

NASAA 2016 Enforcement Report

Based on 2015 Data



Introduction

The North American Securities Administrators Association (NASAA) is an international association of all state, provincial and territorial securities regulators in the United States, Canada and Mexico. NASAA members have protected Main Street investors from fraud for more than 100 years.

Annually, NASAA conducts an enforcement survey of its U.S. members. It then analyzes the data and identifies trends. This year, 52 U.S. jurisdictions responded to the survey (Canadian NASAA members participate in a different enforcement survey; an overview is provided on page 6). The data, statistics and trends included in this report give a general overview of state enforcement efforts for the 2015 fiscal or calendar year.¹ Undoubtedly, however, this report undercounts many statistics since it does not include enforcement statistics from every jurisdiction on each survey question posed.

While securities markets are global, securities are sold locally by professionals who are licensed in every state where they conduct business. Our nation’s unique complementary system of state, federal, and industry regulation helps to ensure fair markets for all investors. In enforcing our state securities laws, NASAA’s U.S. members seek not only to sanction those who damage the integrity of our markets or cause harm to investors, but also to deter future financial misconduct. Credible deterrence involves several key elements: a strong legal framework with clear repercussions for misconduct; mechanisms and systems to

detect and investigate misconduct; and decisive action and sanctions against those that violate the law.

Despite the hard work of NASAA’s U.S. members and other regulators, securities fraud still poses a significant and real risk to investors. With interest rates expected to remain low – putting increased financial pressure on many Americans – the growing complexity of financial products and markets, and the increasing frequency of investment scams (many of which target our most vulnerable seniors), vigilance by regulators is essential. As this report demonstrates, NASAA members are well-prepared and equipped to meet this critical need and to aggressively protect the integrity of our markets and investors from fraud.

Sincerely,

Laura Posner
 NASAA 2015-2016 Enforcement Section Chair
 Chief, New Jersey Bureau of Securities
 Office of the New Jersey Attorney General

2015-2016 NASAA Enforcement Section:

- Joe Rotunda, Texas
- Greg Strong, Delaware
- Pat Ahern, Massachusetts
- Jesse Devine, New York
- Jason Roy, Manitoba

At a Glance:



More than \$530 million in monetary relief obtained for investors.



More than 5,000 investigations conducted.



More than 2,000 enforcement actions brought.



More than 1,200 years of criminal relief obtained.



More than 3,000 license sanctions.

¹ The survey requests that each NASAA U.S. member provide statistics using that member’s most recent full reporting year. Some members collect and report data on a calendar basis, while other members collect and report data on a fiscal year basis. For this report, 34 responding members reported statistics from the 2015 calendar year, and 18 members reported statistics from the 2014-2015 fiscal year.

2015 Results

The vigorous, fair and effective enforcement of state securities laws through formal administrative, civil and criminal actions is a critical priority for NASAA members.

