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8
9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **SOUTHERN DIVISION**

12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 vs.

16 SHLOMO NIR AND TZACHI
17 RAHAMIM,

18 Defendants.

Case No.

COMPLAINT

19
20 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

21 **JURISDICTION AND VENUE**

22 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
23 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
24 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the
25 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
26 78u(d)(3)(A), 78u(e) & 78aa(a).

27 2. Defendants Shlomo Nir (“Nir”) and Tzachi Rahamim (“Rahamim”)
28 have, directly or indirectly, made use of the means or instrumentalities of interstate

1 commerce, of the mails, or of the facilities of a national securities exchange in
2 connection with the transactions, acts, practices and courses of business alleged in
3 this complaint.

4 3. Venue is proper in this district pursuant to Section 22(a) of the Securities
5 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a)
6 because certain of the transactions, acts, practices, and courses of conduct
7 constituting violations of the federal securities laws occurred within this district.

8 **SUMMARY**

9 4. This matter involves an offering fraud orchestrated by Shlomo Nir and
10 Tzachi Rahamim, who carried out their fraud by assuming the identity of Individual
11 A, a nationally recognized and prominent financial educator among the Latinx and
12 Spanish-speaking communities.

13 5. Specifically, unbeknownst to Individual A, between 2019 and 2021, Nir
14 and Rahamim misappropriated Individual A's website to sell fixed indexed annuities.
15 As part of their fraud, they altered the website to falsely represent that Individual A
16 was affiliated with and oversaw sales representatives selling fixed indexed annuities.

17 6. The altered website encouraged investors to liquidate their retirement
18 accounts, which included securities, and rollover the funds to purchase the fixed
19 indexed annuities purportedly sold by Individual A.

20 7. By March 2021, when Individual A successfully obtained a preliminary
21 injunction against Nir and Rahamim in a private suit, their company had received
22 almost \$1.9 million in insurance broker commissions, of which approximately 52.5%
23 was from 320 investors who had sold securities to buy the fixed indexed annuities.

24 8. During the relevant period, Nir and Rahamim each received \$240,000 in
25 salary from their now-defunct company of which 52.5%, or \$126,000, was derived
26 from investors who sold securities to buy the fixed indexed annuities.

27 9. By their conduct, Defendants violated Section 17(a)(1) of the Securities
28 Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

1 Historically, the website had not been a focal point of Individual A’s revenue
2 generating business and was instead a platform to promote Individual A’s brand.

3 17. In late 2015, Nir and Rahamim offered to expand Individual A’s online
4 presence by upgrading Individual A’s website to allow it to sell Individual A’s
5 financial education products. As part of the proposal, Nir would use his online
6 marketing skills to upgrade Individual A’s website, and Rahamim would fund and
7 oversee the project.

8 18. After a ramp up and trial period, Nir, Rahamim, and Individual A
9 entered into an October 2017 sales and marketing agreement through which
10 Individual A licensed Individual A’s brand to a separate entity Nir and Rahamim
11 controlled. The agreement also provided that Individual A would split with Nir and
12 Rahamim any revenue received from the sale of Individual A’s financial education
13 products through the upgraded website.

14 19. Importantly, the agreement stated that Nir and Rahamim could not use
15 Individual A’s brand for any other purpose without Individual A’s express written
16 consent.

17 **C. Nir and Rahamim Misappropriate Individual A’s Website and**
18 **Fraudulently Induce Investors to Sell Their Securities to Purchase**
19 **Fixed Indexed Annuities**

20 20. Unbeknownst to Individual A, beginning in early 2019, Nir and
21 Rahamim posed as Individual A and altered and misappropriated Individual A’s
22 website as part of a scheme to fraudulently induce Individual A’s followers to sell
23 securities and use the proceeds to purchase fixed indexed annuities.

24 21. First, Nir and Rahamim created a new California company which
25 contained Individual A’s name. They named their company “Individual A” Insurance
26 Services. Using this company, they sold fixed indexed annuities and other insurance
27 products.

1 22. Second, Nir and Rahamim added a clickable tab to Individual A’s
2 website called “Annualidades” in Spanish, or Annuities in English, which promoted
3 the purchase of fixed indexed annuities.

