

UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

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UNITED STATES SECURITIES  
AND EXCHANGE COMMISSION,

Plaintiff,

v.

ROBERT A. LOFFREDI AND  
RAYMOND FINANCIAL GROUP, INC.

Defendants,

ADVANCED SALES AND MARKETING CORP. AND  
KAREN L. LOFFREDI

Relief Defendants.

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CIVIL ACTION NO.

JUDGE CONRAD

RECEIVED AT THE CLERK'S OFFICE

07C 5927

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission ("Commission"),  
alleges as follows:

1. This matter involves a scheme to defraud by Robert Loffredi ("Loffredi"), a registered representative and the President of the Oakbrook Terrace, Illinois branch office of Linsco/Private Ledger Corp. (Linsco"), which operated under the name Raymond Financial Group, Inc. ("Raymond Financial"). From at least August 2003 to the present, Loffredi, through Raymond Financial, raised at least \$2,833,796 from at least fourteen customers by falsely representing that he would invest their funds in securities, primarily in the form of purported certificates of deposit

(“CDs”). Instead of using the customers’ money to purchase securities, Loffredi used the customers’ funds to pay his personal and business expenses, to make payments to a company owned by his wife, Advanced Sales and Marketing Corp. (“Advanced Sales”), to make “disbursements” to other customers who had invested in the fictitious securities, and on at least one occasion to make payments on behalf of his wife, Karen L. Loffredi (“Karen Loffredi”). At least \$2,400,000 of the money that Loffredi raised from these customers has not been repaid.

2. Loffredi and Raymond Financial, directly and indirectly, have engaged, and unless enjoined, will continue to engage in transactions, acts, practices and courses of business which constitute violations of Section 17(a) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. §77(q)(a)], Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5 ] promulgated thereunder, and Section 15(c) of the Exchange Act [15 U.S.C. §78o(c)] and Rule 15c1-2 [17 C.F.R. §240.15c1-2] promulgated thereunder.

3. The Commission brings this action to restrain and enjoin such transactions, acts, practices, and course of business pursuant to Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§78u(d) and 78u(e)].

#### **JURISDICTION AND VENUE**

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

5. The defendants have, directly and indirectly, made, and are making, use of the means and instrumentalities of interstate commerce and of the mails in connection with the transactions, acts, practices and courses of business alleged herein.

6. There is a reasonable likelihood that the defendants will, unless enjoined, continue to engage in the transactions, acts, practices, and courses of business set forth in this Complaint and transactions, acts, practices, and courses of business of similar purport and object.

7. Venue is proper in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Section 27 of the Exchange Act [15 U.S.C. §78aa]. The transactions, acts, practices and courses of business alleged herein occurred in the Northern District of Illinois. Defendants Loffredi and Raymond Financial and relief defendants Advanced Sales and Karen Loffredi are all residents of the Northern District of Illinois.

#### **DEFENDANTS**

8. Loffredi, age 60, resides in Hinsdale, Illinois. Loffredi is the President of Raymond Financial and is a registered representative who, until recently, was associated with Linsco. Linsco terminated its relationship with Loffredi on October 3, 2007. Loffredi is also the Senior Vice President of Advanced Sales, where he manages and controls Advanced Sales' finances.

9. Raymond Financial, an Illinois corporation located in Oakbrook Terrace, Illinois, is controlled by Loffredi. Until recently, Raymond Financial operated as a branch office of Linsco, a registered broker-dealer headquartered in Boston, Massachusetts. Loffredi is the sole shareholder of Raymond Financial and controls its finances. The branch has five employees, four of whom are registered representatives, including Karen Loffredi. Raymond Financial serviced about 1,500 customer accounts. Raymond Financial is not licensed to hold client assets.

### **RELIEF DEFENDANTS**

10. Advanced Sales is an Illinois sub-chapter S corporation located in Oakbrook Terrace, Illinois. Advanced Sales shares the same office space as Raymond Financial. Karen Loffredi is the President and ninety percent owner of Advanced Sales. Advanced Sales purports to sell continuing legal education and consulting services to brokers.

11. Karen Loffredi, age 47, is Robert Loffredi's wife. Karen Loffredi also is a registered representative who was, until recently, associated with Linsco. Linsco terminated its relationship with Karen Loffredi on October 5, 2007.

