

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:)	
)	
JAMES D. MALTZ, CANTON FINANCIAL,)	Docket No. E-2007-0053
CONSUMER EDUCATIONAL SERVICES, INC.,)	
Respondents)	
)	

ADMINISTRATIVE COMPLAINT

I. PRELIMINARY STATEMENT

The Enforcement Section (“Enforcement Section”) of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (the “Division”) files this complaint (“Complaint”) in order to commence an adjudicatory proceeding against James D. Maltz (“Maltz”), doing business as Canton Financial and Maltz’s nonprofit organization, Consumer Educational Services, Inc. (collectively, “Respondents”) for violating M.G.L. c. 110A, the Massachusetts Uniform Securities Act (the “Act”) and 950 CMR 10.00 *et seq.* (the “Regulations”). This Complaint is based upon Maltz’s holding himself out as an investment adviser and providing investment advice without being registered to do so, and his fraudulent sales practices. In particular, Maltz has committed and continues to commit sales practice abuses against elderly Massachusetts residents, most frequently by conducting seminars and providing purported financial counseling to potential sales targets under the guise of a nonprofit organization offering free financial planning education to senior citizens. In conjunction with these seminars and follow-up meetings with prospective

clients, Maltz has frequently sold products to unsuspecting Massachusetts senior citizens who were led to believe they were receiving an expert, objective, unbiased review and advice with respect to their financial assets.

The Enforcement Section seeks an order instructing the Respondents to permanently cease and desist from committing any further violations of the Act and Regulations, to pay an administrative fine in an amount and upon such terms and conditions as the Director or Hearing Officer may determine, and for such other relief as is deemed appropriate by the Director or Hearing Officer. In addition, the Enforcement Section requests the Director or Hearing Officer to take any other appropriate actions which may be in the public interest and necessary for the protection of Massachusetts investors.

II. SUMMARY

Maltz is an annuity and insurance salesman who uses the Trojan horse of a purported senior-services-oriented nonprofit organization to gain entry to senior centers that do not allow for-profit solicitations and to gain the trust of potential clients. He then uses sophisticated marketing tools geared towards senior citizens to portray himself as an investment adviser with specialized expertise in advising senior citizens in a full range of financial matters. Maltz is not, however, licensed as an investment adviser representative, nor has he ever taken the requisite examination for investment adviser registration in the Commonwealth. Despite his failure to properly license in the Commonwealth, Maltz has engaged, and continues to engage, in a pattern of conduct whereby he gains the trust of senior citizens as a non-profit educator and adviser and then advises them to invest their retirement savings according to his recommendations. Maltz's recommendations usually

translate into the offer and sale of the annuity and insurance products he sells, often funded with the proceeds from the sale of securities.

Maltz attracts potential clients through free seminars conducted through a nonprofit organization owned wholly by him, Consumer Educational Services, Inc. (“CES”). CES’ charter states that its objective is “to provide educational and informational seminars relative to issues affecting those fifty years of age and older”. A similar creed is reiterated to the gatekeepers of sanctuaries such as libraries, senior centers, hospitals and non-profit social service organizations and other places where senior citizens congregate and which often do not allow for-profit sales pitches. The seminars are often focused on U.S. Savings bonds and insecurities that holders of those bonds may experience. Once an elderly person has attended a seminar, he or she fills out a CES form which offers a free consultation, purportedly as an agent of the nonprofit organization. However, at that free consultation, the senior is no longer dealing with CES, but is actually dealing with Canton Financial—Maltz’s for-profit annuity and insurance-selling business--where Maltz provides the purported investment advice and pitches the products he sells. CES has no employees and no financial statements. All of its expenses are paid by Canton Financial. Maltz recoups the costs of the seminars and consultations through commissions earned on sales of annuities.

Maltz conducts, through Canton Financial and through CES, seminars and distributes marketing materials sponsored by Piece of Pie Strategic Marketing. Piece of Pie is a sophisticated marketing platform geared towards selling annuities and other products to the senior marketplace. It has described itself on its website as “a unique marketing system for selling financial products and services to seniors.” The Piece of Pie marketing

program consists of seminars and multiple meetings scripted by Piece of Pie in which the salesman convinces clients that he is acting as an unbiased and objective adviser looking out for their interests.

According to the Piece of Pie website (at least until it was recently altered), the training allowed users to “eliminate other advisors from the picture” and “get the client’s commitment to move all of their brokerage accounts to you.” In addition to eliminating the existing advisor from the picture, Piece of Pie seminars presented by Maltz specifically try to scare seniors away from other financial products, so that they will sell them and buy annuities. For example, Piece of Pie’s materials produced to the Division by Maltz include warnings that banks may not be safe, that the average rate of return in the stock market is “a big lie” and that the idea that stocks protect you from inflation “is a myth”, as well as slides discussing the “problem with variable annuities” and the “problem with bonds”.

