

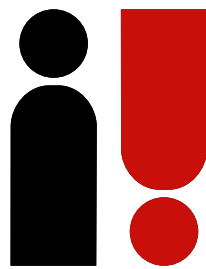
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October 31, 2008

The Pen is Mightier than the Fraud

Issue 141



OFFSHORE ALERT.COM

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Investors scramble to recover up to US\$1 billion as Caribbean Forex scams collapse

An epidemic of investment fraud is causing financial misery to victims who appear to be predominantly Caribbean residents and Caribbean expatriates living in the United States.

Tens of thousands of investors are believed to have invested between US\$650 million and US\$1 billion over the last five years in more than two dozen unlicensed schemes, many of which promised returns of between 6% and 25% per month.

In most cases, they were told their money would be used for foreign currency trading, which is being held out as a sure-fire way of making huge profits. However, much of it appears to have been misappropriated by insiders, with any returns to early investors being paid out of new money coming in, which is the defining feature of a Ponzi scheme.

Much of the illegal activity has occurred in, or targeted, Jamaica, while the Turks and Caicos Islands and Grenada have also seen plenty of action, as has Florida in the United States. The unlicensed schemes are mainly promoted via investment clubs, word-of-mouth and web-sites.

Unusually for investment scams in the Caribbean, most of the victims and perpetrators appear to be locals, rather than foreigners living in the world's major countries, as is typically the case. Those participants who do live outside the region are believed to include a lot of expatriates of Caribbean countries who reside in the United States, particularly Florida.

As the schemes start to collapse, receivers, liquidators and investors are scrambling to recover what few assets are likely to remain, while law enforcement agencies undertake criminal investigation against some of the perpetrators.

In one civil complaint filed at the Supreme

Court of the State of New York on October 8, 2008, investors in a scheme operated by Olint Corporation are suing Cayman National Bank Ltd., Belize Bank International Ltd., TCI-licensed Hallmark Bank & Trust Ltd. and others for an unspecified amount, alleging they were victims of fraud, while defendants in two civil actions filed by alleged victims of Cayman Islands-domiciled May Daisy Corp. at the U. S. District Court for the Middle District of Florida on April 26 and September 24 of this year include Deutsche Bank Trust Company Americas, which is licensed in New York State, and Turks & Caicos Banking Co. Ltd., which claims on its web-site to be the "largest private bank in the Turks and Caicos Islands".

On the criminal front, at least five people have been charged so far this year in connection with the schemes. Gerald Pusey, principal of Partner's Financial and Investment, was charged with forgery in Jamaica in January; Jamaican national, Ingrid Loiten, 45, principal of May Daisy Corp., was arrested in Zambia in March and charged locally with money laundering in connection with the movement of \$7 million; and, in April, 60-year-old Carlos O'Brien Hill, his brother, Bertram Hill, and Peter Wilson, all of whom were officers of Cash Plus, were arrested on suspicion of fraud in Jamaica. At least 15 investment schemes are under criminal investigation in Jamaica, according to the local media.

Meanwhile, in July, the Royal Turks and Caicos Islands Police Force raided the offices of Olint Corporation, which ended up in TCI after being kicked out of Jamaica and denied entry to St. Kitts, and the home of its principal, David Smith, as part of a criminal

investigation that OffshoreAlert understands is likely to take many more months to be completed due to the complicated manner in which the scheme was operated. Olint's assets have been frozen by the TCI Supreme Court.

Olint Corp. and Cash Plus appear to be the biggest schemes. OffshoreAlert has been told by two reliable sources that Olint Corp., which claimed to be returning 15% per month to participants, raised at least US\$350 million from investors, while Cash Plus, which offered returns of up to 18% per month, took in approximately US\$300 million from between 35,000 and 45,000 "lenders", according to its liquidator, Monty Kandekore, who, ironically, is a convicted felon, not to mention twice-disbarred attorney, in the USA. It is generally believed that tens of millions of dollars more have been poured into more than 20 other unlicensed investment schemes that are either based in Jamaica or have been promoted there, including World Wise Partners, Higgins Warner Corp., Swiss Cash, Partner's Financial and Investment, May Daisy Corp, SGL Holdings, LewFam Investments, Bridging Options, Money Express Financial Services, Keen Exchange, Overseas Locket International Corp., F1 Investments, Caribbean Real Estate Investment Fund, Kingdom Investments Unlimited International, PFG Best, USIMO, Nipo Farms, Phillip Phinn Ministries International, Image Consultants & Services, Vacation Makers & Consulting Group, Wealth Builder and Associates, A3 Union, Capital Blu Management, Right Vision E Partners Private Members Club, and Strategic Alliance Investment Company.

Apart from the suspiciously-high returns being offered, investors did not pick up on

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Investors scramble to recover up to US\$1 billion as Caribbean Forex scams collapse

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other red flags prior to parting with their money, including the backgrounds of some of soliciting their money, at least two of whom have served prison terms in the USA for prior frauds. Jamaican national Carlos Hill set up Cash Plus only a few years after being released from federal prison in the United States on January 23, 2002 after completing a 20-year prison sentence imposed by the U. S. District Court for the District of New Jersey on April 26, 1990 and a 57-month prison sentence imposed by the U. S. District Court for the Northern District of Texas on September 3, 1993 after he had pleaded guilty to separate racketeering and fraud offenses, the first committed in 1985-86 when \$8 million was conned out of approximately 500 victims in an advance fee fraud and the second committed from 1989 to 1991 – while he was awaiting sentencing in the New Jersey case – when approximately 30 victims were cheated out of \$1.5 million. Meanwhile, the principal of Higgins Warner Corp., a 38-year-old Jamaican national who goes by the unlikely name of Emile Maximillion Saint Patrick Higgins, a.k.a. Sir Max Higgins, was sentenced to ten months in prison at the U. S. District Court for the Southern District of Florida on April 14, 1994 after pleading guilty to bank fraud and he received an additional six months in prison on January 15, 1998 for violating the terms of his probation. Higgins was indicted for fraud again on September 13, 2002, this time at the U. S. District Court for the District of Columbia, where he was accused of illegally applying for an advance benefit of \$50,000 from the US Government-funded 'September 11th Victim Compensation Fund of 2001' by falsely claiming that his father – whom he identified as "Solomon Patrick Higgins" – was an investment banker who died in the terrorist attack on the World Trade Center. According to the indictment, Higgins submitted "a fraudulent British death certificate" for his "father" when applying for the benefit and it was alleged that "Emile Saint Patrick Higgins does not have a father named Solomon Patrick Higgins and no such person died on September 11, 2001 as a result of the terrorist related attacks in New York City". The docket sheet for the case shows that Higgins sought to summons then US President George H. W. Bush, then CIA Director George Tenet, and former Panama President Manuel Noriega to testify on his behalf. Unlike in the earlier Florida action, Higgins this time pleaded not guilty and he was acquitted on March 21, 2003 following a jury trial. He subsequently established Higgins Warner, which is one of the few current scams that is not based around Forex trading but, instead, solic-

its loans to fund purported sports and entertainment ventures, offering monthly returns of 20%. At www.higginswarner.com, there are photographs of Higgins with music group Duran Duran and retired soccer player Diego Maradona.

Another scheme operator, 36-year-old Florida resident Noel Roswell Strachan, was so down-and-out seven years ago that he was evicted from his rental home in Pembroke Pines, Florida by way of an order issued at the Circuit Court for the 17th Judicial Circuit, for Broward County, Florida, on February 7, 2001. Now the get-rich-quick scheme that he operates with his wife, Judy R. Strachan, has been so profitable for them that they splashed out a total of \$14 million in April-June of this year for five properties and land in Broward County. Four of the purchases were completed through a company called Juelle Properties LLC that they formed in Florida on April 7, 2008, while the other, a \$1.8 million home in a luxury, lake-front, gated community in Davie, is owned jointly in their own names. Their investors, who thought their money was being invested in Forex trading and were promised returns of 12% per month, are beginning to wise up, with one group filing a civil complaint against Noel Strachan and his company, World Wise Partners Ltd., at Broward County Circuit Court on October 10, 2008, alleging it was defrauded out of \$1.8 million in 2007-08.

The outbreak of illegal activity has been a nightmare for the Financial Services Commission of Jamaica, which has been issuing cease and desist orders and/or public warnings against unlicensed schemes since March, 2006, arguing that they require a license under the Jamaican Securities Act to conduct securities or investment business. The Commission became embroiled in litigation with at least three of them, Olint Corp., Cash Plus, and LewFam Investments, as the regulator struggled to convince the local courts to close them down. The FSC has had to cope with a sometimes hostile media, investors who believe they are being denied sure-fire money-making opportunities and even a senior politician in the person of Errol Ennis, a former Finance Minister and current Minister of State in the Ministry of Agriculture who publicly defended Olint Corp., notwithstanding the crudely fraudulent nature of its operations, describing police and regulatory action against the company as "Gestapo-like" and "a vulgar abuse of state power" that was "designed to destroy both the company and the man's [David Smith's] reputation in one fell swoop". The backlash against the

FSC was perceived to be so serious that the regulator beefed up its security near the turn of the year, according to a local newspaper.

Meanwhile, the Eastern Caribbean Securities Regulatory Commission entered the fray on July 16, 2008 when it issued a Cease and Desist Order against Grenada-domiciled SGL Holdings, Inc., which served as a feeder source for Olint Corp. and is believed to have taken in at least US\$30 million from investors, many of them Grenada residents.

In the United States, the National Futures Association filed a disciplinary complaint with its Business Conduct Committee on June 30, 2008 against one of its members, Florida-based Forex trader I Trade FX LLC, and its principal, Isaac Martinez, alleging failure to implement an adequate anti-money laundering program and failure to supervise regarding the firm's involvement with Olint Corp. and Olint's principal, David Smith. If the complaint is proven, the respondents could have their NFA membership suspended or terminated and be fined up to \$250,000 for each violation found.

In its complaint, the NFA claims that, from August 2006 to May 2007, Olint and an affiliate, TCI FX Traders, both of which were operated from the Turks and Caicos Islands, "deposited almost \$100 million into its trading accounts at I-Trade, but only a small percentage of these funds were used for trading purposes", with the rest being diverted to insiders. The allegation supports suspicions that most of the money raised for all of the current crop of high-yield investment schemes is not being used to finance trading activity, as operators claim, but is being misappropriated.

The complaint offers a detailed insight into how the alleged scam worked.

"For approximately nine months in 2007, I-Trade listed David Smith as a principal based on his having contributed almost 100% of the firm's capital," alleged the NFA. "At all times relevant to this Complaint, Smith lived in Turks & Caicos and operated two entities, Olint Corporation and TCI FX Traders, which appear to be investment clubs in the Caribbean for high net worth individuals.

"The Financial Services Commission of Jamaica investigated Olint and Smith for allegedly offering illegal securities, and issued a cease and desist order in March 2006 that, among other things, prevented Olint from accepting new members. The Jamaican Supreme Court upheld the FSC order in December 2007.

"Because of concerns about Smith's background and the source of funds he used to capitalize I-Trade, NFA commenced an investigation of I-Trade's operations. As part of its investigation, NFA asked I-Trade to provide

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Smith's personal bank records. However, I-Trade claimed that it was unable to obtain Smith's bank records and, therefore, withdrew Smith as a principal on December 31, 2007 and repaid his membership interest in the firm.

"Although unable to review Smith's bank records, NFA was able to review the activity in the I-Trade accounts of Smith's investment clubs (i.e., Olint and TCI). NFA's review of the activity in these accounts, as well as other accounts at I-Trade, revealed suspicious activity, which I-Trade failed to report by filing a Suspicious Activity Report with federal authorities."

The "suspicious activity" included "extensive and unexplained wire activity; deposits followed by a request to transfer the funds to a third party without any apparent business reason; and unexplained, extensive wire activity with very low trading levels in the accounts."

"For example, in November 2006, NFA reviewed the activity in an account Olint opened with I-Trade in September 2006. The Olint account opening documents indicated Smith and his wife owned Olint and that the funds in the account came from them only. During the first two months this account was open, no trading activity occurred; however, during this time, Olint made four deposits totaling approximately \$59 million and eight withdrawals totaling about \$35.5 million.

"NFA also identified and reviewed the activity in three other Olint accounts, which had deposits ranging from \$500,000 to \$2 million. While trading occurred in these accounts, only a fraction of the account equity in these accounts was used for trading. At the end of March 2007, Olint withdrew the bulk of the funds from these three accounts in amounts ranging from about \$938,000 to over \$1.7 million.

