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## Financial Fraud Alert

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**Who:**        *Plaintiff:*        Securities and Exchange Commission

*Defendants:* Emanuel L. Sarris, Sr., Sarris Financial Group, Inc.

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**What:**        This complaint stems from a massive Ponzi scheme allegedly perpetrated, in part, by Emanuel L. Sarris and his investment advisory firm, Sarris Financial Group, Inc. According to the complaint, Sarris convinced more than 70 investors to invest over \$30 million in the “Kenzie Funds,” which purportedly invested in foreign currency. Allegedly, the Kenzie Funds invested less than one-third of investor capital, inflated performance figures, and funded redemption requests with principal from other investors. In total, from 2001 through 2009 the Kenzie Funds defrauded more than 400 investors out of over \$100 million. In 2010, the SEC filed a lawsuit against the Kenzie Funds and their manager, Daniel Spitzer, who the court ordered to pay \$44 million in disgorgement and prejudgment interest and a \$150,000 civil penalty. Spitzer was later indicted on multiple counts of criminal fraud for his involvement in the scheme.

The complaint alleges that Sarris continued to sell the Kenzie Funds in 2010, despite the Kenzie Funds’ apparent dissolution after the 2010 suit filed by the SEC. The complaint further alleges that Sarris falsely represented to investors that his firm was independent from the Kenzie Funds and “gets nothing out of” attracting investment capital. However, the defendants allegedly earned an annual salary and received over \$1.5 million in incentive payments from one of the Kenzie companies. Allegedly, Sarris lured investors, most of whom were retired individuals, by soliciting existing Sarris Financial Group estate planning and insurance clients or by hosting free estate planning seminars and private conferences or dinners. The plaintiff alleges that Sarris fraudulently assured investors of the safety of the Kenzie Funds, while ignoring blatant red flags regarding their legitimacy. Further, the complaint alleges that on at least two occasions Sarris recommended that the Kenzie companies use incoming investments to fund redemption requests.

Based on these allegations, the complaint alleges four causes of action against the defendants: (i) violations of sections 5(a) and 5(c) of the

Securities Act (ii) violations of sections 17(a)(1) of the Securities Act; (iii) violations of sections 17(a)(2) and (3) of the Securities Act; and (iv) violations of section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder. According to the complaint, the plaintiff seeks an order enjoining defendants from engaging in securities transactions in violation of the provisions alleged in the complaint, disgorgement of wrongful gains, and civil penalties under the Exchange Act and Securities Act.

**Where:** United States District Court for the Eastern District of Pennsylvania

**When:** July 26, 2012

For additional information, please contact:

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