

UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

_____	)	
SECURITIES AND EXCHANGE	)	
COMMISSION,	)	
	)	
Plaintiff,	)	
	)	
v.	)	
	)	
FLORIN S. ILOVICI,	)	Civil Action No. _____
	)	
Defendant,	)	
	)	
and	)	
	)	JURY TRIAL DEMANDED
DIANA ILOVICI,	)	
	)	
Relief Defendant.	)	
_____	)	

**COMPLAINT**

Plaintiff Securities and Exchange Commission (“Plaintiff” or “Commission”) alleges the following against Defendant Florin S. Ilovici (“Defendant” or “Ilovici”) and Relief Defendant Diana Ilovici (“Relief Defendant”):

**PRELIMINARY STATEMENT**

1. This case involves fraudulent misrepresentations and the misappropriation of investor assets. Since at least 2008, Ilovici, of Avon, Connecticut, has improperly raised and misappropriated at least \$1 million in investor funds. Ilovici induced at least two elderly Connecticut women into providing him with investment funds to manage on their behalf. After these investors transferred their assets to Ilovici, Ilovici deposited the funds into accounts solely in his name and then used these funds to engage in risky and unauthorized personal trading that

resulted in the loss of his clients' investments. Ilovici also made unauthorized use of investor funds for his personal expenses.

2. By engaging in the conduct alleged herein, Defendant violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

3. As a result of the foregoing, the Commission seeks the following relief: (a) entry of a permanent injunction prohibiting Defendant from violations of the relevant provisions of the federal securities laws; (b) disgorgement of Defendant's ill-gotten gains, plus pre-judgment interest thereon; and (c) the imposition of a civil monetary penalty due to the egregious nature of Defendant's violations.

4. In addition, because of the risk that Defendant will continue violating the federal securities laws and the danger that any remaining investor funds will be dissipated before the entry of a final judgment, the Commission seeks preliminary equitable relief in the form of a temporary restraining order and, upon notice and a hearing, a preliminary injunction, to: (a) prohibit Defendant from continuing to violate the relevant provisions of the federal securities laws; (b) freeze Defendant's assets and otherwise maintain the status quo; (c) require Defendant to submit an accounting of investor funds and other assets in his possession; (d) prohibit Defendant from soliciting or accepting additional investments; (e) prohibit Defendant from destroying relevant documents; and (e) authorize the parties to conduct expedited discovery.

**JURISDICTION AND VENUE**

5. The Commission brings this action pursuant to the enforcement authority conferred upon it by Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

6. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331 and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) & 78aa].

7. The Commission seeks a permanent injunction and disgorgement pursuant to Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)].

8. The Commission seeks the imposition of a civil monetary penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

9. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b) because a substantial part of the events giving rise to the claims occurred in this district and because Defendant and Relief Defendant reside in this district.

10. In connection with the conduct alleged in this Complaint, Defendant directly or indirectly made use of the means or instruments of transportation or communication in interstate commerce, the facilities of a national securities exchange, or the mails.

11. Defendant's conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

12. Unless enjoined, Defendant will continue to engage in the securities law violations alleged herein, or in similar conduct that would violate the federal securities laws.

**DEFENDANT AND RELIEF DEFENDANT**

13. Ilovici, age 49, at all relevant times was a resident of Avon, Connecticut.

14. From January to October 2007, Ilovici was a registered representative of UVEST Financial Services Group, Inc. ("UVEST"), a Commission-registered dual investment adviser/broker-dealer. UVEST terminated Ilovici for violating its internal policies and procedures.

15. Since October 2007, Ilovici has not been registered with the Commission as an investment adviser or broker-dealer representative, or in any other capacity.

16. Ilovici previously was a licensed insurance agent in the state of Connecticut, but his licensed lapsed in 2009.

17. From approximately September 2006 through October 2008, Ilovici was an insurance agent for Bankers Life and Casualty Company ("Bankers Life"). Bankers Life terminated its association with Ilovici effective in October 2008.

18. Relief Defendant, age 47, at all relevant times was a resident of Avon, Connecticut. Relief Defendant is Defendant's spouse.

19. From August 2002 to May 2011, Defendant and Relief Defendant jointly owned real property located in Avon, CT. On or about May 19, 2011, Defendant and Relief Defendant sold this property. After paying off the existing mortgage and other expenses, Defendant and Relief Defendant jointly received the remaining proceeds.

