



Ohio coin dealers feeling scandal's sting

By **CHRISTOPHER D. KIRKPATRICK**
BLADE STAFF WRITER

Beth Deisher tells people she is editor of Coin World magazine in Ohio and some raise an eyebrow or pause disapprovingly, she said.

It wasn't always that way in her Buckeye State. But a \$50 million rare-coin scandal this year involving one-time GOP fundraiser and coin-dealer Tom Noe has stigmatized the industry, she said.

And a 53-count indictment announced yesterday against the former Monclova Township businessman, who sought audiences with the President and golfed with the governor, might only make it worse.

"They give you this funny look that by implication, anything or anyone having to do with coins is a crook. In this state it certainly has become a handicap if you're involved with coin collecting, rare coins, and bullion," she said.

"I don't think that same stigma is there anywhere else, but it is

Experts say industry thrives but 'Coingate' is cautionary tale

very, very strong in this state."

The legislature's reaction to the Noe scandal also has hurt the dealers and collectors in Ohio by raising prices, she said. State lawmakers in the GOP-controlled legislature removed the sales tax exemption on gold bullion and collectible coins, forcing some coin dealers out of business, Ms. Deisher said. The exemption approved in 1989 and once unofficially known as the Noe Amendment became a political liability for the GOP, she said.

"They have put upward of 100 coin dealers out of business or have severely affected their businesses. These are honest, law-abiding people that got crushed in all the hysteria over the situation," she said. "At least 25 states exempt bullion coins for sales tax. The knee-jerk reaction of the legislature has really put a chill on the coin business."

Ed Fritz, who lobbied with

Mr. Noe for the exemption back in the late 1980s, had plans this year to expand his business, Centerville Coins and Jewelry Connection. But since the sales tax exemption was lifted, he has

lost 80 percent of his in-store business, he said. He has gained back 30 percent by "redoubling our efforts on the Internet."

That's lost money for the state, he said.

"People who used to come in and buy bullion, they just stopped coming in," he said. "I've talked to a lot of legislators and had a meeting with [Speaker of the House Jon] Husted. They've all said, 'We'll look at this thing, but you have to get rid of [Gov. Bob] Taft because he's going to be ducking this thing because it's connected to Noe.'"

"I've known Noe for 30 years. I knew his father. I'm flabbergasted," Mr. Fritz said of the indictment. "I've never known Tom to do anything illegal."

Ms. Deisher said the number of counts in the indictment was particularly shocking to her and others, who thought it might involve a few counts and was more of a political than criminal issue.

Scott Travers, a consumer advocate and author who this week released the

fifth edition of his *Coin Collector's Survival Guide*, said that the liquidation of Mr. Noe's holdings for the state has been quietly and skillfully executed by hired consultant, John Albanese. Mr. Travers said coin prices have not been affected by a potential flood on the market, in part because

demand has been so strong and because Mr. Albanese has experience unloading large amounts of coins.

"When you deal with reputable dealers, people who deal with upholding high standards [you don't have problems.] There are a lot of bad apples, fly-by-night organizations, and boiler-room operations," Mr. Travers said. "[Mr. Noe] was a dealer who had a spotless reputation, and that's why it's so shocking. It's fascinating that it has had no impact on the marketplace."

Donn Pearlman, who owns a public-relations firm and is a spokesman for Professional Numismatists Guild, agreed that the scandal has not affected the larger coin-trading industry. But he stressed the indictment and the scandal have been a shock because Mr. Noe was well-respected in the industry.

"It's not just rare coins; wherever money can be made there

are problems. You have problems in the stock market, real estate, oil," he said. "I think that if there was ever any reaction, it lasted for 37.8 seconds. The market roared forward in 2005. Major numismatic auctions in 2005 were \$500 million, compared to \$320 million in 2004."

David Harper, the editor of the rare coin weekly Numismatic News, agrees. "The hobby," as he refers to it, has survived, even flourished, despite the pall and taint of "Coingate," he said.

The market has been buoyed by the rising price of gold and silver and pushed higher by the intense interest in U.S. rare coins, he said. Though the Noe affair provides cautionary tales for dealers and investors, the story is more about corruption in government and how not to invest public dollars, he said.

"Very lax bookkeeping," he said. "It looks like the government of the state of Ohio was run out of the back end of a Buick."

