

"THIS WILL NOT BE A PONZI SCHEME"

Persuasion in an American Ponzi scheme

Master's Thesis

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<p>Tiivistelmä – Abstract</p> <p>Colon End Parenthesis (CEP) oli yhdysvaltalainen Internetissä vuosina 2005–2007 toiminut sijoitusyhtiö, joka paljastui Ponzi-huijaukseksi. Tämän tapaustutkimuksen tavoitteena on tarkastella huijauksessa käytettyjä suostuttelukeinoja ja arvioida, millainen huijauksen kohdeyleisö oli, millainen kuva huijauksen perustajasta ja yhtiöstä annettiin, ja miten tietokonevälitteinen viestintä vaikutti kommunikointiin yleisön kanssa.</p> <p>Tutkimusmateriaalina toimivat Internet Archive -palvelun arkistoimat CEP:n internetsivustot ja erinäiset keskustelupalstat. Teoriapohjana ovat Aristoteleen retoriikka sekä uudemmat teorit suostuttelusta ja tietokonevälitteisestä viestinnästä. Tutkimus käyttää retorista analyysiä ja tarkastelee, millaisin sanakääntein asioista puhuttiin, mihin viitattiin suoraan ja mitä vihjattiin, mitä korostettiin ja mitä toisaalta peiteltiin, ja miten suostuttelijan uskottavuutta pyrittiin rakentamaan.</p> <p>Analyysi paljastaa, että huijauksen perustaja Trevor Reed korosti viestinnässään rehellisyyttä, ystävällisyyttä sekä uskonnollisuutta, ja lisäksi yhtiön toiminta esitettiin pelkistäen. CEP:sta pyrittiin luomaan kuva ystävällisenä ja tiiviinä yhteisönä, sekä Reedistä luotettavana ja uskottavana sijoittamisen asiantuntijana. Sijoittajiksi houkuteltiin kristittyjen lisäksi paitsi vähäisellä sijoituskokemuksella varustettuja luottavaisia ihmisiä, myös huijausta epäileviä riskinottajia. Tietokonevälitteinen viestintä mahdollisesti ylipäättään huijauksen toiminnan ja lisäksi tehosti suostuttelua korostamalla ystävällisyyden ja välittömyyden vaikutelmaa.</p>	
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## 1. INTRODUCTION

Ever since the first Ponzi scheme in the late 1800s, there have been numerous schemes running worldwide and the number seems to be increasing. In 2009 in the United States alone, there were approximately 2,100 ongoing FBI investigations regarding Ponzi schemes, while a year earlier the number was 1,750 (Anderson 2009). New Ponzi schemes and pyramid schemes – which are both rather similar scams with different structures – are revealed constantly all over the world, some bigger and more outrageous than others, and occasionally they attract notable media attention. Although it has been more than a hundred years since the first Ponzi scheme, the term seems to have entered the public consciousness only in the 2000's, and the authorities face the enormous task of informing the public and keeping up with the latest schemes.

Ponzi and pyramid schemes are a topical, complicated phenomenon that can be studied from several viewpoints: their internal structures and impact on surrounding economy can be remarkable, not to mention their impact on individual lives; they arouse questions of ethics and justification in regards to prevailing social problems; and they can also be fascinating examples on persuasion, deception and manipulation. These financial schemes can be studied in different fields of study and from numerous different viewpoints. The present study aims to analyse the persuasive communication of one American Ponzi scheme from the perspective of linguistics and rhetorical analysis. Studying Ponzi and pyramid schemes does not only provide the scientific community with a fruitful and topical subject, but it could also help the public understand and avoid such frauds, and optimally provide authorities with means to prevent and seize future schemes more quickly.

The Internet has provided people a quick and easy way to communicate and find information, but it has also provided dishonest users an efficient channel to find new victims. Anyone with an Internet access can create a free website, blog or discussion forum, and advertise them on other websites and forums, and thus contact suitable people. A professional looking website can deceive inexperienced investors, and computer-mediated communication can be used to create an illusion of familiarity and closeness between complete strangers and thus gain the victims' trust (Thurlow et al. 2004: 53). While many Ponzi schemes are still based on face-to-face communication,

the Internet is increasingly the chosen domain for many different kinds of fraudulent schemes: it is cost-efficient, can reach people from different continents and its anonymity can be used to protect the fraudster's true identity or location (Frankel 2005: 103).

One of these Internet-based Ponzi schemes was Colon End Parenthesis (henceforth CEP), a high-yield investment programme, that ran in the United States from 2005 until 2007. CEP was a relatively small Ponzi scheme when considering the number of its victims (approximately 5,000) and the amount of money involved in the scheme (approximately \$12 million). (SEC 2007) The scheme's unravelling seems to have attracted little media attention and the few news reports and articles found on the Internet discussing the scheme are from a local newspaper in Georgia, USA. Therefore, the reason for choosing this particular scheme for a case study is not its historical significance or impact on the U.S. economy, but the special characteristics of the communication between CEP and its members.

First of all, the fact that CEP was Internet-based, with a website and public discussion on several forums, makes it somewhat easy to gather data even years after the end of the programme. The communication itself was also interesting: it was personal, friendly, and highly informal, using Internet slang and religious themes. Considering that CEP claimed to be a legitimate business operating in the field of investment (colonendparenthesis.com 2006c), such exceptional level of informality and emphasis on religion makes its communication an interesting subject to study.

Second, the CEP programme was strongly personified by its originator, Trevor Reed, who was the founder and main promoter of CEP and who most frequently communicated with the current and prospective members. The text on the original website of the programme was written in first person singular and Reed's administrator profile page concentrated solely on introducing him as a private person, rather than presenting verifiable credentials for himself as a reliable investment broker. The present study assumes that Reed represented the programme with his own persona and emphasised some of his personal characteristics to persuade new members; thus Reed's presentation of identity and persuasion tactics construct the core of the present study.



Like any entrepreneur marketing his services, it is quite likely that Reed had some kind of a target audience in mind, whom to attempt to persuade. This evaluation of the optimal target audience, or segmenting, is the basis on which businesses start to build their image and their communication strategy (Laakkonen 2009). While it is impossible to know with certainty what Reed had on his mind, the target audience can be revealed with a detailed analysis of the communication found in the data.

The present study attempts to examine the communication between CEP – and more specifically Trevor Reed himself – and its audience from different viewpoints: what was the programme's target audience; how did Reed present himself and CEP; and what effect did the media (that is, CEP websites and discussion forums) have on the communication between CEP and others. Through these questions the present study attempts to look into the persuasive tactics used to attract new members and maintain their trust. The theoretical framework consists of Aristotle's rhetoric proofs, other supporting theories on persuasion, and theories on computer-mediated communication (henceforth CMC) and affinity frauds.

The present thesis is structured as follows: the first background chapter presents the case of Colon End Parenthesis, and offers the definition for a Ponzi scheme and an affinity fraud. The second chapter discusses Aristotle's rhetorical proofs and how they can be used to persuade the audience, and more contemporary theories that support and add to Aristotle's ideas. This third chapter presents computer-mediated communication, and discusses how it is used to construct the fraudster's identity online and connect with potential victims, and what effect the Internet has on frauds.

The analysis is divided into three chapters, discussing CEP's communication and persuasion from three viewpoints: the medium, the audience and the fraudster. The present study aims to show how computer-mediated communication affected the Ponzi scheme, what kind of people may have been attracted to the scheme and how the fraudster, Trevor Reed, presented himself online. The division into these three subchapters is somewhat artificial, since some characteristics of the communication can be studied just as easily from any of the viewpoints mentioned above, and occasionally the three subchapters overlap in their analysis.

The following terms are used to make the present study easier to follow and to simplify otherwise possibly confusing terminology:

*CEP* is used rather loosely in the present study: in general, it refers to the fraudsters, i.e. founder Trevor Reed, programmer Clayton Kimbrell and other possible accomplices – officially the company CEP Holdings, Inc. However, the term *CEP* is often used of the whole scam, including all the different programmes run by CEP Holdings, Inc.

*Members* refers to people who invested in the programme, whether they knew of the programme's true fraudulent nature or not, and whether they profited from the programme or not.

*CEP websites* refers collectively to the discussed websites used in the scam: [healinjesusname.ws](http://healinjesusname.ws), [colonendparenthesis.com](http://colonendparenthesis.com), [coastin88.com](http://coastin88.com), [cepcoast.com](http://cepcoast.com) and [cepgivesback.com](http://cepgivesback.com). When it is necessary to refer more specifically to a certain website, the above-mentioned addresses are used. Although these addresses are currently out of use and the websites are only accessible through Internet Archive Wayback Machine, it is reasonable to use these addresses for clarity. These addresses are also used in the reference list and thus throughout the text. However, when discussing the programmes more generally, their names (CEP, CEP Gives Back and so forth) can be used instead of the website addresses.

## 2. COLON END PARENTHESIS

This chapter first provides an explanation of what, in fact, is a Ponzi scheme and how it usually works, then briefly defines an affinity fraud and finally introduces the case of the present study, Colon End Parenthesis, and its mechanism and most distinct characteristics. The present study uses extensively the definitions and explanations provided by the United States Securities and Exchange Commission, henceforth abbreviated as SEC within the text and the reference list.

### 2.1. Ponzi scheme

A Ponzi scheme first appeared in the USA at the end of 1800s and it was later named after Charles Ponzi, a notorious con artist in the 1920s in the United States (SEC 2010a). In a Ponzi scheme, the fraudster advertises his or her programme by promising very high returns for investments – which are sometimes called *purchases* or *membership fees* – with supposedly little risk involved and often giving only a very vague explanation of how they are able to generate the large sums necessary to pay the returns (SEC 2009b). For example, in the case of the present study, the only explanations given were that the fraudster had "learned where to invest monies to make a profit" (healinjesusname.ws 2005a) and that they would invest the members' payments in "travel agencies, condos, health products and other brick-and-mortar concerns", without disclosing further details of said investments (Weisbecker 2007).

In reality, there usually is no significant external source of income and the program relies solely on the money from new investments (SEC 2009b). Since there usually is no actual proof of how the profit is generated or a legitimate right to sell securities, the schemes have to use other means of attracting investors: especially a good reputation and positive testimonials from current members. This is obtained by paying earlier members the promised returns to make the scheme seem functioning, which then leads to said members carrying out word-of-mouth advertising to their acquaintances – and this form of advertisement is not only free for the fraudster, but also highly efficient (SEC 2009b).

Although CEP was found to have been mainly a Ponzi scheme (United States Bankruptcy Court 2008a), it had some features of a pyramid scheme as well. CEP websites featured tables explaining the programme's "Referral Program", where members could earn more whenever other members they had referred to the programme bought an upgrade, i.e. paid for the option of investing for a shorter time (colonendparenthesis.com 2006e). The present study supports the ruling of the bankruptcy court and views CEP as a Ponzi scheme, since members were able to make profit solely through their investments and recruiting new members was only a way of earning a little more, unlike in most pyramid schemes. In addition, urging the members to recruit more members was rarely mentioned in CEP's public communication.

When the present study began in late 2009, the definition of a Ponzi scheme found on the website of the U.S. Securities and Exchange Commission paralleled Ponzi and pyramid schemes, indicating that Ponzi was one form of a pyramid scheme. However, at some point during the year 2010 SEC changed its definition of Ponzi scheme and currently notes that, while there are similarities between a Ponzi scheme and a pyramid scheme, there are quite fundamental differences in the schemes' structures and mechanisms. The current definition no longer sets Ponzi scheme as a variation of the classic pyramid scheme, which is heavily based on multilevel marketing and requires each member to recruit new members to make profit, but as a separate scheme. (SEC 2010a) It can be assumed that revising the definition stems from more recent studies of the two schemes and their characteristics, and also perhaps from the need to answer more thoroughly and accurately to the concerned public and the media – especially post-2008, when Bernard Madoff's Ponzi scheme, at the latest, introduced the term to the public.

Bernard Madoff, an American former chairman of NASDAQ, confessed in 2008 to running the largest Ponzi scheme in history (BBC News 2009). His scheme, estimated at around \$50 billion, had run for over a decade, and organisations and banks all over the world had invested in Madoff's company (Frank 2009). Among others, the Nordic bank Nordea had about 50 million euros worth of investments in the company (YLE Uutiset 2008). As opposed to many other schemes, Madoff originally had a legitimate business, which gradually turned into a Ponzi scheme only after he faced difficulties to pay his clients with real earnings during the 1990s recession: "When I began the Ponzi

scheme I believed it would end shortly and I would be able to extricate myself and my clients from the scheme. However, this proved difficult and ultimately impossible." (Frank 2009) The scheme began during a recession, and it was the next recession that eventually ended Madoff's Ponzi scheme: in 2008, the investors were faced with the global recession and attempted to withdraw approximately \$7 billion from Madoff, who was then unable to cover such a great sum, because the system had relied solely on incoming investments. Madoff then confessed running a fraud, and was eventually found guilty in 11 charges, including securities fraud and money laundering, and was sentenced to 150 years in prison. (BBC News 2009)

The current definition provided by SEC notes that while Ponzi scheme and pyramid scheme are "closely related because they both involve paying longer-standing members with money from new participants, instead of actual profits from investing or selling products to the public" (SEC 2010a) and both also have a limited time span and quite likely result in the majority of the investors losing their money (SEC 2009b), there are some major differences in the schemes' structures and how they are executed:

Table 1. Pyramid scheme vs. Ponzi scheme.

	<b>Pyramid Scheme</b>	<b>Ponzi Scheme</b>
<b>Typical "hook"</b>	Earn high profits by making one payment and finding a set number of others to become distributors of a product. The scheme typically does not involve a genuine product. The purported product may not exist or it may only be "sold" within the pyramid scheme.	Earn high investment returns with little or no risk by simply handing over your money; the investment typically does not exist.
<b>Payments/profits</b>	Must recruit new distributors to receive payments.	No recruiting necessary to receive payments.
<b>Interaction with original promoter</b>	Sometimes none. New participants may enter scheme at a different level.	Promoter generally acts directly with all participants.
<b>Source of payments</b>	From new participants – always disclosed.	From new participants – never disclosed.
<b>Collapse</b>	Fast. An exponential increase in the number of participants is required at each level.	May be relatively slow if existing participants reinvest money.

(SEC 2010a)

It is mathematically impossible to sustain either of these schemes forever, but usually the fraudster knows this from the beginning. Because there can only be a limited amount of new investment coming in, it is inevitable that at some point paying the returns becomes impossible and the scheme collapses. This inevitability is most apparent in traditional pyramid schemes, because – depending on how many people the members are expected to recruit – when the scheme reaches a certain number of levels, recruiting new members will be impossible. If a pyramid scheme requires its members to recruit 6 new members to profit, the 13th level of the pyramid would already require more than 13 billion new members. (SEC 2009b)

The number of new members required to keep a Ponzi scheme running does not grow as exponentially as in a pyramid scheme, but with each joining member, the amount of money required to pay the promised returns becomes more and more difficult to generate. The amount grows also when existing members invest more in hopes of bigger returns. Another problem arises when the general economy fluctuates and a great number of the members wish to withdraw their investment at the same time – which happened to Madoff's Ponzi scheme at the beginning of the latest recession (YLE Uutiset 2008, BBC News 2009). The fundamental problems in Ponzi schemes are the lack of an external source of income, and also the promised impossibly high returns – which, of course, attracted the investors in the first place. On the other hand, the programme is often meant to last only as long as it is necessary for the fraudster to gather enough money for himself, and not to function as long as an actually legitimate and successful investing company.

The fraudster usually disappears with the investors' money before the true nature of the program is revealed to the public. Sometimes the authorities manage to seize the business and capture the fraudster in time, but still most of the investments are often spent, hidden or spread among the members by then, and it is impossible to reimburse all the financial losses (SEC 2009b). It is not uncommon for the fraudsters, their accomplices or even their oblivious victims to blame authorities for the programme's failure: they can claim that the programme was fully functioning and would have generated enough money to pay the returns to all the investors, if only the authorities had not shut it down before its time (Frankel 2005: 33). As the YLE documentary

*Pimeän puolella* (originally broadcast in 2010) about financial frauds aptly explained, it is much easier to blame others than to face one's own limitations.

