

AUG. 3 PRIMARY LEGISLATURE ENDORSEMENTS

■ STATE HOUSE:
WAYNE COUNTY

■ JUDICIAL PRIMARY:
WAYNE COUNTY

PAGES 18A-19A

METRO DETROIT'S
MICHIGAN STATE
HOUSE RACES

PAGE 4A

NEW POLL SUGGESTS
BERNERO AHEAD
OF DILLON

PAGE 13A



FREEP.COM:
CHECK OUT
THE ONLINE
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GUIDE



ROCHELLE RILEY

Racism flap is good lesson for Obama, NAACP

PAGE 2A



2 WINS IN A ROW

Cabrera's feats amaze, delight Tigers and fans

SPORTS, 1B



DUANE BURLESON/Associated Press

92 **75**
High Low

Two days of storms
Way hot, way humid, too.
FORECAST, 2A

Index

Bridge.....4C	Horoscope.....6C
Business...14A	Life.....1C
Classified...8B	Lottery.....2A
Comics.....7C	Metro.....6A
Corrections...2A	Movies.....8C
Deaths...16-17A	Puzzles.....4-5C
Editorials...18A	Sports.....1B



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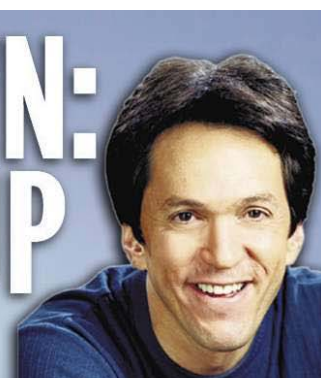


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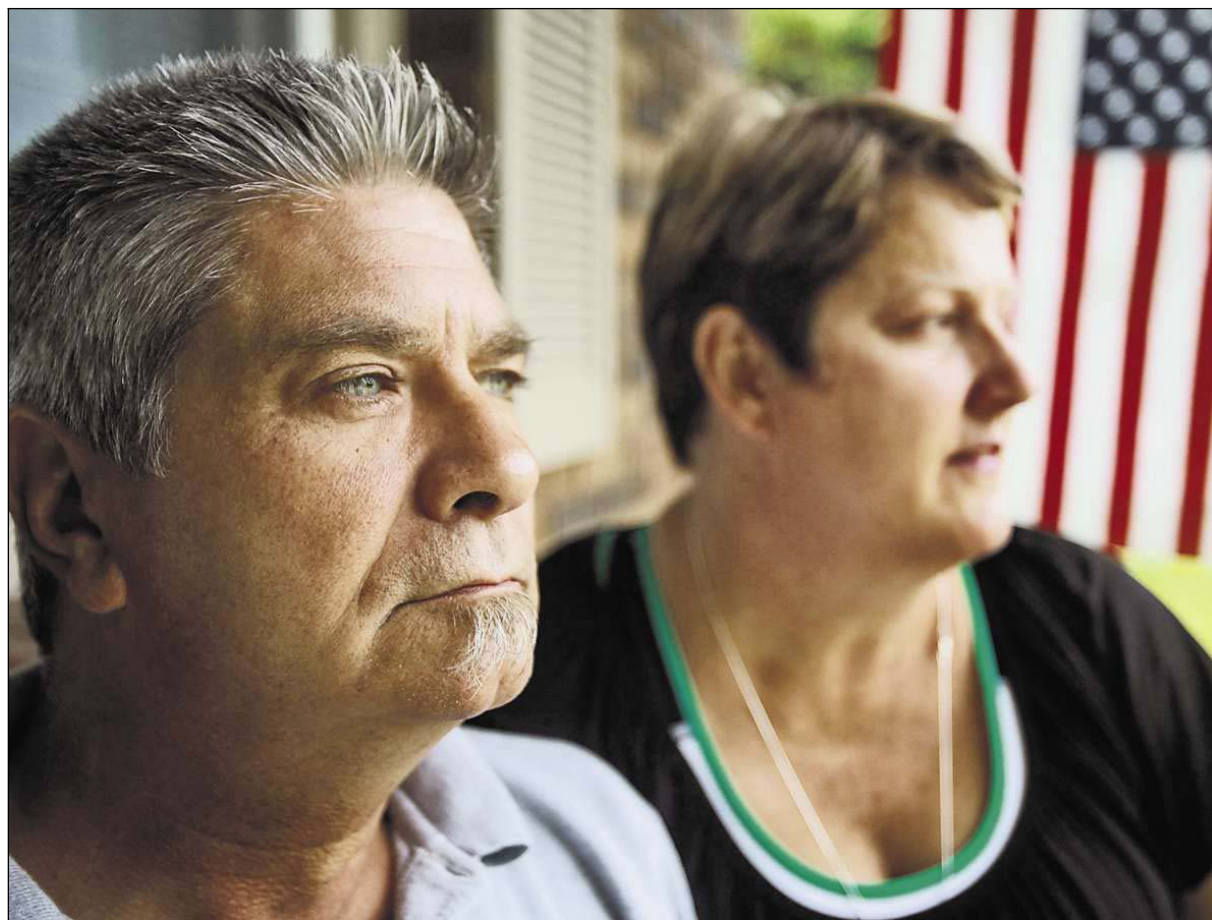
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INVESTOR NIGHTMARE

