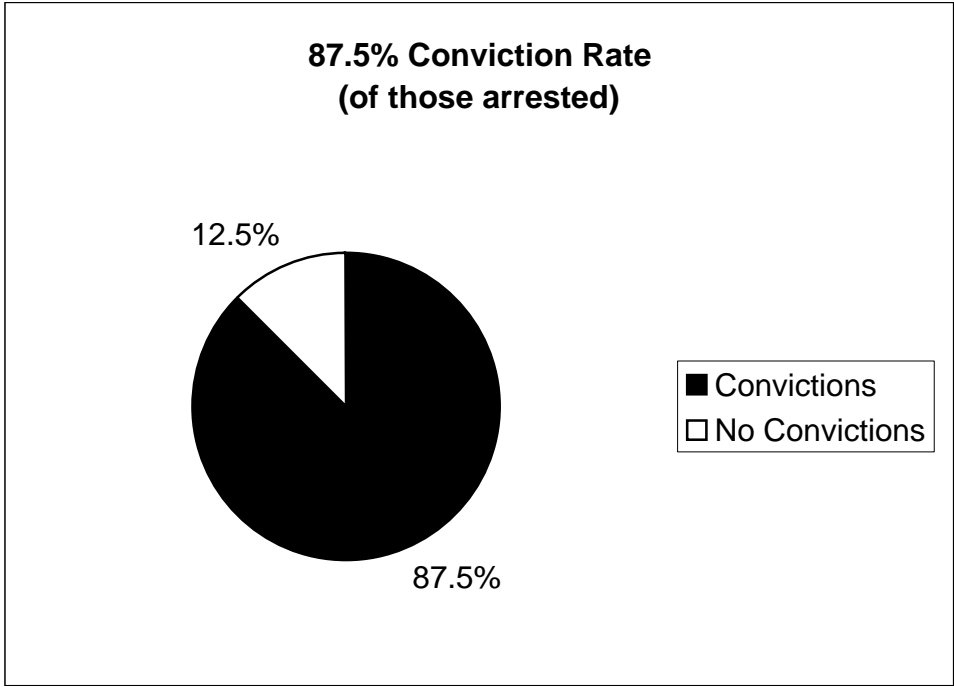


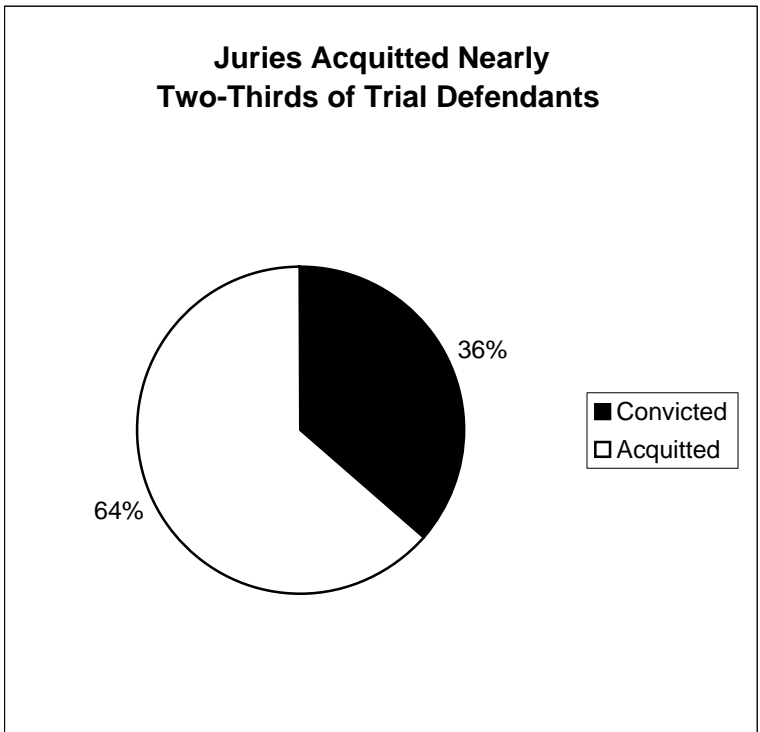
**Operation 'Bermuda Short' - Conviction Statistics**  
 Compiled by OffshoreAlert, www.offshorealert.com - November 1, 2005



Convictions	49
No Convictions	7
<b>Total Arrested</b>	<b>56</b>
Fugitives	2
<b>Total Defendants</b>	<b>58</b>

**Jury Trial Results**

Defendant	Convicted	Acquitted
Jerry Poole	Yes	No
Martin Chambers	Yes	No
Bruce Bertman	Yes	No
Serdar Kalaycioglu	Yes	No
Dennis Epstein	No	Yes
Kenneth Liebscher	No	Yes
Michael Hepburn	No	Yes
Charles Arnold	No	Yes
John Purdy	No	Yes
Les Price	No	Yes
James Kelly	No	Yes



Eleven of the 56 people arrested in Operation 'Bermuda Short' opted for a jury trial. Seven defendants - 63.6% of those tried - were acquitted and four - 36.4% - were convicted.

Note: John Purdy was indicted in two separate cases. He pleaded guilty in one and went to trial in the other.

**Operation 'Bermuda Short' - Conviction Statistics**  
 Compiled by OffshoreAlert, www.offshorealert.com - November 1, 2005

