

SPITZER ANNOUNCES SIX INDICTED IN NATIONWIDE, \$25 MILLION 'RARE' COIN BOILER ROOM SCAM

SOURCE

Office of New York State Attorney General Eliot Spitzer

May 24, 2001

Over 1,000 Victims, Seniors Targeted by Long Island Sales People Using High Pressure Tactics.

Attorney General Eliot Spitzer today announced the indictment of six Long Island residents and five corporations for running a 'rare' coin boiler room scam that defrauded investors, many of them senior citizens, out of at least \$25 million.

The indicted individuals ran and worked for five related companies that operated out of store fronts in Suffolk County between 1993 and March of 2000, when the Attorney General obtained court orders shutting down the businesses and authorizing searches of the premises.

The defendants face multiple charges including Enterprise Corruption, Grand Larceny in the Second Degree, and Fraud in the Sale of Securities, which carry a maximum term of 8 1/3-25 years in prison.

All told, it's estimated that over 1,000 people from across the country were victimized, with more than 20 people losing over \$100,000 each, and several victims losing \$750,000. Almost all the victims lost at least thousands of dollars.

"You could call this a case of the movie 'Boiler Room' meets 'Antiques Road Show,' only this wasn't entertainment, this was real life, and real people have gotten hurt," said Spitzer.

A two year investigation by Spitzer's office, sparked by victim complaints, led to today's indictments, as well as felony pleas by 20 other individuals.

During its operation, the leaders of the ring were making millions of dollars a year, while sales people often earned more than \$150,000 a year in commissions.

While the five companies held themselves out to the investing public as separate, competing businesses, the indictment alleges that they were in fact one criminal enterprise.

"This was a classic boiler room operation," said Spitzer. "The defendants used high-pressure sales tactics, empty promises and outright lies to steal from unsophisticated investors, many of them elderly.

"Victims were told that the coins they were buying were 'guaranteed' to go up in value. In fact, the only thing guaranteed was that the victims were buying vastly overpriced coins and those behind this scam were getting rich at their expense."

The defendants sold a wide variety of coins including U.S. gold pieces and silver dollars, Russian rubles, Danish kroners, and German marks.

Those selling the coins greatly inflated their sales price by lying about their condition and scarcity. The sales people, who routinely used aliases, told victims that they were experts in the field, and encouraged their customers, who generally had no experience in the coin field, to rely on their advice when investing.

To calm the investors' fears, sales people told them that they were ready and able to resell their collections 'at a significant profit,' claiming that there were people all over the world waiting to bid on their coins.

Typically, victims would buy coins for between \$1,000 and \$8,000 each. In reality, the coins were worth only about ten or twenty percent of the purchase price.

If customers raised doubts about the value of a coin, the sales people routinely referred them to another 'dealer' for a second opinion. In fact, the 'independent' dealer would be one of the related boiler rooms that are being charged today. Once the victims started to buy, sales people would induce them to purchase more coins by saying they could 'substantially' increase the value of their collection by buying 'just one more coin' to 'complete' their sets.

Spitzer noted that a number of victims were continuing to buy coins until the day the businesses were shut down. The Attorney General said that coin fraud is a growing problem for consumers, especially senior citizens.

"These defendants were the worst of the worst," said Spitzer. "They often preyed on lonely, elderly victims, earning their trust and then stealing their retirement nest eggs, or savings that had been set aside to leave to children and grandchildren. We will use every resource possible to seize whatever assets these defendants have so that we can return as much money as possible to the victims."

So far, the Attorney General's office has seized or frozen more than \$6 million in assets from the defendants, including over \$5 million in cash, as well as boats, motorcycles and a \$250,000 Lamborghini.

Lois Aronstein, the American Association of Retired Persons (AARP) New York State Director said, "We commend Attorney General Spitzer in his pursuit of those unscrupulous individuals who use these coin scams to prey on older Americans. Telemarketing fraud is a \$40 billion per year industry that disproportionately targets older persons, seriously jeopardizing their economic security. AARP warns those receiving any telephone solicitation that if the deal sounds too good to be true, it usually is."

Under New York law, coin brokers who conduct a substantial amount of their business over the phone must file registration statements with the Attorney General's office. From 1993-1999, the defendants' companies were unregistered despite doing millions of dollars of business a year.

The defendants were arrested this morning and are due to be arraigned at 3:00 p.m. today before the Hon. Joseph Farnetti, Part 8, in Suffolk County Court in Riverhead.

Spitzer thanked Ohio Attorney General Betty Montgomery and her Consumer Protection unit for its assistance during the investigation.

The case was handled by Assistant Attorneys General Juan Merchan, John Henry, Melanie Jenkins and Ronda Lustman, under the direction of Nassau Regional Bureau Chief Suzan Flamm, Investor Protection Bureau Chief Eric Dinallo and the head of the Criminal Prosecutions Bureau, Janet Cohn. The case was investigated by Investigators Angel Rivera and Merrie Gordon under the direction of Chief William Casey. Division Chiefs Peter Pope, Dieter Snell, and Marty Mack supervised the case.

DEFENDANTS:

- Henry Adler, 52, Farmingville, N.Y.
- Kevin Brunet, 30, Port Jefferson Station, N.Y.
- Andrew Carnagie, 27, Port Jefferson Station, N.Y.
- Frank Fasano, 69, Middle Island, N.Y.
- Todd Jansen, 23, Port Jefferson Station, N.Y.
- Patricia Van Boskirk, 35, Mount Sinai, N.Y.

BUSINESSES AND LOCATIONS:

- Majestic Collectibles, 275 Route 25A, Suite 26, Miller Place;
- Colonial Collectibles, Inc., 315 Middle Country Road, Middle Island;
- Innovative Rarities, Inc., 145-B Middle County Ridge Road;
- Lexington Collectibles, 333 Route 25A, Suite 130, Rocky Point;
- Century Collectibles, 325 Middle Country Road, Selden