

## Frequently Asked Questions

### **Alleged Ponzi Scheme of Wayne L. Palmer and National Note of Utah, LC**

Our firm is investigating an alleged Ponzi scheme that, according to a recent civil complaint filed by the U.S. Securities and Exchange Commission (“SEC”) on June 25, 2012, is being operated by Wayne L. Palmer (“Palmer”) through National Note of Utah, LC (“National Note”), located in West Jordan, Utah.

For investors who may have invested with Palmer through National Note, below are answers to some commonly asked questions about the alleged Ponzi scheme. Persons with relevant information, and investors in National Note with questions about this investigation, are invited to contact our Firm by calling 866.582.8140. Additional information, including a copy of the SEC complaint, is available on our website at:

<http://www.wohlfruchter.com/cases/ponzi-national-note>.

#### **Q1. Who is Wayne Palmer and National Note?**

**A1.** Wayne Palmer is a businessman who resides in West Jordan, Utah, and is the sole owner and managing member of National Note. Palmer has been in the real estate and real estate financing business since 1976. In 1992, Palmer formed National Note. Palmer tells investors that National Note uses their funds to buy and sell mortgage notes, underwrite and make loans, and buy and sell real estate assets.

Palmer locates new investors for National Note primarily by word of mouth and referrals. In addition, he teaches real estate seminars across the country, and apparently makes contact with potential investors at these speaking engagements.

#### **Q2. What representations has Wayne Palmer made to investors?**

**A2.** Palmer has solicited investors to purchase two to five-year promissory notes issued by National Note, which pay interest at a fixed annual rate of 12% with a minimum investment of \$25,000.

Palmer has allegedly assured investors that he is able to pay the promised returns of 12% annually because National Note is successfully investing their funds in projects and assets earning annual returns of 15-20%. Palmer has allegedly further represented to investors that both their 12% return and the safety of their principal are “guaranteed” and “risk free.”

**Q3. How much money has Palmer raised from investors for National Note?**

**A3.** According to the SEC, National Note raised approximately \$50,000,000 in unregistered offerings of promissory notes prior to September 2007. In September 2007, National Note carried out a private placement of notes under Rule 506 of Regulation D and provided offerees with a private placement memorandum that included unaudited financial statements for the prior year. National Note raised approximately \$50,000,000 in this Rule 506 offering, which has been ongoing since 2007.

In total, since at least 2004, the SEC alleges that National Note has raised approximately \$100 million from more than 600 investors.

**Q4. What did Palmer claim National Note did with the money raised from investors?**

**A4.** In addition to National Note, Palmer has formed and controls approximately 50 related entities. Many of these entities (the "Related Entities") are formed under the umbrella of a holding company, Homeland Holding. According to the SEC, Palmer represents to investors that the Related Entities are active in the real estate development business, and are funded by loans from National Note. Palmer has further represented that National Note holds mortgages from the Related Entities to secure its loans.

**Q5. Why does the SEC allege that National Note is a Ponzi scheme?**

**A5.** The SEC alleges that, since 2009, the Related Entities have generated little revenue, and are not able to pay the debt service on their mortgages in favor of National Note. For example, the SEC alleges that, in 2010, the Related Entities as a group generated *annual* revenue of only approximately \$300,000. By contrast, National Note's *monthly* obligation to investors during 2010 was approximately \$1.5 million.

Since the Related Entities' total revenue covered only a small fraction of their debt service obligations to National Note, the SEC alleges that investors were instead repaid by Palmer from funds obtained from new investors – a classic Ponzi scheme.

For example, the SEC alleges that:

- In 2009, National Note received approximately \$18.6 million from new investors and used approximately \$14 million (75%) of these new investor funds to make principal and interest payments to earlier investors.
- In 2010, National Note received approximately \$22 million from new investors and used approximately \$18 million (81%) of these new investor funds to make principal and interest payments to earlier investors.
- In 2011, National Note took in more than \$14.6 million from new investors and used approximately \$12.7 million (79%) of these new investor funds to make principal and interest payments to earlier investors.

**Q6. What claims has the SEC asserted against Palmer and National Note?**

**A6.** The SEC has alleged claims for federal securities fraud against Palmer and National Note under Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]; Section 17(a)(2) and (3) of the Securities Act [15 U.S.C. § 77q(a)(2) and (3)]; and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

The SEC also asserted causes of action for (i) the offer and sale of unregistered securities under Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)], and (ii) the offer and sale of securities by an unregistered broker or dealer under Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

**Q7. What other relief did the SEC request?**

**A7.** Simultaneously with filing its complaint, the SEC moved for a temporary restraining order, asset freeze, and the appointment of a receiver. The court signed the TRO and granted the SEC's requests for an asset freeze and appointment of a receiver.

**Conclusion**

As noted, persons with relevant information, and investors in National Note with questions about this investigation, are invited to contact our Firm by calling 866.582.8140.

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