No cash back, no trial set in alleged fraud



REGINA H. BOONE/Detroit Free Press

David Bochniak and Kendra Sparks, a Livonia couple, are waiting for justice after losing half a million dollars in an alleged Ponzi scheme that was exposed a year ago. A trial is at least a year away, and they are on the verge of losing their home.

By KATHERINE YUNG
FREE PRESS BUSINESS WRITER

In late July 2009, Kendra Sparks and her husband, David Bochniak, received the shock of their lives: The real estate fund in which they had invested half a million dollars turned out to be an alleged \$55-million local Ponzi scheme. Today, they are on the verge of losing their home. Bochniak had to cut short his retirement and is working nights at Home Depot for \$8 an hour while trying to find a second job.

The Livonia couple are among 440 investors, most of them Michiganders, who still are waiting for justice in a case that grabbed headlines a year ago. On July 26, 2009, the U.S. Securities and Exchange Commission sued former Brighton resident John Bravata, the founder and chairman of Southfield-based BBC Equities, shutting down his companies and freezing his assets.

Bravata is being investigated by a grand jury. The SEC case has dragged on with little to show for it, and a trial is at least another year away. And a court-appointed receiver says there's little chance investors



ERIC SEALS/Detroit Free Press

will get much money back.

Bravata's attorney insists his client is innocent.

A few of the investors already have lost their homes. Others, such as Kathleen Scherer of Taylor, are struggling to start over after seeing a lifetime of savings suddenly vanish. And for some, the supposedly safe investment that turned into a nightmare has changed who they are.

"I don't trust anybody," said Gerald Burak, an out-of-work electrician in Chesterfield Township who lost \$400,000. "I don't believe anything anymore."

■ WHY INVESTORS RARELY GET ANY MONEY BACK. 5A

The former office of Bravata Financial Group sits empty off Grand River Avenue in Brighton.

Granholt won't free trooper's killer

Decision could put riled police at ease

By DAWSON BELL
FREE PRESS STAFF WRITER

With retired and active state police officers preparing a mass protest at a commutation hearing next week, Gov. Jennifer Granholm said Thursday she won't lift the life sentence of a man convicted in the 1969 murder of a rookie trooper.

William Dupuie, 71, is scheduled for a public hearing Monday in Ionia before the



Carl Lindberg

But Granholm, who customarily declines comment on proposed commutations until a recommendation reaches her desk, said through a spokeswoman Thursday evening that Dupuie won't get a commutation.

state's Parole and Commutation Board to make his case for freedom after 41 years behind bars for the death of 22-year-old Trooper Carl Lindberg.