### **THE FRAUDULENT SCHEME**

12. From at least August 2003 to the present, Loffredi, through Raymond Financial, raised at least \$2,833,796 from at least fourteen customers by falsely representing that he would invest their funds in securities, primarily in the form of purported "CDs." Instead of using the customers' money to purchase securities, Loffredi used the customers' funds to pay his personal and business expenses, to make payments to Advanced Sales, to make "disbursements" to other customers who had invested in the fictitious securities, and to make at least one payment on behalf of his wife. At least \$2,400,000 of the money that Loffredi raised from these customers has not been repaid.

13. Loffredi tailored his securities recommendations to his customers' wants and needs. He raised approximately \$1,900,000 from the sale of fictitious CDs. He also raised approximately \$900,000 through the sale of purported government securities and mutual funds.

14. In or about August 2003, Loffredi solicited one customer to invest in United States Treasury Bills ("T-Bills") through Raymond Financial. Loffredi discussed with this customer the

interest rate and risks of investing in the purported T-Bills, when, in fact, he never intended to use the customer's money to purchase T-Bills.

15. On August 19 and August 29, 2003, this customer gave Loffredi \$50,000 and \$498,000, respectively, to invest in the T-Bills, and on February 7, 2005, this customer gave Loffredi another \$37,500 to purchase the T-Bills.

16. Loffredi did not invest this customer's money in T-Bills. Instead, Loffredi simply misappropriated the customer's money and used it to make payments for his personal and business expenses.

17. Loffredi also prepared and periodically gave this customer Raymond Financial account statements which falsely represented that this customer owned T-Bills, when in fact Loffredi had misappropriated the \$585,500 from this customer. In addition, Loffredi sent this customer false Internal Revenue Service Forms 1099 ("1099 Forms") reflecting fictitious taxable earnings on the non-existent T-Bills.

18. In or about July 2004, Loffredi solicited two other customers to jointly invest in three mutual funds through Raymond Financial. In recommending the mutual funds, Loffredi provided the customers with information contained in the funds' prospectuses when, in fact, he never intended to invest their money in these mutual funds.

19. On July 27, 2004, these customers gave Loffredi \$150,000 to invest in the three mutual funds that they had discussed.

20. Loffredi did not invest the customers' money in mutual funds. Instead, Loffredi simply misappropriated the customers' money and used it to make payments for his personal and business expenses.

21. Loffredi prepared and periodically gave these customers Raymond Financial account statements which falsely represented that they owned the three mutual funds, when in fact Loffredi had misappropriated the \$150,000 from them. Loffredi also sent the customers false 1099 Forms reflecting fictitious taxable earnings on these non-existent mutual funds.

22. From October 2004 through March 2007, Loffredi solicited at least eleven more customers to invest a total of at least \$1,297,737 in fictitious CDs, and he solicited one of these customers to invest an additional \$150,000 in fictitious mutual funds. .

23. In recommending the "CDs" to these eleven customers, Loffredi represented that investing in the CDs would allow the customers to protect their principal, that the CDs were FDIC insured, and that the CDs offered high interest rates. Loffredi represented that he would invest the customers' money in the CDs that he had discussed with them.

24. In recommending the mutual funds to the investor that invested the additional \$150,000, Loffredi provided this customer with information contained in the funds' prospectuses, and orally reinforced those representations.

25. These eleven customers gave Loffredi a total of at least \$1,447,737 to purchase the CDs and mutual funds in the form of checks, cash or wire transfers to Raymond Financial.

26. Loffredi did not invest any of the \$1,447,737 in CDs or mutual funds.

27. Instead of using the \$1,447,737 from these eleven customers to purchase CDs or mutual funds, Loffredi misappropriated their money and used it to make payments for his personal and business expenses, to make payments to Advanced Sales, and to make "disbursements" to other customers who had invested in fictitious securities.

28. Loffredi prepared and periodically gave these eleven customers Raymond Financial account statements which falsely represented that they had invested in CDs offered through Linsco and issued by large national and regional banks, and gave the one customer account statements which falsely represented that she owned three profitable mutual funds. Loffredi randomly selected the names of the national or regional banks and mutual funds, and made up the account and certificate numbers for the “CDs” and placed them on the account statements.

