

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA  
MIAMI DIVISION

CASE NO.

SECURITIES AND EXCHANGE COMMISSION,	)
	)
Plaintiff,	)
v.	)
	)
LUIS FELIPE PEREZ,	)
	)
Defendant.	)
_____	)

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

**I. INTRODUCTION**

1. The Commission brings this action to enjoin Defendant Luis Felipe Perez from violating the anti-fraud provisions of the federal securities laws.

2. From no later than 2006 until June 2009, Perez raised approximately \$40 million in a Ponzi scheme affecting approximately 35 South Florida investors, many of whom were Hispanic. Using personal and family relationships while boasting of a successful track record in providing risk-free investments, Perez lured acquaintances to invest substantial sums of money for purported guaranteed fixed returns. Perez claimed the investments were collateralized by diamonds. Perez also told some investors they were beneficiaries on his life insurance policy, but failed to disclose he had let the policy lapse.

3. Perez offered investments in no-risk oral loan agreements or written promissory notes issued in his name, which provided annual returns ranging from 18% to 120% to be paid in

monthly installments. Perez falsely told investors the purpose of the notes was to support his jewelry businesses and provide financing to pawn shops.

4. In reality, Perez primarily used new investor funds to pay prior investors rather than to finance his jewelry businesses or pawn shops. Furthermore, he misappropriated millions for himself and his family to support his extravagant lifestyle.

5. Perez's scheme collapsed in June 2009, when he was no longer able to recruit new investors.

6. Through the conduct set forth above and described in more detail below, Perez violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], and Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b) and 17 C.F.R. §240.10b-5].

7. The Commission asks the Court to enter: (1) a permanent injunction restraining and enjoining Perez from violating the federal securities laws; (2) an order directing Perez to submit a sworn accounting and disgorge all ill-gotten gains, with prejudgment interest; and (3) an order directing Perez to pay a civil penalty.

## **II. DEFENDANT AND RELATED PARTIES**

### **A. Defendant**

8. Perez, 38, resides in Miami, Florida. He was the president and sole owner of Lucky Star Diamonds, Inc. and Luis Felipe Jewelry Design Corp.

### **B. Related Entities**

9. Lucky Star Diamonds, Inc. was a Florida corporation with its principal place of business in Miami, Florida. It was purportedly a jewelry business. Perez was the president of the company and managed and controlled all aspects of the business until it ceased operations.

The company had no employees. Lucky Star Diamonds has never registered an offering or class of securities under the Securities Act or the Exchange Act.

10. Luis Felipe Jewelry Design Corp. was a Florida corporation with its principal place of business in Miami, Florida. Jewelry Design Corp. was also purportedly a jewelry business. Perez was the president of the company and managed and controlled all aspects of the business until it ceased operations. The company had no employees. Jewelry Design Corp. has never registered an offering or class of securities under the Securities Act or the Exchange Act.

### **III. JURISDICTION AND VENUE**

11. 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) and 77v(a)] and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa].

12. The Court has personal jurisdiction over Perez, and venue is proper in the Southern District of Florida because many of his acts and transactions constituting violations of the Securities and Exchange Acts occurred in the Southern District of Florida. More specifically, Perez's businesses were located in the Southern District of Florida, Perez solicited investors from the Southern District of Florida, and he resides in this District.

13. In connection with the conduct alleged in this Complaint, Perez, directly and indirectly, singly or in concert with others, made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation and communication in interstate commerce, and the mails.

### **IV. THE DEFENDANT'S FRAUDULENT INVESTMENT SCHEME**

#### **A. Overview Of The Scheme**

14. Beginning in 2006, to finance his struggling jewelry businesses, Perez began

offering investors no-risk collateralized promissory notes promising annual returns of 18% to 36% a year, paid in monthly installments. Perez told prospective investors, all people he knew, that he would pay the interest from the proceeds of his jewelry business.

15. In an effort to raise more money in late 2007, Perez began telling prospective investors he would use their money to provide financing to pawn shops in New York, which he claimed paid him 5% to 10% monthly returns (60% to 120% annually). He also began offering investors higher annual returns up to 120%.