	Defendant	Guilty Plea	Jury Trial	Guilty Verdict	Not Guilty Verdict	Prison Term (Months)	Home Detention (Months)	Supervised Release (Months)	Fine	Restitution	Probation (Months)
1	Serdar Kalaycioglu	No	Yes	Yes	No	324	N/A	36	Zero	\$6,722,592	N/A
2	Martin G. Chambers	No	Yes	Yes	No	188	N/A	36	\$20,000	Zero	N/A
3	Anthony M. Damato	Yes	No	N/A	N/A	108	N/A	36	Zero	Zero	N/A
4	Kevan Garner	Yes	No	N/A	N/A	87	N/A	36	Zero	Zero	N/A
5	Walter Dorow	Yes	No	N/A	N/A	63	N/A	36	Zero	Zero	N/A
6	Bruce Bertman	No	Yes	Yes	No	51	N/A	36	\$10,000	Zero	N/A
7	Michael T. Reiter	Yes	No	N/A	N/A	46	N/A	36	Zero	\$4,037,696	N/A
8	Geoffrey W. Gazda	Yes	No	N/A	N/A	46	N/A	36	Zero	Zero	N/A
9	James Cary Parrish	Yes	No	N/A	N/A	46	N/A	24	Zero	Zero	N/A
10	Jeffrey Senger	Yes	No	N/A	N/A	42	N/A	36	Zero	\$236,739	N/A
11	Melvin L. Levine	Yes	No	N/A	N/A	37	N/A	24	Zero	Zero	N/A
12	Jerry Poole	No	Yes	Yes	No	33	N/A	36	Zero	Zero	N/A
13	Charles Cini	Yes	No	N/A	N/A	30	N/A	36	Zero	Zero	N/A
14	Lawrence W. Gallo	Yes	No	N/A	N/A	27	N/A	36	Zero	Zero	N/A
15	Bruce D. Cowen	Yes	No	N/A	N/A	24	N/A	36	Zero	\$2,833,888	N/A
16	Daniel Charboneau	Yes	No	N/A	N/A	24	N/A	24	Zero	Zero	N/A
17	Thomas Steinbach	Yes	No	N/A	N/A	21	N/A	36	Zero	Zero	N/A
18	Gordon Novak	Yes	No	N/A	N/A	21	N/A	24	Zero	Zero	N/A
19	Harold A. Jolliffe	Yes	No	N/A	N/A	20	N/A	24	Zero	Zero	N/A
20	Howard E. Kerbel	Yes	No	N/A	N/A	18	N/A	36	\$20,000	Zero	N/A
21	Greg Balk	Yes	No	N/A	N/A	18	N/A	36	Zero	Zero	N/A
22	Barry Berman	Yes	No	N/A	N/A	18	N/A	36	Zero	Zero	N/A
23	Vincent Barone	Yes	No	N/A	N/A	18	N/A	36	Zero	Zero	N/A
24	Dax Ross	Yes	No	N/A	N/A	15	N/A	36	\$1,000	Zero	N/A
25	David Rich	Yes	No	N/A	N/A	14	N/A	24	Zero	Zero	N/A
26	George Doumanis	Yes	No	N/A	N/A	14	N/A	24	Zero	Zero	N/A
27	Michael Puorro	Yes	No	N/A	N/A	12	N/A	36	\$6,000	Zero	N/A
28	Blair Valentine	Yes	No	N/A	N/A	12	N/A	24	\$5,000	Zero	N/A
29	Ray Hutchison	Yes	No	N/A	N/A	7	N/A	24	\$4,000	Zero	N/A
30	Frank Dickey, Jr.	Yes	No	N/A	N/A	6	N/A	36	Zero	Zero	N/A
31	Daniel Bender	Yes	No	N/A	N/A	5	N/A	36	\$4,000	Zero	N/A
32	Paul D. Lemmon	Yes	No	N/A	N/A	5	N/A	24	\$7,500	Zero	N/A
33	Bruce A Biddick	Yes	No	N/A	N/A	4	N/A	36	\$4,000	Zero	N/A
34	John K. Purdy	Yes	No	N/A	N/A	Time Served	N/A	Zero	Zero	Zero	N/A
35	Ronaldo Horvat	Yes	No	N/A	N/A	Time Served	N/A	Zero	Zero	Zero	N/A
36	Mark Weirtzema	Yes	No	N/A	N/A	Zero	12	Zero	Zero	Zero	36
37	Mark Valentine	Yes	No	N/A	N/A	Zero	9	Zero	Zero	Zero	48
38	Joseph R. Huard, Jr.	Yes	No	N/A	N/A	Zero	8	Zero	\$10,000	Zero	60
39	Cris Sagnelli	Yes	No	N/A	N/A	Zero	8	Zero	Zero	Zero	60
40	Michael Vlahovic	Yes	No	N/A	N/A	Zero	6	Zero	\$15,000	Zero	36
41	Douglas Rasberry	Yes	No	N/A	N/A	Zero	6	Zero	Zero	Zero	36
42	Richard Greene	Yes	No	N/A	N/A	Zero	6	Zero	\$10,000	Zero	60
43	Tim Rice	Yes	No	N/A	N/A	Zero	6	Zero	Zero	Zero	60
44	Ashley Sosner	Yes	No	N/A	N/A	Zero	N/A	Zero	Zero	Zero	60
45	Andrew K. Proctor	Yes	No	N/A	N/A	Zero	N/A	Zero	\$20,000	Zero	36
46	Marshall Klein	Yes	No	N/A	N/A	Zero	N/A	Zero	\$3,000	Zero	36
47	Mario Turcotte	Yes	No	N/A	N/A	Zero	N/A	Zero	Zero	Zero	24
48	Sheldon Mickelson	Yes	No	N/A	N/A	Zero	N/A	Zero	Zero	Zero	24
49	Richard Carson	Yes	No	N/A	N/A	Zero	N/A	Zero	Zero	Zero	24
50	Dennis Epstein	No	Yes	No	Yes						
51	Kenneth B. Liebscher	No	Yes	No	Yes						
52	Michael Hepburn	No	Yes	No	Yes						
53	Charles Arnold	No	Yes	No	Yes						
54	Les Price	No	Yes	No	Yes						
55	James T. Kelly	No	Yes	No	Yes						
56	Justyn S. Feldman	Case dismissed without plea or trial									
57	Robert W. Wilder	Fugitive, 70, believed to reside in Toronto, Canada									
58	Paul A. deRome	Fugitive, 53, once residing in Victoria, Texas, USA									

**Color Coding Guide**



**Conviction**  
**No Conviction**  
**Fugitive**

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# OffshoreAlert

August 31, 2005

The Pen is Mightier than the Fraud

Issue 103

You should receive 29  
pages of this newsletter

A newsletter covering  
international finance

## Fraudsters receive leniency for undercover 'Bermuda Short' work

Two career criminals whose undercover work for the FBI was the mainstay of Operation 'Bermuda Short' have been rewarded with light sentences for a securities fraud they committed nearly ten years ago.

David William Jones, 44, received a one-year prison term, while Robert Schlien, 56, escaped prison altogether, receiving just five years of probation, during sentencing at the U. S. District Court for the Southern District of Florida on June 17, 2005. They must also jointly and severally pay restitution of \$4,591,773. They had each previously pleaded guilty to one count of conspiracy to commit securities fraud concerning criminal activity that ended in February, 1996.

Jones and Schlien had initially each been sentenced to five years in prison on March 18, 2005. Jones' sentence was to run consecutively with a 33-month prison term that he was ordered to serve at the U. S. District Court for the District of Nevada on May 11, 2004 for other securities fraud offenses.

However, their Florida sentences were reduced in amended judgments handed down by the court three months later due to what the judge acknowledged was their "substantial assistance" with the 'Bermuda Short' investigation. Not only was Jones' prison-term reduced from five years to one year but he will now serve it concurrently with his Nevada sentence, not consecutively, meaning he is due to be released from the Federal Correctional Institution, in Miami, on January 21, 2007.

The sentences are mild in comparison with those given to some of the people they helped to entrap in the 'Bermuda Short' investigation, even though Jones and Schlien have considerably worse records of committing illegal activity.

An indication of the extent of their cooperation with law enforcement can be found in a sentencing memorandum filed on behalf of Schlien in Florida on March 17, 2005 – one day before he was due to be sentenced.

"Schlien anticipates that his sentencing will be particularly unique in that the Court will be provided with a detailed and exhaustive recitation of Schlien's lengthy cooperation with the federal government which has resulted in voluminous arrests, indictments and convictions," stated Schlien's attorney, Bruce Zimet.

"Schlien's cooperation and role as an undercover cooperating witness allowed the government to pursue white collar criminal conduct as part of an operation known as "Bermuda Short"."

Zimet added: "Schlien anticipates that the Government will file an application pursuant to Section 5K1.1 Federal Sentencing Guidelines, seeking downward reduction from the guidelines based upon Schlien's substantial assistance. Additionally Schlien anticipates that witnesses, including Special Agents of the Federal Bureau of Investigation, will particularize the Herculean assistance provided by Schlien which has been estimated to include 9,000 hours of work with the Gov-

ernment. Schlien's hours of commitment included the undercover white collar securities fraud investigation initiated through Schlien (with the assistance of co-defendant Jones) which lead to unprecedented results in this district.

"Schlien is unaware of whether the Government will make a specific recommendation to the Court concerning the type or quantum of sentence to be imposed based upon Schlien's assistance. However Schlien does have confidence that the Government will accurately classify Schlien's cooperation as extraordinary especially considering the significance of "Bermuda Short"."

A few days earlier, Jones' attorney, Fred Haddad, made a filing in which he referred to his client's "extraordinary assistance to the United States in the detection and prosecution of ongoing criminal activity and the great risk of himself and his family."

As previously reported by OffshoreAlert, Jones and Schlien had committed securities fraud from 1993 to 1996 that caused losses to investors of between \$20 million and \$40 million. In 1998, with law enforcement breathing down their necks and both facing lengthy prison terms, particularly Jones, who was already waiting to be sentenced for another securities fraud for which he was convicted in Nevada the previous year, they agreed to help snare others.

That led to one of the biggest-ever investigations into white-collar crime, a two-

*(Continued on page 2)*

## Fraudsters receive leniency for undercover 'Bermuda Short' work

(Continued from page 1)

year undercover operation by the FBI and the Royal Canadian Mounted Police in which a federal agent set up shop at Jones and Schlien's office in Boca Raton, Florida and the trio set about enticing others to commit securities violations.