29. Loffredi also sent these eleven victims false 1099 Forms reflecting fictitious taxable earnings on the non-existent CDs.

### **DISCOVERY OF THE SCHEME**

30. In early September 2007, Loffredi solicited another customer to purchase purported CDs through Loffredi and Raymond Financial.

31. In recommending the investment, Loffredi told this customer that investing in the CDs would allow him to protect his principal, that the CDs were FDIC insured, and that the CDs offered high interest rates.

32. On September 10, 2007, this customer gave Loffredi a cashier’s check for \$600,000 and a personal check for \$50,559 to purchase the CDs.

33. This customer told Loffredi that he obtained a short-term personal loan collateralized by his retirement savings in order to invest with Loffredi.

34. After receiving the money, Loffredi prepared an account statement on Raymond Financial letterhead and gave this account statement to the client. This account statement represented that this investor owned \$600,559 of CDs.

35. This customer complained to Loffredi because the value of the CD holdings listed on the account statement was approximately \$50,000 less than the amount that he had given Loffredi for the investment.

36. Loffredi claimed that this was a typographical error. Loffredi then sent this investor a new account statement on Raymond Financial letterhead reflecting that a total amount of \$650,559 had been invested in CDs.

37. The two Raymond Financial account statements that Loffredi prepared and gave to this customer falsely represented that he had invested in CDs offered through Linsco and issued by three large national banks, when in fact Loffredi had already started misappropriating his money.

38. Loffredi did not invest the customer's money in CDs. On September 10, 2007, Loffredi deposited this customer's \$650,559 into a Raymond Financial account at Charter One Bank that Loffredi controlled.

39. The Raymond Financial bank account into which Loffredi deposited this customer's money had an August 2007 month-end balance of \$4,925. Loffredi made only one deposit for \$5,500, a payment from Advanced Sales, into this Charter One Bank account between August 31 and September 10, 2007.

40. The same day that Loffredi deposited the \$650,559, he began using this customer's money to pay purported business expenses. In total, he used \$153,032 to pay purported business expenses, which included the servicing of a significant amount of credit card debt.

41. On September 24, 2007, Loffredi used this customer's money to pay himself \$51,500 from the Raymond Financial bank account.



42. On October 1, 2007, Loffredi used this customer's money to pay a \$53,037 CD disbursement to another customer who had also invested in fictitious CDs.

43. Loffredi also used this customer's money to pay a total of \$77,000 to Advanced Sales on September 26, 2007 and October 1, 2007.

44. On September 26, 2007, Loffredi also used this customer's money to pay \$22,146 in credit card debt on behalf of his wife, Karen Loffredi.

45. In early October 3, 2007, approximately \$302,186 of this customer's money remained in the Raymond Financial bank account.

46. This customer was suspicious of Loffredi and complained to, among others, Linsco and FINRA. Linsco sent an internal audit team to Raymond Financial on October 2, 2007. The Commission's Chicago Regional Office broker-dealer examination staff promptly initiated a cause examination on October 4, 2007, and the Commission began uncovering evidence of the fraudulent scheme. On October 16, 2007, Loffredi, in sworn testimony, admitted substantially all of the factual allegations contained in this complaint to attorneys for the Commission.

## COUNT I

### Violations of Section 17(a)(1) of the Securities Act

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

48. By engaging in the conduct described above, Loffredi and Raymond Financial, in the offer and sale of securities, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, have employed devices, schemes or artifices to defraud.

49. Loffredi and Raymond Financial knew, or were reckless in not knowing, the facts and circumstances described in this Complaint.

50. By reason of the foregoing, Loffredi and Raymond Financial have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)(1)].

## **COUNT II**

### **Violations of Sections 17(a)(2) and (3) of the Securities Act**

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

52. By engaging in the conduct described above, Loffredi and Raymond Financial, in the offer or sale of securities, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, have obtained money or property by means of untrue statements of material fact or by omitting 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 engaged in transactions, practices, or courses of business which have been or are operating as fraud or deceit upon the purchasers of such securities.

53. By reason of the foregoing, Loffredi and Raymond Financial have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. §77q(a)(2), (3)].