"Two TCI accounts also showed suspicious activity similar to the Olint accounts. For example, TCI made two deposits totaling over \$40 million in one account and withdrew about the same amount over the course of three transactions, even though no trading activity ever occurred in this account. In the second account, TCI made an approximate \$20 million deposit and withdrew about the same amount less than two weeks later, while making only a small number of trades during this time.

"TCI also had a third account at I-Trade, which it opened in June 2007, after having withdrawn all the funds from its other two accounts just a few months before. TCI deposited over \$12 million into this new account, but very little trading activity occurred, and TCI subsequently closed this account in February

2008.

"Between August 2006 to May 2007, Olint and TCI deposited almost \$100 million into its trading accounts at I-Trade, but only a small percentage of these funds were used for trading purposes. By May 2007, Olint and TCI had withdrawn the vast majority of the funds from its I-Trade accounts. However, approximately \$50 million of the funds which Olint and TCI withdrew were sent to JIJ Investments, a company owned by Martinez and his brother and father, Jacob and Jared Martinez.

"I-Trade continually ignored the suspicious activity in the Olint and TCI accounts, and even facilitated some of the unusual transactions in these accounts. For example, on one occasion, approximately \$3 million was wired from JIJ's bank account to a JIJ trading account at I-Trade. However, I-Trade did not initially deposit these funds in JIJ's trading account but instead deposited them into one of the TCI accounts controlled by Smith. A few days later, I-Trade moved these funds from the TCI account to the JIJ account. Shortly thereafter, JIJ withdrew these funds and sent them back to its bank account, without ever having committed any of the funds to trading."

I-Trade has been registered as a Futures Commission Merchant since August 3, 2006 and, as of the NFA's April, 2008 audit, "had approximately \$10 million in customer liabilities and approximately 3,000 active customer accounts, though only nine of these accounts had more than \$50,000 in equity", stated the NFA.

Research by OffshoreAlert showed that I Trade FX, a Florida corporation, is closely associated with Market Traders Institute, a Winter Park, Florida-based company which claims to be "the world's oldest and most trusted Forex education institution". I Trade FX's domain name of 'itradeFX.com' is registered to MTI and both businesses are operated by Jacob Martinez and his father, Jared Martinez.

Separately, the NFA suspended the membership and froze the accounts of another Forex trader, Capital Blu Management LLC, which is based in Florida and solicited business in Jamaica, on September 16, 2008 "because Capital Blu has affirmatively refused to cooperate with NFA in an examination of the firm and its operations, resulting from allegations that the firm has provided false account statements to customers and participants in the CBM FX Fund LP and perhaps other pools as well".

Finally, it is not just some of the principals of the unlicensed schemes who have a

criminal record. Remarkably, the court-appointed liquidator of Cash Plus in Jamaica is Lijyasu Mahomet Kandekore, known as Monty Kandekore, who is a convicted criminal and a disbarred attorney in the USA. In April, 1995, Kandekore received five years of probation after being convicted at New York State Supreme Court of assaulting a police officer, resisting arrest, and driving with impaired ability, a felony conviction that led to him being disbarred in New York and Florida. His disbarment in Florida was made permanent on October 9, 2003 because he continued to practice law while he was disbarred. Kandekore made so many attempts to be readmitted in Florida that the State Supreme Court took the unusual step of issuing an order on April 7, 2006 instructing the clerk of the court to reject "any petitions or pleadings of any kind" from Kandekore that challenged the sanctions imposed against him.

The Schemes

Details of some of the unlicensed investment schemes, the monthly returns they offered, and the identities of managers and/or owners are as follows: **Cash Plus Ltd.** (Carlos Hill, his brother, Bertram Hill, and Peter Wilson; offered returns of up to 18% per month); **Olint Corporation Ltd.** (David Smith, his wife, Tracey Smith, and his brother, Wayne Smith; up to 15% per month); **Higgins Warner Corp.** (Emile Maximillion Saint Patrick Higgins, a.k.a. Sir Max Higgins; up to 20% per month); **World Wise Partners Ltd.** (Noel Strachan, Judy Strachan, Patrick Cawley, Caudaleen Guthrie, and Julie Williams, up to 12% per month); **LewFam Investments** (Neil Lewis and Janice Lewis); **May Daisy Corporation** (Ingrid Loiten, incorporated in Cayman Islands); **Overseas Locket International Corporation** (domain name registered to David Smith, company incorporated in Panama, where its officers and shareholders, who are probably nominees, are identified in corporate filings as Nixia Edith Rodriguez Sanchez and Zulay Del Carmen Ulloa Botello, who also hold the positions of president and secretary, while Arixaida Aparicio is identified as its treasurer. This firm is also linked to something called Island Growth Fund Ltd.); **Partner's Financial and Investment Ltd.** (Gerald Pusey and George Elliott, 12% per month); **Bridging Options Ltd.** (Oswaldo Francis and Caula Bruce Messado); **Keen Exchange** (Gareth Harris, 20% per month); **Money Express Financial Services Ltd.** (Ricardo Azan, 10% per month); **Swiss Cash**, a.k.a. **Swiss Mutual Fund** (Michael Mansfield, Albert Lee Kee Sien, Kelvin Choo Mun Hoe, Amir bin Hassan; 25% per month); **Capital Blu Management LLC**, which operated CBM FX Fund LP (Blayne Davis, Donovan Davis, Jr., Damien Bromfield); and **F1 Investments** (apparently operated by Steve Palmer, incorporated in Panama, where its representatives, probably nominees, are identified in corporate filings as — Shareholders: Roger Alberto Santamaria and Isis Rios; Directors: Roger Santamaria, Tatiana Salda, and Fernando Montero; Officers: Tatiana Salda (President), Fernando Montero (Treasurer), and Roger Santamaria (Secretary).

Client blamed for collapse of Bahamas group is charged with securities fraud in US

A Canadian national whose estimated \$25 million of trading losses were blamed for the collapse of Bahamas-based Caledonia Corporate Management financial services group in February has been criminally charged with an unrelated securities fraud in the United States.

George Georgiou, 39, was arrested on September 18, 2008 after a criminal complaint was filed against him on the same day at the U. S. District Court for the Eastern District of Pennsylvania. He was initially denied bail but he successfully appealed and was released on October 3 after posting bond of \$2 million.

If he is convicted, the sentencing guideline for his conduct, which involved potential losses of "hundreds of millions of dollars" to buyers of shares, calls for him to serve approximately 20 years in prison, according to the U. S. Government.

The action against Georgiou follows an undercover sting operation by law enforcement that lasted approximately one year.

An affidavit by FBI Special Agent Corey Riley details how the operation was carried out.

"From at least in or about April 2008 through the present, Georgiou has been involved in a conspiracy to manipulate the share prices of two companies known to me and identified here as "Stock A" and "Stock B" which are publicly traded in the United States on the "pink sheets," an inter-dealer quotation service that provides quotations, prices, and financial information for certain over-the-counter securities," stated the Special Agent. "These types of stocks are also sometimes referred to as "microcap" or "penny stocks". Many pink sheet stocks are thinly traded and are susceptible to price manipulation by those controlling the majority of the stock. In this case, Georgiou and others artificially inflated and/or sought to artificially inflate the price of these stocks by causing manipulative market activity that was designed to appear to be the product of free and fair market forces."

He added: "On or about April 17, 2008, Georgiou held a meeting in Chicago, Illinois to discuss the manipulation of Stock A and Stock B with an individual who was secretly cooperating with law enforcement ("Individual A"). Individual A has previously worked with Georgiou to manipulate other publicly traded securities. This conversation and all other conversations discussed in this affidavit were recorded. At this meeting, Georgiou stated that he was being granted a

large amount of Stock A in order to handle "promotion" and that the company was willing to put up money for a ten million piece mail campaign. Stock manipulators frequently employ mass mailings to generate interest and awareness in a stock they intend to manipulate. Georgiou stated that he was working with a group to actively manipulate Stock A and suggested that Individual A could act as a "front" to bid on Stock A shares held in Georgiou's wife's name in order to further manipulate the price.

"Georgiou also stated that he would provide Individual A with the shareholder list for Stock A, which, in my experience, is often used by stock manipulators in order to keep track of who else is buying and selling the target stock. Georgiou also indicated that he would produce a stream of press releases, which, in my experience, is frequently used as a pretext to justify the increased volume in a stock to other investors and regulators. Approximately 15,000 shares of Stock A were traded that day and the stock closed at approximately 30 cents per share. As discussed below, over the next few months, Georgiou and others artificially increased Stock A's price by more than 800%.

"During the same meeting, Georgiou discussed manipulating Stock B, of which he claimed to control fifty percent (50%) of the free trading shares. Georgiou agreed to pay an undercover FBI agent (the "UC"), who Individual A had previously introduced to Georgiou as someone who had the ability to control blocks of securities brokers and other individuals who would make purchases in publicly traded stocks and then "park," or hold, the stock in order to artificially inflate a stock's price. Georgiou understood that the UC charged an approximately 20% fee for his/her services, a portion of which was purportedly to be used to pay secret bribes to brokers in order to cause them to make purchases of stock in their clients' accounts.

"On or about May 29, 2008, Georgiou had a telephone conversation with Individual A in which Georgiou stated that he had hired a group to help manipulate Stock A and that they had started on Friday, May 23, 2008 and would be going "full force" the following week. In fact, over 120,000 shares of Stock A were traded on May 23, 2008, which represented a 500% increase in trading volume from the previous day. By May 23, 2008, Georgiou and others

successfully missed Stock A's price to 77 cents, or more than double its stock price from April 17, 2008. On May 30, 2008, the trading volume of Stock A nearly tripled to almost 320,000 and Stock A closed at \$1.10.

"On or about May 30, 2008, Georgiou had a telephone conversation with Individual A in which Georgiou explained that he and his group were going to try to take Stock A to \$3 per share. That same day, the trading volume in Stock A increased by over one million shares from the previous day to approximately 1,470,000 shares traded and the stock price increased to \$1.31.

"By June 18, 2008, Stock A's price was up to \$2.55 on the strength of over 8 million shares traded over two days. By the beginning of July, however, Stock A's share price had plummeted to 85 cents. In my experience, this is consistent with a stock manipulation or "pump and dump" scheme where the manipulators artificially run up a stock's price and then sell at a profit.

"Georgiou and Individual A had a number of subsequent telephone conversations in which they discussed getting the UC involved in manipulating Stock A and Stock B and set up a meeting on August 13, 2008 in Philadelphia to discuss their plan.

"On or about August 13, 2008, Georgiou met with Individual A and the UC in Philadelphia to discuss manipulating Stock A and Stock B. At this meeting, Georgiou bragged that he and others had successfully manipulated Stock A from fifty cents to two dollars and fifty cents per share and that they would be starting another manipulation campaign soon. Georgiou also discussed manipulating Stock B and indicated that he and others were going to start a manipulation campaign in the fall in conjunction with press releases and that they intended to spend three to four times the amount they had spent on Stock A. Georgiou stated that the objective was to move Stock B's share price from approximately \$1 to \$2.50 – \$3 per share by the spring. During this conversation, Georgiou shared non-public information about Stock B in order to demonstrate his control over the company. Georgiou also indicated that he wanted to buy between \$5 million and 10 million worth of Stock B during the campaign and agreed to pay him a twenty-five percent (25%) kickback, a portion of which Georgiou understood would be used to bribe brokers in order to cause them to purchase and hold Stock B in their clients' accounts. Georgiou demanded to get 5% of his kick-

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Client who caused collapse of Bahamas group is indicted for securities fraud in US

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back returned if the UC failed to buy at least \$5 million in Stock B.

"Georgiou also informed Individual A and the UC that Stock A would be actively manipulated again soon and that any purchases the UC did in Stock A would have to be coordinated with Georgiou as an open market cross trade because there was now too much uncontrolled stock in the market. In my experience, this means that Georgiou would sell the UC stock he controlled as a set price to ensure that other investors who were not in on the scheme could not sell their stock and lower Stock A's price.

"Georgiou and the UC agreed that the UC would make a relatively small purchase in Stock B and Georgiou would then wire the kickback in order to test the process before the more significant trading occurred. Individual A requested that Georgiou provide them with news about Stock B prior to its public release so that they could prove they had control of the Stock B to the brokers they were purportedly working with on this manipulation scheme.