Operation 'Bermuda Short' culminated in 23 indictments against 58 people at the U. S. District Court for the Southern District of Florida in 2002 for a range of offenses, including money laundering, securities fraud, conspiracy to commit securities fraud, wire fraud and mail fraud. Among those indicted were Bahamas accountant Michael Hepburn, Bermuda company directors Paul Lemmon and Andrew Proctor, Vancouver-based attorney Martin Chambers, Canadian broker Mark Valentine and four principals of Grenada-licensed Meridian Investment Bank, including former Canadian Space Agency engineer Serdar Kalaycioglu. Hepburn was acquitted at trial but the others were either convicted or pleaded guilty.

The operation was "designed to expose and prosecute those who attempt to engage in the fraudulent purchase and sale of stock of companies whose shares trade on the United States public markets", stated a U. S. Department of Justice press release announcing the indictments in August, 2002.

The role of Schlien and Jones in the investigation was described by news service Canada Stockwatch in an account of the first trial of James T. Kelly, which ended in a hung jury in October, 2003. He was acquitted on November 18, 2004 after a re-trial.

The court heard that FBI Agent Mike Palasek set up shop at Jones and Schlien's Boca Raton offices and began spreading the word that they had \$8 million to invest every month, reported Stockwatch.

"They told people they had connections to a British fund, that they had made friends with a British fund manager, known only by his first name, Nigel," stated prosecutor Thomas Hanusik, who then explained how they enticed various people into alleged securities fraud through the offering of kickbacks.

In many cases, those indicted were relative saints compared with Schlien and Jones. After one Bermuda Short trial, a

juror described the pair as "slime" and their lack of credibility contributed to prosecutors' patchy record in securing convictions.

Both have made a career out of stock scams. In a 1999 ruling in an administrative proceeding before the SEC in Washington, D.C., Administrative Law Judge Robert Mahony described Schlien as "a repeat violator of state and federal securities laws" and noted that Jones "has been sanctioned several times for violating state and federal securities laws".

A turning point for Jones came on September 11, 1997 when he was convicted of conspiracy to commit fraud, wire fraud, securities fraud, and aiding and abetting by a jury sitting at the U. S. District Court for the District of Nevada.

The charges concerned a multi-million dollar stock scam from 1991 to 1995 involving Las Vegas-based Teletek Inc. and its subsidiary, United Payphone Services

Inc. Co-defendants were John Mark Armstrong, Lyle Bettenhausen Sr., Thomas Calise, Damon Cozzolino, Sean Deegan, Edward Donner, Lawrence Erber, John Greco, Gerard King, Donald Milne, Kelvin Nash, Robert Orkin, and Charles Stember.



David Jones

Jones began co-operating with the authorities soon after his conviction and, as a result, he was not sentenced for these offenses until May 11, 2004—after many of the Bermuda Short prosecutions were completed. He received 33 months in prison, 36 months of supervised release, a fine of \$10,000 and an order to pay restitution of \$1,431,766.

Apart from at least two criminal convictions against Jones and one against Schlien, their various scrapes with civil and administrative authorities have included Schlien agreeing to an 18-month ban from the securities industry in 1989 to settle fraud charges filed by the SEC concerning Fort Lauderdale-based penny stock firm Profile Investments Corp., of which he was president, and Jones found in 1996 to have been involved with receiving non-disclosed compensation while he was a stockbroker in 1993.

Bizarrely, in 2002, Schlien and Jones began operating Financial Fraud Recovery Consultants Inc., of Boca Raton, Flor-

ida, which purported to help victims of fraud recover their losses. Others involved in the company included a former FBI Special Agent, Joseph Del Campo, and an attorney, Richard Seay. The business did not last long, however, and the firm was dissolved in 2003.

Since assisting with the 'Bermuda Short' investigation, Schlien, in particular, claims to have undergone a dramatic transformation in his life. "In addition to Schlien's cooperation, this Court will be able to evaluate the profound personal development Schlien has made in all aspects of his life," stated Schlien's attorney in a court filing before sentencing.

"Schlien's growth can in part be objectively measured by his religious evolution, his spiritual awareness and by his philanthropic commitment. As the Court will observe, Robert Schlien is a quality individual. The dynamics of the judicial system have in many ways facilitated this quality person to evolve into a remarkable human being."

The attorney added: "A significant motivation for Robert Schlien's cooperation with the Government arose from his genuine remorse for his misconduct. Robert Schlien paid \$750,000 in restitution monies to the Government in 1999 prior to any court order or guilty plea. Schlien's

\$750,000 has earned interest in the tens of thousands of dollars since deposit. Additionally, Robert Schlien is fully committed to the complete payment of the remainder of any additional restitution monies.

"Schlien has recognized and learned that the materialistic disease that contributed to his misconduct is often confused as a barometer of success and happiness. Schlien has abandoned the late model fancy foreign cars, multi-million dollar home and flashy lifestyle that he previously misidentified as signs of success. Instead, Robert Schlien rents a modest home in Ft Lauderdale, drives a used American car and defines happiness by the benefit he can bring to the lives of others.

"However, in moving forward Schlien will not forget his past. Whether forgiven by his victims or not, Schlien will not rest until every penny he owes for restitution is fully paid."



Robert Schlien

Miami, Florida, November 1, 2005

**Operation Bermuda Short**  
**by Marcos Jiménez,**  
**Former U. S. Attorney for the Southern District of Florida**

Operation Bermuda Short, a two-year undercover securities fraud investigation, was designed to expose and prosecute individuals who attempted to engage in the fraudulent purchase and sale of stock of U.S. publicly-traded companies. The outstanding efforts of a team of prosecutors and law enforcement officers resulted in the return of 23 Indictments charging 58 individuals, from the U.S. and elsewhere, with conspiracy, securities fraud, wire and mail fraud, and/or money laundering. The securities fraud activities charged in these Indictments involved the securities of 21 U.S. publicly-traded companies located throughout this country and Canada. Although this investigation was conducted in such a way that resulted in no actual loss to any investor, the combined attempted securities sales exposed by this operation totaled over \$200 million.

The investigation involved two scenarios. In the first scenario, an undercover FBI agent (“FBI UCA”) posed as a corrupt securities trader employed by the U.S.-based representative of a fictitious foreign mutual fund (“the Fund”). The FBI UCA would represent that the Fund had a number of investors who had invested millions of dollars. The FBI UCA claimed that he worked with two U.S.-based due diligence officers who researched and approved which securities the undercover agent, as the Fund’s purported trader, could purchase on behalf of the Fund and its investors. The FBI UCA also claimed that a purported manager of the Fund was corrupt and had knowledge of the undercover agent’s corrupt activities concerning the Fund. Two cooperating witnesses (collectively the “CWs”), who assisted in the undercover operation, posed as corrupt stock promoters that presented prospective stock purchase deals to the Fund.

The FBI UCA, along with the CWs, presented themselves as being able to arrange for the fictitious Fund to pay millions of dollars for large blocks of stock owned by the defendants and/or their companies at prices significantly above the actual market prices of the stocks. In return for the Fund purchasing their stock, the defendants agreed to participate in an illegal kickback scheme in which proceeds from the stock sales to the Fund would be secretly kicked back by the defendants to the FBI UCA and others involved in the scheme. The amount of undisclosed kickbacks generally amounted to several million dollars and were to be paid using offshore corporate entities and bank accounts. In some instances the defendants, including licensed securities brokers, agreed to participate in the illegal kickback schemes by agreeing to help manipulate the market prices of the stocks involved. Specifically, defendants agreed to artificially increase the market price of a publicly-traded company’s stock by recommending and selling shares of the particular stock to their customers in exchange for undisclosed payoffs.