### COUNT III

#### **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

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

55. By engaging in the conduct described above, Loffredi and Raymond Financial, in connection with the purchase or sale of securities, by the use of any means or instrumentalities of interstate commerce or of the mails, directly or indirectly, have employed devices, schemes, or artifices to defraud; made untrue statements of material facts 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 engaged in acts, practices or courses of business which have been or are operating as a fraud or deceit upon the purchasers and sellers of such securities.

56. Loffredi and Raymond Financial knew, or were reckless in not knowing, the facts and circumstances described in this Complaint.

57. By reason of the foregoing, Loffredi and Raymond Financial 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].

### COUNT IV

#### **The Relief Defendants Were Unjustly Enriched**

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

59. Loffredi used ill-gotten gains from his fraudulent scheme to make payments to Advanced Sales and to make at least one payment on behalf of Karen Loffredi.

60. Advanced Sales and Karen Loffredi do not have any legitimate claim to these investor funds.

61. By reason of the foregoing, Advanced Sales and Karen Loffredi were unjustly enriched and, as relief defendants, they should disgorge their ill-gotten gains, and pay prejudgment interest thereon.

### **RELIEF REQUESTED**

**WHEREFORE**, the Commission requests that the Court:

#### **I.**

Find that defendants Loffredi and Raymond Financial committed the violations charged and alleged herein, and that through these violations Loffredi and Raymond Financial, and relief defendants, Advanced Sales and Karen Loffredi, obtained ill-gotten gains.

#### **II.**

Issue a Temporary Restraining Order, and Orders of Preliminary and Permanent Injunction, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, restraining and enjoining defendants Loffredi and Raymond Financial, and their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with any of the foregoing who receive actual notice of such Order, by personal service or otherwise, and each of them, from directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §77(e)(a), (c); 15 U.S.C. § 77q(a)(1), (a)(2), (a)(3)], Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)], and Rule 10b-5 promulgated thereunder [17 C.F.R. 240.10b-5].

### III.

Issue an Order that all funds and other assets of defendants Loffredi and Raymond Financial, and relief defendant Advanced Sales, are frozen and, accordingly, that until the Court's adjudication of this case on its merits or otherwise ordered by the Court, Loffredi, Raymond Financial, and Advanced Sales, and their officers, agents, servants, employees, attorneys, depositories, banks, and those persons in active concert or participation with any one or more of them, and each of them, who receive actual notice of this Order or of the terms of the asset freeze provisions, by personal service, mail, facsimile transmission or otherwise, are restrained from, directly or indirectly: (1) transferring, selling, encumbering, receiving, changing, pledging, assigning, liquidating or otherwise disposing of, or withdrawing, any assets or property, including, but not limited to, cash, free credit balances, fully paid-for securities, and/or property pledged or hypothecated as collateral for loans, owned by, controlled by, or in the possession of Loffredi, Raymond Financial, or Advanced Sales, including any and all accounts at any financial institution in the name of any one or more of them, and any and all accounts at any financial institution in which Loffredi, Raymond Financial, or Advanced Sales have signatory authority or a beneficial interest; and (2) transferring, selling, encumbering, receiving, changing, pledging, assigning, withdrawing, liquidating or otherwise disposing of, in any manner, any funds or assets, that constitute Loffredi or Raymond Financial investor funds or any accounts or property into which Loffredi or Raymond Financial investor funds were deposited or invested.

**IV.**

Enter an Order imposing upon defendants Loffredi and Raymond Financial appropriate 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. § 78u(d)].

**V.**

Issue an Order requiring the defendants and the relief defendants to disgorge any and all ill-gotten gains that they received, plus prejudgment interest.

**VI.**

Issue an Order requiring the defendants and the relief defendants to identify assets and to provide an accounting of all monies or property obtained as a result of Loffredi and Raymond Financial's fraudulent scheme, as well as their current financial resources or assets

**VII.**

Issue an Order prohibiting the defendants and the relief defendants from destroying, mutilating, concealing, altering, or disposing of documents.

**VIII.**

Issue an Order granting expedited discovery.

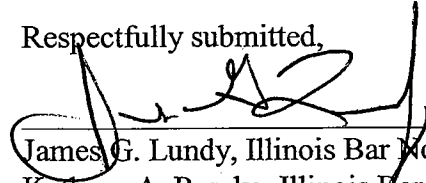
**IX.**

Retain jurisdiction of this action 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.

X.

Grant orders for such further relief as the Court deems appropriate.

Respectfully submitted,



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