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Portrait of the scam

Fraud: 5-year
investigation results in
three federal convictions

By Carol Bryant
The Independent

Grand Island bookkeeper Richard Rosno introduced elderly, wealthy clients to Frank Detamore of Giltner.

The men had offices in the same building at 1831 N. Webb Road and promised their victims high returns on investments.

Ismael Allan Munoz of Bakersfield, Calif., in turn, promised Detamore large profits on his investments.

The result was a five-year state and federal investigation that ended with federal convictions of Detamore, Rosno and Munoz.

Despite their convictions, Rosno



and Detamore continue to live in Central Nebraska after being sentenced to probation. Fallout from the case includes a lawsuit filed by relatives of a late Silver Creek man who was not repaid.

Detamore and Rosno convinced their victims they'd make large profits by investing in projects such as plastic fencing or grain bins in Mexico. Munoz persuaded Detamore to

invest in "dore," which could undergo a smelting process to extract gold and other minerals.

Vernon and Ardene Zumbrunn of Belgrade gave Detamore and Rosno a check for \$150,000 in August 1994 and were promised \$25,000 in interest for

their 39-day loan. Detamore needed the money for the dore investment with Munoz, a law office assistant in Bakersfield. He had offered Detamore a \$300,000 profit on a \$150,000 investment by Oct. 17, 1994.

The Zumbrunns did not get the \$25,000 in interest nor their \$150,000 back, and Munoz didn't repay Detamore. The Zumbrunns con-

tacted a Grand Island attorney, who notified Nebraska State Patrol detectives in Grand Island after unsuccessful attempts to get the money

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Rio Grain and Supply planned Hamilton County development

By Carol Bryant

The Independent

A Grand Island woman who's known Frank Detamore since they were high school students in Giltner was surprised that he wasn't sentenced to prison for his federal fraud conviction.

"I was quite surprised that he would not be serving federal time and felt the judge was very lenient under the circumstances," Michalynn Wagner said.

"What this man does best is buy time," she said. "He bought himself a boatload of it with this sentence."

Detamore was sentenced last October to three years of probation, including nine months of home confinement and 250 hours of community service, for wire fraud. He still owes \$60,000 in restitution but has his three-year term of his probation to pay it.

Part of his scheme involved Rio Grain and Supply, which he formed in 1991. He asked Wagner to find investors for the company.

He planned to buy and operate a grain elevator in Giltner and market grain from there in Mexico, according to incorporation records.

The business was later described to investors who were promised large returns but didn't receive them.

Articles of incorporation for R.I.O. Inc. were filed with the secretary of state's office in March 1991. The purposes of the business were "to buy, sell, import, export, trade and deal in grain and cereals of all kinds" and "to own, buy, sell, trade and deal in property of all kinds."

Hastings attorney William M. Connolly, now a state Supreme Court judge, represented Detamore in a 1975 Hamilton County criminal case and also was a lawyer for Rio Grain.

Connolly said he met Detamore through some legal work he had done for Detamore's relatives.

Connolly's wife, Betty, also an attorney, was listed as the incorporator in March 1991. Detamore was the registered agent. Mrs. Connolly's signature appears on incorporation papers for Rio Grain because "she probably incorporated it," the judge said.

The corporation's name changed to Rio Grain and Supply in July 1991. Detamore was the corporation's president, and Porchie Grady of Brownsville, Texas, was the secretary. They were the only shareholders and directors listed. Grady was self-employed with interests in farming, timber, real estate development, industrial development and imports and exports in the United States and Mexico, his résumé said.

"Later, I was an investor in a potential project of a grain elevator, which never panned out," Connolly said.

The Connollys have not filed a claim for their \$50,000 personal loan to Detamore listed on Detamore's bankruptcy filing.

"I wasn't a secured creditor," Connolly said. Detamore didn't have anything of value that could be recovered.

Detamore is "charming, very conversational, an easy person to converse with," Wagner said. He "appears to be a good listener and appears to be helpful. I can't imagine anyone would feel uncomfortable around Frank."

Wagner said she advised cattle producers in market alternatives and did financial advising and estate planning then. One of Wagner's former clients invested money with Detamore in 1994. She did get Detamore to return the money to her client.

"I finally went to his wife. She had no clue he'd been signing her name on everything, including tax statements," Wagner said.

"One of my clients made a \$15,000 investment with Frank to cover expenses of implementing a contract that would sell halal chicken to Jordan," Wagner said. Halal chicken is processed for Muslims. "My client did recoup his investment, only because of persistence in the matter."

Wagner had other investors involved with Detamore. Rio Grain planned to purchase an elevator in Hamilton County and transport grain to Mexico.

