

AARP

Outsmarting *the* Scam Artists

**How to Protect Yourself
From the Most Clever Cons**

Doug Shadel

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How to Protect Yourself
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PREFACE

The Big Myth about Fraud

Anyone who has spent time giving talks in the community about how to avoid fraud encounters a common reaction: “This is all well and good for other people, but I’m too smart to ever fall for one of these scams.”

People who make such comments haven’t met Dave Benson, a highly successful businessman who retired in 2002 with a nest egg of more than \$2 million dollars. Two years later, he had lost nearly \$650,000 of it to an oil and gas scam out of Dallas, Texas.

They also haven’t met Steve Johnson, a 20-year veteran stock-broker who got to age 58 and saw that his 401(k) was not sufficient to pay for his retirement, so he started investing in high-risk investments like rare stamps, stock options, and oil and gas units. He eventually lost \$75,000.

And then there was Allen Jennings, a college professor at the University of California with a PhD in organic chemistry who lost \$800,000 to a series of movie scam investments operating out of Hollywood, California.

The list goes on. Research conducted by AARP and the Financial Industry Regulatory Authority (FINRA) Foundation found that investment fraud victims had more education, earned more, and were more financially literate than the general population. Many victim lists look like a who’s who of American business.

So why are so many people in denial about their own susceptibility to this crime? Part of it is human nature. Health psychologists long ago identified something known as “the illusion of invulnerability.” This is the human tendency to underestimate one’s own chance of getting a serious illness and it is a major barrier to changing one’s behavior. For if a person thinks, as apparently many do, that “other people get cancer, but I won’t,” they will never take any steps to avoid it. The same illusion holds true for becoming a fraud victim. If you don’t think you will be taken, you won’t take steps to avoid it.

One goal of this volume is to convince the reader that anyone, no matter how intelligent or successful, can be taken given the right circumstances and the right con man. You will see numerous examples in these pages of extraordinarily sharp business people who fell prey to the sophisticated psychological tactics con men employ.

The New Frontier: Emotion and Persuasion

New research has uncovered the two primary tools con artists employ to defraud victims: heightened emotions and persuasion. With regard to emotions, the con artist’s first order of business is to get the victim into a heightened emotional state known as “ether.” The con artists all believe that heightened emotions make it easier to push the target into a poor decision because they are less able to access the thinking part of the brain and raise objections based on logic and reason. Social scientists have known for years that not only do we make poor decisions when we are in a heightened emotional state, but we are also notoriously poor at realizing how much influence such emotions have on our decisions. This suggests that fraud prevention efforts should include information about the impact of emotion on decision-making.

Another key tool employed by con artists is persuasion. Researchers have discovered that while new scams arise everyday, the underlying persuasion tactics employed in those scams remain fairly

constant. They have also discovered that fraud victims are less able than the general public to spot persuasion tactics used by con men. Thus, an emerging new strategy in the fight against fraud is to teach people the persuasion tactics used in all scams. And as we describe in Chapter 13, there is growing evidence that such prevention tactics are effective.

Targeting Vulnerable Populations

An estimated 10 to 15 percent of the U.S. population falls for one kind of scam or another each year. While theoretically anyone can be victimized, researchers have discovered that there are certain demographic, psychological, and behavioral characteristics that make some people more susceptible to fraud than others. This suggests that prevention messages can be targeted to particular vulnerable populations instead of having to reach everyone. For example, a 2011 study by the AARP Foundation found that the average fraud victim was 69 years old. Other studies of known victims have found the average victim age to range between 55 and 65 years old.² We discuss this new profiling research and how it is being applied in the field in Chapters 11 and 13.

Another important prevention tool, outlined in Chapter 3, is understanding the stages that con men take their victims through in a typical scam. This is simply another way for investors to be able to spot a bad guy coming from a distance.

One final point about this book: The sources used to describe how fraud works are equal measures of social science research, law enforcement case files, victim profiles, and interviews with con artists. The insights from former con artists provide an unprecedented glimpse inside the mind of the swindlers. The 12 master cons quoted herein have collectively stolen hundreds of millions of dollars from American investors and consumers. Most of these cons insisted on hiding their identity, so we have given them each a pseudonym (see “Meet the Cons”).

What are they saying? In reviewing hundreds of pages of interview transcripts with con artists over the years, the insights they have provided are remarkably consistent. You might say that the “findings” from these interviews have been replicated over and over. There is very little disagreement among cons about the basic tactics they employ.

