

UNITED STATES DISTRICT COURT FOR THE
MIDDLE DISTRICT OF FLORIDA
OCALA DIVISION

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Case No. 5:23-cv-00431

Plaintiff,

v.

JOSEPH MICHAEL TODD,
TODD FINANCIAL SERVICES, LLC, and
TFS INSURANCE SERVICES LLC,

Defendants.

_____ /

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (“SEC”),
alleges as follows:

SUMMARY OF ACTION

1. From at least August 2016 through at least November 2022, Defendant Joseph Michael Todd (“Todd”) engaged in a fraudulent scheme and misappropriated at least \$3 million from at least 20 customers of “Broker A,” a dually registered broker-dealer and investment adviser that employed Todd as a registered representative. Todd obtained investor funds through deceptive means by instructing his Broker A customers to write checks payable to his

entities Todd Financial Services, LLC (“TFS”) and/or TFS Insurance Services LLC (“TFS Insurance”) or to Todd by falsely assuring customers that he and his entities would invest their funds in various securities. Instead, Todd commingled investors’ funds and kept the money for his own personal use, spending it on lavish real estate, boating, hunting, casinos, and adult entertainment. Todd perpetuated the fraud by making material misrepresentations to customers regarding the use of their funds in meetings that took place in person, in phone conversations, and in documents that he prepared and provided to customers.

2. Because of their conduct, Todd, TFS, and TFS Insurance knowingly or recklessly committed securities fraud.

3. Todd and TFS violated Section 17(a) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)] and Todd, TFS, and TFS Insurance violated Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

4. The SEC brings this lawsuit to prevent further harm to investors and to seek disgorgement, civil penalties, permanent injunctions, and conduct-based injunctions stemming from the Defendants’ wrongdoing, and a permanent officer-and-director bar against Todd.

5. Unless the Defendants are permanently restrained and enjoined, they will continue to engage in the acts, practices, and courses of business set forth in this Complaint and in acts, practices, and courses of business of similar type and object.

JURISDICTION AND VENUE

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

7. Venue is proper in this judicial district pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)], because many of the acts, transactions and courses of business constituting the violations alleged in this Complaint occurred within the jurisdiction of this district.

8. In connection with the conduct alleged in this Complaint, the Defendants, directly and indirectly, have made use of the mails and/or means or instrumentalities of transportation or communication in interstate commerce.

DEFENDANTS

9. **Defendant Joseph Michael Todd**, age 59, is a resident of Panama City, Florida. Todd has worked in the securities industry since 1988 at various registered broker-dealers and investment advisers. Between August 2016 and

July 2022, Todd was a registered representative and investment adviser representative associated with Broker A, an SEC-registered firm that is dually registered as a broker-dealer and investment adviser. On January 23, 2023, Todd filed an Assignment for Benefit of Creditors action pending in the Circuit Court of the Fifth Judicial Circuit in and for Citrus County, Florida, to effectuate the liquidation and distribution of his assets to creditors. *In re Assignment for the Benefit of Creditors of Joseph Michael Todd*, No. 2023-CA-000052 (Fla. Citrus Cty. Ct.).

10. **Todd Financial Services, LLC** (“TFS”), is a Florida limited liability company with its principal place of business in Crystal River, Florida. Todd is the owner and managing member of the entity and controlled the entity’s operations and bank accounts. Todd used TFS as a d/b/a for the brokerage services he provided as a registered representative of Broker A, and TFS was registered as a branch office of Broker A where Todd conducted sales and investment advisory services.

11. **TFS Insurance Services LLC** (“TFS Insurance”), is a Florida limited liability company with its principal place of business in Crystal River, Florida. Todd is the owner and managing member of the entity and controlled the entity’s operations and bank accounts. TFS Insurance held itself out as an insurance

brokerage service, but Todd also told investors that he made investments in products such as variable index-linked annuities through the entity.

RELATED ENTITY

12. **Broker A**, headquartered in Anaheim, California, has been registered with the SEC as a broker-dealer since 1993 and as an investment adviser since 1999.

