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## **Tangled Tale of a Wine Scam**

### **Little guy left holding the bag as new scheme appears on scene**

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Could it be a new Elmore Leonard novel or the ultimate in arrogance? Throw in some fancy California wines, a telemarketing operation called a ``recovery room" and some little investors left holding the bag and you begin to taste the flavor of Window To The World.

Window To The World literally picks up where The Wine Exchange Inc. leaves off.

Based in Westlake Village (Los Angeles County) The Wine Exchange entered scam-lore last April when it finally settled with the Federal Trade Commission. The FTC went after The Wine Exchange for false and misleading claims related to a 10-year-old wine investment program.

Investors were promised premium Napa, Sonoma and North Coast wines at deep discounts. That was false.

In addition, the 2,200 investors were told the premium wines would yield premium rewards. In fact, they were charged more than the wholesale price, and paid hefty sales commissions for marketing expenses. All told, The Wine Exchange took in more than \$25 million.

The company ended up agreeing to pay back \$600,000 to investors and gave up claims to \$2.5 million in unpaid fees.

End of story?

Not in a world where you've got a list of people who will do anything to get their money back.

Several former salesman of The Wine Exchange moved onto a Los Angeles outfit -- Window To The World -- bringing lists of their burned clients with them.



Known in the telemarketing world as a recovery room, the salesman offered to sell any wine investors still had from The Wine Exchange for the best price. And for a \$500 fee of course.

Could anyone be burned twice?

"I kick myself for being so stupid," said Leonard Sperry of Tiburon. Sperry was an investor with The Wine Exchange, plunking down nearly \$9,000 for cases of Wente 1987 chardonnay and

Chateau St. Jean 1989 chardonnay.

A retired attorney, Sperry, heeded the recovery call -- and lost an additional \$500. That was before last May, when the FTC sent out the word that a special receiver had been appointed to help investors resell their wine.

Sperry then tried to get his \$500 back, writing to Window To The World repeatedly, but "so far I've got zip."

And how could he? Window To The World, which said it would resell his wine, doesn't even have a license to sell alcoholic beverages. (Though it finally applied for one December 5).

But hey, no license, no problem.

How about precious metals?

Don Boyd, who had invested \$10,800 with The Wine Exchange, was called repeatedly by Window To The World. In a call last week he was invited to participate in a "special deal."

"The guy told me if I turned over my wine he would guarantee the full value of my investment in two years, plus 10 percent annual interest, but I had to invest a like amount in precious metals," Boyd said.

"I said 'stop right there.' I'm not going to put in any good money after this bad money. . . . I guess these guys accumulate a list of fools."



When asked, Window To The World salesman Kelvin Reese, who previously worked at The Wine Exchange, said his firm isn't raising money for precious metals.

He said the company was financing four new companies and promised to send details.

They never arrived, and Reese along with company President Wayne Richardson did not return subsequent phone calls to The Chronicle.

While the state attorney general, Los Angeles District Attorney's office and the California Department of Alcoholic Beverage Control have all been notified of Window To The World's activities, nothing has happened.

Ed Everett, president of New World Wines, the court-appointed receiver for The Wine Exchange, complains that the ``Alcohol Beverage Control says it has no jurisdiction because Window To The World has no license."

``The DA's office doesn't seem interested in responding to this either," said Lynne Carmichael, New World's attorney.

``In addition to having other more pressing cases, apparently they view their mission as protecting L.A. County citizens rather than stopping possible frauds that start in L.A. County."

Everett, whose firm took possession of 148,000 cases, now stored in two San Jose warehouses, figures investors will see about \$55 per case -- about \$115 less than they paid in the original scam. Depending on the wine they purchased, some will receive a little more than 80 percent of their original investment, others could get just 10 percent.

So far, New World Wines has sold 68,00 cases of wine to retailers and producers. Some of the wine, especially early chardonnays, has deteriorated and Robert Mondavi and other producers have bought back thousands of cases to keep bad wine off the market. Other wineries, including Franciscan, Neibaum-Coppola, Viansa and Robert Stemmler, bought back their entire stock to maintain orderly markets and pricing.



**But for investors stuck with wine that will never bring them a profit, they'll literally have to swallow their losses. And what about Window To The World? Be careful, they're still in recovery.**

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