This volume reveals nothing less than the scam artist’s playbook, a detailed inventory of the strategies and tactics cons employ to defraud consumers. Our hope is that by understanding how the strategies and tactics work, we can begin to chip away at this pernicious social problem.

Meet the Cons

Rick Barnes—Barnes spent more than 15 years perpetrating one mail fraud scheme after another until his arrest and conviction in 2008. **Specialty: Lottery and prize fraud.**

Pete Chambers—Chambers was arrested in the mid-1990s as part of a massive sweep of fraudulent telemarketing rooms by the federal government. He served several years in federal prison for his crimes. **Specialty: Free prize/lottery scams.**

Jimmy Edwards—Edwards worked in more than 30 fraudulent boiler rooms mostly in southern Florida between 1996 until his arrest in 2004. He was convicted of fraud and served 37 months in prison. **Specialty: Business opportunity scams.**

Mike Harris—Harris worked in oil-and-gas boiler rooms in Texas and Oklahoma for seven years.

in the 2000s. He was never charged with fraud but was named in lawsuits where victims sued firms in which he worked. **Specialty: Oil and gas scams.**

Chuck Jones—Jones worked in charity-fraud boiler rooms for several years before being arrested in 1995 along with 200 others in an FBI sweep of telemarketing rooms nationwide. **Specialty: Charity scams.**

Ed Joseph—Joseph worked for more than 20 years as an owner and operator of fraudulent boiler rooms across the country. **Specialty: Gold coins/investments.**

Ron Mann—Mann was co-founder and lead preacher of Globadine Ministries, the largest religious-based Ponzi scheme in U.S. history. Globadine took in more than \$450 million in 10 years. **Specialty: Ponzi schemes.**

Sara Needleman—Needleman spent a decade as a meth addict and identity thief until her arrest and conviction in 2003. Her mother told her to tell AARP how she did it. **Specialty: Identity theft.**

Jeremy Shipman—Shipman worked in multiple fraudulent boiler rooms over the years before being convicted in 2009. He is currently serving a 33-month sentence in federal prison. **Specialty: Gold coins/investment scams.**

Freddy Smith—As far as we know, Smith has never been charged with a crime. He has trained hundreds of con men over the years on the craft of swindling people over the phone and has served as an informant for several law enforcement agencies. **Specialty: Investments/gold coin scams.**

Bill Sullivan—Sullivan owned and operated several fraudulent boiler rooms that raised money for low-cost Hollywood movies. He took in more than \$20 million from 800 investors before being indicted by the U.S. Justice Department. Sullivan is currently serving a three-year jail sentence. **Specialty: Movie investment scams.**

Johnny Weber—Weber was a top closer of oil-and-gas deals in Texas. He was arrested after a firm he started took in \$14 million in 18 months. Weber is currently serving a 10-year prison term. **Specialty: Oil-and-gas investments.**

Notes

[1.](#) K. Anderson, *Consumer fraud in the United States: The second FTC survey* (Washington DC: Federal Trade Commission, 2007).

[2.](#) K. Pak and D. Shadel *National Victim Profiling Study* (Washington DC: AARP Foundation, 2011).

PART I

THE SCAM ARTISTS' PLAYBOOK

CHAPTER 1

Inside the Con Artist's Mind

Pay phone/internet rates

\$150,000/yr possible

Call 1-800-888-8888

Have you ever seen an ad like this and wondered what they were offering? This ad appeared in the *Baltimore Sun* and in newspapers around the country in October 1999. It is known in the scam boiler room world as a “blind ad” because it is hard to tell from reading it what they are selling. Regardless of what is being sold, the “\$150,000/yr possible” claim generates thousands of phone calls and in this case, all the calls were going to a south Florida business called All American Pay Phones (not its real name).

While pay phones have gone the way of the eight-track cassette and may seem dated, the techniques used to scam people have not changed over time. Our expert con artists tell us that swindlers are selling smartphone distributorships today the same way they sold pay phones in the 1990s.

All American was one of the many firms that con artists like Jimmy Edwards worked for during the 1990s, and he is going to take us on a behind-the-scenes tour of that company. But before we do that, let's listen in on a call that came into All American in November 1999 while Edwards was working there. The call was handled by one of his good friends and colleagues, Joe Vertega.

Vertega: Good afternoon, this is Joe. Can I help you?

Swanson: My name is John Swanson and I saw your ad in the paper about pay phones and I was calling to get more information.

Vertega: Great. What city and state are you calling from?

Swanson: Rockville, Maryland.

Vertega: OK. And how close is Rockville to Washington D.C.?

Swanson: About 25 minutes.

