

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA**

SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	
	:	
v.	:	□
	:	Civil Action No. 06-997-CMR
	:	
CRAIG H. REINHARD, DEBRA R. BZIK, and THE IDPM GROUP, INC.,	:	
	:	
	:	
Defendants.	:	

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) alleges for its complaint as follows:

SUMMARY

1. This matter involves an ongoing Ponzi scheme¹ being committed by defendants Craig H. Reinhard (“Reinhard”) and Debra R. Bzik (“Bzik”) through their jointly held company, The IDPM Group, Inc. (“IDPM”), which appears to be an employee benefits consulting company that also has, at least, some legitimate business activities.

¹ The phrase “Ponzi scheme” generally describes an investment scheme unsupported by any underlying business venture. Earlier investors are paid high rates of interest out of monies invested by later investors. These payments of apparently real returns on initial investments attract additional investors. The scheme requires increasing numbers of participants so that the growing number of investors can get paid. Often the person running the scheme takes some investor money for personal use. Ultimately the scheme collapses when the number of new investors and/or investments dwindles and many investors not only do not receive their anticipated profits, but also lose their principal.

2. From at least August 1994 through the present, Reinhard and Bzik have raised at least \$3.9 million from at least fifty (50) investors in several states by claiming to sell FDIC insured certificates of deposit (“CDs”), which, in fact, did not exist.

3. Reinhard, the primary salesperson, has been luring investors by offering for sale FDIC insured CDs at above market rates of return purportedly issued by an entity called the “Liberty Certificate of Deposit Trust Fund.”

4. In furtherance of this scheme, Reinhard and Bzik, through IDPM, manufactured and sent to investors fictitious investment documents and account statements both to obtain the initial investments and to ensure continued investment in the scheme.

5. The FDIC insured CDs never existed, and the defendants used the proceeds from the Ponzi scheme to make payments to earlier investors, and to pay their own business and personal expenses, including their own salaries, home mortgage payments, and college tuition for their children.

6. By knowingly or recklessly engaging in the conduct described in this Complaint, defendants Reinhard, Bzik and IDPM violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b5], thereunder.

7. The Commission brings this action seeking to preliminarily and permanently enjoin the defendants from engaging in the wrongful conduct alleged herein. The Commission also seeks a final judgment ordering the defendants to disgorge any ill-gotten gains and to pay prejudgment interest thereon, and ordering defendants Reinhard, Bzik and IDPM to pay civil money penalties.

JURISDICTION AND VENUE

8. The Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Sections 21(d) and (e) of the Exchange Act [15 U.S.C. §§ 78u(d) and (e)] to enjoin such acts, transactions, practices, and courses of business; obtain disgorgement and civil penalties; and for other appropriate relief.

9. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa].

10. Venue is proper because the defendants are found, inhabit or transact business in the Eastern District of Pennsylvania, and/or acts or transactions constituting the violations alleged herein occurred within the Eastern District of Pennsylvania.

11. In connection with the conduct alleged in this Complaint, the defendants directly or indirectly made use of the means or instruments of transportation or communication in interstate commerce, or the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange.

THE DEFENDANTS

12. **Craig H. Reinhard**, age 51, resides in Allentown, Pennsylvania. He owns 51 percent of IDPM Group, Inc., and he is its president.

13. **Debra R. Bzik**, age 48, resides in Allentown, Pennsylvania. She owns 49 percent of IDPM and serves as the company's chief financial officer. Bzik has been licensed as a Certified Public Accountant in Pennsylvania since 1984.

14. **The IDPM Group, Inc.**, is located in Allentown, Pennsylvania, and is a Pennsylvania corporation that, since 1991, has engaged in providing benefit counseling services to

government employees. Reinhard founded IDPM. In addition to Reinhard and Bzik, IDPM has two administrative employees.

FACTS

Overview

15. At all times material to the events described in this Complaint, defendants Reinhard and Bzik acted by and through defendant IDPM.

16. From at least 1994 through the present, Reinhard and Bzik through IDPM have raised at least \$3.9 million from at least 50 investors located in several states, including Pennsylvania, Massachusetts and West Virginia, by claiming that they would invest these monies in FDIC insured CDs, which, in fact, did not exist.

17. No money ever was invested in FDIC insured CDs but rather the investors' money was misappropriated by Reinhard, Bzik and IDPM, and used to lure additional investors by making fictitious interest payments to existing investors in furtherance of the Ponzi scheme, and used to defray the defendants' personal and business expenses.

Material Misrepresentations and Omissions

18. Reinhard, Bzik and IDPM knowingly and/or recklessly made material misrepresentations and omitted material information.

19. Reinhard marketed his scheme largely to elderly investors by offering to sell them FDIC insured CDs that provided returns that ranged from 7 to 9 percent. These interest rates are substantially higher than rates offered by financial institutions for CDs during the same time period.

20. Reinhard told investors that he obtained these returns by pooling their funds with those of other IDPM customers and then investing the pooled funds in higher denomination FDIC

insured certificates that offered higher interest rates from an entity called the “Liberty Certificate of Deposit Trust Fund.”

21. Reinhard also provided false offering documents to investors at the time of their investment. Investors typically received a document titled “Notice of Intent” (“Notice”) and the purported “Liberty Certificate of Deposit” (the “Certificate”).

22. The Notice is the investment agreement and identifies the name of the investor, amount of money invested, interest rate, and term of the investment. The Notice also purports to confirm that the investor funds are deposited in FDIC insured CDs, and that IDPM is an assigned licensed broker for the Liberty Certificate of Deposit Trust Fund.