20. On information and belief, the foregoing proceeds were deposited into an account or accounts in the name of Defendant or Relief Defendant at a local bank in Farmington, Connecticut.

**FACTUAL ALLEGATIONS**

**Defendant Raised Over \$1 Million from 2 Investors  
And Lost These Funds in Personal Trading or  
Spent These Funds on Personal Expenses**

21. Since at least January 2008, Ilovici has raised over \$1 million in investment funds from at least two investors, both elderly and living alone.

**Investor A**

22. The first individual who provided investment funds to Ilovici (“Investor A”) is a 68-year-old woman residing in Canton, CT, who is a former brokerage customer of Ilovici’s. Investor A is widowed, lives alone, and suffers from various medical ailments.

23. Investor A provided a total of \$126,000 to Ilovici, as evidenced by three “promissory notes” signed by Ilovici in the principal amounts of \$48,000, \$18,000, and \$60,000, respectively, dated March 14, 2008, August 15, 2008, and September 23, 2008, respectively. The promissory notes provided for an annual rate of interest of 20%.

24. Investor A maintains that these amounts were not loans to Ilovici but instead were amounts she provided to Ilovici to invest on her behalf.

25. Throughout most of 2007, Investor A was a brokerage customer of Ilovici’s while he worked at UVEST. Ilovici had authority to execute trades in Investor A’s UVEST account. When Investor A first opened her account at UVEST in March 2007, Ilovici arranged for the transfer of various of Investor A’s assets, including equity securities and mutual funds, from other financial institutions to Investor A’s UVEST account. Ilovici then immediately liquidated all these assets, re-invested them, and again liquidated these investments. By October 2007, there was approximately \$55,000 in cash reserves in Investor A’s UVEST account from the

securities liquidations that Ilovici had directed, which funds were subsequently withdrawn and delivered to Ilovici.

26. When Investor A provided the \$48,000 to Ilovici in March 2008, she did so by writing out ten (10) consecutively-numbered personal checks, all on the same date, payable to Ilovici, nine in the amount of \$5,000 and one in the amount of \$3,000.

27. When Investor A provided the subsequent \$18,000 and \$60,000 to Ilovici in August and September 2008, respectively, she did so by writing a single personal check payable to Ilovici in each instance.

28. Ilovici deposited all of the funds that Investor A provided to him into his personal bank account. Within a few days after each of these deposits, there were wire transfers for nearly the full amount of the deposits from Ilovici's bank account to Ilovici's personal brokerage account, which he had opened in March 2008, shortly before he first received funds from Investor A. Eventually, the vast majority of Investor A's funds that were transferred from Ilovici's bank account to Ilovici's personal brokerage account were lost in trading. Ilovici spent Investor A's funds remaining in his personal bank account on his ordinary expenses.

29. Between 2008 and 2010, Ilovici made certain payments to Investor A of approximately \$2,000-\$3,000 per month, on average.

30. Twice in late 2010 or early 2011, Investor A requested the return of her investment with Ilovici, but Ilovici ignored her request.

**Investor B**

31. Another individual who provided investment funds to Ilovici ("Investor B") is a 76-year-old woman residing in New Britain, CT. Investor B lives alone, has no family, and suffers from various medical ailments.

32. Investor B maintains that she never intended to invest more than approximately \$170,000 with Ilovici. In fact, Ilovici received over \$1 million in funds from Investor B.

33. Ilovici befriended Investor B shortly after her husband passed away in or around 2008 and gradually gained her trust by occasionally helping her with her shopping and errands.

34. Ilovici told Investor B that, if she invested with him, he could provide her a better return than she was earning on her existing investments. Ilovici also told Investor B that he was going to invest her money the same way he invested his own funds. Investor B understood that Ilovici would invest her funds in various instruments, including securities. At various times, Ilovici told Investor B that her investments with him were doing better than her old investments.

35. Investor B first met Ilovici when he was an insurance agent at Bankers Life, and she had purchased insurance through him in the past.

36. In June 2008, Bankers Life issued a fixed annuity contract in Investor B's name. Investor B paid an initial premium on this contract of approximately \$700,000. Ilovici was the insurance agent through whom Investor B purchased the contract, and he earned a commission and/or other compensation on this transaction.