Vertega: Great because it looks like most of the lucrative locations that are available now will be in a large urbanized market like D.C., okay?

Swanson: Okay.

Vertega: And there is no one up and operating there currently. I have no vendors in that market, John. We're just moving into it, and it looks like it is up for grabs. Are you interested in starting a small business for yourself?

Swanson: I am. I really am interested.

Vertega: Do you have any background in the pay phone business?

Swanson: No, not really.

Vertega: Have you ever used a pay phone in the past?

Swanson: Yes.

Vertega: Well then, you're qualified, okay?

This dialogue is typical of the first interaction one has with a business-opportunity firm like All American. The operator transfers callers to one of 8 to 10 salesmen who will then proceed to sell you on receiving a packet of information about pay phone distributorships.

The particular conversation you are “listening” to is a transcript of an undercover tape recording made by the Federal Trade Commission in 1999.¹ John Swanson is really an undercover investigator setting up the company to gather evidence against them for suspected business-opportunity fraud. John Vertega is one of All American’s best salespeople. Let’s keep listening.

Vertega: Pay phones are a very simple business, you understand. They've been around over 80-something years, okay? It doesn't take a rocket scientist to pull quarters out of a pay phone.

All American is the largest privately owned pay phone distributor in the United States today. We've got almost 4,000 active vendors on the rosters now all across the continental United States. I'm also moving into southwest Canada, I'm into Alaska, Hawaii, the U.S. Virgin Islands. I'm also into Puerto Rico now. And here I sit in our corporate offices in Miami.

From the description of the company offered by Mr. Vertega, one might get the impression that All American was a large corporation with hundreds of white collar workers bustling around the office servicing clients throughout the continental United States. And from the confident sound of his voice one might also conclude that Mr. Vertega was a successful Miami businessman who was simply trying to expand his already thriving pay phone distributor business.

Both of these impressions would be wrong.

Miami, Florida, in the late 1990s looked like any other large U.S. city. But if you had the right tour guide and were able to look inside its many commercial office buildings, you would find every kind of fraudulent boiler room ever invented: oil and gas rooms, vending machine rooms, Internet kiosks, rooms, prepaid cell phone rooms, prepaid legal rooms, prepaid pornography rooms, gold coin rooms, online casino gambling rooms. You name the scam, there was a room that operated that scam.

From 1996 until 2004, Jimmy Edwards worked in them all: more than 30 different fraudulent boiler rooms in Miami. It was the heyday of business-opportunity fraud, Edward’s personal specialty, but he would work in any room that paid well.

“I jumped from room to room during that time—cause hey you gotta put food on the table,” recalled Edwards. “There were a lot of characters running in and out of those rooms.” The room with the most characters was All American.

In 1999, Edwards had just gotten out of rehab for heroin addiction and was looking for a room that was a little loose in terms of the pressure they would put on him to perform right away. He was recruited to go to work for All American by its manager Jeremy when he was at a Narcotics Anonymous (N.A.) meeting. It turns out that boiler room owners regularly sent managers in to N.A. meetings to recruit addicts to work at their rooms. Why?

Who better to get on the phone than an addict? Nobody. Who's a better talker than an addict? Nobody. Who has more motivation for money than an addict? Nobody. I was an addict from New York and I knew how to hustle. So they were falling all over themselves to get me on the phone when they were first introduced to me down there.

So while Mr. Vertega might have sounded authoritative in proclaiming All American to be the largest private pay phone distributor in the continental United States, the reality was quite different.

Consider Edwards' rundown of the All American staff roster:

All American was a room full of drug addicts. Jeremy the manager was a crack head. He's the one who recruited me at the N.A. meeting. He could barely go a week without going on a run and smoking \$2,000 to \$3,000 worth of crack, winding up in a hotel room somewhere with us having to go find him or sending somebody out to pull him out of the hotel room, get him cleaned up, and get him back into his seat as a manager. So with him as our fearless leader, imagine what the room was like.

We had Rick. He was from Hoboken, New Jersey, and he was a crack head too. Same type of crack head as Jeremy. He knew the pay phone business and he had a little rhythm. He was a decent closer.

Then there was Dave. He was a helluva addict too. Dave was a Jewish kid, clean cut, lived with his mother. He was older than me so he was probably in his late 30s, early 40s back then. He was a loner.