When the present study began in 2009, SEC had "filed 60 enforcement actions involving Ponzi schemes or Ponzi-like payments" (SEC 2010a), and the number of FBI agents assigned to these cases had increased from 429 to 651 within just two years (Anderson 2009). Since 2009, several other enormous American Ponzi schemes have been discovered: Allen Stanford scammed his victims for \$7 billion, Tom Petters \$3.7 billion, Scott Rothstein \$1.2 billion and Marc Drier \$400 million (Vardi 2012). Presently SEC updates a public list on its website of the latest enforcement actions against Ponzi schemes and informs that "[s]ince fiscal year 2010, the SEC has brought more than 100 enforcement actions against nearly 200 individuals and 250 entities for carrying out Ponzi schemes" (SEC 2013). The webpage lists 46 examples of Ponzi schemes that range from a \$7 million local affinity fraud to a \$900 million scheme, all from 2009 to 2013, in the United States alone (ibid.).

Although Ponzi and pyramid schemes originated in the United States, they are an increasingly global problem. In fact, the present study was prompted when the Finnish media extensively discussed the investment company WinCapita, which was seized in 2008 and which turned out to be the biggest Finnish pyramid scheme ever, with 10,000 members and investments of approximately than 100 million euros (KRP 2009b). WinCapita claimed to make profit in foreign exchange market and required its existing members to recruit new members to maximise their profit, but in fact the company operated merely by circulating new members' investments to the old members (KRP 2009a). Even after the authorities seized the company, some members believed that WinCapita was a legitimate business and its investigation was unfounded, and the Finnish Police had violated the members' rights by confiscating assets (YLE Uutiset 2009). In March 2010, a new company named Worldwide Investment Solutions House WinCapita, consisting of leading members of the previous Wincapita and operating on the same principle, was registered in the Finnish Trade Register (YLE Uutiset 2010). In February 2013 the Court of Appeal Helsinki ruled that the original WinCapita was, in fact, an illegal pyramid scheme, and the founder was found guilty of aggravated fraud and illegal fundraising and was consequently sentenced to five years in prison (YLE Uutiset 2013).

### 2.1.1. Affinity fraud

SEC (2006a) defines affinity fraud as a special form of a fraud where the victims belong to an identifiable group of a certain religion, ethnicity, age or profession, for instance. The fraudsters usually belong, or at least pretend to belong, to the same group and thus gain the victims' trust. Often they also convince respectable members of said group to promote the scheme, by claiming that the investments benefit the community or that the profits go to charity. In the recent years there have been several instances of Christian communities and organisations losing huge sums of money in, for example, church funding programmes, which turn out to be mere Ponzi schemes. (ibid.) Even Bernard Madoff's scheme had features of an affinity fraud, because Madoff used his respected status in the American Jewish philanthropic circles to convince several Jewish charity organisations, communities and individuals to invest millions of dollars in his scheme (Appelbaum et al. 2008).

According to Frykholm (2009), all frauds consist of four elements:

First, the perpetrator has a need of some kind--usually a secret one. It could be as tangible as a gambling addiction or as intangible as a need to be admired. It could be an illness in the family or an impending divorce. Whatever it is, the perpetrator has a problem that he or she does not want others to know about.

Second, the perpetrator has an opportunity. This might be a flaw in the church's accounting system or, as in [Phil] Harmon's case, the fact that people trusted him with ever-increasing amounts of insurance money.

Third, the perpetrator has a rationalization. He or she thinks: "Everyone else here gets paid more than I do." "This organization wastes its money." "I will pay it back." "I deserve this." "I'm the smartest one here." [...] Rationalizations may contain a grain of truth, but they primarily serve the purpose of justifying fraud.

The fourth element is the capacity to commit fraud. Perpetrating fraud takes a large amount of energy, time and intelligence. Schemes tend to become more and more complex over time, and maintaining appearances takes more and more energy. By the time most perpetrators are caught, [...] they have begun to act in flamboyant ways that suggest they want to be discovered and for their scheme to be ended.

The CEP case may be slightly different, though, because before creating the programme there was no temptation: Reed did not initially have an opportunity to benefit from a



faulty system and presumably he was not entrusted with large sums of money before CEP. However, it could be argued that the High Yield Investment Program industry with its vagueness and general lack of truth validating (SEC 2009a) provided a temptation in itself, and the Internet made conducting the scheme temptingly easy.

What makes religious groups especially vulnerable to fraudulent acts is the members' faith and strong sense of reliance on each other. As Frankel (2005: 54) points out,

A religious bond can exist even among strangers. Thus, religion is strong emotional and social glue. Religion does not inculcate in the group members the negative need for protection from each other. That is because there is no drive to be protected from the God in whom the members believe. After all, one cannot protect oneself from God's wrath. This unquestioning shared faith is transferred to members of the group. There is less need for protection against group members and fellow worshippers. The shared faith and trust in each other makes such groups vulnerable to deception.

In other words, religion does not only provide a shared background for people, it actually makes people trust in each other as they trust their own beliefs.

SEC (2006a) explains that the authority of the fraudster or other respected figures involved can sometimes overrule possible warnings coming from outside the group. When the true nature of the fraud is finally revealed, the group encounters an internal crisis – especially when leading members of the group are involved in the fraud, whether knowingly or not – and often the group still attempts to solve the situation internally, rather than contact officials for timely investigation and help (ibid.).

CEP did not explicitly restrict its membership to Americans nor Christians, but Reed did make his and the whole programme's American and religious background rather clear. While the United States is home to many different ethnic groups, it is predominantly and very visibly a Christian country: even its motto is "In God We Trust" and its pledge of allegiance says "one Nation under God". This conscious national emphasis on religion originates in the 1950s, when "The United States, wanting to distinguish itself from the USSR and its atheist positions, went to great extremes to demonstrate that God was still supreme in this country" (Merriman 2007: 111). In fact, in 2008, as many as 76 per cent of adult Americans identified themselves as Christians, and 70 per cent said they believed in God (Kosmin 2008).

As mentioned earlier in this subchapter, the term affinity fraud usually means fraud targeted at a rather specific, small group of people. However, it can be argued that knowingly abusing the American "can do" attitude and the current social problems in the American society – such as unemployment and increasing inequality between social classes – and manipulating people in vulnerable situations to invest in fraudulent programmes, falls near the definition of affinity fraud: the fraudster targets people with common characteristics and background, having or at least pretending to have the same background and experiences, and uses his (inside) knowledge of this group and its situation to promote his fraud.

Believing in the "American dream" and subsequently having a "can do" attitude can be a vulnerability for an eager investor with little to no experience in the field. An unwaivering belief in an individual's ability to achieve riches with persistence, entrepreneurial spirit and intelligence, can lead to taking risks repeatedly with little knowledge of how businesses actually work and how to distinguish legitimate businesses from dishonest frauds. According to Frankel (2005: 33, 55), Americans might be prone to misplacing their trust: they are willing to trust their own skills and people who share their own background, without making further inquiries or fact-checking, but at the same time they do not trust the authorities, and blame them for national economic crises and seizing investment programmes too early.

It is possible that investors would not be able or willing to invest the time and effort necessary to distinguish between the true and honest businesses and the fraudulent ones. [...] Such unskilled investors may trust all businesses until some businesses fail, for whatever reasons, including illegality.

(Frankel 2005: 41)

After being deceived, investors may stop trying altogether, try safer methods of investing or, in fact, start abusing the frauds. (ibid.)

The unemployment rate the United States in November 2005, when CEP was founded, was 5.0 per cent, and since then it has increased to 7.5 per cent in April 2013 (United States Bureau of Labor Statistics database). Loss of a regular income often leads to a search for alternative sources of income, especially in a country with little social welfare, and if the person is desperate and opportunistic enough, he or she might be willing to take great risks and even potentially break the law. The number of ongoing

frauds in the United States is high and ever increasing, which might be related to the idea of the so-called "American Dream", which appeals to both fraudsters and eager amateur investors.

Frankel (2005: 55) writes, that

"Americans are trusting people. They are proud of their independence and their ability to protect themselves from deception by others. Thus, [they] trust and rely on others, but [they] also seek independence and rely on [themselves]."

The latter point might be the reason why some Americans are enthusiastic about opportunities to make money independently. Even if they take risks, they trust on their own intelligence and survival skills to distinguish and defeat frauds. On the other hand, this may apply, to some extent, also to the fraudsters: they may not be willing to submit to using more traditional and more legitimate ways of making money, but wish to find their own, independent ways to get rich – even if it means deceiving others.

According to Rotter (1980), trusting others affects an individual's own perceived trustworthiness, and on the other hand, trusting does not necessarily mean gullibility. Rotter used psychological tests to divide people into "high trusters" and "low trusters". High trusters are more likely to trust strangers, when there is no apparent evidence to suspect foul play, but they are nevertheless likely to also distrust a person if they have earlier experience or reliable information of the person's untrustworthiness. On the other hand, low trusters, who are generally sceptical towards strangers, are also more likely to be untrustworthy themselves:

If low trusters truly feel that other people cannot be trusted, there is less moral pressure on them to tell the truth, and under some circumstances they may feel that lying, cheating, and similar behaviors are necessary for defensive reasons — because everybody else is doing it to them.

(Rotter 1980)

So according to him, people who trust others are more likely viewed by others as trustworthy, whereas people with little trust for others are more likely – and with good reason, as stated above – viewed as untrustworthy. In relation to affinity fraud, this could mean that, in a close-knit community, questioning others and asking for proof is a sign of distrust and, consequently, untrustworthiness.

Mustonen (2000: 39) notes that people tend to underestimate the effect that social influence and persuasion have on themselves, and believe that others are more easily affected. This could be another factor at play in affinity frauds, especially when combined with the American emphasis on independence and individualism: people are more likely to think that they are unaffected by persuasion and social influence, and that they are able to make independent decisions based on rational reasons. According to Mustonen, this phenomenon also makes people believe that doubters and opposers are biased and influenced by third parties, and therefore should not be trusted.

## **2.2. Colon End Parenthesis**

Colon End Parenthesis, or CEP, was an Internet investment scam run by Trevor Reed and Clayton Kimbrell from the end of 2005 until its shutdown by the Securities and Exchange Commission in summer 2007. CEP operated via several websites, mainly colonendparenthesis.com, and with promises of high returns, succeeded in attracting more than \$10 million in so-called membership fees from approximately 5,000 investors in the United States. (SEC 2007)

Reed created the Colon End Parenthesis website in November 2005 at the web address healinjesusname.ws. Kimbrell soon followed as "CEP's new programmer" (healinjesusname.ws 2005b) and the website was moved to the new address colonendparenthesis.com. The CEP programme was also advertised on several Internet forums that concentrate on similar programs that offer high returns, known as High Yield Investment Programs, or HYIP (United States Bankruptcy Court 2008a). CEP was claimed to be an auto-surf programme, which the Securities and Exchange Commission (SEC) defines as follows:

'Auto-surfing' is a form of online advertising that purportedly generates advertising revenue for companies that want to increase traffic to their websites. The premise behind auto-surfing is that companies that advertise on the Internet are willing to pay to increase traffic to their web sites. These companies hire an auto-surf firm or "host," which in turn pays individual web surfers to view certain websites on an automatically rotating basis. The more sites the individual visits, the more money he or she stands to earn.

(SEC 2006b)

CEP claimed that the staff would surf on behalf of the members and promised 60% monthly returns for members' payments (United States Bankruptcy Court 2008a). CEPcoast and Coastin88, which were other programmes run by CEP, promised up to 8% daily profit for payments, in exchange for viewing and rating websites submitted by other members (coastin88.com 2007a).

Members were able to invest in CEP in different steps, or in Reed's words, "purchase [...] levels of Colon End Parentheses" (colonendparenthesis.com 2006d). Level 1 allowed members to invest for example \$20 for 360 days, and at the end of the time period they would be able to withdraw \$144. According to CEP's table (colonendparenthesis.com 2006d), this meant 2% daily interest and 720% interest overall. Since such a long turnaround time did not appeal to all, CEP offered a chance to buy upgrades to higher levels: for example, on level 3 money was invested for 60 days with 180% interest, and on level 9 for 30 days and 150% interest. CEP Coast and Coastin 88 provided other systems with so called referral programmes – a kind of multilevel marketing aspect added to the basic auto-surf idea – but basically all of the programmes provided a set of options to invest different amounts of money for varying time periods.

CEP claimed to invest in several other third-party companies to gain more profit and secure regular income. However, later investigation revealed that CEP was not, in fact, paid by other companies to auto-surf and they also had only invested intra-company, which consequently could not generate any more money into the program. Moreover, CEP did not have adequate records of members' investments or the money paid out, and the profits from the main CEP programme, as well as CEPcoast and Coastin88, were all commingled on two bank accounts. CEP was proven to have relied almost solely on members' payments, and the U.S. Bankruptcy Court of Northern District of Georgia

ruled in May 2008 that CEP was therefore a Ponzi scheme. (United States Bankruptcy Court 2008a) Reed and Kimbrell were eventually found jointly liable for damages of about 1.5 million dollars (United States Bankruptcy Court 2008b).

It would be interesting to know if Reed originally planned the CEP programme to be a Ponzi scheme, or if it became a scam later on, which happened to Charles Ponzi (SEC 2010a) and Bernard Madoff (Frank 2009). It would also be interesting to know what Kimbrell's involvement and input in the scam was eventually. It was said on the website that his expertise was, in addition to programming, "[the] knowlegde [sic] as to how to register businesses and the legal side of those things" (colonendparenthesis.com 2006b). However, in reality his role must have been something else altogether, since it turned out that neither Reed nor Kimbrell were licensed brokers, CEP's transactions were unregistered and there were no adequate records of payments, either (SEC 2007). It is also peculiar, that after the scam was revealed and Reed's and Kimbrell's assets were investigated, Kimbrell was said to have bought "a house, a boat and a \$65,000 car", whereas Reed had "little to show for it" (Weisbecker 2009). This outcome calls for further speculation: was Reed more optimistic about the lifespan of the fraud and was simply postponing taking his share of the fraud, or is it possible that he was oblivious to the programme's true nature and a mere victim himself? However, according to United States Bankruptcy Court (2008a and 2008b) Kimbrell and Reed were both found guilty of running a Ponzi scheme, and the analysed data in the present study strongly suggests that Reed was deliberately deceiving CEP's members. Therefore it is more likely that Reed simply did not take advantage of the programme as early on, or as extensively, as Kimbrell, and there is no apparent reason to suspect that Reed could have been anything less than a equally responsible partner in crime.

CEP was a programme that anyone could join, but it also used religion as a way to attract members. Reed presented himself as an openly religious Christian, often emphasising his beliefs, and mentioned that he was a seminary student "in pursuit of ministering for the Lord Jesus Christ" (colonendparenthesis.com 2006b) and that he had received the idea for the programme originally from God (Weisbecker 2007). Even CEP's Terms of Service begun with a verse from the Bible and CEP was referred to as a Christian company (colonendparenthesis.com 2006c) and later, after a redesign of the website, the title on the index page read "Stop surfing, take a leap of FAITH into auto-Heaven!" (uppercasing in original text) (colonendparenthesis.com 2006a).

CEP used its websites and forum to publicly communicate with its members, but the programme was also advertised and discussed on other forums of the same niche. The communication was usually kept informal and free of business jargon, and was especially characterised by the occasionally copious use of smileys and other features of Internet slang:

lol Yeah, no kidding, right? ;-) lol I'll see whether I can post in our forum later on to see whether they might hop on over here. :-)

Trevor

(TheHYIPForum.com. loveinJesusname's post July 28, 2006)

\*\*\*Laughing at you while on my new plane en route to Cancun for a month vacation before I start my next site!\*\*\*

LOL...you know I'm playing!

