

Elderly Customers Sue Coin Company for Fraud

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Elderly customers thought they were making a sound investment when they bought rare coins from a Beaumont company, but instead found themselves in what may have been a scam to defraud the elderly.

Stephen Dinneen, Kurt Kumetat, Roland Smith, Joseph Tice and Harold John Tice as the legal representatives of the deceased Harold Joseph Tice filed a lawsuit on May 2 in Jefferson County District Court against U.S. Rare Coin & Bullion Reserve Inc., U.S. Money Reserve Inc., Capitol Mint Inc., Providence Rare Coins, U.S. Vault Collection, U.S. Vault Collection LM, Annette Renaud, Milton Verrett and Tony Califa.

According to the original petition, plaintiffs collectively were convinced by defendants' false, misleading and high-pressure sales tactics to purchase \$420,000.00 in "rare" gold, platinum and silver coins. Specifically, defendants intentionally and knowingly made various false and misleading representations to plaintiffs, in an attempt to increase their monetary investment in defendants' "rare" coins, the suit says.



Plaintiffs' attorney Jason Gibson of Houston wrote that the defendants' "boiler-room" sales and telemarketing operation used a company-wide scheme that encouraged sales persons to use unlawful and misleading selling-points and sales tactics on unsuspecting customers, like plaintiffs.

Plaintiffs say the evidence and testimony will show:

- Defendants are set up as high-pressure telemarketing operations;
- Complaints have been filed against Defendants all over the country, including complaints to the Federal Trade Commission;
- Defendants fabricate stories and lie about the origin and value of coins to increase their sales;
- Defendants "pitch heat" to increase their revenues, guaranteeing customers a substantial increase and appreciation on their coin investments, knowing their representations are false and misleading;
- Defendants obtain credit card numbers and charge customers' cards, without permission. . . a practice known as "banging" or "burning" a credit card;
- Defendants convince consumers to take out loans, including home equity loans, to purchase "rare" coins;
- Defendants offer a money back guarantee, but intentionally do not honor the guarantee;
- Defendants mislead customers about the mark-up of each coin being sold, failing to disclose the real mark-up;
- Defendants advise customers to take their money out of investments such as stocks, certificates of deposit and bonds, and to purchase "rare coins." Defendants tell customers their investment in coins will "outperform" their investments in other areas, without any specific underlying data to support such assertions;
- Defendants "bait and switch," selling customers on more expensive coins or coins Defendants know they do not have in their possession, and then send customers less expensive coins or coins the customers did not order; and
- Defendants' employees are taught to "isolate objections" and not take "NO" for an answer.

"Plaintiffs relied to their detriment on Defendants' misrepresentations in purchasing the coins in question. Due to Defendants' intentional and knowingly false and deceptive practices, Plaintiffs have suffered substantial monetary losses," the petition states.

In addition, plaintiffs claim defendant Milton Verrett is affiliated with Defendant U.S. Rare Coin & Reserve. In 1985, a judge ruled that coins being sold by Verrett were not worth as much as advertised. Verrett's company at the time, U.S. Coin Reserve, declared bankruptcy that same year.

Verrett subsequently established a new coin enterprise, First National Reserve. He also created a publicly traded company, First National Film Corp., for the sole purpose of marketing an animated, non-Disney sequel to "Snow White" called "Happily Ever After."

In 1998, the SEC ruled that Verrett made "false and misleading statements" about the movies revenues, causing First National Film's share price to plunge from \$9 to 28 cents. Verrett was permanently barred from serving as an officer or director of a public company.

Although Verrett claims to only be a consultant with U.S. Rare Coin & Bullion Reserve, with no legal or financial ties to the company, the evidence will show otherwise, the suit says.

The defendants negligently promoted, marketed, advertised and sold coins to plaintiffs, the suit alleges, which was the proximate cause of the plaintiffs' damages.

The defendants allegedly failed to use reasonable care when representing the market conditions for gold, platinum and silver bullion, the soundness of the investments, guidance about which coins to purchase and the return on the plaintiffs' investments.

The coin company also did not use reasonable care when representing itself as a "buying trust" with an "impressive track record for selecting and recommending coins that experience price appreciation before the prices trend higher;" and representing itself as a portfolio buying trust with inside track knowledge.

Defendants committed fraud when they made false, material representations to Plaintiffs as to the current and projected value of the coins sold to plaintiffs and intentionally or recklessly misrepresented the current and projected value of the coins with the intent of inducing plaintiffs to continue to purchase coins, the suit states.

"Moreover, defendants made unauthorized charges on plaintiffs' credit cards, a practice known as 'banging' a card," plaintiffs claim.

Defendants violated the Texas Business and Commerce Code, breached warranties, engaged in unconscionable business practices and conspired to defraud their customers with an emphasis on defrauding the elderly, the plaintiffs claim.

Plaintiffs are seeking compensatory and economic damages, damages for mental anguish and court costs.

Plaintiffs also request that they receive damages under the Deceptive Trade Practices Act, treble damages, exemplary damages which are not capped because the defendants' conduct amounts to a felony.

The case, No. E179-220, has been assigned to Judge Donald Floyd in the 172nd District Court.

Floyd is also presiding over a similar case filed June 2006.

In that case, plaintiff Mary Ann Kaiser named Fuljenz Marketing Corp., Universal Coin & Bullion, First National Reserve and other defendants for using false and high-pressure sales tactics to purchase in excess of \$800,000 in coins.