"On or about September 2, 2008, Georgiou shared non-public news that Stock B was going to release the following day with Individual A.

"On or about September 3, 2008, Stock B released the news that Georgiou had provided the day before and the UC purchased approximately \$20,000 worth of Stock B using FBI funds.

"On or about September 11, 2008, Georgiou caused approximately \$5,000 to be wired into an account maintained by the FBI in Philadelphia as a kickback for the Stock B purchases caused by the UC.

"On or about September 15, 2008, Georgiou and the UC spoke via telephone and agreed to meet in Philadelphia on September 11, 2008 to discuss how the manipulative purchases in Stock B would be coordinated.

"On or about September 17, 2008, Georgiou traveled to Philadelphia to meet the UC and they agreed that the UC would begin \$10 million in buying of Stock B the next day. Georgiou stated that he would make sure Stock B issued press releases to justify the vastly increased trading volume resulting from this scheme. Georgiou also proposed manipulating other stocks while this scheme was ongoing.

"There are approximately 89,000,000 outstanding shares of Stock A and approximately 104,000,000 outstanding shares of

Stock B. Thus, Georgiou's schemes which artificially inflated, or attempted to inflate, the share prices of these stocks involved hundreds of millions of dollars."

After a hearing, U. S. Magistrate Judge Thomas Rueter initially ordered that Georgiou be held in custody pending trial, partly because of evidence that the defendant threatened the Cooperating Witness with "physical injury" if the CW "failed to go along with the stock manipulation scheme, or otherwise report the scheme to authorities". The judge noted: "Among his threats were that the C.W. should "sleep with one eye open," and it would be easier for defendant to "get someone's legs broken in New York than in Canada." Additionally, defendant also has claimed to have ties with organized crime in Canada."

However, Rueter allowed an appeal from Georgiou, releasing him on condition that he is subject to home confinement at the home of his uncle, Gregory Paschalides, in Bayside, New York, surrenders his passport, and posts US\$2 million bail, which Georgiou secured with a home owned by his wife of 13 years, Karen Georgiou, at 10150 Pineview Trail, Milton, Ontario, Canada, described as having equity of CDN\$840,000; CDN\$500,000 from a friend, Tom Bock, secured by a letter of credit from HSBC Bank, and a US\$1 million personal recognizance bond. Georgiou's "former priest, Father Michael Platanis", traveled from South Carolina to Philadelphia to support the defendant at the bail hearing and offered to sign the personal recognizance bond and post US\$50,000 of collateral, according to a filing by Georgiou's attorney.

Although the complaint against Georgiou does not identify any of the two publicly-traded companies involved in the alleged scheme, research by OffshoreAlert indicates that "Stock B" is almost certainly Northern Ethanol, Inc., given that, as was claimed in the complaint for Stock B, it has 104 million in outstanding shares and issued a positive press release on September 3, 2008. Furthermore, SEC filings show that that Karen Georgiou owns a 9.6% stake in Northern Ethanol, while another 9.6% is held by Ronald Wyles, of Lakeshore Road, Burlington, Ontario – the same person who served as a front for Georgiou in the opening and operation of a trading account at Bahamas-based Caledonia Corporate Management Limited, which went

into liquidation in February, 2008 after the Wyles/Georgiou account incurred a trading loss of US\$25 million, according to the company's liquidator, Anthony Kikivarakis, a partner of Deloitte & Touche (Bahamas) in his first report to creditors. As previously reported by OffshoreAlert, Caledonia allowed Georgiou to start trading without providing any cash or security of his own, instead lending him millions of dollars and pledging other clients' assets as collateral, which were subsequently sold to meet a margin call by a Canadian broker-dealer. Karen Georgiou and Ronald Wyles also hold, or have held, significant shareholdings in two other SEC-reporting issuers, namely Avicena Group, Inc. and Beaconsfield III, Inc., although their trading activity indicates that neither is the "Stock A" mentioned in the complaint.

Georgiou has a long history of regulatory and criminal problems. In 1995, Ontario police charged him with defrauding a businessman of \$170,000, charges which were withdrawn by the Crown on November 8, 1996 at the Ontario Superior Court of Justice, and, in May, 2000, the Investment Dealers Association of Canada fined him CDN\$50,000 and banned him from the brokerage industry for ten years – from January 31, 1995 to January 31, 2005 – for a slew of violations of client trust from January 22, 1993 to November 19, 1993 while he worked as a stock broker for Midland Walwyn Capital Inc. (now Merrill Lynch Canada Inc.) and Levesque Securities Ltd. (now National Bank Financial Ltd.), both in Kitchener, Ontario. These violations included conducting discretionary trades in client accounts without their knowledge or authorization, effecting short sales in client accounts without first obtaining signed margin agreements from the clients, making trading recommendations that were inappropriate for clients and not in keeping with their investment objectives, and engaging in business conduct "unbecoming or detrimental to the public interest", including borrowing money from clients, entering into financial arrangements to privately settle complaints from clients "without the knowledge, consent or authorization" of his employer, effecting short sales in client accounts "while under restrictions" from his employer not to do so without obtaining manager approval, and providing a client with "false or misleading information regarding the client's account".

Default judgment entered against Red Sea Management in civil fraud action

A default judgment has been entered in the United States against offshore services provider Red Sea Management Limited for allegedly defrauding investors of \$7.4 million in a securities scam.

The judgment was entered at the Circuit Court of the 11th Judicial Circuit, Miami-Dade County, Florida on October 7, 2008 – just 33 days after the company's principal, Jonathan Curshen, was criminally charged with securities fraud at the U. S. District Court for the Southern District of New York. The allegations in the Florida civil action are unrelated to the New York criminal case and they involve different publicly-traded companies.

In the Florida action, plaintiffs are Nu-Wave Ltd., Castle Bridge Investors Ltd., Taiba Group Inc., Q Invest Inc., and Therfield Holdings, all domiciled in Kuwait; and World Capita Communications Inc., f.k.a. Skyway Communications Holding Corp., a Florida corporation located in Pinellas County, Florida.

Defendants are Michael D. Farkas, a resident of Miami Beach, Florida; Atlas Capital Services LLC, Atlas Group of Companies LLC, domiciled in Florida; The Farkas Family Foundation, Kenneth Bruce Baker, a resident of Canada; Red Sea Management Ltd., based in Boca Raton, Florida, and Jonathan Curshen. Red Sea, Curshen and Baker were not named as defendants in the original complaint that was filed on November 8, 2007 but were added in an amended complaint filed on July 31, 2008. Red Sea is the only defendant so far to have had judgment entered against it.

Plaintiffs claim to have invested \$7.4 million in Skyway Communications between September, 2003 and August, 2004. "Until approximately late 2004, Skyway was a Florida corporation purportedly engaged in the business of developing and marketing high-end, broadband wireless communications technology to the airline industry," according to the complaint. "However, unbeknownst to the Investor Plaintiffs and the public-at-large, neither Skyway nor any of its affiliated companies actually ever owned the referenced technology, or the capability to develop same. In fact, Skyway was formed and utilized by certain of its officers and directors, including its President, Brent Kovar, and its Chief Executive Officer, James Kent, for the purpose of facilitating a classic "pump and

dump" stock scheme, designed to defraud investors in the public markets." The scheme "was orchestrated by Farkas, Baker, Curshen and Red Sea, who also turned out to be, directly and indirectly, the most significant beneficiaries of this fraud", claimed the plaintiffs.

"Support for Plaintiffs' contention that this was a common law fraud and securities "pump and dump" scheme effectively already has been established," it was alleged. "Once the Investor Plaintiffs realized they were the victims of fraud, they sued Skyway, Kovar, Kent and others in the United States District Court for the Middle District of Florida (where Skyway was situated), for securities fraud. Plaintiffs' actions resulted in closing down Skyway's business and obtaining a temporary restraining order, then a permanent injunction against those defendants in Case No. 8:05 cv-282-&-17TBM. Further, Skyway has now been liquidated in a federal bankruptcy proceeding filed in Tampa. Additionally, on information and belief, Kovar, Kent, Farkas and Curshen are currently the subject of federal criminal investigations for their actions involving Skyway. It also has been reported in the press that the Securities and Exchange Commission ("SEC") is also conducting an investigation of the Skyway fraud."

In the complaint, Red Sea Management Ltd. is described as "a secretive company" registered in Costa Rica, Delaware and the United Kingdom and with "an office in Boca Raton, Florida and phones in Florida, as well as agents in this state, being Red Sea Management, Inc., a Florida corporation, Arnold S. Goldstein, and defendant Jonathan Curshen, Red Sea's alter ego, who regularly and systematically conducts business in Florida through a web of business entities". Although Red Sea advertises itself as "an international entity that specializes in offshore asset protection" and appears to have "a global reach", the company has "no hard assets of substance or value" and "functions as a shell entity that Curshen uses to commit fraud", claimed the plaintiffs.

Plaintiffs described 43-year-old Curshen as "the mastermind of an ongoing, structured operation engaged in regularly perpetrating securities frauds, including direct participation in the matters com-

plained of in this lawsuit". Red Sea and Curshen were, inter alia, "tied to the notorious securities fraud matter of Eagletech Communications, Inc., which occurred in Plantation, FL" and have been involved with several US-listed public companies, including SLS International, Inc.; GeneThera, Inc.; and Freedom Golf Corporation, entering into "Consulting Agreements for stock and cash" in some cases, and, on at least one occasion, providing a line of credit, according to the complaint. In conducting these relationships, Red Sea and Curshen have used a variety of aliases, including Atlantic Services, Ltd., Berkshire International LLC, Phantasma Holding Corp and Ghecko Enterprises, Imperial Capital Holdings, LLC, alleged the plaintiffs.

"Other alleged entities tied directly to Curshen and Red Sea, and are his alter ego, include but are not limited to: (a) Cordoba Savings Ltd SA (which purports to offer untraceable debit cards allegedly useful for bribery), (b) OffshoreTrust Co. Cr.; (c) British Colonial Offshore Business Specialists, and (d) Dark Sea Consultants (which operates in Cyprus and has been reported to be linked to on-line gambling and money laundering.)," they claimed.

Meanwhile, the government of St. Kitts & Nevis announced on October 9, 2008 that it had rescinded Curshen's appointment as its Honorary Consul in Costa Rica, effective September 24, 2008, following his arrest in New York after being charged with securities fraud involving Pink Sheets-listed Industrial Biotechnology Corp. The Ministry of Foreign Affairs stated that, in a letter to Curshen, it informed him that "in light of the development and the surrounding allegations, please be informed that you are no longer deemed suitable to represent the interest of the Federation".

As part of that criminal investigation, Costa Rican police raided the offices of Red Sea and three affiliates, Sentry Global Securities Limited, Sentry Global Trust Limited, and Global Financial Logistics, in late October, seizing documents and computers, according to reports in the Tico Times and AM Costa Rica news services. Sentry Global Securities and Sentry Global Trust (Office Manager: Carmella Lawrence) are both domiciled in Nevis. Ironically, given the allegations of fraud against

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Default judgment entered against Red Sea Management in civil fraud action

(Continued from page 6)

Curshen and Red Sea Management, Global Financial Logistics operated a "compliance portal" from a web-site at www.globalfinanciallogistics.com.

As with several other domain names belonging to the Red Sea group, the administrative contact for 'globalfinanciallogistics.com' is Steve Cohen, of 100A Ponsonby Road, Auckland, New Zealand. On its now-defunct web-site, Global Financial Logistics gave its mailing address as Edificio Centro Colon, Piso 8, Oficina 8-4 San Jose, Costa Rica. Research by OffshoreAlert showed that this address is also used by a business operating at www.MyPayDayLoan.com, which offers

short-term loans who are charged \$25 for every \$100 they borrow. The site indicates that loans are, typically, for between \$100 and \$700 and must be repaid within 7 to 18 days, with the shorter-term loans carrying an annual percentage rate of 1,303.57%. The domain name 'MyPayDayLoan' is registered to Roxana Sofia Lao Mendez who, as OffshoreAlert has previously reported, is held out to the public as an attorney for another Red Sea affiliate, a purported law firm called LPS&C, and was fined \$120,000 last year for her participation in a foreign currency options fraud in a civil action filed by the U. S. Commodities Futures Trading Commission at the U. S. District Court for the

Southern District of Florida.