(moneymakergroup.com. CEPProgrammer's post May 1, 2006.)

The informality of the communication between CEP and its members is one of the main focuses of the present study and will be discussed therefore in depth in the analysis chapter.

### **3. PERSUASION THEORIES**

Persuasion is defined as an attempt to influence others by usually appealing to their logic or emotions, rather than using force. The chosen strategy and means of persuasion depend on, for instance, the number and characteristics of the receivers, the situation and the prevalent culture with its norms. (Larson 2007: 2) This chapter briefly reviews different views on persuasion, providing background for the analysis.

The assumption of the present study, which will be discussed more in depth in the methods chapter, is that the persuasive methods used by CEP can be analysed in relation to Aristotle's rhetoric proofs, discussed in the first subchapter, and also more modern theories on persuasion, discussed in the second subchapter.

#### **3.1. Aristotle's rhetoric**

Rhetoric, the art of eloquence and persuasion, was probably born in the ancient Greek towns of Sicily and then imported to Athens, where the public life of the earliest democracy required citizens to convincingly argue on behalf of their cause. Rhetoric was taught by sophists, the highly appreciated and popular teachers of effective speech, for the politically oriented free citizens. (Vickers 1989: 6–7)

Aristotle was neither a rhetor nor a sophist, but unlike his predecessors Socrates and Plato, who opposed rhetoric for its power-hungry implementations, he saw its value. Aristotle argued that exactly because rhetoric could be used wrongfully, it was essential that everyone should have adequate rhetorical knowledge. Only equal rhetorical skills on both sides of an argument could result in informed decisions, because wisdom or truth alone hardly ever are enough to convince the audience. (Puro 2006: 30–31)



Rhetoric is useful because things that are true and things that are just have a natural tendency to prevail over their opposites, so that if the decisions of judges are not what they ought to be, the defeat must be due to the speakers themselves, and they must be blamed accordingly. Moreover, before some audiences not even the possession of the exactest knowledge will make it easy for what we say to produce conviction. For argument based on knowledge implies instruction, and there are people whom one cannot instruct.

(Aristotle 1984: 2154)

For Aristotle, rhetoric was "the faculty of observing in any given case the available means of persuasion" (Aristotle 1984: 2155). He argued that everyone could present their opinions, argue and persuade intuitively, but rhetoric skills would make it more effective (Puro 2006: 31). According to Aristotle, it was important to customise one's communication strategy for each individual audience and each situation, thus foreboding the practice of audience segmentation used in contemporary marketing (Larson 2007: 11). He also argued that there are universal ideas that everyone can relate to, such as happiness, and it is the persuader's task to find out what are the things that might bring happiness for that specific audience, and how those things relate to the ideas the persuader wants to promote (Larson 2007: 54).

In *Rhetoric*, Aristotle makes a distinction between things that are controllable by the persuader and those that are not. Inartistic proof, which cannot be controlled, includes such things as "the occasion, the time allotted to the speaker, and the speaker's physical appearance". Artistic proof, on the other hand, can be controlled – to some extent – by the persuader. According to Aristotle, there are three important types of artistic proof: *ethos*, *pathos* and *logos*. (Larson 2007: 11)

*Ethos* consists of things that affect the way the audience perceives the persuader and how the persuader presents himself. According to Aristotle, one of the most important aspects of a persuader's *ethos* is his credibility. The persuader may have a certain reputation or image, which can affect the audience's preconception and thus their attitude toward the persuader and his or her message. A persuader, who is known to be a well-informed, dispassionate expert on the subject, has an obvious advantage compared to someone who is generally considered to be biased and uninformed. (Larson 2007: 55)

There are three things which inspire confidence in the orator's own character – the three, namely, would induce us to believe a thing apart from any proof of it: good sense, excellence, and goodwill. False statements and bad advice are due to one or more of the following three causes. Men either form a false opinion through want of good sense; or they form a true opinion, but because of their moral badness do not say what they really think; or finally, they are both sensible and upright, but not well disposed to their hearers, and may fail in consequence to recommend what they know to be the best course.

(Aristotle 1984: 2194)

Therefore it is important that the persuader should present himself not only as a reasonable and honest man, but also as someone who is willing to spread the wealth and other benefits equally and selflessly. Aristotle (1984: 2207) defines kindness as "helpfulness towards someone in need, not in return for anything, nor for the advantage of the helper himself, but for that of the person helped", especially if the help is given "to one who is in great need [...] or who needs it at an important and difficult crisis; or if the helper is the only, the first, or the chief person to give the help."

*Pathos* means using the audience's state of mind for the benefit of the persuasion. This can mean using the audience's current state of mind or arousing suitable emotions that are needed to successful persuasion (Aristotle 1984: 2194) – for example, hatred when attempting to wage a war, pride when calling for patriotism and pity when demanding human or animal rights. He notes, on the other hand, that appealing to the audience's emotions when discussing matters of the greatest rationality, can seem excessive, unnecessary and distracting (Larson 2007: 56).

*Logos* means having logically and understandably explained reasons with valid evidence, which the audience can agree on (Larson 2007: 11). More specifically, *logos* means appealing to the rationality of the audience, using logical cause—effect arguments and presenting adequate evidence – in other words, presenting the truth in such an undeniable fashion, that the audience cannot deny it. Aristotle thought that *logos* was the most important artistic proof, because he valued the substance of an argument over its style. (Puro 2006: 34)

According to Aristotle, persuasion is most effective when the persuader and the audience share common culture, beliefs or other preliminary knowledge on the subject. Firstly, this can have a positive effect on the persuader's *ethos* by evoking a sense of

fellowship and trust in the audience, and secondly, this allows the persuader to use *enthymemes*, which is "a form of argument in which the first or major premise in the proof remains unstated by the persuader and, instead, is supplied by the audience" (Larson 2007: 11). In the religious context the enthymemes could be, for example, the assumption that devout Jewish and Christian people honour and live strictly by the Ten Commandments. While this is not necessarily true, the assumption still persists and the persuader can benefit from it without ever having his own ethics and actions questioned.

An affinity fraud aimed at a certain religious community can efficiently exploit the group's own rhetoric conventions, customs, shared values and even hierarchy, by using respected group leaders to spread the word and convince people to join the scam (SEC 2006a). It is likely that in an affinity fraud aimed at a Christian community, the fraudsters present themselves as religious people, sharing the same values and beliefs as the group. This benefits the fraudsters in at least two ways. Firstly, their *ethos* is positively affected by their association with the target group, either genuinely or through pretence, because the audience either knows them or feels like they can relate to them, and because the fraudsters know how to best present themselves (Larson 2007: 55). Secondly, the fraudsters often know the most effective ways to appeal to the group's emotions (*pathos*) through correct manners and rhetorical devices, for example metaphors from the Bible (Larson 2007: 11).

Although Aristotle created his theory nearly 2000 years ago and the world has since changed drastically, his ideas can still be used when studying modern day communication, whether spoken, written or even typed on the Internet. The next subchapter discusses modern persuasion theories, which are heavily influenced by Aristotle's theory, especially in regards to knowing one's audience and modifying the message accordingly, and the importance of the persuader's image. The relevance of Aristotle's rhetoric proofs to CEPs communication with potential investors and its members will be discussed in the analysis chapter.

### 3.2. Other views on persuasion

Schmidt and Kess (1986: 2) define persuasion as "the process of inducing a voluntary change in someone's attitudes, beliefs and behaviour through the transmission of a message". They emphasise that the change must, above all, be voluntary and note that persuasive messages are generally carried by language, while other channels – such as gestures, music and visual components – can be used to support the message. However, they note that since persuasion and everyday discourse are so closely intertwined, it is difficult to say which linguistic factors are, in fact, persuasive (Schmidt et al. 1986: 3):

The fact that language is an integral part of virtually any persuasive attempt raises the question of precisely which linguistic elements enter into the process and how they achieve their purpose. Most research done on persuasion has tended to assume that the role of language is primarily a function of such content factors as the number, type and arrangement of arguments presented in support of a position. Recent work from a variety of disciplines, however, has begun to demonstrate the potential of other aspects of language use for enhancing the persuasive impact of a message. Of particular interest in this regard is the use of linguistic techniques to convey implicit information, since it has been found that verbal information is processed not only in terms of that which is explicitly stated but also in terms of that which is implied.

Schmidt and Kess discuss Geis' (1982; quoted by Schmidt et al. 1986: 32–33) research on television advertising, which has shown that advertisers prefer implied information to actually explicit claims. They note that this strategy is beneficial in two ways: first, it protects the advertisers from possible prosecution, and second, it makes the audience interpret the message and supply the intended information themselves. When there are no explicit, direct claims, the audience is less likely going to consciously question the information, which, in turn, makes it potentially more persuasive. (Schmidt et al. 1986: 32–33.)

Vague expressions and explanations also leave room for multiple interpretations, which can be equally beneficial to the persuader:

Another indirect speech form noted by Geis involved the tendency of advertisers to favour vague language in the statement of propositions which might otherwise be subject to empirical verification. This was also found to apply to the speech of televangelists where the use of vague speech forms often resulted in sentences which gave the hearer a great deal of latitude of interpretation for the referents used. [...] Geis interpreted this kind of language use in television advertising as one means by which advertisers can make assertions or claims about their product which sound good, but which are literally so weak as to have virtually no empirical consequences. [...] If recipients of a message do, in fact, tend to process the information contained therein in terms of how it applies to them personally, then the use of this type of vague language could also have a significant impact on the persuasion of individuals within a mass audience by maximizing the diversity of personal interpretations that can be derived from a given message.

(Schmidt et al. 1986: 55.)

Schmidt and Kess also note, that "it is not necessarily through processes of logical analysis that language affects persuasion, but rather through the ability of language to convey implicit information through structure, arrangement and the principles of conversation, utilizing the active participation (but not necessarily the conscious attention) of the recipient of a message to infer the actual meaning conveyed" (ibid.: 65.).

Also Mustonen (2000: 39–40) quotes previous studies which have shown that hinting at an audience's previous knowledge on the subject, rather than explaining the complete context, can in fact be more interesting and, at the same time, save the persuader's own resources. According to her, the audience feels like it is privy to shared, possibly private information and actively included, instead of merely receiving new information. The fact that present-day advertisers use implication to shared background information as a tool of persuasion, supports Aristotle's idea of *enthymemes* and proves that his idea is still relevant in modern persuasion.

Mustonen (2000: 39) explains that although present day advertising has different media and multimodal forms at its disposal, it basically still imitates one-on-one communication, using persuasion and social influence. Following Aristotle's principles, modern persuasion theories instruct that a persuader should have basic background knowledge of his audience (for example age group, personal goals and consumer behaviour) and the communication strategy should be formed accordingly – this leads to

more personalised messages and use of appropriate media, which makes advertising more effective and consequently possibly more cost-effective (Laakkonen 2009).

Another factor that can have an effect on decision making is social influence: for example, employing a celebrity to publicly endorse a product, or using social circles to advertise and sell products from peer to peer, can be quite effective (Mustonen 2000: 39). Pyramid schemes, especially, take full advantage of social influence. Members persuade their friends and family members to become new recruits and make further investments, which makes the scheme grow with little input from the actual fraudsters. Ponzi schemes can benefit from charismatic fraudsters or from employing a leading figure of the target group – a minister in a congregation, for example.

Walton (1989) sees persuasive argumentation as way of building a relationship between the speaker and the hearer:

Popular rhetoric is argument designed to persuade a target audience or readership. The objective is to build a personal bond with this audience, to establish a personal link between the arguer and the recipient of his message. The successful building of this emotional relationship invites the person who addresses him, to give him loyalty, and to suspend the queries and criticisms characteristic of argument and reasonable dialogue. Personal rhetoric is therefore directed more to the instincts than to calculative reason. The emotional appeal targets the person's unthinking reactions, and so attempts to bypass the critical questioning and logical assessment normally characteristic of reasonable dialogue. Too often, such appeals are tactics that violate the first of the negative rules of persuasion dialogue [...]. That is, they are attempts to successfully avoid any serious effort at fulfilling the obligation to meet a burden of proof in argument.

(Walton 1989: 82)

In the passage above, Walton talks about instincts and appealing to emotions, and argues that sometimes speakers appeal to emotions to deceive the audience and to conceal the weakness of their actual arguments – or, using Aristotle's terminology, deliberately favouring *pathos* over *logos*. Walton (1989: 83) notes that while appeals to emotions are not always dishonest and intended to deceive, and are appropriate in some contexts, they can complicate sensible decision-making:

[...] if stronger and more objective arguments are also available, the problem is not to overlook them and be seduced by the more attractive pull of personal emotions and interests. Hence emotional appeals can induce a failure to ask the right questions, or mask a failure to back up an argument properly [...].

Some people can also be coaxed by suggesting that they will be "different" and "left out", if they do not buy the product or make the investments (Mustonen 2000: 41). Internet forums for investment programmes make use of this phenomenon: when members post about their repeating successes, outsiders may feel like they are not only missing out on extra income, but on a shared social experience as well. The social aspect can be emphasised by using terms such as *member* and *membership fee*, instead of more neutral *investor* and *investment*. In Schmidt and Kess' (1986: 46) research on televangelists' persuasive language, they noticed a frequent use of terms such as *partners*, *family* and *club*, all of which imply belonging to a group of similar people and the exclusive access that comes with it.

Scarceness and limited availability can make products or services more desirable, and on the other hand, enforcing only one option on people can make them reluctant to obey (Mustonen 2000: 50). Ponzi schemes are, by their nature, usually available only for a limited time, and people who understand their mechanics and suspect that a certain programme might be a Ponzi or pyramid scheme, may try to get on board as early as possible, when the fraudster is still paying the promised returns to attract more members and investments.

People also process information in different ways. According to Mustonen (2000: 40) intelligent people understand information easier than others, but are not as easily persuaded. Following this logic, a persuader can benefit from offering simplified information, which can attract less intelligent and more easily coaxed audience. There is also a difference in how involved a person is in receiving the information: people are more critical toward information that is absorbed intensely, whereas divided attention can make non-message related factors, such as the persuader's likeability, stand out instead of the actual content (Mustonen 2000: 40).

According to the Elaboration Likelihood Model, ELM, by Petty and Cacioppo (1981; quoted by Mustonen 2000: 40–41) there are two ways to process information: central and peripheral. The central route is often used when the subject at hand is important or

personally interesting, and it requires active elaboration of the message and is the more critical way of processing information. The peripheral route, on the other hand, is used when the subject is less important or a person is undecided, and it is dominated by decisions made based on feeling and less on critical thinking. The two routes are not mutually exclusive, and persuasion is effective when it uses both (Mustonen 2000: 45); Aristotle's *logos* could be seen as persuading via the central route, and *ethos* and *pathos* make use of the peripheral route.

Presenting facts is important when appealing to central route thinking, but without a personal motive a person may not be inclined to pay attention and further process the information. According to Harris (1994; quoted by Mustonen 2000: 45) money is one of the most effective arguments in persuasion. That makes HYIP and other similar money-making forums conveniently fertile ground for financial persuasion: members have specifically joined these forums in hopes of receiving information and tips on ways to easily earn high yields with little input. HYIP forums provide the persuader with an eager audience, a medium and context for persuasion. Harris (ibid.) also notes that the most skilful persuasion makes buying the product seem like something that can turn the buyer into a better person – either it enhances the person's own characteristics or it benefits others indirectly.

Mustonen (2000: 48–49) notes that similar characteristics and familiarity between the persuader and his audience can make the persuader seem more attractive, and thus more persuasive. Giles and Powesland (1975; quoted by Schmidt et al. 1986: 19) note that also linguistic similarity between the persuader and the audience can have a positive effect:

[...] even though speakers with a standard (prestige) accent are generally accorded more credibility and their arguments are judged to be more sound, a recipient with a non-standard accent will still be more persuaded by a message delivered in the register which most closely resembles his own [...]