23. Each Notice is signed by the investor and by Reinhard as President of IDPM. The Certificate states that IDPM is the applicant for the FDIC insurance and sets forth the specific certificate number in which the investor’s funds are deposited as well as “Common Rules” related to the investment. The Common Rules state that IDPM will act as the broker or supplier and point of contact during the life of the Certificate.

24. To perpetuate their fraudulent scheme, IDPM prepared and mailed to each investor a fictitious monthly account statement that purports to summarize the total amount invested by each investor, the amount of interest accumulated in the account, the amount of interest paid to-date, and the present balance of the investor’s account. The account statements identify IDPM as the “Broker of Record” and Reinhard as the person to contact at IDPM. In fact, no interest was earned because there were no CDs.

25. IDPM also mailed to investors so-called “interest” payments on a monthly, quarterly or annual basis, depending on the agreement with the investor, in the form of checks drawn on

IDPM's bank account. These checks were signed by either Reinhard or Bzik. In fact, there were no "interest" payments because no interest was earned, since the monies were never invested in CDs.

26. Bzik actively participated in the fraudulent CD scheme by collecting checks from investors and depositing the funds into the operating account of IDPM. Bzik, as well as Reinhard, also issued checks from the account to pay the expenses of IDPM, including checks for each of their salary, as well as for purported "interest" payments to investors. Further, Bzik as well as Reinhard, regularly communicated with investors regarding their investment, and distributed investor correspondence.

27. Bzik, to perpetuate the fraudulent scheme, told one investor who inquired about the availability of additional CDs for investment that Reinhard occasionally gets an opportunity to purchase a block of large denomination CDs issued by a national bank through purchases in the secondary market.

28. The investors understood that they had invested in FDIC insured CDs through the Liberty Certificate of Deposit Trust Fund issued by Reinhard through IDPM. Many of the elderly investors were referred by friends or relatives who already had invested in IDPM "CDs."

Use of Proceeds

29. Of the approximately \$4 million raised from investors none was used to buy CDs.

30. Reinhard, when first contacted by the Commission in November 2005, stated that he had been soliciting investors to invest in CDs since 1994, and that he had obtained several hundred thousand dollars from several investors.

31. Reinhard later stated that he never purchased any CDs, and that he "made up" the "Liberty Certificate of Deposit Trust Fund" to justify his claims of being able to generate above market interest rates.

32. In reality, Reinhard and Bzik deposited investor funds into IDPM's operating account at Wachovia Bank, and used the investor money to pay personal and business expenses, to fund IDPM operations, and to make payments to investors, who had been promised a particular rate of interest in connection with their "CD."

33. IDPM records reveal that Reinhard and Bzik made so-called "interest" and "principal" payments to CD investors in the amount of approximately \$1,648,000, which leaves a balance of \$2,252,000, not including the promised "interest", due and owing to investors.

34. Investor funds were used to pay Reinhard's and Bzik's personal expenses, including but not limited to, children's college tuition, home mortgage payments, personal credit card bills, monthly car payments, and Reinhard's and Bzik's salary.

35. Between January 13, and January 20, 2006, Reinhard, after being contacted by the Commission about the IDPM CD scheme, met with many investors, falsely telling them that their funds had been "stolen" in the "secondary market."

36. Reinhard did not tell the defrauded investors that CDs never existed but instead attempted to quiet investor concerns by offering to replace the CDs with five year promissory notes from IDPM.

CLAIM FOR RELIEF

**Violations of Section 17(a) of the Securities Act,
Section 10(b) of the Exchange Act and Rule 10b-5 thereunder**

Against Defendants Reinhard, Bzik and IDPM

37. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 36, inclusive, as if the same were fully set forth herein.

38. From at least July 2003 and continuing through the present time, Reinhard, Bzik and IDPM, knowingly or recklessly, in connection with the offer, purchase, or sale of securities, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce, or the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange:

- (a) employed devices, schemes or artifices to defraud;
- (b) obtained money or property by means of, or made, untrue statements of material fact, or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- (c) engaged in acts, transactions, practices, or courses of business that operated as a fraud or deceit upon offerees, purchasers, and prospective purchasers of securities.

39. By engaging in the foregoing conduct, Reinhard, Bzik and IDPM have violated, and continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

WHEREFORE, the Commission respectfully requests that this Court:

I.

Permanently restrain and enjoin defendants Reinhard, Bzik and IDPM from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b5], thereunder.

II.

Order defendants Reinhard, Bzik and IDPM to account for and to disgorge any and all ill-gotten gains, together with prejudgment interest, derived from the activities set forth in this Complaint, in accordance with a plan of disgorgement acceptable to the Court and to the Commission.

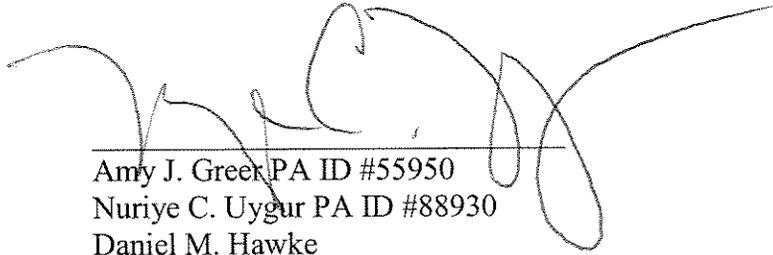
III.

Order defendants Reinhard, Bzik and IDPM to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], in an amount to be determined by the Court.

IV.

Grant such other and further relief as the Court may deem just and appropriate.

Respectfully submitted,



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