In addition, Piece of Pie materials bootstrap their scare tactics to other concerns that seniors might have. For example, Piece of Pie materials discuss issues such as bird flu and identity theft, and a Piece of Pie handout circulated by Maltz begins discussing the high costs of groceries and segues into the high costs of mutual funds – with the ultimate goal of securing the sale of the mutual funds to fund the purchase of annuities.

Maltz uses the Piece of Pie materials and system to first convince his clients that he is acting as an advisor that is acting in their interests more than other advisors and then, once trust has been obtained, to sell annuities to his clients. Under the contract that Maltz signed with Piece of Pie, Maltz is obligated to sell \$3,000,000 in annuity and other insurance products annually—a fact that he does not share with CES seminar attendees. Upon information and belief, Maltz does not fully honor that portion of his contract.

In addition to the use of his nonprofit Consumer Educational Services and the Piece of Pie marketing materials, one of the marketing tools Maltz used in order to convince seniors that he was providing expert advice that would benefit them was his designation as a “Certified Senior Advisor”. The designation is provided by the Society of Certified Senior Advisors (“SCSA”), a Colorado-based for-profit organization that provides marketing and other training geared towards seniors and the senior marketplace. Maltz was a Certified Senior Advisor (“CSA”) during large parts of the relevant timeframe, but testified that he does not remember precisely when he joined or left. The CSA designation is designed to appeal to the senior marketplace, and has been used by representatives to garner credibility in areas such as financial planning as it relates to senior citizens. A portion of the CSA course is geared towards teaching participants about marketing to seniors and how to “[d]evelop leads and design materials sensitive to the senior population.”

Maltz used the CSA designation to further burnish the image he presented to seniors as being a disinterested, upstanding and knowledgeable advisor and therefore to enable him to convincingly advise those seniors to sell securities and other assets in order to purchase the annuities and other insurance products he sells.

Another credential that Maltz touted was his membership with the National Ethics Bureau (“NEB”), a Colorado-based for-profit organization that purports to be “an independent organization that promotes consumer confidence by providing a one-stop source to verify the business ethics of insurance and financial advisors”. On its website, the NEB until recently boasted that all of its members “have an exemplary background of professional ethics”. Maltz received a “Certificate of Approval” from the National Ethics

Bureau, which states that Maltz “has maintained a verified record of business ethics and has agreed to uphold the highest standards of professionalism and integrity as outlined in the National Ethics Bureau’s Ethics Pledge and Conditions of participation agreement and has acknowledged to abide by these standards at all times.” Maltz’s testimony indicated that his NEB certificate was obtained simply by paying a fee and filling out a five- or ten-minute on-line application, and that it involved no interview or interaction with another person.

After the seminars conducted by Consumer Educational Resources or the Piece of Pie seminars, Maltz then asks attendees to fill out an evaluation form for the seminar and uses that as a vehicle to schedule one-on-one meetings with potential clients where he purports to perform an individualized asset allocation and full financial review as an unbiased and skilled adviser who is acting for the benefit of the elderly advisee. During this review, Maltz advises the client on their risk profile and the relative advantages and disadvantages of investing in securities as compared to other investment. Maltz often ends the series of individualized client meetings by recommending the purchase of an insurance product or annuity that he sells.

Maltz acknowledges that he is compensated for his so-called financial review by the sale of those insurance and annuity products.

III. JURISDICTION AND AUTHORITY

1. The Massachusetts Securities Division is a division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities, as provided for by the Act. The Act authorizes the Division to regulate: 1) the offers, sales, and purchases of securities; 2) those individuals offering and/or selling securities; and 3)

those individuals and entities transacting business as investment advisers within the Commonwealth.

2. The Division brings this action pursuant to the enforcement authority conferred upon it by section 407A of the Act and M.G.L. c. 30A, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and all Regulations and rules promulgated thereunder.

3. This proceeding is brought in accordance with sections 102, 201 and 407A of the Act and its Regulations. Specifically, the acts and practices constituting violations of the Act occurred within the Commonwealth of Massachusetts.

4. The Division specifically reserves the right to amend this Complaint and/or bring additional administrative complaints to reflect information developed during the current and ongoing investigation.

IV. RELEVANT TIME PERIOD

5. Except as otherwise expressly stated, the conduct described herein occurred during the approximate period of January 1, 2004 through the present.

V. RESPONDENTS

6. James D. Maltz ("Maltz") is an individual doing business under the DBA of Canton Financial, with a business address of 399 Neponset Street, Suite 212 Canton, MA 02021.

7. Consumer Educational Services, Inc. ("CES") is a nonprofit corporation organized under Massachusetts General Laws, Chapter 180, with a business address of 399 Neponset Street, Suite 212, Canton, MA 02021. Maltz is the President, Clerk and a Director and sole owner of CES and Jennifer Lipsitt is the Treasurer and a Director of CES.

