

UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

	:	
SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	
	:	
v.	:	Civil No.
	:	
LESTER BURROUGHS,	:	
	:	JURY TRIAL DEMANDED
	:	
Defendant.	:	
	:	

**COMPLAINT**

Plaintiff, the United States Securities and Exchange Commission (the “Commission”), alleges the following against defendant Lester Burroughs (“Burroughs” or “Defendant”) and hereby demands a jury trial:

**PRELIMINARY STATEMENT**

1. This is a securities fraud enforcement action. Burroughs, an investment adviser representative and broker-dealer registered representative, engaged in a scheme to defraud retail investors from at least November 2012 to at least January 2019. Burroughs misappropriated advisory client money for his own personal use, created and sold fictitious investment products to clients, and engaged in a Ponzi-like scheme by paying back some advisory clients with money stolen from other advisory clients. Burroughs defrauded at least five clients and has failed to return at least \$560,000 to three of his clients.

2. As a result of the conduct alleged herein, Burroughs violated or in the alternative aided and abetted violation of, and unless restrained and enjoined will continue to violate, Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”).

3. The Commission seeks a permanent injunction enjoining Burroughs from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint, disgorgement of all ill-gotten gains from the unlawful conduct set forth herein together with prejudgment interest, civil penalties, and such other relief as the Court may deem appropriate.

### **JURISDICTION AND VENUE**

4. This Court has jurisdiction over this action pursuant to Sections 209(d), 209(e) and 214 of the Advisers [15 U.S.C. §§ 80b-9(d), 80b-9(e) and 80b-14].

5. Venue is proper in the District of Connecticut pursuant to Section 214 of the Advisers Act [15 U.S.C. § 80b-14] because the certain of the conduct alleged in this complaint occurred within the District of Connecticut and because Burroughs both resides in and transacted business in Connecticut.

6. In connection with the conduct alleged in this Complaint, the Defendant, directly or indirectly, made use of the means or instrumentalities of, interstate commerce or the mails, in connection with the transactions, acts, practices, and courses of business alleged in the Complaint.

### **DEFENDANT**

7. Lester Burroughs, age 60, is resident of Torrington, Connecticut. From September 2012 to the present, Burroughs has been a registered representative and investment adviser representative of Lincoln Investment Planning, LLC (“Lincoln Investment”), which is headquartered in Fort Washington, Pennsylvania, and has been registered with the Commission

as a broker-dealer since 1969 and as an investment adviser since 1978. From March 2014 to the present, Burroughs also has been an investment adviser representative of Capital Analysts (“Capital Analysts”), LLC, also headquartered in Fort Washington, Pennsylvania, and which has been registered with the Commission as an investment adviser since 2012.

### **STATEMENT OF FACTS**

8. Beginning in at least November 2012, Burroughs misappropriated money from advisory clients and used the money for his own personal purposes, and also engaged in a Ponzi-like scheme to cover-up the misappropriations by paying some clients back with money stolen from other clients.

9. Part of Burroughs’ scheme involved the sale to certain advisory clients of a product that Burroughs described to them as a “Guaranteed Interest Contract” or “GIC.” Burroughs told clients that the GICs he was selling paid a return of 4% or 7% per year for the life of the contract. Burroughs, however, never invested his clients’ money in GICs. Instead, he misappropriated his clients’ money, and provided his clients with fake documents to cover up what he had done.

10. Between at least 2012 and 2017, Burroughs sold the initial victim, an elderly client hereafter referred to as Client A, four separate fictitious GICs totaling approximately \$370,000. Bank records show that Burroughs misappropriated Client A’s money and used it for part of a payment to another client, insurance policy payments for other clients, Burroughs’ personal expenses, and small “interest” payments back to Client A.

