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1 HELANE L. MORRISON (Cal. Bar No. 127752)
SUSAN L. LAMARCA (Cal. Bar No. 215231)
2 lamarcas@sec.gov
MARK P. FICKES (Cal. Bar No. 178570)
3 fickesm@sec.gov
VICTOR HONG (Cal. Bar No. 165938)
4 hongv@sec.gov

5 Attorneys for Plaintiff
SECURITIES AND EXCHANGE
6 COMMISSION
44 Montgomery Street, Suite 2600
7 San Francisco, California 94104
Telephone: (415) 705-2500
8 Facsimile: (415) 705-2501

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FILED
U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**

13 SECURITIES AND EXCHANGE COMMISSION,
14 Plaintiff,
15 vs.
16 CHARLES P. TRIGILIO,
17 Defendant,
18 and
19 RAZEL TRIGILIO,
20 Relief Defendant.

CV07-06269 CAS
Case No. _____

(AGRx)

**COMPLAINT FOR
VIOLATIONS OF THE
FEDERAL SECURITIES
LAWS**

22 Plaintiff Securities and Exchange Commission ("Commission") alleges:

23 **SUMMARY OF THE ACTION**

24 1. From at least 2003 through the present, defendant Charles P. ("Chuck")
25 Trigilio misused and misappropriated millions of dollars from investment advisory
26 clients. Trigilio misled dozens of individuals into authorizing him to open brokerage
27 accounts in their names, promising them huge returns through "no risk" options
28 trading. Trigilio withdrew at least \$3 million from their accounts for his personal use.

1 Moreover, the actual options trading conducted by Trigilio proved unsuccessful; in
2 order to conceal his trading losses, Trigilio provided overstated account values to
3 certain clients, and used other clients' money to pay purported profits to clients and to
4 repay clients seeking to liquidate.

5 2. To date, Trigilio has managed at least 96 brokerage accounts at a number
6 of different brokerage firms. Between January 1, 2006 and September 11, 2007, at one
7 of these firms alone, accounts handled by Trigilio suffered nearly \$2 million in market
8 losses, and from the time the accounts were established at the firm, \$4.4 million was
9 withdrawn, at least \$3.1 million of which was transferred to bank accounts held in the
10 name of Trigilio and his wife, Razel Trigilio.

11 3. Trigilio violated numerous provisions of the federal securities laws,
12 including the antifraud statutes, by misappropriating client assets, making materially
13 false and misleading statements in connection with the purchase or sale of securities
14 and perpetrating a fraud on his investment advisory clients. The Commission seeks to
15 enjoin Trigilio from further conduct that violates the securities laws, disgorgement
16 from him of ill-gotten gains, and payment of civil money penalties, as well as
17 preliminary and emergency relief to protect investors. The Commission further seeks
18 disgorgement of all investor funds disbursed to relief defendant, Razel Trigilio.

19 JURISDICTION

20 4. The Commission brings this action pursuant to Sections 21(d) and 21(e)
21 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d) and
22 78u(e), and Sections 209 and 214 of the Investment Advisers Act of 1940 ("Advisers
23 Act"), 15 U.S.C. §§ 80b-9 and 80b-14. This Court has jurisdiction over this action
24 pursuant to Sections 21(d)(3), 21(e), and 27 of the Exchange Act, 15 U.S.C.
25 §§ 78u(d)(3), 78u(e), and 78aa, and Sections 209 and 214 of the Advisers Act, 15
26 U.S.C. §§ 80b-9 and 80b-14. Defendants, directly or indirectly, have made use of the
27 means and instrumentalities of interstate commerce or of the mails in connection with
28 the acts, transactions, practices, and courses of business alleged in this complaint.

1 opened brokerage accounts in the respective clients' names, but then used his own
2 address and phone number for some or all of the contact information.

