

Ponzi Scheme or Variety Show? Scams Use Leased Radio Time To Target Immigrant Listeners

Foreign-Language Programs Often Go Unscrutinized, Until Complaints Arise

by Jennifer Levitz, Wall Street Journal

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Rick Santos, manager of WLQY-AM in Miami, says he thought the popular Creole program that aired six days a week on his radio station was a "musical variety show."

It was actually part of a fraud, according to the Securities and Exchange Commission. Scam artists used the radio for two years to promote an investment scheme that ensnared 631 Haitian immigrants and cost them nearly \$6 million, a federal court ruled after an SEC complaint.

"I didn't understand what they were doing," says Mr. Santos, who doesn't speak Creole. "I found out about it afterward."

Fraudsters seeking to take advantage of immigrants are finding an easy route via radio stations that lease blocks of air time to anyone willing to pay. Some of these stations are part of major foreign-language media chains, such as market leader Univision Communications Inc. Yet station managers say they make little effort to check the bona fides of the people they allow on the air.

The practice of "time brokerage" is more likely to lead to deception than traditional advertising because those buying the time often disguise their pitches as regular programming. In Kansas and New Jersey, people pretending to be lawyers bought time for Spanish-language shows offering immigration advice, which served as promotions for their bogus law practices.

Time brokerage is appealing to radio-station owners because they can receive \$150 to \$500 an hour for air time with little effort. Buyers of time "come in, perform their act and leave," says Bill Parris, a consultant for MultiCultural Radio Broadcasting Inc. The New York City company owns about 45 stations whose air time is all brokered. In a wave of radio industry consolidation, media chains have been snapping up FM stations with good signals, leaving a pool of small AM stations that can still be bought for relatively little.

Station executives who speak only English are often unaware of what is happening. At WLQY and elsewhere, managers often lease time to one entrepreneur who then subleases it to another, so there isn't even the minimal screening normally given to an advertiser or buyer of time.

About 500 foreign-language radio stations in the U.S. now engage in time brokerage, double the number of a decade ago, according to David Schutz, co-founder of a San Diego consulting company that specializes in station acquisitions. The stations draw loyal immigrant audiences who have few options for news or information in their native languages.

In South Florida, where about a quarter of a million Haitian immigrants live, the only Creole newspaper is a weekly, and Haitian television is just getting started.

About 80% of Haitian immigrants say they rely on radio for their news, according to Bendixen & Associates, a Miami market-research firm.

WLQY, owned by Entravision Communications Corp., has the most listeners among area stations broadcasting in Haitian Creole, a French-derived language. It leases most of its time to about 60 independent contractors, says Mr. Santos, the manager. "It's not really our job to find out if these businesses are legitimate or not," he says. "I can't go around calling the Better Business Bureau." The Federal Communications Commission, a government body that licenses AM and FM radio stations, doesn't actively monitor the airways looking for fraud.

Spokesman David Fiske says the commission -- which has been focusing on investigations of indecency on the air -- waits for complaints to investigate. He says he can't comment on whether the commission is doing anything to prevent fraud targeting immigrants.

The FCC often relies on tapes as evidence of violations, but stations aren't required to tape shows and few small stations do. "That's exactly why we don't -- lawsuits," says Edward Saint Hilaire, a technician at WLQY, adding that he gets upset at hosts who tell listeners to "refinance their homes when they shouldn't."

Another government body, the Federal Trade Commission, has been more active on the issue. In January the FTC sent letters to 11 radio broadcasting companies notifying them of FTC enforcement actions against individuals or groups making false pitches on 23 stations owned by those companies. One of the letters went to Univision. The FTC said nine Univision stations in New York, Miami and elsewhere had aired bogus claims for weight-loss products, credit-card services and the like. The FTC didn't take any action against Univision. A spokeswoman for the company says it takes "efforts to safeguard its audience from misleading or false" messages in advertising or during leased time.

Victims of on-air radio schemes typically are immigrants who speak little English, know little about their rights and aren't likely to complain. "You can't go in and fight them," says 56-year-old Philomene Laurent, stirring a pot of white beans and garlic in her Miami apartment, a haven of tidiness in a run-down apartment building with dingy concrete walls and piles of damp cigarette butts in the hallways. "What are you going to do? You pray."