"The governor is not interested in commutations (for prisoners) involved in the injury or death of a law enforcement officer," spokeswoman Liz Boyd said.

Granholm has increased pardons and commutations in her final term in office. Her decision on Dupuie will be welcome to retired officers including Lt. Lonnie L. Smrkovski.

"He should do life. ... Anything else would be an insult to Trooper Lindberg, to his family ... to the State Police."

■ OPPOSITION TO COMMUTATION SWELLS AMONG OFFICERS. 5A

Michigan Merit Exam State test scores are best ever

Good news for Michigan: Math and writing scores for high school juniors are up. The scores are the highest since the merit exam was introduced four years ago. State officials credited the improvements to tougher curricula and new algebra requirements for freshmen. **METRO, 6A**



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Reinventing Ford Ford expected to report \$1.6B profit today

More good news: Ford's all-new Focus is rolling off production lines, and the automaker is expected to announce its sixth straight profitable quarter today. **BUSINESS, 14A**



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COVER STORIES

Investors will be lucky to see any cash

Properties are underwater — and lawyer gets paid first

By KATHERINE YUNG
FREE PRESS BUSINESS WRITER

When federal securities regulators halted an alleged \$55-million Ponzi scheme almost a year ago, none of the 440 victims could have imagined that the man being charged with fraud would be given the opportunity to buy back some of his company's real estate that the government had seized.

But that's exactly what happened.

Despite a court-ordered freeze on his assets, earlier this year ex-Brighton resident John Bravata, the founder and chairman of Southfield-based BBC Equities, made some bids for properties owned by his former real estate investment company that were put up for sale by a court-appointed receiver. In late April, U.S. District Judge David Lawson even approved the sale of one property, a home in Three Rivers, to Bravata for \$16,500 in cash.

Bravata ultimately backed out of the deal, according to his Atlanta attorney Gregory Bartko. He said Bravata is not raising money to do more real estate investment deals, but is interested in some of the BBC properties that the receiver, Earle Erman, abandoned. "Some of these properties were cash-flowable properties and we still don't understand why the receiver threw them out the door," Bartko said.

So far, Bravata has not succeeded in buying back any of these properties. But some BBC investors are appalled that Lawson, who's overseeing the government's civil lawsuit against Bravata, has permitted this type of activity. Bartko described the situation as a "very unusual privilege." He wouldn't comment when asked whether Bravata is trying to create a new real estate business.

"This is crazy," said Johnny Cassar, a Canton resident whose 78-year-old mother lost \$175,000, a big part of which was going to be donated to St. Jude Children's Research Hospital. "He's got his freedom and people have to go back to work."

He and several other investors believe they should have a say in what happens to the properties because their money was used to purchase them. Instead, they have received little information from Erman.

"We totally got screwed," said Kathleen Scherer, a nurse



REGINA H. BOONE/Detroit Free Press

David Bochniak and his wife, Kendra Sparks, play with their dogs at their Livonia home — a home they expect to lose in December. Bochniak invested his retirement savings, \$525,000, in BBC securities. Now it's all gone.

What is a Ponzi scheme?

The U.S. Securities and Exchange Commission defines a Ponzi scheme as a type of fraud in which money from new investors is used to pay returns to earlier investors. The scams, which generate little or no legitimate earnings, promise investors high returns with little or no risk. The schemes are named after Charles Ponzi. In the 1920s, he collected millions of dollars from thousands of investors in New England through a scam involving postal coupons. Ponzi schemes usually collapse when the number of new investors dwindles or many of the existing investors demand their money back.

Recent top Ponzi schemes in Michigan

Here is a list of the largest alleged Ponzi schemes uncovered in Michigan during the last three years, according to the state's Office of Financial and Insurance Regulation:

■ Legisi Holdings: \$72 million from more than 3,000 investors.

■ BBC Equities and Bravata Financial Group: \$55 million from 440 investors.

■ Platinum Business Industries: \$50 million from more than 600 investors.