VI. RELATED AND INVOLVED PARTIES

8. Piece of Pie Strategic Coaching and Piece of Pie Marketing, Inc.

(collectively, “Piece of Pie” or “POP”) Piece of Pie Strategic Coaching, offered by Piece of Pie Marketing, Inc. is a marketing program for brokers and agents that specialize in the senior market. Its principal place of business is 2768 Superior Drive. NW, Suite A, Rochester, Minnesota 55901.

VII. FACTS AND ALLEGATIONS

A. **Maltz Holds Himself Out as an Investment Adviser Without Being Registered as Such and Advertises His Services in a Misleading and Dishonest Manner**

1. *Maltz's Licensing Status; Maltz Misrepresented Himself as a Registered Representative of NY Life Securities*

9. Maltz is not presently registered in The Commonwealth of Massachusetts as a broker-dealer agent or an investment adviser representative.

10. From July 2, 1983 through December 1, 2004, Maltz was registered as a broker-dealer agent with NY Life Securities, Inc.

11. Maltz has never been registered in The Commonwealth of Massachusetts as an investment adviser or an investment adviser representative.

12. Even though his registration with NY Life Securities, Inc. terminated on December 1, 2004, Maltz circulated to clients and prospective clients an Annual Review Checklist after that date, until as late as February 8, 2005. The Annual Review Checklist referred to him as a “Registered Representative, NYLIFE Securities Inc.”

2. *Maltz's Marketing Materials and Methods*

13. Maltz has been doing business as Canton Financial (“Canton”) since 1995.

14. Maltz and Canton Financial maintain a business address at address of 399 Neponset Street, Suite 212, Canton, MA 02021.

a. Consumer Educational Services, Inc.

15. Maltz generates a large portion of his clients by conducting seminars for senior citizens.

16. Maltz advertises for his seminars through a number of different media.

17. Maltz advertises and conducts some of his seminars through Canton Financial and advertises and conducts others through CES.

18. CES maintains a business address at 399 Neponset Street, Suite 212, Canton, MA 02021, which is the same as Canton Financial's address. Canton Financial also has the same fax number.

19. CES's Articles of Organization state that its objective is "to provide educational and informational seminars relative to issues affecting those fifty years of age and older".

20. In certain faxes to senior-services organizations, Maltz has described CES's mission as follows: "Consumer Educational Services, Inc. is a non-profit organization dedication to the information and education of seniors in issues that affect their lives: finances, retirement and their personal well-being."

21. Many of the advertisements for CES's seminars that Maltz distributes emphasize that CES is a non-profit organization. See Exhibits 1 and 4.

22. According to its own advertising, CES provides workshops on topics such as: "Increasing Returns on Low Interest Bank Accounts & CDs: Find out about safe ways to increase your rate or return"; "Advantages & Disadvantages of Wall Street and Banks:

Understand whose best interests are being served”; and “Reverse Mortgage: Turn your home equity into income”. See Exhibit 1.

23. CES has no employees.

24. CES has no financial statements or assets, other than one approximately \$500 bank account.

25. All of CES’s expenses are paid by Maltz’s Canton Financial business.

26. The primary purpose of CES is to allow Maltz to give seminars to organizations, such as senior centers, that only allow non-profit organizations to speak.

27. Specifically, in an on-the-record interview with the Enforcement Section of the Division, Maltz testified:

Q. What is Consumer Educational Services, Inc.?

A. It is a nonprofit organization that I established . . . that would enable me to give seminars as a nonprofit organizations for no fees that are educationally informational.

Q. I was going to ask you what is its mission. Could you state its mission? You sort of just did, but just to be clear.

A. A lot of libraries or nonprofits would not let Canton Financial in because it’s a profit-making entity, so I established a nonprofit, incorporated it, so I can go into these places, just to give information, give talks, speak with them.

28. Many of the seminars CES gives are the same as the ones Maltz gives under his Canton Financial DBA, including seminars created by Piece of Pie Strategic Marketing (discussed below, at paragraphs 45-61).

29. Among other topics, CES advertises seminars on U.S. Savings Bonds. See Exhibit 2.

30. Those advertisements ask, in bold letters: **“Have your U.S. Savings Bonds Stopped Earning Interest?”** The seminar advertises that people can learn how to “Maximize the return on your U.S. Savings Bonds”; “Avoid forfeiting \$ by cashing-in at the wrong time”; “Properly plan whether to hold OR cash-in Bonds”; “Get the exact value of your entire portfolio”; and “Properly plan your estate to protect you and your heirs”. See Exhibit 2.

31. After the seminar, the attendee is asked to submit an evaluation form. The form will ask the attendee if he or she would like a free, one-hour consultation. See Exhibit 3.

32. Some of the CES seminar evaluation forms also ask if one would like to attend Maltz’ “Keep Their Hands Off My Piece of Pie” workshops. See Exhibit 3.

