what their $50 million is worth.

But besides playing the stock and bond markets, the bureau got into rare coins. None of the other four

The results have been positive. The state insurance fund has grown to $18 billion, allowing the state to

pensation insurance - designed to cover workers in case of on-the-job injuries or death - from the state.

For years, the Bureau of Workers' Compensation was a mess, a political backwater that drove employ

ers and politicians nuts. It's funds were unstable, causing insurance premiums to swing wildly.

Almost since the beginning of its relationship with the state, Capital has invested state money - totaling

roughly $11,000 in interest.

Mr. Noe's Capital Coin had created Visionary, provided the funding for it, and hired Mr. Chrans to man

Mr. Noe indicated that he is working toward resolving the issue soon.

Mr. Noe told The Blade last week that he accepts the explanation for the lost state coins. However, both

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"I'm just guessing it was bad luck," Mr. Storeim said. "Sooner or later the coins will turn up. They are

Ultimately, the sheriff's department ruled that it couldn't determine how the coins were lost and closed

Professionals, reported lost in October, 2003.

In an interview, Mr. Noe would say little, except to say Capital Coin is studying the business deals of

More than 100 firms from all over the country wanted a piece of the emerging-manager action, which

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Mr. Noe is well-known in Columbus. Former Gov. George Voinovich appointed him to the Ohio Board of

State gives investment business to prominent local Republican

SPECIAL REPORT

Coins would be purchased at wholesale prices or lower.

Capital Coin would no longer grant advances to partners against future profits.

The agreement to invest the money in rare coins is

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The bureau's review ended in early 2001 with Mr. Cowman sending a letter to Mr. Noe requiring chang

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The rare-coin market can - and has - fallen and fallen fast. But the market is set by the “true” collectors, who are invariably experts or are guided by experts at auctions. "Coins don't do anything; General Electric does something," Mr. Bagg said. "If the market turns, the buyer will sell and the seller will buy." That is the way it has worked for years. There are poor and negative returns in any field of investment, such as the stock and bond markets, but investor losses were rare when the $20 Indian head银元 coin turned south.

There are poor and negative returns in any field of investment, such as the stock and bond markets, but investor losses were rare when the $20 Indian head silver coin turned south.

"The market literally turned on a dime at the Central States Numismatic Society convention" in April, Mr. Travers said. "Everybody was there and they were actually selling. People were in there and actually buying something and [also] the anticipation of it. You take away the anticipation and it's gone." He was referring to April 28 to May 1, 1988, when prices began to fall.

Silver was at the heart of another rare-coin crash. "You had a number of factors, and they were pushing the market. The fact that they were losing money in silver; the oversupply of silver; that they were losing money in precious metals; the fact that the federal government was intervening in the silver market. It's the same thing today," Mr. Travers said.

Once the Hunts Cornered the silver market, the price began to slide, culminating in a 50 percent, one-day decline on March 27, 1980, when the price fell from $21.62 to $10.80. The collapse of the silver market in 1979 made rare coin values plummet. At that time, the word that Merrill Lynch and Kidder Peabody were forming a multimillion dollar partnership with Mr. McNall energized the rare coin market and sent prices soaring. "It was like the market was induced to buy," Mr. Travers said. "You had a number of factors, and they were pushing the market. The fact that they were losing money in silver; the oversupply of silver; that they were losing money in precious metals; the fact that the federal government was intervening in the silver market. It's the same thing today," Mr. Travers said.

The 43-year-old is now considered the "Ralph Nader" of rare coins and an expert in the field. He just wrote the book How to Make Money In Coins Right Now.

The return from Mr. Noe's funds has averaged 4.5 percent a year since 1986. But in the event of a lawsuit over a coin deal, the state of Ohio and its Bureau of Workers' Compensation Fund have chosen to invest in rare coins. Because of the risk, numerous experts have told The Blade they believe the return from the state should be zero. But the state has chosen to invest in rare coins.

"I've had people call me that the past few months," Mr. Noe said. "They've said, 'There's an old saying: If you don't know coins, you better know your coin dealers.'"