The second scenario involved corporate officers, stock promoters and other financial professionals who laundered, through U.S., Canadian, and off-shore banks, a total of almost \$1.4 million of funds that were represented as proceeds from cocaine distribution

by an undercover FBI agent and an undercover Royal Canadian Mounted Police (“RCMP”) agent posing as members of a Colombian drug cartel. These money laundering transactions were agreed upon as the initial part of a longer standing business relationship where the defendant corporate officers, stock promoters and other financial professionals would receive many more millions of dollars, represented as cocaine proceeds, for furthering their securities fraud schemes and other financial fraud.

The undercover investigative phase of Operation Bermuda Short began in 2000 and continued until 2002. From the outset, the around-the-clock, 7-day-a-week, undercover phase of the investigation was extraordinarily difficult and delicate because law enforcement desired to expose millions of dollars worth of attempted fraudulent securities sales without affecting the securities markets or causing any actual loss to investors in those markets. To accomplish this task, a team of prosecutors and agents carefully conducted and supervised the investigation, as well as coordinated efforts with the U. S. Securities and Exchange Commission (“SEC”) and the NASD. The investigation generated numerous undercover audiotapes and videotapes, many of them lasting for several hours, which captured the fraudulent activities which ultimately served to support the charges brought against the defendants. Ultimately, 58 targets were charged in 23 Indictments. A nationwide operational takedown to effectuate the arrest of the charged defendants was undertaken in August 2002. As a result of the team’s tireless efforts, 55 of the 58 charged defendants were arrested nationwide over the course of 36 hours. Simultaneously with the arrest of these defendants, the SEC filed 4 parallel civil injunctive actions against certain of the defendants charged and some of the companies involved in this investigation.

Due to the strength of the cases, the vast majority of the defendants pleaded guilty before trial. The extraordinary efforts by the team of prosecutors and agents assigned to this investigation and attendant prosecutions resulted in the conviction of approximately 88% of all arrested defendants and sentences of as much as 27 years of imprisonment. These convicted defendants included, among others, numerous officers and directors of publicly-traded companies, securities brokers and promoters, lawyers, and accountants.

Operation Bermuda Short was the first undercover securities fraud operation in the Southeast region of the United States and one of only a handful of such operations ever conducted nationwide. This successful prosecution was one of the first significant accomplishments of the U.S. Department of Justice’s (“DOJ”) Corporate Fraud Task Force. Through the tireless efforts of the team of prosecutors and agents assigned to this operation, 23 indictments were returned charging 58 individuals, from the United States, Canada and the Caribbean, with securities fraud and related charges. The team undertook a massive and complicated two-year undercover investigation, prevailed in substantial and difficult pre and post-trial litigation, and convicted approximately 88% of all of the arrested defendants. The team’s efforts sent a clear message that the DOJ will not tolerate corporate fraud and that DOJ will proactively and aggressively prosecute those who illegally threaten the integrity of this nation’s capital market system.

**U.S. Department of Justice**

**Marcos Daniel Jiménez  
United States Attorney for the  
Southern District of Florida**

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**PRESS RELEASE**

FOR IMMEDIATE RELEASE

August 15, 2002

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**SOUTH FLORIDA SECURITIES FRAUD INITIATIVE ANNOUNCES INDICTMENT  
OF 58 INDIVIDUALS AS PART OF A TWO-YEAR UNDERCOVER SECURITIES  
FRAUD AND MONEY LAUNDERING INVESTIGATION INVOLVING OVER \$200  
MILLION IN ATTEMPTED FRAUDULENT SECURITIES SALES**

**A. OVERVIEW**

Marcos Daniel Jiménez, United States Attorney for the Southern District of Florida; Hector Pesquera, Special Agent in Charge of the Federal Bureau of Investigation (FBI); David P. Nelson, Regional Director of the Southeast Regional Office of the United States Securities and Exchange Commission (SEC); James K. Belz, Postal Inspector in Charge of the United States Postal Inspection Service (USPIS); Gary Clement, Superintendent of the National Proceeds of Crime Section, Royal Canadian Mounted Police (RCMP); and Mary L. Schapiro, NASD's (f/k/a National Association of Securities Dealers) President of Regulatory Policy and Oversight, announced the unsealing of 23 Indictments charging 58 individuals with: conspiracy to commit securities fraud, wire and/or mail fraud; securities fraud; wire fraud; mail fraud; and/or money laundering. The Indictments unsealed today result from a two-year, undercover investigation code-named, Bermuda Short, designed to expose and prosecute those who attempt to engage in the fraudulent purchase and sale of stock of companies whose shares trade on the United States public markets. The defendants named in the Indictments include officers of public companies, licensed

securities brokers of SEC registered firms, stock promoters, as well as control persons of the relevant publicly-traded companies. Although the undercover investigation was conducted in such a way that resulted in no actual loss to any investor, the combined attempted fraudulent securities sales exposed by the undercover operation totaled over \$200 million. The securities fraud activities charged in these Indictments involve the securities of 23 United States publicly-traded companies with principal offices located throughout this country and Canada.

As alleged in the Indictments, the investigation involved two scenarios. In the first scenario, an undercover FBI agent ("FBI UCA") posed as a corrupt securities trader employed by the United States-based representative of a fictitious foreign mutual fund ("the Fund"). The FBI UCA would represent that the Fund had a number of investors who had invested millions of dollars. The FBI UCA claimed that he worked with two United States-based due diligence officers whose job was to research and approve which securities the undercover agent, as the Fund's purported trader, would be allowed to purchase on behalf of the Fund and its investors. The FBI UCA also claimed that a purported manager of the Fund was corrupt and had knowledge of the undercover agent's corrupt activities concerning the Fund. Two cooperating witnesses (collectively the "CWs") also assisted in the undercover operation, posing as corrupt stock promoters who presented prospective stock purchase deals to the Fund.

The FBI UCA, along with the CWs, presented themselves as being able to arrange for the fictitious Fund to pay millions of dollars for large blocks of stock owned by some of the defendants and/or their companies at prices significantly above the actual market prices of the stocks. The Indictments allege that, in return for the Fund purchasing their stock, the defendants agreed to participate in an illegal kickback scheme in which proceeds from the stock sales to the Fund would be secretly kicked back by the defendants to the FBI UCA and others involved in the scheme. The amount of undisclosed kickbacks generally amounted to several million dollars and were to be paid using offshore corporate entities and bank accounts. In addition, a number of the Indictments charge defendants, including licensed securities brokers, with participating in the illegal kickback schemes by agreeing to help manipulate the market prices of the stocks involved. Specifically, defendants would agree to artificially increase the market price of a publicly-traded company's stock by recommending and selling shares of the particular stock to their customers in exchange for undisclosed payoffs. Ultimately, as noted above, the undercover investigation was conducted in such a way that resulted in no actual loss to any investor.

The second scenario alleged in three Indictments involved corporate officers, stock promoters and other financial professionals who laundered, through U.S., Canadian, and off-shore banks, a total of almost \$1.4 million of funds that were represented as proceeds from cocaine distribution by an undercover FBI agent and an undercover RCMP agent posing as members of a Colombian drug cartel. These money laundering transactions were agreed upon as the initial part of a longer standing business relationship where the

defendant corporate officers, stock promoters and other financial professionals would receive many more millions of dollars, represented as cocaine proceeds.

The Indictments announced today are part of the South Florida Securities Fraud Initiative involving the coordinated efforts of the United States Attorney's Office for the Southern District of Florida, the FBI, the SEC, and the USPIS, with the assistance of the United States Department of Justice - Fraud Section, the RCMP and the NASD - Criminal Prosecution Assistance Group, to ensure an aggressive and focused attack on securities laws violators. In this respect, simultaneously with today's announcement of criminal charges, the SEC has filed four civil injunctive actions against certain of the defendants and companies involved in the undercover investigation for various violations of the federal securities laws.