In the present study, the use of Internet specific linguistic features, such as the extensive use of smileys and abbreviations, represent said non-standard register. Some features can also have a so-called halo effect: one positive feature leads others to believe that the persuader has other positive features, as well. Usually this refers to physical attractiveness – a beautiful person is believed to possess other positive features, such as



"kindness, sociability and talent" (Mustonen 2000: 49) – but it can affect other characteristics, too.

Larson (2007: 276–277) points out that in modern times, one of the most important qualities the persuader should possess is expertise, which can be proven with "past success at a task" or "by being well prepared and by demonstrating knowledge about the topic". This is in line with Aristotle's theory on how expertise and good sense can affect a speaker's *ethos* positively. However, there is a difference in how exactly the expertise is brought up and demonstrated. Bhatia (1993: 70; see also Bhatia 1989) notes, that self-glorification not supported by actual facts can turn against the persuader, since it "lacks credibility and is likely to be viewed by the reader as purely subjective unless the [writer] is a well-known authority in his area of expertise".

To conclude, modern persuasion theories have much in common with Aristotle's theory: first, the persuader must know his audience, and second, he must present himself and his message accordingly, to be as convincing and persuasive as possible. These theories are used as a background to the analysis of CEP's communication with its members in the analysis.

#### 4. COMPUTER-MEDIATED COMMUNICATION

Computers were originally viewed as a very limited communication channel. Computer-mediated communication was said to have little social presence, offer few cues and identity markers and be deficient in media richness. These factors, it was argued, would make CMC a cold and impersonal medium and useful only for the simplest tasks. (Thurlow et al. 2004: 48–50) A typed communication on the Internet – emails, discussion forums and Internet Relay Chat (IRC), for example – is indeed limited by factors such as the technology of a keyboard and the users' typing speed, but it can also be used creatively to compensate for its shortcomings: punctuation marks and letters are used to form symbols representing facial expressions, movement and objects, and abbreviations can be used to substitute whole phrases and sentences (Thurlow et al. 2004: 124–135). On the other hand, Internet can be highly multimodal and while a video chat, for example, still lacks the possibility to touch, it offers a real-time visual contact combined with speech and therefore it has almost all the nonverbal cues of a face-to-face communication that CMC was said to be lacking.

The Internet also provides many different kinds of means for interactivity. Websites may have commenting sections, guestbooks and contact forms; the basic idea of discussion forums is interactivity and many also provide an option to send private messages; for more direct messaging there is IRC and many different instant messaging applications, which also provide video chat and online phone calls; and many social networking sites offer possibilities to share content and play online games together, in addition to their various messaging features.

According to Herring (2001), communication on the Internet can be divided into two groups: synchronous and asynchronous. The former means communication where all participants must be online simultaneously to see the messages, such as chatrooms and some instant messaging systems. Asynchronous communication, on the other hand, means using systems that keep the messages stored until the participants are able to read them, such as emails and posts on discussion forums. Herring notes that the differences in synchronicity affect the communication: language in synchronous environment is often abbreviated, time and space efficient and has features that resemble speech, while asynchronicity allows for more deliberation and thought-out messages. However, she

notes that asynchronous environment can also allow for more informal language, depending on the context and the relationship between the participants.

The CEP websites used mostly email as a feedback channel and members were encouraged to contact the staff. Reed repeatedly emphasised that people should feel "free to e-mail with any questions" (healinjesusname.ws 2005c) and requested "constructive criticism" and suggestions (colonendparenthesis.com 2006b). The discussion forums – both CEP's own and other HYIP related – also provided a chance to contact the CEP staff, either via forum posts or via private messages. Reed was a frequent visitor and a prolific poster on different discussion forums, making it easy for the members to get their questions answered and possible concerns addressed. Because asynchronous communication channels provide more time to elaborate and polish the message and cover more conversation topics within one turn (Herring 2001), they are convenient means of communication for a fraudster wishing to convince and persuade his audience.

While the anonymity provided by the Internet can allow uninhibited aggression (Thurlow et al. 2004: 62), communication on the Internet can also be "more friendly, social and intimate than face-to-face communication" (Thurlow et al. 2004: 53). This is attributed to three characteristics of CMC:

1. A shared interest or a membership of an online group can make similarities between different people seem greater than they really are.
2. People can "optimize their self-presentation" and thus be less concerned about their appearances, for example, and be more relaxed in the interaction.
3. The participants are usually provided with more time and less distractions to thoroughly consider their messages than in a face-to-face interaction. As Thurlow et al. (ibid.) put it, "It's always nice when we think someone's paying special attention to us."

CMC can thus emphasise similarities and diminish differences, and make the communication via email or discussion forums seem more thought-out than face-to-face communication. Informal and friendly language can also make the participants seem familiar, although in reality they would know very little about each other.

One of the most apparent and unique features of Internet communication is the use of smileys, or smile emoticons (a portmanteau for emotion icon). A smiley is a

typographical representation of a smile and the first recorded instance of a smiley emerged in 1982 in computer-mediated communication, when it was used on a bulletin board discussion at Carnegie Mellon University. Since then, smileys and other emoticons have become important features of informal written language on the Internet and in text messages, because they can be used to convey emotions and facial expressions quickly, easily and space-efficiently. (Thurlow et al. 2004: 127) Being graphical representations of facial expressions, smileys also have the advantage of crossing language barriers, although they are still culturally bound to computer-mediated communication and thus mostly Western world.

As Frankel (2005: 103) notes, computer-mediated communication on the Internet also has a more problematic side to it:

The Internet is a wonderful technological innovation that, among other things, allows strangers to interact all around the world. It has, however, changed the balance between opportunities to defraud and barriers to fraud. It shifted the costs of interaction between trusting and trusted persons. It is far easier to send fraudulent messages and far more costly to distinguish the true from the false and identify the senders.

The global and anonymous nature of the Internet makes it rather easy for fraudsters to hide their identities and locations. If needed, authorities can use an IP address to track down the physical location from which certain information was originally sent – but even that is not a foolproof system, since information can be sent via different proxies, which makes tracing the data to its origin more difficult and time-consuming. Therefore, the Internet has become a popular scene for many frauds all over the world.

#### **4.1. Internet marketing**

As Mustonen (2000: 37–39) notes, marketing principles have changed drastically in the last hundred years: people are now exposed to numerous different media and they have become a discriminating audience, both in their way of using media to suit their individual lifestyles, and in their susceptibility to advertising. It is increasingly difficult to reach everyone via one medium and one type of advertising. Mustonen sees the disappearance of mass audiences as a drawback, but the present study argues that

segmented audiences with their diverged interests actually make advertising easier, at least when it comes to frauds.

One of the advantages of the Internet is that it has a vast amount of information. People have learned to use the Internet with determination, mentally filtering out data that is not of interest and focusing on themes that are personally relevant to them. Search engines are used to find interesting information with certain keywords, people visit websites and discussion forums they already know, and while doing so, they ignore uninteresting information. Therefore, a business advertising on the Internet needs to know how to reach as many members of the target group as possible, how its product can catch the target audience's attention and how the consumers can be persuaded to buy or use the product (Laakkonen 2009).

Advertising on the Internet is easier, more efficient and often cheaper than advertising in other media. A company can make sure that its website appears at the top of relevant search engine listings, for example by using certain keywords and textual content instead of images or animations (ie. so-called Search Engine Optimisation). The company can also concentrate on advertising mainly on relevant websites and forums, or by having their advert appear when a person searches for certain kind of information – all of which increase the possibility that the company's product attracts truly potential customers, instead of hoping that these same people would, by chance, drive by an ad placed by the road, consciously notice it, and also remember it later when the need arises. However, the Internet is not equally available throughout the world: 90 per cent of Internet use is concentrated in the richer countries of the world (Thurlow et al. 2004: 84), but, on the other hand, this is also where most advertisers' target audiences are.

Internet marketing benefits not only from concentrated audiences, but also from the social aspect of the Internet. People share their shopping experiences with their friends using social media, customers give public feedback on e-shops and their products, and sometimes they provide free testimonials for the companies to use. Customers are not only giving useful feedback to the company itself, but also instructing their peers and helping them decide which company deserves their money. According to Mustonen (2000: 48), testimonials remove uncertainty and doubts, and provide encouragement: "if they can do it, then I can do it!" This is especially apparent in the HYIP forums discussed in the present study. Advertising on these forums often leads to discussion,

and at least in the beginning of the programmes, members provide positive feedback and stories of high yields, thus lessening other members' doubts and persuading them to join in and invest. Testimonials are especially effective if they are told by friends and family (Mustonen 2000: 49), or in the Internet age, a familiar nickname on the forums might be deemed reliable enough a source.

However, reaching the target audience is not enough – the message must be interesting enough to draw the potential customer in, and persuasive enough to make the consumer buy the product, preferably repeatedly. Here Aristotle's rhetoric proofs become relevant again: the best way to persuade an audience is by knowing who are the people in the audience, what they are interested in and what they ultimately want. Aristotle's proofs can be applied to computer-mediated communication with ease: for example, *pathos* could mean using emotional photos and videos to evoke feelings of pity and charitability on the website of an animal shelter or a charity organisation, or using the patriotic colour combination of red, white and blue on an American political candidate's website. Emoticons can substitute facial expressions, and as mentioned above, computer-mediated communication in itself can decrease social distance and make participants seem friendlier than in face-to-face communication. *Logos* can be realised by using tables of statistics or graphical presentations to make facts as clear as possible, as well as presenting information in as concise and legible format as possible. *Ethos* and different ways of presenting self online will be discussed in the following subchapter.

## **4.2. Presenting identity on the Internet**

According to Thurlow et al. (2004: 96), an identity is constructed of two dimensions: 1) a personal dimension, i.e. people's own perceptions of themselves, and the way they present themselves and 2) a social dimension, i.e. how others perceive the person and how that perception is reinforced through stories about that person. Thurlow et al. (2004: 97) also argue that a person can also have multiple identities, which can be used in different situations: "Depending on the situation we're in, the people we're talking to, the stage of life we're at, the mood we're in, we choose to present (or represent) different aspects of ourselves." A person can also decide to present him or herself differently depending on the goal they wish to achieve. As Aristotle (1984: 2209) instructs, for example certain clothing, gestures and word choices can be employed when attempting

to arouse certain feelings in the audience. This can be intentional and calculated, but also an instinctive or learnt behaviour.

The Internet provides new ways of communicating with other people. First, for those who have the access to the Internet, it is a quick and easy way to produce and convey messages for the masses, and make a person nationally or internationally known. Second, the message can be constructed using different moda: for example, videos, audio files and embedded applications can be used, in addition to traditional text and images. This multimodality provides Internet users with a wide range of ways to present their identities and to express their thoughts. (Thurlow et al. 2004: 98–99) Personal webpages and blogs can usually be thoroughly modified to the users' liking and to represent their ideologies, fandoms and their views of self. Even more restricted services, such as the social networking websites Twitter and Facebook, allow users to upload photos and post their opinions or details of their lives and also provide a possibility to create and join communities regarding any imaginable subject.

Depending on the service, a user can decide whether to use his or her real name, a chosen nickname or hide behind complete anonymity. He or she can also decide to either use a real photo or to use an avatar, which is a picture that can be used in place of an actual photo. Of course, requesting people to use their real names on a service does not necessarily ensure that they do so: they might want to protect their real identities from real life acquaintances or stalkers, or they might be planning to abuse the service themselves.

Aristotle's idea of a speaker's *ethos* can be applied to online identities. An Internet user's *ethos* is constructed of different characteristics that shape the way others perceive the user: a nickname can be serious, playful, flattering or even offensive; a profile picture can likewise be serious or playful, or represent the user's interests or idols without disclosing the user's actual appearance; messages can be typed with correct grammar or with little care for correct spelling; the nature of the communication can range from polite, helpful and friendly, to hateful fight-picking; and where applicable, users can have a certain reputation, which can be either perceived reputation among other users, or publicly rated by peers and displayed in the user profile.

Understandably Aristotle had real life face-to-face encounters in mind, when he formed his theory, and *ethos* on the Internet differs from *ethos* in real life in one important respect: while in real life there are certain characteristics that cannot be controlled, such as physical appearance, voice and involuntary habits (Larson 2007: 55), online identity can be controlled and constructed in almost any way the user wishes. Even such fundamental characteristics as gender and age can be presented either openly and truthfully, or by choosing not to share the information, or by pretending to be something else altogether. However, according to Herring (2001), age, gender and education level can sometimes be present and implied in language use in such subtle ways that the Internet user may not even realise it himself. She also notes that real life experiences as well as familiarity with the Internet and its linguistic conventions, are also often apparent in the user's messages.

The texts on CEP websites were apparently written by Reed himself and there he provided personal information – such as his name, his beliefs and even his photo – which allows the present study to view the websites as tools of his identity presentation. Reed's presence on the discussion forums is also analysed. The present study aims to analyse which features of his identity Reed shared with his online audience and how they were presented, and what characteristics about himself he emphasised to appear as a credible persuader.



## **5. METHOD**

The following subchapters further explain the structure and methods of the present study. The first subchapter lays out the main research questions, the second explains how the data was collected and chosen, and the third discusses the method of analysis.

### **5.1. Research questions**

The U.S. Bankruptcy Court of Northern District of Georgia ruled in May 2008 that the CEP programme was, from the beginning, a Ponzi scheme (United States Bankruptcy Court 2008a). The present study is based on that ruling and does not attempt to further evaluate the ethics of the CEP. Instead, the interest of the study lies in the public computer-mediated communication between Trevor Reed and the members of CEP. The aim is to study what persuasive tactics were used to attract new members and maintain their trust, by discussing the following research questions:

- How did the computer-mediated communication affect the interaction between Reed and CEP's members?
- What was the programme's target audience?
- How did Reed present himself and CEP?

The first of these questions is discussed especially in chapter 6.1., but also intertwined with the following two questions, because all the data in the present study is computer-mediated communication and it is therefore impossible to separate only some things to be discussed in relation to CMC – in other words, since all of the data in the present study was retrieved from the Internet, everything concerns CMC.

The second question is contemplative, since it is not possible to know for sure whether Reed and Kimbrell had a certain target audience in mind. However, by analysing the chosen medium and ways of communicating with the audience, it is possible to make an assessment of the target audience and discuss what effect it had on CEP's strategy (Jokinen et al. 1999: 129).

The answer to the third question relies mostly on Aristotle's theory on *ethos*, but also takes into account the more contemporary persuasion theories and the possibilities and limitations set by the Internet and computer-mediated communication.

## **5.2. Collecting and selecting the data**

The data of the present study consists of text derived from the CEP websites, accessed via Internet Archive Wayback Machine, and selected posts from several discussion forums. The method for selecting the data for the present study is explained below.

The website colonendparenthesis.com appeared on the Internet in November 2005, and other CEP websites followed in 2006. The websites were later updated, edited and sometimes redesigned, until disconnected from the internet in 2007, after the court appointed Receiver gained control of the assets of the CEP (United States Bankruptcy Court 2008a). The web addresses colonendparenthesis.com and cepcoast.com later redirected to the Receiver's website, www.wfperkinsforcep.com, which was used by the Receiver to inform the public about the legal proceedings of CEP's case.

Although the websites became unavailable via their original web addresses in 2007, most of them had been regularly archived by Internet Archive, a non-profit U.S. organisation aiming to build a comprehensive Internet library (Internet Archive 2010). Therefore various versions of the CEP websites, including the ones replaced by updated versions, are still accessible via Internet Archive's Wayback Machine search in web.archive.org. Although Internet Archive had not archived every subpage of the CEP websites – for example, the CEP forum discussion threads are unfortunately unavailable – the amount of available data is still sufficient for the present study. Other discussion forums are still directly accessible, but TheHYIPForum.com currently redirects to TalkGold.com and the CEP discussions can be accessed only via Internet Archive.

