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S. Hrg. 107–84

ROLE OF U.S. CORRESPONDENT BANKING IN INTERNATIONAL MONEY LAUNDERING

HEARINGS

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

MARCH 1, 2, AND 6, 2001

VOLUME 5 OF 5

Printed for the use of the Committee on Governmental Affairs

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U.S. GOVERNMENT PRINTING OFFICE

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Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____61a_____

Exhibit 61a.

Swiss American Bank and Swiss American National Bank general documents

2

PUB 82

2

GOVERNMENT OF ANTIGUA AND BARBUDA

LICENSE TO CONDUCT AN INTERNATIONAL BANKING, TRUST OR INSURANCE BUSINESS

Pursuant to Section 230 of the International Business Corporations Act, 1982, No. 28 of 1982, the undersigned hereby grants a license to conduct an international banking business to

SWISS AMERICAN BANK LTD.

subject to all the terms and conditions of said Act.

(For bank~~s~~) _____
Supervisor,
International Banks and Trust Corporations

REGISTERED

(For insurance) _____
Superintendent,
International Insurance Corporations

Issued at St. John's, Antigua,
this 22nd day of APRIL, 1983

GOVERNMENT OF ANTIGUA AND BARBUDA

CERTIFICATE OF INCORPORATION AND GOOD STANDING

Pursuant to Section 9 of the International Business Corporations Act, 1982, No. 28 of 1982, the undersigned hereby certifies that:

SWISS AMERICAN BANK LTD.

was incorporated under the laws of Antigua and Barbuda on the 2nd day of APRIL, 1983; is in good standing and enjoys all the rights, powers and privileges conferred by law consistent with the attached Articles of Incorporation.

Director,
International Business Corporations

Registered at St. John's, Antigua,
this 2nd of APRIL, 1983

#00002
PUB14

INTERNATIONAL BUSINESS CORPORATIONS ACT, 1982

FORM 5

NOTICE OF DIRECTORS

OR

NOTICE OF CHANGE OF DIRECTORS

(SECTION 67 (7) & 129)

DIRECTOR OF INTERNATIONAL BUSINESS CORPORATIONS
Received
SEP 23 1997
KH

NAME OF CORPORATION SWISS AMERICAN BANK LTD 2. Corporation #00002

The following persons became directors of this Corporation: Effective Date:

Name	Residential Address	Occupation	Citizenship	
Michael Agus	St. John's, Antigua	Director	Canadian	30 June 1997
Burton Kanter	Chicago, IL USA	Director	American	30 June 1997
Brian Stuart-Young	St. John's, Antigua	Director	Antiguan	30 June 1997

The following person ceased to be directors of this Corporation: Effective Date:

Name	Residential Address	Occupation	Citizenship	
Ronald Sanders	London, England	Director	Antiguan	30 June 1997

The directors of this corporation now are: Effective Date:

Name	Residential Address	Occupation	Citizenship	
Michael Agus	Amor Villas, Crosbies	Director	Canadian	30 June 1997
Burton Kanter	c/o Neil Gerber & Eisenberg	Director	American	30 June 1997
Brian Stuart-Young	Hodges Bay St. John's, Antigua	Director	Antiguan	30 June 1997

Date	Signature	Description of Office
16 September 1997		Secretary

ANTIGUA INTERNATIONAL TRUST LIMITED

2 - APR 1982

PUBIA

2

GOVERNMENT OF ANTIGUA AND BARBUDA

APPLICATION FOR INTERNATIONAL
BUSINESS CORPORATION CHARTER

TO: DIRECTOR OF INTERNATIONAL BUSINESS CORPORATIONS
MINISTRY OF FINANCE

1. Proposed Name: SWISS AMERICAN BANK LTD.

2. Registered Office and Name and Address of Resident Agent:
   P.O.Box 230, Redcliffe St., St.John's, Antigua.
   McAlister Abbott, P.O.Box 230, Redcliffe St., St.John's, Antigua, W.I.

3. Authorized Number of Shares by Class:

   1000 Common Shares US$1,000- per share.

4. Transferability Restrictions -- mark if applicable ☐

5. Number of Directors -- Maximum 6 Minimum 4

6. Restrictions to Corporate Purpose Clause:
   To conducting an international banking business as permitted by the International Business Corporations Act.

7. Securities Regulations Documents -- attached if applicable

8. Licence Applications -- Banking ☒ , Trust ☐ , Insurance ☐

9. Unanimous Shareholder Agreement -- attached if applicable

10. Incorporators: McAlister Abbott Cosmas Phillips Esq.

PLEASE SUBMIT THE FOLLOWING COPIES OF DOCUMENTS, IF APPLICABLE:

Application for International Business Corporation Charter (1)
Articles of Incorporation (3) [One certified copy returned]
Licence Applications (2)
Unanimous Sharesholders Agreement (2)

GOVERNMENT OF ANTIGUA AND BARBUDA

NOTICE OF REGISTERED OFFICE
OR
NOTICE OF CHANGE OF REGISTERED OFFICE

TO: DIRECTOR OF INTERNATIONAL BUSINESS CORPORATIONS

1. Name of Corporation: SWISS AMERICAN BANK LTD.

2. Name and Address of Registered Office:

   ANTIGUA INTERNATIONAL TRUST LTD.
   High Street / P.O. Box 1302
   St. John's, Antigua

3. Effective Date of Change: 7 July 1992

4. Name and Previous Address of Registered Office:
   ANTIGUA INTERNATIONAL TRUST LIMITED
   P.O. Box 1302
   Redcliffe Street
   St. John's
   Antigua, W.I.

5. Effective Date of Change: 7 July 1992

Date: 26 February 1997

(Corporate Director)
FOR AND ON BEHALF OF:
Antigua International Trust Ltd.

GOVERNMENT OF ANTIGUA AND BARBUDA

APPLICATION

TO: Supervisor of International Banks
and Trust Corporations -- Ministry of Finance

FOR AUTHORITY TO ORGANIZE AND OPERATE UNDER AN

International Banking Licence ☒ International Trust Licence ☐

PURSUANT TO SECTION 230 OF THE INTERNATIONAL BUSINESS CORPORATIONS ACT 1982, No. 28 OF 1982.

SWISS AMERICAN BANK LIMITED
(Name of Proposed Licensee)

P.O.BOX 230, REDCLIFFE STREET, ST.JOHN'S, ANTIGUA.
(Address of Proposed Licensee)

Date Submitted: 24th March 1983

PLEASE SUBMIT THIS APPLICATION AND ALL SUPPORTING DOCUMENTATION IN DUPLICATE ORIGINALS.

FOR OFFICIAL USE ONLY --

Received: _____
Tentative Licence Granted: _____
Ordinary Licence Granted: _____
Denial: _____

2 - APR 1983

WILLIAM COOPER.	W W Cooper

(Names of Organizer(s))

(hereinafter referred to as Applicant(s)), hereby apply to the Supervisor of International Banks and Trust Corporations, Ministr of Finance, (hereinafter referred to as the Supervisor), pursuant to Section 230, International Business Corporations Act, 1982, No. 28 of 1982, for authority to organize and operate

SWISS AMERICAN BANK LIMITED
(Name of Proposed International Business Corporation)

hereinafter referred to as "the IBC", under the following:

International Bank Corporation Licence
~~International Business Corporation Licence~~

CERTIFICATE

The Applicants hereby certify that the information contained in this application is true and complete to the best of their knowledge and belief; further, the Applicants accept the responsiblity of informing the Supervisor promptly of any changes in the information presented herein.

Executed this 24th day of MARCH, 19 83.

(Name)	(Signature)
WILLIAM COOPER.	W W Cooper

If the IBC is to be controlled by a holding company, submit the signature and title of the holding company representative.

W Cooper — VICE PRESIDENT
(Signature) (Title)

SWISS AMERICAN HOLDING CO.
(Holding Company)

NOTE: All organizers must sign the Certificate

1. Proposed name of IBC: SWISS AMERICAN BANK LIMITED

2. Proposed Address of IBC: P.O.BOX 230, REDCLIFFE ST., ST.JOHN'S, ANTIGUA.

3. Proposed capitalization of IBC:

Capital: US$1,000,000- No. of Preferred Shares: -

Surplus: - Par Value: -

No. of Common Shares: 1,000

Par Value: US$1,000-

4. Proposed directors of IBC (All organizers must be proposed directors of IBC):

(Name - Occupation)	(Address: City & State)
BRUCE RAPPAPORT	5, Quai du Mont Blanc, 1201 Geneva, Switzerland
FREDERICK ROCKEY	5, Quai du Mont Blanc, 1201 Geneva, Switzerland.
MARVIN WARNER	Warnerton Farms, 3677 Bradbury Road, Cincinnati, Ohio 45245 U.S.A
BURTON BONGARD	2374 Grandin Road, Cincinnati, Ohio 45208. U.S.A
STEPHEN ARKY	700 South Alhambra Circle, Coral Gables, Florida 33146. U.S.A.
WILLIAM COOPER	P.O.BOx 230, St.John's, Antigua.

5. Name, address and telephone number of person authorized by Applicants to receive correspondence for them:

William Cooper: Tel. 24460.
P.O.Box 230,
Redcliffe St.,
St.John's,
Antigua.

