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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Spyglass Equity Systems, Inc.
Preston Sjoblom aka Preston Leigh Sjoblom
Flatiron Systems, LLC
Flatiron Capital Partners, LLC
David E. Howard II aka David Howard aka Dave Howard
5250 West Century Boulevard, Suite 620
Los Angeles, California 90045

DESIST AND REFRAIN ORDER

(For violations of Corporations Code sections 25110, 25210, 25230 and 25401)

The California Corporations Commissioner (“Commissioner”) finds that:

- 1. At all times relevant hereto, Spyglass Equity Systems, Inc. (“Spyglass”) was a California corporation with its principal place of business at 5250 West Century Boulevard, Suite 620, Los Angeles, California 90045.
- 2. At all times relevant hereto, Preston Sjoblom aka Preston Leigh Sjoblom (“Sjoblom”) was an individual with a business address of 5250 West Century Boulevard, Suite 620, Los Angeles, California 90045. Sjoblom is the President, Chief Executive Officer and a control person of Spyglass.
- 3. At all times relevant hereto, Flatiron Systems, LLC (“Flatiron Systems”) was a Florida limited liability company located at 6777 Heritage Grande Unit 208, Boynton Beach, Florida 33437-7941. Flatiron was administratively dissolved on September 25, 2009.
- 4. At all times relevant hereto, Flatiron Capital Partners, LLC (“Flatiron Capital”) was a Delaware limited liability company located at The Company Corporation, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808.
- 5. At all relevant times hereto, David E. Howard II aka David Howard aka Dave Howard (“Howard”) was an individual with a last known business address of 6777 Heritage Grande Suite 208, Boynton Beach, Florida 33437. Howard is the principal, managing member and control person of Flatiron Systems and Flatiron Capital.

1 6. Beginning at least in or about January 2008, Spyglass, Sjoblom, Flatiron Systems, Flatiron
2 Capital and Howard (collectively, “Respondents”) have offered and sold securities in the form of
3 membership interests and/or other securities through general solicitations. Respondents solicited
4 investors through web sites and through unsolicited, or “cold” calls. Investors were offered a
5 “trading system” called the Pathfinder Trading System. Pursuant to the sales agreement for the
6 Pathfinder Trading System, investors were also required to open a brokerage account. Each investor,
7 or “member,” was required to first purchase the system, then open and fund a brokerage account with
8 Flatiron Systems. Respondents would then trade securities for each member’s account pursuant to
9 the system.

10 7. Respondents are not licensed to act as broker-dealers or investment advisers. The
11 Financial Industry Regulatory Authority (FINRA) maintains the qualification, employment and
12 disclosure histories of registered representatives in its Central Registration Depository (CRD). While
13 Sjoblom was registered with FINRA as a broker-dealer representative in 1997-1998, he has not been
14 registered since. The Commissioner has not issued a certificate to Sjoblom or any other Respondent
15 to act as a broker-dealer or investment adviser.

16 8. Respondents maintained a website at www.flatironsystems.com. In the section entitled,
17 “Management Consulting,” Respondents describe themselves as “a group of professional traders,
18 market technicians and trusted advisors.” However, none of the Respondents is certified to act as a
19 broker-dealer or investment adviser. The web site also boasts Respondents’ “persistent analysis of
20 the financial markets . . . We use this analysis to assist our members in their proprietary trading and
21 the management of their portfolio.”

22 9. Respondents also maintained a website at www.spyglasseq.com. On this site, Spyglass
23 highlighted its broker-dealer services, stating, “If you desire fair treatment regardless of your account
24 size, and you are done with hoping to find the *broker* who has the ‘right stuff’ you owe yourself to
25 begin using what is working so well for program traders.” (emphasis added).

26 10. The web sites refer to “automated and semi-automated trading systems” and the
27 Pathfinder Trading System. Respondents offered the Pathfinder Trading System, along with a
28 membership interest in Flatiron Systems, to members of the public. These membership interests were

1 offered and sold in this state in issuer transactions. The Commissioner has not issued a permit or
2 other form of qualification authorizing any person to offer and sell these securities in California.