The same address at Edificio Centro Colon in San Jose was also used by a Russia-hosted web-site at www.TVDVDPlanet.com, which appears to have sold bootleg copies of entire series of major US television shows such as Seinfeld, Everybody Loves Raymond, Judging Amy, and The Nanny before going out of business. According to complaints posted on the Internet, some clients complained of the quality of the product, alleging they appeared to have been crudely recorded from a TV set, while others claimed they sent money off and never received anything in return.

US court throws out Condor Insurance liquidators' recovery action

HLB Galanis Bain provides unqualified audit for Bahamas spin-off 'insurer'

The liquidators of St. Kitts & Nevis-domiciled Condor Insurance, Ltd. have suffered a setback in their attempt to recover assets with a face value of US\$313 million they claim were fraudulently transferred to a Bahamas-domiciled mirror company so that they could not be used to satisfy creditors' claims.

In a ruling on July 17, 2008, U. S. Bankruptcy Judge Edward Gaines, sitting at the U. S. Bankruptcy Court for the Southern District of Mississippi, dismissed the liquidators' complaint against Condor Guaranty, Inc., PetroQuest Resources, Inc., Harvey Milam, Byron Tyghe Williams, Ross N. Fuller, T. Alan Owen, Intercontinental Development and Investment Corporation, Gymnogyps Management, Inc., and Finpac Holdings, Inc., determining that the court did not have subject matter jurisdiction over the complaint.

Richard Fogerty, of Kroll (Cayman), and William Tacon, of Kroll (BVI), have appealed the decision. "The Bankruptcy Court based its Dismissal Orders on a purely legal decision in response to motions that required the Bankruptcy Court to accept all of the Appellants' factual allegations as true and to construe them in a light favorable to the Appellants," they stated in their brief on October 17, 2008.

The liquidators alleged that "all of the Defendants worked together with the intent to defraud the Debtor and its creditors and to move the Debtor's assets outside the

reach of its creditors for the Defendants' own benefit. The Appellants brought this suit in the Bankruptcy Court, because they need the Bankruptcy Court's cooperation and assistance to recover assets for the Debtor and its creditors."

The liquidators filed their complaint against Condor Guaranty, Inc. and PetroQuest Resources, Inc. on November 20, 2007 and amended it on April 21, 2008 to add the following defendants: Harvey Milam, Byron Tyghe Williams, Ross N. Fuller, T. Alan Owen, Intercontinental Development and Investment Corporation, Gymnogyps Management, Inc., and Finpac Holdings, Inc.

The new defendants were added as a result of information concerning the transfer of assets from Condor Insurance, Ltd. in St. Kitts & Nevis to newly-formed Condor Guaranty, Inc. in the Bahamas that was contained in documents that were obtained through discovery, stated the liquidators.

"Specifically, the documents received in discovery show that, in mid-November 2006, CGI was incorporated and then set up as a member company of the Professional Benefits Association, a Bahamian Friendly Society," it was claimed. "Fuller introduced Milam to this concept and assisted Milam with making contacts with the Professional Benefits Association (and assisted Milam with other maneuvers intended to "confuse the heck" out of credi-

tors)."

According to the liquidators, "A Friendly Society is an association of members and can include various business entities. It appears that those businesses can offer services only to members of the Friendly Society. A business that offers insurance within a Friendly Society is apparently not subject to insurance regulations because the service can only be offered to members. It appears that Condor Guaranty has been able to avoid insurance regulators with this maneuver, by simply having all of its insureds become members of the Friendly Society."

Documents obtained in discovery also showed that Byron Tyghe Williams and Harvey Milam "worked together to "divide" assets between CIL and CGI. Ultimately, however, CIL retained only a few assets, far less than needed to fund claims. Moreover, Williams and Milam decided to move the assets to CGI, knowing that Milam would take "a lot of heat" and that they should "be prepared to fund the claims eventually" at a time when they purportedly "could use the positive spin for being the victim of the flawed system of Nevis".

"In addition to cash, accounts receivable and stock that Milam told the Foreign Representatives had been transferred to CGI, CIL also had significant oil and gas interests in West Virginia and Ohio. Milam, Williams, IDIC and Owen conspired to conduct

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US court throws out Condor Insurance liquidators' recovery action

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a "foreclosure" on these properties by IDIC, a company controlled by Williams. Milam agreed to convey the oil and gas properties that were worth far in excess of any debt owed to IDIC by the Defendants' own estimations, to IDIC in lieu of foreclosure. IDIC immediately conveyed those properties to CGI. Some of the properties included in the "foreclosure" were not even subject to a lien.

"Moreover, although the transfer documents, which were prepared by Owen acting as Condor's counsel, are dated prior to November 27, 2006, the date the winding up petition was filed, the transactions were back-dated and actually occurred after the winding up petition was filed."

Meanwhile, the Bahamas accounting firm of HLB Galanis Bain has emerged as the new auditor of Condor Guaranty, Inc., replacing a prior auditor which did not even exist under Bahamas law.

On August 25, 2008, HLB Galanis signed off on an audit for the year ended January 31, 2008 which purports to show that CGI had assets of \$103 million, comprising \$1 million in cash, \$3.7 million in receivables and \$99 million in "investments". By far the biggest contributor to "investments" was \$60 million of preferred stock in PetroQuest Resources, Inc., f.k.a. PetroQuest Energy, Inc. f.k.a. MATCO Enterprises, Inc., f.k.a. Turkey Delite International, f.k.a. Harrington Foods International, f.k.a. Gibson Industries, Inc., an unaudited, illiquid, Texas-based oil and gas firm whose shares are listed on the Pink Sheets, where they lasted traded for \$0.90 per share on October 8, 2008. According to HLB Galanis Bain's audit, Condor acquired 2.5 million of PetroQuest's preferred stock "with an agreed upon value of \$50.00 per share" in return for sending 1.25 of CGI's preferred stock "at a par value of \$100" the other way. In other words, there was nothing so bothersome as cash involved in the transaction, which is just as well since PetroQuest had just \$22,000 in its bank account at the time of the deal, while CGI had \$1 million and even that is being sought by the liquidator of its massively insolvent predecessor in St. Kitts & Nevis, Condor Insurance, Ltd.

The second biggest, and only other significant, contributor to CGI's assets was unidentified "gas and oil wells" to which

HLB Galanis Bain assigned a value of \$36 million. The company did not pay for these assets in cash either, again paying for them with preferred stock "at an agreed price of \$100 per share and a promissory note of \$1,500,000".

"In our opinion, the financial statements present fairly, in all material respects, the financial position of Condor Guaranty, Inc. as of January 31, 2008, and of its performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards," states HLB Galanis Bain in its unqualified audit opinion dated August 25, 2008.

There is no mention anywhere in the notes to the financials that the liquidators of Condor Insurance are trying to seize the assets of Condor Guaranty.

The accountants responsible for performing Condor Guaranty's audit are the principals of HLB Galanis Bain, namely Philip C.



Philip Galanis

Galanis and John S. Bain, both of whom have featured in previous editions of OffshoreAlert in a less-than-flattering light. Galanis is a former senior partner of Ernst & Young (Bahamas),



John Bain

a position that he was fired from in 1997, believed to be as a result of his and the firm's involvement with an investment scam known as Passport Club International that defrauded \$9.1 million from investors in 1995-96. In 2002, Galanis and E&Y (Bahamas) – while denying liability – agreed to pay \$3 million to settle a civil complaint brought by victims at federal court in Arizona in which they were accused of racketeering. Separately, Galanis was, in 1997, identified in documentation as a director of Bahamas Imperial Consolidated Securities SA which, at the time, was the principal fund-raising vehicle for a fraudulently-operated UK-based group that raised an estimated \$400 million. Bain's resume is also not without blemish. Prior to joining HLB Galanis Bain, he was the Senior Vice President of Finance for Bahamas-based Americas International Bank, an insolvent financial institution which went into liquidation in October, 2001 and, according to its liquidator, was used by several fraudsters "as a vehicle to launder funds received from the victims of their schemes, who were also customers

of the Bank". Notwithstanding this, Bain's credentials in the areas of detecting and preventing fraud and money laundering are lauded on HLB Galanis Bain's web-site at www.galanisco.com, where it states he is "a Certified Fraud Examiner" and "among the first in the Caribbean region to be certified as an Anti-Money Laundering Specialist (CAMS)" and that he "lectures at The Bahamas Institute of Financial Services in Anti-Money Laundering Strategies".

Despite the plethora of red flags concerning Condor Guaranty, including multiple civil judgments and tax liens, not to mention two bankruptcies, against the firm's principal, Harvey Milam, from 1991 to 2005 in the USA alone, and multiple judgments totaling more than US\$20 million and a liquidation against Condor Insurance, with several actions based on allegations of fraud, Galanis seemed confident there was nothing suspicious about Condor Guaranty when answering questions submitted recently by OffshoreAlert.

"We reviewed the allegations of fraud and we spoke with the litigators in the Cayman Islands," stated Galanis. "We also reviewed the articles published in Offshore Alert. We always maintain a degree of professional audit skepticism as required by international auditing standards.

"We noted that Mr. Milam was successful in his court action against the litigators in a US court. In the end, we were satisfied that an objective assessment of Condor Guaranty, Inc. satisfied all of our audit requirements, and we were able to render a clean audit report."

After OffshoreAlert pointed to the fact that Condor Insurance had a "chronic history" of failing to satisfy its debts, he replied: "The documentation presented to our firm sometime ago showed just the opposite. From 1994 until the discovery of the charter problem (the summer of 2006), claims were paid in a timely manner. In court documents, management of the company in question showed \$4 million in claims and a claims fund of \$6.8 million cash held by an "A"-rated carrier on behalf of the company. If the "charter confusion" is ever properly and legally resolved the claimants should get paid in full, if the administrative expense is controlled." The term "charter confusion" is a reference to a fantastic claim in court by Milam that he

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US court throws out Condor Insurance liquidators' recovery action

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"learned" in September, 2006 that the transferees of assets and liabilities from Condor Insurance Limited in St. Kitts to a company with an identical name in Nevis in 1998 and then from "one or both of these two corporations" to another company with, bizarrely, the same name and domiciled in the same jurisdiction (Nevis) in 2001 "may not have been" done legally and, therefore, the assets that Condor Insurance's liquidators are trying to recover from Condor Guaranty may never have belonged to the company being liquidated in the first place, a fanciful yarn that Galanis appears willing to believe.

Below are all of the questions that OffshoreAlert emailed to Philip Galanis and John Bain on October 31, 2008 and the reply, unedited, that we received from Galanis on November 5, 2008.

OA Which person(s) at HLB Galanis Bain was/were responsible for preparing the audit of Condor Guaranty Inc.? Please identify them.

PG Both Mr. John Bain and I were involved in the audit. No one partner is individually responsible as we are a partnership. The Firm takes responsibility for the audit.

OA In its audit of Condor Guaranty Inc, HLB Galanis assigned a value of \$60.6 million to preferred stock in a penny stock called PetroQuest Resources, Inc., whose financials are unaudited and which, at December 31, 2007, claimed to have just \$22,649 in cash. How does HLB Galanis justify such a valuation?

PG First of all, in all audits, values are assigned by the client, not by the auditor. We audit the valuations booked by the client and determine by means of independent sources and /or mathematical and analytical methods that have been promulgated by International Accounting Standards whether the client's valuation is reasonable. If the valuation is reasonable based on generally accepted accounting principles, then everything is fine. If not, we propose an adjustment to reflect what we believe is a reasonable value. If the client accepts our adjustment, then fine. If not, we have to

determine whether, in the absence of such adjustments, we have to qualify our audit opinion on the financial statements. During the course of the audit, based on the aforementioned methods, we determined that significant audit adjustment was required, and that adjustment was accepted by the client. We are satisfied that both our valuation method and the value finally reported will withstand the scrutiny of an independent review by another firm of auditors. The fact that PetroQuest Resources Inc had just over \$22,000 in cash is irrelevant. An organization's cash holding is not always necessarily a good measurement or indicator of its value. In addition, we are completely satisfied that our audit methodology complies with and will be validated by the peer review to which we are periodically subjected by one of our member firms.

OA In the audit, HLB Galanis assigned a value of \$36.3 million to a "gas and oil wells" investment. What are the identities and business addresses of the "independent petroleum consultants" who "estimated" the oil and gas reserves, as stated in Note 5 of the audit? Do you consider this a credible valuation?

PG We are not at liberty, nor is it customary for us to disclose such information without the client's permission. We are most assuredly confident that the independent petroleum consultants who provided us with an independent valuation of the referenced assets were credible. We invite you to obtain this information directly from Condor Guaranty, Inc.