6. Attach a list of all the subscribers to the capital stock of the IBC, showing name, place of residence, and number of shares subscribed to. Any changes in proposed subscribers shall be reported promptly to the Supervisor, and in any event, within 30 days of prior to opening, whichever occurs first. - See Attachment A.

7. Are any of the proposed stockholders of five percent or more of the IBC's stock, other than directors and officers, connected with any other banking or trust institution by way of employment, directorship or ownership? If so, describe such relationship. - None.

8. Submit biographical information for each proposed director, officer and subscriber to five percent or more of IBC's stock.
   - See attachment B.

9. List the qualifications of the proposed directors and officers to operate an international or trust corporation successfully.
   - See attachment B

10. Are any of the proposed directors or officers of the IBC connected with any other bank or trust institution by way of employment, directorship or ownership? If so, describe such relationship.
   - See attachment C.

11. Have any of the proposed directors, officers or proposed stockholders of five percent or more of the IBC's stock ever been charged with or convicted of any criminal offense? If so, give details, including status of case. - None.

Attachment A.

SUBSCRIBERS TO STOCK

SWISS AMERICAN HOLDING COMPANY * 1000 Shares.
Galindo, Arias & Lopez,
Apartado 8629,
Panama 5, PANAMA. C.A.

* Swiss American Holding Company is wholly owned by a consortium of :-

Inter Maritime Bank,
5, Quai du Mont Blanc,
1201 Geneva,
Switzerland.

Home State Financial Services Inc.
2727 Madison Road,
Cincinnati, Ohio, 45209,
U.S.A.

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____61b_____

Exhibit 61b.

Bank Ownership

MAY 8 - 1978

THE BANK OF NEW YORK

CALL REPORT

☒ ROUTINE ☐ NON-ROUTINE*

DATE: April 11, 1978

Ref: Business Development Procedure DPP C.01.040 Section 1

TO: Mr. Harvey V. Delapena, Jr.

FROM: Mr. Robert van Marx

NAME: Intermaritime Bank, 5 Quai du Mont-Blanc
CITY: Geneva
STATE (OR COUNTRY): Switzerland

☐ CUSTOMER ☐ PROSPECT

CALL DETAILS

PERSON(S) CONTACTED (TITLE/POSITION)

Mr. Henri Mattis

Mr. Bruce Rappaport

CROSS REFERENCE

CALL FOLLOW-UP DATE

CHECK APPROPRIATE BOX(ES): We ☒ CALLED ON ☐ TELEPHONED ☐ CORRESPONDED

☐ ENTERTAINED: _____ (FUNCTION)

SYNOPSIS OF CALL

EVALUATION OF RESULTS: ☐ VERY GOOD ☒ GOOD ☐ FAIR ☐ POOR ☐ NEGATIVE ☐ NO EVALUATION

SERVICES OFFERED:

SUMMARY OF CALL RESULTS:

Messrs. Flanders and van Marx called on Mr. Mattis on April 10 and again on April 11 to meet also with Bruce Rappaport. Our luncheon for today was cancelled because they are holding an extraordinary meeting.

Mr. Rappaport has gottan together with the Gokal Brothers, Pakastanians, who will put in Francs 6,000,000 of capital for 20% of the bank. The Gokal's apparently are low-keyed, but extremely wealthy Pakastanians who own and operate at least 200 dry-cargo ships and have their fingers in numerous companies. Part of the agreement is that the Gokals will do at least $200,000,000 worth of business through Intermaritime Bank per year, as a starter. This business will consist largely of letter of credit business, for which Intermaritime Bank at this moment is not equipped.

AMPLIFYING DETAILS

EXPLAIN BRIEFLY

Mattis has made a study and has contacted several retired letter of credit department heads who will be willing to work for the bank for a brief period to break in his own staff. He wanted to know if we would be interested in assisting them, not so much in the confirmation of letters of credit, but as reimbursing credits. We explained to him that we would be happy to act on their telex authority, but would not want to get involved in seeing the actual credits of copies thereof, this in order not to get involved in boycott clauses complications.

This morning, Rappaport told Mr. Mattis that he already made arrangements for handling of letters of credit through Credit Suisse in London and Geneva. Their main bank in Switzerland is Credit Suisse in Lausanne.

Rappaport continues to operate at a remarkable speed, consuming one deal after an other. It is fortunate that he has Mattis as General Manager of the bank, who is the detail man tying up loose ends.

RETURN ORIGINAL PLUS 1 COPIES TO:
NAME Jean Spinelli LOCATION Ground 20 Broad

CC: LONDON OFFICE

ALSO CONSIDER AREAS BELOW FOR COPIES

*FOR NON-ROUTINE SPECIAL DISTRIBUTION AFFECTING:

☐ HOLDING COMPANY (1 COPIES) ☐ BROKER GROUP (1 COPY)

BNYSEN05508

MAY 8 - 1978

April 11, 1978

Intermaritime Bank
Geneva, Switzerland

Rappaport asked us if we would be interested in handling a "large amount of money" from the Middle East, which is as far as I can see would be coming through Intermaritime Factoring S.A., which is a company which up until now has more or less been dormant. No exact size was mentioned, but Mr. Mattis said latter that these amounts would be substantial. Most likely they are funds eminating from the Gokal Group.

RvM

AUG 7 - 1978

TO: Harvey Delapena, Jr.
Senior Vice President

FROM: Frederik J. Van Den Hogen
Assistant Vice President

The Bank of New York

CALL REPORT

☒ ROUTINE ☐ NON-ROUTINE *

DATE 4th August, 1978

Ref: Business Development Procedure OPP C.01.B48 Section 1

NAME INTER MARITIME BANK, Geneva Switzerland ☒ CUSTOMER ☐ PROSPECT

CALL DETAILS

PERSON(S) CONTACTED (TITLE/POSITION)

Mr. Frederick W. Rockey
Manager

CROSS REFERENCE

CALL FOLLOW-UP DATE

CHECK APPROPRIATE BOXES:

☐ WE ☒ THEY ☒ CALLED ON ☐ ENTERTAINED: _____ (FUNCTION) ☐ TELEPHONED ☐ CORRESPONDED

EVALUATION OF RESULTS: ☐ VERY GOOD ☒ GOOD ☐ FAIR ☐ POOR ☐ NEGATIVE

(Reasons offered and summary of call results)

SYNOPSIS OF CALL

Messrs. Ross and Van Den Hogen received a visit from Mr. Rockey.

AMPLIFYING DETAILS

EXPLAIN BRIEFLY

Mr. Rockey explained that he had joined Inter Maritime Bank two months ago after having spent 7 years with First National Bank of Chicago in Geneva, with the main objective to develop the commercial and investment banking side of the bank, which in the past mainly served as an in-house bank for its fellow shipping subsidiaries.

Mr. Rockey was aware of our good account relationship in New York and looksforward to further developing our relationship. He told us that most of their financing is still related to shipping, however, he aims to diversify his loan portfolio. He told us that Mr. Abbas K. Gokal, who is a major shareholder in Gulf Shipping has recently become a shareholder in the Inter Maritime Group and has contributed about SwFr 8 million in capital.

cont'd

RETURN ORIGINAL PLUS 1 COPIES TO:

NAME	LOCATION
Mrs. Eleanor O. Clark	20 Broad/Gr. Fl.

cc: Mr. H.J. Poduska
Mr. R. Van Marx

*FOR NON-ROUTINE SPECIAL DISTRIBUTION AFFECTING:

☐ HOLDING COMPANY (2 COPIES) ☐ BROKER GROUP (1 COPY)

BNYSEN05510

MAY 5 - 1981

The Bank of New York

CALL REPORT

To Mr. H.V. Delaplena, Jnr.

FROM Owen A. Brady
John A. Ross

☒ ROUTINE ☐ NON-ROUTINE *

DATE 23rd April, 1981

Ref Business Development Procedure DPP C.01.040 Section 1

NAME Inter Maritime Bank, 5, Quai du Mont-Blanc, CH-1201 Geneva, Switzerland.

☐ CUSTOMER ☐ PROSPECT

CALL DETAILS

PERSON(S) CONTACTED (TITLE/POSITION)

Mr. Frederick W. Rockey,
Managing Director.

CROSS REFERENCE

CALL FOLLOW-UP DATE

CHECK APPROPRIATE BOXES

☒ WE
☐ THEY

☒ CALLED ON
☐ ENTERTAINED:

☐ TELEPHONED

☐ CORRESPONDENCE

(FUNCTION)

EVALUATION OF RESULTS: ☐ VERY GOOD ☐ GOOD ☐ FAIR ☐ POOR ☐ NEGATIVE

(Services offered and summary of call results)

SYNOPSIS OF CALL

AMPLIFYING DETAILS

EXPLAIN BRIEFLY

The purpose of this visit was two-fold: one to introduce Owen to Fred Rockey, so that Owen would have a better understanding of the nature of Inter Maritime Bank. Secondly, to discuss various options open to us regarding renegotiation of the Ban Chu/Ben Chuan shipping loans.

