

# **RANDOM BLOTTERS AND DOCKETS**

## **NOVEMBER 2007**

One of my favorite all time movie scenes involved Christopher Walken and Dennis Hopper in the film *True Romance*. The dialogue between Walken, the mob lawyer, and Hopper, the soon to be dead ex-cop, was priceless. While researching and reporting on the numerous instances of investment fraud, I often think of a statement made by Walken's character Vincent Coccotti in their classic exchange...

*"I'm the Anti-Christ. You got me in a vendetta kind of mood. You tell the angels in heaven you have never seen evil so singularly personified as you did in the face of the man who killed you."*

The ability to efficiently defraud and ruin individuals without remorse is incomprehensible. I usually never see the faces of the perpetrators we report on; in those cases my mind automatically defaults and inserts the face of Vincent Coccotti.

### **CD BAIT AND SWITCH**

Despite our best efforts to warn investors regarding a high-interest certificate of deposit bait and switch scheme, we failed. A Sarasota firm was ground zero for a **bait and switch** scam that netted over \$54 million from at least 380 mostly elderly investors. The parent company AmeriFirst Funding working under other companies such as Capital 1<sup>st</sup> Financial and Secured Capital Investments advertised non-existent high-interest FDIC-backed certificates of deposit in local newspapers to get potential marks in the door. When we saw the advertisements in the Sarasota Herald Tribune we smelled a rat and warned listeners of our radio show. Once the investors were in the door they were subsequently persuaded using high pressure tactics to purchase high-risk, unsecured debt obligations and unregistered securities.

The Sarasota Herald Tribune reported that Emma Bloch, a Battle Creek, MI resident who spends the winter months in Sarasota put a total of \$400,000 into investments sold by Secured Capital. The only interest payment check she received bounced. *"It takes a toll on your life,"* the 59 year old stated. *"It's been horrible. It takes every bit of your trust away. It devastates you."* Bloch stated that she was told that her investment was protected by the FDIC and guaranteed.

Michael G. Moore assistant general counsel with the Florida Office of Financial Regulation stated, *"This is the most complicated one I have worked on. It's an elaborate sales and promotion scheme."* Moore and his office filed a complaint with allegations including the making of false and misleading statements, the sale of unregistered securities and securities fraud.

Salespeople told the investors that the investment was a secured debt obligation backed by a policy from the famous insurer Lloyd's of London. In reality the funds were used to buy notes arising from the sale of used car loans. Of the \$54 million invested, \$200,000 was insured by Lloyds (.0037%) The Texas office of the Securities and Exchange Commission has put AmeriFirst into receivership and has found that \$1 million was used to remodel a home of one of the executives. At least \$144,000 was spent on two Ferraris and an Aston Martin and \$2.1 million to purchase an island off Honduras. The lawyer for AmeriFirst, Phillip Offill, stated that the SEC acted too quickly and that his clients have done nothing wrong. Try telling that to the 380 senior citizens who thought they were buying a secure investment only to be decimated. Offill used to be a SEC lawyer going after con-artists. A bad guy once said "Never underestimate the power of the dark side." Offill is currently being sued by the SEC for penny stock fraud. Offill is accused of helping to devise a scheme to pump up the stock of a defunct company, sell the shares to unsuspecting investors and funnel profit back to company executives through bogus investment firms.

As it turns out, the head of AmeriFirst Funding, Jeffrey Bruteyn, has a long track record of financial schemes. The National Association of Securities Dealers barred him for life in 2003 and stripped him of his licenses. The U.S. District Court for the Northern District of Texas, Dallas Division, stated that Bruteyn transferred investor's funds from AmeriFirst to Hess Financial Corp. which he controls and is used as his own personal checking.

### **1,200% RETURN**

Ray Allen Benton of Fort Lauderdale, FL faces up to 15 years of prison stemming from a joint FBI and IRS investigation into an international investment scheme where Benton promoted a high-yield investment opportunity promising investors he could show them a 1,200% return within six months. Benton told investors he would use their money to "*lease funds*" which would be used in a high yield investment program. Benton sent his victims fake banking documents, making it appear that he had accessed large amounts of money on their behalf. Investors transferred \$13.2 million to accounts controlled by Benton in Switzerland and the Bahamas. Benton proceeded to use the funds to buy himself an airplane, a yacht and a new Mercedes.