FACTS

Todd Fraudulently Raised Funds from Customers

13. Todd received his first securities license in 1988. From August 1988 until July 2022, Todd was a registered representative and investment adviser representative associated with various SEC-registered broker-dealers and investment advisers, most recently with Broker A. He provided advice to customers and potential customers about investments in securities. Todd's compensation at Broker A was a percentage payout based on all compensable commissions, trailing commissions and advisory fee revenues received by Broker A based on Todd's activities.

14. Beginning in at least August 2016, Todd conducted a fraudulent scheme that defrauded at least 20 of his brokerage customers, most of whom were senior citizens, retirees, or individuals with disabilities. Todd induced

customers to send him money by falsely representing to customers that he would invest their funds in securities. Todd then subsequently misappropriated funds for personal use.

15. As part of the scheme, Todd instructed certain of his Broker A customers to make checks payable to TFS and TFS Insurance (collectively “Todd LLCs”), rather than to Broker A. These customers did not question Todd about his instructions because they trusted him, understood he was a licensed and registered investment professional, and believed he was acting in his capacity as an investment professional and would be purchasing legitimate securities on their behalf. These customers in turn believed that Todd would only execute transactions on their behalf through appropriate channels and as authorized.

16. The customers relied on Todd’s recommendations and believed that Todd only recommended securities that aligned with their investment goals and risk tolerance.

17. Adding further to the confusion, Todd’s marketing materials for TFS—such as his website—provided his Centaurus email address and read, “Securities and Advisory services offered through Centaurus Financial, Inc., member FINRA and SIPC.” In addition, TFS was a branch office of Broker A. As a result, his customers believed that the Todd LLCs were affiliated with and/or synonymous with Broker A.

18. Some customers wrote on the payee or memo line of their checks the specific security that Todd had recommended and that the customer thought Todd was purchasing on their behalf.

19. In some cases, Todd told customers their funds would be invested in specific stocks or investment funds such as Fund A – a registered closed-end fund that invested in collateralized loan obligations. In reality, Todd spent the funds for personal use and did not purchase the securities.

20. In some cases, Todd, through TFS, offered customers the opportunity to invest in fictional investments, such as the “CRTFS Mortgage Fund.” In reality, no such investment fund existed and Todd spent the funds for personal use.

21. Although certain customers pressed Todd for additional detail concerning CRTFS Mortgage Fund, Todd described it only in vague terms. Todd indicated that the fund was a group of investors consisting of Todd and other business associates who purchased mortgages on local properties.

22. In other cases, Todd directed customers to send money to TFS Insurance. Todd represented that he would in turn invest those funds in certain investment products including variable index-linked annuities.

23. In other cases, Todd told customers their money would be secure in clearing firm custody accounts and would be invested in securities at a future time. In reality, Todd spent the money for personal use.

24. For example, at his very first meeting with one couple (“Couple A”) in approximately August 2021, Todd provided Couple A with a list of five entities to which they should write their checks. Todd directed Couple A to make three of the checks payable to appropriate Broker A-approved channels such as to Broker A’s clearing firm or directly to the issuers of the desired securities. However, Todd also instructed Couple A to write two checks totaling \$600,000 to TFS and TFS Insurance.

25. Todd told Couple A that he would be investing the funds they made payable to TFS Insurance and TFS in securities offered through Broker A and that the securities would be part of their Broker A investment portfolio.

26. The customers who made checks payable to Todd or the Todd LLCs believed that Todd was, at all times, acting in his capacity as a Broker A representative, that his actions and recommendations were sanctioned by Broker A, and that he would be purchasing legitimate securities on their behalf.

27. In total, customers wrote checks to Todd directly totaling at least \$15,045, to TFS totaling at least \$2.5 million, and to TFS Insurance totaling at least \$526,654.

28. Since at least August 2016, Todd misappropriated at least \$3 million in funds that certain of his customers sent directly to Todd or the Todd LLCs. Contrary to Todd's promises to these customers, he never purchased any investments and/or secured the funds in custody accounts for future reinvestment.

**Todd Misappropriated His Customers' Life Savings
to Finance His Lifestyle**

29. As customer funds began flowing into Todd's and the Todd LLCs' bank accounts, Todd commingled and transferred the funds between various accounts under his control, and used the funds for a variety of personal expenditures. Since at least 2019, Todd spent more than \$450,000 on boats, more than \$230,000 on a luxury condominium in Mexico Beach, Florida, more than \$65,600 on hunting and hunting equipment, more than \$275,000 on tractors and farm equipment, more than \$11,000 at casinos and adult entertainment venues. Todd also wrote \$568,000 in checks to himself.