In addition to CEP's own websites and discussion forum, the scheme was also advertised on external forums dedicated to similar programmes. The discussion on MoneyMakerGroup.com was most prolific, with Reed alone posting 193 times using the alias loveinJesusname (MoneyMakerGroup.com Profile). Reed also posted 16 times on

theHYIPForum.com (theHYIPForum.com Profile) and five times on DreamTeamMoney.com (DreamTeamMoney.com Profile) using the alias healinjesusname. Reed used the alias loveinJesusname also when he posted thrice on TalkGold.com (TalkGold.com Profile). Reed nearly always signed his forum posts with "Trevor", making it easy for forum members to distinguish his posts from others'. A few other members' forum posts are also included in the data: some of them provide mere background information on HYIPs and CEP, but some are studied in relation to CEP's persuasion tactics.

Although Kimbrell, too – and possibly other CEP workers, who did not publicly identify themselves as such – posted on these forums, mainly Reed's forum posts are included in the selected data, for two reasons: first, Reed had a larger number of posts, with more textual content, and second, he seemed to be the spokesperson of the CEP. The text on the CEP's index page was signed by "Trevor" (healinjesusname.ws 2005a) until the redesign in April 2006, and the administrator's profile page consisted of information on Reed and was apparently written by Reed himself (colonendparenthesis.com 2006b). Kimbrell and others were only briefly mentioned on the website. It must be noted that Kimbrell's posts on the external forums generally had a notably more formal tone than Reed's, and excluding his posts may, admittedly, have an effect on the outcome of the present study.

### **5.3. Method of analysis**

The present study operates within the field of discourse analysis and, more specifically, rhetorical analysis. According to Jokinen et al. (1999), discourse analysis or rhetorical analysis cannot be used to discover the original meaning or intention of the communicator, but can only examine the outcome: the text (whether spoken or written), its context and how it is received or what consequences it has. Jokinen et al. note that a rhetorical analysis attempts to view arguments and communication as actions carried out within a certain context, rather than representations of the communicator's ideologies or attitudes.

Since most communication is intentional, it is relevant to view the position the persuader takes in relation to the audience and how they use the context to their

advantage, and the analysis of the text can reveal the audience which the speaker attempts to persuade (Jokinen et al. 1999: 127–130). The present study attempts to reveal the target audience by analysing how the persuader communicated with his audience, in terms of the chosen medium and the language use. It must be noted, though, that the present study does not have the information whether this interpretation of the target audience corresponds with the people who actually joined CEP. It is also unnecessary to assess the actual successfulness of the persuasion attempt, because for whatever reason, CEP managed to attract around 5,000 members to invest in the programme.

While communication can be viewed as an action, persuasion cannot be as easily defined. Mustonen (2000: 14–17) notes that there is no singular model for persuasive message that is always effective: the speaker can make use of every possible rhetorical device and still he has no control over the ultimate result, because, in the end, the successfulness of persuasion depends on the audience and the context. Therefore, she points out, persuasion can be viewed as the intention of the speaker and a possible effect on the audience, but persuasion in itself is not a definable act.

The background information on CEP as a Ponzi scheme suggests that the company's sole objective must have been to attract new members and to persuade its existing members to invest more, which allows for the present study to presume that this was also Reed's ultimate intention behind his communication. However, the present study does not aim to assess what the persuader specifically meant with each feature of his communication or if the features were always intentional, but rather make interpretations of whether they might be perceived as persuasive.

The present study views all of CEP's communication in the data as *potentially* persuasive, and aims to reveal who might have been persuaded by which features, by analysing the manner of the communication, word choices, what is stated explicitly and what is implied, and also what is emphasised and what is downplayed. In addition to linguistic features, the chosen medium of the communication also provides hints of the fraudster's possible persuasion strategy. The present study views smileys, which are a central feature in the data, as instances of computer-mediated communication and everyday language, rather than a separate phenomenon that would require further multimodal analysis. The present study uses Aristotle's rhetoric theory and more

modern persuasion theories, as well as information on frauds and CMC, as a background for analysis. Because the CEP case is closely related to religious rhetoric, it is also relevant to examine how the religious context is used.

## 6. ANALYSIS

The present study looks at CEP's persuasion tactics from three different viewpoints: the medium, the target audience and the fraudster. The first subchapter analyses how CEP communicated with its members and how the interaction was affected by the medium. The second subchapter attempts to reveal CEP's target audience by studying what was emphasised and what was deliberately concealed to attract members into the fraud. The third subchapter focuses on the fraudster, Trevor Reed, and how he presented his identity and built up his persuader's *ethos*.

### 6.1. The medium

CEP used a combination of different methods to communicate with its members. Reed and Kimbrell hosted the official websites [healinjesusname.ws](http://healinjesusname.ws), [colonendparenthesis.com](http://colonendparenthesis.com) and the other sister sites; CEP had its own discussion forum; the programme was advertised and discussed on public forums dedicated to HYIPs; and there was a mailing list, which Reed used to share information and make announcements. CEP was obviously dependent on the Internet, and without it Reed and Kimbrell would have had to find alternative ways of attracting investors. It can be argued that without the Internet they might not have even attempted such a scheme. According to Frykholm's theory (2009), a fraudster usually needs a motive, a rationalisation, an opportunity and a capacity to commit the fraud, and without the Internet there would hardly have been an equally easy way to found, grow and maintain the scheme – thus reducing the opportunity and capacity factors drastically.

As discussed in the background chapter, the Internet provides ways to stay anonymous or give false identification, and verifying information is often difficult and costly (Frankel 2005: 103). Reed did not attempt to cover his true identity or location, but until the authorities seized him and the company, the members had no reliable way of knowing that Reed indeed was who he claimed to be. One member noted this on the TalkGold forum:

His story,his name EVERYTHING could be fake.His address which he registered with hosting sites can be fake.So I am asking you good people....

Did anyone that you know of physically meet this Trevor Reed?  
And good solid DD [due diligence] done on him?  
Did any of you did some real research?

(MonaLisa4's post on TalkGold.com forum, 10 Feb 2007)

Frankel (2005: 41–42) also notes that true information and willingness to verify claims can be found on the Internet, but the abundance of contradicting information can make it difficult to know when a warning of fraud, for example, is justified and true. In CEP's case, Reed claimed pre-emptively that possible complaints might be lies or "extreme cases of impatience" (colonendparenthesis.com 2006c), making it increasingly difficult for other members and potential investors to distinguish whether complaints were justified and possible signs of an unravelling fraud, or dishonest slander.

The recurring use of smileys was one of the most distinctive characteristics of the CEP's communication with its members. In fact, the actual name of the programme, Colon End Parenthesis, forms a smiley. Reed explained the name and its connection to their mission on the index page of [healinjesusname.ws](http://healinjesusname.ws) and the initial version of [colonendparenthesis.com](http://colonendparenthesis.com) as follows:

I know what your first question is: What in the world is a colon end parenthesis? If you type it out, you'll see the emoticon above...that's right, a colon end parenthesis is a smile, and that's the business we at Colon End Parenthesis pursue...bringing smiles to your faces.

([healinjesusname.ws](http://healinjesusname.ws) 2005a)

Choosing a smiley as the company's name and symbol seems like an attempt to inspire positive associations, as smileys are well-known symbols of the Internet age, and a sign of informal communication and friendliness (Thurlow et al. 2004: 127). Associating the company with a smiley makes the company name easy to remember, as long as the audience knows how the symbol it is formed on a computer keyboard. However, Reed also used the abbreviation "CEP" almost from the very beginning ([healinjesusname.ws](http://healinjesusname.ws) 2005b), and more so after the redesign of the company website in April 2006 ([colonendparenthesis.com](http://colonendparenthesis.com) 2006a), likely to make the name of the programme easier to remember and use in discussion.

The title of the index page in [healinjesusname.ws](http://healinjesusname.ws) and [colonendparenthesis.com](http://colonendparenthesis.com), until the website's redesign in April 2006, read "Make the % of an autosurf without surfing! :)" ([healinjesusname.ws](http://healinjesusname.ws) 2005a). The title is concise, and it explains CEP's basic principle and what it can offer to a new member in one simple sentence. The exclamation point and the smiley convey enthusiasm and positivity, which make the audience more open to persuasion (Mustonen 2000: 48).

We're excited that you've chosen Colon End Parenthesis, and we look forward to serving you for many years to come. :-) Welcome! :-D

([colonendparenthesis.com](http://colonendparenthesis.com) 2006c)

The phrases *we're excited* and *we look forward to serving you* are personal, enthusiastic and very friendly, and the smileys further reinforce the welcoming greeting. As mentioned in the chapter 3.2., computer-mediated communication in itself can make strangers seem more friendly and familiar than they would in face-to-face communication (Thurlow et al. 2004: 53), and Reed further emphasised it with his copious use of smileys and informal language.

Using friendly, informal language with numerous smileys is strongly associated with the Internet, but the medium alone does not explain why Reed would decide to use it so generously – CEP was, after all, supposed to be a real investment programme with serious intent on building a lasting, professional business ([colonendparenthesis.com](http://colonendparenthesis.com) 2006c). Therefore, the present study argues that informal language was actually one of the persuasion tactics that CEP used to attract a certain kind of audience. An eager, but unexperienced investor might find a seemingly friendly and honest person with similar interests more persuasive and convincing than an impersonal investment company. The assumed target audience will be further inspected in subchapter 5.2.

Although the CEP websites were supposed to be company websites, they were heavily personified to Reed. The text on the websites was usually written in the first person singular and signed by Reed, and the website's administrator profile page mostly told about Reed, by displaying a photo of him and his fiancée and presenting his personal views and beliefs regarding religion and business ([colonendparenthesis.com](http://colonendparenthesis.com) 2006b). Through these means Reed built his identity online, all the while representing CEP with



his own persona. Reed's presentation of identity and *ethos* is discussed in depth in subchapter 6.3.

The healinjesusname.com website and the original colonendparenthesis.com website were said to be designed by Reed himself, but later versions were apparently designed by his fiancée:

[Reed's fiancée Ginger] has recently begun doing the design-work for CEP. So, if you notice phenominal [sic] changes in the way things look, it's her doing her "magic". :-) [...] Ginger's expertise is site design (which is something we have much needed recently...lol)

(colonendparenthesis 2006b)

The original design of colonendparenthesis.com (Figure 1 in Appendices, healinjesusname.ws 2005a) resembled more a personal website than a professional business website. The page title included a smiley and the background pattern consisted of dots and curves, further emphasising the use of a smiley as the programme's symbol. The information boxes containing special offers were framed with hearts and snowflakes, which emphasised the informal impression. In addition to the informal web design, the text content on the initial websites was written mostly in first person singular and signed by Trevor.

That's why **I decided** to start Colon End Parenthesis...any money you put into the program will have **my personal guarantee** to earn more money over a selected period of time. Unlike autosurf companies that make all the choices for you, **I'm going to give you** the option to select how long a period of time you want to put your money in.

(emphasis added) (healinjesusname.ws 2005a)

In April 2006, the colonendparenthesis.com website (Figure 2 in Appendices, colonendparenthesis.com 2006a) was redesigned. The previous repeating background image representing a disintegrated smile emoticon, was changed into monochromatic grey pattern and hearts and snowflakes were also no longer present. While the smiley was still present as the programme's symbol, its name was abbreviated as CEP instead of Colon End Parenthesis, and the title was changed to "Stop surfing, take a leap of FAITH into auto-Heaven" (original uppercasing). The welcoming text on the index page was now written in first person plural or in third person singular, without smileys or direct identification with Reed or anyone else.

After having seen the incredible potential of auto-surfs, **CEP realized** that the “surf” itself is time consuming and easy to miss a day here and there. It is also difficult because the company is pulling from a single source. **We are here to provide you** with a safer way to invest by spreading out your investments in multiple venues, including auto-surfs which **we have found** to be the best and most stable areas around. The more places **we use**, the better your return. Suggestions for new sites or areas are always helpful. **We consider** CEP members and staff to be a family working together to build each others’ financial futures.

(emphasis added) (colonendparenthesis.com 2006a)

Although the Internet and CMC provide users with several moda of communication, CEP mostly used text-based websites and forum posts, with very little visual content. However, it must be noted that CEP operated during the years from 2005 to 2007, and video services that are now internationally popular, were still being developed and only gaining momentum back then. Still, even limited textual content provided Reed and his companions with enough resources to reach their audience and persuade new members into the programme.

The HYIP discussion forums provided CEP with an additional medium for attracting new investors and communicating with its current members. Satisfied members discussed their opinions and experiences publicly on the forums, thus providing free testimonials and peer-to-peer advertising. The forums also provided an audience that was already familiar with similar programmes and eager to invest. The audience is further discussed in the next subchapter.

## 6.2. The target audience

The index page of healinjesusname.ws and the initial version of colonendparenthesis.com read "[Reed] will not be counting on future upgrades in order to payout!" and clearly stated "[t]his will not be a ponzi [sic] scheme (or pyramid scheme). I will not be counting on future upgrades in order to payout!" (healinjesusname.ws 2005a). Possible doubts were also touched upon on the Terms of Service page of CEPcoast: "Is this a Ponzi? No. It's an advertising company. [...] We will not steal anybody's money!" (cepcoast.com 2006a)

While it might seem odd that a company would, on purpose and so explicitly, mention the suspicions of being a Ponzi scheme, it could also be seen as addressing advertently and proactively a concern which might arise when dealing with a new, small company, whose business strategy is unconventional – especially in times when new Ponzi and pyramid schemes are constantly revealed. However, when considering the fact that the CEP programme was, in fact, a Ponzi scheme, this anticipative counter-argument seems like an attempt to conceal the true nature of the programme. While the mere claim that CEP is not a Ponzi scheme would not likely be enough to reassure a cautious investor, it must be noted that CEP constantly emphasised honesty, openly and more subtly, and seemed to target people who did not have extensive knowledge of financial field.

The following subchapters discuss CEP's audience, following the idea that rhetorical analysis of the text can be used to reveal what kind of an audience was sought to be persuaded. The persuasion theories discussed in the background chapter will be used to analyse how CEP attracted and persuaded members.

### **6.2.1. Inexperienced and trusting**

MoneyMakerGroup.com is a discussion forum dedicated to different online investment programmes. CEP was advertised there nearly from its beginning until the very end, although in the end the messages were mostly written by members who were worried about the silence on CEP's behalf and by other members who shared information about the programme's legal troubles. CEP was initially mentioned and advertised on the forum by an outsider called "Marcus" – although it is possible that he was, in fact, CEP's messenger pretending to be a mere investor. His initial posts offered basic information found on CEP's original website and he mainly commented on Reed's and the programme's apparent trustworthiness:

i have talked with admin several times  
seems like an alright dude  
and with a domain name like this  
well..  
i feel some trust

(MoneyMakerGroup.com SuperCoolCat-dot-com's post, 13 Nov 2005)

[...]  
 I trust this one  
 and I'm putting a lot into it  
 its very obvious to me that the admin has a good heart

(MoneyMakerGroup.com SuperCoolCat-dot-com's post, 18 Dec 2005)

earnings looking good - I'm goin in for more - another spend: \$140 or so  
 this is so rockin  
 very few sites can be trusted like this one

(MoneyMakerGroup.com SuperCoolCat-dot-com's post, 29 Dec 2005)

After these posts, Reed joined the forum to address members' questions himself, and Marcus' posts concentrated on telling other members how much he had earned via CEP, and occasionally also defending Reed and other CEP staff against possible suspicions.

If Marcus was sent by Reed to generate interest in CEP before openly advertising it himself, these few messages show that Reed was deliberately emphasising his persona and his characteristics – trustworthiness and "good heart" – over actual proof on the programme's validity. This is in line with what Mustonen (2000: 40) explained about involvement and elaboration: the audience's attention can be directed toward the persuader's characteristics, and therefore away from factual content. Emphasis on emotional factors and the fraudster's good relationship with his audience diminishes the need for any counterarguments and can prevent the audience from asking for relevant information (Walton 1989: 82–83).

