

Brokerage Firm David Lerner Facing Mounting Lawsuits Regarding Apple REITs

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Brokerage David Lerner & Associates is facing two additional lawsuits over its sales of Apple REITs, a family of real estate-based securities that has been questioned by regulators, the [Wall Street Journal](#) reports. All of the lawsuits claim the REITs were unsuitable investments.

A New Jersey lawsuit alleges that David Lerner is “engaged in an ongoing scheme to sell more than \$6 billion of shares” of the securities to many elderly, retired and unsophisticated investors. Similarly, a New York lawsuit alleges that the REIT’s profits don’t cover its 8% annual distribution, which is funded “in the manner of a Ponzi scheme” by returning some investor capital and by borrowing. This tactic has “seriously impaired the value” of the REITs, the suit says.

The lawsuits echo many of the allegations made in the FINRA complaint filed on May 31. The plaintiffs allege that the defendants sold shares to “elderly, retired and/or unsophisticated investors, by misstating the fundamental business model of the Apple REITs, omitting material information about how the Apple REITs were intended to operate, and misrepresenting both the value of the Apple REIT shares and the returns investors would receive on their investments.”

In addition, the plaintiffs allege that David Lerner brokers visited clients at home where they aggressively sold the Apple REITs.

Both cases list numerous defendants in addition to David Lerner & Associates, including Glade Knight, chairman and chief executive of the Apple REIT Companies, Inc. and other Apple REIT management.

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About Debra Speyer

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