

STATE OF MAINE
KENNEBEC, ss.

SUPERIOR COURT
CIVIL ACTION
DOCKET NO. CV-05-198

STATE OF MAINE and)
SECURITIES ADMINISTRATOR,)
)
Plaintiffs,)
)
v.)
)
JAMES L. PARIS,)
)
Defendant.)

COMPLAINT

INTRODUCTION

1. The State of Maine and Securities Administrator (hereinafter collectively referred to as “the State”) bring this action against James L. Paris for violations of the Revised Maine Securities Act, 32 M.R.S.A. §§ 10101-10713 (1999 and Supp. 2004), in that Paris engaged in acts, practices, and a course of business that operated as a fraud or a deceit upon his clients, [REDACTED] and [REDACTED] and for breach of a Consent Agreement between Paris and the Securities Administrator.

JURISDICTION

2. This Court has jurisdiction pursuant to 10 M.R.S.A. § 8003(5)(B) (Supp. 2004) and 32 M.R.S.A. §§ 10602-10603 (1999 and Supp. 2004).

PARTIES

3. Plaintiff State of Maine is a sovereign state. Plaintiff Securities Administrator, who has offices in Gardiner in Kennebec County, Maine, is responsible for enforcing the Act. Plaintiffs bring this action by and through the Attorney General pursuant

to 32 M.R.S.A. §§ 10602(1)(D), 10603 (1999) and the powers vested in him by 5 M.R.S.A. § 191 (Supp. 2004) and the common law as the State's chief law enforcement officer.

4. Defendant Paris is an adult individual residing in [REDACTED] [REDACTED]. From 1992 through 2001, Paris was sole owner, president, and an employee of James L. Paris Financial Services, Inc. ("JLPFS"), a Florida company licensed to transact business as an investment advisor in Maine.

FACTUAL BACKGROUND

5. In or about January of 1998, Paris solicited a loan from JLPFS client and Maine resident [REDACTED]. In or about November of 1999, Paris solicited another loan from JLPFS client and Maine resident [REDACTED]. Paris represented to [REDACTED] and [REDACTED] that the loans were for the purpose of expanding JLPFS's business. As a result of Paris' solicitations, [REDACTED] and [REDACTED] loaned Paris and JLPFS a total of \$25,000.

6. In soliciting the loans, Paris did not disclose that JLPFS was losing money and that Paris was not involved in the day-to-day operations of JLPFS or in oversight of its finances.

7. On or about October 2, 2000, Paris solicited an extension of the loan he had received from [REDACTED]. In his solicitation, Paris represented that the loan provided "the necessary capital for the expansion of [Paris'] business that is already underway." Paris again did not disclose that JLPFS was losing money and that Paris was not involved in the day-to-day operations of JLPFS or in oversight of its finances. As a result of the solicitation, [REDACTED] agreed to the extension.

8. At no time prior to obtaining the [REDACTED] loan or the [REDACTED] extension did Paris disclose that his brother Carmen Paris, who Paris had left in charge of JLPFS's finances

without supervision, had been systematically embezzling funds from JLPFS from the beginning of 1999 at a rate of approximately \$500,000 a year.

9. At least in part due to the embezzlement, Paris and JLPFS defaulted on the loans.

10. On August 4, 2003, the Securities Administrator issued a Notice of Intent to take administrative action against Paris, JLPFS, and Carmen Paris for violations of the Revised Maine Securities Act in conjunction with the loans and [REDACTED] extension.

11. In February of 2004, Paris entered into a Consent Agreement with the Securities Administrator resolving the administrative action. A true and correct copy of the Consent Agreement is attached hereto as Exhibit A and incorporated herein by reference. Among other things, the Consent Agreement requires Paris to pay a total of \$22,000 in restitution pursuant to a specified payment schedule. The Consent Agreement also provides that:

If any payment is not received within one week after the due date, it shall be considered a breach of this consent agreement, and, within thirty days, Paris shall pay to the Office of Securities the balance of the amounts due to the two Maine investors. . . .