As I was well aware, Fred reiterated the fact that Inter Maritime Bank is still very much dominated, business wise, by Rappaport's various businesses, particularly on the liability side. In Switzerland, the natural asset offset to this are deposits and due from banks. Under Swiss law, the bank is forbidden to have an exposure to its principle shareholder beyond a fixed ratio against capitalisation. Because the total capitalisation of Inter Maritime Bank is no more than $20 million approximately, the bank's total exposure to Rappaport's various enterprises is no more than approximately $4 million.

There is no business development programme, other than that done by Rappaport with his friends. Ctd

RETURN ORIGINAL PLUS 2 COPIES TO:

NAME Mrs. Eleanor D. Clark

LOCATION 48 Wall/19th Fl.

cc Mr. O.A. Brady

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☐ HOLDING COMPANY (2 COPIES)

☐ BROKER GROUP (1 COPY)

BNYSEN05524

Call report dated 23rd April, 1981, re Inter Maritime Bank, Geneva, dictated by Mr. J. A. Ross

The main purpose of the bank is simply to recycle the enormous cash position that Rappaport's various enterprises maintain. Furthermore, there is no likelyhood of a position change in the near future.

Fred asked if we would consider a foreign exchange line and neither Owen nor I saw any reason why we shouldn't, particularly as Inter Maritime Bank has placed large deposits with us, which exceed, by three-fold, our deposits to them.

We also discussed renegotiation of the Ban Chu/Ben Chuan shipping loans and what was determined was that Rappaport's main concern was the rate of interest, i.e. LIBOR plus 2 1/4% margin. We offered to renegotiate on several basis, i.e., reduce margin, increase the length of the loan, increase the amount outstanding on each vessel, etc., etc. Apparently, Rappaport had not, as yet, had time to consider precisely what it was he did want, although obviously it has been established he does not like paying LIBOR plus 2 1/4%. Originally, we thought that it was the margin of 2 1/4% that upset him, in view of the fact that the market now is no more than 1 1/2 to 1 5/8%. Apparently, however, his main concern was the total rate of interest and wished us to consider some form of fixed rate financing. I informed Fred that we would be perfectly happy to consider this, provided we could match-fund ourselves. However, at the current moment, I thought this was ill-advised on their part, because there is relatively very little difference between six month LIBOR and five year LIBOR.

In conclusion, he decided to pass my comments on to Rappaport and await his reaction.

MAR 9 1983

The Bank of New York

CALL REPORT

TO: [illegible] BETZ III ONS

FROM: RICHARD J. GOLDING ☐ ROUTINE ☒ NON-ROUTINE

DATE: 8 February 1983

Ref: Business Development Procedure OPP 2.01.04C Section 4

NAME: INTERMARITIME MANAGEMENT S.A., Geneva, Switzerland. ☒ CUSTOMER ☐ PROSPECT

CALL DETAILS

PERSON(S) CONTACTED/TITLE/POSITION:
David Wallace, Director of Finance
Ben Gilliat, Vice President of Finance
Jacques Jones
Fred Rockey

CROSS REFERENCE:
Ban Chu/Beng Chuan
Intermaritime Bank

CALL FOLLOW UP DATE:

CHECK APPROPRIATE BOXES

☐ WE ☒ THEY ☐ CALLED ON ☒ ENTERTAINED: luncheon ☐ TELEPHONED ☐ CORRESPONDED

FUNCTION:

EVALUATION OF RESULTS ☐ VERY GOOD ☐ GOOD ☐ FAIR ☐ POOR ☐ NEGATIVE

(Services offered and summary of call results)

SYNOPSIS OF CALL

David Wallace and Ben Gilliat entertained John Farrell and Richard Golding to lunch. After lunch David Wallace introduced us to Fred Rockey and we were able to spend some time with Jacques Jones who looks after the legal affairs of IMM. We called in at Intermaritime both to update ourselves on Rappaport's shipping and other activities and to discuss the attempt by Mosvolds to repudiate the m.v. Berjaya charterparty, on the grounds that the vessel was in poor condition and should be prematurely dry docked.

AMPLIFYING DETAILS

EXPLAIN BRIEFLY

The m.v. Berjaya and her sistership, the m.v. Sentosa, are part of the security package on our Ban Chu/Beng Chuan loan. Both vessels are chartered at around $5,500 per day to Mosvolds (original owners of the ships and who still have small second mortgages on the vessels). This rate compares with present spot market rates for the vessels of less than $3,000 per day. The time charters have another ten months to run although overall they have not worked out badly for Mosvolds - in the dry cargo boom market two years ago Mosvolds were able to sub charter the vessels at up to $10,000 per day. Mosvolds are clearly anxious to reduce their losses on these time charters and have used a pretext to threaten to put the m.v. Berjaya off hire. We made it clear to David Wallace and Jacques Jones that we understood the commercial position which has led Mosvolds to attempt to cancel the charter. We were told that the dispute would probably go to arbitration (with hires in the meantime being paid into a joint escrow account) and we emphasised our desire to work closely with owners to protect their commercial position. The m.v. Sentosa charter is as yet unaffected. Since our return, Intermaritime have ensured that sufficient money was on the operating account to cover the latest loan instalment ($50,000 principal value 28th February, plus interest of $20,694.)

RETURN ORIGINAL PLUS 4 COPIES TO

NAME: Eleanor D. Clark LOCATION: 48 Wall/19th Fl.

cc Harvey V. DeLaveaga
John K. Farrell

Tpo Perry
Jeffrey Fesco
Owen Brady

* FOR NON ROUTINE SPECIAL DISTRIBUTION AFFECTING

☐ HOLDING COMPANY (2 COPIES) ☐ BROKER GROUP (1 COPY)

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BNYSEN05534

CONTINUATION / INTERMARITIME MANAGEMENT S.A MAR 5 1983

-2-

David Wallace discussed with us the decision by London branch to decline to handle all the operating accounts for the ten vessels in the Intermaritime fleet. He explained that the sheer volume of payments would have been too great for the branch (possibly over two hundred payments per week, with many being small crew payments to India and the Far East). Intermaritime are now using Chase Manhattan in London to handle the routine operations side of their fleet management business.

We also discussed Rappaport's relationship with Gulf Shipping and the problems that had been encountered on dissolving the two ship joint venture between the parties Essentially Rappaport wants to reduce his shipping commitments (where he is losing money because he has no captive trades of his own) and Abbas Gokal wants to sell his 20% stake in Intermaritime Bank, Geneva. Rappaport would prefer to receive cash for disoanding the joint venture, whereas Abbas Gokal would prefer to offset the sale proceeds of his IMB shares against the joint venture dissolution monies. Whilst we were in the office Jacques Jones received a telex confirming settlement on the two vessels, although it appeared from subsequent negotiations that the terms of the settlement were not totally clear. It is likely that the dispute may continue for some time.

During lunch Ben Gilliat mentioned that Rappaport now held some 7.5% of The Bank of New York and that he had recently purchased some more shares at $42. His average buying price was estimated at $28 per share. David Wallace, who looks after most of Rappaport's personal investments, shipping interests and his interest in IMB and various oil refineries, told us that Rappaport would have a large cash flow deficit in1983. His shipping interests were losing money and he had very heavy losses in his Belgian and Antiguan oil refineries, both of which were being operated well below break even levels.

We were left with the impression that the depressed state of most of Rappaport's business investments had created a low level of morale at IMB and that Rappaport's day to day influence itself was now less, particularly after his heart attack at the end of last year.

SWISS — AMERICAN NATIONAL BANK OF ANTIGUA

March 11, 1993

Ms. Donna Alexander
Vice President
NationsBank International Miami
Latin American Region
80 Southwest 8th Street, 23rd Floor
Miami, Florida 33130-3047

Dear Ms. Alexander:

As discussed, we wish to expand our relationship with NationsBank in various areas; clearings, collections, wire transfers and L/C's and ask you to consider the establishment of a line of credit for the confirmation of our L/C's. To this end, I am pleased to enclose draft copies of our 1992 audited statements. Final, signed copies are expected to be available in two weeks with no material alterations. In addition, I would like to provide you with some background information regarding the Swiss American Bank Group. Although your account relationship is with Swiss American National Bank of Antigua, I think it is appropriate to review the group as a whole and then discuss the role of Swiss American National Bank of Antigua.

The Swiss American Banking Group consists of Swiss American Holdings SA, a Panamanian company which owns 100% of Swiss American Bank Ltd, Swiss American National Bank of Antigua Ltd and Antigua International Trust Ltd. Swiss American Holdings SA is wholly owned by the Intermaritime Group in Geneva which has significant interests in oil refining, transportation, banking and real estate development. The net worth of the Group as a whole is well in excess of US $ 1.0 billion and is owned by the Rappaport family. Important holdings of the Intermaritime Group include an eight percent interest in the Bank of New York, the Intermaritime Bank in Geneva, a joint venture with the Bank of New York that recently acquired the Security Pacific private banking operations in Switzerland, Hong Kong and Uruguay, and the Belgium Oil Refinery, which is largest independent oil refinery in Europe.