11. In the summer of 2018, when a relative of Client A began to ask Burroughs to explain these investments, Burroughs created a fake statement from a well-known insurance company and sent it to the relative. The statement was for the period July 15, 2017 through July

15, 2018 and showed Client A had a GIC that paid 4% interest and was worth \$152,081.61. When Burroughs was pressed by Client A's relative to return the invested money, Burroughs convinced three other of his investment advisory clients (referred to hereafter as Clients B, C, and D) to invest in fictitious GICs that paid 4% to 7% so that he could obtain money to pay back Client A. From June 2017 to December 2018, Burroughs convinced these three other clients to invest approximately \$560,000 in GICs, some of which he used to repay Client A. Burroughs used this money to pay Client A approximately \$445,000, which reflected Client A's principal invested in the fictitious GICs plus 4% annual interest.

12. In May 2014, Client B, now age 83, began opening various accounts with Lincoln Investment that were advised by Burroughs. In September 2018, Burroughs convinced Client B to invest in a purported GIC. On September 4, 2018 Burroughs deposited \$70,000 from Client B into a bank account controlled by Burroughs, and, on November 28, 2018, Burroughs deposited another \$50,000 from Client B into a bank account controlled by Burroughs. Burroughs used this money from Client B for purposes other than purchasing a GIC for client B, including for personal purposes and to partially pay back Client A, resulting in total misappropriation of approximately \$120,000 from Client B.

13. In May 2014, Client C opened an individual retirement account for which Burroughs provided investment advice through Capital Analysts. The money from the account was funded by Client C's retirement savings plan as Client C was planning to retire in about two years. In August 2018, Burroughs convinced Client C to transfer \$50,000 from Client C's bank account to Burroughs to invest in a purported two year GIC paying 4% per year, with the principal and interest to be returned in August 2020. On August 14, 2018, Burroughs deposited \$50,000 from Client C into a bank account controlled by Burroughs. Burroughs used this money

from Client C for purposes other than purchasing a GIC for client C, including for personal purposes and to partially pay back Client A. Later, Burroughs provided Client C with a fake account statement reflecting his investment in a GIC to hide his misappropriation of approximately \$50,000 from Client C.

14. In July 2014, Client D, opened an advisory account with Lincoln Investment that was advised by Burroughs. Burroughs convinced Client D to invest in purported GICs beginning in June 2017. Burroughs deposited a total of \$405,000 from Client D into one or more bank accounts controlled by Burroughs: (1) \$50,000 on June 7, 2017; (2) \$25,000 on August 15, 2017; (3) \$30,000 on January 31, 2018; and (4) \$300,000 on December 27, 2018.

15. Client D's \$300,000 check from December 27, 2018 funded, at least in large part, the nearly \$300,000 of payments Burroughs made to Client A on January 7, 2019. In addition, a portion of Client B's September 4, 2018 \$70,000 check and a portion of Client C's August 14, 2018 \$50,000 check also funded, at least in part, an approximately \$89,000 payment Burroughs made to Client A on November 6, 2018. Burroughs also made a payment of \$15,000 to Client D in December 2018 shortly before the \$300,000 misappropriation, resulting in a net misappropriation of approximately \$390,000 from Client D.

**FIRST CLAIM FOR RELIEF**  
**(Violations of Sections 206(1) and 206(2) of the Advisers Act)**

16. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 15 of this Complaint.

17. By engaging in the conduct described above, Defendant, while acting as an investment adviser within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C §80b-2(a)(11)], by use of the means of and instrumentalities of interstate commerce or the mails, directly or indirectly:

- (a) employed devices, schemes, or artifices to defraud clients; and
- (b) engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon clients.

18. By reason of the foregoing, Defendant, directly or indirectly, singly or in concert, has violated, and unless enjoined, will continue to violate Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

### **SECOND CLAIM FOR RELIEF**

#### **(Aiding and Abetting Lincoln Investment's and Capital Analysts' Violations of Sections 206(1) and 206(2) of the Advisers Act)**

19. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 15 of this Complaint.

20. At all relevant times, Lincoln Investment and Capital Analysts were both an "investment adviser" within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. §80b-2(a)(11)].

