

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

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SECURITIES AND EXCHANGE)	
COMMISSION,)	
)	
	Plaintiff,)	Civil Action No.
)	
v.)	JURY TRIAL DEMANDED
)	
JAMES T. BOOTH,)	
)	
	Defendant.)	
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COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) alleges the following against the Defendant James T. Booth (“Booth” or “the Defendant”):

SUMMARY OF THE ACTION

1. This is a securities fraud enforcement action. Booth conducted a multi-year scheme that since 2014 defrauded approximately 40 investors out of nearly \$4 million. Booth made false or misleading statements to retail investors, telling them their assets would be used to purchase securities. Instead, Booth pocketed the investors’ money, using the investors’ money to pay personal and business expenses and, from time to time, to pay prior investors in order to keep the scheme going. Many of Booth’s clients and customers were unsophisticated investors, including seniors who utilized Booth’s services for their retirement savings.

2. In furtherance of the scheme, Booth fabricated elaborate account statements, which were provided to the investors. The fabricated account statements reflected various ownership positions, transactions and earnings, all to create the false appearance that the

investors' money had been invested as promised; some statements even included fictitious securities and values. When investors requested withdrawals, Booth routinely used assets fraudulently acquired from other investors to cover those withdrawals.

3. As a result of the conduct alleged herein, the Defendant violated, and unless restrained and enjoined will continue to violate Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder; Section 17(a) of the Securities Act of 1933 ("Securities Act"); and, Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 ("Advisers Act").

4. The Commission seeks a permanent injunction against the Defendant, enjoining him from engaging in the transactions, practices, and courses of business alleged in this Complaint; disgorgement of the defendant's ill-gotten gains, plus pre-judgment interest; civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)]; and such other relief as the Court may deem appropriate.

JURISDICTION AND VENUE

5. The Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d), 77v(a)], Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), 78aa], and Sections 209(d), 209(e) and 214 of the Advisers Act [15 U.S.C. §§ 80b-9(d), 80b-9(e), 80b-14].

6. Venue lies in this District pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], [Section 27 of the Exchange Act [15 U.S.C. § 78aa], Section 214 of the Advisers Act [15 U.S.C. § 80b-14] and 28 U.S.C. § 1391(d) because, among other things, certain acts or transactions constituting the violations of the federal securities laws detailed herein

occurred in this district. Also, at all relevant times, Booth's principal place of business and Booth's residence were in Connecticut.

7. In connection with the transactions, acts, practices, and courses of business described in this Complaint, the Defendant directly and indirectly made use of the mails or the means and instruments of transportation or communication in interstate commerce.

8. The Defendant's conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

THE DEFENDANT

9. **James T. Booth** ("**Booth**"), age 74, resides in Norwalk, Connecticut. He is the founder and owner of Booth Financial Associates ("**Booth Financial**"). Booth Financial is the name of the firm created by Booth in 1989 to provide advisory services and sell insurance products. Booth Financial has its main office in Norwalk, Connecticut and employs approximately 11 people. It is not registered with the Commission or any state regulator in any capacity.

10. Booth was a registered representative with LPL Financial LLC ("**LPL**"), an investment adviser and broker-dealer firm registered with the Commission, from February 2018 until his termination in May of 2019. Prior to working at LPL, Booth worked at Invest Financial Corporation ("**Invest Financial**"), another investment adviser and broker-dealer firm registered with the Commission, from December 2005 through February 2018. Booth served as an investment adviser and broker-dealer to individuals and organizations.

IV. FACTUAL ALLEGATIONS

A. BOOTH MISAPPROPRIATED INVESTOR ASSETS.

11. Beginning no later than 2014, Booth served investment advisory clients and brokerage customers, using the service and trading platform of LPL and, prior to that, Invest Financial. Beginning not later than 2014, Booth also purported to offer securities to these retail investors, outside of their ordinary advisory and brokerage accounts. Booth routinely solicited several of his investment advisory clients and brokerage customers to invest in these purported outside opportunities and directed them to write checks to or wire funds payable to a bank account in the name of “Insurance Trends Inc.” In response to those solicitations, investors typically either requested that checks be made payable to Insurance Trends from assets held in their advisory or brokerage accounts, or liquidated their annuities or other insurance policies and wired those funds to Insurance Trends.

12. Booth lured these investors to move their assets with promises of safer investments or higher returns. For example, Booth advised an elderly family member who had recently been widowed to move the money she received from her late husband’s pension into Insurance Trends. Booth promised to invest those funds in stocks that would continue to grow, telling the customer that she would have \$1 million by the time she was 100. Since 2009, the customer has provided Booth with over \$600,000.