37. Less than one year later, in May 2009, Bankers Life mailed—to Ilovici's residential address—a check payable to Investor B for \$630,000.16, representing a full surrender of her annuity, less an 10% early-withdrawal penalty. Investor B purportedly endorsed this check to Ilovici, and Ilovici deposited the check into his personal bank account. A few days later, there was a wire transfer of \$500,000 from Ilovici's personal bank account to a brokerage account solely in his name that he had opened a month earlier. By August 2009, the balance in Ilovici's brokerage account was down to approximately \$200,000 due to trading losses, and most

of this amount was withdrawn in early September 2009, transferred to Ilovici's other personal brokerage accounts, and lost in trading in those accounts by the end of the month.

38. Ilovici spent the remaining funds from the surrender of Investor B's annuity that he had deposited in his bank account on his personal expenses. In late May and early June 2009, there were deductions from Ilovici's personal bank account for expenses totaling at least \$50,000, including mortgage payments and travel charges. In the summer and fall of 2009, there were various additional expenditures from Ilovici's personal bank account, including a payment of \$2,000 to a landscaping company, a total of over \$5,000 to a lumber company and another company (ostensibly for the building of a new deck for Ilovici's home), and additional mortgage payments. During the foregoing periods, Ilovici also made various payments to Investor A from his personal bank account, and he moved funds between his various bank and active brokerage accounts. On November 30, 2009, Ilovici withdrew the remaining balance of under \$1,000 from his personal bank account and closed the account. Ilovici had opened a new account at a different bank in October 2009 and proceeded to use the new account until approximately October 2010, when the bank terminated the account.

39. In 2010, Ilovici arranged for the liquidation of two additional fixed annuities in Investor B's name, and Investor B transferred the proceeds, totaling over \$400,000, to Ilovici.

40. Specifically, in July 2010, Investor B received a check payable to herself in the amount of \$248,993.54, which represented the proceeds of an annuity with a market value of \$265,734.84, less an early-withdrawal penalty of \$16,741.30. Investor B purportedly endorsed this check over to Ilovici for him to invest on her behalf, and, on July 22, 2010, Ilovici deposited the check into his personal bank account. The next day (July 23, 2010), there was a wire transfer of \$180,000 from Ilovici's personal bank account to an account in Ilovici's name at an online



foreign currency exchange (“forex”) trading firm. Ilovici is the sole accountholder, sole beneficiary, and sole signatory on the forex account.

41. A few months later, in October 2010, Investor B received another check payable to herself in the amount of \$167,000.82, which represented the proceeds of an annuity with a market value of \$178,353.38 less an early-withdrawal penalty of \$12,484.74. Investor B endorsed this check over to Ilovici for him to invest on her behalf. On October 12, 2010, Ilovici deposited this check into his personal bank account. Soon thereafter, on October 20, 2010, there was a wire transfer of \$130,000 from Ilovici’s personal bank account to Ilovici’s forex account.

42. A typewritten document dated August 30, 2010, and purportedly signed by Investor B (the “August 2010 Letter”), references the foregoing two annuities that were surrendered in 2010 and provides, in part, that Ilovici could “take the proceeds” of Investor B’s two annuities “and invest it as he sees fit. As I have no one else to leave this money to, Mr. Ilovici is to invest this money as he wishes, provide me with any amounts along the years as I shall ask him to, and in the event of my passing to keep the remaining sums for himself. Mr. Ilovici may comingle [sic] these funds with his own, and otherwise treat [them] as his own.”

43. Ilovici has stated that he kept the August 2010 Letter in his safety deposit box. In fact, Ilovici did not maintain any safety deposit boxes in connection with any of his personal bank accounts during the relevant period.

44. Investor B maintains that she never signed any document purporting to give the authority to Ilovici that is reflected in the August 2010 Letter. Investor B further maintains that, contrary to the August 2010 Letter, she never told Ilovici he could use any of her money for his personal use or that he could keep any of her money after she passed away.

45. Ilovici opened his forex account in November 2009. The balances in the account remained in the range of tens-of-thousand of dollars at all times until July 2010, when Ilovici deposited the investment funds he had received from Investor B's liquidation of additional annuities. These funds were subsequently lost in forex trading, as were the additional investment funds that Ilovici received from Investor B and deposited into the account in October 2010. Ilovici's forex account suffered overall trading losses in 2010 of over \$240,000. Ilovici withdrew the remaining balance of under \$10,000 from his forex account in February 2011, deposited these funds into his personal bank account, and spent the funds on personal expenses.

