

IN THE UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS

SECURITIES AND EXCHANGE  
COMMISSION,

PLAINTIFF,

v.

LUCITA A. ZAMORAS,

DEFENDANT.

**COMPLAINT**

Case No.:

Judge:

Plaintiff, Securities and Exchange Commission (the “Commission”), for its Complaint against Defendant Lucita A. Zamoras (“Zamoras” or “Defendant”) alleges as follows:

**INTRODUCTION**

1. This matter involves an offering and affinity fraud orchestrated by Lucita A. Zamoras. Zamoras solicited investors for a fraudulent promissory note program resulting in the misappropriation of investor funds.

2. From at least October 2009 through December 2013, Zamoras raised approximately \$727,049 from at least six investors by engaging in a scheme that encouraged investors to transfer their retirement funds, which had been invested in stable, interest bearing annuities, to self-directed IRA accounts in order to issue promissory notes directly to Zamoras.

3. Zamoras led clients to believe that the promissory notes were safe long-term investments that would generate a higher return than they had been getting from Zamoras’ insurance products. However, once investors purchased the promissory notes from Zamoras,

Zamoras squandered the funds, using them for gambling and personal expenses. She never invested the funds in any entity or undertaking designed to provide a return to her victims.

4. In perpetrating her fraud, Zamoras preyed upon the Filipino community living in and around the Chicago area. Originally from the Philippines herself, she sought to earn her victims' trust by conveying a sense of shared experience. Upon gaining their trust, she used that trust to gain access to their funds, giving her victims the misimpression that the funds would be invested in stable, interest-generating investments, all the while knowing that she intended to use the funds to feed her gambling habit.

5. As a result of her fraud, Zamoras has betrayed her customers' trust, has lost her victims' life savings, and has violated the federal securities laws by perpetrating an unlawful scheme and course of business to defraud others in the offer, purchase or sale of securities.

#### **JURISDICTION AND VENUE**

6. This Court has subject matter jurisdiction by authority of Sections 20 and 22 of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77t and 77v], and Sections 21 and 27 of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78u and 78aa].

7. Defendant, directly and indirectly, singly and in concert, has made use of the means and instrumentalities of interstate commerce and the mails in connection with the transactions, acts and courses of business alleged herein, certain of which have occurred within the Northern District of Illinois.

8. Venue for this action is proper in the Northern District of Illinois under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and under Section 27 of the Exchange Act [15 U.S.C. § 78aa], because certain of the transactions, acts, practices, and courses of business

alleged in this Complaint took place in this district and because the Defendant resides in and transacts business in this district.

9. Defendant, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged herein and in transactions, acts, practices, and courses of business of similar purport and object.

10. Defendant's conduct took place in connection with the offer, purchase and/or sale of securities.

#### **DEFENDANT AND RELATED ENTITY**

11. **Lucita A. Zamoras**, age 53, is a resident of Niles, Illinois. Zamoras is the founder and sole member of First Fidelity, LLC. Zamoras has not been registered with the Commission in any capacity.

12. **First Fidelity, LLC** ("**First Fidelity**"), is an Illinois limited liability company located in Niles, Illinois. First Fidelity purports to help clients achieve their long-term financial goals by offering financial products and services, primarily various insurance products. First Fidelity has never been registered with the Commission in any capacity.

#### **STATEMENT OF FACTS**

##### **Background**

13. Zamoras opened First Fidelity in 2000 purportedly to help clients pursue their long-term financial goals by providing retirement, insurance and tax services.

14. The First Fidelity website states that Zamoras strives to help her clients protect their assets and secure their well-earned retirement in all economic environments. First Fidelity

primarily does this through the sale of insurance products such as fixed annuities, indexed annuities, and individual variable and term life insurance products.

15. First Fidelity clients are primarily located in the suburban Chicago area. First Fidelity's only other employee was a receptionist/office manager who did not meet with clients.

16. Zamoras is originally from the Philippines and has built a clientele that includes primarily elderly Filipino-Americans. Her grasp of the Filipino language and culture allowed her to win the trust of numerous clients, forming an especially strong bond with those who purchased the fraudulent promissory notes in this matter.

17. Zamoras met many of her clients through free lunch investment seminars sponsored by First Fidelity. Zamoras' investors are unsophisticated with little prior investment experience. Many are first generation immigrants who have worked their entire life to save for their retirement.

#### **Zamoras' Scheme to Defraud**

18. Between 2009 and 2013, Zamoras encouraged several of her clients to open accounts with a nontraditional individual retirement account ("IRA") custodian, American Pension Services, LLC ("APS").