3 11. On several new account forms Trigilio prepared and submitted to
4 brokerage firms on behalf of clients to open their accounts, Trigilio overstated the
5 client's financial position and experience. Among Trigilio's clients were financially
6 unsophisticated investors, including, for example, a dental technician and her husband,
7 and a welder at Pearl Harbor Naval shipyard, each of whom have limited assets and
8 investment experience.

9 12. Although Trigilio controlled the purchases and sales of securities, and
10 often the transfers of money into and out of the accounts, Trigilio's name does not
11 appear on the vast majority of his client's accounts. At least approximately 96
12 accounts at several brokerage firms identify Trigilio's phone number, email or
13 residential address as contact information, or otherwise are identified with Trigilio
14 through other means, such as access by Trigilio through a computer (based on an "IP"
15 – internet protocol – address).

16 13. Trigilio opened the majority of his clients' accounts at the brokerage firms
17 of E*Trade Financial and TD Ameritrade. Trigilio opened other accounts for clients or
18 for himself with at least five other brokerage firms. Trigilio frequently placed
19 transactions in securities through "on-line" orders, that is, over the internet and without
20 relying on the personal services of a representative of the brokerage firm. Trigilio also
21 at times called the brokerage firms to place transactions and masqueraded as his
22 clients. Trigilio similarly accomplished the majority of transfers of money into and out
23 of the accounts through electronic means, using passwords and other mechanisms he
24 arranged for their on-line accounts.

25 14. Trigilio entered into a written financial advisory agreement with certain
26 clients. In each agreement, Trigilio represented that he would provide "services
27 consisting of investment of equity/index options" and guaranteed returns of up to 4
28 percent per month.

1 15. Triglio received compensation from clients, purportedly for profits
2 earned through Triglio's options program. The advisory agreement provides that
3 Triglio receives a percentage upon withdrawal of the profit, varying from 25 to 30
4 percent of the profit depending on the client. The agreement alternatively provides
5 that the client can permit the profit to compound in the account. Triglio's advisory
6 agreement further provides that, if returns fall below 4 percent, Triglio would deduct
7 the difference from his fees.

8 16. Once he opened the accounts, Triglio enjoyed practically unfettered
9 control. Triglio's written advisory contract provides that the client "shall not attempt
10 to conduct any trading in this account, by phone, internet or otherwise" or call the
11 brokerage firm without Triglio's prior consent. Clients generally did not have the
12 passwords or "User IDs" needed to access their accounts online.

13 17. Triglio appears to have managed from approximately \$5 million and \$10
14 million of client money, by managing approximately 200 accounts, based on Triglio's
15 own estimate. Triglio thus claims to have managed over 200 accounts, in which he
16 requires the client make a minimum deposit that varied over time from \$25,000 to
17 \$50,000.

18 18. From the time the accounts were established at E*Trade, approximately
19 \$7.8 million was deposited among approximately 45 Triglio-controlled accounts at
20 E*Trade alone. Of the approximately \$7.8 million, approximately \$4.4 million was
21 withdrawn from the E*Trade accounts. Of the approximately \$4.4 million in
22 withdrawals, approximately \$3.1 million was transferred to bank accounts in the name
23 of either Triglio or his wife, Razel Triglio. As of August 17, 2007, the total
24 remaining balance for all of the clients' accounts at E*Trade was only approximately
25 \$80,470.
26
27
28

**Trigilio Recruited Clients with False Guarantees of 40% Returns,
and Falsely Described His Expertise and the Risk of Options Trading**

19. As part of his scheme to attract clients and take over their accounts, Trigilio entered into an advisory agreement with clients describing his services and compensation, and guaranteeing a monthly investment return. Specifically, the advisory agreement states that Trigilio:

guarantees the following results: A monthly return of at least 3.5%, averaging closer to 4% average monthly returns over a one year period, minus commission to Advisor.

20. Trigilio made similar false promises about guaranteed returns in presentations to prospective clients. In a particular presentation that set forth the impact of the return on a hypothetical client investment, Trigilio illustrated that a \$100,000 investment, compounded at 4 percent per month, would grow to over \$160,000 in a year.