Wagner supported the project, because having "grain contracts in place would be extremely beneficial to the ag economy in Hamilton County. Little did I know that, when I'm taking the investment package to bankers and investors, that I was carrying a fraudulent financial statement, as well as a fraudulent business plan. I'm just grateful that my clients were reimbursed."

Detamore wanted her to raise \$2.5 million for the elevator project.

Wagner said that assets reported on his financial statement were his parents', not his. Frank and Joan Detamore's assets totaled \$1.5 million, their Feb. 24, 1993, financial statement said. Their assets included \$301,200 in grain and feed, a \$45,000 1992 El Dorado, farmland worth \$320,000 and a \$106,000 house.

A December 1992 report for Rio Grain and Supply listed financial projections from Jan. 1, 1993, through Dec. 31, 1997.

"This financial projection is based upon the attainment of financing required to purchase and operate a grain elevator located in Giltner," the report said. "The company will purchase the Giltner, Neb., facilities for \$1,270,000 with the anticipated closing date of Jan. 1, 1993.

"The company expects to invest \$1.3 million in land, buildings, grain storage equipment, furniture and fixtures, equipment and computer equipment," the report said. "The projection assumes the company will negotiate, with an investment banker, an open-ended credit arrangement of \$2.5 million."

Selling 2.75 million bushels of grain in 1993, 3 million bushels in 1994, 3.5 million in 1995, 4 million in 1996 and 4.5 million in 1997 were projected.

Detamore worked with people in Oklahoma, which gave him access to a Learjet. He arranged for a Learjet to transport him and his family to an Orange Bowl game in which Nebraska was playing, Wagner said. His bankruptcy records show he owes \$43,000 to Travel Lear Charter Service of Dethany, Okla., for air fares.

Detamore contracted with Travel Lear starting on Nov. 30, 1994. He wrote insufficient-funds checks on Dec. 23, 1994, for \$19,557 and on Jan. 6, 1995, for \$28,625.

Travel Lear filed a lawsuit against Detamore and FJ&K Management in Oklahoma County, Okla., District Court. A judge awarded the business \$36,302. FJ&K denotes "Frank, Joan and kids," Wagner said.

In another scheme, Detamore and Grady were aware of land on Padre Island, Texas, protected by the United States government, Wagner said.

"Because of Porchie's relationship with President (George) Bush, they were going to get this land and develop it for tourism," Wagner said. "It all blew up. Nothing happened. Porchie went from there to Florida to raise ostriches."

Wagner described Detamore as a "confidence man."

"They earn your confidence and trust and nail your (expletive) to the wall," Wagner said. "I don't want to see this happen to other people."

Detamore needed money for an investment after Ismael Allan Munoz, a legal assistant in the Melvin Magnus law firm in Bakersfield, Calif., contacted him on Aug. 30, 1994, about investing in "dore," from which gold could be extracted. Munoz offered Detamore a \$450,000 return on a \$150,000 investment by Oct. 17, 1994.

Munoz had access to the law firm's checks. He used the money from Detamore to pay personal and family expenses and for other investments. Detamore got the money he gave Munoz from Vernon and Ardenne Zumbrunn of Belgrade. Ardenne Zumbrunn declined to be interviewed.

Detamore's office was in the same building as bookkeeper Richard Rosno at 1831 N. Webb Road. Rosno, the Zumbrunns' bookkeeper for 20 years, contacted them on Aug. 29, 1994.

After the Zumbrunns arrived at his office on Sept. 1, 1994, he took them back to another office in the same building and introduced them to Frank Detamore, an affidavit for Detamore's arrest said. Detamore and Rosno wanted a \$150,000 loan for 39 days and told the Zumbrunns they would receive \$25,000 in interest.

The men first said the money would be used for a Lexington business that made plastic fencing. Then the discussion shifted to investing in grain bin construction in Mexico.

"The Mexican grain elevator project did not have sound financial backing and never got under way," Detamore's indictment said.

At one point during the three-hour meeting, the Zumbrunns wanted to stop and talk to their children about the loan. They were told they had to stay and make up their minds. Mrs. Zumbrunn wrote a \$150,000 check to Rio Grain at the end of the meeting. Rosno gave them a certificate for 490 shares of stock in Vinyl Marketing Inc. as collateral. He signed the certificate and was listed as president and secretary of the business.

Rosno wired \$130,000 from FJ&K Management to the Magnus law firm on Sept. 6, 1994. The Zumbrunns thought the check was a loan to Rosno due on Oct. 9, 1994. They did not receive any of their money back and began contacting Detamore and Rosno. At one point, Detamore showed them a \$450,000 check to him from Magnus.

The Zumbrunns kept trying to collect the money through December 1994. During that period, they received several checks that either had payment stopped or had insufficient funds when presented for payment. For example, the Zumbrunns received a \$110,000 check from FJ&K Management signed by Detamore on Nov. 23, 1994.

