**UNITED STATES DISTRICT COURT**
**NORTHERN DISTRICT OF OHIO**
**EASTERN DIVISION**

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| UNITED STATES SECURITIES AND EXCHANGE COMMISSION | ) | |
| Plaintiff, | ) | Civil Action No. ___________ |
| v. | ) | |
| RAYMOND THOMAS and STRICTLY STOCKS INVESTMENT CO., INC. | ) | |
| Defendants. | ) | |

**COMPLAINT**

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

**NATURE OF THE COMPLAINT**

1. From 1997 through 2006, while acting as unregistered investment advisers, Raymond Thomas ("Thomas") and his company Strictly Stocks Investment Company, Inc. ("Strictly Stocks") raised at least $620,000 from at least 26 investors through the fraudulent offer and sale of investment contracts and promissory notes. Thomas and Strictly Stocks told investors that their funds would be invested in stocks and options. Instead, Thomas misappropriated the funds and, among other things, used the funds to support his own private business ventures, including a limousine company and a title company, and for his own personal use.

2. Thomas, who is himself a retired police officer, misappropriated funds from Cleveland area active and retired police officers and firefighters, as well as his friends and family who thought they were investing in the stock market.

3. Thomas and Strictly Stocks have violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)], Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder, and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

4. Accordingly, the Commission seeks against Thomas and Strictly Stocks an order of permanent injunction enjoining them from future violations of the foregoing provisions of the federal securities laws, disgorgement, plus prejudgment interest, of all ill-gotten gains, civil penalties and such other ancillary and equitable relief as is sought herein and may be appropriate.

5. The Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)], and Section 209(d) of the Advisers Act [15 U.S.C. §§ 80b-9(d)].

## DEFENDANTS

6. Raymond Thomas ("Thomas"), age 47, is a resident of Painesville, Ohio. At all times relevant to this case, Thomas purported to be the president and owner of Strictly Stocks Investment Company, Inc.

7. Strictly Stocks Investment Company, Inc. ("Strictly Stocks"), is an Ohio corporation, which was located in, and transacted business in, the Northern District of Ohio.

## JURISDICTION

8. This Court has jurisdiction pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa], Section 214 of the Advisers Act [15 U.S.C. § 80b-14], and 28 U.S.C. § 1331. Venue is proper in this Court 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], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14].

9. The acts, practices and courses of business constituting the violations alleged herein occurred within the jurisdiction of the United States District Court for the Northern District of Ohio.

10. Defendants are inhabitants of, and transact business in, the Northern District of Ohio.

11. Defendants, directly or indirectly, have made and are making use of the mail or the means or instrumentalities of interstate commerce in connection with the transactions, acts, practices and courses of business alleged herein.

## FACTS

### THOMAS AND STRICTLY STOCKS OBTAINED MONEY FROM INVESTORS

12. From 1997 through 2006, Thomas raised funds from at least 26 investors by telling them that their money would be invested in stocks and options. Thomas

primarily solicited his current and former coworkers and acquaintances in the local police and fire departments, and members of his own family.

13. For instance, Thomas convinced a retired fire chief to invest $10,000 in Strictly Stocks. Thomas was introduced to the fire chief by a police officer who knew Thomas.

14. Thomas, in another instance, persuaded a police officer to withdraw savings from a mutual fund investment intended for the college fund of the officer's son and invest the money with Strictly Stocks.

15. Thomas acted as an investment adviser to investors. Thomas reviewed the assets of some investors and offered suggestions on how those assets should be managed. He also provided those investors with a written financial plan, which set forth how each investor's money should be allocated towards investments, expenses and savings.

16. In addition, Thomas told one investor that if an investment earned a return more than what was promised to an investor, the surplus would go to Strictly Stocks. Also, Thomas told an investor that he would receive a flat fee at the end of the Strictly Stocks investment contract. Investors were not told that the funds they invested with Strictly Stocks would be misappropriated.

**STRICTLY STOCKS INVESTMENT CONTRACTS**

17. At least 26 investors invested approximately $250,000, some of whom used funds from their pensions, in purported investment contracts with Strictly Stocks. The funds of Strictly Stocks' investors were purportedly to be pooled together to invest in stocks and options.

18. According to a written mission statement Thomas provided to investors, Strictly Stocks would "make profits by trading only in stocks and options" and provide investors with "above average fixed returns with below average risk."

19. Thomas also provided investors with documents titled "investment contracts" recording their investments and the dividends promised. These contracts provided that investors would receive a dividend each quarter, the amount of which was dependent on the dollar amount invested and the length of the investment.

20. On the $15^{th}$ day after the end of each quarter, investors typically received their dividend checks along with a quarterly financial statement for Strictly Stocks, reflecting its purported securities holdings. This statement provided the following information: (1) the amount invested by each investor; (2) the quarterly dividend paid to each investor; (3) the total number of closed trades; (4) the total number of profitable trades; (5) the total number of losing trades; (6) the totals for investor and company equity; and (7) the total current values of the brokerage accounts in which the investor funds were purportedly invested.

21. Thomas prepared the quarterly financial statements and distributed them to investors, usually by mail.

22. Thomas, however, fabricated the information in these quarterly financial statements.

23. Thomas admitted during sworn testimony that he falsified information in the Strictly Stocks quarterly financial statements, including the dollar value of brokerage accounts.