33. Other CES seminar evaluation forms ask if the seminar attendee would like to “take advantage of your offer of a FREE, one hour, no obligation, strictly confidential consultation, at your Canton office, to discuss my personal, financial situation with you.” See Exhibit 4 (emphasis in original).

34. Despite the fact that the evaluation form from many of his seminars indicates that it is from “Consumer Educational Services, Inc. (A Non – Profit Organization)”, Maltz testified that all of the consultations are run by him through Canton Financial.

35. Specifically, on this point, Maltz testified as follows:

Q. What is the difference between the U.S. savings bond seminar given by Canton Financial as opposed to the ones given by –

A. Exactly the same except the U.S. savings bond seminar given by Canton Financial may have been given in a library where they don’t let profit making entities in, only nonprofits can speak. They don’t make facilities available to them.

Q. So, it's the same seminar, but – I'm sorry, so Consumer Educational would give the one in the library that doesn't let for-profits speak; is that right?

A. Right.

Q. But then if there's no such restriction, Canton Financial would give the seminar.

A. Correct.

Q. Substantively, the seminars are the same?

A. Correct, exact same PowerPoint.

Q. Right, but then the follow-up when it's a Consumer Educational Services seminar, is that follow-up with Consumer Educational Services?

A. No, all follow-up is with Canton Financial. If people want something, I say to them that this is my nonprofit organization, you're coming in for a free hour, if you want to do something – they're coming into – while there's a sign on my door that says Canton Financial, it also says Consumer Educational Services. Same locale, my same person, same everything. Same staff.

Q. So, if the seminar is presented by Consumer Educational Services and then someone fills out an evaluation form and they come in asking for a one-hour evaluation, that evaluation would be with Canton Financial.

A. Canton Financial, correct. I'm sorry if I didn't convey that properly.

36. Maltz uses these consultations as a means of establishing trust as an advisor and then, when trust is established, recommending to clients that they sell assets and purchase the annuities and other products he sells.

37. Upon information and belief, Maltz's recommendations often include an evaluation of the riskiness of mutual funds and a recommendation to sell those mutual funds.

38. Maltz is compensated by commissions on the products he sells. Those commissions fund the seminars he, Canton Financial and CES put on and fund the consultation sessions with clients.

39. Some of the seminars advertised by Maltz state that Maltz is giving seminars “in conjunction with” CES. See Exhibit 5.

40. Maltz’s activities purportedly on behalf of CES were intertwined with his annuity and insurance selling activities, in a way that is either intended to and/or does mislead attendees of his seminars and potential customers.

41. For example, on behalf of CES, he gave a seminar on September 29, 2005 to Catholic Charities’ Friendly Visitors Program, which was titled “Medicare Part D and 40 Other Issues Affecting Seniors”. See Exhibit 6.

42. In this seminar—purportedly given by Maltz on behalf of his nonprofit CES, he discussed the “TREE” concept, a Piece of Pie annuity-selling platform. See Exhibit 7.

43. In his on-the-record testimony, Maltz described the Tree program as follows:

Q. Could you please describe the TREE program?

A. The TREE program is an acronym for Tiered Retirement Investment Enhancement program. It’s a way, the best way I describe it, it’s a way to take buckets of money so a person can get a tax deferred, tax advantage[ed] monthly income for 20 or 30 years. . . .

Q. Who came up with the TREE program?

A. The acronym TREE, I believe, was, Piece of Pie , but it’s a strategy, I think that’s been around for years and years and years.

Q. Where did you get the content on [Exhibit 7]?

A. Piece of Pie.

44. Maltz described how he brought himself up to speed as an expert to give

Medicaid seminars as follows:

Q. How did you get up to speed on Medicare, Part D? Is there a particular training?

A. I read a lot of information, I spoke with Shine. I got all the brochures. As a matter of fact, a lot of the information came when I went to CVS and Walgreens, they had pamphlets they were putting out. They also had a looping video talking about some things. I got the information ahead of time. They actually gave us the slides and the presentation."

b. Other Marketing Tools Used by Maltz

1. *Piece of Pie Strategic Marketing*

45. Maltz uses the Piece of Pie marketing program.

46. The Piece of Pie marketing organization is geared towards selling annuities and other products to the senior marketplace. According to its website (prior to recent changes), it is "a unique marketing system for selling financial products and services to seniors."

47. In exchange for receipt of the Piece of Pie marketing materials and an exclusive marketing territory, Maltz has committed to selling \$3,000,000 of annuities and other insurance annually.

48. Maltz does not disclose this obligation to attendees of CES seminars or other prospective clients.

49. Maltz testified that he does not adhere rigorously to the production requirements of his contract with Piece of Pie.

50. The Piece of Pie marketing program consists of an initial seminar and multiple meetings in which the salesman convinces potential clients that he is acting as their advisor and begins the process of gaining their trust.

