

Swindler duped Mormon faithful, others in \$180m investment scam

By Tom Harvey
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Through the years, convicted swindler Val E. Southwick had many things going for him as he convinced investors to part with their money, not the least of which was his standing in the LDS Church.

Yes, he was a convincing speaker, had 20 years of investment experience, controlled a web of 150 companies collectively known as VesCor and drove expensive cars to flaunt his wealth. But it was Southwick's ability to tout his faith to the faithful that cleared the way for him to make some of the deals that eventually cheated more than 800 investors out of as much as \$180 million.

"We figured if the guy was active LDS it gave us a little more hope" that the investment was safe, said Ron Bishop, of West Jordan, who with wife, Molly, overcame initial doubts about Southwick and invested some of their retirement savings in one of his real estate projects.

"They played on it [saying] he's been in business 20 years. He's active LDS. He has been very active in the church, and we figure we're like all other LDS that got into it."

The deal has ended with it unclear whether the Bishops will ever get any of their money back, and today they're living on Social Security and a state pension.

They are not alone. Southwick's fraudulent trail tracked through 30 states and three foreign countries, according to court documents and state regulators. Along the way, backed by bishops and myriad connections throughout The Church of Jesus Christ of Latter-day Saints, he attracted investors to a Ponzi-like operation in which he paid money to some clients with funds that came from new investors. Investigators said he also used investor funds for personal purposes and lied to them about how secure their funds were, among other violations of securities laws, for which he was sentenced to prison last week.

Alicia Foutz, of Las Vegas, heard the calling in 2003. She was thinking about how to invest \$55,000 in retirement funds and had been told by advisers she should wait for a time.

"So I prayed about it and I came to the conclusion I needed to talk to Bill Hammons."

Hammons, now a St. George resident, previously had been bishop over Foutz's LDS ward in Las Vegas and was financially successful in real estate.

"At the time, he was teaching Sunday school class and he really did portray himself to be an upright and above-board individual, totally and completely," Foutz said. "I felt he was a 100 percent gold-type person."

Over the next three years, Foutz ended up investing \$1.3 million with Southwick through Hammons, for a promised 14 percent return. She sent the checks in notes that began "Dear Bishop."

Looking back, she feels misled by Hammons, who Foutz said mentioned Southwick's LDS membership while convincing her she should invest.

Now, nearly 65, she is back to work for at least another five years, saving \$500 per paycheck to pay for a new retirement.

Hammons is the object of at least one lawsuit in connection with selling investments on Southwick's behalf and has been called by state regulators the single-largest outside seller of VesCor notes - perhaps as much as \$52 million. He has been under investigation by state regulators for not being a licensed securities broker, and not disclosing to investors that he was receiving commissions and violations of state securities laws, but no state charges or civil actions have been filed.

Adam Dunn, an attorney in the St. George law firm representing Hammons, contends that his client never used his religious affiliation in connection with investments in Southwick's companies but that "he viewed Mr. Southwick as trustworthy because of Mr. Southwick's [LDS] affiliation."

Dunn also said Hammons denies allegations he violated state securities laws. Southwick and his attorney, Max Wheeler, declined comment for this article.

In addition to Foutz, among the investors in VesCor was Hammons' companion on his LDS mission and other LDS members in his St. George neighborhood and Las Vegas ward.

Such associations are not unusual in the Mormon faith or other religions. Nor has it been unusual for the church to regularly warn its members about the dangers of shady investments, from the penny-stock scams of decades ago to more recent instances of investment fraud.

Warner Woodworth, a Brigham Young University professor in the Department of Organizational Leadership and Strategy, said there are many reasons for so-called affinity fraud, including a culture of friendship and trust.

In the LDS culture, despite admonitions from church leaders, he said a high value is placed on having big bank accounts, owning cars and houses, and being successful. This includes a belief that God blesses the faithful.

"Middle-class Utahns who are active members of the LDS Church tend to hold this Protestant value that they are special, that God loves them more than others and that if they work hard they will have great material success," said Woodworth.

Some of his students say they aim to be rich by 30 so they can devote money and energy to their church.

"I know of people who have met in the temple to talk about investments and felt they were inspired to put their money in a miracle mine up in Idaho," said Woodworth, who thinks there needs to be more educational emphasis on the realities of personal finance.

From Southwick's office in Ogden, strewn with LDS artifacts, state investigators said he often played the faith card while making his sales pitches.

"Southwick emphasized his membership and ecclesiastical roles in The Church of Jesus Christ of Latter-day Saints," according to a state investigative report. He "showed his LDS temple recommend, or mentioned its existence . . . all of which appeared designed to breed a sense of trust between Southwick and investors."

Some members of the faith even supported Southwick when he was facing sentencing last week. Members of his ward, two former bishops and a former stake president wrote letters of support to the judge.

"In a particular church responsibility of mine over many years I observed with first-hand knowledge Val's Christ-like attributes in making other lives much better through his teaching, service and sharing of his means many times over," said one letter.

Although Southwick has been the target of lawsuits or securities investigations dating back to the mid-1980s, the president of his LDS stake in Ogden said he did not receive complaints about Southwick until a duped investor came to him last year. Mark Bischoff said he discussed the matter with an attorney for the church.

"The policy of the church is that if there are civil proceedings and civil actions, we chose to wait for that action to happen," Bischoff said. "So we didn't act immediately" on the complaint.

He and church spokesman Scott Trotter refused to discuss Southwick's current status within the church, but Bischoff said there had been discussions with higher-level church officials.

"There's been communication with those above me about the whole issue."

In March, about the time Southwick was pleading guilty to nine second-degree felony counts of securities fraud, the LDS Church issued a statement read in Utah wards that was prompted by "reports of fraud schemes and unwise investments." It called for members to invest with established financial institutions.

"We are also concerned that there are those who use relationships of trust to promote risky or even fraudulent investment and business schemes."

On a personal level and through the interconnectedness of the LDS community, Southwick's standing in the church was solid as recently as last year. Thomas S. Monson, who today is the president of the church, presided over the marriage of the Southwick's son, John David, on March 21, when Monson was a counselor to the late church president Gordon B. Hinckley. Monson also met with the family before John David Southwick's mission in 2004.

tharvey@sltrib.com

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