## B. INDICTMENTS BY THE UNITED STATES ATTORNEY'S OFFICE

### Securities Fraud Indictments

#### 1. U.S. v. Daniel Bender and Bruce A. Biddick, Case No. 02-20538-CR-GRAHAM

On June 20, 2002, a federal grand jury returned an Indictment charging Daniel Bender and Bruce A. Biddick with one count of wire, mail and securities fraud conspiracy, in violation of 18 U.S.C. § 371, five counts of wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346, one count of mail fraud, in violation of 18 U.S.C. §§ 1341 and 1346, and one count of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Bender was the President, Chief Executive Officer and a Director of Digital Concepts International, Inc. ("DCII"), the common stock of which was publicly traded on the over-the-counter market. Biddick was an owner, registered principal and a securities broker at Centex Securities, Inc., a securities broker-dealer registered with the SEC and the NASD. The Indictment charges that the defendants conspired to pay a \$2 million undisclosed kickback to the FBI UCA and others in return for their inducing the Fund to pay \$5 million for the purchase from DCII of 1 million shares of its stock at an above-market price. Biddick was to receive \$400,000 for his role in arranging the sale. The defendants agreed to conceal the \$2 million undisclosed kickback payment by wiring it to an offshore bank account. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/mail/securities fraud, wire fraud, and mail fraud, respectively, and 10 years for securities fraud.

#### 2. U.S. v. Douglas Rasberry, a/k/a/ "Doug Rasberry," Michael Vlahovic and Lawrence W. Gallo, Case No. 02-20637-CR-MOORE

On July 30, 2002, a federal grand jury returned an Indictment charging Douglas Rasberry, Michael Vlahovic, and Lawrence W. Gallo with one count of wire, mail and securities fraud conspiracy, in violation of 18 U.S.C. § 371, and Rasberry and Vlahovic with five counts of wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346, one count of mail fraud, in violation of 18 U.S.C. §§ 1341 and 1346, one count of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5, and one count of money

laundering, in violation of 18 U.S.C. § 1956(a)(2)(A). Rasberry and Vlahovic owned, through offshore corporate nominees, a significant amount of the common stock of Uncommon Media Group, Inc. ("UMDA"), which was publicly traded on the over-the-counter market. Gallo was the Chairman, Chief Executive Officer and a Director of UMDA. The Indictment charges that Rasberry and Vlahovic conspired to sell to the Fund between \$8,000,000 and \$10,000,000 of their UMDA stock at an above-market price and, in return, would pay an undisclosed kickback of 45% of the stock sale proceeds they received to the FBI UCA and others. Gallo is alleged to have agreed to participate in the illegal stock-purchase-kickback scheme in return for receiving a portion of the UMDA stock sale proceeds for corporate purposes and for his own personal benefit. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/mail/securities fraud, wire fraud, and mail fraud, respectively, 10 years for securities fraud, and 20 years for money laundering.

3. U.S. v. Melvin L. Levine, a/k/a/ "Mel Levine," Robert W. Wilder, a/k/a "Bob Wilder," and Michael T. Reiter, Case No. 02-20672-CR-JORDAN

On August 8, 2002, a federal grand jury returned an Indictment charging Melvin L. Levine, Robert W. Wilder and Michael T. Reiter with one count of wire, mail and securities fraud conspiracy, in violation of 18 U.S.C. § 371, four counts of wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346, two counts of mail fraud, in violation of 18 U.S.C. §§ 1341 and 1346, and three counts of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Wilder was the Chief Executive Officer and a Director of COI Solutions, Inc. ("COSL"), the common stock of which was publicly traded on the over-the-counter market. Levine and Reiter were stock promoters. The Indictment charges that the defendants conspired to pay approximately \$11 million in undisclosed kickbacks to the FBI UCA and others in return for their inducing the Fund to pay approximately \$16 million for the purchase of approximately 1,400,000 shares of overpriced COSL stock. Levine was to receive \$2.4 million and Wilder \$500,000 for their roles in the scheme. The sale was to be facilitated through Hermitage House Investment Company, Ltd., an offshore entity controlled by Levine. The Indictment alleges that Reiter participated in the conspiracy by agreeing, among other things, to help recruit securities brokers who would artificially increase the market price of COSL stock by recommending and selling shares to their unsuspecting customers in exchange for undisclosed payoffs. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/mail/securities fraud, wire fraud, and mail fraud, respectively, and 10 years for securities fraud.

4. U.S. v. David Rich, George Doumanis, Thomas Steinbach and Cris Sagnelli, Case No. 02-20452-CR-GRAHAM

On May 21, 2002, a federal grand jury returned an Indictment charging David Rich, George Doumanis, Thomas Steinbach and Cris Sagnelli with one count of wire, mail and securities fraud conspiracy, in violation of 18 U.S.C. § 371, one count of wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346, one count of mail fraud, in violation of 18 U.S.C. §§ 1341 and 1346, and one count of securities fraud, in violation of 15 U.S.C. §

78j(b) and 17 C.F.R. § 240.10b-5. Rich and Steinbach were officers and shareholders of Integrated Homes, Inc. ("INHI"), the common stock of which was publicly traded on the over-the-counter market. Doumanis was the owner of S.G. Martin, a registered securities broker-dealer, and controlled a significant amount of INHI stock. Sagnelli was employed as a stock promoter. The Indictment charges that Rich, Doumanis, and Steinbach agreed to pay approximately \$4 million in an undisclosed kickback to Sagnelli, the FBI UCA and others in return for their inducing the Fund to buy 2 million shares of INHI overpriced stock for a total of \$8 million. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/mail/securities fraud, wire fraud, and mail fraud, respectively, and 10 years for securities fraud.

5. U.S. v. Daniel Charboneau, Michael Puorro, Marshall Klein and Cris Sagnelli, Case No. 02-20453-CR-MOORE

On May 21, 2002, a federal grand jury returned an Indictment charging Daniel Charboneau, Michael Puorro, Marshall Klein, and Cris Sagnelli with one count of wire, mail and securities fraud conspiracy, in violation of 18 U.S.C. § 371, six counts of wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346, three counts of mail fraud, in violation of 18 U.S.C. §§ 1341 and 1346, and one count of securities fraud in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Charboneau was the Chairman, Chief Executive Officer, and a principal shareholder of FoneCash, Inc. (FCSH), the common stock of which was publicly traded on the over-the-counter market. Puorro and Klein were securities brokers employed by National Securities Corporation and Centex Securities, Inc., registered securities broker-dealers, respectively. Sagnelli was employed as a stock promoter. The Indictment charges that Charboneau agreed to pay a \$2 million undisclosed cash bribe or kickback to Sagnelli, the FBI UCA and others in return for their inducing the Fund to buy 4 million restricted shares of FCSH stock for a total of \$8 million. The Indictment further alleges that Charboneau agreed to provide the FBI UCA with 1 million shares of FCSH stock to be used by Puorro and Klein and others to artificially increase the market price of FCSH stock. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/mail/securities fraud, wire fraud, and mail fraud, respectively, and 10 years for securities fraud.

6. U.S. v. Bruce Bertman, Ray Hutchison, Jerry Poole, Charles Arnold, a/k/a "Chuck," and Cris Sagnelli, Case No. 02-20454-CR-GRAHAM

On May 21, 2002, a federal grand jury returned an Indictment charging Bruce Bertman, Ray Hutchison, Jerry Poole, Charles Arnold and Cris Sagnelli with one count of wire, mail and securities fraud conspiracy, in violation of 18 U.S.C. § 371, thirteen counts of wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346, one count of mail fraud, in violation of 18 U.S.C. §§ 1341 and 1346, and one count of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Bertman was the Chief Executive Officer and a principal shareholder of A1 International, Inc. ("AWON"), the common stock of which was publicly traded on the over-the-counter market. Defendants Hutchison, Poole and Arnold were stock promoters and controlling shareholders of AWON. Sagnelli was employed as a stock promoter. According to the Indictment,

Bertman, Hutchison, Poole and Arnold agreed to pay an approximately \$2.5 million undisclosed kickback to the FBI UCA and others to induce the Fund to buy approximately 4 million shares of overpriced AWON stock for a total of \$8 million. The Indictment charges that Sagnelli and Poole were to receive a portion of the undisclosed kickback payment for their role in the stock transaction. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/mail/securities fraud, wire fraud, and mail fraud, respectively, and 10 years for securities fraud.