OA Prior to HLB Galanis Bain becoming the auditor of Condor Guaranty, Inc., the company had a bogus audit provided by "Pratt Hepburn & Co." which claimed to be "Chartered Public Accountants and Consultants" in the Bahamas but, in reality, did not exist as a company in the Bahamas. The 'audit' was signed off in March, 2007 by "'Ian J. Pratt, CPA" and "Dwayne K. D Hepburn, CPA", both of whom were described as being "current members in good standing" of the Bahamas Institute of Chartered Accountants. However, neither person was licensed as a CPA by BICA in 2007. Is this of concern to HLB Galanis?

PG We were extremely concerned about this. It is our opinion that Mr. Pratt and his partner took advantage of the management of CGI. For the record, both Mr. Bain and I are current members of the Bahamas Institute of Chartered Accountants in good standing. We also have more than 50 combined years of accounting and audit experience.

OA Given the chronic history of indebtedness and allegations of fraud against Condor Guaranty's predecessor and its principal, Harvey Milam, are you satisfied with the quality, accuracy and credibility of your firm's audit of Condor Guaranty?

PG The documentation presented to our firm sometime ago showed just the opposite. From 1994 until the discovery of the charter problem (the summer of 2006), claims were paid in a timely manner. In court documents, management of the company in question showed \$4 million in claims and a claims fund of \$6.8 million cash held by an "A"- rated carrier on behalf of the company. If the "charter confusion" is ever properly and legally resolved the claimants should get paid in full, if the administrative expense is controlled.

Please note that our engagement was limited to Condor Guaranty, Inc. which is an International Business Company incorporated in The Bahamas in November, 2006. Our engagement covered the year ended January 31, 2008 only and did not include or refer to any predecessor companies.

We reviewed the allegations of fraud and we spoke with the litigators in the Cayman Islands. We also reviewed the articles published in Offshore Alert. We always maintain a degree of professional audit skepticism as required by international auditing standards.

We noted that Mr. Milam was successful in his court action against the litigators in a US court. In the end, we were satisfied that an objective assessment of Condor Guaranty, Inc. satisfied all of our audit requirements, and we were able to render a clean audit report.

Depositor took \$6 m out of AIDT one month before liquidation, says liquidator

A Costa Rica-based company associated with accused securities fraudster Jonathan Curshen transferred \$6 million from a Colorado-based offshore bank to Liechtenstein just 33 days before it went into liquidation.

That was, perhaps, the most startling fact contained in documentation that recently became publicly-available as part of the liquidation of American Intercapital Depository & Trust, which was closed down last November after its local regulator considered the bank "hopelessly insolvent" and its management untrustworthy.

Market Maven Management LLC, which has the same address in San Jose as Red Sea Management Ltd. and other companies operated by Curshen, moved the funds out of AIDT on October 17, 2007, according to the bank's liquidator, Richard Fulkerson, who is Colorado's Commissioner of Banking.

Despite the suspicious timing of the transfer, Fulkerson entered into a mediated agreement with Market Maven on October 21, 2008 in which he, inter alia, agreed "to forgo and waive its claim that this transfer is void as a preferential transfer".

The written agreement, which has yet to be approved by Denver District Court, seeks to settle various disputes between AIDT and Market Maven, which was "a customer of AIDT" and had "a number of

accounts and agreements" with the bank.

The liquidator has also agreed to pay \$1,037,500 to Market Maven in return for Market Maven waiving "any and all fiduciary/custodial claims" to the balance of funds totaling \$2,378,550 that were deposited in an escrow account pending settlement of the disputes. "Market Maven's only right to receive such funds or the proceeds thereof shall be as a creditor of AIDT," according to the agreement.

After the \$1.03 million payment and notwithstanding the \$6 million transfer prior to liquidation, Market Maven will still be AIDT's biggest single creditor, with claims of \$3.7 million as a depositor and \$200,000 as a general creditor, according to a Schedule of Claim Determinations prepared by the liquidator.

In total, the bank owes \$10.3 million to depositors and \$666,000 to general creditors, stated the liquidator. With the exception of Market Maven, the identities of the depositors are redacted in the document. Four depositors are owed over \$1 million, specifically \$3.7 million (to Market Maven), \$3.2 million, \$1.2 million, and \$1.1 million. The assets of the bank were not disclosed in the document but the liquidator has previously indicated that depositors could expect to receive just nine cents in the dollar.

The shareholders of AIDT have been

identified as EJII LLC, with 2,567,632 of the 5,347,699 outstanding shares for a 48% ownership stake; American International Holding Advisors LLC, 1,371,174 shares (25.6%), Colorado Community Foundation, 600,000 shares (11.2%), WRBSG/Epoch Investments LP, 497,393 shares (9.3%), Paramount, 250,000 shares (4.7%), Tarik Fawad Malik, 50,000 shares (0.93%), and Ayesha Fawad, 11,500 shares (0.22%).

Finally, the agreement between AIDT's liquidator and Market Maven Management LLC was signed on behalf of the latter by David Ricci, with an address of Edificio Centro Colon, Octavo Piso – Oficina 8-4, San Jose, Costa Rica, which is used by several companies, including Red Sea Management, operated by Jonathan Randall Curshen, 43, a dual citizen of the United Kingdom and the United States who was charged with securities fraud at the U. S. District Court for the Southern District of New York on September 4, 2008. Further evidence that Market Maven is part of Curshen's group exists in Canada. Ricci was described as being "connected with" Red Sea Management by the Investment Dealers Association of Canada in 2005 in a disciplinary action against one IDA member Stephen Taub for his alleged involvement in securities fraud that, inter alia, involved accounts established by Red Sea.

Bahamas court authorizes payments to Leadenhall cardholders

After more than five years of waiting patiently while the parties responsible for their woes argued in court, holders of credit cards issued by Bahamas-based Leadenhall Bank & Trust may soon be getting a portion of their security deposits back.

According to a Notice posted recently on Leadenhall Bank's web-site at www.leadenhallbahamas.com, the Bahamas Supreme Court issued an order on August 25, 2008, authorizing First Financial Caribbean Trust Company Limited, of the Turks and Caicos Islands, to make "a first distribution" to cardholders "on a pro rata basis" in the amount of \$9.8 million, "representing 70% of the sum of approximately \$14 million" that was

transferred from Leadenhall to FFCTC prior to MasterCard terminating Leadenhall's card-issuing license effective July 29, 2003. Since the termination, Leadenhall and FFCTC have been litigating over who was responsible for repaying deposits to card-holders and in what amounts.

Neither Leadenhall Bank's liquidator, Tony Gomez, nor Delroy Howell, of First Financial Caribbean Trust, responded to requests from OffshoreAlert for clarification on the distributions to cardholders.

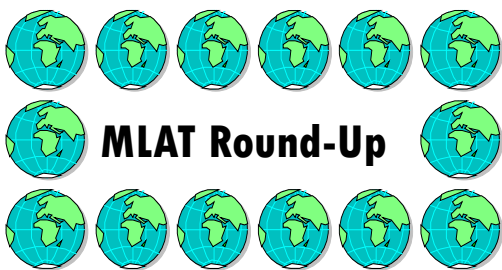
Leadenhall Bank went into Receivership on July 18, 2005 and voluntary liquidation on October 3, 2005.

OffshoreAlert Conference

The agenda for the 7th OffshoreAlert Financial Due Diligence Conference, which will be held at the Eden Roc Resort & Spa, in Miami Beach, Florida on April 26-28, 2009, will be unveiled later this month.

Our 2009 conference will again focus on fraud detection and prevention, anti-money laundering, financial compliance, intelligence-gathering, and general risk management, all with an emphasis on international business transactions, particularly those conducted in and through Offshore Financial Centers.

We invite you come and mingle with the most influential people in the onshore and offshore worlds to discuss matters of mutual interest. Please check in regularly at www.OffshoreAlertConference.com to be kept informed of conference news.



MLAT Round-Up

BRAZIL

Mario Alcidez Toppi Ortigoza, Arca International, Northern Trust Bank, Atrium Capital, MTB Bank, Austin Financial Corp., IBJ Schroder Bank, Credit Agricole Indosuez, Bankers Trust Co., Klayton Business Inc., Pictet & Co, Citibank, Stargate International Inc., Nations Bank, Marvel Distributors Corp.

Brazil has requested account information from several banks in the United States as part of a criminal investigation into suspected tax evasion and money laundering.

Details are contained in an application for the appointment of a Commissioner to collect evidence – pursuant to a request for judicial assistance from Brazil – that was filed at the U. S. District Court for the Southern District of Florida on October 8, 2008.

Mario Alcidez Toppi Ortigoza is being prosecuted for tax evasion and money laundering by the Federal Public Prosecutor's Office, State of Parana, Brazil.

"Pursuant to an agreement with the Federal Public Prosecutor's Office, Toppi Ortigoza provided investigators with bank documents for one of his accounts through which he laundered money," it was stated in the application. "From the bank records for Toppi Ortigoza's account, the Federal Public Prosecutor's Office was able to identify several accounts involved with the money laundering scheme.

"Brazilian authorities are requesting records from banks located in Florida." The accounts are in the names of Arca International at Northern Trust Bank Miami; Atrium Capital at MTB Bank, Austin Financial Corp. at IBJ Schroder Bank, Credit Agricole Indosuez at Bankers Trust Co., concerning a "subsidiary account" in the name of Klayton Business Inc.; Pictet & Co. at Citibank NY, Stargate International Inc. at Nations Bank in Tampa, Florida; and Marvel Distributors Corp. at Nations Bank.

ITALY

Ivan Rampelotto, Gerhart Gostner, Armin

Recent Requests for Judicial Assistance in the United States

Weis, Martin Plieger, Gerhart Gostner & Partners, Mariano Claudio Vettori, Roberto Vettori, Elfriede Guttman, Ernst Guttman, Rosa Guttman, Kurt Weihrauter, Gabriele Cenedese, Antoinette Appel,

Italy is seeking evidence from Florida-based attorney Antoinette Appel as part of a criminal investigation into five attorneys who allegedly conspired to cheat a 90-year-old client out of millions of dollars in an elaborate property scam and through excessive billing.

Details are contained in an application for the appointment of a Commissioner to collect evidence – pursuant to a request for judicial assistance from Italy – that was filed at the U. S. District Court for the Southern District of Florida on October 31, 2008.

The Italian Public Prosecutor's Office is conducting a criminal investigation for legal malpractice and aggravated fraud against Ivan Rampelotto, Gerhart Gostner, Armin Weis, Martin Plieger, all attorneys with the law firm of Gerhart Gostner & Partners in Bolzano, Italy; Mariano Claudio Vettori, also an attorney in Bolzano, Italy; and Roberto Vettori, who is the brother of Mariano Vettori, according to the application.

"Mrs Elfriede Guttman, at the age of eighty six, was nominated a legal guardian by the Court of Bolzano due to incapacity and inability to manage her affairs," it was stated in the application. "Gerhart Gostner was the legal guardian assigned by the Court of Bolzano. Elfriede Guttman was born in Vienna on September 24, 1911 and died in Bolzano on September 27, 2001. She bequeathed real estate valued at about €4 million (about 6 million in U.S. dollars). On January 10, 2008, the real estate was valued at about €5,378,237.00 (about \$7.5 million U.S.) by an expert appointed by the Court. Mrs Guttman also bequeathed about €2.6 million or \$3.6 million U.S. which was deposited at the Cassa di Risparmio di Bolzano.

"Mrs Guttman was incapacitated by the Court of Bolzano on July 18, 1997 as incapable of managing her affairs. Gerhart Gostner was nominated her legal guardian. Her only surviving relative was her brother Ernst Guttman to whom she bequeathed all as her sole heir.

"Mr Gerhart Gostner billed the estate about €1,933.00 or about \$31,000 U.S.

while acting as legal guardian – though this is usually an honorary office, without remuneration. Gostner has not presented annual financial statements as required by art. 330 Italian civil code. A final accounting reveals that he directed a substantial portion of Mrs. Guttman's money be invested in expensive, treasury bonds with a very low return of 2% yield.