Mr. Noe found that out this week when The Blade uncovered that a former manager of one of his subsidiaries was once convicted in federal court of faking a rare-coin transaction to cover up drug money. "Federal authorities said Chrans was not implicated in any way in the sale or distribution of the drugs," Mr. Noe said. Mr. Noe also acknowledged that he did not do a background check on his employees. "I'm not much interested in the background - I'm interested in the coin," he said.

Cases involving rare coins are not a proper investment vehicle for public money. But the government has chosen to invest in rare coins, and the state of Ohio has chosen to invest in rare coins. In the end, the $150,000 yielded the couple about $10,000, with interest. "It's still a bad deal," Mrs. Kennedy said.

"Don't invest your life savings in rare coins," Mr. Noe said. "There's a lot of risk involved. It's not a good investment for the average person."
Graders also have been accused of being stingy with upgrades to preserve the rarity of coins that were at stake, he said.

Adding value to a $50 coin that is a borderline 64/65 grade didn't bother Mr. Travers when he was concerned about calling it a 65.

Mr. Noe's part ownership of Numismatic Guaranty Corp. of Sarasota, Fla., which graded many Ohio-state coins, has come under scrutiny.

The dealers search for coins that are the "sliders," or the "liners," as they are called, the ones that come back lower.

Conflict of interest?

Coin dealers, including Mr. Noe and his colleagues, try to use coin grading to increase their profit. In many of the characters in the tale of Mr. Noe's coin funds flew high, lifted by the idea that quick gains could be made with short-term arbitrage.

...
let's all spend time with our families, go on a long walk, and remember to laugh out loud. We're all in this together and we will all get through it together - side by side, arm-in-arm."

On June 9, the same day Governor Taft held a news conference at the bureau's headquarters, Tina Kielmeyer, the agency's interim administrator, sent an e-mail to employees.

"Cover-up started" Mr. Elliott responded: "So she was an employee when we decided to invest in the Active Duration fund in July, 2001. He added that the earlier MDL Active Duration Fund document is dated Jan. 15, 2003.

Mr. Elliott said that he was not aware of the close relationship between "Mimi" Forbes, the daughter of George Forbes, the vice chairman of the bureau's Oversight Committee, and Mr. McLean. Mr. Elliott also said that he did not know about the possible conflicts of interest.

The report by FIS Funds Management, Inc., which included several charts, found that the "MDL prod-uct" was not performing as expected. The report suggested that the investment was not meeting the expectations of the bureau.

On Nov. 9, 2004, a Philadelphia-based firm provided the bureau with a "confidential review" of MDL. The report criticized the bureau's investment in the hedge fund and recommended that it sell its shares. The bureau ignored the advice and decided to invest another $25 million with Mr. Lay. By the end of the month, the bureau had pumped $75 million into the failing fund.

"Part of the problem is that you've got one half of the documents and you might only have one half of the information," Barry Slotnick, an attorney for Mr. Lay, responded to the release of the documents yesterday. "I think they give greater context to the story," he said. "I think they give greater context to the story."

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Documents show how BWC pumped cash into the failing fund even after MDL's hedge-fund bottomed out. By the end of the month, the bureau had pumped $75 million into the failing fund. "It was a huge mistake," Mr. McLean said of the investment. "We should have sold the shares when we did." Mr. McLean said that the investment was a "total disaster." Mr. McLean said that he had told the bureau to sell the shares when the fund lost $10 million in August, 2004, but rejected a request more than a month later for an additional $25 million.

Mr. McLean on Nov. 1, 2004, that asked for another $25 million. "We believe the events that will take place in the next several months will be quite positive for the strategy," he wrote.

JOSHUA BOAK
Coin trades offered huge upside for dealers

The correspondence, released in state records late Friday, shows that Mr. Noe searched for managers to meet the remaining bill he owed for the Trompeter coins, $508,553, according to an invoice. But in the rare-coin business, money is money, even among friends.