The Swiss American Bank Group has numerous relationships with other financial organizations which include Bank of New York, Bank of America, Chase Manhattan, Toronto Dominion, Midland Bank PLC, National Westminster, and Bank of Bermuda. In addition, we are principal members of Visa and MasterCard. We also place investments on behalf of clients and for the Bank's own account with Dean Witter Reynolds, Merrill Lynch and Shearson Lehman Brothers.

Swiss American National Bank is a domestic retail bank that offers a full range of commercial banking services in Antigua and is regulated by both the Ministry of Finance and the Eastern Caribbean Central Bank. It operates principally in EC Dollars and its clientele consists principally of local merchants and individuals. Swiss American National Bank has five full service branches in Antigua and has a 15% market share as measured by deposits.

/..

,ANBANK

This is a significant share of the market in view of the competition that we face; there are a total of nine retail banks operating in Antigua, six of which are branches of major multinational institutions. Although we endeavor to provide the highest quality of service on the island to a broad range of clients, we have targeted the travel and entertainment industry as our particular market niche. We have been successful in this area, thus providing the best international banking services available here.

Swiss American Bank Ltd was incorporated under Antigua's International Business Corporations Act in 1981 and is regulated by the Ministry of Finance. We provide general banking services in six major currencies. However, we emphasize our US dollar private banking services as our clientele consists principally of high net worth individuals residing in North America and Europe.

Antigua International Trust Ltd is incorporated under Antigua's International Business Corporations Act, and provides trust services, corporate formation and secretarial services to our international clients, AIT administers approximately 1000 Trusts and IBC Corporations.

Pannell Kerr Foster is our external auditor and we have recently contracted Coopers & Lybrand to perform ongoing internal audits.

The Swiss American Bank Group employs a staff of 62 and shares a Management team which consists of the following key individuals:-

John Greaves, General Manager	Senior manager with Barclays International for sixteen years before joining Swiss American in 1986. Mr. Greaves completed his graduate work at the London School of Economics.
David McManus, Deputy General Manager	Held senior positions with Lloyds Bank International for ten years prior to joining Swiss American in 1986. Mr. McManus holds a Masters Degree in Economics from the University of Miami.
Lester Andall, Operations Manager	Joined the Bank in 1990 after having served as Operations Manager for eight years at the National Commercial Bank of Grenada. Mr. Andall holds an MBA from the Henley Management College UK.

/..

ANBANK

March 11, 1993
Ms. Donna Alexander
Page 3.

Kenneth Fisher, Business Manager	Joined the Bank in 1990. Mr. Fisher served with Royal Bank of Canada in various managerial positions around the Caribbean during a sixteen year period.
Romell Tiwari, Financial Controller	Prior to joining the Bank, Mr. Tiwari worked as a manager with Price Waterhouse in Antigua and as an accountant at Shell Antilles in Barbados. Mr. Tiwari is a certified accountant.

Our Board of Directors include the following individuals:

- Mrs. Susan Wilson, Accountant - Hamilton Bermuda
- Mr. Ronald Sanders, Business Consultant - London
- Mr. Alan Thomson, Business Consultant - Hamilton Bermuda
- Mr. Burton Kanter, Attorney - Chicago, Ill. USA
- Mr. John Greaves, Banker - St. John's, Antiuga

Please do not hesitate to contact me if your require any additional information.

Regards,

David A. McManus
Deputy General Manager

DAM/md

Encl.

DMD2055

SWISS AMERICAN BANK LTD.

001027

March 05, 1993

Mr. Thomas Wulff
Vice President
Bank of America
1000 Brickell Avenue
Miami, Florida 33131

Via Fax No: 305-530-4150

Dear Mr. Wulff:

As discussed, I would like to provide you with some background information regarding the Swiss American Bank Group. Although your account relationship is with Swiss American Bank Ltd, I think it is appropriate to review the group as a whole and then discuss Swiss American Bank's role.

The Swiss American Banking Group consists of Swiss American Holdings SA, a Panamanian company which owns 100% of Swiss American Bank Ltd, Swiss American National Bank of Antigua Ltd and Antigua International Trust Ltd. Swiss American Holdings SA is wholly owned by the Intermaritime Group in Geneva which has significant interests in oil refining, transportation, banking and real estate development. The net worth of the Group as a whole is well in excess of US $ 1.0 billion and is owned by the Rappaport family. Important holdings of the Intermaritime Group include an eight percent interest in the Bank of New York; the Intermaritime Bank in Geneva, a joint venture with the Bank of New York that recently acquired the Security Pacific private banking operations in Switzerland, Hong Kong and Uruguay, and the Belgium Oil Refinery, which is largest independent oil refinery in Europe.

Swiss American Bank Ltd, was incorporated under Antigua's International Business Corporations Act in 1981 and is regulated by the Ministry of Finance. We provide general banking services in six major currencies. However, we emphasize our US dollar private banking services as our clientele consists principally of high net worth individuals residing in North America and Europe. The Swiss American Bank Group has numerous relationships with other financial organizations which include Bank of New York, NationsBank, Chase Manhattan, Toronto Dominion, Midland Bank PLC, National Westminster, and Bank of Bermuda. In addition, we are principal members of Visa and MasterCard. We also place investments on behalf of clients and for the Bank's own account with Dean Witter Reynolds, Merrill Lynch and Shearson Lehman Brothers.

Swiss American National Bank is a domestic retail bank that offers a full range of commercial banking services in Antigua and is regulated by both the Ministry of Finance and the Eastern Caribbean Central Bank. It operates principally in EC Dollars and its clientele consists principally of local merchants and individuals. Swiss American National Bank has five full service branches in Antigua and has a 15% market share as measured by deposits.

S.A.B.

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/..

S.A.B.

Our Board of Directors include the following individuals:

- Mrs. Susan Wilson, Accountant - Hamilton Bermuda

- Mr. Ronald Sanders, Business Consultant - London

- Mr. Alan Thomson, Business Consultant - Hamilton Bermuda

- Mr. Burton Kanter, Attorney - Chicago, Ill. USA

- Mr. John Greaves, Banker - St. John's, Antiuga

Please do not hesitate to contact me if your require any additional information.

Regards,

David A. McManus
Deputy General Manager

DAM/md

DMD1028

000035

SWISS — AMERICAN NATIONAL BANK OF ANTIGUA

June 10, 1991

Mr. Avil Allen
Bank of America
335 Madison Ave.
New York, New York
10017

Dear Avil:

Confirming our recent conversation, we wish to close out the account of Swiss American National Bank of Antigua and initiate a new account in name of Swiss American Bank Ltd.

As discussed, Swiss American National Bank of Antigua is a domestic commercial - retail bank whereas Swiss American Bank Ltd operates under the Antigua IBC Act and caters exclusively to non residents. Both entities are wholly owned by Swiss American Holdings Ltd., which in turn is a member of the Inter-Maritime Group based in Geneva.

We are making this change because the time has come to better divide the activities of the two entities and as the transactions that have been handled through Bank of America traditionally have been more oriented towards Swiss American Bank Ltd., we feel that we should have the account in that name.

We enclose copies of our Articles of Association and Financial Statements for both entities, as well as a list of approved signatories.

Please advise what additional information you will require.

Sincerely,

David A. McManus
Deputy General Manager

DAM/md

c.c. Thomas Wulff

DMMD105

MEMORANDUM

To: Dorothy A. Kmetz

From: Jean-Pierre Saint Victor

Date: February 4, 2000

Re: Swiss American National Bank of Antigua
St. John's Antigua, W.I.

After review a complete review of our files, we are providing you with the following synopsis on Swiss American National Bank of Antigua's ownership and The Bank of New York's exposure to the institution since January 1, 1996:

1) **Ownership**

Swiss American National Ban of Antigua is 100% owned by:

a) Swiss American Holding, Panama which in turn is 100% owned by
b) Carlsberg, Bermuda which is in turn is 100% owned by
c) A charitable trust owned by Mr. Bruce Rappaport

