

Goldline Execs Charged With Fraud

By *MATTHEW MOSK and BRIAN ROSS*

Nov. 1, 2011 –

go.com

Goldline, a company that used endorsements from Glenn Beck and other conservative icons to sell hundreds of millions of dollars to consumers, has been charged with theft and fraud in a 19-count criminal complaint filed Tuesday by local officials in California.

The criminal complaint filed Tuesday by the Santa Monica City Attorney's consumer protection unit marks the latest in a series of allegations it has leveled against the gold dealer, which pioneered the practice of weaving its sales pitches into broadcasts by popular conservative political personalities -- including two former presidential candidates -- to sell hundreds of millions of dollars worth of gold every year.

The complaint alleges that Goldline "runs a bait and switch operation in which customers, seeking to invest in gold bullion, are switched to highly overpriced coins by using false and misleading claims," according to a statement released by the consumer affairs division of the Santa Monica City Attorney's office.

The company has been charged in the court filing with misdemeanors that include theft by false pretenses, false advertising, and conspiracy, the City Attorney's office said. In addition to the charges against the company, the complaint accuses former CEO Mark Albarian, executives Robert Fazio and Luis Beeli, and salespeople Charles Boratgis and Stephanie Howard of defrauding customers. Current CEO Scott Carter is accused of making false or misleading statements. Each of the charged offenses carries a maximum penalty of one year in jail and maximum fines of between \$1,000 and \$10,000 per offense.

Carter, who is frequently featured in Goldline commercials, told ABC News Tuesday that he was withholding comment until he has had time to review the court filing.

The launch of an investigation into Goldline was first reported by ABC News more than a year ago, when Santa Monica officials first said they were looking into allegations they said were leveled against the company by unhappy customers.

"There are two main types of complaints we're seeing," Adam Radinsky of the Santa Monica City Attorney's office said at the time. "One is that customers say that they were lied to and misled in entering into their purchases of gold coins. And the other group is saying that they received something different from what they had ordered."

Goldline officials said at the time that customer complaints were infrequent and it responded immediately to address them. The proof of the company's commitment to customer satisfaction, they said, is Goldline's top rating from the Better Business Bureau. "When we learn that customers have not received the experience they deserve, we investigate and take action," said Carter, then Goldline's executive vice president, in a letter to ABC News sent last year.

The criminal complaint lays out a series of allegations that it contends add up to a conspiracy to trick customers into overpaying for an investment in gold.

For instance, the complaint alleges that the company trains salespeople to "get the money in" from customers on

the promise of delivering gold bullion, with the intent to later switch the sale to far more overpriced collectable gold coins. It alleges that the company trains its employees "to disguise the more than 50 percent markup on the overpriced coins," and alleges that Goldline reprimands its salespeople if they fail to convince the customer to buy the overpriced coins.

At the heart of the complaint is the suggestion that Goldline profits not so much by selling pure gold bullion, but by persuading customers who want to capitalize on the rising value of gold to purchase collectable coins. The coins are subject to a significant mark-up in price, and several Goldline customers told ABC News that they found it difficult or impossible to resell those coins without taking a loss.

One of the customers was 63-year old Joe Kismartin of suburban Detroit. He says what he heard on TV about gold and the Goldline company made a lot of sense.

"They got the commercials on TV and the way the economy's going I was figuring well, maybe I'll just do it for little bit, save it for inflation, you know, in case something happens to the economy, it bottoms out and I've got something to fall back on, gold, rather than money," he said.

But Kismartin says he ended up losing almost half of the \$5,000 he spent, because, he says, the Goldline salesman pressured him to buy overpriced gold coins, not the gold bullion he had seen in the commercials.

"I wanted to go bullion, I didn't want coins," he said. "I told the gentleman I don't want coins. He said I got the deal here, the special deal, I got Swiss coins. He more or less talked me into buying the coins."

When Kismartin took the coins to a local coin shop, he was told the \$5,000 worth of gold coins he bought from Goldline five months earlier was worth just over \$2,900, a loss of \$2,100. "You know, I'm living month to month, that's a big loss."

Goldline disputes Kismartin's allegations against the company, saying it sells "a variety of products ranging from the most common bullion coins to exceptionally rare certified coins." Goldline said it looked into each case ABC News reported on last year and found that while both customers had initially complained, the company believed they wound up satisfied. And one of them -- Goldline did not identify which one -- was provided "a number of written disclosures at the time of purchase that went even further than Goldline's ordinary written disclosures," and yet went ahead with the purchase anyway.

In filing the complaint, officials have opened a new front in a long-running and very public dispute over the way Goldline has turned the sale of gold into a massive retail operation that capitalizes on popular conservative figures -- most notably Glenn Beck. The marriage of conservative talk and gold sales appears to make sense -- both have traditionally targeted an audience that is skeptical of the government, concerned about the nation's economic future, and uneasy about inflation and the stability of American currency. Neither Beck nor any of the other celebrity endorsers are accused of any wrongdoing.

The promotional strategy appears to have been beneficial both to Goldline, which boasts \$500 million in sales, and to such conservative figures as Beck and former presidential hopefuls Fred Thompson and Mike Huckabee, all of whom have, at various times, coupled their television or radio appearances with Goldline advertisements.

When contacted last year, a spokesman for Beck noted that Goldline has an A plus rating from the Better Business Bureau.

[Click Here for the Blotter Homepage.](#)

From Article at GetOutOfDebt.org