13. For another client, Booth promised to invest in a safer investment product that would never lose principal but would grow as the market grew. The client transferred all the money he had set aside for his child’s college fund to Booth. When the client tried to remove money from this investments, Booth discouraged him by telling him to wait until the stock

market improved. When the client asked for the investment's documentation, Booth promised to bring documents to the next client meeting, which never occurred.

14. In another instance, Booth convinced an elderly customer to write a check to Insurance Trends and move money from an annuity established for the care of his disabled sibling.

15. Another Booth client and his wife were self-employed and wanted to set aside funds for their retirement. Booth suggested the client establish a defined benefit plan and told the client to write checks from his LPL advisory accounts to Insurance Trends so that Booth could purchase securities for the client's defined benefit plan. Over the course of 20 years, the client invested approximately \$1 million with Booth. Booth even employed an accountant to prepare the tax returns for the client's supposed defined benefit plan. The couple never withdrew any of this money but relied on Booth to invest it for their future use in retirement. When the client asked Booth about discrepancies in the asset amounts of his LPL statements and the statements provided by Booth; Booth promised to review them during an in-person meeting, but never did.

16. At all relevant times, Booth had signatory authority and exercised control over the Insurance Trends bank account. Booth did not tell investors much, if anything, about Insurance Trends. While Booth had acquired control of a corporate entity of that name years prior, he did not conduct any business through that entity, apart from using the Insurance Trends bank account as a conduit for pocketing investors' money.

17. Beginning no later than August 2014 through June 2019, Booth transferred approximately \$3.9 million of investors' money from the Insurance Trends bank accounts into his personal and business bank accounts. Booth used almost all of those funds to pay personal

and business expenses, including meals, entertainment and countless trips to casinos. Booth did not disclose his use of investor funds for personal and business expenses to investors, nor did he request permission to use investor funds for those purposes.

18. When, from time-to-time, investors asked to redeem some of their investments or when investors wanted to receive monthly income from their investments, Booth paid those investors with cash obtained from other investors. Booth did not disclose his use of investor funds to make payments to other investors, nor did he request permission to use investor funds for those purposes.

19. Booth's Ponzi scheme began as early as 1999, and resulted in Booth defrauding investors out of as much as \$10 million. By virtue of his scheme, Booth misappropriated approximately \$3.9 million dollars from approximately 40 investors between approximately August 2014 and June 2019.

B. BOOTH TOOK STEPS TO COVER UP HIS PONZI SCHEME AND HIS MISAPPROPRIATION OF INVESTOR FUNDS.

20. To further the scheme, Booth provided investors with fabricated semi-annual or quarterly statements which reflected ownership positions in the various securities that Booth had previously told investors would be purchased with the monies they paid to Insurance Trends. These fabricated statements included details about the various securities that Booth claimed to have purchased on behalf of the investors, such as ticker symbols, security names, shares, buy prices, cost basis, market values, gains and total returns. For at least one investor, Booth manipulated the LPL on-line account system to create the appearance that the investor's holdings included the various securities Booth falsely claimed to have purchased for the investor including fictitious securities.

C. BOOTH ADMITS TAKING INVESTOR FUNDS TO LPL AND FINRA.

21. On May 29, 2019, LPL conducted an unannounced onsite office visit to Booth Financial based on the concerns of two former clients of Booth who had been unable to transfer all of their assets over to their new investment adviser. During the office visit, Booth was questioned about various client investments and about Insurance Trends. Booth provided LPL with access to certain Insurance Trends bank account statements.

22. During that discussion with LPL personnel, Booth admitted to stealing money from his advisory clients and brokerage customers. Booth told LPL personnel that he had engaged in this Ponzi scheme over the last 20 years and had stolen anywhere from \$4 million to \$10 million dollars. He told LPL that he used investor assets to pay for personal and business expenses and to distribute funds back to other investors when requested. Booth provided LPL with access to some of the false investor account statements which he admitted he had created to cover up his theft.

23. The next day, LPL terminated Booth's association with the firm. LPL also terminated its associations with the other employees of Booth Financial.

24. Once Booth was terminated by LPL, the Financial Industry Regulatory Authority ("FINRA"), a self-regulatory organization that, among other things, regulates brokerage firms, began an investigation into Booth's termination. On June 5, 2019, FINRA sent Booth a letter requesting information about the circumstances of his termination from LPL. The letter, among other things, requested information surrounding investments recommended to investors outside of his employment with LPL and all investments in Insurance Trends.