If Paris fails to comply with any provision of this Consent Agreement, the Securities Administrator, at her sole and unreviewable discretion, may declare this entire Consent Agreement null and void.

12. Paris paid a total of \$12,000 in restitution under the Consent Agreement. However, Paris ceased making payments in September of 2004. Despite demand, Paris has failed to pay any portion of the remaining \$10,000 due under the Consent Agreement.

STATUTORY BACKGROUND

13. The Revised Maine Securities Act (“the Act”) regulates persons acting as investment advisers or investment adviser representatives in the State of Maine.

14. The Act prohibits investment advisers and their employees from engaging “in any act, practice, or course of business which operates . . . as a fraud or deceit upon any client.” 32 M.R.S.A. § 10203 (1999).

15. Under the Act, “every person who directly or indirectly controls another person” who commits a violation of the Act “is liable to the same extent as that other person, unless the person otherwise secondarily liable . . . proves that the person did not know, and in the exercise of reasonable care could not have known, of the existence of the facts by reason of which liability is alleged to exist.” 32 M.R.S.A. § 10602(3) (Supp. 2004.)

16. The Securities Administrator may refer violations of the Act to the Attorney General for enforcement, and the Attorney General may initiate a civil action in the Superior Court. 32 M.R.S.A. § 10602(1)(D) (1999).

17. In an enforcement action under the Act, the Court may grant a variety of legal and equitable remedies, including injunctions, civil penalties of up to \$10,000 for each violation, restitution, and disgorgement. 32 M.R.S.A. § 10603 (1999).

18. The Securities Administrator may enter into consent agreements with persons suspected of violating the Act. 10 M.R.S.A. § 8003(5)(B) (Supp. 2004). Consent agreements are “enforceable by an action in the Superior Court.” *Id.*

COUNT I

(Fraud or Deceit by an Investment Adviser or an Investment Adviser’s Employee)

19. The State repeats and realleges paragraphs 1 through 18 as if set forth fully herein.

20. By failing to disclose that: (1) JLPFS was losing money; (2) that Paris was not involved in the day-to-day operations of JLPFS or in oversight of its finances; and that (3) Carmen Paris had been systematically embezzling funds from JLPFS from the beginning of 1999 at a rate of approximately \$500,000 a year, Paris engaged in acts, practices, and a

course of business that operated as a fraud or deceit upon the [REDACTED] and [REDACTED] all in violation of 32 M.R.S.A. § 10203 (1999).

21. Additionally, Paris is liable as a control person under 32 M.R.S.A. 10602(3) (Supp. 2004) for Carmen Paris' embezzlement because Paris directly or indirectly controlled Carmen Paris and Carmen Paris' embezzlement encompassed acts, practices, and a course of business that operated as a fraud or deceit upon the [REDACTED] and [REDACTED], all in violation of 32 M.R.S.A. § 10203 (1999)

COUNT II
(Breach of Consent Agreement)

22. The State repeats and realleges paragraphs 1 through 21 as if set forth fully herein.

23. By failing to make payments as required by the Consent Agreement, Paris has breached the Consent Agreement.

REQUEST FOR RELIEF

WHEREFORE, the State requests that this Honorable Court grant the following relief:

1. An order requiring Paris to make full restitution to [REDACTED] and [REDACTED] by returning all monies to them plus interest;
2. A civil penalty of \$10,000 for each violation of the Act;
3. An order requiring Paris to comply with the Consent Agreement, including by paying \$10,000 to the Securities Administrator, plus interest, for distribution to [REDACTED] and [REDACTED]

4. A permanent injunction prohibiting Paris from acting as an investment advisor, investment advisor representative, broker-dealer, securities agent, financial planner, or other financial or investment professional in the State of Maine; and

5. Such other and further relief as this Court deems appropriate.

DATED: August 9, 2005

Respectfully submitted,

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