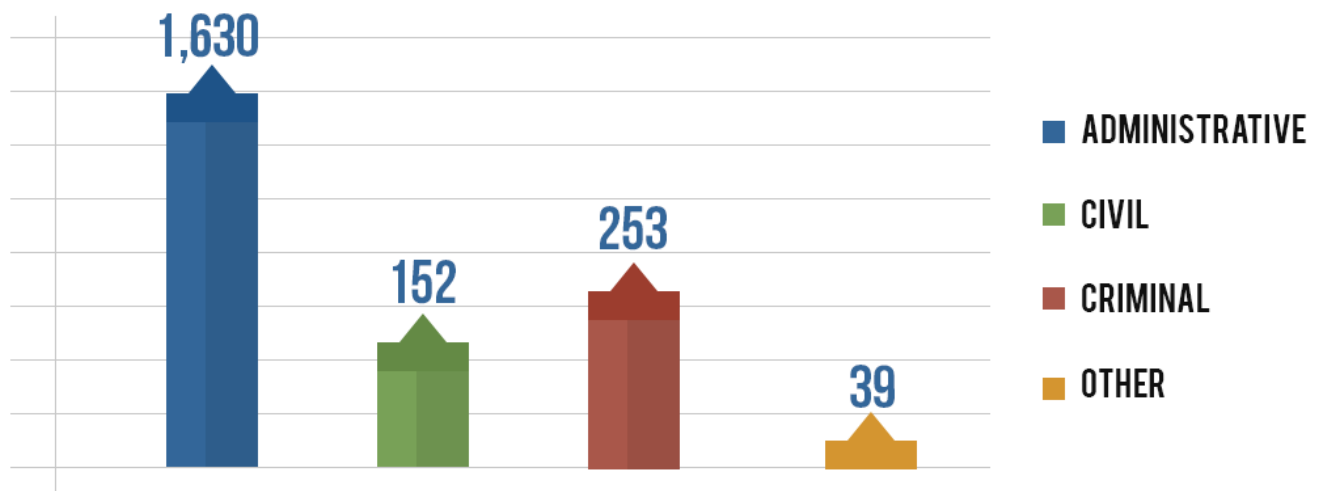
Investigations Conducted

During 2015, state securities regulators conducted more than 5,000 investigations. These formal investigations are supplemented by extensive efforts to informally resolve complaints and referrals. Because investigations differ widely in their complexity and in the number of respondents and victims involved, the amount of time required to conduct an investigation can range from a few weeks to multiple years, with complex investigations often requiring a significant expenditure of both time and resources.

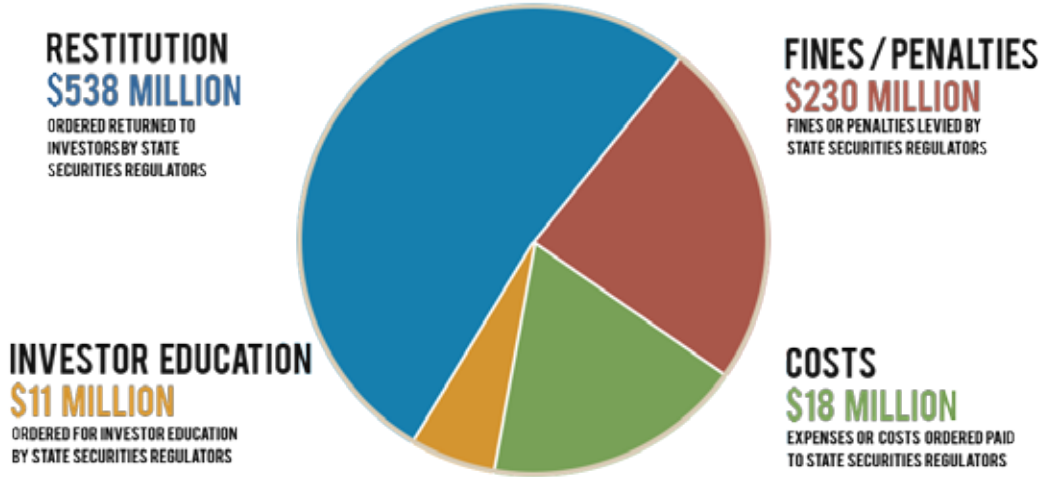
Enforcement Actions

Through NASAA's U.S. members' vigilance, in 2015, state securities regulators brought more than 2,000 enforcement actions against more than 2,700 respondents. As the charts that follow demonstrate, a single enforcement action often names several individuals and one or more companies as respondents. Large or complex cases can have numerous respondents.

ENFORCEMENT ACTIONS



MONETARY RELIEF OBTAINED



Relief Obtained

The sanctions imposed by NASAA’s U.S. members for securities law violations range from bans on future activity or from trading in securities, to financial penalties and prison sentences. The sanctions imposed by state securities regulators can vary considerably from year-to-year, depending on the nature of the cases pursued.

As part of state securities regulators’ continued focus on the investors in their jurisdictions, in 2015, NASAA’s U.S. members ordered wrongdoers to return more than \$530 million to aggrieved investors.² Additionally, NASAA’s U.S. members levied fines or penalties of more than \$230 million. In addition to restitution, disgorgement and fines

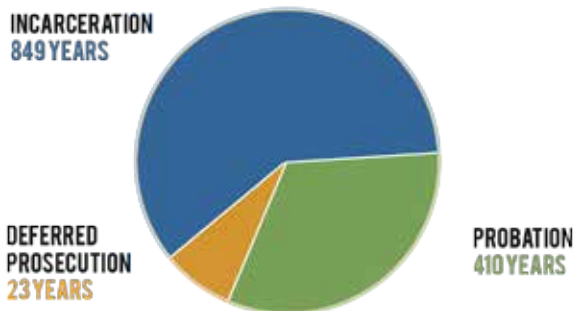
or penalties, respondents also are often ordered by state securities regulators to pay part or all of the costs of the proceeding or for investor education initiatives. The states required that respondents pay almost \$18 million in costs or expenses, and more than \$11 million for investor education efforts in 2015.