If Marcus was, in fact, merely an interested outsider looking to invest in CEP, these messages indicate that Reed's charisma was working and his good qualities and tempting promises of high returns were enough to persuade some people to invest and even recommend CEP to others. As Mustonen (2000: 48) points out, testimonials and recommendations from ordinary people, the audience's peers, are more effective than actual advertising. Marcus' positive feedback on Reed and CEP, as well as his stories of receiving payments, could have been enough to persuade someone who was already on the fence and only needed a little encouragement. Marcus' rationalisations ("seems like an alright dude", "with a domain name like this" and "its [sic] very obvious to me that the admin has a good heart") do not provide any actual proof of trustworthiness –

Marcus merely has an impression that Reed and CEP are to be trusted, based on the informal and friendly communication and the religious domain name *healinjesusname.ws*, instead of any actual evidence.

Reed attempted to avoid the use of the word *investment*, "for US tax purposes and for business purposes", and preferred the term *membership fee* (*healinjesusname.ws* 2005c). However, CEP was advertised on Internet forums discussing High Yield Investment Programs, and in the eventual bankruptcy trial the accused did not dispute the definition of the CEP as an investment programme (United States Bankruptcy Court 2008a). Thus, the choice of words can be seen as an attempt to reduce formality, and using the term *membership fee* instead of *investments* might make the programme more easily approachable by people with little or no previous knowledge on investing. Reed also explained the basic premise of the membership fee particularly simply: "You're actually paying a fee for the possibility of earning more money back" (*healinjesusname.ws* 2005c).

Speaking of *membership fees* instead of *investments* can also be seen as an attempt to avoid arousing suspicion, since in reality neither Reed nor Kimbrell were registered to handle securities (United States Bankruptcy Court 2008a). The website of the U.S. Securities and Exchange Commission instructs investors to check whether a broker or an investment adviser is registered, which is required by law in the United States (SEC 2010b). CEP could not be found from their database and Reed explained the lack of registration and their plans to legalise the programme as follows:

In regards to being registerd [sic] in the US as anything other than a broker, it's impossible. There simply isn't anything we classify under (believe me, we tried everything). And, because of the sometimes shady outcomes of surfs and HYIPs, we simply cannot be registered in the US (and, yes, we're aware that the membership fee thing doesn't protect us or whatever ;-)). The attorney [sic] we have spoken with has encouraged us to register offshore simply because we'll be registered, we'll be protected, and we can run a legit business without having to fear our friendly US gov't taking us down over someone's word or malicious act against us, so we've been looking into doing that simply for safety.

(TheHYIPForum.com. loveinJesusname's post September 28, 2006.)

Despite this elaborate explanation, CEP was never registered anywhere in the world (United States Bankruptcy Court 2008a). Claiming that CEP was not registered because

it did not fall under any traditional classification of an investment business makes the programme sound unusually innovative and unique. Here Reed actually admitted that auto-surf programmes and high-yield investment programmes were suspicious and occasionally had "shady outcomes", and he also admitted that "the membership fee thing" (i.e. using the phrase *membership fee* instead of *investment*) was used to avoid suspicions of illegal activity, but he also knew it would not protect them against legal motions (TheHYIPForum.com loveinJesusname's post September 28, 2006).

Providing several options can be seen as a persuasive act (Mustonen 2000: 50), especially when Reed makes the comparison to other similar programmes as follows:

Unlike autosurf companies that make all the choices for you, I'm going to give you the option to select how long a period of time you want to put your money in.

(healinjesusname.ws 2005a)

On the other hand, the three topmost levels with markedly shorter turnaround times were initially disabled, and Reed explained that it was due to "changing the plan a bit (colonendparenthesis.com 2006d). One explanation could be that when running a Ponzi scheme, it makes sense to discourage the shortest turnaround times to be able to keep up with the investments and withdraws. The longer the money stays within the system, the better chance there is that the fraudster will be able to run the scheme a little longer, or safely disappear with the money before people begin to notice. On the other hand, limiting the top levels could have made them more attractive and thus more popular when released again. Limited availability is tempting and when a person has been lured in, it is easier to persuade them to purchase more, invest bigger sums and extend their membership (Mustonen 2000: 49).

While the CEP presented tables of different investment levels and quite complicated explanations of their upgrade system, there was little explanation provided of the real mechanics of the programme and the basic business idea. The only explanation given was that Reed had "learned where to invest monies to make a profit, and thats [sic] where the monies with which you trust Colon End Parenthesis will go" (healinjesusname.ws 2005a). In the light of the knowledge that the CEP was a Ponzi scheme with no external sources of income, such vagueness seems understandable. However, for a potential, vigilant investor the explanation seems hardly enough, which

would suggest that either the investors' trust was gained in other ways, or the investors were aware of the possibility that the programme might be fraudulent. On the other hand, simplified explanations could have been aimed at not only less experienced, but possibly less intelligent audience, who would be easier to persuade (Mustonen 2000: 40).

The programme also seemed to be aimed at people who were looking for an easy, non-time-consuming way of making money:

We're here to do the research and investing for you, so you don't have to, and we're here to save you time--you don't have to surf your day away. We've made that our job.

(colonendparenthesis.com 2006c)

After having seen the incredible potential of auto-surfs, CEP realized that the “surf” itself is time consuming and easy to miss a day here and there.

(colonendparenthesis.com 2006a)

CEP was said to do the actual work on behalf of its members. Members only needed to pay their membership fees and upgrades, and thus provide the company with money to invest, and in return they would receive high yields. Reed admitted that there were risks, since CEP was said to invest in third party companies – which it never did, in truth (United States Bankruptcy Court 2008a) – but Reed explained that he wanted to provide risky options, as well, to let CEP's members have freedom that other programmes might not offer (healinjesusname.ws 2005a).

In addition to the tangible promises of earning money, CEP also promised happiness. The index page explained that the programme aimed at "bringing smiles to [the members'] faces" (healinjesusname.ws 2005a). Aristotle notes that everyone wants happiness (Larson 2007: 54), but happiness can mean different things to different people. In the context of HYIPs, one could argue that money is the obvious instrument in reaching happiness, but these programmes provide their members with other benefits, as well: for example, a membership in a group of like-minded people with similar interests and morals. The implication of happiness creates different mental images for

different people, and the fraudster does not need to further explain what exactly he means with the phrase (Schmidt et al. 1986: 55).

When another forum member listed several good things about the programme and noted that CEP's members could "ask stupid questions and noone will laugh at [them]" (moneymakersgroup.com joeymoney's post May 6, 2006), Reed replied as follows:

Thanks, Nico! We'll have to use that when we start advertising on television! lol ;-) Only one thing...if someone asks a silly question, we'll make fun of them...but only playfully. ;-) And the person usually appreciates it and pokes back, as well. hehe ;-) Talk with you soon, my friend! :-D

Trevor

(moneymakergroup.com loveinJesusname's post May 9, 2006)

Here Reed suggested that CEP was a group of people with a sense of humour and friendly playfulness, which could be appealing to people who appreciate such a friendly and informal community that was also welcoming inexperienced investors. In addition, in the post above and in other instances, Reed referred to familiar members as *friends*, which further emphasised the sense of a close-knit and equal community. Winking smileys were employed after nearly every sentence to underline the message's playfulness.

Throughout the website Reed emphasised that the CEP was an honest and trustworthy company. First of all, the Terms of Service begun with the following verse from the Bible:

"Simply let your 'Yes' be 'Yes,' and your 'No,' 'No'; anything beyond this comes from the evil one."

Matthew 5:37

(colonendparenthesis.com 2006c)



Reed also continued explaining the verse:

"Fact is, when we say something, we mean it. As noted on the personal profile page, this business is built on a Christian foundation, and on that foundation of Truth it will stand."

(colonendparenthesis.com 2006c)

In return, Reed said that they expected equal honesty from the CEP's members. He demanded that the members should be good citizens who pay their taxes, are law-abiding and do not abuse the CEP programme or its members (healinjesusname.ws 2005c).

If you plan to cheat, scam, or steal, this is not the place for you. This host is honest, and we ask the same of you. We will do our best to hold to everything we've said [...]

(colonendparenthesis.com 2006c)

Whether we agree with our governments or not, we should be doing our part as citizens to uphold integrity. If you plan on withholding taxes or entering false data, please look into another company, as CEP wants honest members (it's host is honest, and that's all I ask in return). If you disagree and think breaking the law is ok, please stay away from CEP. We are standing for true moral character, and we ask our members to do the same. Thank you.

(healinjesusname.ws 2005c)

The request to pay taxes contradicts Reed's own admission that they avoided the word *investment* "for US tax purposes" (healinjesusname.ws 2005c) – in other words, the word choice was an attempt to avoid paying appropriate taxes. Therefore, it can be argued that the request to honour US tax system is merely an attempt to emphasise CEP's own honesty.

Reed also posted a long, public explanation on one of the forums, after supposedly receiving an email from a dishonest forum user:

I just received an e-mail from [a MoneyMakerGroup.com forum] member who has 30 accounts and was willing to make tons of good comments for me on this board if I paid them 10 bucks. I didn't respond to the e-mail, but I want to make something VERY clear here...we are HONEST. Any attempts at deceit like this are ridiculous, and it made me sick to my stomach to even read that e-mail. If we have praising members, then they're honestly happy. If we have a complaint, then I hope it's at least an honest complaint. It's definitely not cool to spawn fake responses one way or the other for any dollar amount. Just wanted to mention to anyone who reads this board that CEP will NOT take or make bribes for anything. If someone e-mails us with a dishonest request like this again, it will simply be deleted. We don't need fake support. We have enough real members who honestly enjoy having honest admins. ;-) I would take 1 true member response over 1 million fake responses any day. ;-)

(MoneyMakerGroup.com loveinJesusname's post April 23, 2006)

The post above emphasised CEP's and Reed's honesty in several ways. First of all, it made it clear that CEP would not stoop so low as to buy dishonest appraisal and testimonials on the forums, and all positive feedback should be thus believed to be genuine. Second, once again, Reed insisted that CEP's members should stay honest, which in turn emphasised his and CEP's own honesty. He went as far as to say that the email "made [him] sick to [his] stomach", which made it seem that such foul play is actually unthinkable and repulsive to him. Third, by accusing some unnamed forum member of such a proposition, Reed made sure that basically any other forum member could be suspected of dishonesty, in case CEP happened to be verbally attacked and accused of illegal activity on the forums. Although here Reed commented that complaints are acceptable as long as they are honest complaints, on the CEP website (colonendparenthesis.com 2006c) he also pre-emptively dismissed possible complaints as likely signs of impatience, as discussed below.

Considering that the programme was a fraud, going to such great lengths to emphasise honesty and to demand it from CEP's members seems to be more likely an attempt to make the programme seem honest and legal, than a genuine concern for other members. This is in accordance with Rotter's (1980) theory on trusting and trustworthiness: by claiming to trust the members Reed and CEP attempted to look more trustworthy themselves – which, in turn, could have actually attracted trustworthy and consequently high-trusting members into the programme.

The members were also expected to be flexible, patient and address their concerns discreetly via email, not publicly on discussion forums:

If you are one of the many people I have seen on autosurf sites complaining and making up lies when payment is 2 hours later than you expected, do not join this site. [...] We will not tolerate any act against our site, and that includes these extreme cases of impatience. If you're concerned about a payment, e-mail us. [...] I recognize that it is a very small percentage of people that make up the terrible lies when they're concerned about payments, and they've been burned before, I'm sure (as have we all). I just ask for patience. As a Christian company, we will be forced to exercise [sic] tough love to a member who is intentionally hurting the company and clear them from our database. This is for the safety of our other members, the business, and the admin.

(colonendparenthesis.com 2006c)

Concerns of delayed payments and complaints were thus simply disregarded as impatience, unjustified distrust caused by other scams, or simply malicious lies. It must be noted that also legitimate companies may occasionally refuse members who hurt them, but forbidding public complaining more likely hints that the CEP's operation was based solely on its fragile reputation, as usually is the case with Ponzi schemes, and any expressed suspicions might have been difficult to dispel convincingly. Therefore it was sensible to disregard future complaints beforehand as unjust, because "[no] program or script is perfect, and something may have been missed" (colonendparenthesis.com 2006c). Reed also added that "[if] you do not have patience, you are not meant to risk any monies in high yield interest programs" (healinjesusname.ws 2005c), thus transferring the responsibility to the investors themselves.

Occasionally there were attempts to dispute CEP's honesty and requests for more transparent explanations as to where exactly CEP invested the members' money and whether the programme was even registered and legal. Reed usually provided lengthy responses, which, however, usually referred to the CEP websites or were still lacking in specific and clarifying information. When another forum member commented on the lack of actual information in Reed's long responses, he provided more vague explanations and joked about the matter:

Well, these are good questions...but it begs the question on my side...have you read the site? :-p Most of these answers are plastered on there for the world to see...we don't like to have secrets from our members or potential members. ;-)

(TheHYIPForum.com healinJesusname's post A September 28, 2006.)

Hmmm...ok, I guess I thought I answered most of your questions thoroughly, but it appears as though I may not have been wordy enough, eh? ;-)

(TheHYIPForum.com. healinJesusname's post B September 28, 2006.)

An experienced investor doing their due diligence would not simply take Reed's word for CEP's trustworthiness and would probably try to find out why CEP was not registered to handle securities, how it actually operated and where the members' money was invested to ensure such unbelievably high returns. Some non-members posted on the forums and requested more information, but there were few publicly doubting posts from actual members. Lack of voiced concerns would hint that either the members did not suspect anything and believed Reed's explanations and reassurances, or they fell prey to Reed's popular rhetoric, which can "bypass the critical questioning and logical assessment normally characteristic of reasonable dialogue" (Walton 1989: 82). It is also possible that some members were not interested in the legality of the programme, as long as they received the promised returns. This point of view will be discussed in the next subchapter.

### **6.2.2. Opportunistic**

According to Frankel (2005: 19), knowingly participating in a Ponzi scheme or a pyramid scheme to benefit from the early stages of the programme, when the early investors are still paid, is a fraudulent act at itself, although indirect. She argues that the American culture may, in fact, be moving toward accepting dishonesty and fraud, which means that investors would gradually start accepting fraudulent behaviour and deliberately scam or take advantage of others' scams (Frankel 2005: 3–4, 42). Therefore it could be argued that advertising CEP specifically on HYIP discussion forums may

have been an attempt to attract also investors who were aware of the possibility of a fraud or even suspecting it, but nevertheless gambling with their chances of profiting before the scheme eventually collapses. Reed even mentioned the risks associated with similar programmes and HYIP's in general on CEP's website:

[I know] how disappointing it can be to watch autosurf companies crumble and take your invested money and trust to the grave with them.

(healinjesusname.ws 2005a)

If you do not have patience, you are not meant to risk any monies in high yield interest programs.

(colonendparenthesis.com 2006c)

As discussed in the earlier chapters, the high level of unemployment in the United States in the 2000's can be seen as another factor which might lead to increased and willing risk-taking – when a person loses his or her regular income and there are few job opportunities available, they might be inclined to search alternative sources of income to meet their living expenses, and people who have debt are more vulnerable to frauds (Frankel 2005: 14). Some members in HYIP discussion forums admitted to having lost their money in previous scams and they expressed their wishes to gain back what they lost:

I just joined this program last night [sic] and I am looking to a very exciting begining [sic] of this program. The admin seems to be genuinly [sic] honest, I know we all have said that before, then to have them shut down and disappear. But these guys seem quite different. Give them a try I don't think we'll be sorry.

(MoneyMakerGroup.com UB06's post, 28 Feb 2006)

Good news all around. That's one of the great things about CEP - probably the greatest thing - the honesty. The current trend seems, unfortunately, to be the trust-inspiring admins who first create an atmosphear [sic] of trust and great service & communication - only to lure even more people (=more money) in, and then take every penny and run. That's one thing I know won't happen with CEP!

Autosurfs and HYIPs are always a gamble, there's the element of risk, and anything can happen. But it's so great to know that the one thing that will never happen is you guys just running with my money and laughing at my stupidity on your way to the bank.