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Reaction

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Jim Petro's campaign manager, Bob Paduchik, said the statement from the Blackwell campaign was "a blatant effort to politicize a very tragic situation." Mr. Paduchik added, "Ken Blackwell knows better."

"No state elected official has done more to expose Tom Noe and protect Ohio taxpayers than Jim Petro," Mr. Paduchik said. "We are used to foolish statements from Ken Blackwell, but this is ridiculous."

Mr. Petro — who has been accused of favoring political contributors in assigning the state's legal business — told The Blade last summer that Mr. Noe's wife, Bernadette, "may have" lobbied his office for special counsel work for her firm.

Since 1990, Mr. Noe and his wife have contributed more than \$200,000 to political candidates and causes, including \$6,100 to Mr. Petro and \$3,650 to Mr. Blackwell.

Most of those contributions were made after 1998 when Mr. Noe received his first installment of \$25 million from the Workers' Compensation Bureau.

Bill Binning, a political science professor at Youngstown State University, said the biggest danger to Republicans in the statewide election is a "stinky, noisy trial. Will [Mr. Noe] name other figures and drag in other people?"

The other question is if the Noe case goes to trial, will it be close enough to the November general election to damage the Republicans, Mr. Binning said.

"If this is a theatrical drama, when will it come to stage? God forbid in the fall. I think that Blackwell is more separated from it, but I don't know if the public is that discriminating. If it gets to be a big stink and you're a Republican, you get that big stink on you and you have a problem."

"The Republicans are big on prayer. They should be praying for a deal, for a plea," said Mr. Binning, a former chairman of the Mahoning County Republican Party.



Thomas Charles, right, discuss the indictments as Howard Hudson, far left, Arnie Schropp, and Prosecutor Ron O'Brien listen.

Democrats call behavior 'corrupt'

As the GOP candidates for governor crossed swords over the Noe scandal for the first time since it broke 10 months ago, Ohio Democratic Party Chairman Chris Redfern said the allegation that Mr. Noe engaged in "corrupt" behavior carries special significance.

"You can't engage in a pattern of corrupt behavior without willing participants," said Mr. Redfern, who is a state representative from Ottawa County.

"He needed operatives, he needed officials, he needed help in violating state law. And the day I am looking forward to is when some elected officials who allowed this pattern of corruption to occur — when they are held accountable too," Mr. Redfern said.

Bob Bennett, chairman of the Ohio Republican Party, called Mr. Noe a "disgrace to himself and to his party."

"When he's found guilty, he should face the strongest possible punishment," Mr. Bennett said in a statement. "I am absolutely disgusted by his arrogance and abuse of trust, and this party has no tolerance for anyone who considers himself above the law."

Mr. Bennett said Mr. Noe is "irrelevant" to Republicans — and Democrats shouldn't bank on him bolstering their political fortunes.

"The Democrats have nothing to offer but protest and pessimism, and if they think Tom Noe is their ticket to statewide office, they'll be sadly disappointed on Election Day," Mr. Bennett said.

U.S. Rep. Ted Strickland (D., Lucasville), the leading Demo-

cratic candidate for governor, said yesterday that he hopes others who were involved in the alleged scheme to defraud Ohioans will be brought to justice. Mr. Strickland said the allegations against Mr. Noe are a product of the state's one-party rule that has reigned for more than a decade.

"It is an arrogance that comes from one party rule that is devoid of appropriate checks and balances," Mr. Strickland said. "It appears that Mr. Noe and many of those in leadership in the Republican Party in Ohio ... there was just an arrogance and attitude that we can do just about any damn thing we choose to do and no one is going to hold us accountable."

Mr. Strickland said he expects his campaign could get a boost from Mr. Noe's indictments because they could add to the

"thirst for change" in Ohio.

"People know Jim Petro, and Ken Blackwell, and Bob Taft because they've been in charge for a long time," Mr. Strickland said. "There is a feeling of unrest and dissatisfaction and the fact that these indictments have come down will just further cause people to believe that Ohio is in need of a change."

Will scandal lead to reforms?

State Auditor Betty Montgomery, who dropped out of the governor's race last month to run for attorney general, said in a written statement that since April, 2005, "our office has been working closely with the investigative team relating to the BWC's coin investments, and we are pleased that our work has been and continues to be an integral

part of that process."

Last year, Democrats criticized Ms. Montgomery — who has returned \$8,150 in contributions from Mr. Noe and his wife, — of waiting too long to order a special audit of the coin funds that Mr. Noe controlled.