### **CHARITY SCHEME**

A phony Minnesota charity ripped off investors by fraudulently promising returns on donations. The Ashmore Family Foundation lured people to give by assuring them that they'd earn returns of up to 70 percent. When all was discovered by Attorney General Lori Swanson, it was revealed that only one minor contribution was ever made. The rest was lost trading foreign securities. Quick Tip: Charities cannot offer "*returns*" on donations.

### **PHONY HEDGE FUND**

Con-artists playing off Americans unwarranted, and in my opinion ridiculous fascination with hedge funds, scammed investors out of \$30 million over a three year period of time. They were able to perpetrate the fraud by sending out phony statements showing fantastic returns. One victim, an 81 year old retired engineer, lost over \$700,000 to the scam. He initially invested \$5,000 after receiving a cold call from one of the *executives*. He subsequently increased his investment after receiving fraudulent statements showing his investment doubled in six months. Federal authorities have seized what is left of the fund...a measly \$50,000!

### **TREASON**

Investment News is reporting that "*The Department of Defense has declared war on bogus financial advisers.*" A new federal law to protect soldiers and other members of the military from financial predators, state insurance regulators were given a year to work with the Secretary of Defense to find ways to protect members of the armed forces "*from dishonest and predatory insurance sales practices, while on a military installation of the United States*". Georgia's state insurance commissioner John Oxendine stated, "*We have had war profiteers since the time of the Roman legion. Whenever the U.S. military gears up for a war its personnel become prey for unscrupulous financial advisers because they're young, naïve, and don't have a lot of experience with finance.*" We have reported on several examples of con-artists infiltrating bases and taking advantage of our men in uniform. In my opinion, this should be considered an act of treason, an attack on active military personnel. The punishment for treason...Fire up old sparky!

### **THE SPY WHO SCAMMED ME**

Kermit Hall liked to play pretend. The owner of a company called the Kingsley Trust pretended to be a CIA agent and golf course designer and colleague of Jack Nicklaus in order to appear successful to his potential marks. Kermit and his partner Joseph Cooper solicited investment based upon the false premise that they were safe. Their website falsely described investments in the trust as "*guaranteed deposits that post an annual rate twice the norm,*" and contained the assertion that they "*erase the guesswork with principal guarantee.*"

### **SCHOOL DAZE**

Francis "Bill" Reimers, admitted he orchestrated schemes to swindle investors and school districts out of millions of dollars. U.S. District Court Judge Lowell Jensen sentenced Reimers to

nine years in prison and ordered him to pay \$9.7 million in restitution which his victims, if they are lucky, may receive a fraction. Reimers siphoned cash from individual investors to prop up two companies that he used to handle retirement funds for school district workers and pension money for federal government employees. He used investor's money to pay for a lifestyle that dazzled his neighbors, friends, employees and customers, which included bird hunts in Patagonia. "To my dying day, I will know Bill Reimers cheated me out of my retirement," stated former client Joyce Swoboda.

Investment Firm Owners Indicted For Fraud *Bizjournals.com* 2007

Reimers Gets 9 Years in Prison for Investment Fraud *Contra Costa Times* November 16, 2007

Kelly Bruce Pentagon On To Bad Advisors *Investment Times* September 17, 2007

Bayles Tom Amerifirst Receiver says Assets Were Hidden *Sarasota Herald Tribune*

Byrne John A.R. Capital Scandal Now Complete With Professional Touch *The New York Post* September 16, 2007

Torbenson Eric Amerifirst Receiver Seeks Civil Action In Fraud Case *The Dallas Morning News* September 25, 2007

Doyle Pat Foundation Swindled Rural Minnesotans Attorney General Says *Star Tribune* August 28, 2007

McGinn George Florida Man Pleads Guilty in \$13.2 Million International High-Yield Investment Scam *AHN News* May 5, 2007

Bayles Tom Sarasota Firm Embroiled in Investor Fraud *Sarasota Herald Tribune*

Bayles Tom Amerifirst Director Has History of Accusations *Sarasota Herald Tribune*

Bayles Tom Florida Men May Face Federal Indictments in Alleged Fraud *Sarasota Herald Tribune*