Rosno wrote a \$75,000 check to Vernon Zumbrunn, but Zumbrunn couldn't cash it.

The Zumbrunns met with Detamore and Rosno on Dec. 13, 1994, to discuss the loan repayment. The Belgrade couple received a letter from Detamore indicating they would receive \$185,000 by Dec. 25, 1994. They received another note saying the money would be repaid by Jan. 18, 1995. Munoz had a performance and financial guarantee from Investor's Guarantee and Surety delivered to the Zumbrunns on Jan. 11, 1995.

Nebraska State Patrol Sgt. Mike Phinney and investigator John Frederick began investigating the case after the Zumbrunns' Grand Island attorney contacted Phinney on Jan. 18, 1995.

The attorney "had worked several weeks on their behalf. He had quite a bit of paperwork that had been generated as a result of his investigation," Phinney said.

"We were aware that Zumbrunns had also received some questionable stock certificates," Phinney said. "They felt they had received stock certificates as collateral." Rosno later characterized the stock certificates as "good-faith items to reassure them their investment was protected."

The detectives contacted the state Department of Banking regarding the possible stock violations because Detamore appeared to be a convicted felon after a national check was run. Tom Sindelar, an investigator with the state Department of Banking, joined the investigation. Sindelar had an unrelated complaint against Detamore regarding issuing other stock certificates. Phinney later learned that Detamore had been pardoned for his Nebraska felony convictions.

Frederick and Phinney interviewed Dawn Peard in Grand Island on Jan. 19, 1995, concerning a 56-day, \$20,000 loan she made to Detamore for Rio Grain on Oct. 12, 1994. Peard received a certificate for one share of Rio Grain stock from Detamore, a promissory note for \$40,000 due Dec. 7, 1994, and was supposed to receive \$20,000 in interest.

"Peard said she understood the loan was for a project involving Chief Industries where grain bins would be built in Mexico," a March 1995 affidavit for a search warrant said.

She also told investigators that she was shown documents with Chief Industries' logo and was led to believe Detamore was working for Chief. Peard was repaid \$20,000, Phinney said. She declined to be interviewed for this story.

Frederick learned that Chief Industries had retained Detamore as a special consultant to complete a grain bin deal in Mexico. The first time the Zumbrunns visited Detamore's office, they thought he worked for Chief Industries, because they saw plaques and posters from the business there.

"Detamore led them to believe he was still working with Chief Industries concerning construction of grain bins in Mexico," Phinney said.

Phinney contacted Chief Industries on Jan. 23, 1995.

"We found out Mr. Detamore had been working with Chief Industries in an attempt to secure contacts for five or six grain bin contracts in Mexico," Phinney said. "Detamore was getting an advance on commissions from Chief during the time he was working for them."

Chief Industries paid Detamore's travel expenses to Mexico and provided his office in the same building as Rosno's office, the sergeant said. The detective saw a Chief Industries document that showed Detamore was no longer a consultant for the company.

"His affiliation with Chief was terminated on June 1, 1994, because he failed to produce any down payments on the contracts he had written. Authorities at Chief advised that at no time were there any grain bins under construction. Chief authorities also advised that funding for the project Detamore was working was supposed to come from Mexico, and there would be no need to solicit funds locally," the affidavit said.

Frederick spoke by phone to Detamore on Jan. 24, 1995. Detamore told the investigator that the Zumbrunns' money was invested in gold ore. Mrs. Zumbrunn said that nothing was mentioned about gold ore during the first meeting with Detamore and Rosno. Phinney and Frederick interviewed Rosno at his office on Jan. 25, 1995.

Phinney searched Detamore and Rosno's offices at 1831 N. Webb Road on Jan. 26, 1995. Items seized from Detamore's office included a letter from Detamore to Munoz, bank records for FJ&K Management, a purchase agreement for a Learjet, a payment guarantee from Munoz, a Rio Grain stock certificate, a contract with Chief Industries and a letter regarding a Swiss certificate of deposit.

Documents concerning Vinyl Marketing, civil suits involving Vinyl Marketing, a client list for Rio Grande Grain and statements concerning travel on a Learjet were seized from Rosno's office.

Phinney searched records for FJ&K Management at a Grand Island bank on Feb. 16 and Feb. 21, 1995. A record of a Sept. 6, 1994, \$130,000 transfer to a Melvin Magnus account at a Bakersfield, Calif., bank was seized. A \$20,003 check was sent from the account to Munoz on Sept. 22, 1994.

Frederick searched records in the Detamores' Grand Island bank account on March 13, 1995, but did not take anything. Frederick searched the couple's bank records again on March 23, 1995, and seized monthly statements from March 1991 through December 1993.