Jack was another one. Big J would go out on a Friday with \$10,000 and we'd have to go pick him up Monday morning and he had no shoes on in an open locker somewhere . . . broke, broke, broke, 10Gs gone, no shirt, no shoes, standing at a pay phone, 11 o'clock in the morning on Monday. Blown out—he smoked \$10,000 worth of crack. Ten thousand dollars worth of crack and hookers and cabs and pipes and everything else that comes with what you are doing when you are smoking crack in a hotel room . . . he'd go through every penny.

Then there was Karl. Karl was a dope shooter like me. And he and I used to team up. You know with heroin, if you don't have any when you wake up in the morning, you're not in good shape. You need what's called "a wake up." Most heroin addicts will try to save something from the night before for when they wake up. But most heroin addicts can't. So what happens is we would get to the office and try to get money together to go buy dope so we could get straight.

Jeremy, the manager, always had money and he knew what we needed, so he would spot me and Karl \$100 for \$150 back on Thursday. Karl would take that \$100 and fly down to Overtown on his motorcycle and he'd buy 10 bags. Then when he came back, we would go into the bathroom and we would set up and shoot up, get straight, and go back in the room—reinvented, two completely new people. And then we would get on the phone, calling all our old paper and doing our thing.

Other guys would do the same thing with crack. They'd go into the bathroom and smoke crack. And they'd come back in and be all steamed up with their eyes bulging out of their heads. But they were able to get on the phone and pitch people on the phone deal.

And what about this guy Joe Vertega? Vertega, as it turns out, was the most interesting character of them all.

Joe was a nice guy but for sure a crack head. You gotta understand something. This is a guy who is about 240 to 245 pounds, 6 foot 3. As soon as he got a hit of crack in him, off came his clothes, on went a dress, high heels, and blue eye makeup and off to the boulevard he went, turning tricks. And this is a guy who had pockets full of money, because he was so good at closing deals. It was just what he did. Another aspect of his addiction, you know?

So evidently there was more to Mr. Vertega than his deep knowledge of the pay phone distribution business. Let's hear some more of his presentation:

Vertega: Now John, you'll be guaranteed to earn no less than \$300 per phone. Per month. That is

in writing. Now how is that for a safety net? So we expect you to recover your initial investment between the first seven to nine months. One hundred percent return. If I brought you in as an entry level with seven of the new generation smart phones, you're looking at approximately a \$15,000 overall investment. Are you capable of dealing with that?

Swanson: Yes I am.

Vertega: That's not a problem for you? Okay. So we're on the same page with one another and you understand I just have to be sure. We take 300 plus calls a week here, John. I hope you understand the number of flakes and nuts I talk to, sir.

What Vertega is doing in this part of the pitch is “qualifying the money”—making sure the potential victim has the \$15,000 to spend before he goes any further with him. The irony is that Vertega was demanding that the customer prove to him that he was not one of the “flakes and nuts” who called American every week . . . just before he went into the bathroom to smoke some crack and dress up in high heels, blue eye make-up, and a dress to go turn tricks on Biscayne Boulevard. We will check in on the rest of this presentation in Chapter 8.

Edwards says that not everyone in the boiler rooms he worked in had such severe drug addiction going on, but almost all of them had some kind of addiction. “I would say 80 to 90 percent of the people I worked with in these boiler rooms were addicted to something: alcohol, pot, barbiturate, coke, heroin. It just kind of came with the territory.”

Despite the prevalence of drug and alcohol addiction, most fraud boiler room salespeople came from decent backgrounds. As Edwards explains it, if you have had no exposure to the life of wealth and comfort, it is impossible to fake it and therefore impossible to persuade people with money to hand over.

Closers aren't like down in the gutter junkies who come from complete devastation. They have to have been exposed to some structure, some type of educated people with scruples during their developmental years in order to have some of the mental skills necessary to be a closer.

Neal Shover, a noted sociologist who has written about white collar crime, conducted a study in 2004 of 47 federal inmates who had all worked in fraudulent boiler rooms. He reaches a similar conclusion about where these cons come from.

In stark contrast to those of street criminals, the telemarketers we interviewed typically described the financial circumstances in their parental homes as secure if not comfortable and their parents as conventional and hard working . . . A striking 68 percent (of their fathers) were business owners or held managerial positions. Consequently, a substantial proportion of the men and women were exposed to entrepreneurial perspectives and understandings while young.²

Edwards falls into this same category. “My mother and father are married 57 years after all. I have three sisters; I was the baby in a stable Italian family who became a drug addict. I was the black sheep of the family.”

This has also been the experience of AARP researchers' interviews with con men over the years. Many of them have been like Edwards, with relatively stable backgrounds and ambitious, business-oriented family members. But many cons also report being heavy drug and alcohol users while they were scamming people. Criminologists have long since established a link between drug use, criminal behavior, and low self-control.