16. Perez guaranteed these high returns on investment at no risk, and offered investors the option to withdraw their principal with little or no advance notice.

17. To gain the trust of prospective investors, Perez exploited his personal and family relationships, including his ties to local politicians. He also bolstered his own image with lavish spending, including extensive personal use of limousines, extravagant dinners, and bodyguards. He attracted and befriended new investors through word-of-mouth from previous investors.

18. Perez deposited investor funds into the bank accounts of his companies, Lucky Star Diamonds and Jewelry Design, and, on at least two occasions, his personal bank accounts. He used the company accounts to make monthly interest payments to investors by check.

19. From 2006 until June 2009, Perez raised approximately \$40 million from approximately 35 investors, predominately Hispanics living in South Florida.

**B. Material Misrepresentations and Omissions To Investors  
And Misuse and Misappropriation of Investor Funds**

20. In connection with soliciting funds from investors, Perez made numerous material misrepresentations and omissions regarding, among other things, the safety and security of investors' principal and returns, the source of purported investment returns, and the use of investor funds.

21. Perez told potential investors he would use their money to invest in his jewelry businesses or to provide financing to pawn shops. Perez further represented to investors he earned 5% to 10% per month from financing the pawn shops. These representations were false as Perez failed to disclose his jewelry businesses did not generate sufficient revenue to pay investors' principal and interest payments, and that his primary source of money to pay investor returns was from new investors. Moreover, contrary to his representations to potential investors, Perez had no dealings with pawn shops and never provided financing to them.

22. Perez assured investors their principal was guaranteed, but failed to disclose that his guarantee was impossible to fulfill because he was conducting a Ponzi scheme and had no meaningful source of income other than money from new investors.

23. Perez further told some investors that diamonds from the pawn shops he had specifically set aside for them secured their investments. In some instances, the purported diamonds were placed in a bank safety deposit box, to which he and the investor had access. In at least one other instance, Perez showed diamonds to a potential investor and claimed they were collateral for his investment. In reality, the diamonds did not secure the investments, and the purported diamonds in the safety deposit box were fake.

24. Perez also assured some investors that he made them beneficiaries on his life insurance policy. However, he failed to disclose he had defaulted on the policy premium and the policy had, as a result, lapsed.

25. Perez also misappropriated investor funds to support an extravagant lifestyle for himself and his family. From 2006 until the scheme collapsed, Perez used investor funds to pay himself and his family more than \$6 million in salaries, bonuses, and lavish expenses. He used the money to: purchase a \$3.2 million home and \$1 million worth of jewelry for himself and his

wife, lease \$400,000 worth of luxury cars, take exotic vacations that cost him \$200,000 a year, spend \$300,000 on clothing for his wife, and spend \$200,000 for meals at expensive restaurants.

26. In addition, Perez gave away more than \$1 million to family members, spent close to \$300,000 on travel by private jet, and purchased artwork costing \$100,000. He paid himself an annual salary of \$250,000. Perez's extravagant spending also extended to \$100,000 in political contributions.

27. By June 2009, Perez had depleted the funds he needed to satisfy the outstanding oral loan agreements or written promissory notes he had issued to investors. He ceased making payments to investors and refused to return their principal.

### C. Examples of Representations To Investors

#### 1. Investor # 1

28. In November 2007, a mutual friend introduced an investor to Perez. Perez met with this investor in September or October 2008 and offered him an investment opportunity relating to pawn shops in New York.

29. Perez told this investor the pawn shops required large amounts of capital and would provide significant returns to those who provided it with capital. Because Perez could provide financing to the pawn shops from the money he raised from investors, he purportedly could guarantee investors 18% annual returns. Perez further represented diamonds would collateralize the investment.

30. Perez also told this investor he would add him as a beneficiary on his life insurance policy so that if something happened to Perez, the investor would collect the proceeds of the policy equal to the amount of the investment.

31. This investor invested \$200,000 with Perez, which is documented by a promissory note dated November 1, 2008. Every quarter, Perez delivered to the investor a check for that month and two post-dated interest payment checks for the next two months.