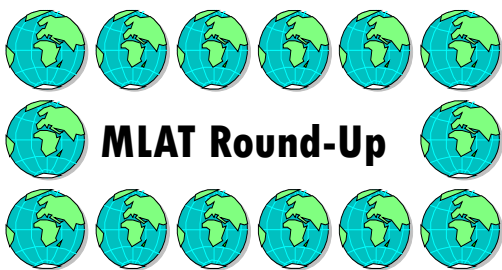
"In November of 2001, following the death of Elfriede Guttman, Gerhart Gostner and other lawyers in his firm became attorneys for Ernst Guttman. Shortly after the death of Mrs Guttman, Gabriele Cenedese presented a will purportedly issued by Elfriede Guttman and claimed to be the sole heir to her estate. This will was ultimately determined to be a fraud. On December 20, 2005, Ernst Guttman received the certificate of inheritance becoming the owner of the property. On February 23, 2006, Ernst Guttman paid about €31,837.71 (\$335,000 U.S.) to Gostner and Partners for their representation in the matter regarding the claim of Cenedese. The Italian Prosecutor is convinced that the amount billed by Gostner and Partners was, at least, excessive.

"On February 22, 2006, Kurt Weihrauter through his counsel, Mariano Claudio Vettori, brought a legal action in order to be recognized as the sole heir of Elfriede Guttman on the basis of a will.

"On March 6, 2006, Mr. Guttman sold the property to the lawyers Gerhart Gostner, Armin Weis and Martin Plieger for about €1,050,000.00 or about \$1.5 million U.S., and gave a proxy for the sale to Mr. Ivan Rampelotto, another lawyer in the firm Gostner & Partners. The sale contract provided that payment would be made upon exclusion of, or renouncement of, all claims by Kurt Weihrauter. Weihrauter later abandoned the civil action on July 4, 2007 and two days later, on July 6, 2007, the lawyers Gostner, Weis and Plieger sold the property for €2.9 million, about \$4.2 million U.S., to Roberto Vettori – brother of the lawyer who represented Weihrauter – Mariano Claudio Vettori. This, in the view of the Italian Prosecutor, was done to circumvent the law. A direct sale of the property to Marino Claudio Vettori would have violated article 1261 of the Italian civil code.

"Weihrauter has admitted that counsel Mariano Claudio Vettori recruited him to start a civil action against Ernst Guttman and make a claim. The Italian Prosecutor is

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convinced that Mariano Claudio Vettori used Kurt Weihrauter to pursue his (Vettori's) aim of purchasing the property formerly belonging to Elfriede Guttman. Under the ethical provisions of the Italian Civil Code, Gostner and partners should not have sold the property to the brother of lawyer Mariano Claudio Vettori. The three lawyers purchased the property from their ninety-year-old client at about a third of its real value.

"They should have returned the property to Ernst Guttman, giving him the opportunity to sell the property at a higher price. Ernst Guttman died several months ago.

"Italian authorities believe that Mr. Gostner and the other suspects defrauded Elfriede Guttman and her brother Ernst Guttman out of their ownership interest in property located at via Carducci, 4 in Bolzano, Italy."

Italy has, inter alia, requested evidence in the USA from Antoinette R. Appel, of Tamarac, Florida, who is described as "the American lawyer of Mr. Ernst Guttman", and Rosa Guttman, described as Ernst Guttman's widow.

ITALY

Lex Kiln Industries Inc., Lex-Kiln Industries Inc., Lex Kiln Inc., a.k.a. Lex Kilns Inc.; OMG Srl, Deborah Lee, Roberto Calbeso, Alberto Annovi, OMG Srl

Italy has requested evidence in Delaware for a criminal investigation into alleged fraud.

Details are contained in an application for the appointment of a Commissioner to collect evidence – pursuant to a request for judicial assistance from Italy – that was filed at the U. S. District Court for the District of Delaware on October 3, 2008.

The investigation began following a complaint by Alberto Annovi, Chairman of OMG Srl, that an adversary in a long-running civil dispute may have submitted fraudulent documents to an Italian court. The adversary, Lex Kilns, Inc., a.k.a. Lex Kiln Inc., was involved in the manufacture

Recent Requests for Judicial Assistance in the United States

and sales of "kilns and ceramic elements", according to the request for assistance, and has, or has had, subsidiaries, affiliates or 'dba' entities in the United States called Lex-Kiln Industries, Inc., which was incorporated in California, and Lex Kiln Industries Inc. (with no hyphen between 'Lex' and 'Kiln'), which was incorporated in Delaware.

The allegedly fraudulent documents submitted to the Italian court by Lex Kiln, Inc. were signed by Deborah A. Lee, an attorney based in San Francisco, California, and purported to show that a group company was "active" in the USA in 2007 and that "Mr. Roberto Calbeso continued to hold the office of SOLE CEO of Lex Kiln Industries, a Delaware corporation", according to the request.

Handwriting analysis suggests that the signatures of Lee and Calbeso were written by the same person, while Lee herself informed OMG's investigators that, while she did at one time serve as the registered agent for Lex-Kiln Industries Inc. in California, she did not represent the California company at the time the document was produced in 2007. Furthermore, OGM claimed that, far from being "active" on May 11, 2007, as was stated in one of the documents, Lex-Kiln Industries Inc.'s corporate registration in California was suspended at the end of 2001 and not reinstated to the corporate register, it was claimed.

Research by OffshoreAlert showed that Lex Kiln Industries Inc. was incorporated in Delaware on June 15, 1998 and its status became "Void" on March 1, 2000. According to the State of Delaware's Division of Corporation's web-site, "Void" status is given to: "A corporation that failed to pay its annual franchise tax for a period of 1 year or a Foreign Corporation that has not filed their annual reports within a 2 year period."

LITHUANIA

Lev Arutiunian, Igor Provosinskij, Tomas Gecas, eBay, PayPal, Citibank, MBNA America Bank, Bank of America, Banknorth, Bank One, Chase Manhattan Bank, Zions First National Bank, Wells Fargo Bank, U of C Federal Credit Union, Direct Merchants Credit Card Bank

Lithuania has requested evidence from

several United States-based banks, eBay and PayPal as part of a criminal investigation into credit card fraud.

Details are contained in an application for the appointment of a Commissioner to collect evidence – pursuant to a request for judicial assistance from Lithuania – that was filed at the U. S. District Court for the District of Delaware on October 21, 2008.

Ukraine is seeking information from MBNA America Bank, Bank of America, Banknorth, Bank One, Chase Manhattan Bank, Zions First National Bank, Wells Fargo Bank, U of C Federal Credit Union, Direct Merchants Credit Card Bank, Citibank, eBay and PayPal.

Evidence indicating that cards purportedly issued by the banks were being used to commit fraud were obtained during several searches, including two portable USB flash drives containing credit card data that were found in the home of Lev Arutiunian, nine forged credit cards that were found in the car of Igor Provosinskij, and incriminating computer files were found in the apartment of Tomas Gecas, including one which had the name 'NEW_CITYBANK_SCAM.zip', along with programs designed to capture usernames and passwords of clients using web-sites belonging to eBay, PayPal, and Citibank, according to the request for assistance.

SPAIN

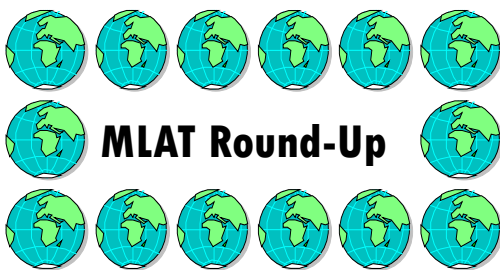
Roberto Carlos Villena Lincoln, Yahoo!, Western Union, Victor Herwel, Andrew Schantz, BaseCargo, Tommy Svoboda

Spain is seeking evidence from Yahoo! and Western Union for a criminal investigation into alleged fraud involving the purchase of a Harley Davidson motorcycle over the Internet.

Details are contained in an application for the appointment of a Commissioner to collect evidence – pursuant to a request for judicial assistance from Spain – that was at the U. S. District Court for the District of Delaware on October 21, 2008.

According to the request for assistance, Roberto Carlos Villena Lincoln, 34, a resident of Mijas Costa, Malaga, Spain, saw a Harley Davidson motorcycle advertised for sale on the web-site at www.mobile.de, which specializes in facilitating the sale of second-hand vehicles, and agreed to pay

(Continued on page 13)



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6,700 Euros to acquire it from the seller, Victor Herwel, who used an email address of victorherwel@yahoo.com and a mailing address of Scott Road, Kettering, Northamptonshire, England. The seller recommended that the motorcycle be delivered using a transport company which maintained a web-site at www.basecargocom, it was stated.

The arrangement was supposed to work as follows: First, the seller was to deliver the motorcycle to basecargocom, which would confirm to the buyer by email that the motorcycle was in its store, then the buyer would deposit 6,700 Euros with basecargocom at the office of its representative, Andrew Schantz, at 236 Salmon Street, London, England, via Western Union in three payments, it was stated in the request.

The buyer completed payment and, on November 15, 2005, he says he received an email from basecargocom acknowledging that the money had been received and the motorcycle was being shipped, it was stated.

However, the motorcycle never arrived and attempts by the buyer to contact the seller and transport company have been unsuccessful, it was alleged.

"After waiting two months, last 16/01/2006, I checked the web site and I found out that said web had vanished, but looking through the net, I found exactly the same web but with the following addresses: www.express-global-shipping.com and www.Europarceldistribution.com," stated the buyer. He said that he conducted research on the Internet and found several web pages indicating that the group was conducting a fraud. "At the present, I have no news about the motorcycle and the money which I would like to be returned," he stated.

Spain has requested information from Yahoo! concerning the email addresses of victorherwel@yahoo.com and ed-truxa@yahoo.com, the latter of which appears as the contact on the web-site at www.basecargocom, the and from Western Union, through its representative Andrew Schantz, of 236 Salmon Street, London, NW9 8YA, England.

The domain name 'basecargocom' was

Recent Requests for Judicial Assistance in the United States

registered to Tommy Svoboda, of Bradenton, Florida at the relevant time, according to the request for assistance.

UKRAINE

Shidni Finansovi Resury LLC, Oleksandr Oleksandrovykh Degtyar, Oksana Eduardivna Nagorkina, Ostliche Finanzrresourcen, Atlanet LLC, Martell LLC, VSBE Company Ltd.

Ukraine is seeking evidence concerning Atlanet LLC in Delaware as part of a criminal investigation into alleged value added tax fraud, forgery, and money laundering.

Details are contained in an application for the appointment of a Commissioner to collect evidence – pursuant to a request for judicial assistance from Ukraine – that was filed at the U. S. District Court for the District of Delaware on October 21, 2008.

Targets of the criminal investigation are Oleksandr Oleksandrovykh Degtyar and Oksana Eduardivna Nagorkina who, while General Manager and Chief Accountant, respectively, of Ostliche Finanzrresourcen, were responsible for submitting false corporate tax returns, according to the request for assistance.

Ukraine is seeking information about Atlanet LLC, of 113 Barksdale Professional Center, Newark, Delaware, and Martell LLC, of Suite 1800, Louisville, Kentucky and has also asked for evidence from their representatives, including asking them about any relationship with VSBE Company Ltd., which was described as a Nevis-domiciled entity with an address of PO Box 556, Main Street, Nevis.

UKRAINE

Toronto Projects Inc., Bars Private Company, Antares-1 Private Company, Hermes Plus Private Company, Exim Commerce LLC, Wattie Partners Inc., Russell Rozanski, Igor Viktorovych Kochubey

Ukraine is seeking evidence from Toronto Projects, Inc. in Delaware for a criminal investigation into alleged value added tax fraud.

Details are contained in an application for the appointment of a Commissioner to collect evidence – pursuant to a request for

judicial assistance from Ukraine – that was filed at the U. S. District Court for the District of Delaware on October 21, 2008.

Targets of the investigation are Bars Private Company, Antares-1 Private Company, and Hermes Plus Private Company, according to the request for assistance.

Ukraine is seeking evidence from Toronto Projects, Inc., of 62 Rockford Road, Wilmington, Delaware, whose director is Russell P. Rozanski, according to the request for assistance.

Investigators, inter alia, want questions asked about Igor Viktorovych Kochubey, director of Exim Commerce LLC; and Wattie Partners Inc., of Portland, Oregon.

UKRAINE

Obchodni Tiskarny, Miroslav Halouzka, Petr Storm, Jaromir Cerny, Laszlo Kiss, Venture Sales LLC, Venture International LLC, Pavel Sehnal, Orste Bank, Alex Almonte

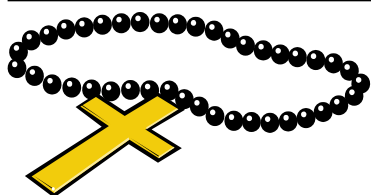
Ukraine is seeking evidence from Avenger Sales LLC in Delaware as part of a criminal investigation into alleged fraud.