19. Most IRA custodians are banks or broker-dealers that limit the holdings in IRA accounts to firm-approved traditional investments. In contrast, APS, which formerly was a self-directed IRA custodian, gives account owners the freedom to invest in anything consistent with applicable IRS rules and regulations, including promissory notes.

20. The clients that purchased promissory notes from Zamoras had not heard of APS until Zamoras made the recommendation that they roll their retirement funds over to APS.

21. Zamoras then encouraged her clients to transfer their retirement funds, previously invested in stable insurance products through First Fidelity, to APS.

22. Trusting Zamoras, many of the clients followed her recommendation, transferring their former employer sponsored 401(k) plans, held in fixed annuity products at First Fidelity, to APS, often incurring a surrender charge on the sale.

23. Clients were then encouraged to invest their retirement funds at APS in unsecured promissory notes issued by Zamoras. The promissory notes are between the client and Zamoras personally.

24. The promissory notes are all balloon notes with maturities of at least five years, and most coming due after ten years. Most notes carry an interest rate of between 3.5 - 5% per annum with all interest due in a lump sum payment at maturity.

25. All of the investor promissory notes are unsecured. Zamoras dictated the terms of the notes and failed to provide investors with any offering documents or other adequate disclosure as to the true nature of the transaction, taking advantage of her clients' lack of sophistication and experience in investing.

26. Investors were led to believe that the promissory notes were a safe, secure investment that would earn an above market interest rate.

27. In perpetrating her scheme, Zamoras took advantage of her clients' lack of investing experience, as none of them understood how Zamoras would invest their funds to earn the 3.5 -5% guaranteed return, but nevertheless trusted her and went along with her recommendation.

28. Indeed, several of the investors actually understood that their funds would remain at APS and would safely earn the promised interest rate, not appreciating what a self-directed IRA account was and that APS was not an insurance company or other interest-paying entity.

29. After signing the promissory notes, Zamoras instructed APS to wire investor funds to her personal accounts at various national banks. Zamoras is the only authorized signor on those accounts.

30. Once the funds arrived in her personal account, Zamoras used the investor funds for gambling or to pay her personal expenses.

31. Between October 2011 and March 2013, Zamoras withdrew over \$1 million from her bank accounts at various casinos. Zamoras' investors were a substantial source of her gambling funds.

32. Although Zamoras lost all investor funds, the clients continued to receive statements from APS showing the promissory notes held in the account at their original face value. This led the investors to believe that their funds were still safe and secure.

33. Zamoras led her investors to understand that their funds were in a safe, secure investment program and that APS would hold the funds. She did not tell investors she planned to immediately transfer their funds to her personal account and use their money for personal expenses and gambling. Investors would not have invested with Zamoras had they known she was simply going to gamble with their retirement funds.

34. Little, if any, investor funds were ever invested by Zamoras.

35. Investors told Zamoras that their funds were essential to fund their retirement. Many investors told Zamoras that these funds represented their life savings and they could not afford to take any risk.

36. As described above, Zamoras's investors are all unsophisticated investors with little prior investment experience. Many are first generation immigrants who have worked their entire life to save for their retirement and are now left with nothing.

**COUNT I**  
**EMPLOYMENT OF A DEVICE, SCHEME OR ARTIFICE TO DEFRAUD**  
**Violation of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]**

37. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 36 above.

38. Defendant Zamoras, by engaging in conduct described above, directly or indirectly, in the offer or sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, with scienter, employed devices, schemes, or artifices to defraud.

39. By reason of the foregoing, Zamoras, directly or indirectly, violated, and unless restrained and enjoined by this Court, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

**COUNT II**  
**FRAUD IN THE OFFER OR SALE OF SECURITIES**  
**Violations of Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)]**

40. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 36 above.

41. Defendant Zamoras, by engaging in the conduct described above, directly and indirectly, in the offer and sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, engaged in transactions, practices, or courses of business which operate or would operate as a fraud or deceit upon the purchaser.

42. By reason of the foregoing, Zamoras, directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

### **COUNT III**

#### **FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a) and (c) thereunder [17 C.F.R. § 240.10b-5(a) and (c)]**

43. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 36 above.

44. Defendant Zamoras, by engaging in the conduct described above, directly or indirectly, by the use of means or instrumentalities of interstate commerce or use of the mails, in connection with the purchase or sale of securities, with scienter, employed devices, schemes, or artifices to defraud, or engaged in acts, practices, or courses of business that operated or would operate as a fraud and deceit upon other persons.

45. By reason of the foregoing, Zamoras violated, and unless restrained and enjoined will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a) and (c) thereunder [17 C.F.R. § 240.10b-5(a) and (c)].