No Conscience

If drugs and alcohol were a constant presence in fraud boiler rooms, there was clearly one thing missing: conscience. One of the most extreme examples of this lack of conscience was a deal Edward did at All American with his friend Jack.

Jack was on the phone pitching a couple in Missouri, and they wanted 25 phones. But Jack kept hearing this odd sucking sound on the other end of the phone. And he finally says, "Excuse me John. What is that noise?" And the guy says, "Well me and my wife are paraplegics. That is why we are looking for something like this. We want to be able to hire somebody who can be our hands and feet. We can take the money that we won from the accident and invest in something and have one employee and supervise him, drive him around to the locations to maintain the phones, clean them out, take the money and the coins and we will do all the paperwork, keep track of everything and pay him as an employee."

It was apparently not unusual to have a disabled person on the phone, so Jack had no problem going for the close. But the guy was hard to nail down. He wasn't saying no, but he wasn't saying yes. So Jack told him he should come down for a fly and buy. He said, "Listen John, here is what I want you to do. You want 25 phones but you are a little apprehensive, a little uncomfortable. I don't blame ya. Why don't you do this: book a flight and fly on down here and kick the wastepaper basket, make sure it's full of paper, look at me—you'll see I'm as real as your right arm, take a walk through the office, look at some phones, pick one up and use one, and get yourself feeling warm and fuzzy before we go any further with this thing. That is the most important thing in the world to me. Come on down. I tell you what I'll do. If you purchase, I'll knock the price of your flight and your hotel off the price of the deal. I'll pick it up myself. Fair enough?"

The guy finally said to Jack, "Well you know Jack, I think I'm going to take you up on that fly and buy, but I'm going to drive." And 48 hours later, 9 o'clock in the morning, I come into the office and there are two wheel chairs in the lobby. Guy's got the thing you blow on . . . that's how ill he was. I could not believe it. I walked in and looked at Jack and he looked at me and as cynical as we were then, we almost fell on the floor laughing hysterically at this whole thing. And sure enough, Jack closed him. They left him with a check for \$72,000. We sold \$5,000 worth of pay phones for \$72,000 to two paraplegics in wheel chairs and laughed all the way to the bank. I know it's terrible, and I am ashamed now that I actually found that amusing at that time.

Creating a Persona

Edward's description of the drug culture in fraud boiler rooms has been confirmed both by academic studies and our own interviews with more than a dozen con men over the years. The culture of the rooms seems to be characterized by fast money, fast women, drug binges, alcohol, and lots of lying and cheating among employees. So how do these obviously dysfunctional business operations manage to look legitimate and convince a wide range of people to turn over their money? One of the key strategies con men employ is to develop a "persona" that makes them look legitimate and help convince victims to part with their money. In the world of cons and frauds, there are two types of personas: individual and corporate.

Individual Persona

An individual persona is a character that you build up in your head and whose identity you assume before you get on the phone. Edwards said it was a basic part of the training he conducted with new fraud salespeople.

I'd say picture yourself behind the big mahogany desk, with the credenza, with the big office, the family portrait on the desk, your telephone, your autographed football and jerseys hanging on the wall, the pool table on the left hand side. You are this bigwig that everybody is waiting to talk to. The whole idea is when you get down to asking for the money, you can't show one lick of fear or hesitation or doubt that this isn't hands down the greatest decision this client on the other end of the phone is making for their lives and for their family and for their future. Period the end.

Con artists will build personas around their own personal style of pitching. Edward's style was to act like the big shot in the building and so he would never chase a deal.

Some guys were just relentless in brow-beating a client until they finally gave in. I would never do that. The reason I wouldn't do it is because my persona was to be this top executive. Would Donald Trump beg a customer or brow-beat someone to get a lousy \$15,000 to \$20,000 check? No. Would Bill Gates? Of course not. So neither would Jimmy Edwards, super closer. I walked away from a lot of deals when the mark was jacking me around, but it was worth it to keep the persona intact.

Several years ago, an informant provided us with training tapes being used to train boiler room salespeople in what was at the time one of the biggest fraudulent operations in the United States. The training tapes had lots of examples of how to cold call people and also emphasized the same thing that con artists emphasize. You have to build up a confident persona so that you can appear successful even if you are not. They give the trainees instructions to write down as specifically as they can exactly who they are (or who they would like to be) when they are on the phone: How much income they make, who their clients are, how long they have been in the business, how successful they have been. And then they tell them to post that description near the phone so they will constantly be reminded of this created personality that will breathe confidence into them when they are going through the inevitable rejection of calling 200 people a day and getting hung up on 150 of those 200 times.