4 23. On the new Annuities tab, Nir, with Rahamim’s approval, created the
5 false impression that Individual A was promoting and selling fixed indexed annuities.
6 Specifically, the Annuities tab:

- 7 i. encouraged investors to liquidate their retirement accounts, which
8 included securities, by stating that investors should “[t]ransfer
9 [their] retirement plan such as 401K, 404B, IRA, and more” by
10 rolling over their funds to purchase Individual A’s purported fixed
11 indexed annuities;
- 12 ii. was worded in the first person to make it appear as though
13 Individual A was personally selling fixed indexed annuities;
- 14 iii. provided the contact information of Individual A’s purported
15 representatives, and noted that Individual A was affiliated with
16 and oversaw the individuals who helped clients with their
17 retirement needs;
- 18 iv. noted that Individual A endorsed and recommended the annuities
19 being offered: and;
- 20 v. included a short video of Individual A discussing fixed indexed
21 annuities that Nir and Rahamim altered to add a contact number to
22 reach a purported representative of Individual A.

23 24. Nir and Rahamim made false statements and engaged in deceptive
24 conduct to give the false impression that Individual A was behind their scheme to
25 induce investors to sell securities and use the proceeds to purchase fixed indexed
26 annuities.

1 25. In reality, Individual A never authorized the sale of fixed indexed
2 annuities through Individual A’s website nor consented to do so pursuant to the 2017
3 sales and marketing agreement.

4 26. Individual A played no role in the creation of “Individual A” Insurance
5 Services and did not permit Nir and Rahamim’s use of Individual A’s brand to sell
6 fixed indexed annuities.

7 27. Individual A neither hired nor supervised any agents to sell fixed
8 indexed annuities on Individual A’s behalf.

9 28. Finally, Individual A never authorized Nir and Rahamim to use
10 Individual A’s video about annuities, much less to fraudulently alter it to include the
11 phone number of Nir and Rahamim’s sales agents to sell fixed indexed annuities.

12 29. The false and misleading statements on the website were written by Nir
13 and approved by Rahamim.

14 30. Nir and Rahamim both had ultimate authority over the substance of these
15 false and misleading representations and how they were communicated.

16 31. Nir acted with scienter when misappropriating Individual A’s website
17 and induced investors to sell securities in order to purchase fixed indexed annuities
18 from defendants’ company. He knew or was reckless in not knowing that Individual
19 A:

- 20 i. had no role in their annuities operation;
- 21 ii. never authorized or consented that Individual A’s website or brand
22 be used to induce investors to sell securities and then use the
23 proceeds to purchase fixed indexed annuities;
- 24 iii. played no role in the creation of “Individual A” Insurance
25 Services;
- 26 iv. never hired or supervised agents to sell fixed indexed annuities;
27 and
- 28

- 1 v. never authorized them to use a video of Individual A speaking
2 about annuities and alter it to add the phone number of their sales
3 agents.

4 32. Rahamim acted with scienter when misappropriating Individual A's
5 website and inducing investors to sell securities in order to purchase fixed indexed
6 annuities from defendants' company. He knew or was reckless in not knowing that
7 Individual A:

- 8 i. had no role in their annuities operation;
9 ii. never authorized or consented that Individual A's website or brand
10 be used to induce investors to sell securities and then use the
11 proceeds to purchase fixed indexed annuities;
12 iii. played no role in the creation of "Individual A" Insurance
13 Services;
14 iv. never hired or supervised agents to sell fixed indexed annuities;
15 and
16 v. never authorized them to use a video of Individual A speaking
17 about annuities and alter it to add the phone number of their sales
18 agents.

19 33. A reasonable investor would have considered it important to know that
20 Individual A had no role in Nir and Rahamim's annuities operation when considering
21 whether to sell securities and use those proceeds to purchase the fixed annuities Nir
22 and Rahamim sold.

23 34. Many investors, in fact, sold securities to purchase the fixed index
24 annuities because they falsely believed that Individual A, or Individual A's
25 representatives, were selling them.

26 35. Nir, Rahamim, and their insurance agents facilitated the process of
27 rolling over investors' retirement account funds, many of which were derived from
28 the sale of securities, to purchase the annuities they sold.

1 **D. Nir and Rahamim Continued their Fraud Even after Individual A**
2 **Discovered It and Sued Them**

3 36. By late 2019 and early 2020, Individual A was receiving numerous calls
4 and emails from investors concerning Individual A's purported sale of fixed indexed
5 annuities.