#### 7. U.S. v. Greg Balk and Cris Sagnelli, Case No. 02-60164-CR-DIMITROULEAS

On August 8, 2002, a federal grand jury returned a two-count Indictment charging Greg Balk and Cris Sagnelli with conspiracy to commit securities fraud, in violation of 18 U.S.C. § 371, and with securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Balk was the President of Balk & Co., a Florida corporation, and controlled a large number of shares of SeaEscape Entertainment, Inc. ("SEPI"), a publicly-traded corporation. Sagnelli was a stock promoter. The Indictment charges that Balk and Sagnelli conspired to pay undisclosed kickbacks of approximately \$3.2 million to the FBI UCA and others in return for their inducing the Fund to purchase approximately \$8 million of overpriced SEPI stock. As part of the scheme, Balk caused false documentation to be prepared to conceal the illegal payments, bribed two purported due diligence officers of the Fund, and used a shell corporation for the fraudulent stock-purchase-kickback scheme. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit securities fraud and 10 years for securities fraud.

#### 8. U.S. v. Jeffrey Senger, Case No. 02-80093-CR-HURLEY

On May 21, 2002, a federal grand jury returned an Indictment charging Jeffrey Senger with two counts of wire, mail, and securities fraud conspiracy, in violation of 18 U.S.C. § 371, twenty-two counts of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5, and four counts of money laundering, in violation of 18 U.S.C. §§ 1956(a)(1)(A)(i) and 1957. Senger was a manager and securities broker at Baxter, Banks & Smith, Ltd., a securities broker-dealer. Senger was charged in connection with two separate wire, mail, and securities fraud conspiracies. The first conspiracy involved a stock "pump and dump" scheme that resulted in investor losses of about \$3 million. The charges with respect to this conspiracy stem from a historical investigation into fraudulent activities that came to the attention of law enforcement after the activities had been committed by the defendant and others. Senger is alleged to have induced brokers at Baxter, Banks to sell the stock of Lifekeepers International, Inc. ("LIFR"), a publicly traded company, to their clients by making secret payments to the brokers and paying undisclosed commissions. Contemporaneously with these sales, Senger is alleged to have sold his own personal holdings of LIFR stock.

The second conspiracy, which stemmed from the undercover operation, involved Senger's participation in the sale of stock to the Fund. The Indictment alleges that Senger had acquired significant amounts of stock of Piccard Medical Corp. ("PMCZ") and International Stores ("ISTR"), two companies the common stock of which was publicly

traded in the United States. As part of the scheme, the Fund would pay approximately \$8 million for an agreed amount of overpriced PMCZ and ISTR stock, respectively. Based on the overpayment, the FBI UCA and others would receive 50% of each \$8 million stock purchase as an undisclosed kickback. If convicted, the maximum, statutory term of imprisonment is 5 years for each conspiracy to commit securities/mail/wire fraud, wire fraud, and mail fraud, respectively, 10 years for securities fraud, and 20 years for money laundering.

9. U.S. v. Blair Valentine, Case No. 02-80115-CR-HURLEY

On July 16, 2002, a federal grand jury returned an Indictment charging Blair Valentine with one count of conspiracy to commit passport fraud, in violation of 18 U.S.C. § 371, and two counts of furnishing false and altered passports, in violation of 18 U.S.C. § 1543. Valentine was charged in connection with furnishing two false and altered passports to the FBI UCA and others. The false passports were to be used to facilitate the laundering of securities fraud proceeds. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit passport fraud and 15 years for each passport fraud count.

10. U.S. v. Howard E. Kerbel, Barry Berman, Dennis Epstein, Kenneth B. Liebscher, Melvin L. Levine, a/k/a "Mel Levine," and Vincent Barone, a/k/a "Vince Barone," Case No. 02-20547-CR-HUCK

On June 25, 2002, a federal grand jury returned an Indictment charging Howard Kerbel, Barry Berman, Dennis Epstein, Kenneth B. Liebscher, Melvine L. Levine and Vincent Barone with one count of wire, mail, and securities fraud conspiracy, in violation of 18 U.S.C. § 371, and, variously, with ten counts of wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346, one count of mail fraud, in violation of 18 U.S.C. §§ 1341 and 1346, three counts of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5, and one count of money laundering, in violation of 18 U.S.C. § 1956(a)(2)(A). Kerbel, Berman, Epstein, and Liebscher were founders and/or officers of ThermoElastic Technologies, Inc. ("TMRO"), the common stock of which was publicly traded in the United States on the over-the-counter market. Kerbel, Berman, Epstein, and Liebscher controlled a significant amount of TMRO stock. Levine was a stock promoter. Barone was a New York-based securities broker licensed by the NASD. The Indictment alleges that Kerbel, Berman, Epstein and Liebscher agreed to pay a \$1.2 million undisclosed kickback to Levine, the FBI UCA and others in return for their inducing the Fund to pay \$4 million for the purchase of 20 million shares of TMRO stock. In addition, the Indictment alleges that the defendants conspired to recruit, through Levine and Barone, two sets of securities brokers to assist in artificially inflating the market price of TMRO stock. Barone was to receive \$400,000 for his assistance in manipulating the price of TMRO stock. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/mail/securities fraud, wire fraud, and mail fraud, respectively, 10 years for securities fraud, and 20 years for money laundering.

11. U.S. v. Mark Weirtzema, Gordon Novak, Charles Cini, a/k/a "Chuck Cini," and Melvin L. Levine, a/k/a "Mel Levine," Case No. 02-20636-CR-UNGARO- BENAGES

On July 30, 2002, a federal grand jury returned an Indictment charging Mark Weirtzema, Gordon Novak, Charles Cini, and Melvin L. Levine with one count of wire and securities fraud conspiracy, in violation of 18 U.S.C. § 371, six counts of wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346, and three counts of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Weirtzema and Novak were officers and shareholders of Rhino Ecosystems, Inc. ("RHNC"), the common stock of which was publicly traded on the over-the-counter market. Cini was an officer and, through nominees, the controlling shareholder of RHNC. Levine was a stock promoter for RHNC. The Indictment alleges that the defendants conspired to pay a \$6 million undisclosed kickback to the FBI UCA and others in return for their inducing the Fund to pay \$8.6 million for the purchase of 650,000 shares of RHNC stock. The defendants agreed to effect the sale through Hermitage House Investment Company, Ltd., a Nevis, West Indies corporation controlled by Levine. In addition, the Indictment alleges that the defendants conspired to recruit, with the assistance of the FBI UCA and others, securities brokers to help artificially inflate the market price of RHNC stock. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/securities fraud, wire fraud, and mail fraud, respectively, and 10 years for securities fraud.

12. U.S. v. Les Price and Joseph R. Huard, Jr., a/k/a "Joe Huard," Case No. 02-20626-CR-UNGARO-BENAGES

On July 25, 2002, a federal grand jury returned an Indictment charging Les Price and Joseph R. Huard, Jr. with one count of wire and securities fraud conspiracy, in violation of 18 U.S.C. § 371, ten counts of wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346, and two counts of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. The Indictment also charges Price with one count of money laundering, in violation of 18 U.S.C. § 1956(a)(2)(A). Price was the Chief Executive Officer and, through nominees, a significant shareholder of Medinah Minerals, Inc. (MDMN"), the stock of which was publicly traded on the over-the-counter market. Huard was a licensed securities broker and one of the founders and officers of Shamrock Partners, Ltd., a securities brokerage firm located in Media, Pennsylvania. The Indictment alleges that Price agreed to pay a \$1.5 million undisclosed kickback to Huard, the FBI UCA and others in return for their inducing the Fund to pay \$5 million for 5 million shares of MDMN stock. The Indictment also alleges that Price and Huard conspired to artificially inflate the market price of MDMN stock by making illegal payments to securities brokers who would sell shares to their unwitting clients. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/securities fraud, wire fraud, and mail fraud, respectively, and 10 years for securities fraud.