■ Various businesses run by Michael Winans Jr.: \$11 million from more than 180 investors.

who no longer goes out to eat or takes vacations after losing \$300,000. "I just feel there is no justice system."

Erman, who has been selling BBC's assets to recoup money for investors, told the court in a March report that "there does not appear to be a reasonable prospect of any sig-

nificant recovery for creditors and investors." Of BBC's 70 properties, 53 were underwater — or worth less than the mortgages on them.

Any proceeds from the sale of the remaining properties and other assets, such as Bravata's 1995 Ferrari and 2007 Maserati, will go first toward paying Erman, whose fees in mid-March totaled more than half a million dollars. Erman declined to comment, citing the U.S. Securities and Exchange Commission case.

What's happened to BBC investors isn't unique. By the time most Ponzi schemes are exposed, most of the money is already gone. "If investors get a nickel on the dollar back, they are lucky," said Peter Henning, a Wayne State University Law School professor and white-collar crime expert.

Bravata, who's now spending time in Michigan, Florida and Colorado, has not been charged with criminal wrongdoing, but is under investigation by a grand jury. He declined to comment.

"I believe the SEC has not adequately shown anything close to the allegations of a Ponzi scheme or anything close to the allegations of fraud," Bartko said. "Here they are a year later and they are no further than when they filed the lawsuit."

The SEC shows no signs of backing down. When asked how confident the agency is of winning the case, Jonathan Polish, one of its attorneys, said, "I'm very confident. Many of the allegations in our complaint Bravata is not going to be able to dispute. It was a Ponzi scheme."

Both sides expect Lawson soon will release his opinion on Bravata's request to unfreeze

some or all of his assets.

Bartko, a securities lawyer from Traverse City, continues to represent Bravata despite being indicted in November in Raleigh, N.C., for fraud, conspiracy and other charges for allegedly selling fraudulent investments. Bartko's trial is scheduled to start in November. He would not discuss whether he has been paid for representing Bravata.

Bravata, a former New York Life Insurance executive, formed BBC in May 2006, and later that year began selling shares in a real estate investment fund that offered investors annual payments equal to 8% to 12% of their money. The SEC alleges that less than half of investors' money ended up in real estate investments. More than \$5.5 million allegedly was used to support Bravata and his family's lavish lifestyle, which included \$87,000 in jewelry, hunting vacations in Russia and Canada and building a luxury home in Brighton.

"The fundamental allegation is that he lied to investors, and you are not allowed to lie to investors," Polish said. "We're anxious for our day in court. There are a lot of people that have been impacted by this."

In October, Bravata was called as a witness but refused to talk, invoking his Fifth Amendment right. In legal filings, Bartko disputes the SEC's claims that BBC defrauded investors by promising guaranteed returns. He says materials sent to investors disclosed that money from new investors could be used to make payments to earlier investors, because BBC was not yet generating significant income. The company was a legitimate business that the SEC destroyed, Bartko alleges.

SCHEMES UNRAVEL FAST WHEN ECONOMY STALLS

By KATHERINE YUNG
FREE PRESS BUSINESS WRITER

It's no accident that securities regulators seem to be shutting down a growing number of Ponzi schemes lately.

Experts say tough economic times cause many of these scams to unravel because finding new investors to keep them afloat becomes much harder. "What happens during a recession is that more Ponzi schemes are discovered because there are no more investors," said Tamar Frankel, a professor at Boston University School of Law.

The Bernard Madoff scandal also has increased awareness of this kind of investment fraud, she said. Last year, Bart Chilton, a member of the U.S. Commodity Futures Trading Commission, described the situation as a "Ponzi-paloo-

za."

Michigan's Office of Financial and Insurance Regulation does not track the number of Ponzi schemes in the state. But last year, the U.S. Securities and Exchange Commission filed 60 enforcement actions across the nation against such scams, almost double the number in 2008.