Mike Harris, who worked in fraudulent oil and gas boiler rooms for nearly a decade, said it was a real macho culture. "You absolutely had to have that swagger, that supreme confidence to cold call a doctor or a big-time lawyer and sound as though you were an oil company executive. And what made it especially tough was that we were calling hundreds of people a day and getting hung up on most of the time."

Pioneers of Fraud: Bertha Heyman

Bertha Heyman, otherwise known as "Big Bertha" or "The Confidence Queen," was a master swindler who operated in the 1870s and 1880s. Heyman was an early innovator in the art of establishing a false persona, which she used to induce wealthy victims to loan her money. Despite her homely appearance and heavy frame (5'4", 250 pounds), Heyman was able to assume the identity of a wealthy heiress who had just inherited millions of dollars.

Heyman stayed at all the finest hotels and was accompanied by an entourage of servants. She even had a personal physician and wore only the finest clothes to complete the picture of wealthy heiress.

Bertha Heyman, master swindler who operated in the 1870s and 1880s



In one of the earliest forms of advance fee scheme, she would typically approach a victim, describe in great detail all the wealthy people she knew and the vast sums she was about to inherit, then explain the need for short term cash in exchange for vast returns of interest later—which of course never arrived.

One news story described her writing letters while in prison to a victim to ask for money so she could bribe the warden to give her better accommodations. She denied bribing the warden, but did admit to writing the letters. When asked why she did it, she boldly replied:

I am a swindler as you know and I wrote those letters because it suited my purpose. I lied in them. If it should suit my convenience tomorrow to tell you another story, I should do so.³

In another news article in the 1880s, she was quoted as saying:

I take no pride in overvaluing a fool. The moment I discover a man's a fool, I let him drop. But I delight in getting into the confidence and pockets of men who think they can't be "skinned." It ministers to my intellectual pride.⁴



Another con man who used a particular persona was Ed Joseph. Joseph, unlike Edwards, was one of those closers who would just brow-beat the target to death. In one gold coin pitch, the target of his pitch said “no” to him 55 times, yet he was absolutely relentless in his resolve to get the guy to say yes. “I used this conversation as a training tape to show new guys that persistence pays off. But you also learn to pick up on little clues the victim gives you that even though they are saying no, they really mean yes.”

Joseph was an interesting figure because unlike so many of the other con artists we have interviewed, he was never a drug addict. This may explain why he lasted more than 20 years in the fraud business before finally being arrested in 1998. Joseph was particularly gifted at using his ability to entertain people on the phone at the same time that he was brow-beating them into compliance. “Mr. Jones, if you can't make up your mind, I will make it up for you. That is what I do here.”

But the con man who took the artificial sales persona the furthest was a telemarketer named Pete Chambers. We interviewed Chambers in a jail cell in 1997 after the FBI take down of more than 200 salesmen across the nation. Pete used to employ different voices to give the impression that his operation was bigger and more established than it really was. So for instance, near the end of his scam career, Pete was making calls from a cell phone in a hotel room using three distinct voices, beginning with his own:

(Telemarketer voice)—Sir, My name is Pete Chambers. Congratulations, you have walked away with one of the biggest awards we have ever given away. A \$100,000 cashier's check.

Congratulations to you. Now I want you to hold the line for just a moment, the Executive Vice President of the company, Charlie Miller, wants to personally congratulate you. Now I want you to hold on. I'm a little nervous because he's my boss. Hold the line, ok?

(Authoritative Voice) Mr. Jones, Charlie Miller here. How are you? I want to extend a warm and hearty congratulations to you on behalf of my entire staff. Congratulations to you.

(Telemarketer Voice)—Mr. Jones, Pete Chambers here again, boy that was my boss and I'm a little nervous, but again, when he comes in the room and congratulates you, you know you have done well for yourself. Now I need you to hold the line for just one second, I need to get my photographer, Mr. Robert Jones, on the phone. Hold the line.

(Informal/Southern accent) Mr. Jones, my last name is Jones too—I am Mr. Robert Jones from Mobile, Alabama. I'll be coming out your house personally to take photographs of you. Congratulations!

Chambers pulled off the ultimate manipulation of persona when he managed to con a person out of \$20,000 while he was in custody at a Las Vegas prison. He went out to use the pay phone and then called a victim, told him he was doing his weekend warrior duty as a United States Marshall down at the jail and needed him to go to the bank, withdraw \$20,000 and wire it to a third party, a request the victim apparently complied with.

