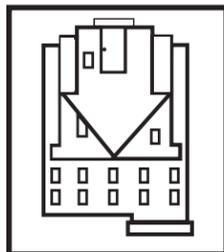


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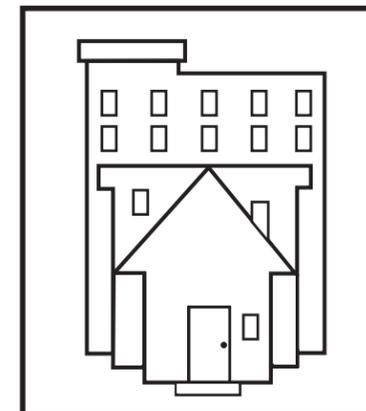
Larry Clarke
15362 Five Points Pike
Mount Sterling, Ohio 43143
Office: (614) 487-8424 / (740) 869-4570
lclarke@corum-realestate.com

3rd Quarter 2017

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(614) 487-8424 www.corum-realestate.com lclarke@corum-realestate.com



Recognizing a Ponzi Scheme from Investopedia.com

What is a 'Ponzi Scheme'

A Ponzi scheme is a fraudulent investing scam promising high rates of return with little risk to investors. The Ponzi scheme generates returns for older investors by acquiring new investors. This is similar to a pyramid scheme in that both are based on using new investors' funds to pay the earlier backers. For both Ponzi schemes and pyramid schemes, eventually there isn't enough money to go around, and the schemes unravel.

Breaking Down a 'Ponzi Scheme'

A Ponzi scheme is an investment fraud where clients are promised a large profit at little to no risk. Companies that engage in a Ponzi scheme focus all of their energy into attracting new clients to make investments. This new income is used to pay original investors their returns, marked as a profit from a legitimate transaction. Ponzi schemes rely on a constant flow of new investments to continue to provide returns to older investors. When this flow runs out, the scheme falls apart.

Ponzi Scheme Origins

The first notorious Ponzi scheme was orchestrated by a man named Charles Ponzi in 1919. The postal service, at that time, had developed international reply coupons that allowed a sender to pre-purchase postage and include it in

their correspondence. The receiver would take the coupon to a local post office and exchange it for the priority airmail postage stamps needed to send a reply.

With the constant fluctuation of postage prices, it was common for stamps to be more expensive in one country than another. Ponzi hired agents to purchase cheap international reply coupons in other countries and send them to him. He would then exchange those coupons for stamps that were more expensive than the coupon was originally purchased for. The stamps were then sold as a profit.

This type of exchange is known as an arbitrage, which is not an illegal practice. Ponzi became greedy and expanded his efforts. Under the heading of his company, Securities Exchange Company, he promised returns of 50% in 45 days or 100% in 90 days. Due to his success in the postage stamp scheme, investors were immediately attracted. Instead of actually investing the money, Ponzi just redistributed it and told the investors they made a profit. The scheme lasted until 1920, when an investigation into the Securities Exchange Company was conducted.

Ponzi Scheme Red Flags

The concept of the Ponzi scheme did not end in 1920. As technology changed, so did the Ponzi scheme. In 2008, Bernard

Madoff was convicted of running a Ponzi scheme that falsified trading reports to show a client was earning a profit.

Regardless of the technology used in the Ponzi scheme, most share similar characteristics:

1. A guaranteed promise of high returns with little risk
2. Consistent flow of returns regardless of market conditions
3. Investments that have not been registered with the Securities and Exchange Commission (SEC)
4. Investment strategies that are a secret or described as too complex
5. Clients not allowed to view official paperwork for their investment
6. Clients facing difficulties removing their money

Breaking Down 'Ponzimonium'

Possibly due to the heavy exposure of the event concerning Mr. Madoff's business practices or the downturn in the economy, the use of Ponzi schemes appears to be more prevalent than previously believed. Criminals are now even turning to fraudulent internet investment operations to cheat unsuspecting victims.



Notable Quotables

Grudge is like keeping expired foods in your fridge.

-John B. Bejo

If you're not prepared to be wrong, you'll never come up with anything original.

-Ken Robinson

Nothing is more usual than the sight of old people who yearn for retirement: and nothing is so rare than those who have retired and do not regret it.