13. U.S. v. Joseph R. Huard, Jr., James T. Kelly and Bruce D. Cowen, Case No. 02-20473-CR-GRAHAM

On May 28, 2002, a federal grand jury returned an Indictment charging Joseph R. Huard, Jr., James T. Kelly and Bruce D. Cowen with one count of wire, mail and securities fraud conspiracy, in violation of 18 U.S.C. § 371, four counts of wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346, one count of mail fraud, in violation of 18 U.S.C. §§ 1341 and 1346, and one count of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Huard and Kelly were licensed securities brokers and officers of Shamrock Partners, Ltd., a securities brokerage firm located in Media, Pennsylvania. Cowen was a Managing Director of a purported New York-based hedge fund called The Lancer Group, and the Chairman of Capital Research, Ltd. Capital Research is alleged to have engaged in investment activities for Lighthouse Fast Ferry, Inc. ("LHFF"), the stock of which was publicly traded on the over-the-counter market. The Indictment alleges that Huard, Kelly, and Cowen conspired to transfer LHFF restricted stock from The Lancer Group to Capital Research for purchase by the Fund for a total of \$5 million. In return, Huard, Kelly and Cowen would divert 30% of the stock sale proceeds for undisclosed payments of \$600,000 to themselves and \$900,000 to the FBI UCA and others. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/mail/securities fraud, wire fraud, and mail fraud, respectively, and 10 years for securities fraud.

14. U.S. v. Anthony M. Damato, Geoffrey W. Gazda and James Cary Parrish a/k/a "Cary Parrish," Case No. 02-20456-CR-MORENO

On May 23, 2002, a federal grand jury returned an Indictment charging Anthony M. Damato, Geoffrey W. Gazda, and James Cary Parrish with one count of securities fraud conspiracy, in violation of 18 U.S.C. § 371, and one count of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Damato was the Chairman and a major stockholder of Eagle Building Technologies, Inc. ("EGBT"), the stock of which was publicly traded on the over-the-counter market. Gazda was the President, Director, and Treasurer of GWG Corporation, and Parrish the President and Chief Operating Officer of Sealant Solutions, Inc. ("SSLU"). The Indictment charges that Damato, Gazda and Parrish conspired to have EGBT sell restricted stock to the Fund for a total of \$4.2 million. The undisclosed kickback was to be paid by Damato transferring \$2 million from the stock sale proceeds to Gazda and Parrish by means of a loan to Gazda's company, GWG Corporation, which was to be secured by SSLU stock. Gazda and Parrish, in turn, were to kickback half this loan (\$1 million) to the FBI UCA and others in return for their inducing the Fund to buy the EGBT restricted stock. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit securities fraud, wire fraud, and mail fraud, respectively, and 10 years for securities fraud.

15. U.S. v. Paul D. Lemmon and Mark Valentine, Case No. 02-80088-CR-FERGUSON

On May 14, 2002, a federal grand jury returned an Indictment charging Paul D. Lemmon and Mark Valentine with one count of wire, mail and securities fraud conspiracy, in violation of 18 U.S.C. § 371, and two counts of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Lemmon was the founder and Managing Director of Voyager Group, Ltd., a financial services company based in Bermuda. Valentine was the Chairman of Thomson Kernaghan & Co., a securities broker-dealer based in Toronto, Canada. Valentine is also alleged to have owned and controlled a majority of the stock of C-Me-Run, Inc. ("CMER"), SoftQuad Software Ltd. ("SXML"), and JagNotes.com, Inc. ("JNOT"), three companies the stock of which was publicly traded on the over-the-counter market. The Indictment charges that Lemmon and Valentine conspired to sell CMER, SXML and JNOT stock to the Fund for a total of \$29.4 million in return for their payment of an undisclosed kickback of \$7.8 million to the FBI UCA and others. In addition, the Indictment charges that Lemmon and Valentine were to cause securities brokers to receive undisclosed kickbacks in return for their helping to manipulate the market prices of CMER, SXML and JNOT stock by selling the stock to their unsuspecting clients. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/mail/securities fraud, wire fraud, and mail fraud, respectively, and 10 years for securities fraud.

16. U.S. v. Paul D. Lemmon, Andrew K. Proctor, Michael T. Reiter and Justyn S. Feldman, Case No. 02-80087-CR-HURLEY

On May 14, 2002, a federal grand jury returned an Indictment charging Paul D. Lemmon, Andrew K. Proctor, Michael T. Reiter and Justyn S. Feldman with one count of wire and securities fraud conspiracy, in violation of 18 U.S.C. § 371, and one count of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Lemmon was the founder and Managing Director of Voyager Group Ltd., and Proctor was a Director of Voyager Group, a financial services company based in Bermuda. Proctor was the Chairman, Chief Financial Officer and a Director of CT Cosmetics, Inc. ("CCHO"), the stock of which was being registered to become publicly traded in the United States. Reiter was a stock promoter and Feldman was a licensed securities broker and Vice-President of Dalton Kent Securities Group, Inc., a registered securities broker-dealer located in New York. The Indictment charges that Lemmon and Proctor conspired to sell CCHO stock to the Fund for a total of \$6 million in return for their payment of an undisclosed kickback payment of \$3 million to the FBI UCA and others. Reiter and Feldman were also to receive undisclosed kickbacks to help manipulate the market price of CCHO stock in connection with the kickback scheme. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/securities fraud and 10 years for securities fraud.

17. U.S. v. Paul D. Lemmon, Paul Derome and Andrew K. Proctor, Case No. 02- 80086-CR-HURLEY

On May 14, 2002, a federal grand jury returned an Indictment charging Paul D. Lemmon, Paul Derome and Andrew K. Proctor with one count of wire, mail and securities fraud conspiracy, in violation of 18 U.S.C. § 371, and one count of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Lemmon was the founder and Managing Director of Voyager Group Ltd., and Proctor was a Director of Voyager Group, a financial services company based in Bermuda. Derome was the President and majority shareholder of New Anaconda Company ("NANA"), the stock of which was publicly traded on the over-the-counter market. The Indictment charges that the defendants conspired to sell NANA stock to the Fund for a total of \$8 million in return for their paying an undisclosed kickback of \$2 million of the sale proceeds to the FBI UCA and others. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/mail/securities fraud, wire fraud, and mail fraud, respectively, and 10 years for securities fraud.

18. U.S. v. Walter Dorow, a/k/a "Art Dorow," Frank Dickey, Jr., Dax Ross, Ashley Sosner, Cris Sagnelli, Richard Greene and Tim Rice, Case No. 02-60165-CR-ZLOCH

On August 8, 2002, a federal grand jury returned a four-count Indictment charging Walter Dorow, Frank Dickey, Jr., Dax Ross, Ashley Sosner, Cris Sagnelli, Richard Greene, and Tim Rice with conspiracy to commit mail and securities fraud, in violation of 18 U.S.C. § 371, and securities fraud, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Walter Dorow and Richard Greene were also charged with mail fraud, in violation of 18 U.S.C. §§ 1341 and 1346. Dorow was a stock promoter. Frank Dickey, Jr., was the President and CEO for Equity Technologies & Resources, Inc. ("ETCR"), a publicly-traded corporation. Dax Ross and Ashley Sosner were licensed and registered stockbrokers for a Boca Raton, Florida securities broker-dealer. Cris Sagnelli was a licensed stockbroker in Boca Raton. Greene was an attorney who specialized in the field of securities laws. Tim Rice owned large amounts of shares of ETCR stock. The Indictment charges that these defendants conspired to pay undisclosed kickbacks of approximately \$1.3 million in cash and in stock issued pursuant to fraudulent Form S-8 Registration to the FBI UCA and others in return for their inducing the Fund to purchase approximately \$8.5 million worth of overpriced shares of ETCR and Movie-O-Network, Inc. ("MVEO") stock, another corporation that was contemplated to go public. As part of the schemes, the defendants bribed two purported due diligence officers of the Fund and agreed to enlist and make illegal payments to corrupt securities brokers who would, in turn, recommend and sell shares of ETCR and MVEO stock to their customers, instead of shares of another company stock, so as to artificially inflate the market prices of ETCR and MVEO stocks. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit mail/securities fraud and 10 years for securities fraud.