In addition to monetary sanctions, jurisdictions reported a continued high level of specific and general deterrence by imposing criminal sanctions. Collectively, in 2015, criminal defendants were sentenced to more than 1,200 years of incarceration, probation or deferred adjudication through the efforts of state securities regulators.

NASAA’S U.S. MEMBERS ORDERED WRONGDOERS TO RETURN MORE THAN \$530 MILLION TO AGGRIEVED INVESTORS.

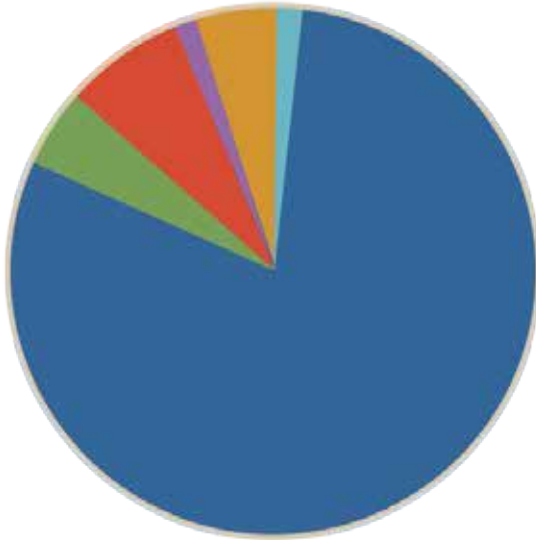
Importantly, state securities regulators also denied unscrupulous actors from operating in the securities industry and limited the activity of licensees/registrants. In 2015, more than 3,000 license/registration requests were withdrawn as a result of state action. While not all license/registration requests are withdrawn because a state regulator is about to take action to deny or limit the license/registration, many

CRIMINAL RELIEF OBTAINED



² This figure represents restitution reported by NASAA U.S. member jurisdictions. Not all jurisdictions provided a restitution amount. This figure does not account for unilateral and unreported returns to investors, or rescission offers by firms or investigative targets.

LICENSE SANCTIONS



■ WITHDRAWN	2,990
■ CONDITIONED	276
■ BARRED	190
■ DENIED	176
■ REVOKED	65
■ SUSPENDED	31

license/registration requests are withdrawn as a state is preparing to take action to deny, suspend, or revoke a license/registration.

In addition, more than 250 individuals had their licenses/registrations revoked or were barred from the industry, and more than 475 licenses/registrations were denied, suspended or conditioned as a result of state action.

Types of Products & Schemes

State securities regulators brought enforcement actions for a variety of different violations of state securities laws. While most state securities enforcement actions involve some sort of fraud, traditionally marked by material misrepresentations, false statements or a scheme designed

to defraud or deceive investors, the form that fraud takes varies.

In 2015, the most common fraudulent investment products involved real estate or oil and gas ventures. NASAA’s U.S. members were particularly successful in bringing enforcement actions against violators selling these products in 2015. For example, Colorado secured an important District Court decision that makes clear that oil and gas interests are securities and subject to state securities laws.

In 2015, numerous state securities regulators settled enforcement actions brought against LPL Financial, LLC arising out of its sale of non-traded Real Estate Investment Trusts (REITs). The settlement required the firm to remediate losses for all non-traded REITs sold between January 1, 2008 and December 31, 2013 in violation of prospectus standards, state concentration limits, or the firm’s own internal guidelines. LPL Financial, LLC, was also required to retain an independent third party to review and verify executed sales transactions during this period, which may include more than 2,000 sales, as well as to pay significant civil penalties to the states.