46. Ilovici spent the remaining funds that Investor B provided to him in 2010 that remained in his personal bank account on various personal expenses, including the following in the summer of 2010: credit card payments; mortgage payments; a payment of over \$20,000 in late July 2010 to an attorney who represented Ilovici in a mortgage foreclosure action concerning his home that had been filed in May 2010; payments totaling over \$5,000 to a home improvement store, a hardware store, and a lumber company in late July 2010; various ATM and other withdrawals that appear to be for travel expenses in Canada; approximately \$3,000 in airline tickets in July 2010; and numerous ATM withdrawals from, and debits to vendors located in, Paris, France, over a two-week span in August 2010.

47. The balance in Ilovici's personal bank account was down to approximately \$100 immediately before Ilovici received the additional funds from the liquidation of Investor B's annuity in October 2010. Thereafter, he continued to make mortgage and credit card payments from his personal bank account using investor funds. In October 2010, the bank terminated Ilovici's account, and on November 10, 2010, he withdrew the remaining balance of less than \$3,000 from the account. Ilovici opened a new account at a different bank that he continued to

use for personal expenses until April 1, 2011, when the account was closed with no balance remaining in the account.

**FIRST CLAIM FOR RELIEF**  
**(Violation of Section 10(b) of the Exchange Act**  
**and Rule 10b-5 Against Defendant)**

48. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 47 above.

49. By engaging in the conduct described above, Defendant, directly or indirectly, acting knowingly or recklessly, in connection with the purchase or sale of securities, by the use of means and instrumentalities of interstate commerce, or of the mails, or a facility of a national securities exchange: (a) has employed or is employing devices, schemes or artifices to defraud; (b) has made or is making untrue statements of material fact or has omitted or is 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; and (c) has engaged or is engaging in acts, practices or courses of business which operate as a fraud or deceit upon certain persons.

50. As a result, Defendant 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 [17 C.F.R. § 240.10b-5] thereunder.

**SECOND CLAIM FOR RELIEF**  
**(Other Equitable Relief, Including Unjust Enrichment and Constructive Trust,**  
**Against Relief Defendant)**

51. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 50 above.

52. Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)] states: "In any action or proceeding brought or instituted by the Commission under any provision of the

securities laws, the Commission may seek, and any Federal court may grant, any equitable relief that may be appropriate or necessary for the benefit of investors.”

53. The Relief Defendant has received investor funds under circumstances dictating that, in equity and good conscience, she should not be allowed to retain such funds.

54. Further, specific property acquired by the Relief Defendant is traceable to Defendant’s wrongful acts and there is no reason in equity why the Relief Defendant should be entitled to retain that property.

55. As a result, the Relief Defendant is liable for unjust enrichment and should be required to return her ill-gotten gains, in an amount to be determined by the Court. The Court should also impose a constructive trust on property in the possession of Relief Defendant that is traceable to Defendant’s wrongful acts.

**PRAYER FOR RELIEF**

WHEREFORE, the Commission requests that this Court:

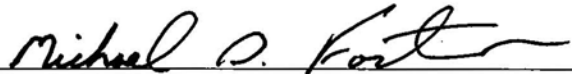
- A. Enter a preliminary injunction, order freezing assets, and order for other equitable relief in the form submitted with the Commission’s motion for such relief;
- B. Enter a permanent injunction restraining Defendant and each of his agents, servants, employees and attorneys and those persons in active 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 Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder;
- C. Require Defendant to disgorge his ill-gotten gains, plus pre-judgment interest;

- D. Require the Relief Defendant to disgorge all unjust enrichment and/or ill-gotten gain received from Defendant, plus prejudgment interest;
- E. Order Defendant to pay a civil monetary penalty;
- F. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and
- G. Award such other and further relief as the Court deems just and proper.

Respectfully submitted,

**SECURITIES AND EXCHANGE  
COMMISSION,**

By its attorneys,

  
\_\_\_\_\_  
Martin F. Healey  
Regional Trial Counsel  
Michael D. Foster  
Senior Trial Counsel  
Naomi J. Sevilla  
Senior Counsel  
33 Arch Street, 23rd Floor  
Boston, Massachusetts 02110  
(617) 573-8900 (Telephone)  
(617) 573-4590 (Facsimile)

Local Counsel:

/s/  
\_\_\_\_\_  
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, 23<sup>rd</sup> Floor  
New Haven, CT 06510  
(203) 821-3700  
(203) 773-5373

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