

CINCINNATI.COM

ENQUIRER

REDS

BENGALS

JOBS

CARS

HOMES

WEATHER

TRAFFIC

TALK

SUBSCRIBE

# THE CINCINNATI ENQUIRER

ONLINE EDITION OF THE REGION'S #1 NEWSPAPER

Self  
Serve  
Regular

Cash or  
Credit  
1.48<sup>9</sup>

The price of gas  
can fluctuate.



Sep. 13, 2001

ENQUIRER HOME

LOCAL

SPORTS

BUSINESS

TEMPO

ENTERTAINMENT

CLASSIFIED

AR

## TODAY'S ENQUIRER

Front Page

Local News

Sports

► Business

Tempo

Travel

Health

Technology

Weather

Back Issues

Search

Subscribe

## SPORTS

Bearcats

Bengals

High School

Reds

Xavier

## PERSPECTIVE

Jim Borgman

Columnists

Photographers

## ENTERTAINMENT

Movies

Dining

Horoscopes

Lottery Results

Local Events

Video Games

## CINCINNATI.COM

Giveaways

Maps/Directions

Send an E-Postcard

Coupons

Visitor's Guide

Web Directory

## CLASSIFIEDS

Jobs

Cars

Homes

General

Place an ad

## HELP

Feedback

Subscribe

Search

Survey

Saturday, March 17, 2001

Late

Updat

## Investment schemes target the vulnerable

### Search for quick buck puts savings at risk

By Cliff Peale  
The Cincinnati Enquirer

It was last summer when Lowell Hacker first heard of Wellington Bank and Trust. The Springfield Township man, lured by promised returns of more than 50 percent and thinking about his retirement, took \$21,000 out of his 401(k) retirement plan and invested in a 5-year note from the Grenadian bank.

Less than a year later, Wellington is under investigation by the U.S. Securities and Exchange Commission, and Mr. Hacker, 59, is worried that his money is gone.

"I never had any reason to be suspicious, but I'm beginning to get concerned now," he said. "If the money's gone, I'm not sure what I'll do."

Mr. Hacker is hardly alone. Throughout Ohio, Kentucky and Indiana, more people are buying securities issued by companies nowhere near NASDAQ or the New York Stock Exchange.

The investors are hoping to make money quickly so they can solidify their retirement. But authorities in all three states say the trend has bred an entire industry of unregistered investments that elude regulations designed to protect investors.

Many times the investments promise high returns but often can leave investors with nothing to show for their money, said Indiana Securities Commissioner Brad Skolnik, whose agency led the investigation of Wellington Bank and Trust.

"These are being sold by people on the fringes of the industry," Mr. Skolnik said. "Often times, the damage has already been done by the time regulators get around to filing an action."

There is no way to know how much money has been earned or lost on these investments. But this much is clear: There are more

### WHERE TO GET HELP

How to contact your state securities regulator:

- **Ohio:** Investors can call the Ohio Division of Securities at 800-788-1194 or contact the division online at

[www.securities.state.oh.us](http://www.securities.state.oh.us).

- **Indiana:** The Indiana Securities Commission, a unit of the secretary of state's office, is available at 800-223-8791 for those in Indiana or 317-232-6681 for those out of state. Online, the commission is available at

[www.state.in.us/sos/security](http://www.state.in.us/sos/security).

- **Kentucky:** Investors can call the Securities Division of the Kentucky Department of Financial Institutions at 800-223-2579 or contact them online at

[www.dfi.state.ky.us](http://www.dfi.state.ky.us).

- **National:** The National Association of Securities Dealers Public Disclosure Hotline number is 800-289-9999.

## BUSINESS NEWS

- [Fed Gives \\$50B to S Banks](#)
- [Limited Trading Star](#)
- [U.S. Economy Vulne](#)
- [Gas Prices Fall After](#)
- [Insurers Expect Billi](#)

## TECHNOLOGY NEWS

- [Attack Solace Found](#)
- [Cell Phones Worked](#)
- [Worried Callers Ove](#)
- [EBay Bans Trade Ce Items](#)
- [FBI Directs Citizens](#)

## AP TOP HEADLINE NE

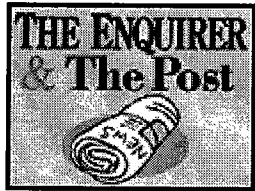
- [4,763 Reported Missi City](#)
- [U.S. to Respond Wit Campaign](#)
- [Congress Nears Anti Funding](#)
- [Bush to Visit New Y](#)
- [Pakistani: Bin Laden After Attack](#)
- [FBI Checks Countle](#)
- [Pentagon Says 190](#)
- [Bush Denounces Att Americans](#)
- [Bond Trading Resu Exchanges Closed](#)
- [NFL Calls Off Weeke](#)

## NATIONAL NEWS

- [NYC Mayor Says 4,7 Trade Centers](#)
- [Terrorists Trained b](#)
- [Major Airlines Prepa](#)
- [Pentagon Says Abo](#)
- [Convicted Murderer](#)
- [Amtrak Train Crashe](#)

## WORLD NEWS

- [Bin Laden Moved Aft](#)
- [NATO, U.N. Back Un](#)
- [UN Workers Leave A](#)
- [Israeli Forces Enter](#)
- [Plane Crash in Mexi](#)



people selling them, there are more investigations of them by state securities divisions, and the main victims are senior citizens or those close to retirement.

While low interest rates are great for the economy as a whole, they can make retirees more willing to take greater risks, experts say.