21. Trigilio also attracted clients by misrepresenting his qualifications and the risk involved in options trading. Trigilio held himself out to the public as a "Series 4 Certified Options Specialist" in business cards he provided to clients and to prospective clients. Further, Trigilio told prospective clients that he earned 40 percent returns by trading options as an "options specialist who is licensed and certified to write options." In reality, Trigilio does not hold a Series 4 options license and is not registered with the Securities and Exchange Commission (or another appropriate registering authority) in any capacity.

22. Trigilio also falsely minimized the risk involved in trading options. His business card described him as "Specializing in No-Risk, High Monthly Returns Using Options." In an email to a prospective client, Trigilio described the risk of his options trading as "the same as the risks you have with a normal bank account." Trigilio's other written materials touted "High monthly returns using Options"; "Investments insured"; and "No pyramids."

1 23. Trigilio's representations understated the risks involved in options trading
2 and omitted the fact that options positions posed risks not posed by bank deposits.
3 Options positions, particularly as executed by Trigilio, may be subject to market risk
4 that can reduce or even eliminate an investor's principal.

5 24. In fact, Trigilio's options trading on behalf of his clients resulted in large
6 losses for the clients. Between January 1, 2006 and September 11, 2007, accounts
7 managed by Trigilio at E*Trade suffered market losses of nearly \$2 million on
8 approximately \$7.8 million in deposits.

9 25. Trigilio further downplayed the risk of options trading by guaranteeing
10 the clients' principal investment and the purported "monthly return of at least 3.5%,
11 averaging closer to 4%." According to the advisory agreement, any shortfall in the
12 monthly return was to be credited against Trigilio's compensation. In the agreement,
13 Trigilio also "guarantee[d] the principal amount of the investment by the client with
14 any means available, including cash, stock, or options at the Advisor's expense . . ."

15 **Trigilio Misappropriated Client Funds and Made Further**
16 **Misrepresentations to Clients in Managing Their Accounts**

17 26. As part of his scheme, Trigilio misappropriated significant funds that
18 clients had provided to him for options trading. More than approximately \$3 million
19 deposited into E*Trade brokerage accounts controlled by Trigilio since January 1,
20 2006, has been transferred to Trigilio's (or his wife's) bank accounts. Also, more than
21 approximately \$327,000 deposited into TD Ameritrade brokerage accounts controlled
22 by Trigilio was transferred to Trigilio (or his wife) between August 2004 and March
23 2007.

24 27. For instance, on around November 11, 2004, a check for \$124,000 drawn
25 on one of Trigilio's client's bank accounts was deposited into the client's account at
26 TD Ameritrade. Over the following few weeks, Trigilio misappropriated
27 approximately \$42,107 from the client, by writing 26 checks on the money market
28 account listing himself or his wife, Razel Trigilio (or a business she owned) as the

1 payee. Most of the checks purported to bear the client's signature. However, at least
2 one bears what appears to be a signature for Razel Trigilio, even though Razel Trigilio
3 is also identified as the endorsing payee. The client did not write or authorize the
4 checks to Trigilio or to his wife.

5 28. Several clients who suffered losses in their brokerage accounts controlled
6 by Trigilio were unaware of the losses, because Trigilio did not send account
7 statements and the brokerage firms sent account statements to Trigilio's address based
8 on his representations in opening their accounts. One such client believed, based on
9 Trigilio's representations, that he had approximately \$220,000 invested with Trigilio
10 when, in fact, the value of his brokerage account was approximately \$63.

11 29. When Trigilio did occasionally provide account balances to his clients,
12 they were false. For example, in December 2006, a husband and wife signed Trigilio's
13 advisory agreement and eventually entrusted Trigilio with approximately \$400,000 for
14 options trading. As of February 28, 2007, the clients' brokerage account had a balance
15 of approximately \$3,416, and by the end of March 2007, the value diminished to only
16 approximately \$241. Nonetheless, on around Wednesday, March 21, 2007, in
17 response to the client's request for his account balance, Trigilio sent an email to his
18 client that said: "I put \$529,743 into play on Monday."