51. The Piece of Pie materials that Maltz distributed to clients addresses a number of issues of concern to seniors, from bird flu to identity theft, to the high cost of food and gasoline, safety issues and potential medical concerns, all of which are geared towards allowing the salesman to further the image of a friend and advocate of seniors.

52. Under the Piece of Pie marketing system, it is not until the third or fourth meeting that the salesman, having used the seminar and initial meetings to have gained the trust of the target, finally advises the target to sell his or her existing assets and purchase annuities.

53. According to the Piece of Pie website, “[t]he concept is simple: Inform Seniors about investment concepts that their present financial advisor has more than likely overlooked or failed to explain. This not only allows our associates to distinguish themselves from other financial advisors, it also allows them to begin a relationship that will in a short time make the prospect feel uncomfortable discussing any financial matters with their current advisor!”

54. The Piece of Pie seminar conducted by Maltz contains a number of slides geared towards criticizing the existing advisor. For example, the slides discuss certain tax savings ideas. One slide states: “If you aren’t doing these things every year, WHY NOT?” The choices are “Your Broker Doesn’t Know” or “Your Broker Doesn’t Care”

55. Piece of Pie provides materials that allow its users to discredit the existing financial products held by the potential sales targets they are advising.

56. For example, Piece of Pie’s materials produced to the Division by Maltz include admonitions such as:

- “Are we getting good advice at the bank?”

- “How many banks have gone under in the last 10 years?”
- “Weapons of mass destruction that banks hold”
- “Average rate of return is a big lie”
- “Stocks protect you from inflation is a myth”
- “Problem with bonds”; and
- “Why don’t brokers talk about the other options”.

See Exhibit 8.

57. Piece of Pie has form letters for its agents to send to clients, some of which Maltz used almost verbatim in his interactions with clients.

58. Piece of Pie materials often bootstrap their criticisms of non-annuity financial products to other issues of concern to seniors. For example, another Piece of Pie information sheet circulated by Maltz in May of 2005 to his senior clients is titled “GAS PRICES?!? What about Food? How to save \$2,000 a year on groceries . . . A Note from Jim Maltz”. See Exhibit 9 (capitalization in original). The mailer states:

[W]hat if I could show you simple changes in how you buy groceries that could save over \$2,000 a year? These are real life savings that a recent shopping demonstration brought to life. To follow you will find simple and easy ways to put more money in your pocket.

Do your own chopping

...

Store brands are perfectly good

...

59. Exhibit 9 also states:

Another place to save thousands of dollars per year is to eliminate the hidden fees in mutual funds and variable annuities. A study done in 2004 by Wake Forest University and the University of Florida concluded that the 30 largest mutual fund families are charging their investors 43% more on their funds than they are reporting to their investors.

On a typical \$100,000 account that would add up to about \$2,791 per year that an investor would pay . . . most of which they have no idea is being sucked out of the mutual fund or variable annuity by the company!

If you have mutual funds or variable annuities on which you would like to have a detailed analysis of fund charges, hidden or not, please give us a call. . . . This is a service that we do only for friends of Maltz Financial Associates.

60. Other Piece of pie materials circulated by Maltz explicitly discussed financial instruments and offered Maltz's expertise as a financial advisor.

61. For example, Exhibit 10 is a note titled "Why Does my Bond Keep Changing Values" from Jim Maltz, Certified Senior Advisor, using the Piece of Pie tag line, "doing all the things other advisors forget to do", and discussing bonds and bond funds. At the end of the discussion it states:

You should be aware of all aspects of your bond or bond mutual fund not just at the time of investment but continually. Things that affect bonds can change very rapidly and you must make sure that you are up to date on your portfolio and the changes that are occurring with it.

If you have any questions on your bonds or bond funds, please feel free to give me a call and I would be happy to answer any questions that you may have at that time. You can reach me at 781 575-1300.

2. *Certified Senior Advisor*

62. Maltz also used other marketing tools to further promote the image that he was a seasoned, objective adviser to seniors.

63. For example, the Certified Senior Advisor designation advertised by Maltz was an integral part of Maltz's marketing persona.

64. Maltz held his CSA designation during the relevant timeframe until he resigned as a CSA in 2006.

65. The designation is provided by the Society of Certified Senior Advisors, a Colorado-based for-profit organization that provides marketing and other training geared towards senior citizens and the senior marketplace.

66. The CSA designation is designed to appeal to the senior marketplace and to garner credibility in the areas such as financial planning as it relates to senior citizens.

67. A portion of the CSA course is geared towards teaching participants about marketing to seniors and how to “[d]evelop leads and design materials sensitive to the senior population.”

68. In 2005, the CSA website boasted the following benefits of the CSA designation:

Perhaps the biggest benefit we can provide you is the education itself. We’ll teach you essential topics seniors say are the most important to them, including insurance, financial security, housing, health, legal and social needs.

