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Too Good to Be True? Dutch Yogis Offer 15% Bond: Mark Gilbert

By Mark Gilbert - Jan 16, 2006

Jan. 17 (Bloomberg) -- The people who taught transcendental meditation to The Beatles are offering what may be the investment opportunity of a lifetime. As with yogic flying or Chinese statistics, a certain suspension of disbelief is required.

Maharishi Global Financing, a Dutch foundation affiliated with the Indian guru who gave spiritual guidance to the Fab Four in the 1960s, is marketing as much as \$10 trillion of "World Peace Bonds for Poverty Removal." The three-year bonds, available in either dollars or euros, offer as much as 15 percent a year in interest, depending on how big your investment is.

That compares with the 4.3 percent you can get from lending to the U.S. government for three years, or 2.9 percent on German government bonds. A 15 percent interest rate is more than double what you can make for lending dollars to Uruguay until 2009. And \$10 trillion is more than the total annual gross domestic product of the countries in the euro region. I decide to telephone the Dutch authorities before filling out the bond application form.

"A 10 to 15 percent interest rate is almost impossible to guarantee," says Werner van Bastelaar, a spokesman for the Dutch securities regulator AFM in Amsterdam. "The amount of \$10 trillion looks impossible. All in all, any investor wanting to put their money in this should really question whether or not it is too good to be true."

When I'm Sixty-Four

So what does Maharishi Global Financing plan to do with my money, and where will my spectacular returns come from? The cash will develop 2 billion hectares (4.94 billion acres) of "unused land with agricultural potential in 100 countries," the ad says. That's about an eighth of the Earth's surface, excluding water. "It's really good business to enjoy profit while eliminating poverty."

I call Benjamin Feldman, who runs the foundation from a place called Vlodrop in the Netherlands, to ask how he plans to generate such humungous yields.

"We are targeting export-orientated organic crops for which there is a large demand, a growing demand," Feldman says. "We do expect to achieve those returns."

I ask Feldman how he can be so confident that farming, which is notoriously prone to crop failures and pestilence and weather shocks and the like, is a safe place for my pension plan.

The project ``involves different areas within one country and in other countries," he says. ``Even if there was a disaster sometime, it's highly unlikely there will be a disaster everywhere all at the same time." The group also plans to buy insurance against crop failure, he says.

Fool on the Hill

In the current low-yield environment, 15 percent interest on a three-year deal is an enticing proposition. I download the prospectus, which details its numbers in euros, and read the small print.

The minimum investment in the European currency is 50,000 euros (\$60,500) for 10 percent a year, 12 percent for investments of 500,000 euros to 950,000 euros, and a staggering 15 percent for buyers of more than 1 million euros of securities. ``But wait, there's more," as they say in those late-night U.S. TV advertisements for nasal-hair clippers, Dial-O-Matic food slicers and five-tray electric food dehydrators.

That interest rate gets compounded annually, the bond document says. You have to wait a little longer for your money, since it all gets bundled together into a single payment when the bond matures rather than paying you every year.

We Can Work It Out

Your patience is amply rewarded, though, by turning 50,000 euros into 66,550 euros in 2009, under the Silver scheme. The Gold scheme turns 500,000 euros into 702,464 euros in three years. Diamond members stumping up 1 million euros do even better; their investment is worth 1,150,000 euros after year one, 1,322,500 euros after year two, climbing to an almost off-the-charts 1,520,875 euros at repayment.

Anyone can see that turning 1 million euros into 1.5 million euros in the space of three years requires this farming venture to resemble a leveraged hedge fund running on amphetamines. I know organic produce is all the rage, though can it really spark such stellar returns?

``It can't be done," says John Austin, 57, who helps grow organic shiitake at Mull Mushrooms on the Isle of Mull, on Scotland's west coast. ``We don't rely on this to make any money. Breaking even would be good enough."

Supermarkets are paying less and less to growers, destroying profit margins. ``Sure, there's growing demand for organic food and sales are going through the roof, so a lot of people think it's a good time to get in on the ground floor," Austin says. ``Here at the chalkface, it looks a bit

different."

Ticket to Ride

Sifting through various links on the Internet, I come across a biography of Feldman at Maharishi Global Financing. He seems like a fascinating character. Born in Mexico, he's been teaching transcendental meditation since 1973. In 2000, he became the finance minister of something called the Global Country of World Peace. In 2002, his group introduced its own currency, the raam, for use in Roermond, the Netherlands, and in Maharishi Vedic City in Iowa.

``The raam is a key element in the programs of his Holiness Maharishi Mahesh Yogi to promote a balanced world economy," it says in a 2002 press release on the Web site of the Maharishi Open University. The press release also refers to constructing 3,000 so-called peace palaces in the world's biggest cities, and establishing ``affiliated organic farms" near each city.

Let It Be

Van Bastelaar says the Jan. 5 notice advertising the bonds in the International Herald Tribune caught the Dutch regulator's attention. Securities with a minimum investment of 50,000 euros, though, are exempt from many of the provisions of Dutch law designed to protect widows and orphans, he says.

``With a value of 50,000 euros, there's not so much that we can do," though the regulator will monitor the outcome of the planned sale, he says.

I ask Feldman how the bond sale is going. ``We've had pledges of several hundred million dollars," he says. When my efforts to persuade him to name some of my potential fellow investors fail, I decide that I have to agree with van Bastelaar. A return of 15 percent compounded for three years is just too good to be true.

Oh well. Back to the lottery tickets.

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