19 30. The client then requested that Trigilio close his account and return his
20 funds. On around April 4, 2007, Trigilio emailed him, stating: "I need to use my bond
21 insurance to reimburse you. I will use my own funds to reimburse you and get
22 reimbursed by them."

23 31. Instead of using any of his "own funds" or "bond insurance" to reimburse
24 the client who demanded return of his funds, Trigilio withdrew funds from the
25 accounts of other clients to repay the first client. Trigilio withdrew \$50,000 from the
26 bank account owned by another client (husband and wife) and funneled their money to
27 the account of the first client, via a circuitous route of deposits and withdrawals.
28 Trigilio repeated such withdrawals from other clients' accounts, and eventually paid

1 the first client through a series of seven wire transfers approximately \$470,000 of the
2 \$529,000 that Trigilio had represented was the value of his account between around
3 April 17, 2007 and May 18, 2007.

4 32. To cover up his misappropriation of their funds, Trigilio lied to clients
5 from whom he misappropriated. In March 2007, Trigilio represented to the clients
6 from whose account he had arranged for the withdrawal of \$50,000 to reimburse the
7 first client that he needed their help to transfer their account from TD Ameritrade to
8 E*Trade. On around March 22, 2007, Trigilio arranged to withdraw and transfer to the
9 clients' bank account almost all of their TD Ameritrade account, approximately
10 \$52,000. On or about that same day, Trigilio further arranged for a \$50,000 wire
11 transfer out of the clients' bank account, purportedly to open the E*Trade account.
12 However, as of September 20, 2007, Trigilio did not open a new brokerage account for
13 the clients at E*Trade. Nevertheless, on around July 9, 2007, Trigilio sent the clients
14 an email falsely stating that their account balance was \$54,080.

15 33. On other occasions, Trigilio paid clients their purported monthly 4 percent
16 "profits" with funds from other clients' accounts. In one a stark example, the account
17 of a client who had invested \$220,000 with Trigilio was valued at only approximately
18 \$291 as of the end of June 2007, and approximately \$61 at the end of July 2007. To
19 lull the client into believing his account was still valuable and performing as promised,
20 Trigilio paid the client approximately \$8,800 – a purported 4 percent return on a
21 \$220,000 balance.

22 **Trigilio Used Deceptive Devices to Hide His Scheme**

23 34. Trigilio repeatedly made misrepresentations to brokerage firm personnel
24 and used deceptive devices to exert control over clients' accounts. Trigilio repeatedly
25 misrepresented himself as the client in telephone interviews with brokerage firm
26 personnel, in which the firms were seeking to verify ownership or control of the
27 accounts. Trigilio also misrepresented himself as various of his clients in telephone
28 interviews he initiated with brokerage firms to regain control over accounts after the

1 firms had halted activity due to suspicions over trading in, or deposits into and
2 withdrawals from the accounts.

3 35. Trigilio also used personal information he obtained from his clients to link
4 their accounts with bank accounts owned by Trigilio, or other persons whose accounts
5 he controlled, in order to transfer money into and out of clients' brokerage accounts
6 electronically.

7 36. Trigilio knew, or was reckless in not knowing, that his representations to
8 clients and his omissions of material facts to clients were false or misleading. Trigilio
9 also knowingly, or recklessly, misappropriated clients' funds and used deceptive
10 devices to accomplish his scheme and to hide his fraud.

11 **Razel Trigilio Received Funds from Clients' Accounts**

12 37. Razel Trigilio received and possesses money or other assets through
13 defendant Trigilio's fraudulent scheme, material misrepresentations and omissions,
14 and has no legitimate claim to them.

15 38. From at least August 2004 through April 2006, bank accounts in the name
16 Razel Trigilio, or a business she owns, received from accounts controlled by Trigilio at
17 least approximately \$294,000, via electronic transfers or checks drawn against those
18 bank and brokerage accounts.

