

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

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| SECURITIES AND EXCHANGE COMMISSION, |) | |
| |) | |
| Plaintiff, |) | |
| |) | |
| v. |) | Case No. _____ |
| |) | |
| DAVID M. FAUBERT and |) | Filed: March 23, 2005 |
| FAUBERT FINANCIAL GROUP, INC., |) | |
| |) | |
| Defendants. |) | |

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission (“Commission”) alleges the following against defendants David M. Faubert and Faubert Financial Group, Inc.:

PRELIMINARY STATEMENT

1. This is an enforcement action against David M. Faubert (“Faubert”), a registered representative who lives in Simsbury, Connecticut, and Faubert Financial Group, Inc. (“FFG”), a Connecticut corporation which he owns and controls. From 2000 until the present, Faubert used FFG to defraud as many as fifteen clients out of approximately \$2.4 million. Faubert promised the clients that he would invest their money in a “fixed account” with a guaranteed return of 8%. Instead, he diverted the clients’ funds for his personal use, including the payment of his gambling debts, and he concealed his fraud by providing the clients with fictitious account statements. Faubert’s scheme only unraveled in the past week, after Connecticut securities regulators began an examination of his activities.

2. Through the activities alleged in this Complaint, Faubert and FFG engaged in: (a) fraudulent or deceptive conduct in the offer or sale of securities, in violation of Section 17(a) of the Securities Act of 1933 (“Securities Act”); (b) fraudulent or deceptive conduct in connection with the purchase or sale of securities, in violation of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder; and (c) fraudulent or deceptive conduct with respect to investment advisory clients, in violation of Sections 206(1) and (2) of the Investment Advisers Act of 1940 (“Advisers Act”).

3. Accordingly, the Commission seeks: (a) entry of a permanent injunction prohibiting defendants from further violations of the relevant provisions of the federal securities laws; (b) disgorgement of defendants’ ill-gotten gains, plus pre-judgment interest; and (c) the imposition of civil penalties due to the egregious nature of defendants’ violations. In addition, because of the risk that defendants will continue violating the federal securities laws and the danger that any remaining client funds will be dissipated or concealed before entry of a final judgment, the Commission seeks preliminary equitable relief to: (a) prohibit defendants from continuing to violate the relevant provisions of the federal securities laws; (b) freeze defendants’ assets and otherwise maintain the status quo; (c) require defendants to submit an accounting of client funds and other assets in their possession; (d) require the defendants to repatriate any client funds transferred offshore; (e) prevent defendants from destroying relevant documents; and (f) authorize the Commission to undertake expedited discovery.

JURISDICTION

4. The Commission seeks a permanent injunction and disgorgement pursuant to Section 20(b) of the Securities Act [15 U.S.C. §77t(b)], Section 21(d)(1) of the Exchange Act [15 U.S.C. §78u(d)(1)], and Section 209(d) of the Advisers Act [15 U.S.C. §80b-9(d)]. The Commission seeks the imposition of 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)].

5. This 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) and 214 of the Advisers Act [15 U.S.C. §§80b-9(d), 80b-14]. Defendant Faubert resides in this District, defendant FFG is incorporated in this District, most of defendants' victims reside in this District, and much of defendants' wrongful conduct occurred here.

6. In connection with the conduct described in this Complaint, defendants directly or indirectly made use of the mails or the means or instruments of transportation or communication in interstate commerce.

DEFENDANTS

7. **David M. Faubert**, age 48, lives in Simsbury, Connecticut. Since February 2003, he has been affiliated with Tower Square Securities, Inc. ("Tower"), a broker-dealer and investment adviser based in Hartford, Connecticut, and registered with the Commission.

8. **Faubert Financial Group, Inc. (“FFG”)** is a Connecticut corporation with an office in Avon, Connecticut. FFG is a financial advisory, insurance, estate planning, and tax preparation business. Faubert is the President of FFG. Faubert, his fiancée, and an assistant are FFG’s sole employees. Faubert sold securities, insurance and other financial services to his clients out of FFG’s office.

STATEMENT OF FACTS

Faubert Defrauded as Many as Fifteen Clients of Approximately \$2.4 Million

9. On or about March 14, 2005, representatives of the Securities and Business Investments Division of the Connecticut Department of Banking began an examination of Faubert’s activities in response to a client complaint. On March 22, 2005, shortly after receiving a demand to produce certain documents, Faubert met with representatives of the Connecticut Department of Banking and admitted to having defrauded many of his clients.

10. From approximately 2000 to the present, Faubert defrauded as many as fifteen clients by telling them that he would invest their money in a “fixed account” which “guaranteed” an 8% return. In many instances, Faubert persuaded the clients to transfer their money from legitimate investments such as mutual funds or variable annuities into an investment in his “fixed account” with its “guaranteed” return. Most of the clients live in Connecticut, and some were Faubert’s friends or close associates. Several of the clients are elderly.