**RELIEF REQUESTED**

WHEREFORE, the Commission respectfully requests that this Court:

**I.**

Issue findings of fact and conclusions of law that Defendant committed the violations charged herein.

**II.**

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure orders that permanently enjoin Defendant and her officers, agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from engaging in transactions, acts, practices, and courses of business described herein, and from engaging in conduct of similar purport and object in violation of Section 17(a)(1) and (3) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c) thereunder.

**III.**

Enter an order directing Defendant to pay civil money penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act.

**IV.**

Enter an order directing Defendant to disgorge all ill-gotten gains received during the period of violative conduct and pay prejudgment interest on such ill-gotten gains.

**V.**

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 all orders and

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

Dated: April 3, 2017.

Respectfully submitted,

/s/ Benjamin J. Hanauer  
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CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS
(b) County of Residence of First Listed Plaintiff
(c) Attorneys (Firm Name, Address, and Telephone Number)

DEFENDANTS
County of Residence of First Listed Defendant
NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.
Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)
1 U.S. Government Plaintiff
2 U.S. Government Defendant
3 Federal Question (U.S. Government Not a Party)
4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)
Citizen of This State
Citizen of Another State
Citizen or Subject of a Foreign Country
PTF DEF
1 1
2 2
3 3
4 4
5 5
6 6

IV. NATURE OF SUIT (Place an "X" in One Box Only)
CONTRACT
REAL PROPERTY
TORTS
CIVIL RIGHTS
PRISONER PETITIONS
FORFEITURE/PENALTY
LABOR
IMMIGRATION
BANKRUPTCY
SOCIAL SECURITY
FEDERAL TAX SUITS
OTHER STATUTES

V. ORIGIN (Place an "X" in One Box Only)
1 Original Proceeding
2 Removed from State Court
3 Remanded from Appellate Court
4 Reinstated or Reopened
5 Transferred from Another District (specify)
6 Litigation-Transfer
8 Multidistrict Litigation - Direct File

VI. CAUSE OF ACTION (Enter U.S. Civil Statute under which you are filing and write a brief statement of cause.)

VII. Previous Bankruptcy Matters (For nature of suit 422 and 423, enter the case number and judge for any associated bankruptcy matter previously adjudicated by a judge of this Court. Use a separate attachment if necessary.)

VIII. REQUESTED IN COMPLAINT:
CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P.
DEMAND \$
CHECK YES only if demanded in complaint:
JURY DEMAND: Yes No

IX. RELATED CASE(S) IF ANY (See instructions):
JUDGE
DOCKET NUMBER

X. This case (check one box)
Is not a refiling of a previously dismissed action
is a refiling of case number previously dismissed by Judge
DATE SIGNATURE OF ATTORNEY OF RECORD

**INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44**

Authority For Civil Cover Sheet

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

**I. (a) Plaintiffs-Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.

(b) County of Residence. For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)

(c) Attorneys. Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".

**II. Jurisdiction.** The basis of jurisdiction is set forth under Rule 8(a), F.R.Cv.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.

United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here.

United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.

Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.

Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; NOTE: federal question actions take precedence over diversity cases.)

**III. Residence (citizenship) of Principal Parties.** This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.

**IV. Nature of Suit.** Place an "X" in the appropriate box. If the nature of suit cannot be determined, be sure the cause of action, in Section VI below, is sufficient to enable the deputy clerk or the statistical clerk(s) in the Administrative Office to determine the nature of suit. If the cause fits more than one nature of suit, select the most definitive.

**V. Origin.** Place an "X" in one of the six boxes.

Original Proceedings. (1) Cases which originate in the United States district courts.

Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441. When the petition for removal is granted, check this box.

Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.

Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.

Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.

Multidistrict Litigation. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407. When this box is checked, do not check (5) above.

**VI. Cause of Action.** Report the civil statute directly related to the cause of action and give a brief description of the cause. Do not cite jurisdictional statutes unless diversity. Example: U.S. Civil Statute: 47 USC 553 Brief Description: Unauthorized reception of cable service

**VII. Previous Bankruptcy Matters** For nature of suit 422 and 423 enter the case number and judge for any associated bankruptcy matter previously adjudicated by a judge of this court. Use a separate attachment if necessary.

**VIII. Requested in Complaint.** Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P. Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.

**IX. Related Cases.** This section of the JS 44 is used to reference related pending cases, if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.

**X. Refiling Information.** Place an "X" in one of the two boxes indicating if the case is or is not a refiling of a previously dismissed action. If it is a refiling of a previously dismissed action, insert the case number and judge.

**Date and Attorney Signature.** Date and sign the civil cover sheet.