Corporate Persona

The idea behind developing a distinct persona is to present oneself with supreme confidence and increase one's chances of getting the sale. Another benefit of a well-established persona is to increase what persuasion experts call *source credibility*.⁵ This is the notion that we are much more likely to do business with people who are well-established and credible.

To create the corporate persona, many con men spend a fortune on the external trappings of success, everything from fancy cars to expensive jewelry to plush office space, and even yachts. They will do anything they have to do to reinforce the impression that the operation and the person you are talking to is successful.

Bill Sullivan was convicted in 2009 of running a fraudulent movie deal boiler room. In the end, he took in more than \$20 million dollars from 800 investors and spent much of that money on the trappings of success. We interviewed Sullivan in 2009 just before he went to federal prison. "I was pitching the fast and glamorous Hollywood life, so that meant I had to have the million-dollar Malibu home, the Hummer limo," he told us. "We would routinely fly investors in from the Midwest to meet the stars in our next movie. It was all about creating the look of success." Unfortunately for Bill and for his investors, what started out as a desire to look impressive and wealthy led to gross overexpenditures, lavish self-indulgence, and ultimately bankruptcy and a federal fraud conviction.

Edwards said the first thing they did when starting up a new scam operation was to create a fancy-looking web site with testimonials from customers and glowing news articles about their hot new industry.

"One of the things that enhanced our corporate persona was advertising on big time radio and TV stations," said Edwards. "And then we went really crazy and started hiring big name actors to do TV spots for us on those channels. That really got the phones ringing."

The trouble was of course that these big time movie stars had no idea what they were promoting. They just wanted the work. As Bill Sullivan said, "Once we realized we could get an actual movie star

for \$50,000 for a day and fly investors in to meet them, we had it made. Lots of times these stars weren't even in the movies we were making, but they would spend the day on our set anyway because they were on the clock."

Conclusion

If there is anything to be learned from the example of All American Pay Phones it is this: Things are not always as they appear to be. All American appeared from the outside to be a legitimate business opportunity in the private pay phone business. It operated in a professional-looking office suite in Miami, spent hundreds of thousands of dollars on display advertising, and had glossy brochures describing the "smart" pay phones. Joe Vertega had a strong, confident voice and an encyclopedic command of the details of the business.

The only problem was that All American Pay Phone was a scam and everyone working there was actively trying to defraud as many people as possible. The Federal Trade Commission (FTC) took them down in 2000 for violating multiple state and federal laws. When All American went down, all the drug-addicted salesmen in the room scattered with the wind. But the wind didn't blow them too far. According to Edwards, almost all of the All American phone salesmen simply moved either across the street or in some cases, just up one or two floors in the same building to begin working in their next "business opportunity."

The con's ability to create false personas of themselves and the companies they work for and move around whenever they are discovered are keys to success in the fraud business. The last thing firms like All American want is to look like who they really are: a bunch of con artists trolling for easy money. Precisely how they pull off these illusions and why we fall for them is the subject of the rest of this volume.

Notes

- [1.](#) The name of the case file is being intentionally withheld in order to hide the true identity of the con men and victims involved.
- [2.](#) Neal Shover, Glen S. Coffey, and Clinton R. Sanders, "Dialing for Dollars: Opportunities, Justifications, and Telemarketing Fraud," *Qualitative Sociology* 27 (2004), No.1, Spring.
- [3.](#) *New York Times*, Lying to Suit Herself: Bertha Heyman making charges and contradicting them, January 24, 1883.
- [4.](#) *New York Times*, Bertha Heyman's Pride: Don't care for money but does like to wrest it from her victims, July 11, 1883.
- [5.](#) R. B. Cialdini, *Influence: Science and Practice* (Boston: Allyn & Bacon, 2009).

Ether

The Con Artist's Central Strategy

The crush or the kill is emotionally driven. It's not logic. If you apply logic to this concept, it's no. I am not going to send you my hard-earned money. I don't even know who you are. I don't know you from Adam.

—Jimmy Edwards, former con man

There are many elements to the fraud game, including hundreds of different persuasion tactics employed by clever con artists like the ones you met in Chapter 1. We will be describing many of these tactics in later chapters. But years of research and interviews with numerous con artists have revealed a remarkably consistent finding. The single most important strategy all con artists employ to get the victim “under the ether.”