The WLQY program that ensnared Ms. Laurent sounded like a regular radio show, opening with a prayer and including music, commentary by the hosts and calls from listeners. The program, airing from 2002 to 2004, was called Focus and run by a now-defunct Florida company called Focus Development Center Inc.

According to the SEC's complaint, the Focus partners offered listeners a "unique opportunity": If they handed over their money for 12 months, they could make a guaranteed annual return of more than 15%.

Ms. Laurent shows a contract that says she gave Focus \$55,000. Speaking through an interpreter, she says she handed over the money after hearing the investment pitch and lost it all. She had won the money in a legal settlement after a fall in a factory where she worked on an assembly line making packets of pancake syrup.

Nearly 20 years after moving to Miami from Haiti and obtaining U.S. citizenship, Ms. Laurent had planned to buy a house for herself and her husband, Joseph, a carpet cleaner.

"Anybody that has money -- come! Develop your community," she says, mocking the radio pitch. "Don't leave your money in the bank! The bank only gives you 2%! We give you 20%!" When she realized she'd been had, she says, closing her eyes and clenching her fists, "I cried like a baby."

WLQY's owner, Entravision, declined to discuss the Focus case but said in an emailed statement that its policies prohibit the broadcast of paid programming that is deceptive or fraudulent. "We continuously train our station managers and employees in FCC and other broadcasting regulations," the statement said.

Other cases have come to light recently at a Portuguese station in Framingham, Mass., two Spanish stations in the New York area, and a Spanish station in Kansas City, Kan. On the Kansas City station, KCZZ-AM, Texas resident Fidelina Cuevas leased time for a weekly talk and call-in show and used it to promote her business assisting Mexicans in filing immigration papers. Ms. Cuevas didn't mention that she was in the country illegally herself, according to the office of the Texas attorney general. Her own residency application had been rejected years earlier when she misrepresented herself as a Cuban exile instead of a Mexican citizen.

Ms. Cuevas missed filing deadlines for her customers and gave some of them such erroneous advice that they wound up getting deported, according to the attorney general's office. Last year, the office won a \$1 million civil judgment against her under the state's Deceptive Trade Practices Act. She was deported to Mexico. Her lawyer didn't return a call seeking comment.

"Authorities are just not onto this," says Teodoro Garcia, a Kansas City immigration lawyer who alerted law-enforcement officials to Ms. Cuevas.

It wasn't the first such incident at KCZZ. In 2004, Kansas Attorney General Phill Kline brought similar civil charges against a purported immigration attorney who bought time. The woman was "not a lawyer really, but she presented herself as a lawyer," says Maria del Pilar Hanes, a former disc jockey at the station.

David MacKay, a partner with HMEB Communications LLC, which owned KCZZ at the time, says he doesn't recall either incident. "I don't speak a word of Spanish," he says.

Edwin Rivera hosted shows about immigration problems on two Spanish stations in the New York City area from 2002 to 2004 and "repeatedly represented that he is an attorney," according to a later complaint by New York Attorney General Eliot Spitzer. Mr. Rivera isn't a lawyer. Jose Cancela, the former manager of WWRU-AM in Jersey City, N.J., says Mr. Rivera leased time on weekends for his show. "He had a decent following," says Mr. Cancela, noting that listeners have an appetite for information on immigration.

Mr. Rivera's show helped him attract business. He charged \$1,500 to process resident applications under a proposed federal program that hadn't been enacted but that he claimed was in effect, according to Mr. Spitzer's complaint. Mr. Rivera told one client that there was a deportation order against him and that he could resolve the problem for a fee, when there was no such order, according to the complaint.

Last year, in a civil judgment, a New York state court in the Bronx ordered Mr. Rivera to provide an accounting of his clients and pay unspecified restitution. Mr. Rivera, who represented himself in court, denied that he claimed to be a lawyer or deceived anyone. He said lawyers were working in his office during the time he was a radio host.