2) **Credit Lines**

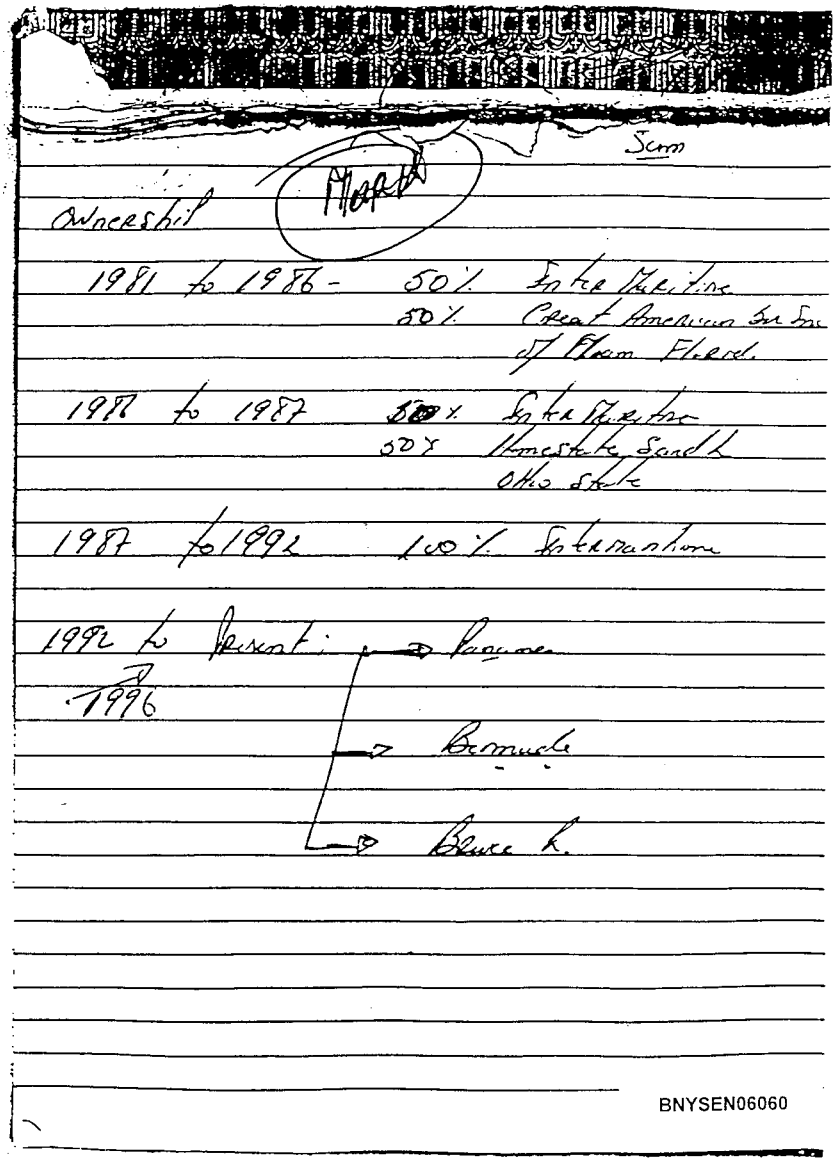
Our records reveal for this period that Swiss American National Bank had the following 100% cash collateral lines with The Bank of New York:

4/25/96 usage 8815 dd

ADV/SLC	$1.2 million
ADV/SLC	$1.6 million
Total:	$2.8 million

$2.8 million is the maximum exposure from 1996 to 1999 year we closed the relationship.

jps



Sum

Ownership

Mark

1981 to 1986 - 50% Inter Maritime
50% Great American Bus Inc
of Plum Florida

1986 to 1987 50% Inter Maritime
50% Homestake Sand L
Ohio State

1987 to 1992 100% Intermarshone

1992 to Present: → Panama
1996
→ Bermuda
→ Bruce L.

BNYSEN06060

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

C.A. No. 97-CV-12811 (~~GAO~~) RWZ

UNITED STATES OF AMERICA,

Plaintiff,

v.

SWISS AMERICAN BANK, LTD., SWISS AMERICAN NATIONAL BANK, SWISS AMERICAN HOLDING COMPANY S.A. OF PANAMA, AND INTER MARITIME BANK, GENEVA,

Defendants.

FILED IN CLERK'S OFFICE
APR 9 12 03 PM '98
U.S. DIST. COURT
DISTRICT OF MASS.

DOCKETED

AFFIDAVIT OF STEPHEN BEEKMAN

I, Stephen Beekman, hereby make the following statement based upon personal knowledge and information derived from business records:

1. I am Senior Manager at Bank of New York -- Inter Maritime Bank, Geneva ("BNY-IMB" or the "Bank") (formerly known as Inter Maritime Bank). I have held this position since 1991. As Senior Manager, I am also Secretary to the Board of Directors, a member of the Bank's management committee, a member of the Bank's credit committee, and a senior account officer.

2. I am familiar with the Complaint in this action, which was served by the United States on BNY-IMB on March 4, 1998.

3. BNY-IMB is a privately-held bank headquartered and registered in Geneva, Switzerland. It is operated under Swiss banking laws and regulations and supervised by the Swiss Federal Banking Commission.

4. As the result of The Bank of New York's acquisition of 19.9% of the shares of Inter Maritime Bank in 1989, the Bank's name was changed from Inter Maritime Bank to Bank of New York - Inter Maritime Bank ("BNY-IMB"). See Affidavit of Stephen Beekman dated March 12, 1998, incorporated herein by reference, at para. 6. For the purposes of this Affidavit, I refer to the Bank as "BNY-IMB" with respect to activities of the Bank during all relevant time periods.

5. Prior to December 28, 1987, BNY-IMB owned one hundred percent (100%) of the shares of Swiss American Holding Company/S.A. of Panama ("SAHC"). During the period of ownership, SAHC owned Swiss American Bank Ltd. and Swiss American National Bank. BNY-IMB has never owned shares of Swiss American Bank Ltd. or Swiss American National Bank.

6. On December 28, 1987, BNY-IMB sold all of its shares of SAHC to an unrelated entity in which BNY-IMB had no interest or control, in a transaction in which all obligations of the parties were completed by December 15, 1988. Since the end of 1988, BNY-IMB has not owned any shares or held any interest in SAHC.

7. The cash, which is alleged to amount to approximately $7,000,000 ("$7,000,000"), that is the subject of this action was never held on deposit by BNY-IMB and BNY-IMB otherwise had no control over or access to the cash (or ability to control or obtain access to the cash) during the relevant time period. Moreover, BNY-IMB never received any of the $7,000,000 for any purpose.

8. BNY-IMB has never maintained accounts or held funds on deposit for Joseph Murray, Michael Murray, John E. Fitzgerald, or any business entities created by them or on their behalf by Peter F. Herrington as described in the Complaint.

I, STEPHEN BEEKMAN, SWEAR UNDER THE PAINS AND PENALTIES OF PERJURY, THAT THE FOREGOING STATEMENTS ARE TRUE AND CORRECT. EXECUTED THIS 7 DAY OF APRIL, 1998 AT GENEVA, SWITZERLAND.

STEPHEN BEEKMAN

I CERTIFY THAT I SENT A COPY OF THE FOREGOING DOCUMENT TO COUNSEL OF RECORD BY MAIL/~~HAND~~ ~~DELIVERY~~ ON 4/9/98

IRENE C. FREIDEL

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____61c_____

Exhibit 61c.

Bank Leadership

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

Division for the Purpose of
Appointing Independent Counsels
Ethics in Government Act of 1978

Division No. 87-1

Before: MacKinnon, Senior Circuit Judge, Presiding,
Morgan, Senior Circuit Judge and Pell,
Senior Circuit Judge

REPORT OF INDEPENDENT COUNSEL

In Re

EDWIN MEESE III

JAMES C. McKAY
Independent Counsel

CAROL ELDER BRUCE
Deputy Independent Counsel

BERNARD JOHN BARRETT
SUSAN K. BENDER
NEWMAN T. HALVORSON, JR.
RICHARD A. FRIEDMAN
CHARLES A. BLANCHARD
Associate Independent
Counsel

Washington, D.C.
July 5, 1988

evidence is insufficient to conclude that any of the official acts performed by Mr. Meese that directly or indirectly benefited Mr. Wallach violated 18 U.S.C. §§ 201, 211 or any other federal criminal law.

VIII. MR. MEESE'S INVOLVEMENT IN THE AQABA PIPELINE PROJECT

In the course of obtaining documents from the Office of the Attorney General, the independent counsel learned that Mr. Wallach and Mr. Meese were involved during 1985 in the Aqaba pipeline project. The independent counsel investigated the question whether their conduct violated the Foreign Corrupt Practices Act, and whether certain official acts Mr. Meese performed in connection with the project were rewarded by unlawful gratuities from Mr. Wallach.

Bechtel Great Britain, Ltd., one of the Bechtel Group of companies (Bechtel), proposed to Iraq and Jordan in 1983 that a pipeline be constructed from Kirkuk, Iraq, to the Jordanian port of Aqaba. Both Iraq and Jordan were receptive to the proposal; however, Iraq expressed fears that Israel might attack the pipeline.

Iraq's fear increased as negotiations on the proposed pipeline progressed. By mid-1984, Iraq was insisting that prospective lending agencies agree in advance to forgive Iraq's construction financing obligations during any interruption of the pipeline's construction or operation caused by an Israeli hostile act. Bechtel determined that this was an

impossible demand to satisfy and, by November 1984, concluded that the project would never succeed.

Bruce Rappaport, a wealthy Swiss industrialist and financier, learned of Bechtel's problem and approached the company with a solution. In January 1985, Mr. Rappaport proposed to Bechtel that he obtain from his friend, Prime Minister of Israel Shimon Peres, a written guarantee of pipeline security. In addition, he asserted that he would assemble a fund to insure the debt service for the pipeline during any interruption caused by Israeli aggression.

Mr. Rappaport insisted in his discussions with Bechtel that the Government of Israel would require a quid pro quo for a written security guarantee. Mr. Rappaport then negotiated with Bechtel an exclusive oil lift agreement including a 10 percent discount. The agreement would generate substantial profits for him, a portion of which he intended to pay to Israel in satisfaction of the quid pro quo.

In February 1985, Mr. Rappaport obtained a letter from Prime Minister Peres in which Mr. Peres indicated a willingness to consider providing a security guarantee in the future.