25. On June 14, 2019, Booth electronically submitted a response to the FINRA letter. In that response, Booth wrote that he admitted to LPL that he had misappropriated funds. In his written response Booth provided the following details:

- a) Booth retained the investor money he received for investments on behalf of investors.
- b) He provided investors with fabricated account statements listing assets he purportedly purchased on their behalf.
- c) Booth explained that he operated a Ponzi scheme by providing some investors with periodic monthly disbursements from other investors' money deposited in Insurance Trends bank accounts.
- d) Insurance Trends was originally an insurance brokerage company. Booth used Insurance Trends to funnel stolen investor assets into bank accounts controlled by Booth.
- e) Booth's written response to FINRA also provides details of his misappropriation of investor assets and his Ponzi scheme going back as far as July of 2003. He admitted to stealing at least \$75,000 from two investors using an entity called Financial Security Associates, a consulting business created by Booth in 1987. Booth fabricated account statements showing fictitious assets associated with the money he took from these two investors. Booth kept no records of his scheme other than the fabricated account statements.

FIRST CLAIM FOR RELIEF

**The Defendant's Fraud in Connection with the
Purchase or Sale of Securities in Violation of
Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

26. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 25 above as if set forth fully herein.

27. As detailed above, Booth engaged in a fraudulent scheme through a series of fraudulent acts, statements, and material omissions through which investor funds were misappropriated for Booth's personal and business uses.

28. By engaging in the conduct described above, the Defendant, directly or indirectly, acting intentionally, knowingly or recklessly, by the use of means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (a) has employed or is employing devices, schemes or artifices to defraud; (b) has made or is making untrue statements of material fact or has omitted or is omitting to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) has engaged or is engaging in acts, practices or courses of business which operate as a fraud or deceit upon certain persons.

29. The Defendant's conduct involved fraud, deceit, manipulation, and/or deliberate or reckless disregard of regulatory requirements and directly or indirectly resulted in substantial losses to other persons.

30. As a result, the Defendant has violated and, unless enjoined, will continue to violate 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].

SECOND CLAIM FOR RELIEF

The Defendant's Fraud in the Offer or Sale of Securities In Violation of Section 17(a) of the Securities Act

31. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 25 above as if set forth fully herein.

32. Booth, directly and indirectly, acting intentionally, knowingly, recklessly, in the offer or sale of securities by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails: (a) has employed or is employing devices, schemes or artifices to defraud; (b) has obtained or is obtaining money or property by means of untrue statements of material fact or omissions 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; or (c) has engaged or is engaging in transactions, practices or courses of business which operate as a fraud or deceit upon purchasers of the securities.

33. As a result, the Defendant has violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM FOR RELIEF

The Defendant's Fraudulent Conduct by an Investment Adviser in Violation of Sections 206(1) and 206(2) of the Advisers Act

34. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 25 above as if set forth fully herein.

35. At all relevant times, Booth was an "investment adviser" within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)]. Booth was in the business of providing investment advice concerning securities for compensation. Booth was also an investment adviser with respect to his recommendations as an adviser representative of LPL and Invest Financial and as the portfolio manager of the purported new securities portfolios he represented would be created with assets he advised away from LPL and Invest Financial.

36. As set forth above, Booth misappropriated money from their advisory clients through a scheme to defraud and through transactions, practices, and courses of business which operated as a fraud or deceit upon their advisory clients.

37. The Defendant, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly or recklessly: (a) has employed or is employing devices, schemes, or artifices to defraud clients and/or potential clients; or (b) has engaged or is engaging in transactions, practices, or courses of business which operate as a fraud or deceit upon a client or prospective client.

38. As a result, the Defendant has violated and, unless enjoined, will continue to violate Sections 206(1) and (2) of the Advisers Act [15 U.S.C. § 80b-6(1) & (2)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

A. Enter a permanent injunction enjoining the Defendant from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, 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]; Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]; and Sections 206(1) and (2) of the Advisers Act [15 U.S.C. § 80b-6(1) & (2)];

B. Require the Defendant to disgorge his ill-gotten gains, plus pre-judgment interest, with said monies to be distributed in accordance with a plan of distribution to be ordered by the Court;

C. Require the Defendant to pay an appropriate civil monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)];

D. Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

E. Grant such other and further relief as this Court may determine to be just and

necessary.

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

By its attorneys,

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