"People may have lost money on the market, or they're looking around and getting closer to retirement, and they get sucked into these kinds of things, just like I did," said Drew Bachman, 62, of Northern Kentucky, who invested about \$30,000 in offshore companies, including another Grenada company, First International Bank, two years ago.

The company that sold the securities to Mr. Bachman, Global Financial Strategies, also is under investigation by the Kentucky Division of Securities.

### **Not worth the risk**

Sometimes, the sales are illegal and constitute fraud, drawing state and federal investigators. Other times, the group is forced to register the security and those selling it.

But illegal or legal, these clearly are more risky investments targeting people looking for higher returns.

"Once the money gets out of an investor's hands, we have no way to get the money back," said Debbie Dye Joyce, commissioner of the Ohio Division of Securities.

"It's almost like a fad," she added. "They've found an emotion they can work on with potential investors. People might latch onto that and think, 'It's just an IOU.'"

The three states have unprecedented numbers of people registered to sell securities. Ohio, for example, has more than 125,000 people registered to sell securities, up about 24,000 since the same time last year.

But what most alarms investigators is the number of unregistered securities outside their reach. In 2000, Ohio, Kentucky and Indiana received formal complaints or opened investigations in a combined 500 cases, according to state authorities.

Not all of those cases result in formal enforcement actions and even fewer are prosecuted by criminal authorities.

Those selling unregistered securities often are insurance agents who have developed a relationship with a client and then pitch a new, riskier investment.

Mr. Bachman said that was the case with his investments at Global Financial Strategies.

"If your money's all in CDs getting 5 or 6 percent, it's just getting eaten up," he said.

In this current economy, with diminishing stock-market returns, senior citizens on a fixed income can be especially vulnerable, Ohio's Ms. Joyce said.

"If the return that's promised sounds too good to be true, it probably is," she said.

## High-profile cases

Greater Cincinnati has seen several high-profile cases come to fruition in the last year, including Wellington Bank and Trust and Cincinnati Regional Initiative, run by former Clermont County minister Gerald Lach.

Mr. Lach is in Clermont County jail after being indicted twice on charges of selling unregistered securities and misleading investors.

And local insurance agent George Fiorini, who has advertised the "10 percent plus income plan" locally for years, signed an order with the Ohio Division of Securities last year agreeing to stop selling unregistered securities and misleading investors.

## Be suspicious

Ohio, Kentucky and Indiana officials said the only way to avoid being burned on such an investment is to be automatically suspicious of securities that promise a high rate of return and to check with state authorities to see whether the salesperson is registered.

Investment vehicles causing concern among regulators include:

- **Promissory notes** — Ohio joined a national effort last year to crack down on promissory-note fraud, which has cost investors nationwide tens of millions of dollars, officials said.

- **Callable CDs** — Like traditional certificates of deposit, these investments carry a fixed interest rate for a fixed period of time. But they also allow only the issuer — not the investor — to redeem the CD prior to maturity.

- **Offshore companies** — Many insurance agents sell securities with little knowledge of the companies that issue them, regulators said. That means investors should think carefully before investing in securities issued by offshore companies that offer a high return.

- **Viatical fraud** — Last year, Indiana changed its law to define these investments as securities, making them subject to registration requirements.

The investment, often used by people with terminal illnesses, involves an insured person's selling his or her interest in a life-insurance policy to a viatical company at a discount. The company then sells interests in that policy to investors.

Because the investments are speculative, they are "not appropriate for most small investors" and ripe for fraud, Indiana officials said last year.

- **Selling religion:** There have been several instances of using religion or the church to promote investments in risky securities, Mr. Skolnik of Indiana said.

"We've had perpetrators who actually got down on their knees and prayed with their victims," he said. "It really doesn't get any lower than ripping people off in the name of God."

---

Bear facts: Week on Wall St. was disaster

[Log into our tax chat today](#)

▶ [Investment schemes target the vulnerable](#)

[Investment advisers take long-term view](#)

[Your tax questions](#)

[HIGGINS: Consumer confidence hits skids](#)

[Savvy Strategies](#)

[Child, education tax credits figured in various ways](#)

[Data backs rate cut](#)

[Last of Donahue sold off](#)

[P&G sells license for know-how](#)

[Tristate Summary](#)

[What's the Buzz?](#)

[Now at McD's: You want cauliflower with that?](#)

[OPEC plans deeper cuts](#)

Sep. 13, 2001

[ENQUIRER HOME](#)

[LOCAL](#)

[SPORTS](#)

[BUSINESS](#)

[TEMPO](#)

[ENTERTAINMENT](#)

[CLASSIFIED](#)

[AR](#)



|            |                         |
|------------|-------------------------|
| Self Serve | Cash or Credit          |
| Regular    | <b>1.48<sup>9</sup></b> |

The price of gas can fluctuate.



[TALK](#) [TRAFFIC](#) [WEATHER](#) [HOMES](#) [CARS](#) [JOBS](#) [BENGALS](#) [REDS](#) [ENQUIRER](#)

[Search](#) | [Questions/help](#) | [News tips](#) | [Letters to the editors](#) | [Subscribe](#)  
[Newspaper advertising](#) | [Web advertising](#) | [Place a classified](#) | [Circulation](#)

Copyright 1995-2001. The Cincinnati Enquirer, a Gannett Co. Inc. newspaper.  
Use of this site signifies agreement to [terms of service](#) updated 4/5/2000.