(MoneyMakerGroup.com FunnyBone's post, 26 Apr 2006)

The message above shows that some members were aware of the risk and were willing to take a chance to gain back the money lost in other schemes. This phenomenon could be noted in Finland in 2010, when WinCapita's successor of almost the same name managed to attract members despite the very visible media coverage regarding the pyramid scheme (YLE Uutiset 2010). Since Ponzi schemes often rely only on incoming investments, some may have hoped to increase their chances of getting their own money back with interest by actively advertising the programme to others. This greatly benefited CEP and Reed, since common people's testimonials and word-of-mouth advertising is free and can be more effective than advertising conducted by the company itself (Mustonen 2000: 40).

However, it is possible that some members were not aware of the risk that CEP might be a Ponzi scheme. Although FunnyBone (quoted above) seems to be taking the risk knowingly, he mentions some of the characteristics that are probably most appealing to an investor with more enthusiasm than experience:

[...]  
One of the greatest things is that you don't have to do all the hard work yourself...the taking of risks, due diligence, the surfing, the worrying, the diversifying...they do it for you! That's what I really like :)

(MoneyMakerGroup.com FunnyBone's post, 14 Apr 2006)

The message above is enthusiastic and sounds like advertising, although it is presented as a personal opinion and endorsement. It is also echoes CEP's original slogan, "Make the % of an autosurf without surfing! :)" (healinjesusname.ws 2005a). Such simplicity and the full-service investment model could have attracted members who had the money to invest, but no time or perhaps interest to learn the further mechanisms of the programme, as long as it would pay the returns that it promised – even if it meant taking a huge deliberate risk.

### 6.2.3. Religious

CEP's Terms of Service page started with a verse from the Bible and then described CEP as a Christian company (colonendparenthesis 2006c). Reed has also said that the idea of the CEP programme came from God (Weisbecker 2007). Although Reed never made the explicit request that the programme's members should be Christian – he only asked for honesty and mutual respect (colonendparenthesis.com 2006c) – the abundance of religious language and figures of speech could be seen as a tactic to attract and persuade people with similar religious beliefs, which made CEP an affinity fraud.

Reed emphasised his own Christianity, and it can be argued that as CEP's founder and primary communicator, he borrowed his own image – along with his religiousness – to represent the programme. The original CEP website included references to religion at least on the Terms of Service page and on Reed's profile page, but the index page emphasised only informality, honesty and friendliness (healinjesusname.ws 2005a). After the website was redesigned in March 2006, the earlier page title "Make the % of an autosurf without surfing! :)" was changed into an overtly religious phrase "Stop surfing, take a leap of FAITH into auto-Heaven" (colonendparenthesis.com 2006a). It stands to reason that religious content on the Internet would attract religious people, and the shared belief in Christian God would make potential members more trusting towards Reed and CEP, and consequently more susceptible to persuasion (Frankel 2005: 54).

Religion provides people with a community and a sense of belonging, and Reed attempted to present CEP as a welcoming community.

Everyone will be treated fairly, and I hope that all of us may prosper together within this community.

(colonendparenthesis.com 2006b)

[...] a whole community of people who are waiting to welcome you! We look forward to you becoming a part of the ColonEndparenthesis Family!

(colonendparenthesis.com 2006a)

Referring to CEP as a *community* and a *family* created an impression of a close-knit, inclusive group of similar-minded people, which can be a very attracting and persuasive idea (Schmidt et al. 1986: 46). The idea of CEP as a community was further emphasised by the use of phrases like *members* and *membership fee* (healinjesusname.ws 2005c). Like any community, CEP had rules that the members must abide:

If you plan to cheat, scam, or steal, this is not the place for you. This host is honest, and we ask the same of you. We will do our best to hold to everything we've said, pay you in a timely fashion, and continue to add new services for you. If, however, any of the benefits we offer should begin to hurt the company--whether it be from member abuse of something we missed in foresight while planning--we will notify you via update if we decide to make a change. We are here for the long run, and all of us, members and admins, need to be flexible in order to ensure longevity.

[...] If you are one of the many people I have seen on autosurf [sic] sites complaining and making up lies when payment is 2 hours later than you expected, do not join this site. Fact is, we are honest and will be paying. We will not tolerate any act against our site, and that includes these extreme cases of impatience.

[...] As a Christian company, we will be forced to exercise [sic] tough love to a member who is intentionally hurting the company and clear them from our database. This is for the safety of our other members, the business, and the admin.

(colonendparenthesis.com 2006c.)

CEP was presented as a company that wants its members to prosper and protects them, but it also expects them to be honest and respect other members. Any member that deviated from these expectations and hurt the community was threatened to be cast outside. Religious people tend to trust each based on shared faith alone (Frankel 2005: 54), and abusers of this trust are usually dealt preferably without any external help (SEC 2006a). This made CEP seem like any other religious group that had its internal order and discipline, which could have attracted religious people. Of course, in CEP's case it makes sense that possible abusers would have been simply cast out without further legal measures, because the programme itself could not really stand closer inspection by the officials – as eventually happened.



One of CEP's websites was [cepgivesback.com](http://cepgivesback.com), a charity with a strongly Christian message. The index of [cepgivesback.com](http://cepgivesback.com) (2007) explained the charity as follows:

CEP Gives Back is the newest addition to the CEP family. Since we founded CEP, we have sought to help others. Lately, however, we realized there was something missing. God has given us so many gifts: wisdom, faith, peace, strength, eternal life, and, of course, Jesus Christ. Genesis 28:22 speaks of tithing in return for God's blessings. In response to this calling, CEP has started a special fund into which it will add some of its profits, as well as any donations our members are moved to make, in order to help those less fortunate than ourselves and complete the circle of the already bountiful blessings we have been granted.

This programme was said to provide financial help for those in need ([moneymakergroup.com](http://moneymakergroup.com) [loveinJesusname.com](http://loveinJesusname.com)'s post May 3, 2006) and that CEP expected nothing in return. It is possible that CEP did, in fact, forward some of the money to charity, but another possibility is that the charity programme was another way of circulating the money around within the Ponzi scheme – nobody expected any money back from CEP Gives Back, so it may have been used to pay returns in other programmes.

In any case, CEP Gives Back was likely another way of emphasising Reed's and CEP's charitableness, honesty and piety, an attempt to reinforce the members' trust in the programmes and also an attempt to attract new, charitable investors. As Harris (1994; quoted by Mustonen 2000: 45) notes, the best persuasion makes the target feel like a better person. When members earned notable sums in other CEP programmes, giving some of the earnings to charity via CEP Gives Back – "helping those less fortunate than [them]selves" ([cepgivesback.com](http://cepgivesback.com) 2007) – could make them feel themselves good and selfless. Since some of the profit from other CEP programmes was said to be routed to CEP Gives Back, members could feel that investing and taking part in other programmes was not an entirely selfish act and it could actually benefit others as well.

The request for donations was justified by referring to the Bible and the following passage:

And this stone, which I have set for a pillar, shall be God's house: and of all that thou shalt give me I will surely give the tenth unto thee."

(BibleGateway, King James' Bible: Genesis 28:22)

The quote above speaks of tithing, or giving a tenth of one's income to God, i.e. the church. While CEP was not a church nor affiliated with one, it made use of the idea of tithing and giving back by introducing charity as one way of tithing. Phrases such as "God has given us so many gifts", "God's blessings" and "bountiful blessings we have been granted" (cepgivesback.com 2007) underline the belief that whatever people receive from CEP programmes and other areas of their lives, they receive thanks to God's benevolence and thus they should give a tenth of it back. Reed also explained that CEP Gives Back was founded in response to *the calling* to pay tithes to God (ibid.), which not only emphasised Reed's own goodwill, but attempted to persuade others to feel this calling as well and to respond to it by taking part in this particular form of charity.

These word choices mentioned above make use of *enthymemes*, the shared knowledge of Christendom, and what associations they bring up in the audience's mind: what the Bible instructs and how they can be good Christians themselves. As Frankel (2005: 54) points out, a shared religion can make people feel closer to strangers than sometimes would be wise. This may have made the CEP community feel like a safe group of like-minded people, who wish nothing but prosperity on each other – which was further emphasised by word choices like *community* and *family*, as discussed earlier in the study. On the other hand, the religious context on all of the CEP websites was also used to paint a picture of Trevor Reed as a trustworthy minister student, as discussed in the next subchapter.

### **6.3. The fraudster**

The CEP programme was Trevor Reed's idea and creation, because he stated on the programme's website that "I decided to start Colon End Parenthesis" (healinjesusname.ws 2005a) and he has said on another occasion that "the Lord laid [the idea of the programme] on my heart" (Weisbecker 2007). Reed was also the face of the CEP: the website's administrator profile page was written by Reed and there he talked about himself, his fiancée and his beliefs regarding both religion and business (colonendparenthesis.com 2006b); the text on the websites was mostly in the first person singular and the texts were usually signed "Trevor"; and he was the most prolific poster on the discussion forums. Reed also described his role in the programme as

"mainly customer service and researching programs that will help yield profit for the entire community" (colonendparenthesis.com 2006b). Reed was the members' main contact to the staff via emails, CEP's own discussion forum and other forums; and his communication with the members of the CEP is most visible to the public, at least on the available online data. Therefore the present study concentrates on Reed's communication with his audience.

The CEP admin profile page concentrated solely on Reed, since he was the founder and the most visible spokesman for the programme. Reed emphasised his religious beliefs and background:

First and foremost, when anyone asks who I am, my answer is thus: I am a Christian. This defines the way I think, the way I live, the actions I take, the words I speak, and absolutely everything that governs my life. I have my BA in Religion and Philosophy from Susquehanna University in central Pennsylvania, USA. I am currently attending Southeastern Baptist Theological Seminary in pursuit of ministering for the Lord Jesus Christ.

(colonendparenthesis.com 2006b)

Here Reed explicitly stated that Christianity had an effect on everything he says and does, so the audience can expect him to live according to Christian morals: honesty, goodwill and compassion. Although Reed was not yet a minister, his studies to become one may also have had the halo effect (Mustonen 2000: 48–49), which could have possibly lead the audience to believe that Reed had other characteristics that ordained ministers possess. Reed did not have a similar authority that an actual minister has over his congregation, which usually makes religious groups especially vulnerable to frauds, but the audience may have expected a minister student to be more trustworthy and God-fearing than regular people.

As discussed in the background chapter, Aristotle lists "good sense, excellence and goodwill" as the "three things which inspire confidence in the orator's own character" (Aristotle 1984: 2194). Although Reed did not give any concrete proof or precise examples of his expertise, he suggested that he had "been successfully making money on the internet for some time now, and [wanted] to help [others] do the same" (healinjesusname.ws 2005a). Reed also emphasised his good sense, expertise and rationality with the following statement on the profile page:

"I have been blessed with a morsel of intelligence in several areas of study, including the financial world."

(colonendparenthesis.com 2006b)

While the word choice *morsel of intelligence* seems like downplaying his own abilities, it was also a humorous and seemingly humble way of bringing up his diverse knowledge without blatant boasting.

"I now only have 3 reliable high % sites and a few prospects. This is NOT diversified enough for my comfort (and I refuse to put member's money into companies I am uncertain of...it's just not the way I do business). Every other option is totally clear with no problems, but until I can get up to 10 programs again to diversify in these higher %, the 15, 20, and 25 day options are going to be considered high risk. It's important to me to give you this information up front, as I refuse to withhold information in that way. If you want one of these options soon, please know there's a larger risk. I could cancel them altogether, but I'd rather leave the option available for you."

(healinjesusname.ws 2005c)

Here Reed presented himself as a careful, rational and honest businessman, who does not wish to jeopardise members' money, and also gives the members a choice of investing more, at their own risk. Ponzi schemes are usually claimed to carry little or no risk at all (SEC 2010a), but Reed repeatedly emphasised that the members were taking a risk of losing some of their money, because the CEP was dependant on other companies which might go bankrupt (colonendparenthesis.com 2006c). On one hand, this can be seen as an attempt to diminish the CEP's responsibility over its members' investments, but, on the other hand, it communicated to potential investors that CEP and Reed were reasonable enough not to make empty promises when they were aware of the risks. Or, following Aristotle's theory, this kind of caution exemplified Reed's good sense and good will, in attempt to strengthen the audience's confidence in him.

However, there were also instances where CEP promised that there would not be any risk of losing money. Reed gave his "personal guarantee" that the invested money would generate more money over time (colonendparenthesis.com 2006a) and the Frequently Asked Questions page on the Coastin88 website went even further in denying possible risks:

Is this a pyramid scheme?

No. It's an advertising company. You purchase a product: advertising packages. Advertisers need people to see their advertisements, and this is a great way of putting websites in front of people to see. What happens if people all of a sudden stop purchasing advertising from us? We go to the reserve. If we have a day of advertising where the amount coming in is less than 2% of our current active advertising packages, then we will take 5% of the reserve and split that amount evenly for each active and qualified advertising package. The reserve would be enough to build a wall of stability around this program, but should this fail, then we shall reimburse from our other programs. **No one is in danger of losing money in this advertising program!** We can say that because we have a superior business model that will hold the test of time.

(emphasis added) (coastin88.com 2007b)

The FAQ page on CEPCoast.com (2006a) had the same claims and explanations almost verbatim, except it substituted pyramid scheme with Ponzi scheme.

A persuader's expertise must be demonstrated and proven in some way, otherwise claims of extensive knowledge and expertise can be perceived as a mere subjective opinion self-glorification and, consequently, can turn the audience against the persuader (Bhatia 1989, cited in Bhatia 1993). Reed attempted to avoid this by providing examples of his previous experience, expertise and good qualities, although he did not back his claims with substantial proof:

I have been successfully making money on the internet for some time now, and I want to help you do the same. I know how tiring it can be to wait up until just after midnight, or 1 am, or 3 am to get your autosurfing done for the day and how disappointing it can be to watch autosurf companies crumble and take your invested money and trust to the grave with them.

(colonendparenthesis.com 2006a)

We're here because we have lost money in the autosurf arena. We have done our research (several months of research) and have a pretty good eye on companies that are safe to invest with.

(colonendparenthesis.com 2006c)

After successfully running a diversification service in the autosurf [sic] industry, we have found a stable and good way to build a surfing program. [...] Our business model is built for stability, unlike the rest of the industry, and we will be offering our advertising services for years to come.

(cepcoast.com 2006b)

Let me also note that I agree that every current surf I've laid eyes on is a ponzi [sic] scheme (and I tried and tried to find one that I could say otherwise), and that's why we're getting out of those for diversification.

(TheHYIPForum.com healinJesusname's post A Sep 28, 2006.)

Reed emphasised his earlier misfortunes, which increased his similarity with his target audience. Hinting vaguely at other similar, but unreliable companies that steal the investors' money may have undermined the members' trust in other programmes and also emphasised Reed's experience and expertise on the HYIP field. On the other hand, mentioning his later success and "several months of research" (colonendparenthesis.com 2006c) made him seem like a clever investor who is thorough and learns from his mistakes – which is probably what CEP members wished to be like, after losing their own money in one programme after another. However, Reed did not completely criticise and dismiss other programmes, as that might have made the impression that he was deliberately and unfairly trying to make his competitors look bad – instead he decided to advertise and recommend some selected programmes:

Here are some autosurf, hyip and network sites I trust and invest in. They pay. :-D Check 'em out! :-D

(healinjesusname.ws 2006)

Aristotle also discusses the importance of the persuader's benevolent disposition towards the audience. Although the persuaders might be "both sensible and upright, but not well disposed to their hearers, [they] may fail in consequence to recommend what they know to be the best course" (Aristotle 1984: 2194). Therefore it is vital that the audience is able to trust that the persuader is sincerely benevolent toward his audience. Reed emphasised his good intention to help others achieve what he had already achieved himself and ensure an unproblematic relationship between the CEP and its members. He claimed that he "wants to work together to build wealth in the lives of interested people" (healinjesusname.ws 2005a) and to give the members more options

and choices than other "autosurf companies that make all the choices for you" (healinjesusname.ws 2005c). Unlike big, impersonal companies, Reed also gave his "personal guarantee" that the invested money would generate more money over time (colonendparenthesis.com 2006a).

