

UNITED STATES DISTRICT COURT  
for the  
DISTRICT OF VERMONT

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SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	
	:	
v.	:	Civil Action No.
	:	
GEORGE A. ROTELLI,	:	
Defendant.	:	

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COMPLAINT

Plaintiff U.S. Securities and Exchange Commission  
("Commission"), for its Complaint alleges that:

NATURE OF ACTION

1. This matter involves a fraudulent scheme by George A. Rotelli ("Rotelli"), who was a stockbroker and person associated with an investment adviser employed by American Express Financial Advisors, Inc. Between November, 1992, and January, 1996, Rotelli fraudulently induced five clients to give him checks totalling \$116,988 based on his misrepresentations that he would invest their funds in a mutual fund called the "Government Securities Income Fund IV." In fact, no such mutual fund existed, and Rotelli deposited the checks into his personal checking account. Rotelli further defrauded his clients by sending them fictitious account statements purportedly showing the increase in value of their investments.

2. Rotelli, directly or indirectly, has engaged in acts, transactions, practices and courses of business which

constitute violations of Section 17(a) of the Securities Act of 1933 [15 U.S.C. §77q(a)] ("Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 as amended [15 U.S.C. §78j(b)] ("Exchange Act"), and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5]. Rotelli also violated Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 [15 U.S.C. 80(b)-6(1) and (2)] ("Advisers Act").

#### JURISDICTION

3. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)], and Section 209 of the Advisers Act [15 U.S.C. § 80b-9] to permanently enjoin the defendant from the transactions, acts, practices and courses of business alleged herein, and for other equitable relief.

4. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)], Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa], and Section 209 of the Advisers Act [15 U.S.C. 80b-9].

5. The defendant, directly and indirectly, has made use of the means and instrumentalities of interstate commerce and of the mails, and of the means and instruments of transportation or communication in interstate commerce, in connection with the transactions, acts, practices and courses of business described herein.

6. There is a reasonable likelihood that the defendant, unless restrained and enjoined, will continue to engage in the acts, transactions, practices and courses of business alleged herein, or in acts, transactions, practices and courses of business of similar purport and object.

#### THE DEFENDANT

7. Defendant Rotelli, age 46, is a resident of South Burlington, Vermont. From March, 1981, until his termination in February, 1996, Rotelli was a stockbroker and investment adviser associated with American Express Financial Advisors, Inc.

#### THE FACTS

8. Between November, 1992, and January, 1996, Rotelli offered investments in a fictitious mutual fund that he called the "Government Securities Income Fund IV." In fact, no such fund existed.

9. Rotelli misrepresented to his clients that the fund was backed by U.S. Treasury securities, would generate a return of 6.5 - 7.25%, and that their principal would be guaranteed.

10. In reliance on these representations, Rotelli's clients gave him checks totalling \$116,988, which, pursuant to Rotelli's instructions, were made payable to Rotelli.

11. Rotelli's clients consisted of an eighty-five year old widow who invested \$37,000, a sixty-year old widow who invested \$17,000, a forty-nine year old widow with a young daughter who invested \$23,000, a fifty-year old school teacher



who invested \$5,000 and a couple in their seventies who invested \$34,988.

12. Instead of investing his clients' funds, Rotelli deposited the checks into his personal checking account and converted the funds to his own use.

13. Rotelli further defrauded his clients by providing them with fictitious account statements purportedly showing the increase in value of their investment.

FIRST CLAIM  
Violations of Section 17(a) of the Securities Act  
[15 U.S.C. §77q(a)]

14. Paragraphs 1 through 13 above are realleged and incorporated herein by reference.

15. Between November, 1992, and January, 1996, Rotelli directly or indirectly, in the offer or sale of securities by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, intentionally, knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material facts or omissions 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 transactions, practices, or courses of business which operated as a fraud or deceit upon other persons.

16. By reason of the foregoing, Rotelli violated Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

SECOND CLAIM  
Violations 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

17. Paragraphs 1 through 13 above are realleged and incorporated herein by reference.

18. Between November, 1992, and January, 1996, Rotelli, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities, intentionally, knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts or 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; or (c) engaged in acts, practices or courses of business which operated as a fraud or deceit upon other persons.

19. By reason of the foregoing transactions, practices or courses of business, Defendant Rotelli 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].

THIRD CLAIM  
Violations of Section 206(1) of the Investment Advisers Act  
[15 U.S.C. 80(b)-6(1)]

20. Paragraphs 1 through 13 above are realleged and incorporated herein by reference.

21. Between November, 1992, and January, 1996, Rotelli, directly or indirectly, by use of the means or

instrumentalities of interstate commerce, or of the mails, intentionally, knowingly or recklessly employed a device, scheme, or artifice to defraud a client or prospective client.

22. By reason of the foregoing, Rotelli violated Section 206(1) of the Advisers Act [15 U.S.C. 80b-6(1)].

**FOURTH CLAIM**  
**Violations of Section 206(2) of the Investment Advisers Act**  
**[15 U.S.C. 80b-6(2)]**

23. Paragraphs 1 through 13 above are realleged and incorporated herein by reference.

24. Between November, 1992, and January, 1996, Rotelli, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or of the mails, intentionally, knowingly or recklessly engaged in a transaction, practice, or course of business which operates as a fraud or deceit upon a client or prospective client.

25. By reason of the foregoing, Rotelli violated Section 206(2) of the Advisers Act [15 U.S.C. 80b-6(2)].

**PRAYER FOR RELIEF**

WHEREFORE, the COMMISSION respectfully requests that this Court:

I.

Declare, determine and find that Defendant Rotelli violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Sections 206(1) and 206(2) of the Advisers Act.

II.

Enter an order permanently restraining and enjoining Defendant Rotelli from violating Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Sections 206(1) and 206(2) of the Advisers Act.

III.

Enter an order directing Rotelli to disgorge the amounts by which he was unjustly enriched as a consequence of the foregoing violations, plus prejudgment interest thereon.

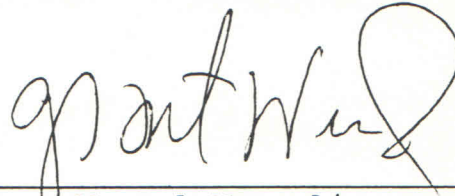


IV.

Grant such other relief as this Court may deem just and appropriate.

DATED: October 15, 1996

Respectfully Submitted,



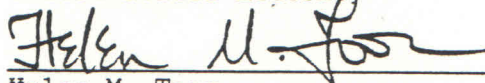
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