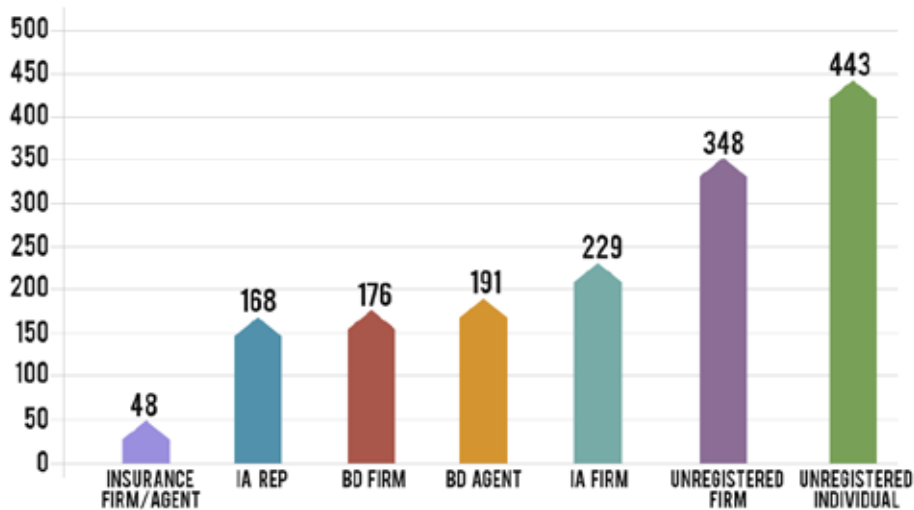
In addition to real estate and oil and gas investments, in 2015, state securities regulators continued to launch numerous investigations and enforcement actions involving variable and indexed annuities, hedge funds, life

Most Reported Products & Schemes 2015

In order of frequency of investigations reported by states.

- 1 Ponzi Schemes
- 2 Real Estate Investment Program Fraud
- 3 Oil and Gas Investment Program Fraud
- 4 Internet Fraud
- 5 Affinity Fraud

TYPES OF RESPONDENTS



settlements/viaticals, and structured products, among others. Regardless of the product being sold or what the investment was in, the most common type of fraud cases remain Ponzi schemes.

VULNERABLE ADULTS, PRIMARILY SENIOR INVESTORS, WERE AGAIN TARGETED BY FRAUDSTERS DISPROPORTIONATELY.

Reflecting a growing trend, in 2015, victims were often targeted through the internet, or as a result of being part of a specific race, religion, age bracket, profession, or other identifiable affinity

group. Vulnerable adults, primarily senior investors, were again disproportionately targeted by fraudsters. In 2015, nearly one-third of all investigations conducted by states that reported senior specific information involved senior victims.

Looking forward, information reported by NASAA’s U.S. members indicates that unscrupulous promoters may attempt to capitalize on strong real estate markets to continue to unlawfully sell promissory notes and other investments in real estate programs, as well as take advantage of fluctuations in the price of oil to continue to promote fraudulent investments in oil and gas drilling programs. In addition to these schemes and others reported in the top five, NASAA’s U.S. members are warning the public against schemes involving private-placement transactions pursuant to Rule 506, where certain state securities laws are preempted by federal law.

Types of Respondents

A large percentage of the enforcement actions brought by NASAA’s U.S. members in 2015 involved unregistered individuals and unregistered firms. However, for the first time since NASAA began conducting its annual enforcement survey, more registered individuals and firms were named as respondents than unregistered individuals and firms. In 2015, NASAA’s U.S. members brought enforcement actions against 812 registered industry members, as compared with 791 unregistered individuals and firms.

The claims brought against registered members of the industry ran the gamut from fraud to books and records violations. Specifically, in 2015, there were 212 actions involving books and records violations; 70 actions involving suitability; 65 actions involving failure to supervise; and more than 200 actions involving other dishonest or unethical practices by registrants. Dozens of other actions involved unauthorized trading, churning, selling away and fraud.

MORE REGISTERED MEMBERS OF THE INDUSTRY WERE NAMED AS RESPONDENTS THAN UNREGISTERED MEMBERS FOR THE FIRST TIME SINCE NASAA BEGAN CONDUCTING ITS ENFORCEMENT SURVEY.

CANADIAN SECURITIES ADMINISTRATORS 2015 ENFORCEMENT REPORT SUMMARY

In early 2016, the Canadian Securities Administrators (CSA) released its 2015 Enforcement Report outlining how Canadian securities regulators actively are working to protect investors and the integrity of Canada's capital markets.

The CSA's 2015 Enforcement Report brings into focus the enforcement work done by CSA members against those who commit wrongdoing in Canada's capital markets. CSA members concluded cases against 350 individuals and companies.