Similarly, enforcement actions against Ponzi schemes filed by the CFTC more than doubled in 2009. So far this year, 13 such actions have been filed, according to CFTC spokesman Dennis Holden.

Though Ponzi schemes have existed for decades, their basic design hasn't changed, Frankel said. "What has changed is the story" that con artists tell to win investors' trust.

■ CONTACT KATHERINE YUNG: 313-222-8763 OR KYUNG@FREEPRESS.COM

"John is a fighter," he said of Bravata. "He's got a lot of energy and he's doing what he's doing to maintain his family. It isn't easy."

But Bartko had few words of comfort to offer BBC investors, calling the loss of retirement money "tragic."

BBC investors now must wait at least another year, if not longer, for Bravata's trial to begin. That likely will come too late for Kendra Sparks and her husband, David Bochniak, who expect to lose their home

in December. Sparks lost her job at a linen company two weeks after the SEC filed its lawsuit against Bravata, and still is looking for work.

Bochniak, 55, spent 35 years at AT&T and took a buyout in March 2009, with plans to retire. A month later, he invested all of his retirement savings, \$525,000, in BBC securities. Now it's all gone.

"At 55, what's a person supposed to do?" Sparks asked.

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Cops unite against killer

Granholt says no chance he'll be free

By DAWSON BELL
FREE PRESS STAFF WRITER

Cop killings are emotional events.

That's why, 41 years after he was gunned down trying to interrupt a robbery in Detroit, there's a photo of Michigan State Police Trooper Carl Lindberg on the state's Web site, along with 48 of his comrades killed in the line of duty.

That's why officers from around the state and around the country, some who knew Lindberg and many who did not, were ready to protest vigorously next week at a public hearing to consider the possible release of one of the men convicted of first-degree murder in his death.

The hearing before the state Parole and Commutation Board lost some urgency Thursday evening when Gov. Jennifer Granholm said she



Michigan State Trooper Carl Lindberg, 22, was killed trying to interrupt the robbery of an elderly couple in Detroit in 1969.

would not consider commutation for William Dupuie, 71, under any circumstances.

Her comment came in response to a Free Press inquiry.

Granholt's decision is likely to cut short what had been rapidly building opposition to freedom for Dupuie, as word of the impending hearing spread through the ranks over the last several days. The office of Wayne County Prosecutor Kym Worthy had planned to send a representative to the hearing to object to clemency for Dupuie, a spokeswoman said Thursday.

The status of the hearing remained uncertain Thursday evening after Granholm's decision was conveyed to the Free Press. A Department of Cor-

rections spokesman said board officials would discuss the situation today.

Typical of objections was the message sent to the Free Press from retired officer Gary Shaffer: "I knew Carl Lindberg. We were in the (same) recruit school. I did not get to know Carl very long. Neither did his family."

"I strongly disagree with the very idea that this KILLER would even be considered for a commutation hearing."

Although he won't be freed, Dupuie had made his way into the commutation pipeline because the Granholm administration and the Corrections Department have accelerated efforts to reduce the number of prisoners behind bars when they are deemed not to pose a threat to public safety.

That has meant increased rates of parole and a rapid uptick in the number of commutations under consideration and granted by Granholm, who has sole discretion to approve

or disapprove requests for commutation or pardon.

Dupuie was recommended for review by prison officials, Corrections spokesman Russ Marlan said.

In his request to the Parole and Commutation Board, Dupuie said Lindberg's death was the result of his making "a terrible decision" for which he was sincerely sorry.

Dupuie and his codefendant, who died in prison in 1983, had gone to an apartment complex on Detroit's west side in 1969 to rob an elderly couple. Lindberg, who also lived there, was summoned to their assistance by a manager and shot in a hallway outside the door. He died after emptying his service revolver in the shootout.

Dupuie subsequently claimed to have been outside when the shooting occurred, but it was unclear from records whether that claim was substantiated at his trial.

■ CONTACT DAWSON BELL: 517-372-8661 OR DBELL@FREEPRESS.COM