19. U.S. v. James Cary Parrish, a/k/a "Cary Parrish," a/k/a/ "J. Cary Parrish" and Geoffrey Gazda, Case No. 02-60126-CR-FERGUSON

On June 25, 2002, a federal grand jury returned an Indictment charging James Cary Parrish and Geoffrey Gazda with one count of wire and securities fraud conspiracy, in violation of 18 U.S.C. § 371, one count of wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346, and one count of securities fraud, in violation of 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Parrish was the President, Chief Operating Officer and Chief Financial Officer of Sealant Solutions, Inc. ("SSLU"), the stock of which was publicly traded on the over-the-counter market. Gazda was a consultant to SSLU and an officer of GWG Corporation. The Indictment charges that Parrish and Gazda conspired to pay a \$3 million undisclosed kickback to the FBI UCA and others in return for their inducing the Fund to purchase approximately \$9 million of overpriced SSLU stock. The kickback payments were to be made through GWG Corporation. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire/securities fraud and wire fraud, respectively, and 10 years for securities fraud.

20. U.S. v. Mario Turcotte, Sheldon Mickelson, Richard Carson and Serdar Kalaycioglu, Case No. 02-80107-CR-HURLEY

On June 25, 2002, a federal grand jury returned an Indictment charging Mario Turcotte, Sheldon Mickelson, Richard Carson and Serdar Kalaycioglu with one count of wire fraud conspiracy, in violation of 18 U.S.C. § 371, and four counts of wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346. Turcotte, Mickelson, Carson and Kalaycioglu were officers and/or shareholders of Meridian Investment Bank, Ltd. ("Meridian Bank"), an offshore bank located in Grenada, West Indies. The Indictment further alleges that the defendants conspired to pay a \$10 million undisclosed kickback to the FBI UCA and others in return for their inducing the Fund to purchase approximately \$40 million worth of certificates of deposits issued by Meridian Bank. The kickback payments were to be made through Golden Eagle, an offshore corporation controlled by Turcotte and Mickelson. If convicted, the maximum, statutory term of imprisonment is 5 years for conspiracy to commit wire fraud and wire fraud, respectively.

#### Money Laundering Indictments

21. U.S. v. John K. Purdy, a/k/a "Jack Purdy," Ronaldo Horvat, a/k/a "Ron Horvat" and Harold A. Jolliffe, Case No. 02-20642-CR-LENARD

On August 1, 2002, a federal grand jury returned an Indictment charging John K. Purdy, Ron Horvat, and Harold Jolliffe with one count of money laundering conspiracy, in violation of 18 U.S.C. § 1956(h), and eight counts of money laundering, in violation of 18 U.S.C. § 1956(a)(3)(B). Purdy, Horvat, and Jolliffe were purported principals of Bolivian Hardwood Corporation, a privately-held corporation engaged in harvesting timber in Bolivia with an office in Vancouver, Canada. Purdy was stock promoter residing in Canada. As part of the investigation, an undercover FBI agent and an undercover RCMP officer posed as members of a Colombian drug organization. The

Indictment charges the defendants with conspiring to conduct and conducting financial transactions involving money that was represented by a law enforcement officer, and a person at the direction of a law enforcement officer, as being the proceeds from the sale and distribution of cocaine. The Indictment also seeks forfeiture from the defendants of all property, real and personal, involved in the money laundering offenses and all property traceable to such property, including but not limited to, a Citibank account under the name of Jolliffe. If convicted, the maximum, statutory penalty for money laundering and money laundering conspiracy as charged in the Indictment is 20 years imprisonment, respectively.

22. U.S. v. Kevan Garner and John K. Purdy, a/k/a "Jack Purdy," Case No. 02-20641-CR-MOORE

On August 1, 2002, a federal grand jury returned an Indictment charging Kevan Garner and John K. Purdy with one count of money laundering conspiracy, in violation of 18 U.S.C. § 1956(h), and two counts of substantive money laundering, in violation of 18 U.S.C. § 1956(a)(3)(B). Garner and Purdy were stock promoters and purported principals of Garner Purdy Venture Capital and Diacom Ventures, Ltd. located in Vancouver, Canada. As part of the investigation, an undercover FBI agent and an undercover RCMP officer posed as members of a Colombian drug organization. The Indictment charges the defendants with conspiring to conduct and conducting financial transactions involving money that was represented by a person at the direction of a law enforcement officer to be the proceeds from the sale and distribution of cocaine. If convicted, the maximum, statutory penalty for money laundering and money laundering conspiracy as charged in the Indictment is 20 years imprisonment, respectively.

23. U.S. v. Martin G. Chambers, Kevan Garner and Michael Hepburn, Case No. 02-20669-CR-UNGARO-BENAGES

On August 6, 2002, a federal grand jury returned a five-count Indictment charging Martin G. Chambers, Kevan Garner, and Michael Hepburn for money laundering conspiracy, in violation of 18 U.S.C. § 1956(h), and money laundering charges, in violation of 18 U.S.C. § 1956(a)(3)(B). Chambers was purportedly a management and financial consultant residing in Vancouver, Canada. Kevan Garner was a stock promoter residing in Canada. He was also purportedly a principal of Garner Purdy Venture Capital and Diacam Ventures, Ltd. in Vancouver. Hepburn was purportedly a chartered accountant and a banker for Keywest Swiss Investment Bank Inc. in St. Michael, Barbados. As part of the investigation, an undercover FBI agent and undercover RCMP officer posed as members of a Colombian drug trafficking organization. The Indictment charges the defendants with conspiring to conduct and conducting financial transactions involving property represented by a person at the direction of, and with the approval of, a law enforcement officer to be proceeds from the sale and distribution of cocaine. The Indictment also seeks forfeiture from the defendants of all property, real and personal, involved in the money laundering offenses and all property traceable to such property, including but not limited to, a Royal Bank account under the name of Myster Holdings Ltd., controlled by Chambers. If convicted, the maximum, statutory penalty for money

laundering conspiracy and money laundering charges as alleged in the indictment is 20 years of imprisonment, respectively.

## CONCLUSION

United States Attorney Jiménez said: "The cornerstone of the federal securities law is to protect the investing public by requiring transparency and full disclosure by publicly-traded companies. We will not hesitate to prosecute corrupt corporate officers and directors of publicly-traded companies and corrupt securities brokers and other professionals who violate their duties and try to take unfair advantage of the market and the public so as to illegally enrich themselves."

Mr. Jiménez commended the investigative efforts of the Federal Bureau of Investigation, the United States Postal Inspection Service, the Royal Canadian Mounted Police, Integrated Proceeds of Crime, "E" Division, Vancouver, British Columbia, Canada and Royal Canadian Mounted Police, Integrated Proceeds of Crime, "O" Division, Toronto, Ontario, Canada, as well as the cooperative efforts of the Southeast Regional Office of the U.S. Securities and Exchange Commission, the Criminal Prosecution Assistance Group of the NASD, the State of Florida, Office of the Comptroller, Department of Banking and Finance, and United State Department of State, Diplomatic Security Service. These cases are being prosecuted by Assistant United States Attorneys Eric I. Bustillo, Richard E. Byrne, Christopher J. Clark, Rolando Garcia, Richard Hong, Robin Rosenbaum, Edward Ryan and Roger Stefin, and U.S. Department of Justice, Fraud Section, Trial Attorney Thomas McCann.