11. Faubert’s practice was to tell the clients to make their investments through checks payable to FFG. Faubert deposited the checks into an account in the name of FFG at Webster

Bank. Instead of investing the clients' funds as promised, Faubert diverted the funds for his personal use, including the payment of his gambling debts.

12. To conceal the fraud, Faubert periodically provided the clients with account statements that he had fabricated. The account statements falsely showed that the clients' money had been invested in the "fixed account" and was accruing interest, when in fact Faubert had made no such investments and had instead diverted the money for his personal use.

13. Faubert fraudulently obtained between \$30,000 and \$700,000 from each defrauded client. In total, he defrauded the clients of approximately \$2.4 million.

FIRST CLAIM FOR RELIEF
(Violation of Section 17(a) of the Securities Act)

14. The Commission repeats and realleges paragraphs 1 through 13 above.

15. Faubert and FFG, directly and indirectly, acting intentionally, knowingly or 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) have employed or are employing devices, schemes or artifices to defraud; (b) have obtained or are obtaining money or property by means of untrue statements of material fact or omissions 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) have engaged or are engaging in transactions, practices or courses of business which operate as a fraud or deceit upon purchasers of the securities.

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

17. The violations of Section 17(a) of the Securities Act by Faubert and FFG have involved fraud, deceit or deliberate or reckless disregard of regulatory requirements and have resulted in substantial losses or significant risk of substantial losses to other persons, within the meaning of Section 20(d) of the Securities Act [15 U.S.C. §77t(d)].

SECOND CLAIM FOR RELIEF
(Violation of Section 10(b) of the Exchange Act and Rule 10b-5)

18. The Commission repeats and realleges paragraphs 1 through 17 above.

19. Faubert and FFG, 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) have employed or are employing devices, schemes or artifices to defraud; (b) have made or are making untrue statements of material fact or have omitted or are omitting to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) have engaged or are engaging in acts, practices or courses of business which operate as a fraud or deceit upon certain persons.

20. As a result, Faubert and FFG have 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].

21. The violations of Section 10(b) of the Exchange Act and Rule 10b-5 by Faubert and FFG have involved fraud, deceit or deliberate or reckless disregard of regulatory requirements and have resulted in substantial losses or significant risk of substantial losses to

other persons, within the meaning of Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)].

THIRD CLAIM FOR RELIEF
(Violation of Sections 206(1) and (2) of the Advisers Act)

22. The Commission repeats and realleges paragraphs 1 through 21 above.

23. Faubert and FFG were “investment advisers” within the meaning of Section 202(a)(11) of the Advisers Act.

24. Faubert and FFG, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly or recklessly: (a) have employed or are employing devices, schemes, or artifices to defraud; or (b) have engaged or are engaging in transactions, practices, or courses of business which operate as a fraud or deceit upon a client or prospective client.

25. As a result, Faubert and FFG have 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)].

26. The violations of Sections 206(1) and (2) of the Advisers Act by Faubert and FFG have involved fraud, deceit or deliberate or reckless disregard of regulatory requirements and have resulted in substantial losses or significant risk of substantial losses to other persons, within the meaning of Section 209(e) of the Advisers Act [15 U.S.C. §80b-9(e)].

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that this Court:

A. Enter a temporary restraining order, order freezing assets, and order for other equitable relief in the form submitted with the Commission's motion for such relief and, upon further motion, enter a comparable preliminary injunction, order freezing assets, and order for other equitable relief;

B. Enter a permanent injunction restraining defendants and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them 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:

1. Section 17(a) of the Securities Act [15 U.S.C. §77q(a)];
2. 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]; and
3. Sections 206(1) and (2) of the Advisers Act [15 U.S.C. §§80b-6(1), (2)];

C. Require defendants to disgorge their 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;

D. Order defendants to pay 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)]; and

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

Respectfully submitted,

Walter G. Ricciardi
District Administrator

Frank C. Huntington (Fed. Bar No. CT-01850)
Senior Trial Counsel

Philip C. Koski (Mass. Bar No. 568073)
Branch Chief

Britt Collins (Mass. Bar No. 643593)
Senior Enforcement Counsel

Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
73 Tremont Street, 6th Floor
Boston, MA 02108
(617) 573-8960 direct (Huntington)
(617) 424-5940 fax

Local Counsel:
John B. Hughes (Fed. Bar No. CT-05289)
Assistant United States Attorney
Chief, Civil Division
United States Attorney's Office
Connecticut Financial Center
157 Church Street, 23rd Floor
New Haven, CT 06510
(203) 821-3700
(203) 773-5373 fax

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