

# News Release



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## **Labor Department Obtains Judgment Restoring More Than \$300,000 To Ohio Profit Sharing Plan**

**CLEVELAND**—The U. S. Department of Labor obtained a consent order and judgment requiring defunct Lakewood Manufacturing Company of Lakewood, Ohio and its president to restore more than \$388,000 to the company's profit sharing plan. The restitution restores losses suffered by the plan as a result of a series of imprudent loans and investments in companies owned by Lakewood's president, Richard C. Peplin, Jr.

Secretary of Labor Elaine L. Chao said, "Individuals who manage pension plans are forbidden from using the plan's assets as their personal bank account. The Labor Department took legal action in the Lakewood Manufacturing case to ensure that plan participants receive the \$388,000 still owed to them."

In fiscal year 2003, the department's Employee Benefits Security Administration (EBSA) achieved record monetary results of \$1.4 billion related to the pension, 401(k), health and other benefits of millions of American workers and their families.

The order requires Lakewood and Peplin to restore \$188,000 to the plan and bars Peplin from service to any plan governed by federal benefits law in the future. Additional money is to be restored upon liquidation of other assets of the company and plan assets invested by Peplin. Under prior court orders, \$200,000 was restored to the plan by the company's insurer. Peplin was removed as the plan's trustee and R. Brooks Hamilton of Dallas Texas was appointed to be the plan's independent fiduciary.

The department sued Peplin for violating the Employee Retirement Income Security Act (ERISA) by investing all of the plan's assets in risky investments with companies for which he had a significant personal interest. The companies included Viotech Communications Group, Inc. and its subsidiary Psychic Discovery Network. Both companies ceased operations in August 1997. In addition, the suit charged him with miscalculating the account balances of plan participants, failing to obtain a fidelity bond as required by law and failing to provide workers with descriptions of the rules of the plan.

Lakewood Manufacturing Company manufactured parts for military contractors and sponsored the profit sharing plan for 19 participants. Peplin acted as the sole trustee of the profit sharing plan after the retirement of his father in 1996. In 1997, Peplin began to switch the plan's investments.

The legal actions were filed in federal district court in Cleveland. Employers and workers can contact the Cincinnati regional office at 1-859-578-4680 or through EBSA's toll free number, **1-866-444-EBSA (3272)**, for help with any problems relating to private-sector pension and health plans.

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Chao v. Lakewood Manufacturing Co.)  
Civil Action No. 1:02CV2470

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