30. In the case of one customer, a 78-year old widow, Todd would routinely boast to her about his lavish lifestyle, including his purchase of a condominium in Mexico Beach, a new truck, his membership in a hunting club, and his gambling winnings at various casinos. Unbeknownst to this customer, Todd's activities were financed in large part by certain of his customers' stolen

assets rather than any business acumen or other form of legitimate means on the part of Todd.

31. From at least September 2016 to approximately December 2022, Todd also made Ponzi-like payments to at least one customer by using other customers' funds to make regular deposits from a TFS bank account into this customer's account, which he falsely claimed were interest payments or regular distributions on an investment.

**Todd Fabricated Investment Projections and Account Statements
to Induce and Then Conceal His Fraud**

32. As alleged above in paragraphs 13-31, despite his promises, Todd never bought the recommended securities or other products for his customers, nor did he ensure their funds were safeguarded in custody accounts as promised.

33. In several cases, Todd reassured customers that their funds would be invested in products that were consistent with a low or moderate risk profile. Todd went further and promised some customers that their investments would earn a "minimum" 5% return, or that their principal investment would never lose money. In reality, the funds that these unsuspecting customers gave to Todd and the Todd LLCs earned no return because Todd never invested them as he promised and instead spent the money to fund his lifestyle.

34. In order to continue his scheme, when pressed by certain customers for documentation concerning their investment holdings, Todd presented those customers with forged account statements or portfolio holdings statements that contained falsified entries indicating the customers were invested in the products promised by Todd.

35. For example, beginning in approximately January 2021, Todd regularly provided one married couple – a 76-year old retiree and his disabled veteran wife – with holdings statements purporting to show the balance of their funds invested in CRTFS Mortgage Fund for which they had written a check totaling \$200,000 to TFS. In reality, the mortgage fund never existed and was entirely fabricated by Todd.

36. Todd intentionally deceived these customers with false assurances and, in several cases, through use of falsified entries in the portfolio holdings statements that Todd provided to them. In some cases, investors made subsequent investments with Todd after receiving fabricated statements from him.

**Todd Continued to Lie to and Solicit Customers
Months after His Termination from Broker A**

37. In at least one case, and several months after his termination from Broker A in July 2022, Todd continued to pressure Couple A to transfer

additional funds to him to be invested, despite the fact that he was no longer associated with a registered broker-dealer or investment adviser.

38. At the time of Todd's termination from Broker A in July 2022, Couple A had already invested nearly \$3 million with Todd at Broker A – money the couple received as part of a devastating workplace injury settlement that resulted in a long-term disability.

39. Of the amounts that Couple A entrusted to Todd, as outlined in paragraphs 24 and 25, \$600,000 was never invested as they directed Todd to do. Instead, Todd stole the funds for his own use.

40. In September 2022, Todd lied to Couple A and informed them that he was leaving Broker A to work at a large, global investment company and that he planned to move their accounts to the new firm once all his "paperwork" was complete. Todd was aware that these customers were anticipating a large final settlement installment check of \$700,000 from their worker's compensation case.

41. In November 2022, Todd flew out to Couple A's home to "sign them up" at the new firm and to transfer their accounts over. However, upon arrival, Todd informed Couple A that the paperwork was not ready, and pressed them for more detail regarding the anticipated final settlement installment check.

42. Subsequently, Couple A grew more suspicious about Todd's activities and learned that neither Todd nor Broker A could adequately account

for the \$600,000 that Couple A had previously written in checks to the Todd LLCs in August 2021.

Conclusion

43. As Todd's customers began confronting him with more and more questions about what he had done with their funds, Todd eventually stopped responding to their calls and messages altogether.

44. Several of the customers who wrote checks to Todd or Todd's LLCs now find themselves listed as "unsecured creditors" on Todd's pending Action for the Benefit of Creditors, despite never having agreed to serve as any type of creditor for Todd or his entities.

45. Todd violated the trust of the defrauded customers when he used their funds to bankroll his lifestyle. Todd has defrauded his customers out of at least \$3 million and has caused them devastating losses.