Details are contained in an application for the appointment of a Commissioner to collect evidence – pursuant to a request for judicial assistance from Ukraine – that was filed the U. S. District Court for the District of Delaware on October 21, 2008.

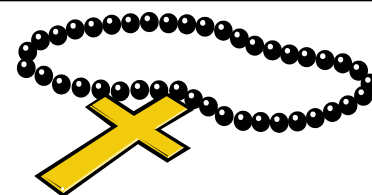
Targets of the investigation are former managers of Obchodni Tiskarny, namely Miroslav Halouzka, former managing director; Petr Storm, former finance director; Jaromir Cerny, former director of operations, who allegedly alleged tried to misappropriate six million CZK from the company via allegedly fictitious transactions involving Avenger Sales LLC (possibly merged with another firm called Venture International LLC), which has an address of 1220 North Market Street, Suite 606, Wilmington, Delaware and an operating manager called Laszlo Kiss, according to the request for assistance.

Ukraine has requested that an interview be conducted with a representative of Avenger Sales LLC, who is to be asked, inter alia, about any relationship the company has with Orste Bank and Alex Almonte.

The investigation began after a complaint by Pavel Sehnal, chairman of the board of directors of Obchodni Tiskarny.



Latin America Round-Up



ARGENTINA

Menem on trial

Although he did not show up at court, former Argentina president Carlos Menem began to be tried for his alleged involvement in smuggling arms to Ecuador and Croatia, the biggest corruption scandal during his years in office (1989-1999). According to his lawyer, Omar Daer, Menem did not attend the first session because he is suffering from "stress, severe anemia, diabetes and allergies." Seventeen others, including former cabinet ministers, are also facing charges in the trial.

As a senator for the Justicialista (Peronist) party, the two-time former president enjoys immunity from arrest, but not from trial. He faces between 4 and 12 years in prison, if convicted, although the Senate would have to strip him of immunity before he could go to jail.

Menem, who is facing several corruption and money laundering cases, spent eight months under house arrest in 2001 in connection with the same case, but under charges of illicit association, which were eventually dismissed by the Supreme Court, made up of magistrates that he himself had appointed as president.

The case that has now reached trial involves the illegal sales of 6,500 tons of firearms between 1991 and 1995 through a series of decrees signed by Menem and several of his ministers, according to which the weapons were to go to Panama and Venezuela. However, it was proven that they were in fact shipped to Ecuador and Croatia. At the time, there was a UN embargo on arms sales to the Balkans, including Croatia, due to the wars that led to the breakup of Yugoslavia. In addition, Ecuador was involved in a border war with Peru, and Argentina, as one of the peace brokers, was banned from selling weapons to either nation.

The middleman for the illegal weapons sales was retired Argentine army officer Diego Paleros, who was also charged in the trial. The retired lieutenant colonel, who was living as a fugitive for 8 years, revealed that the operations were worth a total of \$50 million. The money did not go back into the state coffers, and movements in bank accounts in neighboring Uruguay were tracked.

Also in the dock are former presidential adviser Emir Yoma – Menem's ex-brother-in-law – former defense minister Oscar Camili3n, former

air force chief Daniel Paulik, and Luis Sarlenga, former controller at the state-run Fabricaciones Militares weapons factory. Other defendants are former employees or civil servants of Fabricaciones Militares, the Defense Ministry, and the customs agency. Furthermore, 40 other people, including former economy minister Domingo Cavallo, are still under investigation.

Ricardo Monner Sans, the lawyer who filed the original lawsuit in 1995 based on information from an anonymous source, is also involved in other legal proceedings connected to the arms smuggling case. One is an investigation of a 1996 helicopter crash in Buenos Aires in which 11 people were killed, including 2 officers who knew about the illegal weapons sales, Juan Carlos Andreoli and Rodolfo Aguilar. The lawyer also represents Ana Gritti, the widow of one of the 7 people killed in a 1995 explosion in a military weapons factory in the city of R3o Tercero in the Northern Province of C3rdoba, which occurred just a few months after the original lawsuit triggered the arms smuggling probe.

Menem initially declared that the explosion was an "accident". But the inquiries prompted by the widow's defense lawyers proved years later that it was intentional, and that it was linked to the weapons smuggling scandal that had begun to come to light. The courts in C3rdoba, which prosecuted Menem and several of his associates, found that the blast was "intentional". The explosion killed 7 people, injured 300, and destroyed or damaged hundreds of homes in the surrounding neighborhood.

CHILE

Ten Years of "Pinochet Effect"

It is now ten years since the arrest of Chilean dictator General Augusto Pinochet (1973-1990) in London, and Chile is still examining his legacy. The arrest set the justice system in motion, stimulated the attempt to get at the truth about abuses, and sent out a strong message to a number of notorious human rights violators and corrupt figures. But Pinochet died in December 2006 before he could be convicted of any of the human rights, money laundering and corruption charges he was facing.

On October 16, 1998, as he was recovering from surgery in London, Pinochet was ar-

rested by the British police acting on an arrest warrant issued by Spanish judge Baltazar Garz3n, who was seeking his extradition to Spain with the aim of bringing him to trial for crimes against humanity.

On September 11, 1973, Pinochet overthrew the democratically elected socialist government of President Salvador Allende (1970-1973) in a coup, and imposed a dictatorship that lasted 17 years with the complacency and cooperation of many governments in the West. An estimated 3,000 leftist dissidents were murdered and disappeared during that period, and at least 35,000 others were tortured.

Democracy was reinstated in 1990 but nothing happened to Pinochet and his family until 1998. After 503 days under house arrest in London, the then life-senator was allowed to return to Chile for "humanitarian reasons."

In 2004, though, a report by US Senate investigators showed that the Riggs Bank in Washington had helped Pinochet and his relatives to hide millions of dollars in assets from international prosecutors while he was under house arrest in Britain. This was a hard blow for Pinochet.

The Pinochet "effect" was a message to dictators and VIP launderers around the world, who now risk trial in other parts of the world thanks to progress in the field of international law.

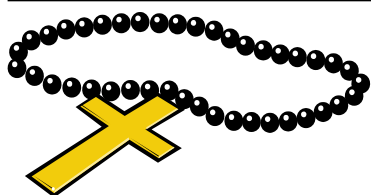
Other cases of former powerful men who have committed human rights violations and/or money laundering in Latin America include Former Peruvian president Alberto Fujimori (1990-2000), who hid in Japan and Chile, and was arrested in 2005 on arrival to Chile from Japan. Or before him, Arnoldo Alem3n of Nicaragua, who was charged in 2002 and sentenced in 2003 to a 20-year prison term for a string of crimes including money laundering, embezzlement and corruption.

(For more information, see http://hsgac.senate.gov/public/_files/ACF5F8.pdf)

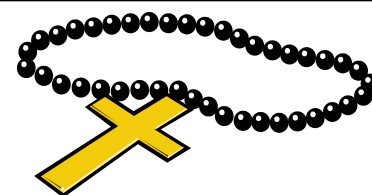
Repatriation of \$40 million

Meanwhile, four international banks are negotiating with the Chilean authorities the repatriation of about \$40 million tied to former dictator Augusto Pinochet. The State Defense Council (CDE) stated it was moving forward to reclaim funds from banks, including Banco de Chile (NY), Espirito Santo Bank, Banco Santander

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(now BSCH), Citibank, Coutts of Miami, Atlantic Bank and the now defunct Riggs Bank. Riggs collapsed in 2005, in part due to the disclosure that it had illegally handled Pinochet's accounts.

A 2004 US Senate investigation into Riggs Bank found that Pinochet held as much as \$8 million in secret accounts there. Chilean investigators later found that the former dictator had at least \$27 million in other secret foreign accounts, and one judge associated with the case speculated that Pinochet and his immediate family could have stashed as much as \$100 million.

COLOMBIA

Drugs, Cash and Terrorism

Colombian authorities have dismantled an international cocaine-smuggling and money-laundering gang that allegedly used part of its profits to finance Hezbollah, the Lebanon-based Shiite militia. The men were among many suspects held in Colombia and overseas on charges they trafficked drugs and laundered money for the Norte del Valle drug cartel and for paramilitaries, the attorney-general's office said in a statement. The paramilitaries' network allegedly stretched from Latin America, including Venezuela, Panama, and Guatemala, to Asia.

After a two-year investigation, authorities have arrested suspects in recent days, including an accused Lebanese kingpin in Bogotá identified as Shekry Mahmud Harb, alias "Taliban," who supposedly acted as the focal point of an alliance between Latin American cocaine traffickers and Middle Eastern militants. Other people arrested are Ali Mohammed Abdul Rahim and Zacaria Hussein Harb, according to the TV channel Al Jazeera.

Authorities accuse Harb of being a "world-class money-launderer" whose ring washed hundreds of millions of dollars a year, from Panama to Hong Kong, while paying a percentage to Hezbollah, which the US and Israel designate as a terror group. Harb was charged with drug-related crimes in a sealed indictment filed in Miami in July. The operation, called Titan, was led by the US Drug Enforcement Administration (DEA).

These three men, who were of Lebanese and Jordanian origin, "coordinated the shipment of

drugs to their countries of origin, and used front companies to bring the cash into Colombia," said a statement from the Colombian attorney-general's office.

As part of the operation, police confiscated some \$740,000, 360 kilograms of cocaine and 5 kilograms of heroin, as well as two aircraft, a boat, and various vehicles and jewels.

Washington has complained that Iran-backed Hezbollah and other Muslim groups that it considers terrorist organizations are active in Arab communities in Latin American countries such as Brazil and Venezuela. Colombia remains the world's number one cocaine producer, while the US is the number one consumer.

The suspects allegedly worked with the Norte del Valle drug cartel and the paramilitary group FARC (Revolutionary Armed Forces) – a guerrilla group to smuggle cocaine to the US, Europe and the Middle East. Harb traveled extensively to Lebanon, Syria and Egypt and was in phone contact with Hezbollah figures, according to Colombian officials.

Western anti-terror agents have expressed concern about signs of an increasing Hezbollah presence in Latin America, but some observers say that the link hasn't been proven. Venezuelan President Hugo Chávez's alliance with Iran has also raised fears that Venezuela could become a base for Hezbollah activity. Venezuela also serves as the corridor for a third of Colombian cocaine smuggled to the US and Europe, allegedly including some loads moved by the Harb group.

COLOMBIA & MEXICO

Another blow for the Norte del Valle cartel

A group of 15 people linked with the Colombian Norte del Valle Cartel (11 of them Colombian) was arrested in Mexico. Colonel César Pinzón, from the Judiciary Police of Colombia (known as DIJIN), told local media that they were arrested while they were in a party in a mansion outside Mexico DF and that some of the members of the gang have also links with the Beltrán Leyva brothers, the top lieutenants of the Sinaloa cartel.

HONDURAS

Ads corruption

Government practices for allocating official advertising to the Honduran media include reward and punishment policies, payments to individual journalists, and even denial of access to public information – mechanisms that interfere with freedom of expression and the right to information.

The Organization of American States (OAS) Special Rapporteurship for Freedom of Expression points to a form of "subtle censorship," that uses elusive, non-traditional approaches and looks likely to become the "censorship of the future" for journalism, and a restriction on citizens' rights of free speech and information.

(For more information, see Consejo Nacional Anticorrupción, CNA - in Spanish <http://www.cna.hn/>)

MEXICO

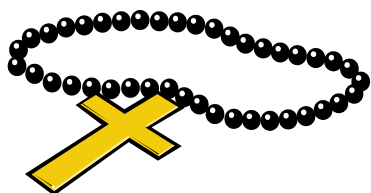
More drug-related violence in Mexico and the region

Violent crime in Latin America claims more than 100,000 lives a year and the average homicide rate is 27 per 100,000 population, making this one of the most violent regions in the world.

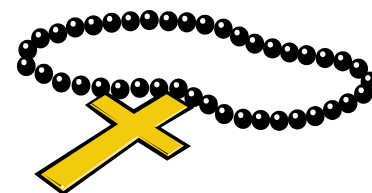
This reflects a severe crisis that requires coordinated multi-sectoral actions, agreed high-level officials from 34 governments who met in Mexico in the "first meeting of public security ministers of the Americas", organized by the Organization of American States (OAS). In the final declaration signed by the ministers, they committed themselves to mounting a more coordinated effort against violence, harmonize laws, strengthen prevention policies and educational and awareness-raising programs, modernize, purge and professionalize police forces, and engage in a broad sharing and exchange of experiences with civil society groups involved in prevention and other areas.