The full report is on the CSA website (www.securities-administrators.ca) and on the websites of CSA members. The CSA, the council of securities regulators of Canada's provinces and territories, coordinates and harmonizes Canadian capital market regulation.

Highlights of the 2015 CSA Enforcement Report

Cases concluded against 184 respondents by contested hearings, 83 respondents by settlement agreement, and 83 respondents by court decision.

Concluded cases resulted in:

- Fines and administrative penalties of more than \$138 million;
- Almost \$112 million in restitution, compensation and disgorgement;
- Jail sentences totaling approximately 10 years handed down to 15 individuals;
- 108 cases commenced against a total of 165 individuals and 101 companies; and
- 35 freeze orders issued against a total of 84 individuals and companies, involving more than \$13.5 million in assets in bank accounts.

2015 Case Highlights

NASAA's U.S. members conduct a wide range of investigations and enforcement actions, both individually and in cooperation with other NASAA members, and federal and international agencies. The enforcement matters discussed below – while only a small sample of NASAA's U.S. member efforts – highlight some persistent themes and significant areas of interest. These include classic Ponzi and pyramid schemes, frauds targeting seniors, and internet-related scams. In these cases, and through their ongoing enforcement work, NASAA's U.S. members protect investors, bring fraudsters to justice, and help obtain compensation for victim losses.

Ponzi Schemes

Ponzi schemes – fraudulent investment operations in which returns to early investors are paid out of funds from subsequent investors rather than legitimate profits – continue to be a common category of fraud. More than half of NASAA's U.S. members reported Ponzi schemes as one of their top five types of securities fraud for the survey period.

LIKE MANY INVESTMENT SCAMS, NELSON'S PROMISSORY NOTES ADVERTISED IMPROBABLY HIGH RATES OF RETURN, RANGING FROM 10-TO-21 PERCENT.

Ponzi schemes frequently involve fictitious or failing business operations, as exemplified by the case of Derek Nelson, whose real-estate investment fraud was

investigated by the Texas State Securities Board. Nelson, through various business entities, sold investors approximately \$37 million in promissory notes. He told investors he would use the proceeds to buy distressed properties and renovate them for rent or sale. Instead, Nelson used at least \$20 million of investors' money to prop up a Ponzi scheme, paying investors their promised returns with money from other investors. Nelson also used \$2.7 million of investor funds to pay for personal expenses and to contribute to his church. Like many investment scams, Nelson's promissory notes advertised improbably high rates of return, ranging from 10-to-21 percent. As a result of his fraud, Nelson was recently sentenced to 19 years in prison.

In addition to pursuing Ponzi scheme operators, NASAA's U.S. members focus on institutions that enable these Ponzi schemes through failures of supervision and oversight. For example, in 2015, the Virginia State Corporation Commission's Division of Securities and Retail Franchising investigated the failure of two companies, Wells Fargo Advisors, LLC and Fulcrum Securities, LLC, to properly supervise their employee Christopher Cunningham, who defrauded elderly clients in a \$1.2 million Ponzi scheme. Working closely with the U.S. Secret Service, the Division

WELLS FARGO ADVISORS AND FULCRUM SECURITIES FAILED TO SUPERVISE CUNNINGHAM, ENFORCE THEIR OWN POLICIES AND PROCEDURES, AND PROPERLY REVIEW CUSTOMER ACCOUNTS.

of Securities found that Cunningham – who was subsequently permanently barred from the securities industry and sentenced to a 57-month federal prison term – solicited funds from investment clients based on false representations, including promises of guaranteed returns and statements that he was not being personally compensated in connection with the investments. In fact, Cunningham used investors' money to pay personal expenses and fund his unsuccessful private business venture, which purportedly designed and sold blast-proof materials to protect military troops. Virginia's parallel investigation of Wells Fargo Advisors and Fulcrum Securities concluded that both companies failed to supervise Cunningham, enforce their own policies and procedures, and properly review customer accounts. As a result of Virginia's investigation, investors will receive \$470,000 in restitution.

Internet Fraud

The Internet has allowed bad actors operating virtually anywhere and with only basic computer skills to enter the homes of many Americans and take advantage of vulnerable investors.