## THOMAS'S PROMISSORY NOTES

24. Thomas also obtained at least an additional $370,000 from approximately three investors (who also invested with Strictly Stocks investment contracts) through the sale of promissory notes.

25. Thomas represented to investors that the funds would be invested in stocks and options, and that interest on the notes would be generated by trading profits.

26. Specifically, the promissory notes issued by Thomas guaranteed the investor a return based on a fixed interest rate in addition to a return of the original investment.

## THOMAS MISAPPROPRIATED INVESTOR FUNDS

27. Thomas did not use investor funds to purchase stocks or options. Instead, he misappropriated the funds and used them to operate his own unrelated businesses, including a limousine company and a title company he owned, and for his own personal use.

28. During sworn testimony, Thomas stated that "[o]nce I started with the businesses in '02, which was the title company, in '01 was the car business, a lot of monies that came in went to those businesses rather than stayed in Strictly Stocks. It was used in the car business, the title business, real estate, the trucking business. It was used outside of Strictly Stocks."

29. Further, Thomas admitted that he did not tell Strictly Stocks investors that their money was being diverted to his other businesses. Specifically, Thomas stated during testimony that "I don't recall ever specifically saying, 'This money's not staying in that account. It's going to my car business, or title company or real estate property.' No, I don't ever recall ever saying that to them."

**COUNT I**

**Violations of Sections 17(a)(1) of the Securities Act**
**[15 U.S.C. § 77q(a)(1)]**

30. Paragraphs 1 through 29, are realleged and incorporated by reference as though set forth herein.

31. By engaging in the conduct described above, Defendants Thomas and Strictly Stocks, in the offer and sale of securities, by the use of means and instruments of transportation or communication in interstate commerce or by use of mails, directly or indirectly, have employed devices, schemes and artifices to defraud.

32. Thomas and Strictly Stocks intentionally or recklessly engaged in the devices, schemes, and artifices as described above.

33. By reason of the foregoing, Thomas and Strictly Stocks violated 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**
**[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]**

34. Paragraphs 1 through 33, are realleged and incorporated by reference as though set forth herein.

35. By engaging in the conduct described above, Thomas and Strictly Stocks, 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, have:

a. 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

b. engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchasers of such securities.

36. Thomas and Strictly Stocks made the untrue statements and omissions of material fact and engaged in the devices, schemes, and artifices described above.

37. By reason of the foregoing, Thomas and Strictly Stocks have violated Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and (3)].

## COUNT III

**Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5]**

38. Paragraphs 1 through 37, are realleged and incorporated by reference as though set forth herein.

39. As more fully described in paragraphs 1 through 29 above, Thomas and Strictly Stocks, 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: used and employed devices, schemes and artifices to defraud; made untrue statements of material fact and omitted 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 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.

40. Thomas and Strictly Stocks intentionally or recklessly engaged in the devices, schemes, and artifices as described above.

41. By reason of the foregoing, Thomas and Strictly Stocks 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].

## COUNT IV

### Violations of Advisers Act Sections 206(1) and 206(2) [15 U.S.C. §§ 80b-6(1) and 80b-6(2)]

42. Paragraphs 1 through 41, are realleged and incorporated by reference as though set forth herein.

43. At all times relevant to this Complaint, Thomas and Strictly Stocks acted as investment advisers to investors.

44. As more fully described in paragraphs 1 through 29 above, at all times alleged in this Complaint, Thomas and Strictly Stocks, while acting as investment advisers, by use of the mails, and the means and instrumentalities of interstate commerce, directly or indirectly, knowingly, willfully or recklessly: (i) employed devices, schemes or artifices to defraud its clients or prospective clients; and (ii) engaged in transactions, practices and courses of business which have operated as a fraud or deceit upon its clients or prospective clients.

45. By reason of the foregoing, Thomas and Strictly Stocks have violated Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

## RELIEF REQUESTED

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

**I.**

Find that Defendants Thomas and Strictly Stocks committed the violations charged and alleged in this Complaint.

**II.**

Enter an Order of Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, restraining and enjoining Defendants Thomas and Strictly Stocks, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of the 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 Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder, and Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

**III.**

Issue an Order requiring Defendants Thomas and Strictly Stocks to disgorge the ill-gotten gains that they received as a result of their wrongful conduct, including prejudgment interest.

**IV.**

With regard to Defendants Thomas's and Strictly Stocks' violative acts, practices and courses of business set forth herein, issue an Order imposing upon Thomas and Strictly Stocks appropriate 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)].

**V.**

Retain jurisdiction of this action in accordance with the principals 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.

**VI.**

Grant such other and further relief this Court may deem necessary and appropriate.

Respectfully submitted,

/s/ Natalie G. Garner

John E. Birkenheier
birkenheierj@sec.gov
Charles J. Kerstetter
kerstetterj@sec.gov
Natalie G. Garner
garnern@sec.gov

Attorneys for Plaintiff
U.S. SECURITIES AND
EXCHANGE Commission
175 W. Jackson Blvd., Suite 900
Chicago, IL 60604
Telephone: (312) 353-7390
Facsimile: (312) 353-7398

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