-Charles de Saint-Evremond

If you love life, don't waste time, for time is what life is made up of.

-Bruce Lee

Coming together is a beginning; keeping together is progress; working together is success.

-Henry Ford

The price of success is hard work, dedication to the job at hand, and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand.

-Vince Lombardi

When it is obvious that the goals cannot be reached, don't adjust the goals, adjust the action steps.

-Confucius

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REAL ESTATE COMPANY
P.O. Box 322
Mount Sterling, OH 43143

The California Farmer Fined \$2.8 Million For Plowing His Own Field

by Assemblyman Tim Donnelly, *Breitbart.com*

The California farmer who became the poster child for EPA reform under President Donald Trump is being fined \$2.8 million by state and federal regulators for plowing his own field in Tehama County.

According to a story in the Redding *Record Searchlight*:

“The case is the first time that we’re aware of that says you need to get a (U.S. Army Corps of Engineers) permit to plow to grow crops,” said Anthony Francois, an attorney for the Pacific Legal Foundation.

“We’re not going to produce much food under those kinds of regulations,” he said.

However, U.S. District Judge Kimberly J. Mueller agreed with the Army Corps in a judgment issued in June 2016. A penalty trial, in which the U.S. Attorney’s Office asks for \$2.8 million in civil penalties, is set for August.

It all started in 2012 when a Modesto farmer named John Duarte, owner of Duarte Nursery, bought 450 acres near Red Bluff in Tehama County.

Because the acreage had numerous “swales and wetlands,” Duarte made the decision to hire a consulting firm to map out areas on the property to mark off areas that drained into the nearby Coyote and Oak creeks — which, under an Obama-era regulation, are considered to be “waters of the United States,” (WOTUS).

According to the Record report, Francois and court records confirmed that Duarte planned to grow wheat on the 450 acres.

The wheat Duarte planted was never harvested, “because in February 2013 the Army Corps of Engineers and the California Central Valley Regional Water Quality Control Board issued orders to stop work at the site because Duarte had violated the Clean Water Act by not obtaining a permit to discharge dredged or fill material into seasonal wetlands considered waters of the United States.”

Duarte responded by suing the Army Corps and the state of California. The U.S. Attorney’s office filed a counter-suit.

The government’s case appears to rest entirely on a technicality created under the new rule that grants EPA and the Army Corps of Engineers sweeping powers in what President Trump, at the signing of an executive order directing EPA to begin repealing WOTUS,

described as “a massive power grab” granting the federal government control of “nearly every puddle or every ditch on a farmer’s land.”

The Los Angeles Times describes the whole case as a “protracted legal battle ensued over whether 5-inch furrows amounted to enough of an alteration of the land to “pollute” the pools.

“The wetlands in my case amount to very minor depressions — they’re vernal pools — far away and disconnected from any stream or navigable waters,” Duarte told the Times. “Sometimes they’re just dark spots in the grass to the layperson.”

In an ironic twist, the Times noted that “[d]uring the Senate hearing on Pruitt’s nomination, Iowa Sen. Joni Ernst used a photograph of Duarte’s furrows as a backdrop, mocking a federal brief that said ‘the furrow tops now serve as small mountain ranges.’”

Despite Trump’s new policy, federal regulators are still demanding almost \$3 million from an American farmer for plowing his own privately acquired farmland — land that he reasonably assumed to be exempt from the regulation now being enforced.

Beware of Wire Fraud

WE HAVE SEEN AN INCREASE IN WIRE FRAUD ATTEMPTS AS IT RELATES TO REAL ESTATE CLOSINGS.

Fraudsters are attempting to hack emails to view a real estate transaction as it progresses and then change wiring instructions in an attempt to get the buyer to send funds to the hackers bank account or to have the title company change where they are wiring sellers funds.