For example, after an extensive investigation by the Florida Office of Financial Regulation (OFR), in 2015, Scott Campbell was sentenced to 20 years of imprisonment and 10 years of probation for his role in defrauding dozens of investors in a long-running internet investment fraud

CAMPBELL OPERATED A "SWEETHEART" INVESTMENT SCHEME TARGETING SINGLE WOMEN WITH WHOM HE HAD BECOME ACQUAINTED VIA ONLINE DATING SERVICES.

scheme. For more than 10 years, Campbell operated a "sweetheart" investment scheme targeting single women with whom he had become acquainted via online dating services. Campbell enticed more than 30 victims into investing in his purported musical recording and talent search business with promises that each would receive two percent of his company's future profits. The OFR investigation revealed, however, that Campbell spent most of the \$1 million in funds collected from investors on gambling and personal living expenses.

Internet bulletin boards are another common venue fraudsters use to prey on vulnerable investors. For example, in 2015, the Alabama Securities Commission (ASC) investigated a long-running international prime bank scheme where investors were solicited through Craigslist with the promise of exaggerated returns and/or non-recourse loans that required no repayment. Investors typically wired their funds to various companies owned and/or operated by the subjects or to attorney escrow accounts with the promise of large returns and/or access to large loans. The investors never received what was promised, and their funds were disbursed among the subjects for non-investment purposes. To date, there have been 18 separate convictions, as many as 10 individuals are awaiting trial or are fugitives from justice, and Italian authorities – with the assistance of the ASC – have identified and arrested six individuals in Italy who participated in these online schemes internationally.

Gatekeeper Frauds

Intermediaries, or “gatekeepers,” are supposed to provide important services that benefit investors – for instance, accountants who provide independent assurance that a company’s financial condition is portrayed accurately, or lawyers who ensure that company representations are accurate and truthful. Unfortunately, NASAA’s U.S. members often must take enforcement action against gatekeepers who abuse their position of trust to carry out investment fraud.

For example, the Securities and Business Investments Division of the Connecticut Department of Banking filed two separate actions against James E. Neilsen, a Certified Public Accountant (CPA) and former registered broker-dealer agent, who took advantage of his unfettered access to his CPA clients’ sensitive financial information and abused his position of trust to twice scam his CPA clients through fraudulent securities offerings. Specifically, Neilsen set up Ulysses Partners, LLC to solicit investments in hedge funds on a compensated basis, selling approximately \$10 million of securities to investors, the majority of whom were his accounting clients. Neilsen represented that the investment would generate a high rate of return, but failed to provide key disclosures concerning the risks involved, how the offering proceeds would be used, or that the securities were not registered under state law. Following an administrative hearing, the Connecticut Banking Commissioner found that between 2005 and 2012, Ulysses Partners and Neilsen violated the Connecticut Uniform Securities Act by selling unregistered securities to 33 individuals who invested approximately \$7.4 million in Ulysses Partners. The Commissioner also determined that Neilsen violated the antifraud provisions of the Act by misrepresenting the anticipated rate of return on the investments, guaranteeing principal, and omitting any type of written disclosure or discussion of risks. The Commissioner noted that the misrepresentations and omissions were made to investors who had trusted Neilsen for years as their personal and business accountant. The Commissioner ordered a permanent Cease and Desist, the defendants to make full restitution, and Ulysses Partners and Neilsen to pay a \$25,000 fine.

THE COMMISSIONER NOTED THAT THE MISREPRESENTATIONS AND OMISSIONS WERE MADE TO INVESTORS WHO HAD TRUSTED NEILSEN FOR YEARS AS THEIR PERSONAL AND BUSINESS ACCOUNTANT.

The Commissioner’s order did not stop Neilsen, however. Just one year later, the Banking Commissioner again sanctioned Neilsen relating to a second fraudulent securities offering. In this matter, Neilsen entered into investment agreements with at least two individuals, one of whom was an accounting client, who invested at least \$243,000 based on Neilsen’s representations that the investment would generate a 9 percent return with no risk of loss. Neilsen used investor monies to cover his personal expenses and failed to provide investors with written disclosures concerning investment risks and was again found to have violated the antifraud provisions of the Act. Neilsen also violated the Act by selling unregistered securities and by making a material misrepresentation to the agency in conjunction with its investigation. The Commissioner ordered a permanent Cease and Desist, the defendants to make full restitution, and Neilsen to pay a \$300,000 fine. In addition, Neilsen was recently sentenced to eight years in prison by a federal Judge for the crimes he committed in connection with his fraudulent investment schemes.