The owner of WWRU when it was airing Mr. Rivera's program was a leading figure in Spanish-language broadcasting, Joaquin Blaya. He has served since 2002 as a governor of the federal agency that supervises the Voice of America and other nonmilitary government broadcasters overseas. Mr. Blaya says he didn't know who was leasing time at WWRU or other stations in the company he later sold, Radio Unica Communications.

Mr. Blaya says he was unaware of any fraud at his stations, but he never liked time brokerage because it isn't a "service" to listeners. Although it is a "very profitable" business model, he says, "I decided to sell the stations rather than join that model."

The other station that aired Mr. Rivera's show was 930 AM in New York City, according to the complaint. The station is owned by MultiCultural Radio Broadcasting and carries the call letters WPAT. In an interview, Mr. Rivera says he subleased time on WPAT from a church. Gene Heinemeyer, the station's manager, says he doesn't have any record of Mr. Rivera appearing on the station but it's possible that "less than the type of client we desire" may get on the air. He doesn't check credentials. "Rarely does any station proactively investigate someone presenting themselves," says Mr. Heinemeyer, who doesn't speak Spanish.

WLQY, the station that aired the Focus program aimed at Haitian immigrants, operates from a modern white office building on Biscayne Boulevard. Its broadcasts can be heard as far away as Haiti and the Bahamas.

The principals of Focus subleased morning radio hours from a now-deceased businessman and late-afternoon time from Manny Cherubin, who leased the 4 p.m. to 6 p.m. slot, according to Mr. Santos,

the manager, and Mr. Cherubin. Although Mr. Santos says lessees are responsible for screening sublessees, Mr. Cherubin says he never heard about screening. "We don't," he says, laughing. "If you can pay for it, you can go on the air and say whatever you want," says Rickson Rock, a car dealer who did business with the three Focus principals but hasn't been accused of wrongdoing. Mr. Rock once leased time on WLQY to promote cars.

The Focus partners dealt in used cars and had other businesses, but the investment fund they advertised on the air was essentially a Ponzi scheme, in which money from new investors is used to pay off old ones, according to the SEC.

On air, "they would brag about how they're doing really well investing for people, people getting high returns," recalls Mr. Cherubin. "I really disregarded it. I didn't think anyone was going to give them money."

In fact, hundreds of people streamed into Focus's office at the rear of a Miami car dealership and signed documents agreeing to hand over money with the promise to be repaid, with interest, after a year.

"Liars! Liars!" says Eline Neptune, 70, a teacher's assistant. Ms. Neptune, in an interview, holds up an investment contract that shows she invested \$4,500, which she says she never got back.

Jean-Marie Debe, a 40-year-old mechanic, says he lost \$27,500, the proceeds from the sale of his house. "They talked about helping poor people," Mr. Debe says. "I'll never trust anything [anyone] says on the radio."

In June, a U.S. District Court judge in Miami ordered two of the Focus principals to pay \$5.9 million plus interest to the investors. The two are Jean Fritz Montinard and Max Francois. Mr. Montinard, who was ordered to pay by default, couldn't be reached for comment. Mr. Francois agreed not to fight the ruling, without admitting or denying wrongdoing. His lawyer says Mr. Francois is a "broken man" and has no money. A third Focus principal, Aiby Pierre-Louis, is contesting the SEC's allegations, and the case may go to a civil trial. Mr. Pierre-Louis's lawyer, Frank L. Hollander, says the other partners "stuck all this stuff in front of him and had him sign it."

Roger Cruz, senior SEC trial counsel in Miami, says it's unlikely any money will be recovered. The Focus case also is the subject of a federal grand jury investigation, according to a person familiar with the probe.

Meanwhile, Florida state securities regulators say they are investigating another WLQY time lessee -- Gen-X Comp Inc., a defunct computer company. The company's pitchman was asking for "partnerships" and "people to invest in the company" on the air, says Mr. Santos, the station manager. Mr. Santos says he wasn't aware of any problem with Gen-X. Alix Charles, the principal of the company, couldn't be reached for comment.

Mr. Santos says the Focus case has led his station to make changes. "We're having our guys monitor a lot more closely than we did before," he says, "and we also played some public-service announcements saying that if something sounds too good to be true, it usually is."