21. By engaging in the conduct set forth above, Lincoln Investment and Capital Analysts, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly, recklessly, or negligently: (a) has employed or is employing devices, schemes, or artifices to defraud; 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, in violation of Sections 206(1) and 206 (2) of the Advisers Act [15 U.S.C. §80b-6(1) & (2)].

22. By engaging in the conduct set forth above, Defendant knowingly or recklessly provided substantial assistance to Lincoln Investment in its violations of Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §80b-6(1) & (2)].

23. By engaging in the conduct set forth above, Defendant knowingly or recklessly provided substantial assistance to Capital Analysts in its violations of Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §80b-6(1) & (2)].

24. As a result, Defendant aided and abetted, and unless enjoined, will continue to aid and abet Lincoln Investment's and Capital Analysts' violations of Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §80b-6(1) & (2)], and is liable under those sections pursuant to Section 209(f) of the Advisers Act [15 U.S.C. §80b-9(f)].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that the Court grant the following relief:

A. Enter a permanent injunction, including an injunction restraining Defendant and each of his agents, servants, employees and attorneys and those persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of Sections 206(1) and (2) of the Advisers Act [15 U.S.C. §80b-6(1) & (2)].

B. Require Defendant to disgorge his ill-gotten gains and losses avoided, 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 Defendant to pay an appropriate civil monetary penalty pursuant to Section 209(e) of the Advisers Act [15 U.S.C. §80b-9(e)];

D. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and,

E. Award such other and further relief as the Court deems just and proper.

**DEMAND FOR JURY TRIAL**

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Commission demands a jury trial in this action of all issues so triable under the claims in this Complaint.

Respectfully submitted,

/s/ Martin F. Healey  
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Dated: December 4, 2019



CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS
Securities and Exchange Commission
(b) County of Residence of First Listed Plaintiff
(c) Attorneys (Firm Name, Address, and Telephone Number)
Martin Healey, SEC, 33 Arch St. #2400, Boston, MA 02110, 617-573-8952, healeym@sec.gov

DEFENDANTS
Lester Burroughs
County of Residence of First Listed Defendant Litchfield
NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.
Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)
X 1 U.S. Government Plaintiff
2 U.S. Government Defendant
3 Federal Question (U.S. Government Not a Party)
4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)
PTF DEF
Citizen of This State X 1 1 Incorporated or Principal Place of Business In This State
Citizen of Another State 2 2 Incorporated and Principal Place of Business In Another State
Citizen or Subject of a Foreign Country 3 3 Foreign Nation

IV. NATURE OF SUIT (Place an "X" in One Box Only)
CONTRACT: 110 Insurance, 120 Marine, 130 Miller Act, 140 Negotiable Instrument, 150 Recovery of Overpayment & Enforcement of Judgment, 151 Medicare Act, 152 Recovery of Defaulted Student Loans (Excludes Veterans), 153 Recovery of Overpayment of Veteran's Benefits, 160 Stockholders' Suits, 190 Other Contract, 195 Contract Product Liability, 196 Franchise
TORTS: PERSONAL INJURY: 310 Airplane, 315 Airplane Product Liability, 320 Assault, Libel & Slander, 330 Federal Employers' Liability, 340 Marine, 345 Marine Product Liability, 350 Motor Vehicle, 355 Motor Vehicle Product Liability, 360 Other Personal Injury, 362 Personal Injury - Medical Malpractice; PERSONAL INJURY: 365 Personal Injury - Product Liability, 367 Health Care/Pharmaceutical Personal Injury Product Liability, 368 Asbestos Personal Injury Product Liability; PERSONAL PROPERTY: 370 Other Fraud, 371 Truth in Lending, 380 Other Personal Property Damage, 385 Property Damage Product Liability
FORFEITURE/PENALTY: 625 Drug Related Seizure of Property 21 USC 881, 690 Other
LABOR: 710 Fair Labor Standards Act, 720 Labor/Management Relations, 740 Railway Labor Act, 751 Family and Medical Leave Act, 790 Other Labor Litigation, 791 Employee Retirement Income Security Act
IMMIGRATION: 462 Naturalization Application, 465 Other Immigration Actions
BANKRUPTCY: 422 Appeal 28 USC 158, 423 Withdrawal 28 USC 157
PROPERTY RIGHTS: 820 Copyrights, 830 Patent, 835 Patent - Abbreviated New Drug Application, 840 Trademark
SOCIAL SECURITY: 861 HIA (1395ff), 862 Black Lung (923), 863 DIWC/DIWW (405(g)), 864 SSID Title XVI, 865 RSI (405(g))
FEDERAL TAX SUITS: 870 Taxes (U.S. Plaintiff or Defendant), 871 IRS—Third Party 26 USC 7609
OTHER STATUTES: 375 False Claims Act, 376 Qui Tam (31 USC 3729(a)), 400 State Reapportionment, 410 Antitrust, 430 Banks and Banking, 450 Commerce, 460 Deportation, 470 Racketeer Influenced and Corrupt Organizations, 480 Consumer Credit (15 USC 1681 or 1692), 485 Telephone Consumer Protection Act, 490 Cable/Sat TV, X 850 Securities/Commodities/Exchange, 890 Other Statutory Actions, 891 Agricultural Acts, 893 Environmental Matters, 895 Freedom of Information Act, 896 Arbitration, 899 Administrative Procedure Act/Review or Appeal of Agency Decision, 950 Constitutionality of State Statutes