In addition . . . As a CSA, you’ll enjoy many benefits:

1. **Marketing strength.** The right to use the coveted “CSA” designation and the CSA member logo on your advertising, adding credibility and power to your marketing materials.
 2. **Your personal Website** listing on this Website (available to CSAs in good standing).
 3. A significant **competitive advantage** over others in related fields who have not made the effort to establish themselves as “a cut above”.
 4. **Public relations** programs provided to you free of charge by SCSA.
 5. Improved **marketing opportunities** that will become obvious after you complete the program and get your CSA designation.
- **Increased business from referrals** by seniors to their friends and family.

-- **More successful seminars:** Members typically attract 200-300 seniors to seminars.

6. Ongoing education . . .

3. National Ethics Bureau

69. Another credential employed by Maltz was his membership with the National Ethics Bureau (“NEB”). Like the CSA designation, Maltz recently ceased using the NEB marketing credentials.

70. The NEB is a Colorado-based organization that purports to be “an independent organization that promotes consumer confidence by providing a one-stop source to verify the business ethics of insurance and financial advisors”.

71. The National Ethics Bureau has many sponsors, many of which appear to be in the insurance and annuity industry.

72. On its website (until it was recently changed), NEB boasts that all National Ethics Bureau members “have an exemplary background of professional ethics” and “believe in transparent and above-board dealings with their clients”.

73. The National Ethics Bureau also boasted, on its website, “Live operators who will verify your exemplary record of business ethics.”

74. It costs approximately a \$95 initiation fee to obtain NEB’s certification and an annual fee of \$235.

75. Maltz testified that he became aware of the National Ethics Bureau through an online advertisement.

76. Maltz obtained his membership by downloading, filling out and mailing an application (which Maltz believes took five or ten minutes) and paying a fee.

77. Maltz's testimony regarding his application to and subsequent interaction with the NEB is as follows:

Q. Did the National Ethics Bureau provide any training to you?

A. None whatsoever. . . .

Q. Could you describe the application process for the National Ethics bureau seal of trust?

A. I went online, it probably took five or ten minutes, I completed the application. I believe they wanted to know years of experience, education, questions about any lawsuits, any things against me, and that's about the extent of my memory on that.

Q. Did you have an interview with anybody?

A. No.

Q. Not even a telephone interview?

A. No.

Q. Were you asked to submit references?

A. I honestly don't recall. I believe yes, but I don't recall.

78. Maltz's "Certificate of Approval" from the National Ethics Bureau, states:

Be it known that James D. Maltz having passed the Ethics Check System and having met all of the qualifications that have been set forth by the National Ethics bureau for membership, is now duly recognized as an APPROVED MEMBER. The above named member has maintained a verified record of business ethics and has agreed to uphold the highest standards of professionalism and integrity as outlined in the National Ethics Bureau's Ethics Pledge and Conditions of Participant agreement and has acknowledged to abide by these standards at all times.

This Certificate of Approval for member approval by National Ethics Bureau together with all entitlements, rights, and privileges pertaining thereof is valid through Sept 21, 2007.

79. The Certificate of Approval is intended to be displayed in one's office.

80. Upon information and believe, the NEB does not undertake a meaningful assessment of one's ethical integrity prior to granting it seal of trust.

81. If one reads the fine print on the NEB materials (but not on the Certificate of Approval) they will see the following:

Disclaimer: All NEB members have been verified as to their qualifications for member approval. However, the NEB provides no guaranteed assurance or warranty of the ethical integrity of its members or of any additional credentials may be posted by the member in the PROFILE DETAILS section of this document.

4. *Other Designations and Purported Credentials*

82. Maltz also advertises himself as a "Senior Planning Specialist". See Exhibit 11.

83. Upon information and belief, a "Senior Planning Specialist" is a credential with no substance behind it whatsoever that Maltz conferred upon himself.

84. Maltz testified as follows with respect to his Senior Planning Specialist designation: "I don't believe that it is a -- is that a formalized, recognized -- if you're asking me if that's a formalized designation issued by some college or some place, I would have to say to the best of my knowledge it is not."

85. Maltz also advertises himself as a Registered Financial Consultant. With respect to that designation, Maltz described the process of obtaining it as follows:

Q. Are you a registered financial consultant?

A. Yes, I am.

Q. What is entailed to obtain that designation?

A. I believe you needed three to five years worth of experience in different arenas of which I qualified for, and I believe they did some sort of background check to see if I've ever had any issues against me.