After it became apparent that he could not obtain a financial commitment from Israel to guarantee payment of the pipeline financing, Mr. Rappaport decided to come to the United States to seek United States government support for the

project, and to develop an insurance fund with such government support.

Mr. Wallach was recommended to Mr. Rappaport as someone who could assist Mr. Rappaport in obtaining support from the United States government. In May 1985, Mr. Rappaport first met Mr. Wallach in Washington, D.C., and retained him to assist on the project. Within hours of that first meeting, Mr. Wallach contacted Attorney General Meese and sought his assistance in obtaining United States government support for financing a political-risk insurance fund to support an Israeli pipeline security guarantee.

The independent counsel investigated Mr. Meese's actions in response to this and later contacts by Mr. Wallach, as well as his response to others in connection with the Aqaba pipeline project. The investigation was hampered by several circumstances. Mr. Wallach asserted his privilege under the fifth amendment not to be a witness against himself. Mr. Rappaport was willing to give an unsworn preliminary interview in return for full immunity. Later, however, after entering into a cooperation agreement with the independent counsel, Mr. Rappaport was unwilling to answer questions under oath or agree to any additional interviews unless the independent counsel first agreed that he could not and would not be prosecuted for obstructing justice or willfully giving false statements during any interview. The independent counsel refused to grant Mr. Rappaport the requested blanket

immunity, and terminated the cooperation agreement. The investigation was further hampered by the unavailability of the testimony of key Israeli government officials, including current Foreign Minister Shimon Peres.7/

In summary, the independent counsel's investigation of the Aqaba pipeline project revealed the following:

In late May or early June, 1985, Mr. Meese, knowing that Mr. Wallach was retained by Mr. Rappaport to assist him in connection with an overseas commercial enterprise, contacted National Security Advisor Robert C. McFarlane and requested that he meet with Mr. Wallach about the pipeline matter.

At the time of this first contact, the question of Mr. Meese's debt to Mr. Wallach for legal fees arising from Mr. Wallach's representation of Mr. Meese in an independent counsel investigation had not been resolved by the court.

It was highly unusual for a Cabinet officer to request Mr. McFarlane to meet with the Cabinet officer's friend about a matter of commercial interest to the friend.

7/ By contrast, the independent counsel received the full cooperation of Bechtel and its current and former employees; and from the White House, the National Security Council, the Department of State, the Department of Justice, the Overseas Private Investment Corporation, the Central Intelligence Agency, and others. These and other government agencies collected voluminous amounts of documentary evidence, assisted in the identification of potential witnesses, and reviewed documents for security classification decisions.

Mr. McFarlane regarded Mr. Meese as his superior and obliged Mr. Meese by agreeing to meet with Mr. Wallach.

Mr. McFarlane met with Mr. Wallach and Mr. Rappaport in June 1985, and gave his assurances that he and his staff at the National Security Council (NSC) would assist them in efforts to fund the insurance package.

Mr. McFarlane immediately assigned a senior staff member, Roger J. Robinson, Jr., to oversee the NSC efforts to obtain the requisite funding. Mr. Robinson worked diligently with the Overseas Private Investment Corporation (OPIC), a federal agency, and with Mr. Wallach in this endeavor. Mr. Rappaport and Mr. Wallach took it upon themselves to assemble a "salvage package" for the insurance fund. The salvage package was to be a readily available fund of money from which OPIC and another co-insurer could obtain reimbursement in the event Israel broke its commitment and damaged the pipeline.

Mr. Wallach kept Mr. Meese informed throughout the summer and fall of 1985 of the progress in assembling the political risk insurance package and a salvage package for the insurers. In promoting the project during this time period, Mr. Wallach met with Mr. Rappaport, United States government officials, Jordanian government officials, private lending institutions, and others.

In mid-August 1985, Mr. Wallach received a fee of $150,000 for his services to Mr. Rappaport. At Mr. Wallach's

specific request, Mr. Rappaport wired the $150,000 to Mr. Chinn's bank.[8/]

In mid-September 1985, Mr. Rappaport obtained from Prime Minister Peres a hand-written letter from the Prime Minister addressed to Attorney General Meese. Mr. Rappaport summoned Mr. Wallach to Geneva to relate the circumstances of his receipt of the letter and to give Mr. Wallach the letter for delivery to Mr. Meese.

Mr. Peres told Mr. Meese in the letter that he was "following with great interest the projected pipeline from Iraq to Jordan as a possible additive to introduce economic consideration to this troubled land." He indicated that he "would go a long way to help [the pipeline project] out." The Prime Minister requested that Mr. Meese arrange a contact on the pipeline matter with the appropriate United States official. He ended by noting that he had "asked my friends Bruce and Bob to let you know the whole story," and would

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8/ Expense reimbursements of approximately $32,000 from Mr. Rappaport were concealed in Mr. Wallach's accounting records. Mr. Wallach failed to report the $150,000 as income in 1985, or pay taxes on it, in possible violation of 26 U.S.C. § 7201. When the independent counsel requested production of certain of Mr. Wallach's federal income tax returns, Mr. Wallach informed his tax lawyer of the income, who promptly filed an amended income tax return in June 1987. The independent counsel is referring this matter pertaining to Mr. Wallach to the Department of Justice Tax Division for further investigation and possible prosecution.

"depend on [Mr. Meese's] judgment about the best way to handle this matter."

Mr. Wallach personally delivered the letter to Mr. Meese on or about September 25, 1985, along with two memoranda from Mr. Wallach to Mr. Meese of that date. The memoranda reiterated the history of the United States government involvement in the pipeline project since May of 1985. In the memoranda, Mr. Wallach explained the purported significance of, and sensitivities involved in, the Israeli security guarantee issue, and urged a direct United States commitment to the funding of the salvage package.

In one of the memoranda which was labeled "Personal and Confidential -- FOR YOUR EYES ONLY," Mr. Wallach emphasized Mr. Rappaport's ties to the Israeli Labor Party, and spoke in positive terms of the United States' interests in a strong Israeli Labor Party. Mr. Wallach wrote:

> B.R. has been financing private polls for quite a long time in Israel on behalf of labor-Peres. They demonstrate an increasing strength for labor and the high probability of elections, no later than March 1986.
>
> He confirmed the arrangement with Peres to the effect that Israel will receive somewhere between $65-70 million a year for ten years out of the conclusion of the project. What was also indicated to me, and which would be denied everywhere, is that a portion of those funds will go directly to Labor.

In the second memorandum of September 25, 1985, Mr. Wallach told Mr. Meese of a "never-to-be-stated but fully

understood quid pro quo which helped to produce the commitment by the friendly country [Israel]" to the security package.

Upon receiving the Prime Minister's letter and Mr. Wallach's memoranda, Mr. Meese sought Mr. McFarlane's advice as to how to respond to Mr. Peres. Mr. Meese did not inform Mr. McFarlane of the alleged secret arrangement to provide the Israeli Labor Party with a portion of the oil pipeline profits.

After consulting with Mr. McFarlane, Mr. Meese sent a handwritten letter to Mr. Peres in which he suggested that Mr. Peres discuss the pipeline project with Mr. McFarlane. This exchange of correspondence and the second contact by Mr. Meese with Mr. McFarlane on this subject sparked renewed interest and activity by Mr. McFarlane and the NSC staff, despite reports from intelligence sources at the time that the Government of Iraq had lost interest in the Aqaba pipeline project and was developing, instead, two other pipeline projects.

NSC staff member David G. Wigg, Mr. Robinson's successor, accompanied Mr. Wallach to a meeting with the President of OPIC, Craig A. Nalen, at which Mr. Wallach made a new proposal for dealing with the salvage fund problem. Mr. Wallach proposed a novel plan whereby Israel would agree to assign to OPIC and the private co-insurer, Citibank, its "right" to future United States government foreign aid funds, if Israel disrupted the pipeline.

OPIC General Counsel Robert G. Shanks prepared a letter seeking a legal opinion on the matter from the Department of Justice. Mr. Wallach insisted that the letter be addressed only to the attention of Mr. Meese. When Mr. Shanks explained that the Department of Justice procedure was to route a request for a legal opinion to the Office of Legal Counsel, Mr. Wallach continued to insist, nevertheless, that the letter be addressed and sent only to Mr. Meese.

Meanwhile, Mr. Wallach solicited the assistance of Allan Gerson, Deputy Assistant Attorney General for the Office of Legal Counsel, whom Mr. Wallach had recommended Mr. Meese hire for that position. Mr. Wallach informed Mr. Gerson that OPIC would be sending a request for a legal opinion to the Attorney General, and that Mr. Gerson was to prepare a positive response to the request. Mr. Wallach advised Mr. Gerson that this was an extremely sensitive matter of importance to the Prime Minister of Israel, and that the project had the full backing of the NSC and of Mr. Meese. Mr. Wallach also cautioned Mr. Gerson that no one else except Mr. Wallach and the Attorney General should know that Mr. Gerson would be preparing the legal opinion for OPIC.

When Mr. Gerson informed Mr. Meese that he was working with Mr. Wallach on the legal opinion, Mr. Meese expressed awareness of the matter and sanctioned Mr. Gerson's actions.