"While Republicans may want this to be the end of the investigation, this is just the beginning," said state Sen. Marc Dann, a Youngstown area Democrat who emerged last year as an early critic of the rare-coin investment and who is now running for state attorney general. "The task force investigating this issue continues to have an opportunity and an obligation to learn everything they can about the corrupt system that costs Ohioans millions of dollars every year."

"The benefactors of Noe's campaign contributions over the past two decades need to come clean," Mr. Dann said. "It's time they tell Ohioans what they know about the pay-to-play system in Ohio."

Paul Tipps, a former chairman of the Ohio Democratic Party and a former lobbyist, questioned whether GOP state legislators would be "smarter" than congressional Republicans in the wake of the Jack Abramoff scandal by adopting reforms in the months after Mr. Noe's indictment.

"If they do the reforms and do it in a timely fashion, they could take corruption off the table in the governor's race. If they do the cute stuff and fool around, it won't wash," Mr. Tipps said.

Catherine Turcer, legislative director for Ohio Citizen Action, a statewide advocacy group, said proposals that Governor Taft released last week to reform lobbying and contracting rules are full of holes.

For example, she said legislators and lobbyists should be required to file their ethics statements at the same time and state law needs to be changed to "defrock" lobbyists who are found to violate ethics laws.

Blade Columbus Bureau Chief James Drew contributed to this report.

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THE NOE FILES

The following is a chronology of Tom Noe's involvement with state officials prior to today's announcement of his indictment.

1991: Then-Gov. **George Voinovich** appoints Tom Noe to the Bowling Green State University Board of Trustees.



Voinovich

1993: In divorce proceedings, Mr. Noe says that his political work helps him meet people who became clients of his coin business, including the late **Paul Mifsud**, Mr. Voinovich's chief of staff, and Republican Party leaders in northeast Ohio who "control a lot of money."

1995: Governor Voinovich appoints Mr. Noe to the Ohio Board of Regents.

1997: Governor Voinovich signs law that revamps how state can invest; opens the door to alternative investments like the coin funds that follow.

■ **December:** Mr. Noe submits proposal to manage a rare coin fund for the bureau.

March 31, 1998: Mr. Noe's coin fund gets its first \$25 million.

■ **April 7:** Mr. Noe and his wife contribute \$4,500 to then-Secretary of State Bob Taft's bid for governor. At the time, they were their largest contributions.

2000: Auditor for the Ohio Bureau raises multiple questions about the coin fund in a strongly worded report to his superiors. He suggests it could be a problem for bureau officials if there are any future "fraudulent acts."

July, 2001: Bureau invests another \$25 million with Mr. Noe in a new coin fund.



Noe's former Florida home.

April, 2002: Taft chief of staff **Brian Hicks** vacations in Mr. Noe's Florida home. Mr. Noe gives **H. Douglas Talbott**, a former aide to both governors Voinovich and Taft, a \$39,000 loan to help buy a home in Lakeside, Ohio.

April, 2003: Mr. Hicks again vacations in Mr. Noe's Florida home.

■ **June:** Gov. Bob Taft appoints Mr. Noe to the Ohio Turnpike Commission.

■ **Oct. 30:** Mr. Noe attends Bush fund-raiser in Columbus, where he helped to raise \$1.4 million. His role is focus of later federal investigation.



Moormann

revealed until investigators looking into Mr. Noe discover it the following June.

2004: **Douglas Moormann**, who served as Mr. Taft's executive assistant for business and industry, receives a \$5,000 loan from Mr. Noe. Workers' Comp bureau loses \$215 million in a questionable hedge fund; news of the loss isn't

April 3, 2005: The Blade publishes first story revealing the state's \$50 million coin deal with Mr. Noe.

■ **April 7:** In interview with The Blade, **Governor Taft** strongly defends Noe, declaring: "He's making money for the state. What's the problem?" Ohio Inspector General **Thomas Charles** announces that he will investigate the coin funds.

■ **April 27:** U.S. Attorney **Gregory White** announces federal investigation into Mr. Noe regarding contributions to the Bush-Cheney campaign. Mr. Noe had been chairman of the campaign in northwest Ohio.

■ **May 9:** The bureau pulls plug on coin funds and asks Ohio Attorney General Jim Petro to appoint a liquidator.



Taft



White

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