Ether is con-artist slang for a heightened emotional state that causes the victim to react emotionally instead of thinking logically. It is that fuzzy haze we humans experience when we are overly excited about something and our visceral emotions swamp our ability to think rationally. Remember the first time you fell in love or a time when someone cut you off on the highway and you were seething with anger for hours. As we have seen from Chapter 1, con artists know this terrain well. After all, drug addiction is all about living in the moment and bouncing from one drug-induced emotional impulse to another in search of the next fix.

In this chapter, we will hear directly from former con artists who describe the role of ether in practicing their craft. We will also describe an example of what can happen when one makes major financial decisions while under the ether. Finally, we will review some of the science that explains why making decisions “under the ether” can lead to poor decisions and ultimately victimization.

What Con Artists Say about Ether

Edwards describes the role of heightened emotions in pitching victims: “Emotion is unpredictable. It has peaks and valleys. And once you know where to take the person for the peak, and you can keep them up in that altitude, then you can control them. If you drop them back into the valley of logic, you’re gonna lose them.”

We will see several examples in later chapters of precisely how Edwards and others execute this strategy of finding and pushing the victim’s emotional buttons to induce ether.

But Edwards isn’t the only one of our con men who says emotion is the key to creating vulnerability. “Freddy” is a frenetically nervous former con man based in Los Angeles who trained hundreds of other fraudulent telemarketers over the years. He believes emotion is the only thing that makes victims vulnerable to scams. And just listening to him makes one begin to get a sense of how the con artists can ratchet up nervous energy:

You're excited, you're excited, you're excited. Your adrenaline is up. You want to make money. You're my guy. It's on. We're going to the moon. Train has left. I got you the best seat on the train. Let's roll. You're going to brag to your golf buddies at the golf course on the third hole. You're in the ether.

Freddy is also quick to point out how different investments have different emotions: “Every investment has an emotion to it. Oil and gas has an emotion. Movies have an emotion. Gold has an emotion. In the early 1980s, gold hit \$865 and it was a fever. It was a roaring bull market. And the experience was exhilarating. It was a compelling story that sold itself. The story was this: oil, an international calamity, global unrest. The safe haven is gold. And the train is leaving. Get on it or you'll be sitting there while other people make fortunes. You can just hear the excitement building on the other end of that phone.”

Bill Sullivan describes the emotion of movies: “There is no logical reason to invest in a movie deal. The big studios make all the money. It's all emotional. This is an emotional business. You're buying an emotion. You're not buying on logic. You're not buying on fact. You're buying off a glossy sheet of a brochure that was printed two weeks prior by some creative artist person showing, you know, the Hollywood sign.”

Like Freddy, Bill says the key is excitement: “If you own a widget company in Iowa and you're making a million dollars a year and you've been doing this for 20 years, and your dad did it before you, you're kind of bored. You're making money but you've got it under control. If I can get you emotionally involved in being able to be a part of a Hollywood movie, where you get to come down on the set and have lunch with the stars, you are going to get excited and feel emotionally satisfied. You're going to feel the thrill, the challenge and once you buy my story, you're going to pretty much jump in both feet first. Once I emotionally connect with the investor, he closes himself.”

Ed Joseph had this to say about the role of emotion in fraud: “I've heard this phrase, if it sounds too good to be true, it probably is. And that's the little voice inside of us, that's the warning signal that's going off and it's telling us, hey, this is something you should stay away from. But we don't listen to that little voice inside because our emotions are now in control and we're not thinking logically, we're not thinking reasonably.”

This comment might explain in part why surveys done by AARP in the mid-1990s found that victims of fraud could parrot back prevention warnings like, “If it sounds too good to be true, it probably is” yet they were still defrauded.¹

Joseph takes the role of emotion in decision-making a step further: “I've learned that most of us base our decisions in life on our emotions and then we try to justify our decisions with the facts. We like to think it's the other way around, but it's not. Take the car you buy. You probably decided to buy that Mercedes based on emotion, but in telling your wife why you drive a Mercedes, you don't tell her the real reason; you tell her about safety, you tell her about mileage, you tell her about dependability. You don't tell her that it's going to make you look so much more attractive to the ladies to drive a Mercedes.”

This observation by a con man who dropped out of high school was echoed by one of the leading behavioral scientists on the role of affect on decision making. In a landmark article in 1980 on the topic, Robert Zajonc not only makes the same point as Joseph, but uses the same example: “We sometimes delude ourselves that we proceed in a rational manner and weigh all the pros and cons of the various alternatives. But this is probably seldom the actual case. Quite often ‘I decided in favor of X’ is no more than ‘I liked X’ . . . We buy the cars we ‘like,’ choose the jobs and houses we fin-

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