Mr. Noe also waited several months to fully pay the $2,608,552.80 to Rare Coin Enterprises for the Trompeter coins. However, in March, he wired the $2,512,500 for the five gold coins. Twelve of the 20 rare coins had such high grades, (and were so rare because of the high grades), according to the year-end general ledger for Rare Coin Enterprises. The ledger runs to December 31, 1998, and the deal took place in early September.

Mr. Noe's personal business, Vintage Coins and Collectibles in Monclova Township, then wired the $5 million to Heritage and in return received the $5 and one-cent Trompeter coin. In addition, the deal included the $2,512,500 for the five gold coins.

Mr. Noe bought and sold coins in Colorado under the name Numismatic Professionals; in California, it was Heritage Galleries and Auctioneers in Dallas, a rare-coin goliath, bought a $15.18 million lot of rare coins, including the Trompeter coins.

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However, in March, Heritage, which is owned by James Halperin, a rare-coin mentor to Mr. Noe from the 1970s and a pioneer in rare-coin auctions, bought the $5 gold Trompeter coins from Rare Coin Enterprises for $2,608,552.80.

Mr. Halperin defended the 5 percent return as substantial for a “few days work.”

A ‘Few days work’ is defined as the time it takes to design a deal of $5 million,” he said. “It happens in most any industry of buying and selling. It happens every day on Wall Street. It was the way I was taught to do deals.”

Mr. Noe, whose friends say became used to fine wine, fine dinners, golf with the governor, and being held in high-esteem by the state - wielded clout.

But in the rare-coin business, money is money, even among friends.

Mr. Noe’s personal business, Vintage Coins and Collectibles in Monclova Township, then wired the $5 million to Heritage and in return received the $5 and one-cent Trompeter coin. In addition, the deal included the $2,512,500 for the five gold coins.

The agreement allowed for big coin deals, like Trompeter, that might enrich the coin fund’s managers as the coins were market-rate priced.

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By STEVE EDER and JAMES DREW

The Ohio Bureau of Workers’ Compensation yesterday approved one of its largest reforms in response to the financial scandal that has plagued the agency, terminating its 69 remaining money managers and moving to invest nearly all of its $15.7 billion portfolio in conservative fixed-income funds. During the next four months, the bureau will divest its $7.2 billion stake in equities and shift that money into investments designed to reduce risk.

The decision by the bureau’s Oversight Commission comes more than seven months after The Blade first reported that the agency invested $50 million in a rare-coin venture with former Toledo-area Republican fund-raiser Tom Noe. The scandal that ensued caused attorneys for Mr. Noe to acknowledge a shortfall in his coin funds of up to $13 million, and bureau officials to disclose losses of $215 million in an offshore hedge fund.

In September, the bureau released a report by consultant Ennis Knupp that said the State Insurance Fund had lost almost $1 billion in potential returns during the last decade by relying on subpar investment managers.

The agency’s troubles have sparked policy reform, investigations, and high-level departures from the bureau, including the forced resignation of its former administrator/CEO James Conrad. Mr. Noe was indicted last month on charges that he laundered money into the re-election campaign of President Bush.

Yesterday, Michael Koetters, chairman of the Oversight Commission’s investment committee, said the bureau’s long-term financial outlook would be “bleak” if the agency didn’t modify its portfolio.

He added that the bureau spends $1.31 for every $1 dollar it collects in premiums.

William Mabe, the bureau’s newly appointed administrator/CEO, said “it was imperative to move quickly and decisively” on transforming the portfolio, which Gov. Bob Taft and agency officials had defended until recently.

“We need to move decisively to clean this portfolio up and get it going in the right direction as quickly as possible,” said Mr. Mabe, who did not believe the changes would signal the end of the bureau’s diversification program.

Commission members and bureau officials said it was difficult to sever relationships with money managers and characterized their termination as “without prejudice.”

“I suspect they believe that they are making a clean break with the past, but you can’t deny the history,” Mr. Mabe said that a “more methodical process” of vetting each money manager separately “would have been more expensive” and “would have taken on a lot more risk with the portfolio.”

Mr. McLean, who was fired during the scandal, said the oversight commission took an “ill-advised approach” and should have analyzed the investments on a case-by-case basis because some funds were posting good returns for the bureau.

