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SEC Busts 4 Insurance Agents in Scam Against Seniors

Scheme targeted retired annuity holders by using insurance agents to sell interests in a company called Arete LLC

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The four agents acted as unregistered broker-dealers, the SEC said.

The Securities and Exchange Commission announced on Friday charges against four insurance agents for unlawfully selling securities in what turned out to be a multimillion-dollar offering fraud targeting senior investors.

The SEC previously charged a Colorado man, Gary Snisky, who allegedly orchestrated the scheme and recruited active insurance agents to help him solicit investors in Colorado and several other states. The scheme raised approximately $4.3 million in nearly 18 months.

The SEC's investigation further found that the four insurance agents charged Friday solicited funds without registering with the SEC as a broker-dealer as required under the federal securities laws.

"When individuals act as a broker and sell securities to the public, they must comply with registration, supervision, and compliance requirements that exist to protect investors," said Julie K. Lutz, director of the SEC's Denver Regional Office, in a statement. "These insurance agents improperly operated outside of that regulatory framework and thereby placed their clients at risk."

According to the SEC's order instituting administrative proceedings, the scheme primarily targeted retired annuity holders by using insurance agents to sell interests in a company called Arete LLC, which was controlled by Snisky.

"The insurance agents told investors that their funds would be used by Snisky to purchase government-backed agency bonds at a discount," the SEC says. "However, Snisky did not purchase bonds or conduct any such trading, and he misappropriated approximately $2.8 million of investor funds to pay commissions and make personal mortgage payments."

The SEC's Enforcement Division alleges that the following three brokers raised approximately $1.5 million for Snisky and received almost $90,000 in commissions:

- Kenneth C. Meissner of Fair Oaks Branch, Texas
- James Doug Scott of Perkasie, Pennsylvania
- Mark S. "Mike" Tomich of Belmont, Michigan

The other insurance agent — David C. Sorrells of Linden, Texas — entered into a cooperation agreement with the SEC. Without admitting or denying the findings, Sorrells consented to an order finding that he violated Section 15(a) of the Securities Exchange Act of 1934. He agreed to be barred from the securities industry, cease and desist from future violations of Section 15(a), and pay disgorgement of $207,213.34. He also is subject to an additional financial penalty. The settlement reflects substantial assistance that Sorrells provided in the SEC's investigation.

The SEC's Enforcement Division alleges that Meissner, Scott, and Tomich violated Section 15(a) of the Exchange Act, and is seeking disgorgement, penalties and securities industry bars in the matter, which will be litigated before an administrative law judge.

The SEC's case against Snisky, filed in November, is pending in federal court in Colorado.