Thereafter, Mr. Gerson drafted a memorandum of law responding to the request for a legal opinion. The Attorney General recalled that he may have shown the memorandum to Mr. Wallach. However, after Messrs. Gerson, Wallach and Meese learned that OPIC General Counsel Shanks had sent a blind copy of the request for the legal opinion to the Office of Legal Counsel, Mr. Wallach abandoned his foreign aid assignment proposal.

During this same time period, in mid-October 1985, Prime Minister Peres visited Washington, D.C., and New York City. During a reception at the Embassy of Israel in Washington, Messrs. Meese and Wallach together and separately engaged in private conversations with Mr. Peres in which the Prime Minister reiterated his personal interest in the pipeline project and his willingness to supply his government's guarantees on the security issue.

Within a week of the reception, Mr. Wallach and Mr. Wigg traveled to New York City and met privately with Prime Minister Peres. They presented him with a proposed letter of guarantee for his signature. This letter was redrafted by associates of Mr. Peres in consultation with Mr. Rappaport. Thereafter, on November 20, 1985, Prime Minister Peres sent a letter to Mr. McFarlane, in which he stated that his government was prepared to give the agreed guarantees with respect to the security of the Aqaba pipeline.

After the failure to obtain a favorable opinion from the Department of Justice for the use of United States foreign aid funds, Messrs. Wallach and Wigg decided to explore an alternative plan which also would have involved funding the insurance salvage package with United States government funds. From late October through mid-December, 1985, Mr. Wigg worked with two Department of Defense lawyers outside of regular channels to devise a novel plan whereby Israel would receive an additional appropriation of $375 million in Foreign Military Sales (FMS) Assistance funds from the United States, and Israel would place the funds in an offshore escrow account. If Israel took no hostile acts against the pipeline, it could retain the $375 million; if Israel damaged the pipeline by hostile action, the insurers could obtain reimbursement from the escrow account. The plan ultimately took the form of a proposed National Security Decision Directive (NSDD) for the signature of the President of the United States.

The proposed plan eventually was rejected by the new National Security Advisor, Admiral John Poindexter, upon the advice of a former National Security Advisor, Judge William P. Clark. Judge Clark characterized the Israeli security

guarantee arrangements and the proposed NSDD as a "protection racket."9/

Mr. Wallach reported to Mr. Rappaport in December 1985 and February 1986 that "his friend" -- Mr. Meese -- would continue to support them on the project, despite "transition events (the departure of Mr. McFarlane in December 1985 as National Security Advisor), holidays, and other priorities . . .." In December 1985, Mr. Wallach wrote that "I have assurance from my friend that if necessary, he will engage [a] new person on project." In February 1986, Mr. Wallach wrote to Mr. Rappaport that he "met with my friend, who will personally contact J.P. [John Poindexter] to arrange meeting for me, if it is necessary to obtain signature of his superior [President Reagan]" on the NSDD for the FMS plan.

Mr. Meese told the office of independent counsel that he did not recall contacting Mr. Poindexter on the matter, but that he may have told Mr. Wallach that he would make an introductory telephone call for him.

Although Mr. Meese told the office of independent counsel that he has no recollection of the specifics of any conversation with Mr. Wallach concerning the Aqaba pipeline project or of any of the details of Mr. Wallach's efforts in

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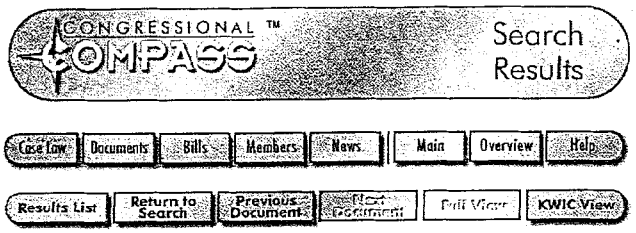
9/ Judge Clark had been approached in the summer of 1985 by Messrs. Wallach and McFarlane to assist in the Aqaba pipeline matter, but did nothing to assist the project principally because of his concerns about Mr. Wallach's indiscretions.

connection with the project, he has a general recollection of Mr. Wallach's telling him through the winter of 1985, about his activities in connection with the pipeline matter.

The NSDD apparently was never presented to the President. The Aqaba pipeline was never built. When it became obvious in January and February, 1986, that Mr. Wallach could no longer deliver the necessary NSC support, Mr. Rappaport dispensed with his services.

The evidence developed by the independent counsel shows that Mr. Meese, upon learning from Mr. Wallach of Mr. Rappaport's statements about a promised covert payment to the Israeli Labor party, took no action to terminate United States government involvement in the Aqaba pipeline project or even to notify other United States government authorities of the possible existence of an illegal scheme. Instead, he took acts to further the commercial enterprise. Thus, if an illegal bribery scheme actually was afoot, as the Wallach memoranda suggested, Mr. Meese's actions would have furthered the scheme.

There is no direct evidence, apart from Mr. Wallach's September 25, 1985 memoranda, that a bribe was or would be offered to any official of the Israeli Labor Party. The independent counsel has determined that the available admissible evidence is insufficient to conclude that Mr. Meese's activities in furtherance of the pipeline project violated the Foreign Corrupt Practices Act.



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HEADLINE: Seeking Testimony in Pipeline Case: Immunity Given to a Secretive Swiss

BYLINE: By JEFF GERTH with STEPHEN ENGELBERG, Special to the New York Times

DATELINE: WASHINGTON, March 5

BODY:

James C. McKay, the special prosecutor investigating Attorney General Edwin Meese 3d, has given immunity from prosecution to Bruce Rappaport, the Swiss business executive who was at the center of a Mideast pipeline project, according to people familiar with the inquiry.

The move to secure Mr. Rappaport's cooperation is significant because it suggests that Mr. McKay is entering the final phase of his inquiry with a decision likely soon on whether to return indictments in the investigation.

Mr. McKay is investigating whether the Iraq-to-Jordan pipeline, which was never built, involved plans to make payments to the Israeli Labor Party. That proposal was mentioned in a memo sent to Mr. Meese by E. Robert Wallach, a close friend who was serving as Mr. Rappaport's lawyer in the project.

Mr. Wallach is under indictment in a separate case and has declined to cooperate with prosecutors, making Mr. Rappaport a crucial witness. If Mr. McKay hopes to bring an indictment against Mr. Meese involving the Federal law barring Americans from participating in actual or planned payoffs to foreign officials, he would have to establish that there was a conspiracy to make such payments, according to legal experts. Mr. McKay could bring charges against Mr. Meese if he could show that the Attorney General aided and abetted a conspiracy.

A Review of Dealings: Relationships Overseas

As a Swiss citizen, Mr. Rappaport is beyond the reach of a subpoena issued by an American court, so granting immunity from prosecution would be a way to get him to testify.

The granting of immunity to Mr. Rappaport was first disclosed by The Washington Post today. Mr. Rappaport has denied ever planning to make payoffs to the Labor Party.

A review of some of Mr. Rappaport's previous business dealings overseas, based on interviews with past associates and foreign officials, shows that questions have arisen before about his personal and financial relationships to top officials in the governments with which he was doing business.

Government officials said Mr. Rappaport's business history is relevant to Mr. McKay's inquiry because the law barring payments to foreign officials or foreign political parties covers American concerns "knowing or having reason to know" payments will be offered or promised.

American officials have said they did not look into Mr. Rappaport's previous dealings before they invited him to the White House situation room for a meeting on June 24, 1985, that led to a high-level endorsement of the project.

However, William P. Clark, the former national security adviser who was scheduled to be involved in the pipeline effort, dropped his support for it after a briefing later that year from American intelligence officials who raised questions about Mr. Rappaport's business practices and ties to Israel.

While the exact contents of Mr. Clark's intelligence briefing could not be learned, interviews with associates disclose that:

* A Geneva bank controlled by Mr. Rappaport lent money to the President and the Oil Minister of the African nation of Gabon, which made an oil deal with him in 1979. Later the Government discovered that under the terms of the contract, Mr. Rappaport at one point was buying crude oil from Gabon at $12 to $14 a barrel less than what Gabon had to pay French oil companies to produce it for them. The contract ended in a net arbitration award of $25.6 million to Gabon, according to American and foreign officials.

* Mr. Rappaport's shipping contracts with Pertamina, the Indonesian state-owned oil company, spawned a widely publicized legal dispute in the 1970's. Mr. Rappaport declared a victory when he settled his more than $1 billion in claims against Indonesia for several hundred million dollars. One focus of that dispute was Mr. Rappaport's relationship with the head of Pertamina, including a $2.5 million dollar loan from Mr. Rappaport's bank to the official that was not repaid. The Indonesian authorities temporarily put the official under house arrest for suspected improper dealings in the dispute, but Mr. Rappaport called the loan proper.

* Mr. Rappaport renegotiated a refinery contract with the Government of Antigua after questions were raised about whether he was making excessive profits under the contract, according to officials in Antigua. Antiguan officials have had a series of financial and social relationships with Mr. Rappaport and his banks, according to these officials. The Indonesia litigation received widespread press coverage at the time and was one of the items mentioned in a background paper on Mr. Rappaport by the Central Intelligence Agency, officials said. In addition, the State Department was informed about some of the details of the dispute over the contract in Gabon, according to Administration officials.