The Washington State Department of Financial Institutions (DFI) also brought an action against a former accountant, Clarence Young, in 2015. In 1996, Young’s accounting license was indefinitely suspended for, among other things, securities fraud, including the sale of unregistered securities, and failing to respond to a complaint by one of his clients. After his accounting license was suspended, however, Young continued to operate a tax consulting business. Young solicited his tax consulting business clients and others for investments in a feeder fund called Safeguard Capital, LLC. As detailed by the Washington Securities Administrator, “Young’s investors were often his clients from his tax consulting business. The transactions he entered into with them were often based more on the trust clients had in Young than on substantive information about the investments.” Young guaranteed investors a return of 18-to-24 percent on their investments, and represented that there was no risk. Young raised \$2.2 million in investments for Safeguard. Rather than use the money as represented, Young used the majority of the money to fund his personal business and to make Ponzi scheme payments to other investors.

In January 2013, DFI entered charges against Young for securities fraud, sale of unregistered securities, acting as an unregistered salesperson, and acting as an unregistered investment advisor. In May 2013, the securities division entered into a consent order with Young. In 2015, Young pleaded guilty to 10 counts of securities fraud. The

sentence imposed by the trial court, six months of work release followed by six months of home detention and payment of \$1,264,802, was successfully appealed by the State based on the unjustifiable downward departure from the applicable sentencing guidelines. As a consequence, the appellate court has remanded the case to the trial court for resentencing within the standard range.

Michael Kwasnik, an estate planning attorney licensed in Pennsylvania and New Jersey, also used his position of trust as an attorney to gain the confidence of elderly victims and perpetrate an approximately \$10 million fraudulent scheme. According to an action brought by the New Jersey Bureau of Securities, Kwasnik and his co-conspirators fraudulently offered and sold investments to 73 elderly victims that he falsely claimed were safe, secure, and guaranteed to earn a 12 percent annual return. Kwasnik told investors that investment funds would be used to purchase life insurance policies and beneficial interests in irrevocable life insurance trusts. Rather than investing the funds as promised,

YOUNG'S INVESTORS WERE OFTEN HIS CLIENTS FROM HIS TAX CONSULTING BUSINESS. THE TRANSACTIONS HE ENTERED INTO WITH THEM WERE OFTEN BASED MORE ON THE TRUST CLIENTS HAD IN YOUNG THAN ON SUBSTANTIVE INFORMATION ABOUT THE INVESTMENTS.

Kwasnik used investment funds to pay existing investors and to transfer money to himself, his family members, his co-conspirators, and his law firm. A civil action brought by the New Jersey Bureau of Securities resulted in a judgment that ordered Kwasnik to pay \$8.6 million in full restitution for the benefit of defrauded elderly investors and a \$3.5 million penalty. The Court found that Kwasnik took advantage of his attorney-client relationships to sell the fraudulent investments, and abused his position as legal trustee to effect the transactions on behalf of his trust clients.

Earlier in 2015, Kwasnik pled guilty to criminal securities fraud in an action brought by the Delaware Investor Protection Unit for a similar scheme. There, Kwasnik falsely told Delaware investors that Capital Management of Delaware was in the business of buying and selling life settlements. Rather, the true business of Capital Management was to expand the fraudulent scheme that Kwasnik was operating in New Jersey and Pennsylvania

THE COURT FOUND THAT KWASNIK TOOK ADVANTAGE OF HIS ATTORNEY-CLIENT RELATIONSHIPS TO SELL THE FRAUDULENT INVESTMENTS AND ABUSED HIS POSITION AS LEGAL TRUSTEE TO EFFECT THE TRANSACTIONS ON BEHALF OF THIS TRUST CLIENTS.

commingled with that of Kwasnik's prior investors, misdirected into the client trust account of Kwasnik's law firm, and used to pay obligations owed to earlier investors and to satisfy preexisting debts of various Kwasnik-controlled entities. When Kwasnik's scheme collapsed, investors lost the entirety of their principal. In connection with his plea of guilty to securities fraud in Delaware, Kwasnik agreed to: pay more than \$300,000 in restitution to three Delaware investors, affirmatively divulge his conviction to any future employer, investor, or business partner, and a 10-year bar from the securities industry.