3 11. In 2008, Respondents cold-called at least one California investor (“Investor”) and offered
4 the Investor the Pathfinder Trading System. The Investor accepted, executing the sales agreement
5 provided by Respondents and investing approximately \$5875 in the Pathfinder Trading System. The
6 agreement required the Investor to open a brokerage account and execute a power of attorney
7 granting the “Broker”—Flatiron—the right to execute all trades for the Investor—“member.” The
8 agreement states that the “broker” would “rely on its own expertise” to execute trades “without
9 Customer’s pre-approval and according to the best efforts of the Broker.”

10 12. The sales agreement includes a “Performance Based Guarantee.” Pursuant to the
11 guarantee, if the Investor’s trading account fails to generate a net profit after the first 180 days, the
12 Investor has the right to cancel the account and obtain a full refund of the initial investment.

13 13. In addition to the sales agreement, investors were provided with an Operating Agreement
14 of Flatiron Systems for Pathfinder Trading System (“Operating Agreement”). The Operating
15 Agreement sets forth the rights and duties of the investors, or “members,” in Flatiron Systems. The
16 Operating Agreement states that the “purpose of [Flatiron Systems] is to engage in securities trading”
17 and gives authority for all trades to the “Managing Member,” identified as Howard.

18 14. “Security” is defined by California Corporations Code Section 25019 as including not
19 only stock, but any “membership in an incorporated or unincorporated association” or “interest in a
20 limited liability company.” Cal. Corp. Code §25019. The membership interests offered and sold by
21 Respondents constitute securities under section 25019.

22 15. A broker-dealer is “any person engaged in the business of effecting transactions in
23 securities in this state for the account of others or for his own account.” Cal. Corp. Code §25004.
24 Respondents effected transactions in securities for California investors, including the Investor, who
25 invested in the Pathfinder Trading System and Flatiron Systems. As set forth in both the Pathfinder
26 sales agreement and the Operating Agreement, Respondents agreed to make all trading decisions and
27 execute all stock trades for members.
28

1 16. The Department of Corporations has not issued a certificate authorizing Spyglass,
2 Flatiron Systems, Flatiron Capital, Howard, or Sjoblom to act as a broker-dealer. Respondents are
3 not exempt from the certification requirement under section 25210 of the Corporations Code.

4 17. An investment adviser is any person who, for compensation, engages in the business of
5 advising others, either directly or through publications or writings, as to the value of securities or as
6 to the advisability of investing in, purchasing or selling securities. Cal. Corp. Code §25009.

7 18. Since at least in or about 2008, Spyglass, Flatiron Systems, Flatiron Capital, Sjoblom,
8 and Howard have engaged in the business of advising others, either directly or through publications
9 or writings, as to the value of securities or as to the advisability of investing in, purchasing or selling
10 securities—not only the membership interests sold to investors, but the securities traded for each
11 member account.

12 19. The Department of Corporations has not issued a certificate authorizing Spyglass,
13 Flatiron Systems, Flatiron Capital, Howard, or Sjoblom to act as an investment adviser. Respondents
14 are not exempt from the certification requirement under section 25230 of the California Corporations
15 Code.

16 20. In addition, Respondents offered and sold securities by means of written and oral
17 communications which included untrue statements of material fact and omitted to state material facts
18 necessary in order to make the statements made, in light of the circumstances under which they were
19 made, not misleading. The misrepresentations and omissions of material fact included, but are not
20 limited to, the following:

- 21 a. Respondents referred to themselves as “brokers” and “professional
22 traders”; however, none of the Respondents were certified to act as a
23 broker-dealer.
- 24 b. None of the Respondents were certified to act as an investment
25 adviser.
- 26 c. There was no “performance guarantee,” as investors would not receive
27 a refund of the initial investment on request if the investor’s account
28 lost money after the initial 180 days.