According to Inter-American Development Bank estimates, violence costs Latin America as much as 15% of its combined annual gross domestic product (GDP). For its part, the World Bank reports that 75% of all kidnappings worldwide are committed in Latin America, a region that accounts for just eight percent of the

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Latin America Round-Up



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world's population. The situation in several cities is alarming, with as many as 120 homicides per 100,000 people, says an OAS report.

Most of the deaths and violence is related to the drug business.

Latinobarómetro, an annual public opinion survey carried out in 17 Latin American countries by the Chilean non-profit of the same name, shows that public perceptions of insecurity doubled between 2003 and 2007 in Latin America and the Caribbean.

Meanwhile, at least 47 people have been killed in six different prison riots this month. After the latest the authorities promised for the umpteenth time to improve the prison system, where jails are filled to more than 140% of capacity. A riot that broke out in a prison in Reynosa, a border town, left 22 dead and 34 injured, according to a preliminary report by the attorney-general's office.

(For more information, see *First Meeting of Ministers on Public Security of the Americas* www.oas.org/seguridad/%5Fhemisferica/english/default.asp)

PERU

Small-time mayor, big-time laundering

Luis Valdez, mayor of a small town in the Amazon basin province of Ucuyali, was arrested on money laundering charges by the Peruvian authorities. According to the accusation, Valdez heads an operation with links with Colombian and Mexican drug cartels.

According to local reports, Valdez used boats owned by his timber and wood processing companies to transport consignments of cocaine down the Amazon. In this case, a boat carrying 176 kilograms was intercepted in the Netherlands sent off by Forestal Export, a company from Iquitos, whose director is Lester Marina Pastor. During the investigation, it was established that Valdez had links with Marina Pastor.

In the same operation, Olga Cachique Vásquez (who worked in one of Valdez's companies), and associates Tania Moreno Rojas and Luz Marina Fereyra Valdez. Authorities are looking for Valdez's wife, Mirna Soria Saldaña, and lawyer Juan Duany Pazos and Francisco Peixoto Macanillas, according to El Comercio newspaper.

Cabinet's fall

Peru's Energy and Mines Minister, Juan Valdivia, quit amidst allegations of corruption in the form of kickbacks in exchange for lucrative oil contracts for Norwegian-based producer Discover Petroleum. The whole cabinet fell after him.

Valdivia resigned following a local television program airing a conversation between Alberto Quimper, a high-ranking official in the state energy agency Perupetro, and Romulo León, a prominent lobbyist and a member in President Alan García's ruling APRA political party. The conversation involved Discover Petroleum, which has recently been awarded four separate oil contracts in Peru. The recording, made in February, discloses the two men agreeing to favor Discover in a round of auctions.

Both Valdivia and the Norwegian company involved have denied any wrongdoing.

Cuarto Poder, the news program which broadcast the tapes, said it was given the incriminating evidence by Fernando Rospigliosi, interior minister under former President Alejandro Toledo. Rospigliosi is reported to have received the scandal-ridden evidence from an anonymous source.

In the meantime, President García's government has suspended the contracts with the company involved.

Anti-corruption prosecutor Óscar Zevallos brought charges the civil servants involved, including corruption of public officials, criminal conspiracy and trafficking of influences. Judge Jorge Barreto immediately accepted the case. The most prominent of the 14 defendants – Petroperu's former president César Gutiérrez and former general manager Miguel Celi, and Perupetro's current president Daniel Saba and former director Alberto Quimper – were named to their posts by the administration of Alan García, who took office in July 2006.

Despite the cloud of corruption that had engulfed the auction, García has defended the auction process for granting contracts. The auction helped boosted the total number of contracts granted for oil and gas exploration, and extraction in Peru to a record 104, up from just 27 contracts in 2003. The contract

will bring \$13.3 billion in energy investment into Peru.

A centre-left Peruvian governor who spent years in prison on terrorism charges during former president Alberto Fujimori's regime was given the task of heading the new cabinet. Yehude Simon, the new prime minister, was elected to Congress in 1985 for the United Left alliance, and in 1991 became a founder of the Patria Libre (Free Fatherland) organization, which was then accused of operating as the political arm of the Tupac Amaru Revolutionary Movement (MRTA) guerrilla group. On Jun 11, 1992, shortly after the "self-coup" with which then President Fujimori dissolved parliament and suspended basic civil liberties, the police arrested Simon, who at the time was editor of the magazine Cambio, considered the MRTA's mouthpiece. Simon was accused of "apology for terrorism," and was sentenced to 20 years in prison. After spending eight and a half years behind bars, he was pardoned by caretaker president Valentín Paniagua (2000-2001), who succeeded Fujimori (1990-2000) when the latter fled the country and was impeached. Simon returned to politics, but distanced himself from the radical left and founded the centre-left Peruvian Humanist Party in 2001.

With pragmatic decisions and openness to foreign capital with a focus on development, Simon won popular support. In 2006, when he was reelected governor, beating out the APRA candidate, he began to be mentioned as a possible presidential candidate for the 2011 elections.

As de facto leader of the country's 25 governors, who in the last six months have clashed with García over transfers of mining taxes to the provinces, and over the slow, red tape-plagued process for approving public works, Simon has gained a reputation as a negotiator.

The new prime minister's top priority will be the fight against corruption, he said. García had emphasized this issue as a priority for his government, and set up a National Anticorruption Office (ONA). But by July 2008, ONA had been dismantled, and García did not mention the question of corruption again until October 5, when Rospigliosi facilitated the Discover Petroleum videos.

(For more information, see *Perupetro - in Spanish* www.perupetro.com.pe/home-s.asp and *Discover Petroleum* www.discoverpetroleum.com)



Insider Talking

Insureds of British Virgin

Islands-based Boston Life and Annuity Company Ltd. (in liquidation) have won an important legal victory in their attempt to recover \$11 million they claim was defrauded from them in a scheme allegedly masterminded by US nationals Leo Ford and Denis Kleinfeld and UK national Rick May. On October 21, 2008, Chief Justice Hugh A. Rawlins, sitting at the BVI Court of Appeal, allowed an appeal by the insureds against a decision by junior jurist Master Brian Cottle on March 26, 2007 barring them from presenting evidence at a summary judgment hearing held eight days later before Justice Indra Hariprashad-Charles because they had not met a court-imposed deadline. Master Cottle's ruling led to Justice Hariprashad-Charles entering summary judgment against the insureds and in favor of Boston Life at the High Court on May 14, 2007. In overturning Master Cottle's ruling, Chief Justice Rawlins, referring to the insureds as "the JSA defendants", stated: "The appeal against the master's order is allowed because in the circumstances of the present case the master should have permitted the JSA defendants to file their evidence and written submissions in the summary judgment application by Boston Life. This is because the summary judgment hearing was scheduled quite early in the proceedings; the JSA defendants were many, in the main resided outside of the jurisdiction and the material from which the evidence had to be compiled was voluminous; solicitors for the JSA defendants were prepared to give an undertaking to file and serve the evidence almost immediately, and given the significance of the case." The appeal was heard on January 29, 2008, with BVI-based attorney Martin S. Kenney, of Martin Kenney & Co., acting for the insureds and Michael J. Fay, of Ogier, for Boston Life. Now that the insureds are allowed to present evidence in the case, the summary judgment, which had been stayed pending the appeal, will almost certainly be overturned. The insureds took part in a program known as 'Refund Plus', a key feature of which they claim was that their premiums, plus investment returns on those premiums, would be returned after five years, minus any claims and administration fees. Since there were no claims whatsoever under the policies, they stood to get back virtually all of their money. However, Boston Life canceled the insurance contracts in September, 2005, before the majority of policies had been in place for five years, an act that was made simply to avoid returning premiums, according to the insureds, who claim they were falsely induced into participating in the scheme,

alleging that a clause giving Boston Life the right to unilaterally cancel the policies before the end of five years and keep all of the premiums was illegally added to the contracts after they had been agreed upon and that no mention of such a termination clause was mentioned in marketing material they were shown before becoming participants. The legal proceedings in the BVI were initiated by Boston Life in March, 2006 when the insurer sought an order upholding its legal right to cancel the insurance contracts, thus preventing the return of \$11 million in premiums to insureds. The insureds then filed a counterclaim accusing Boston Life of fraud...

...**Offshore services provider Alliance Asset Management International, which is based in Florida and Panama, was ordered by U. S. District Judge John Antoon II, sitting at the U. S. District Court for the Middle District of Florida, on October 17, 2008 to comply with a subpoena requiring it to provide documents and verbal testimony for an investigation into the tax liabilities of one of its clients, Charles T. Stevens, for the tax years 1998 through 2003. The subpoena was served on Soobadra C. Gauthier, as Registered Agent for Alliance Asset Management International Incorporated, of 300 Isabella Drive, Longwood, FL 32750, on March 21, 2008 and required her to appear before the IRS on April 1, 2008 to give testimony and produce records, specifically the "complete records regarding Charles T. Stevens to include all accounts and/or entities created for Stevens including, but not limited to account 666658. Provide detailed information regarding the receipt and disposition of all funds received, including, but not limited to wire transfer dated June 16, 2006 in the amount of \$16,000.00 and wire transfer dated June 29, 2006 in the amount of \$10,000.00. Describe the purpose of all accounts/entities created for Charles T. Stevens; provide a detailed accounting of all assets placed into, removed, or transferred from such accounts/entities. Provide name, address, and contact information for each institution, including account numbers at such institutions for which accounts/entities have been created for Charles T. Stevens, his nominees, and his alter-egos." When AAMI failed to comply, the IRS filed a petition to enforce the subpoena at federal court in Orlando on August 20, 2008, prompting AAMI's president, Jean Gauthier, to write to the IRS on September 26, 2008, with Bank of America records attached, stating: "This letter will serve, in lieu of appearance, as notice that Respondent has no objection to complying with the summons in the matter of Charles T Stevens. Attached please**

find a copy of the bank statement reflecting receipt of wire transfers dated June 16, 2006 in the amount of \$16,000.00, and June 29, 2006 in the amount of \$10,000.00. In addition, we can confirm receipt of a wire transfer that was received on June 22, 2006 in the amount of \$9,000.00. To the best of my knowledge these deposits are the only funds received from Mr. Stevens." Not satisfied, the IRS filed a motion with the court on October 15 asking the court to issue an order enforcing the subpoena, stating: "The single page does not appear to be a full response to the summons at issue." Two days later, the court issued such an order requiring, inter alia, Soobadra Gauthier to appear "at a place, date and time to be provided by separate notice by Revenue Agent Ken Colt, to give testimony and to produce for examination those books, records, papers, and documents described in and requested by the Internal Revenue Service Summons". Costs were awarded against AAMI. As previously reported by OffshoreAlert, AAMI was borne out of the ashes of Prosper International League Limited, which went out of business in 2006 following court action by the U. S. Government in which PILL's principals, Pierre Gauthier and his father, Jean Jay Gauthier, a.k.a. Earl L. Savoy, were accused of promoting "a tax fraud plan". The Gauthiers settled the action on April 3, 2006 by agreeing, inter alia, to "permanently" refrain from "organizing, promoting, marketing, or selling any plan or arrangement, including any foreign-based entity program, that advises or encourages persons to violate the internal revenue laws or to unlawfully evade the assessment or collection of their federal tax liabilities". The settlement did not just apply to the Gauthiers' activities with PILL but to them "individually and doing business as or through any other entity". Notwithstanding this, AAMI appeared to be PILL under another name, managed by the same people, including Pierre Gauthier and Jonny Johnson, and offering similar products and services, including "anonymous" debit and credit cards and the use of offshore structures for debt-avoidance. AAMI's web-site at www.allianceasset.com, which is currently off-line, emphasized "financial privacy" and "secrecy". Alliance Asset Management International, Inc. was incorporated in Florida on April 11, 2004 and reinstated on January 26, 2006, according to records maintained by the Florida Secretary of State Division of Corporations. Jean J. Gauthier is currently the president and secretary, while Pierre J. Gauthier is a former president. An affiliate with an identical name was formed in England and Wales on August 2, 2005, while another affiliate, Alliance Asset Management Inc., was incorporated in Panama on December 18, 2003.