V. ORIGIN (Place an "X" in One Box Only)
X 1 Original Proceeding
2 Removed from State Court
3 Remanded from Appellate Court
4 Reinstated or Reopened
5 Transferred from Another District (specify)
6 Multidistrict Litigation - Transfer
8 Multidistrict Litigation - Direct File

VI. CAUSE OF ACTION
Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):
15 U.S.C. §80b-6(1) & (2)
Brief description of cause:
Securities Fraud - Fraudulent Offering

VII. REQUESTED IN COMPLAINT:
CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P. DEMAND \$
CHECK YES only if demanded in complaint:
JURY DEMAND: X Yes No

VIII. RELATED CASE(S) IF ANY
(See instructions): JUDGE DOCKET NUMBER

DATE 12/04/2019 SIGNATURE OF ATTORNEY OF RECORD /s/ Martin F. Healey

FOR OFFICE USE ONLY
RECEIPT # AMOUNT APPLYING IFP JUDGE MAG. JUDGE

## INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44

### Authority For Civil Cover Sheet

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

- I.(a) Plaintiffs-Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.
- (b) County of Residence.** For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)
- (c) Attorneys.** Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".
- II. Jurisdiction.** The basis of jurisdiction is set forth under Rule 8(a), F.R.Cv.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.  
 United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here.  
 United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.  
 Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.  
 Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; **NOTE: federal question actions take precedence over diversity cases.**)
- III. Residence (citizenship) of Principal Parties.** This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.
- IV. Nature of Suit.** Place an "X" in the appropriate box. If there are multiple nature of suit codes associated with the case, pick the nature of suit code that is most applicable. Click here for: [Nature of Suit Code Descriptions](#).
- V. Origin.** Place an "X" in one of the seven boxes.  
 Original Proceedings. (1) Cases which originate in the United States district courts.  
 Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441.  
 Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.  
 Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.  
 Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.  
 Multidistrict Litigation – Transfer. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407.  
 Multidistrict Litigation – Direct File. (8) Check this box when a multidistrict case is filed in the same district as the Master MDL docket.  
**PLEASE NOTE THAT THERE IS NOT AN ORIGIN CODE 7.** Origin Code 7 was used for historical records and is no longer relevant due to changes in statute.
- VI. Cause of Action.** Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC 553 Brief Description: Unauthorized reception of cable service
- VII. Requested in Complaint.** Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.  
 Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction.  
 Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.
- VIII. Related Cases.** This section of the JS 44 is used to reference related pending cases, if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.

**Date and Attorney Signature.** Date and sign the civil cover sheet.