Munoz had a \$180,000 check payable to the Zumbrunns delivered on April 11, 1995, but payment was stopped.

Detamore admitted in his plea agreement that the Zumbrunns were deceived about how their money would be used, the risk involved, the return the investment would generate and the extent to which Rosno and Detamore would profit from the investment.

Although Detamore and Munoz stood to make a \$300,000 profit on the Munoz investment, the Zumbrunns were never told that and were only offered a \$25,000 profit.

Rosno has repaid the Zumbrunns \$150,000, U.S. Attorney Tom Monaghan said in October 1999.

Detamore, Rosno, Munoz time line

Oct. 17, 1974 -- Five charges filed against Frank Detamore in Hamilton County Court.

Dec. 19, 1974 -- Detamore charged in Hall County District Court with stealing reinforced wire mesh belonging to Doonan Truck Repair on Sept. 6, 1974. Grand larceny charge dismissed on Jan. 27, 1975.

Jan. 27, 1975 -- Detamore charged in Hall County Court with grand larceny for taking an air conditioner belonging to Dial Heating in Hastings on June 15, 1974. Convicted of felony receiving stolen property and sentenced on May 16, 1975, to 18 months to three years in prison.

June 18, 1975 -- Detamore sentenced in Hamilton County District Court to four years probation for receiving a stolen garage door and air compressor and to 18 months to three years in prison for stealing a boat motor.

March 27, 1985 -- Nebraska Board of Pardons voted 3-0 to grant clemency to Detamore for his 1975 Hamilton County and Hall County convictions.

Sept. 1, 1994 -- Vernon and Ardene Zumbrunn of Belgrade met with Rosno and Detamore. She wrote a \$150,000 check to Detamore's Rio Grain Corp.

Aug. 30, 1994 -- Ismael Allan Munoz of Bakersfield, Calif., contacted Detamore about investing in dore, from which gold can be extracted. Detamore was promised a \$450,000 return on a \$150,000 investment in 39 days.

September 1994 -- C.R. Carlson of Silver Creek met with Detamore and gave him \$140,000 to buy grain bins and grain to be shipped to Mexico.

Jan. 26, 1995 -- Offices of Detamore and Richard Rosno at 1831 N. Webb Road searched.

Feb. 6, 1995 -- State Patrol Sgt. Mike Phinney interviewed Carlson about \$140,000 he gave Detamore.

Feb. 16 and 21, 1995 -- Phinney searched records of FJ&K Management at a Grand Island bank.

Feb. 17, 1995 -- Detamore charged in Hall County Court with felony theft by deception for obtaining \$150,000 from the Zumbrunns on Sept. 1, 1994.

April 23, 1997 -- Detamore indicted for mail fraud, wire fraud and three counts of interstate transportation of stolen property.

Aug. 31, 1998 -- Detamore filed lawsuit in Kern County, Calif., seeking \$1.2 million from Magnus law firm and Munoz.

Sept. 16, 1998 -- Detamore pleaded guilty in U.S. District Court to wire fraud.

December 1998 -- Detamore and his wife filed for Chapter 7 bankruptcy, listing \$10,555 in assets and \$880,288 in liabilities.

Feb. 18, 1999 -- Rosno indicted for wire fraud and two counts of interstate transportation of stolen property for accepting \$275,000 from three parties as part of a scam to invest in Mexican grain bins.

Feb. 18, 1999 -- Munoz indicted for wire fraud and two counts of mail fraud for deceiving Detamore into investing \$150,000 for a phony mineral venture.

Oct. 4, 1999 -- Munoz pleaded guilty to wire fraud.

Oct. 22, 1999 -- Detamore sentenced to three years of probation, including nine months of home confinement, 250 hours of community service and ordered to pay \$200,000 in restitution.

Nov. 8, 1999 -- U.S. Bankruptcy Court in Lincoln ordered Detamore to pay \$184,701 to C.R. Carlson's estate and his wife, Myrtle Carlson.

Nov. 10, 1999 -- Rosno pleaded guilty to interstate transportation of stolen property.

Dec. 9, 1999 -- Carlson's daughter, Patricia DeLay of Norfolk, filed a lawsuit in Hall County District Court seeking \$80,179 from Rosno.

Dec. 21, 1999 -- Munoz sentenced to one year and one day in prison, followed by two years of supervised release, for wire fraud. Munoz ordered to perform 80 hours of community service and to pay \$150,000 restitution to Detamore and Rosno.

Feb. 4, 2000 -- Rosno sentenced to five years probation and 150 hours of community service for interstate transportation of stolen property. Rosno ordered to pay \$140,000 restitution, which was already paid.