6 37. The calls and emails led Individual A to become suspicious of Nir and
7 Rahamim. Individual A confronted Nir and Rahamim and told them that they were
8 not authorized to sell the fixed indexed annuities using Individual A's brand, but they
9 refused to shut down their operation.

10 38. As a result, in July 2020, Individual A sued Nir and Rahamim in state
11 court.

12 39. Nevertheless, through March 2021, Nir and Rahamim continued to
13 fraudulently pose as Individual A to sell more fixed indexed annuities. Soon after the
14 litigation commenced, Nir and Rahamim changed the name of their company from
15 "Individual A" Insurance Services to the name of one of Individual A's exclusive
16 membership clubs. Individual A holds a trademark to the name of the membership
17 club that included the same name as Nir and Rahamim's newly-named company.
18 Individual A did not consent to Nir and Rahamim's use of Individual A's trademark.
19 Nevertheless, Nir and Rahamim moved their fixed indexed annuities operation to a
20 new website containing the same name as their newly-named company.

21 40. Through the new website, Nir and Rahamim continued to deceive
22 investors into believing Individual A was behind the operation and encouraged
23 investors to sell their securities to purchase fixed indexed annuities.

24 41. The new website did not contain pictures or video of Individual A, but it
25 remained deceptive. In addition to the website's name already being an Individual A
26 trademark, Nir and Rahamim posted testimonials of individuals thanking Individual
27 A for Individual A's financial education advice even though Individual A had nothing
28 to do with the new website.

1 42. With Rahamim's approval and without Individual A's consent, Nir
2 misleadingly posted on the new website the logos of prominent media outlets on
3 which Individual A had made appearances, such as Univision, CNN, and HBO, to
4 make it appear as if Individual A operated Nir and Rahamim's new website.

5 43. The false and misleading statements on the new website were written
6 and/or posted by Nir and approved by Rahamim, both of whom had ultimate
7 authority over the substance of the representations and how they were communicated.

8 44. Nir acted with scienter when continuing his fraud even after Individual
9 A filed a private lawsuit against Nir and Rahamim. He knew or was reckless in not
10 knowing that Individual A continued to have no involvement in their annuities
11 operation or in the new website, had not authorized or consented to the use of
12 Individual A's trademark, and that the testimonials thanking Individual A were
13 misleading because they gave the false appearance that Individual A was behind the
14 new website.

15 45. Rahamim acted with scienter when continuing his fraud even after
16 Individual A filed a private lawsuit against Nir and Rahamim. He knew or was
17 reckless in not knowing that Individual A continued to have no involvement in their
18 annuities operation or in the new website, had not authorized or consented to the use
19 of Individual A's trademark, and that the testimonials thanking Individual A were
20 misleading because they gave the false appearance that Individual A was behind the
21 new website

22 46. A reasonable investor would have considered it important to know that
23 Individual A had no role in the re-named company and its website when considering
24 whether to sell securities and use those proceeds to purchase the fixed annuities Nir
25 and Rahamim sold.

26 47. In March 2021, the state court granted Individual A's motion for a
27 preliminary injunction against Nir and Rahamim. Nir and Rahamim's entity is
28

1 currently defunct with no operations or assets, although it is still an active California-
2 registered entity. The private litigation is ongoing.

3 **E. Proceeds from the Fraud**

4 48. In total, between 2019 and 2021, Nir and Rahamim's entity and its
5 predecessor received approximately \$1.9 million in insurance broker commissions
6 from the sale of fixed indexed annuities. Of this, approximately \$1 million, or
7 52.5%, was from 320 investors who sold securities to buy the fixed indexed annuities.

8 49. While running their fraudulent operation misappropriating Individual
9 A's brand, Nir and Rahamim each received \$240,000 in salary, of which 52.5%, or
10 \$126,000, was derived from investors who sold securities to buy the fixed indexed
11 annuities.

12 **FIRST CLAIM FOR RELIEF**

13 **Fraud in Connection with the Purchase or Sale of Securities**

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

15 **(Against All Defendants)**

16 50. The SEC realleges and incorporates by reference paragraphs 1 through
17 49 above.