19 **FIRST CLAIM FOR RELIEF**

20 **(Violations of Section 10(b) of the Exchange Act**
21 **and Rule 10b-5 Thereunder)**

22 39. The Commission hereby incorporates and realleges here paragraphs 1
23 through 38, above.

24 40. Defendant Trigilio has, by engaging in the conduct set forth above,
25 directly or indirectly, by use of means or instrumentalities of interstate commerce, or
26 of the mails, or of a facility of a national security exchange, with scienter: (a)
27 employed devices, schemes, or artifices to defraud; (b) made untrue statements of
28 material fact or omitted to state material facts necessary in order to make the

1 statements made, in light of the circumstances under which they were made, not
2 misleading; and (c) engaged in acts, practices, or courses of business which operated or
3 would operate as a fraud or deceit upon other persons, in connection with the purchase
4 or sale of securities.

5 41. By reason of the foregoing, defendant has directly or indirectly violated,
6 and unless enjoined will continue to violate, Section 10(b) of the Exchange Act, 15
7 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

8 **SECOND CLAIM FOR RELIEF**

9 **(Violations of Section 206(1) and 206(2) of the Advisers Act)**

10 42. The Commission hereby incorporates and realleges here paragraphs 1
11 through 38, above.

12 43. Defendant Trigilio, by engaging in the conduct set forth above, directly or
13 indirectly, through use of the mails or the means or instrumentalities of interstate
14 commerce, and while engaged in the business of advising others for compensation as
15 to the advisability of investing in, purchasing, or selling securities, with scienter,
16 employed devices, schemes, or artifices to defraud.

17 44. By reason of the foregoing, defendant violated, and unless restrained and
18 enjoined will continue to violate, Section 206(1) of the Advisers Act, 15 U.S.C.
19 § 80b-6(1).

20 45. Defendant Trigilio, by engaging in the conduct set forth above, directly or
21 indirectly, through use of the mails or the means or instrumentalities of interstate
22 commerce, and while engaged in the business of advising others for compensation as
23 to the advisability of investing in, purchasing, or selling securities, engaged in acts,
24 practices, or courses of business which operated or would operate as a fraud or deceit
25 upon clients or prospective clients.

26 46. By reason of the foregoing, defendant violated, and unless restrained and
27 enjoined will continue to violate, Section 206(2) of the Advisers Act, 15 U.S.C.
28 § 80b-6(2).

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Enjoin and restrain defendant Trigilio, temporarily, preliminarily and permanently, from, directly or indirectly, engaging in conduct in violation of 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, or Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and (2); or from placing orders to buy or sell securities for the accounts of other persons, or from making deposits or withdrawals into or out of the brokerage or bank accounts of other persons, or from entering any transactions whatsoever in or for the brokerage or bank accounts of other persons.

III.

Enter an order temporarily freezing the assets of defendant Trigilio and relief defendant Razel Trigilio.

III.

Order defendant Trigilio to provide an accounting and to disgorge his ill-gotten gains in an amount according to proof, plus prejudgment interest thereon.

IV.

Order defendant Trigilio to pay civil money penalties pursuant to Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), and Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e).

V.

Order relief defendant Razel Trigilio to disgorge her ill-gotten gains in an amount according to proof, plus prejudgment interest thereon.

VI.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of

1 all orders and decrees that may be entered, or to entertain any suitable application or
2 motion for additional relief within the jurisdiction of this Court.

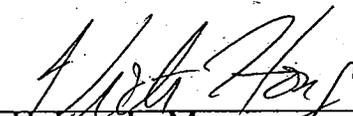
3 VII.

4 Grant such other and further relief as this Court may deem just, equitable, and
5 necessary.

6
7 Dated: September 27, 2007

8 Respectfully submitted:

9
10
11 By:



12 Helané L. Morrison
13 Susan L. LaMarca
14 Mark P. Fickes
15 Victor Hong

16
17 Attorneys for Plaintiff
18 SECURITIES AND EXCHANGE
19 COMMISSION
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