32. This investor received and deposited the monthly interest payment checks from December 2008 through June 2009. In July 2009, this investor attempted to deposit the check dated for July that Perez had given to him. The check was returned for insufficient funds. He did not receive any further payments from Perez.

2. Investor # 2

33. In late 2007 or early 2008, another investor learned about the opportunity with Perez through mutual friends. In November 2008, Perez met this investor and also offered him the same investment opportunity relating to pawn shops.

34. Perez told this investor that due to the ability of pawn shops to charge their customers 3% to 5% interest per month, he could guarantee 18% annual returns. Perez further stated 20 to 25 individuals had already invested with him.

35. Perez indicated diamonds the pawn shops had given him would collateralize the investment. Perez showed the diamonds to this investor, and represented he was holding these diamonds and others from the pawn shops, as collateral for his investment.

36. Perez also told this investor that he would add him as a beneficiary on his life insurance policy so that if something happened to Perez, he would collect the proceeds of the policy equal to the amount of the investment.

37. This investor invested \$100,000 with Perez, which is documented by a promissory note dated November 18, 2008. This investor received a check each month with the

monthly interest payment in an amount that was consistent with the investor's promissory note with Perez.

38. In May 2009, Perez failed to make the monthly payment to this investor. In August 2009, Perez reached a settlement with this investor and paid him \$40,000.

## **V. CLAIMS FOR RELIEF**

### **COUNT I**

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

39. The Commission repeats and realleges paragraphs 1 through 38 of its Complaint.

40. From no later than 2006 until at least June 2009, Perez, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described in this Complaint, knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

41. By reason of the foregoing, Perez directly or indirectly violated, and, unless enjoined, is reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)].

### **COUNT II**

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

42. The Commission repeats and realleges paragraphs 1 through 38 of its Complaint.

43. From no later than 2006 until at least June 2009, Perez, directly or indirectly, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce, or of the mails: (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 the light of the circumstances under which they were made, not



misleading; or (b) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

44. By reason of the foregoing, Perez directly or indirectly violated, and, unless enjoined, is reasonably likely to continue to violate, Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and (3)].

### **COUNT III**

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

45. The Commission repeats and realleges paragraphs 1 through 38 of its Complaint.

46. From no later than 2006 until at least June 2009, Perez, directly or indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of securities, knowingly, willfully or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and omitting 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) engaged in acts, practices and courses of business which have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

47. By reason of the foregoing, Perez directly or indirectly violated, and, unless enjoined, is reasonably likely to continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240].

**VI. RELIEF REQUESTED**

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

**I.**

**Declaratory Relief**

Declare, determine, and find Perez committed the violations of the federal securities laws alleged in this Complaint.

**II.**

**Permanent Injunctive Relief**

Issue a Permanent Injunction restraining and enjoining Perez from violating Section 17(a) of the Securities Act and Section 10(b) and Rule 10b-5 of the Exchange Act.

**III.**

**A Sworn Accounting**

Issue an Order requiring Perez to file with this Court a sworn written accounting identifying:

(1) All assets, liabilities and property currently held, directly or indirectly, by or for the benefit of Perez, including, without limitation, bank accounts, brokerage accounts, investments, business interests, loans, lines of credit, and real and personal property wherever situated, describing each asset and liability, its current location and amount;

(2) All money, funds, securities, property (real and personal), assets and income received by Perez, or for his direct or indirect benefit, at any time from January 1, 2006 through the date of such accounting, describing the source, amount, disposition and current location of each of the items listed; and

(3) The names and last known addresses of all bailees, debtors, and other persons and entities that currently are holding the assets, funds or property of Perez.

**IV.**

**Disgorgement**

Issue an Order directing Perez to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

**V.**

**Civil Money Penalty**

Issue an Order directing Perez to pay civil money 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. § 78(d)(3)].

**VI.**

**Further Relief**

Grant such other and further relief as may be necessary and appropriate.

**VII.**

**Retention of Jurisdiction**

Further, the Commission respectfully requests the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

June 2, 2010

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