COUNT I Violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] (Todd and TFS)

46. Paragraphs 1 through 45 are realleged and incorporated by reference as though fully set forth herein.

47. By engaging in the conduct described above, Defendants Todd and TFS, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails,

directly or indirectly, (i) employed devices, schemes and artifices to defraud; (ii) obtained money and property by means of untrue statements of material facts and omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) engaged in transactions, practices, and courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

48. Defendants Todd and TFS acted intentionally, knowingly, recklessly, or negligently, in engaging in the conduct described above.

49. By engaging in the conduct described above, Defendants Todd and TFS violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

COUNT II
Violations of Section 10(b) of the Exchange Act
and Exchange Act Rule 10b-5
[15 U.S.C. § 78j(b) and 17 C.F.R. 240.10b-5]
(Todd, TFS, and TFS Insurance)

50. Paragraphs 1 through 45 are realleged and incorporated by reference as though fully set forth herein.

51. By engaging in the conduct described above, Defendants Todd, TFS, and TFS Insurance, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and by the use of the mails, directly and indirectly, (i) employed devices, schemes and artifices to

defraud; (ii) made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (iii) engaged in acts, practices and courses of business which operated or would have operated as a fraud and deceit upon purchasers and sellers and prospective purchasers and sellers of securities.

52. Defendants Todd, TFS, and TFS Insurance acted intentionally, knowingly, or recklessly, in engaging in the fraudulent conduct described above.

53. Through the foregoing, Defendants Todd, TFS, and TFS Insurance violated 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].

RELIEF REQUESTED

THEREFORE, the SEC requests that this Court:

I.

Permanently restrain and enjoin Defendants Todd, TFS, and TFS Insurance from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to make any untrue statement of a material fact, or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person

by, directly or indirectly, (i) creating a false appearance or otherwise deceiving any person, or (ii) disseminating false or misleading documents, materials, or information or making, either orally or in writing, any false or misleading statement in any communication with any investor or prospective investor, about:

- (A) matters relating to a decision by an investor or prospective investor to buy or sell securities of any company,
- (B) any investment strategy or investment in securities,
- (C) the prospects for success of any product or company,
- (D) the use of investor funds,
- (E) compensation to any person,
- (F) any offering of securities,
- (G) the registration status of such offering or of such securities,

- (H) Defendants' qualifications to advise investors, or
- (I) the misappropriation of investor funds or investment proceeds.

II.

Permanently restrain and enjoin Defendants Todd and TFS from violating Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser

by, directly or indirectly, (i) creating a false appearance or otherwise deceiving any person, or (ii) disseminating false or misleading documents, materials, or information or making, either orally or in writing, any false or misleading

statement in any communication with any investor or prospective investor,
about:

- (A) matters relating to a decision by an investor or prospective investor to buy or sell securities of any company,
- (B) any investment strategy or investment in securities,
- (C) the prospects for success of any product or company,
- (D) any offering of securities,
- (E) the registration status of such offering or of such securities,
- (F) the use of investor funds,
- (G) compensation to any person,
- (H) Defendants' qualifications to advise investors, or
- (I) the misappropriation of investor funds or investment proceeds.

III.

Permanently restrain and enjoin Defendants Todd, TFS, and TFS Insurance from directly or indirectly, including, but not limited to, through any entity owned or controlled by Defendants, participating in the issuance, purchase, offer, or sale of any security; provided, however, that such injunction shall not prevent Defendants from purchasing or selling securities for their own personal accounts;

IV.

Enter an Order, pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] permanently prohibiting Defendant Todd from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 [15 U.S.C. § 78l] of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];

V.

Order Defendants Todd and TFS to pay disgorgement of ill-gotten gains, prejudgment interest thereon, and civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78(d)] in amounts to be determined by the Court upon motion of the SEC; and Defendant TFS Insurance to pay disgorgement of ill-gotten gains, prejudgment interest thereon, and civil penalties pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] in amounts to be determined by the Court upon motion of the SEC; and

VI.

Grant any other relief this Court deems appropriate.

Dated: July 12, 2023

Respectfully Submitted,

**UNITED STATES SECURITIES AND
EXCHANGE COMMISSION**

/s/Daniel J. Hayes

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