

THE BUSINESS OF NEW JERSEY

SEC probes company's transactions

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Federal securities regulators are investigating whether a Clifton business that allegedly promised investors 100 percent risk-free returns is a fraud.

Securities and Exchange Commission attorneys are looking at the dealings of Kay Services and the potential that millions of dollars from the operation may have gone to its principal and her family.

The investigation is in its early stages and there has been no finding Kay Services or those involved violated any securities laws. But in court documents, SEC attorneys said the investments in Kay Services may be part of a Ponzi, or pyramid, scheme and noted the improbability of such guaranteed annual returns.

"Such astronomical returns, promised risk-free, are hallmarks of fraudulent schemes," regulators wrote in a federal court filing earlier this week. "Of even more concern, Kay Services has recently stopped making promised payments to investors."

In a Ponzi scheme, money from newer investors is used to pay promised returns to clients previously involved.

It was unclear exactly what kind of business Kay Services operates, but the SEC filings indicate it involves real estate investments and the sale of partnership agreements. The home page of the company's Web site has pictures of large houses; a related page is an application form written in Japanese.

The existence of the investigation, which began in late Novem-

ber, was revealed when the woman who operates Kay Services filed court papers asking a judge to suppress SEC subpoenas seeking her and her family's bank records.

The woman, Marcia Sladich, filed an affidavit in court saying she operates Kay Services, but also works at Giants Stadium and Izod Center collecting tickets and directing people to their seats. Her attorney, Ravinder Bhalla of Hoboken, declined to comment about the possible wrongdoing outlined by regulators against Kay Services and his client.

"She's an upstanding member of the community and has been for years," Bhalla said yesterday. "There's no evidence she's received any financial benefit whatsoever from this organization. It was for the sole purposes of providing investment opportunities to members of her community."

Sladich, her husband, who is a schoolteacher, and their 18-year-old son argue their personal bank accounts are not relevant to the SEC's investigation, and privacy laws should prohibit regulators from accessing those records.

Agency attorneys, however, note Sladich has acknowledged commingling Kay Services funds in at least two of the accounts in question. They also said in court papers obtaining the bank records are a "key step" to "unravel, and if necessary and appropriate; halt the activities of Kay Services and the Sladiches."

An SEC attorney involved in the case declined to comment.

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