX Account.

14. From February 2017 to January 2018, Muzzi used only approximately one hundred forty-four thousand dollars (\$144,000) of the pooled Investors' funds in the Muzzi FOREX Account for Forex Investments.

15. In January 2018, Muzzi withdrew approximately forty-six thousand dollars (\$46,000) from the Muzzi FOREX Account, leaving one cent in the Muzzi FOREX Account. Muzzi did not transfer any additional funds into the Muzzi FOREX Account after January 2018 and did not engage in FOREX trading in the Muzzi FOREX Account after January 2018.

Muzzi FOREX Trading through Solace

16. In July 2017, Muzzi established an account in the name of Solace at a foreign exchange brokerage to trade currency in FOREX ("Solace FOREX Account").

17. After Muzzi formed Solace, Muzzi provided Investors with an Investment Agreement with Solace, which provided, in part, that:

Capital Accounts. A tax basis capital account shall be maintained in the name of each investor. Each investor's contribution to, and withdrawals from, **Solace Investments LLC**

shall be credited, or debited, respectively, to that investor's capital account. Income realized will be allocated to each investor's capital account on the date it occurs based on percentage of total assets on that date.

Compensation. A fee of 3% of the . . . account balance is charged on a monthly basis, contingent on the returns posted at the end of the month. If returns are less than 3%, the fee will be waived.

18. From approximately July 2017 through June 2018, Muzzi through Solace, received approximately five hundred eighty thousand dollars (\$580,000) from the Investors to invest on their behalf in FOREX.

19. On November 1, 2017, Muzzi deposited two hundred thirty thousand dollars (\$230,000) of pooled Investor funds into the Solace FOREX Account for FOREX trading. This was the only deposit Muzzi made of Investor funds into the Solace FOREX Account.

20. On November 8, 2017, Muzzi withdrew approximately two hundred thirty-two thousand dollars (\$232,000) from the Solace FOREX Account, leaving one cent in the Solace FOREX Account. Muzzi did not transfer any additional funds into the Solace FOREX Account after November 8, 2017 and did not engage in FOREX trading in the Solace FOREX Account after November 8, 2017.

Fraud in Connection with FOREX Investments

21. Some of the Investors believed, because of Muzzi's misrepresentations, that Muzzi was investing and maintaining their money in a tax basis capital account in the name of each investor, that each Investor's contribution to, and withdrawals from, Solace were credited, or debited, respectively, to that investor's capital account and that income realized will be allocated to each Investor's capital account on the date it occurs based on percentage of total assets on that date.

22. In reality, Respondents commingled the Investors' money into checking accounts in the name of Muzzi or Solace, diverted some of the Investors' money for Muzzi's personal use, only invested some of the Investors money in the Muzzi FOREX Account or Solace FOREX Account, and used some of the money raised from the Investors' to pay off some earlier Investors with later Investors' money.

23. Respondents failed to pay Investors the purported profits as represented, and failed to return all of the Investors' principal investment.

24. To hide his conduct, Muzzi in many instances created and provided Investors with fictitious account statements, printed on Solace letterhead, reflecting the amount of each Investor's investment and purported profits, including the beginning and ending monthly balance for the investors account and listed a return % and return dollar amount for the month ("Solace Account Statements"). The Solace Account Statements contained falsified account balances, return percentages and return dollar amounts that were greatly inflated from the Investors' actual account balances.

25. Some of the Investors continued to invest with Muzzi after receiving the falsified Solace Account Statements that were created and provided to the Investors by Muzzi.

26. The FOREX Investments constitute securities within the meaning of Section 36b-3(19) of the Act, which securities were not registered under Section 36b-16 of the Act nor were they the subject of a filed exemption claim or claim of covered security status.

27. From at least January 2017 to the present, in connection with the offers and sales of the FOREX Investments, Muzzi, directly and through Solace: (i) accepted approximately eight hundred thousand dollars (\$800,000) from Investors, representing to such Investors that such money would be used for the purpose of investing in FOREX Investments when only a portion of such investments were ever made; (ii) failed to inform Investors as to the amount of money Muzzi failed to invest and kept for himself; and (iii) mailed monthly account statements to Investors that did not accurately reflect the true status and transactional history of such accounts.