Instead of saying “dismissing without prejudice,” why don’t they just say, “we are dismissing them because we have no spine and because we are not willing to make the hard, critical choices that are necessary to manage an investment portfolio?” Mr. McLean said.

Mr. Mabe said that a “more methodical process” of vetting each money manager separately “would have been more expensive” and “would have taken on a lot more risk with the portfolio.”

Mr. McLean said the bureau’s decision to go solely with a fixed-income portfolio was the “politically expedient route to go” considering the pressure on officials because of the agency’s recent troubles.

The direct cost of the transition is estimated at $15 million, and bureau officials expect to save millions annually in management fees. But the bureau’s former chief investment officer, James McLean, said the cost in lost opportunity could be much higher.

Mr. McLean, who was fired during the scandal, said the oversight commission took an “ill-advised approach” and should have analyzed the investments on a case-by-case basis because some funds were posting good returns for the bureau.

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‘Opportunity cost’

“If I was still the chief investment officer and I wanted to preserve my job and people said turn this portfolio into something that wasn’t going to lose a dime, you put it all into the fixed income,” Mr. McLean said.

“You can argue that it isn’t going to lose a lot of money, but in fact, there’s a tremendous opportunity cost.”

“There’s an obligation to the workers in the state of Ohio and those who rely on the state of Ohio to structure a portfolio that’s appropriate for the liabilities and the type of business the bureau is in.”

Mark Rickel, Mr. Taft’s press secretary, said the governor did not make the decision to shift to a fixed-income approach.

“By law, these decisions are made by bureau staff and the Oversight Commission,” Mr. Rickel said.

Once the bureau’s equities are moved into fixed-income funds, the only nonfixed-income funds in the agency’s portfolio will be “alternative investments,” which often are longer-term investments and difficult to liquidate.

Asset allocation

Brad Pacheco, a spokesman for the California Public Employees Retirement System, said there are very few reasons why a public system would put all of its fund in one type of investment. He said CALPERS’ $196 billion portfolio contains a mix of investments, including fixed-income funds, equities, hedge funds, and alternative investments like real estate.

“Your asset allocation is what drives your return,” he said.

“Obviously, an all fixed-income instrument is pretty conservative. Our board believes that we have a diversified portfolio ... so if we have losses in one area, gain in another can offset those losses.”

He added, “We don’t put all of our eggs in one basket.”
The Ohio investigation into Noe's failed coin fund has drawn interest from European governments and recruiters, setting the stage for a billion-dollar stamp scandal.

The company, backed by rare-coin money supplied to a European fund tied to Noe falters

The former coin dealer's relationship with Greg Manning Auctions is absent from the company's filings with the U.S. Securities and Exchange Commission and hidden from a public without access to corporate disclosures.

The story begins four years ago, shortly after Mr. Noe received the second installment of $25 million from the state bureau established to help pay for the treatment of injured workers.

Mr. Noe lent Greg Manning $1.6 million from the state's rare-coin fund, Capital Coin Investments, on Aug. 1, 2001, according to state records.

Mr. Noe stated that his deal with Mr. Noe was not a separate investment that Mr. Noe used $2 million actually repaid a $393,000 commercial loan owed by Mr. Noe to a third party.

On Aug. 1, 2001, Mr. Noe lent Greg Manning $1.6 million from the state's rare-coin fund, Capital Coin Investments, to buy coins.

On the same day he transferred $3 million from the coin fund to a subsidiary he established: the Spectrum Fund.

On Jan. 14, 2002, Mr. Noe purchased 50,000 shares in the company on March 18, according to Edgar filings.

In March, Escala acquired a majority interest in Greg Manning.

In a letter, which was sent to an investment firm, Mr. Noe stated that he was not a material relationship.

Independent of Mr. Noe, Escala is the subject of an inquiry by the SEC, according to a Sept. 22, 2003, news release.

Mr. Brandt is working with federal and state officials as his company, Development Specialists Inc., oversees the liquidation of the coin funds' assets.