18 51. In connection with the purchase or sale of securities, Defendants misled
19 and deceived investors about Individual A's true role in Defendants' annuities
20 operation.

21 52. In addition, Defendants engaged in a scheme to defraud whereby they
22 defrauded investors by making and/or disseminating false statements,
23 misappropriating Individual A's website and posing as Individual A, creating a
24 company named after Individual A that Individual A had nothing to do with,
25 renaming that company and its new website after Individual A's trademark, and
26 inducing investors to sell securities and use the proceeds to purchase the fixed
27 indexed annuities Defendants sold.
28

1 53. By engaging in the conduct described above, Defendants, and each of
2 them, directly or indirectly, in connection with the purchase or sale of a security, and
3 by the use of means or instrumentalities of interstate commerce, of the mails, or of
4 the facilities of a national securities exchange: (a) employed devices, schemes, or
5 artifices to defraud; (b) made untrue statements of a material fact or omitted to state a
6 material fact necessary in order to make the statements made, in the light of the
7 circumstances under which they were made, not misleading; or (c) engaged in acts,
8 practices, or courses of business which operated or would operate as a fraud or deceit
9 upon other persons. In so doing, the Defendants acted with scienter.

10 54. By engaging in the conduct described above, Defendants violated, and
11 unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange
12 Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

13 **SECOND CLAIM FOR RELIEF**

14 **Fraud in the Offer or Sale of Securities**

15 **Violations of Sections 17(a)(1) of the Securities Act**

16 **(Against All Defendants)**

17 55. The SEC realleges and incorporates by reference paragraphs 1 through
18 49 above.

19 56. In the offer or sale or sale of securities, Defendants misled and deceived
20 investors about Individual A's true role in Defendants' annuities operation.

21 57. In addition, Defendants engaged in a scheme to defraud whereby they
22 defrauded investors by making and/or disseminating false statements,
23 misappropriating Individual A's website and posing as Individual A, creating a
24 company named after Individual A that Individual A had nothing to do with,
25 renaming that company and its new website after Individual A's trademark, and
26 inducing investors to sell securities and use the proceeds to purchase the fixed
27 indexed annuities Defendants sold.

1 58. By engaging in the conduct described above, Defendants, and each of
2 them, directly or indirectly, in the offer or sale of securities, by the use of means or
3 instruments of transportation or communication in interstate commerce or by use of
4 the mails, employed devices, schemes, or artifices to defraud. In doing so,
5 Defendants acted with scienter.

6 59. By engaging in the conduct described above, Defendants violated, and
7 unless restrained and enjoined will continue to violate, Section 17(a)(1) of the
8 Securities Act, 15 U.S.C. §§ 77q(a)(1).

9 **PRAYER FOR RELIEF**

10 WHEREFORE, the SEC respectfully requests that the Court:

11 **I.**

12 Issue findings of fact and conclusions of law that Defendants committed the
13 alleged violations.

14 **II.**

15 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
16 Civil Procedure, preliminarily and permanently enjoining Defendants, and each of
17 them, and their officers, agents, servants, employees and attorneys, and those persons
18 in active concert or participation with any of them, who receive actual notice of the
19 judgment by personal service or otherwise, and each of them, from violating Section
20 17(a) of the Securities Act [15 U.S.C. §77q(a)], and Section 10(b) of the Exchange
21 Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

22 **III.**

23 Order Defendants to disgorge all funds received from their illegal conduct,
24 together with prejudgment interest thereon, pursuant to Exchange Act Sections
25 21(d)(5) and 21(d)(7) [15 U.S.C. §§ 78u(d)(5) and 78u(d)(7)].

26 **IV.**

27 Order Defendants to pay civil penalties under Section 20(d) of the Securities
28 Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §

1 78u(d)(3)].

2 **V.**

3 Retain jurisdiction of this action in accordance with the principles of equity and
4 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
5 all orders and decrees that may be entered, or to entertain any suitable application or
6 motion for additional relief within the jurisdiction of this Court.

7 **VI.**

8 Grant such other and further relief as this Court may determine to be just and
9 necessary.

10 Dated: June 29, 2022

11 */s/ Gary Y. Leung*

12

Manuel Vazquez

13 Gary Y. Leung

14 Attorneys for Plaintiff

15 Securities and Exchange Commission