1 Based on the foregoing findings, the Commissioner is of the opinion that Spyglass Equity
2 Systems, Inc., Preston Sjoblom aka Preston Leigh Sjoblom, Flatiron Systems, LLC, Flatiron Capital
3 Partners, LLC, and David E. Howard II aka David Howard aka Dave Howard have engaged in the
4 offer and sale of securities that securities have not been qualified, in violation of section 25110 of the
5 Corporations Code. Pursuant to section 25532 of the Corporations Code, Spyglass Equity Systems,
6 Inc., Preston Sjoblom aka Preston Leigh Sjoblom, Flatiron Systems, LLC, Flatiron Capital Partners,
7 LLC, and David E. Howard II aka David Howard aka Dave Howard are hereby ordered to desist and
8 refrain from the further offer or sale of securities, including but not limited to membership interests,
9 unless and until qualified or unless exempt.

10 In addition, based on the foregoing findings, the Commissioner is of the opinion that Spyglass
11 Equity Systems, Inc., Preston Sjoblom aka Preston Leigh Sjoblom, Flatiron Systems, LLC, Flatiron
12 Capital Partners, LLC, and David E. Howard II aka David Howard aka Dave Howard are subject to
13 the laws regulating broker-dealers under the California Corporate Securities Law of 1968, and have
14 effected transactions in, or induced or attempted to induce the purchase or sale of, securities as
15 broker-dealers, without having first applied for and secured from the Commissioner a certificate
16 authorizing these persons to act in that capacity, in violation of section 25210 of the Corporations
17 Code. Pursuant to section 25532 of the Corporations Code, Spyglass Equity Systems, Inc., Preston
18 Sjoblom aka Preston Leigh Sjoblom, Flatiron Systems, LLC, Flatiron Capital Partners, LLC, and
19 David E. Howard II aka David Howard aka Dave Howard are hereby ordered to desist and refrain
20 from acting as broker-dealers in this state unless and until certificated or unless exempt.

21 Further, based on the foregoing findings, the Commissioner is of the opinion that Spyglass
22 Equity Systems, Inc., Preston Sjoblom aka Preston Leigh Sjoblom, Flatiron Systems, LLC, Flatiron
23 Capital Partners, LLC, and David E. Howard II aka David Howard aka Dave Howard have conducted
24 business as an investment adviser, without having first applied for and secured from the
25 Commissioner a certificate authorizing these persons to act in that capacity, in violation of
26 Corporations Code section 25230. Pursuant to section 25532 of the Corporations Code, Spyglass
27 Equity Systems, Inc., Preston Sjoblom aka Preston Leigh Sjoblom, Flatiron Systems, LLC, Flatiron
28 Capital Partners, LLC, and David E. Howard II aka David Howard aka Dave Howard are hereby

1 ordered to desist and refrain from violating Corporations Code section 25230 by conducting business
2 as an investment adviser in this state without first having applied for and secured from the
3 Commissioner a certificate, then in effect, authorizing them to do so or unless exempt.

4 In addition, based on the foregoing findings, the Commissioner is of the opinion that Spyglass
5 Equity Systems, Inc., Preston Sjoblom aka Preston Leigh Sjoblom, Flatiron Systems, LLC, Flatiron
6 Capital Partners, LLC, and David E. Howard II aka David Howard aka Dave Howard offered and
7 sold securities by means of written and oral communications including untrue statements of material
8 facts and omissions of material facts necessary to make the statements, in light of the circumstances
9 under which they were made, not misleading, in violation of section 25401 of the Corporations
10 Code. Pursuant to section 25532 of the Corporations Code, Spyglass Equity Systems, Inc., Preston
11 Sjoblom aka Preston Leigh Sjoblom, Flatiron Systems, LLC, Flatiron Capital Partners, LLC, and
12 David E. Howard II aka David Howard aka Dave Howard are hereby ordered to desist and refrain
13 from offering or selling any security in the State of California by means of any written or oral
14 communication which includes an untrue statement of material fact, or omits to state a material fact
15 necessary in order to make the statements made, in the light of the circumstances under which they
16 were made, not misleading.

17 This Order is necessary, in the public interest, for the protection of investors and consistent
18 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

19 Dated: March 28, 2011
20 Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

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22 By _____
23 ALAN S. WEINGER
24 Deputy Commissioner
25 Enforcement Division
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