Reed used the Christian concept of *caritas*, an altruistic love for one's neighbour, to further emphasise his benevolence, when he discussed the CEP's charity programme CEP Gives Back. A good and concrete example of Reed's benevolence was provided by a member, who told a story of how he lost a lot of money in other HYIPs and then turned to Reed, who helped him financially (moneymakergroup.com shah123's post May 20, 2006). Reed answered the public thanks the following way:

Thank you for your kind words, [...]. They have touched my heart and mean more than you know. We're still getting more together for you. ;-)  
Keep me posted via e-mail how your wife and newborn are doing, K? :-)  
Hope to hear from you soon. :-)

Trevor

(moneymakergroup.com loveinJesusname's post May 21, 2006.)

Mentioning the wife and the baby in a casual manner may have been perfectly innocent, but, on the other hand, it also can be viewed as an attempt to further emphasise the importance of the benevolent act, by making the member's distress seem even greater and more apparent. According to Aristotle (1984: 2207), the bigger the need, the greater is the perceived kindness of the one who helps – and it follows that this kind of unselfish, desperately needed kindness only further enhances Reed's *ethos* as a well-meaning and trustworthy person.

In addition, Reed presented himself not only as an intelligent and generous, but also a humble and unselfish man, who is willing to give much and more to those in need. In his forum post mentioned above, he seemed content and happy with the said member's thanks, and following the idea of *caritas*, only wished to be of further help and support. While the subject at hand was important and serious, the use of smileys kept the message informal and light-hearted, and gave the impression that helping others was not much trouble. Using the abbreviation *K* at the end of the sentence, instead of *okay* or *ok*, is another instance of internet speak and it, once again, reinforced the impression of informality and equality between Reed and other members.

While it is important to present the persuader as having "good sense, excellence, and goodwill" (Aristotle 1984: 2194), it is also important that the audience views the persuader as one of "us". This establishes the persuader as a potentially trustworthy person (Larson 2007: 11) and may also give the audience more reasons to believe that the persuader genuinely wishes to act in the best interest of the group, which further reinforces the belief in the persuader's goodwill. On the programme's website, Reed presented himself as "just your average person", who had experienced what it is like to invest in a HYIP:

[I know] how tiring it can be to wait up until just after midnight, or 1 am, or 3 am to get your autosurfing done for the day and how disappointing it can be to watch autosurf companies crumble and take your invested money and trust to the grave with them

(healinjesusname.ws 2005a)

This established Reed's likeness with his audience through similar experiences and ambitions, and additionally he attempted to "break down the 'I'm better than you' barrier" with a detailed profile page (healinjesusname.ws 2005a).

Reed broke down the so-called barrier also by being an active member on external forums, by communicating with both enthusiastic and doubting members, and by cheering members' successes like an equally enthusiastic peer - for example, when CEP organised a raffle, Reed repeatedly congratulated the winner (MoneyMakerGroup.com loveinJesusname's post May 1, 2006). Positive communication is more persuasive than critical, and people tend to believe it more easily (Mustonen 2000: 49). It gives a boost for self-esteem, which in turn, can make people take more chances and active decisions. Positive feedback made Reed seem friendly and genuinely interested in the members' success and it also encouraged members to post about their profits publicly, which, in turn, could potentially make other forum members curious to join the programme. Thus, open and positive communication not only improved Reed's *ethos*, but it also benefited the programme more directly by making it more attractive through positive testimonials.

Reed presented himself as a person with a sense of humour and an ability to laugh at himself. When Kimbrell humorously noted on the Money Maker Group forum that Reed had been somewhat verbose earlier, Reed replied with an excuse:



Yeah, yeah...I'm studying to be a pastor. What do you expect? ;-) lol That was quite funny, though. ;-)

Trevor

(Moneymakergroup.com loveinJesusname's post May 21, 2006)

A display of humour and self-irony made Reed seem like an ordinary person, who did not take things, or himself, too seriously and who could admit his faults. Reed also frankly admitted that he did not know HTML (healinjesusname.ws 2005a) and that Kimbrell's proficiency in programming far exceeded his (healinjesusname.ws 2005b). In addition, Reed admitted making mistakes and blamed it on his humanity:

You will also find a fallible human being. I make mistakes. When I do, I attempt to fix them as best as possible.

(colonendparenthesis.com 2006b)

When Reed discussed the word choice *membership fee* instead of *investment* – the latter being illegal since CEP was not registered to handle securities –, again he emphasised his fallibility:

I use the word “invest” here lightly...for US tax purposes and for business purposes, any money you put into the company is considered membership fees and anything withdrawn is considered earned income. Thus, you aren't really “investing” money and earning “interest”. You're actually paying a fee for the possibility of earning more money back. So, if I slip up and use other words, please understand I mean them in the pre-said sense.

(healinjesusname.ws 2005c)

Therefore, a slip of words should be viewed as a mere human error and not be taken as a hint of an illegal securities business. Emphasising his humanity was another way of making himself seem more relatable and friendly, and less of a hardboiled businessman planning to scam the investors.

## 7. CONCLUSION

The present study attempted to analyse CEP's and, more specifically, its founder Trevor Reed's communication with current and potential members to find out how computer-mediated communication affected the fraud, who may have been CEP's target audience, and how the programme and Reed were presented to persuade new members.

First of all, computer-mediated communication provided the main medium for conducting the fraud and was therefore an essential factor in the whole scam. CEP's website offered extensive explanations of how the programme worked and what was, in fact, offered and promised for potential investors. Reed and his companions did not utilise extensively the different multimodal tools that the web provides, but concentrated on text-based communication. In addition to the programme's own website, it was discussed on several discussion forums. These HYIP-centered forums provided an audience that was already interested in investing in such programmes, and they also provided a channel for communicating with the members publicly. Discussion on the forums could, in turn, attract more members, because public testimonials and positive feedback from current members is one of the most effective and persuasive forms of advertising.

CEP's and Reed's communication on the website and forums was informal, friendly and in accordance with the conventions of Internet speak. Reed's use of smileys and abbreviations was very prolific, and his communication was positive, friendly and occasionally humorous. This made him seem like "one of us", which improved his *ethos* as a persuader by demonstrating his goodwill and, consequently, added to his perceived credibility. Computer-mediated communication allowed CEP to interact with its members in ways that emphasised the feeling of familiarity and informality, thus further improving the persuasion.

The present study found three major characteristics that CEP may have preferred in its target audience:

First, people with little knowledge and experience in investing could have been drawn to Reed's informal and friendly communication, his overly simplistic explanations of the programme's business idea and his reassurances of taking care of the members and their money. Reed promised that members did not have to do research or exercise due diligence, and in some instances even risks were downplayed. CEP promised to take care of everything and pay members their high returns, and used the term *membership fee* instead of *investment* to further simplify the programme. CEP was presented as a supporting community that welcomed and took care of beginners. Reed also emphasised trust as one of CEP's main principles, which may have been a way of attracting high-trusting people, because trustful people are often viewed by others as trustworthy. This further supports the hypothesis that CEP targeted people with little experience, because earlier experiences in scams can make even a high-trusting person sceptical towards suspicious programmes.

Second, advertising CEP on HYIP forums suggests that opportunistic risk-takers may have also been one target group. A great number of high yield investment programmes eventually turn out to be scams, and some forum members said that they had already lost money in such endeavours and were now attempting to make up for their losses with CEP's help. Some may have believed that CEP was a legitimate programme and were simply willing to take the risk once more, but others may have suspected its true nature from the start. Some people deliberately invest in suspicious investment programmes, fully aware that these programmes might be frauds and that their own actions are illegal, simply in the hopes of benefiting from the programme themselves before the fraudsters flee with the money or authorities seize the operation.

Third, emphasising Reed's religious beliefs, his friendliness and good heart could have made other religious people place unquestioning trust in him, when due diligence and caution would have otherwise been sensible. CEP was also presented as a close-knit, friendly and welcoming community that protected its members against threats from outside, much like religious groups in general. CEP Gives Back, the Christian charity programme, further emphasised CEP's benevolence and kindness, and gave investors a chance to feel good about themselves and their involvement in the programme, while further emphasising the programme's religious principles.

Reed presented himself as an honest and sensible person, with good intentions and expertise in HYIPs and auto-surf programmes. He emphasised his earlier misfortunes in the field and explained how he had learned from his mistakes and was now willing to use his knowledge to benefit others. However, he did not offer any concrete proof of his expertise, which suggests that Reed attempted to persuade people who either did not care about his credentials or simply did not have enough knowledge in investing to demand further information. Reed also emphasised his Christian beliefs and his strict adherence to ethical standards, but on the other hand he was portrayed as a friendly, common man with a sense of humour. Reed's highly informal and friendly communication with CEP's members and his personal profile page established his similarity with his audience, which made him a more credible persuader and, consequently, his message more persuasive.

To summarise, computer-mediated communication was used to portray Reed as a trustworthy and credible person, and CEP as a friendly and welcoming community, which offered an easy and straightforward way of making money. Some members may have been persuaded by the emphasis on trust, while others may have suspected a fraud and attempted to benefit nevertheless. The heavy emphasis on Christianity also suggests that CEP could be defined as an affinity fraud targeted at religious people.

An unbalanced amount of effort was put into building a certain image of Reed and CEP, while presentation of facts and convincing arguments was given little thought. This goes against Aristotle's own opinion that *logos* is the most important rhetorical proof, and *ethos* and *pathos* should only support it. It must be noted, though, that since CEP was operating on a false premise and concealing its true nature as a Ponzi scheme was of great importance, it only makes sense that Reed chose other means of persuasion and emphasised his *ethos* instead, to direct his audience's attention away from the inadequate information.

It would be interesting to know how common this strategy is among other financial frauds, because Ponzi schemes and pyramid schemes often rely on charismatic leaders and social influence, and their explanations tend to be vague, at best. However, for example Madoff's company succeeded in deceiving experienced investors for years, proving that frauds are not always as simple and easily distinguishable, and their victims do not all fall under one clear-cut category. Persuasion, especially in regard to

fraudulent behaviour, is a complex phenomenon and deserves extensive research on many different fields of study.

The present study has only scratched the surface of one small Ponzi scheme, from a linguistic point of view and from one perspective. Colon End Parenthesis is merely one example of possibly hundreds of Internet-based American frauds, past and present, which keep the SEC and FBI busy for years to come. Ponzi schemes provide an interesting, relevant and multi-faceted subject that could be studied from any number of viewpoints in several fields. Furthermore, it is important to gain knowledge of these schemes, of their mechanics and their modes of persuasion, to be able to inform the public and, ideally, to prevent people from falling prey to these frauds ever again.

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APPENDICES

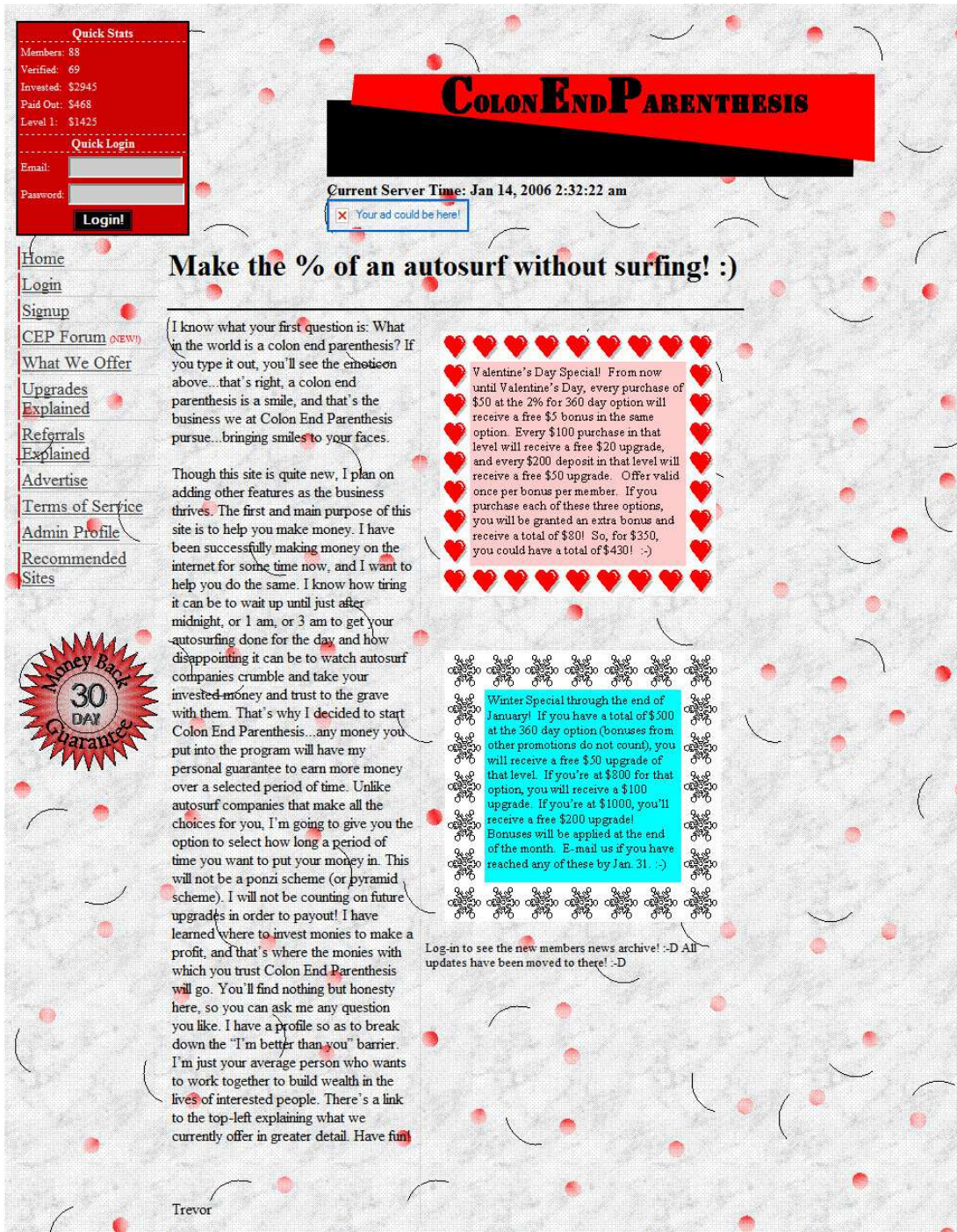


Figure 1 colonendparenthesis.com Index page, January 2006

(Retrieved via Internet Wayback Machine, 2.12.2009)

**CEP**

STOP SURFING, TAKE A LEAP OF FAITH INTO AUTO-Heaven

Greetings! Welcome to CEP, where you can make the % of an auto-surf without surfing! Our small but friendly staff is dedicated to bringing you the best ways to get the most out of your investments. We offer multiple options to suit your individual needs and preferences, as well as a whole community of people who are waiting to welcome you! We look forward to you becoming a part of the ColonEndparenthesis Family!

**Recent News:**

04-10-2006  
[CEP Was Down](#)

04-04-2006  
[CEP Site Updates!](#)

03-26-2006  
[New design added!](#)

**Quick Stats:**

Members:	570
Verified:	542
Invested:	\$40131.41
Paid Out:	\$25256.22
Levels 1,2:	\$35958.41

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**About us:**  
After having seen the incredible potential of auto-surfs, CEP realized that the "surf" itself is time consuming and easy to miss a day here and there. It is also difficult because the company is pulling from a single source. We are here to provide you with a safer way to invest by spreading out your investments in multiple venues, including auto-surfs which we have found to be the best and most stable areas around. The more places we use, the better your return. Suggestions for new sites or areas are always helpful. We consider CEP members and staff to be a family working together to build each others' financial futures.

**Specials:**

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colonendparenthesis.c...  
**143,288**  
Powered by Alexa

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Figure 2: colonendparenthesis.com Index page, Apr 2006

(Retrieved via Internet Wayback Machine, 2.12.2009)