Senior Fraud

Senior protection continues to be a primary focus of NASAA. In addition to passing the NASAA Model Act to Protect Vulnerable Adults from Financial Exploitation, a number of recent successful enforcement actions brought by NASAA U.S. members highlight state securities regulators' commitment to protecting senior investors. In addition to the Kwasnik matters in New Jersey and Delaware, highlighted above, the cases below from Minnesota and Missouri provide additional examples of the important work being done by state securities regulators to protect our seniors.

For example, Sean Meadows, a licensed insurance producer, and his financial planning and asset management firm, Meadows Financial Group LLC (MFG), operated a long-term Ponzi scheme in which Meadows stole more than \$13 million from at least 100 individual victims – many of them seniors who lost their life savings. A joint investigation by the Minnesota Commerce Fraud Bureau and federal authorities resulted in Meadows being sentenced to 25 years in prison. Between 2007 and 2014, Meadows lured victims into removing funds from their retirement and other financial accounts by promising high rates of return in insurance and investment products when, in fact, he did not invest their funds. Instead, Meadows used money from new investors to make interest and/or principal repayments

to existing investors. He also used the illicit proceeds of the Ponzi scheme to pay for personal expenses and bankroll his own extravagant lifestyle, including: making “salary” payments to himself; making payments to his spouse; paying expenses on personal investment properties; paying personal credit card bills; buying a car; traveling to Las Vegas; gambling at various casinos and online; and spending more than \$135,000 at adult entertainment establishments.

AMONG THE VICTIMS DEFRAUDED BY MEADOWS WERE SENIOR CITIZENS, AND THE DISABLED, POOR OR TERMINALLY ILL. VICTIMS WERE LEFT IN FINANCIAL RUIN BECAUSE THEY LOST THEIR RETIREMENT FUNDS AND HOMES, THEIR ABILITY TO SUPPORT THEIR FAMILIES AND, IN ONE CASE, EVEN THE ABILITY TO PAY FOR CANCER TREATMENTS.

Among the victims defrauded by Meadows were senior citizens, and the disabled, poor or terminally ill. Victims were left in financial ruin because they lost their retirement funds and homes, their ability to support their families and, in one case, even the ability to pay for cancer treatments. Sadly, Meadows also had convinced many of the victims to pull money out of tax-deferred qualified accounts to “invest” with him, falsely assuring them that these would be tax-free rollovers when they were not. To cover up his scheme, he had also convinced his clients to have him prepare their income tax returns. He then filed fraudulent tax returns or, in some cases, did not file returns at all. As a result of Meadows’s deceit, the victims not only lost their retirement savings; they also incurred significant tax liabilities.

The Securities Division of the Missouri Secretary of State’s Office similarly shut down an investment scheme targeting senior investors run by Joanna L. Rich, an insurance agent associated with Financial Solutions Group, and FSG Fundraising, LLC (FSG). Rich collected in excess of \$249,000 from at least seven investors – at least two elderly and one disabled – who were promised an unrealistically high 10 percent annual return and a 10 percent premium bonus. She told investors that the investment funds would be used for the startup costs of FSG and that the initial term would be three years to allow FSG to become profitable. Rich also provided some investors with false quarterly statements—

on Financial Solutions Group letterhead—reflecting growth in the investors’ funds. However, FSG was not actually making any profit to pay investors.

Rich and FSG did not use the investor funds for FSG purposes. Instead, Rich commingled investor funds with her personal funds and used them for personal expenditures, including payments to her son and the owner of Financial Solutions Group, cash withdrawals, and debit card purchases at businesses such as Ameristar Casino Resort and Spa, and for tickets to Chicago White Sox games. The Missouri Order requires Rich to pay restitution in the amount of \$286,878 to the defrauded investors and to pay civil penalties in various amounts ranging from \$1,000 to \$25,000 for each violation of the Missouri Securities Act.

NASAA

Organized in 1919, the North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. NASAA is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

In the United States, NASAA is the voice of state securities agencies responsible for efficient capital formation and grass-roots investor protection. Their fundamental mission is protecting investors who purchase securities or investment advice, and their jurisdiction extends to a wide variety of issuers and intermediaries who offer and sell securities to the public. NASAA members license firms and their agents, investigate violations of state and provincial law, file enforcement actions when appropriate, and educate the public about investment fraud. Through the association, NASAA members also participate in multi-state enforcement actions and information sharing.

For more information, visit: www.nasaa.org