HELP TO PROTECT YOURSELF AND YOUR CLIENTS WITH THESE TIPS:

10 tips to help prevent wire fraud and email hacking

1. Create a strong email password that you don’t use for another log in
2. Change your email password frequently
3. Watch for clues in the body of the email (i.e. format of the email seems wrong, signature line doesn’t appear correct)
4. Hover over the senders email to see if it is the correct email. ie: Some hackers will hardcode the senders name <klambert@valmerland.com “Karen Lambert”> but if you hover over the email it says “chris@mtn-com.com”. You may also see where the email is replying to by hitting reply (but DON’T reply) and looking for where it says “reply to”.
5. Watch for slight variations in email addresses. ie: your contact’s email is janedoe12456@gmail.com. The hacker’s email is: janedoe12465@gmail.com
6. Call the closing agent, on a known phone number, to verify wire instructions
7. Watch for last minute changes to wire instructions
8. Be sure your title company utilizes encrypted email
9. Be sure your title company has wire procedures in place
10. Be vigilant and informed and be sure to inform your customers

KAREN LAMBERT

Chief Strategy Officer
Cell: (614) 203-4353
Office: (614) 860-0005
KLambert@ValmerLand.com

www.VALMERLAND.COM

Real Estate Agent Accused in Killings Prompts New Law

by Seanna Adcox, *Associated Press*

COLUMBIA, S.C. (AP) — People who sell or manage property in South Carolina will have to undergo a background check to renew their license under a new law prompted by last November’s arrest of a real estate agent accused of killing seven people.

The law, signed Friday by Gov. Henry McMaster, requires real estate agents, brokers, property managers, and their supervisors to undergo a fingerprint-based check every third license renewal, or every six years.

“Hopefully, it will make people more secure,” Rep. Chip Huggins, R-Columbia, the bill’s main sponsor, said Monday. “This is the result of a terrible situation.”

The law takes effect in 2020.

Todd Kohlhepp was arrested after authorities said they found a woman who’d been missing since August chained by the neck in a storage container on his property in rural Spartanburg County. Authorities said they unearthed the remains of her boyfriend and another couple who disappeared in December. They also said Kohlhepp confessed to a 2003 cold case where four people were gunned down in a motorcycle shop.

Kohlhepp is charged with seven counts of murder, kidnapping, first-degree sexual assault and gun violations. According to the court roster, he is scheduled to be back in court Friday. Prosecutors declined to give details about the hearing.

Kohlhepp, a registered sex offender, received his South Carolina real estate license in 2006, before state law required background checks for real estate licenses.

As a teenager, Kohlhepp was convicted of raping a 14-year-old neighbor at gunpoint and threatening to kill her siblings if she called police. He was sentenced to 15 years and released from an Arizona prison in 2001.

On his 2006 South Carolina application, he checked the box acknowledging he had a felony conviction but lied in the explanation.

A 2014 state law requiring background checks took effect in May 2015 — for first-time applicants only.

Nick Kremydas, CEO of South Carolina REALTORS, said the law is a way to honor the victims.

“Realtors were horrified by last year’s tragic events,” he said Monday. “We knew it was our responsibility to ask the Legislature to enact tougher laws to better protect the public.”

Once agents are in the Multiple Listing Service and given an electronic key, they “literally can walk in the front door of thousands of homes,” Kremydas said.

The law will apply to 48,000 people in real estate and property management in South Carolina — 63 percent of them real estate agents, according to the state Department of Labor, Licensing and Regulation.

What will happen when a crime surfaces in a renewal background check and whether any convictions will result in automatic license suspensions are not yet known. The state Real Estate Commission must develop the process, said Lesia Kudelka, spokeswoman for the licensing agency.

Huggins said he was shocked to learn how many state licenses are doled out without background checks. He plans to push next year for checks for other industry licenses.

“Hopefully, we can do a better job with making sure folks are checked before they’re working with the public,” he said.

Why Are Barns Painted Red?

Sandi Duncan, *Managing Editor - Farmers’ Almanac*

Ever wonder why old barns are usually red in color? Red is (or, perhaps, was) a popular color for barns due not to its color shade but for its usefulness.

Many years ago, choices for paints, sealers and other building materials did not exist. Farmers had to be resourceful in finding or making a paint that would protect and seal the wood on their barns. Hundreds of years ago, many farmers would seal their barns with linseed oil, which is an orange-colored oil derived from the seeds of the flax plant. To this oil, they would add a variety of things, most often milk and lime, but also ferrous oxide, or rust. Rust was plentiful on farms and because it killed fungi and mosses that might grow on barns, and it was very effective as a sealant. It turned the mixture red in color.

When paint became more available, many people chose red paint for their barns in honor of tradition.