28. Respondents failed to disclose to purchasers and prospective purchasers of the FOREX Investments, *inter alia*, any risk factors related to the FOREX Investments, including, without limitation, any financial information on Muzzi or Solace, that Respondents would use part of the Investors' money for personal expenses and to pay off some earlier Investors with later Investors' money or that the FOREX Investments were not registered under the Act. Each of these omitted items was material to the Investors and prospective investors of the FOREX Investments offered and sold by Respondents.

**IV. STATUTORY BASIS FOR ORDER TO CEASE AND DESIST,
ORDER TO MAKE RESTITUTION AND ORDER IMPOSING FINE**

a. Violation of Section 36b-16 of the Act – Offer and Sale of Unregistered Securities

29. Paragraphs 1 through 28, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

30. Respondents, offered and sold securities in or from Connecticut to at least one investor, as more fully described in paragraphs 8 through 28, inclusive, which securities were not registered in Connecticut under the Act, as more fully described in paragraph 26. The offer and sale of such securities absent registration constitutes a violation of Section 36b-16 of the Act, which forms a basis for an order to cease and desist to be issued against Respondents under Section 36b-27(a) of the Act, an order that Respondents make restitution under Section 36b-27(b) of the Act, and for the imposition of a fine upon Respondents under Section 36b-27(d) of the Act.

b. Violation of Section 36b-4(a) of the Act –
Fraud in Connection with the Offer and Sale of any Security

31. Paragraphs 1 through 30, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

32. The conduct of Respondents, as more fully described in paragraphs 8 through 28, inclusive, constitutes, in connection with the offer, sale or purchase of any security, directly or indirectly employing a device, scheme or artifice to defraud, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or engaging in an act, practice or course of business which operates or would operate as a fraud or deceit upon any person. Such conduct constitutes a violation of Section 36b-4(a) of the Act, which forms a basis for an order to cease and desist to be issued against Respondents under Section 36b-27(a) of the Act, an order that Respondents make restitution under Section 36b-27(b) of the Act, and for the imposition of a fine upon Respondents under Section 36b-27(d) of the Act.

c. Violation of Section 36b-4(b) of the Act –
Engaging in Dishonest or Unethical Practices in Connection with
the Offer and Sale of any Security

33. Paragraphs 1 through 32, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

34. The conduct of Respondents, as more fully described in paragraphs 8 through 28, inclusive, constitutes, in connection with the offer, sale or purchase of any security, directly or indirectly engaging in dishonest or unethical practices. Such conduct constitutes a violation of Section 36b-4(b) of the Act, which forms a basis for an order to cease and desist to be issued against Respondents under Section 36b-27(a) of the Act, an order that Respondents make restitution under Section 36b-27(b) of the Act, and for the imposition of a fine upon Respondents under Section 36b-27(d) of the Act.

**V. ORDER TO CEASE AND DESIST, ORDER TO MAKE RESTITUTION,
NOTICE OF INTENT TO FINE AND NOTICE OF RIGHT TO HEARING**

WHEREAS, as a result of the Investigation, the Commissioner finds that, with respect to the activity described herein, Solace has committed at least one violation of Section 36b-16 of the Act, at least one violation of Section 36b-4(a) of the Act, and at least one violation of Section 36b-4(b) of the Act;

WHEREAS, as a result of the Investigation, the Commissioner finds that, with respect to the activity described herein, Muzzi has committed at least one violation of Section 36b-16 of the Act, at least one violation of Section 36b-4(a) of the Act, and at least one violation of Section 36b-4(b) of the Act;

WHEREAS, the Commissioner further finds that the issuance of an Order to Cease and Desist, Order to Make Restitution, and the imposition of a fine upon Respondents is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policies and provisions of the Act;

WHEREAS, notice is hereby given to Respondents that the Commissioner intends to impose a maximum fine not to exceed one hundred thousand dollars (\$100,000) per violation upon Respondents;

WHEREAS, the Commissioner **ORDERS** that **SOLACE INVESTMENTS, LLC**, its affiliates and successors in interest **CEASE AND DESIST** from directly or indirectly violating the provisions of the Act, including without limitation, (i) offering and selling unregistered securities, (ii) in connection with the offer, sale or purchase of any security, directly or indirectly employing any device, scheme or artifice to defraud, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or engaging in an act, practice or course of business which operates or would operate as a fraud or deceit upon any person, and (iii) in connection with the offer, sale or purchase of any security, directly or indirectly engaging in dishonest or unethical practices;

