

Press Release

For Immediate Release:
February 25, 2020

Office of The Attorney General

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New Jersey Bureau of Securities Revokes Registration, Assesses \$750,000 Civil Penalty, Against Morristown Investment Adviser Who Breached His Fiduciary Duty to Customers

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NEWARK – Attorney General Gurbir S. Grewal and the Division of Consumer Affairs announced today that the New Jersey Bureau of Securities revoked the registration of a Morristown investment adviser representative and assessed \$750,000 in civil penalties for selling more than \$12 million of unregistered securities in New Jersey, including investments tied to Ponzi schemes and other fraudulent investment scams.

Gary Scheer, managing member and sole investment adviser representative of Retirement Financial Advisors, LLC in Morristown, recommended and sold unregistered securities in seven different investments to at least 50 investors from 2010 through 2018. The sales generated more than \$600,000 in commissions for Scheer.

Six of the seven investments Scheer recommended ultimately were determined by federal and/or state authorities to be fraudulent. As a result of Scheer’s conduct, investors were defrauded of their hard-earned savings.

In the Summary Penalty and Revocation Order (“the Order”) issued by the Bureau today, the Bureau Chief found that Scheer breached his fiduciary duty and violated the New Jersey

Securities Law.

“Investment advisers are expected to serve the interests of their customers with undivided loyalty, and not exploit them for financial gain,” said Attorney General Grewal. “We will not allow unscrupulous professionals to undermine the integrity of New Jersey’s financial industry by enriching themselves at the financial expense of their customers.”

Scheer recommended and sold the unregistered securities while working as a representative for several investment advisers over an eight year period. The underlying investments in the unregistered securities included franchises, pension income streams, real estate development, and mortgages.

To date, all but one of the unregistered securities have been identified as investment frauds. For example, Scheer steered his customers into the unregistered “Woodbridge Securities,” which is alleged to be a \$1.2 billion Ponzi scheme that defrauded 8,400 real estate investors nationwide, and the unregistered “Northridge Securities,” an alleged fraudulent “fix-and-flip” real estate investment whose principal and entities were recently charged by the U.S. Securities and Exchange Commission as running a \$47 million Ponzi scheme.

According to the Order, Scheer violated the law by, among other things:

- selling unregistered securities;
- acting as an unregistered agent in the sale of those securities;
- omitting or making material misrepresentations of the risks associated with the investments;
- breaching his fiduciary duty by failing to conduct adequate due diligence before making the investment recommendations; and
- breaching his fiduciary duty by failing to disclose significant conflicts of interest that were created by virtue of the undisclosed commissions being paid to him.

Scheer continued to advise customers to purchase unregistered securities even after he became aware that prior unregistered securities he recommended had come under regulatory scrutiny due to the issuers’ failures to register their securities and their fraudulent conduct, according to the Bureau’s findings.

“Scheer’s conduct represents an egregious breach of the fiduciary duty he owed to his customers,” said Paul R. Rodríguez, Acting Director of the Division of Consumer Affairs. “His actions resulted in serious financial consequences for investors, who are now left with the devastating impact of trying to recover their investments.”

Investor restitution efforts are underway by many of the federal and/or state authorities that brought the underlying enforcement actions against the issuers of the fraudulent securities Scheer sold.

“Investors must be able to trust that the investments they are sold are legitimate. Their investment professionals have a duty to conduct reasonable due diligence before making a recommendation,” said Christopher W. Gerold, Chief of the Bureau of Securities. “The Bureau of Securities will continue to aggressively enforce New Jersey’s Securities Laws against investment professionals that fail to fulfill their duties to their customer by selling unregistered

and/or fraudulent securities.”

The Bureau’s investigation was handled by Deputy Bureau Chief Amy Kopleton, and Investigator Delfin Rodriguez.

Assistant Attorney General Brian F. McDonough, Deputy Attorney General and Section Chief Victoria Manning, and Deputy Attorney General Nicholas Dolinsky of the Securities Fraud Prosecution Section in the Division of Law represented the Bureau in this matter.

The Bureau is charged with protecting investors from investment fraud and regulating the securities industry in New Jersey. It is critical that investors "Check Before You Invest." Investors can obtain information, including the registration status and disciplinary history, of any financial professional doing business to or from New Jersey, by contacting the Bureau toll-free within New Jersey at 1-866-I-INVEST (1-866-446-8378) or from outside New Jersey at 973-504-3600, or by visiting the [Bureau's website](#). Investors can also contact the Bureau for assistance or to raise issues or complaints about New Jersey-based financial professionals or investments.

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