

Digging Up Surprises

"Routine" asset searches can yield unforeseen outcomes

By Olivia Robinson, PI

A former NBA All-Star turned to his trusted attorney to guide him through a hefty eight-figure investment being proposed by a Westchester investment banker. We were asked to see whether this "high yield" investment was legitimate, and the revenues were in the same ballpark as what was being promoted.

In addition to providing documentation showing that this opportunity was operating in the red, we discovered that the Westchester investment banker was actually an actor, with no investment experience or real ties to the polo set except in glossy tabloid photos. His high-society wife had mysteriously emerged from a life of trailer park-living and a career as a hair stylist.

In a surprising move, our All-Star athlete gambled on the sleekly packaged pitch instead of the facts – and lost millions. Enthusiasm for the deal overcame good judgment and facts obtained from credible, unbiased sources.

Who's Paying the Price?

Another case, an asset search request, no context was given except that we were to determine how the defendant was able to finance years of very costly litigation involving his adolescent son, who was accused of sex crimes.

In a routine asset investigation, we always examine family members and business partners to determine the level of their financial entanglements. A standard search includes business entities and real estate and often bank accounts. We are not finished until we look at potential obstacles that might interfere with the client's ability to collect; things like tax liens and judgments, bankruptcies or potential bankruptcies, and then current or recent litigation.

In this case, we eventually discovered that the father had significant assets and was capable of financing the litigation. We learned this after we'd considered the grandfather as a possible financial backer and found an unexplained 10-year gap in his financial history. Nothing in proprietary databases, social media or online sources, court documents or recorded documents could provide any clues. After finding that the grandfather quit claim deeded all his real estate holdings at the outset of the 10-year void, we started to examine news clippings, and that's where we discovered that the grandfather had been incarcerated for 10 years for sexually abusing children. This shocking revelation led to a whole new level of discovery, involving the grandfather's possible improper involvement with his grandson.

Famous Name Made Vulnerable

We investigated allegations of family abuse against this award-winning actor, including the possible misappropriation of millions of dollars of financial assets. Using evidence we compiled, the elderly actor sought court protection against his stepson who had acted as his financial manager for years. He testified to Congress, dramatically describing being a victim of elder abuse and being "stripped of the ability to make even the most basic decisions about my life." The subsequent lawsuit was eventually settled, returning millions of dollars to the actor. Fame does not insulate against financial exploitation or abuse.

If a high-yielding investment seems too good to be true, it probably is.



Ponzi Scheme

Our Stanford and Yale-educated M.D. client lost $154,000 in a U.S.-New Zealand medical device scheme. He confidently sank his money into a high-yield deal, getting some initial good returns on his investment. He began to suspect it was a Ponzi scheme when the returns dried up, and he wanted to hire us to determine if the investment promoter had any current assets that he could go after. Because we concurred that a Ponzi scheme was likely, we contacted investigators at the SEC before actually signing the client agreement – and were told that a raid was imminent. We warned our client. Within days, all U.S.-New Zealand medical device entity funds were frozen. Regulators were now in charge, and the M.D. and other early investors feared that they might be forced to pay back some or all of their high yield returns.

If a high-yielding investment seems too good to be true, it probably is, and may result in years of regulatory investigation, as well as personal emotional and financial hardship.

To contact Olivia Robinson, email Robinson@BackgroundIntelligence.com