Q. Did you take a test?

A. I don't recall. I don't believe so, but I don't recall.

Q. Do you recall when you became a registered financial consultant?

A. It's been several years, but I don't recall.

Q. Is there any ongoing obligation that is entailed in order to maintain that designation?

A. They require you to take with or keep up with continuing educational credits.

Q. Do they police it?

A. I don't believe they do, no. I have to do it for my insurance, anyway, so I do it.

86. Other materials distributed by Maltz state that he "co-authored a book" on senior issues, even though that book was the "How to Alligator Proof Your Estate" book published by Broker's Choice. See Exhibit 12.

c. Seminars and Subsequent Meetings with Potential Clients;
Sales Pitch and Products Sold

87. Maltz does not advertise himself to prospective seminar attendees as an annuity and insurance salesman at his seminars, even though those are the only products he is licensed to sell.

88. Rather, Maltz typically describes himself as follows:

Our featured speaker is James D. Maltz, *Certified Senior Advisor*, from Consumer Educational Services, Inc., who has over 22 years experience helping Seniors and their families accumulate, protect and distribute their assets. He is a frequent speaker to Boston Senior Citizen Groups, hospitals and area Councils on Aging.

See Exhibit 7.

89. Canton Financial seminars advertise such Piece of Pie-generated topics as “The 9 SECRETS your financial advisor doesn’t want you to know!” See Exhibit 12.

90. When asked about this, Maltz disclaimed any knowledge of the content of that portion of his seminars. Specifically, he stated:

Q. One of the topics discussed is, “The 9 Secrets your financial advisor doesn’t want you to know.” What are those secrets?

A. I would have to look at them on the slide and go through, I don’t memorize everything, it would be impossible for me to do that.

Q. Do any come to mind?

A. Yes, that many times, the financial advisor may not be looking out for your best interest, but their best interest. They may have other agendas that may not be beneficial for you.

Q. Anything else come to mind?

A. Nothing else comes to mind.

91. Maltz admitted that he gives Piece of Pie seminars and Piece of Pie annuity-selling content under the guise of his CES nonprofit.

92. After the seminars, Maltz asks attendees to fill out an information card with their contact information. Maltz then follows up with a telephone call to schedule an appointment.

93. The goal is to set up a meeting with elderly clients where he can review their existing portfolios in order to build trust as an adviser and identify assets that can be used to purchase annuities and other insurance products from Maltz.

94. Maltz promotes these meetings as “a second opinion . . . regarding your financial situation”.

95. Maltz described these meetings as follows: "I deal with housing issues, insurance issues, investment issues, tax issues, cash flow issues, future home, we discuss future home issues, retirement issues, legal documents and such, all related to seniors."

96. In an article produced by Maltz, titled "What my Wealth Clients Really Want" by James De Maltz, he states:

Portfolio Management

One of the most attractive services I can communicate to my wealthy clients is asset allocation and portfolio management. The emotional payoff they seek from these services help them reduce their stress, increase the feeling of financial security and give them the comfort of knowing that a professional is taking the responsibility of managing it all for them.

See Exhibit 13.

97. After going through this analysis, Maltz makes "recommendations" to his clients.

98. Maltz typically reviews the entire portfolio of his prospective clients and, upon information and belief, often makes recommendations as to whether they should sell mutual funds.

99. In doing so, Maltz explicitly states in his letters that he is acting as an "advisor".

100. Consistent with the role of himself as an advisor that he promoted, one of the documents he produced was a response form distributed to seminar attendees in which the potential customer indicates which of the following topics they are interested in:

- "retirement planning"
- "investment planning"
- "understanding mutual funds"

- "protect my assets from catastrophic illness or nursing home admission"
- "advantages and disadvantages of wall street and banks"
- "proper titling of assets" and
- "common financial mistakes mature Americans make."

101. Upon information and belief, the advice he often provides is to sell mutual funds, stocks or other products and to purchase annuities and other insurance products that Maltz sells.

102. For example, in a letter to one client, Maltz stated:

As I mentioned at our meeting, it is important for you to be concerned with the conservation, preservation and distribution of your assets, rather than trying to accumulate more, while risking what you have. Your IRA and mutual funds are set for growth with too much risk and we need to reposition them to vehicles where you can not lose any money.

See Exhibit 14.¹

103. Subsequent to receipt of this letter, the client sold mutual funds and purchased annuities sold by Maltz.

104. Upon information and belief, Maltz sends similar letters to his other clients, many of whom follow his recommendations, many of which follow his recommendations to sell mutual funds and purchase the annuities and other insurance products he sells.

105. Maltz testified that he was not aware of applicable Division of Insurance suitability regulations.

106. Maltz is compensated for the investment advice he provides through the commissions he earns from sales of annuities, life insurance and long-term care products.

¹ Certain information has been redacted in order to preserve client confidentiality.

107. Maltz's earnings from selling these high commission products are substantial. For example, according to documents produced by Maltz, he grossed approximately \$190,000 in 2006.

VIII. VIOLATIONS OF SECURITIES LAWS

COUNT I – VIOLATION OF § 201(a)

108. Section 201(a) of the Act provides in pertinent part:

It is unlawful for any person to transact business in this commonwealth as a broker-dealer or agent unless he is registered under this chapter.

109. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 108 above.

110. The conduct of Respondents, as described above, constitutes violations of M.G.L. c. 110A, § 201(a).

COUNT II – VIOLATION OF § 201(c)

111. Section 201(c) of the Act provides in pertinent part:

It is unlawful for any person to transact business in this commonwealth as an investment adviser or as an investment adviser representative unless he is so registered under this chapter.

112. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 111 above.

113. The conduct of Respondents, as described above, constitute violations of M.G.L. c. 110A, § 201(c).

COUNT III – VIOLATION OF § 102

114. Section 102 of the Act provides in pertinent part:

It is unlawful for any person who receives, directly or indirectly, any consideration from another person primarily for advising the other person as

to the value of securities or their purchase or sale, whether through the issuance of analyses or reports or otherwise

(1) to employ any device, scheme, or artifice to defraud the other person, or

(2) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon the other person.

115. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 114 above.

116. The conduct of Respondents, as described above, constitutes violations of M.G.L. c. 110A, § 102.

IX. STATUTORY BASIS FOR RELIEF

A. Violations, Cease and Desist Orders and Costs

117. Section 407A(a) of the Act provides in pertinent part that:

(a) If the secretary determines, after notice and opportunity for a hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take affirmative action, including the imposition of an administrative fine, the issuance of an order for accounting, disgorgement or rescission or any other relief as in his judgment may be necessary to carry out the purposes of [the Act].

118. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 117 above.

119. Respondents directly and indirectly engaged in the acts, practices, and courses of business as set forth in this Complaint above, and it is the Division's belief that Respondents will continue to engage in acts and practices similar in subject and purpose, which constitute violations if not ordered to cease and desist.

X. PUBLIC INTEREST

For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors to:

- 1) Require Respondents to cease and desist from further violations of the Act;
- 2) Require Respondents to pay an administrative fine in an amount and upon such terms and conditions as the Director or Hearing Officer may determine;
- 3) Take such other actions, which may be in the public interest and necessary and appropriate for the protection of Massachusetts investors.

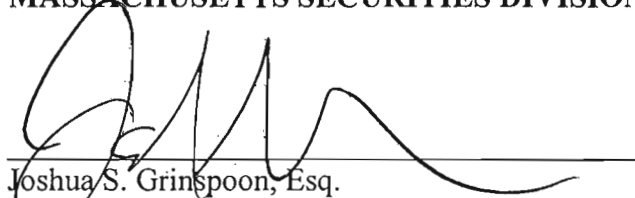
XI. RELIEF REQUESTED

Wherefore, the Enforcement Section of the Division requests that the Director or Hearing Officer take the following action:

- A. Find that all the sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors;
- B. Find as fact the allegations set forth in paragraphs 1 to 118 of the Complaint;
- C. Enter an order requiring the Respondents to cease and desist from any further violations of the Act;
- D. Enter an order requiring the Respondents to pay an administrative fine in an amount and upon such terms and conditions as the Director or Hearing Officer may determine;
- E. Take such further actions as may be deemed just and appropriate to carry out the purposes of the Act.

ENFORCEMENT SECTION

MASSACHUSETTS SECURITIES DIVISION

A handwritten signature in black ink, appearing to read 'Ahearn', is written over a horizontal line.

Joshua S. Grinspoon, Esq.

Paul A. Brodeur, Esq.

Patrick Ahearn, Chief of Enforcement

Massachusetts Securities Division
One Ashburton Place, Room 1701
Boston, Massachusetts 02108
(617) 727-3548

Dated: August 22, 2007

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, 17TH FLOOR
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:)

JAMES D. MALTZ, CANTON FINANCIAL AND)
CONSUMER EDUCATIONAL SERVICES, INC.)
_____)

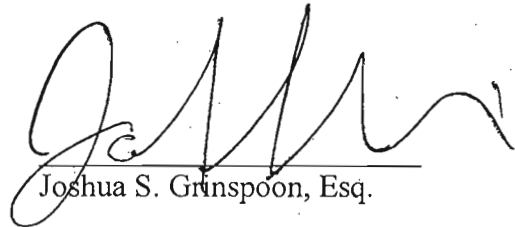
Docket No. E-2007-0053

CERTIFICATE OF SERVICE

I hereby certify under penalty of perjury that on August 22, 2007 I caused a copy of the foregoing Administrative Complaint to be served to the following parties by the means indicated below:

James D. Maltz
Canton Financial
Consumer Educational Services, Inc.
399 Neponset Street, Suite 212
Canton, MA 02021
(By facsimile 781/821-8399 and Certified Mail, Return Receipt Requested)

Thomas J. Butters, Esq.
Butters Brazilian LLP
One Exeter Plaza
12th Floor
Boston, MA 02116
(By facsimile 617/367-1363)



Joshua S. Grinspoon, Esq.

August 22, 2007