WHEREAS, the Commissioner **ORDERS** that **RAFAEL ALVES MUZZI CEASE AND DESIST** from directly or indirectly violating the provisions of the Act, including without limitation, (i) offering and selling unregistered securities, (ii) in connection with the offer, sale or purchase of any security, directly or indirectly employing any device, scheme or artifice to defraud, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or engaging in an act, practice or course of business which operates or would operate as a fraud or deceit upon any person, and (iii) in connection with the offer, sale or purchase of any security, directly or indirectly engaging in dishonest or unethical practices;

WHEREAS, the Commissioner **ORDERS** that **RESPONDENTS MAKE RESTITUTION** of any sums obtained as a result of Respondents' violations of Sections 36b-4(a), 36b-4(b) of the Act and 36b-16 of the Act, plus interest at the legal rate set forth in Section 37-1 of the General Statutes of Connecticut. Specifically, the Commissioner **ORDERS** that:

1. Within thirty (30) days from the date this Order to Make Restitution becomes permanent, Respondents shall provide the Division with a written disclosure which covers the period from January 1, 2017 to the date this Order to Make Restitution becomes permanent and which

contains (a) the name and address of each investor, (b) the amount Solace and Muzzi collected from each investor, and (c) the amount of any refunds of principal or purported interest payments Solace and Muzzi have made to each investor;

2. Within forty-five (45) days from the date this Order to Make Restitution becomes permanent, Respondents shall reimburse each investor the amount of funds collected from the investor plus interest, less funds returned in the form of purported refunds of principal and purported interest payments made to the investor, with respect to all transactions effected from January 1, 2017 to the date this Order to Make Restitution becomes permanent. Such restitution shall be made by certified check, and shall be sent by certified mail, return receipt requested, to each affected investor; and
3. Within ninety days (90) days from the date this Order to Make Restitution becomes permanent, Respondents shall provide the Division with proof in the form of copies of the certified checks and the return receipts required by paragraph 2 of Section V of this Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Fine and Notice of Right to Hearing (collectively, "Order"), that Respondents have reimbursed each investor the amount of funds collected from each such investor plus interest, less funds returned in the form of purported refunds of principal and purported interest payments, with respect to all transactions effected from January 1, 2017 to the date this Order to Make Restitution becomes permanent.

THE COMMISSIONER FURTHER ORDERS THAT, pursuant to Section 36b-27 of the General Statutes of Connecticut, each Respondent will be afforded an opportunity for a hearing on the allegations set forth above if a written request for a hearing is received by the Department of Banking, Securities and Business Investments Division, 260 Constitution Plaza, Hartford, Connecticut 06103-1800 within fourteen (14) days following each Respondent's receipt of this Order. To request a hearing, complete and return the enclosed Appearance and Request for Hearing Form to the above address. If any Respondent will not be represented by an attorney at the hearing, please complete the Appearance and Request for Hearing Form as "pro se". If a hearing is requested, the hearing will be held on September 1, 2020, at 10 a.m., at the Department of Banking, 260 Constitution Plaza, Hartford, Connecticut.

The hearing will be held in accordance with the provisions of Chapter 54 of the General Statutes of Connecticut. At such hearing, each Respondent will have the right to appear and present evidence, rebuttal evidence and argument on all issues of fact and law to be considered by the Commissioner.

If any Respondent does not request a hearing within the time period prescribed or fails to appear at any such hearing, the allegations herein against any such Respondent will be deemed admitted.

Accordingly, the Order to Cease and Desist and Order to Make Restitution shall remain in effect and

become permanent against any such Respondent and the Commissioner may order that the maximum fine be imposed upon any such Respondent.

Dated at Hartford, Connecticut,
this 25th day of June 2020.

_____/s/_____
Jorge L. Perez
Banking Commissioner

CERTIFICATION

I hereby certify that on this 26th day of June 2020, I caused to be mailed by certified mail, return receipt requested, the foregoing Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Fine and Notice of Right to Hearing to: Solace Investments LLC, c/o Rafael Alves Muzzi, Agent for Service, 90 Church Street, Naugatuck, Connecticut 06770, certified mail no. 70191640000015849300; and Rafael Alves Muzzi at: 127 City Hill Street, Naugatuck, Connecticut 06770-3331, certified mail no. 70191640000015849287, and 339 Hoop Pole Hill Road, Woodbury, Connecticut 06798, certified mail no. 70191640000015849294.

_____/s/_____
Julie Carta