A Penchant for Secrecy With a Base in Geneva

Mr. Rappaport declined repeated written requests for an interview as did his lawyers and aides. Mr. Rappaport has said previously that all of his business dealings are legal and proper and that no improper payments to the Israeli Labor Party were planned as part of the piepline deal.

Mr. Meese has denied any wrongdoing and said he did not recall reading the memo describing the Israeli payments and Mr. Peres has said no such proposal was ever made.

There are few details publicly available about Mr. Rappaport. He was born about 65 years ago in Haifa, which is now part of Israel but was then part of the British mandate.

He exhibits a penchant for secrecy in business dealings. From his base in Geneva he became involved in shipping, finance and oil trading, with dealings in Oman, Liberia, Nigeria, Haiti, Thailand and Belgium.

Bruce Rappaport of Geneva. He still has ties to Israel.

He has given large contributions to Israeli schools and medical facilities. According to Mr. Wallach's memo to Mr. Meese, Mr. Rappaport has also financed private polls on behalf of the Labor Party. In 1966, he set up the Inter Maritime Bank in Geneva and also made his first deal with Indonesia.

The key contracts in the deal, under which Mr. Rappaport was to supply a fleet of oil tankers to Indonesia, were negotiated by Gen. Ibnu Sutowo, the head of Pertamina.

The Indonesian Government later complained that the contracts were inflated and overly favorable to Mr. Rappaport.

Lawsuits and Loans: How the Deals Evolved

Indonesia, in the face of a financial crisis, stopped paying its debts to Mr. Rappaport. In a lawsuit that followed, Indonesia found evidence that some notes issued to Mr. Rappaport by Pertamina as part of the contract had been executed at about the time Mr. Rappaport's bank in Geneva provided him with the $2.5 million loan.

Mr. Sutowo said the loan was not repaid. Mr. Rappaport said it was a fully documented commercial transaction that was meant to be an investment by General Sutowo.

In 1979 the Swiss Oil Company, a Cayman Islands company controlled by Mr. Rappaport, signed a long-term contract to buy oil from Gabon. Mr. Rappaport's help for key government officials in Gabon included loans from his bank in Geneva to President Omar Bongo and the then Energy Minister, Edouard Alexi M'Bouy-Boutzit, the officials also said. In the 1970's it was not uncommon for foreigners doing business in Gabon, including American companies, to make payments to Gabon officials to secure business, according to American officials and disclosures to the Securities and Exchange Commission by American companies.

By the early 1980's, Gabon concluded it was losing money on its contract with Mr. Rappaport. At one point the contract's pricing clause resulted in Gabon, one of the richest black nations in Africa, selling oil to Mr. Rappaport at $12-$14 a barrel less than what the country had paid for the same oil, officials said.

Reports sent back to Washington at the time by American officials estimated that Gabon had lost $80-$100 million in one year as a result of the Rappaport contract, according to officials.

An adviser to President Bongo said that eventually "when we showed Bongo the consequences of what he had signed, he said 'I've been taken,' he was shattered." By 1982, Mr. M'bouy Boutzit was quietly replaced as the Energy Minister. In addition, extensive discussions ensued between Gabon and Mr. Rappaport over renegotiation of the contract, but talks broke down after Gabon terminated the pact and Mr. Rappaport then took two tankers full of Gabonese oil and declined to pay for them, according to officials.

In 1983 the dispute was submitted to an international arbitration panel that decided last year that Gabon was entitled to recover a net of $25.6 million from Mr. Rappaport, according to officials. Mr. Rappaport has appealed the award, which comes to more than $40 million with the inclusion of back interest, in a French court, officials also said. Though the appeal is still pending, Gabon has begun court proceedings against Mr. Rappaport's assets in several countries to try and recover the award, officials said.

A Monopoly in Antigua: Payments Are Agreed

Spokesmen for Gabon declined to comment and referred inquiries to the Government's lawyers, who also would not talk about the case. Mr. Rappaport's lawyers also declined to discuss the dispute.

Soon after he made the deal in Gabon, in January 1980, Mr. Rappaport's company bought a 75 percent interest in an oil refinery from the Government of Antigua in return for $6 million, according to Lester

Bird, the Antiguan Deputy Prime Minister, In addition, Antigua granted Mr. Rappaport a near monopoly on fuel oil sales on the island, a concession that had provided significant revenues for Antigua, Mr. Bird also said.

Mr. Rappaport only paid $600,000 of the $6 million purchase price, Mr. Bird said, because "the agreement called for repayment after the refinery opened for a proscribed period, but it never opened long enough, so there was no repayment."

Mr. Rappaport did make a sizable investment in the refinery and turned it into a storage facility, making millions of dollars a year from the fuel oil concession he received.

By last year, considerable pressure had mounted within Antigua over the agreement and the monopoly profits made by Mr. Rappaport, including protests from unions whose members were upset because the promised refinery jobs never developed, according to Mr. Bird and Robin Bascus, an Antiguan senator and union official.

Under the new agreement, Mr. Rappaport paid $1 million to Antigua last year and agreed to future payments of $500,000 per year, said Mr. Bird, who added that these payments by Mr. Rappaport to Antigua, "represent 10 to 15 percent of what he makes on fuel oil."

Mr. Bird, who said he had been a guest on Mr. Rappaport's yacht and had received a loan from Mr. Rappaport's bank in Antigua, said his dealings with the Swiss executive were entirely proper. Mr. Bird said the loan was negotiated without Mr. Rappaport's involvement and has been partly paid back.

Last spring, before the new agreement with Mr. Rappaport was signed, Mr. Rappaport arranged for his foundation to endow an academic program in the United States in honor of Vere Bird, the Prime Minister of Antigua, and the father of Lester Bird.

According to a senior Antiguan official and an Antiguan newspaper report, Mr. Rappaport paid the expenses of Prime Minister Bird and his entourage on the trip to New York. Lester Bird said he was not on the trip and knew nothing about the expenses. Prime Minister Bird did not return a phone call.

GRAPHIC: Photos of Bruce Rappaport, Swiss multi-millionaire (NYT); E. Robert Wallach, Mr. Rappaport's attorney (AP, 1976); Lester Bird, Deputy Prime Minister of Antigua (NYT/Joseph B. Treaster); Edwin Meese 3d, Attorney General (NYT/Jose R. Lopez)

LANGUAGE: ENGLISH

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HEADLINE: Ethics, the Law and Edwin Meese

BYLINE: By Dennis Bell. Newsday Washington Bureau

DATELINE: Washington

BODY:

"If there were any doubt in my mind that four years from now you could look back and say Ed Meese has not fulfilled the standards that I've set for this office, then I would retire right now and withdraw."

- Edwin Meese III in testimony before the Senate Judiciary Committee in 1985.

When Edwin Meese III was confirmed as attorney general in 1985, after a 13month investigation into his irregular finances, he promised to "bend over backwards" to avoid even the appearance of future ethical violations.

Meese at that time promised his critics that in 1989 they would be able to look back on his tenure and say that he had met the high ethical standards expected of the nation's chief law-enforcement officer.

His critics say he broke that promise.

In fact, controversy over Meese's ethics has continued unabated, fueled anew Tuesday when two of his top aides and four of their assistants resigned over concern that their reputations and the department's were being tarnished by the attorney general. Meese's critics, mostly Democrats, say that since he joined the government in 1981, his conduct has shown a persistent disregard for ethical considerations and that several of his friends and associates have benefited from his official actions. Meese's defenders - chief among them his old friend, Ronald Reagan - say that Meese is the victim of partisan attacks and will ultimately be cleared. At worst, some say, Meese is guilty only of letting friends use him to gain access to Washington's power elite.

While more than 100 Reagan appointees have left office under an ethical cloud, Meese has set a record of sorts by thus far surviving the scrutiny of three special federal prosecutors, including that of Iran-**contra** prosecutor Lawrence Walsh.

But the most recent Meese imbroglio being investigated by special prosecutor James McKay may be the most serious. The allegations include charges that in 1985 he failed to investigate a plan to pay Israeli politicians in an alleged effort to protect a proposed Iraqi oil pipeline from Israeli attack. Also, documents suggest Meese may have profited personally from legal fees paid in conjunction with the pipeline deal.

Whatever legal consequences Meese and his associates may face, the ethical controversy has become a minor campaign issue. It has put the vice president, George Bush, on the defense.

"I'm tired of being embarrassed. I'm tired of our children seeing things that should embarrass us all," Bush, the front-runner in the race for the Republican nomination, said this month. That statement was viewed by many as a modest attempt by Bush to distance himself from corruption scandals that have plagued the Reagan administration and could eventually taint his run for the presidency. Bush said he was "personally disturbed at the breaches of ethics I have seen the past few years in government. Once elected, I'd appoint an ethics panel to work right there in the White House."

Bush's remarks came as pressure for Meese to step aside has increased. The day before Bush's remarks, 11 Democratic members of the House Judiciary Committee asked Meese to step aside until investigations into his conduct were finished.

"For three years, Meese has operated under a cloud of suspicious conduct and serious allegations of criminal activity," said Rep. Mike Synar (DOkla.), referring to Meese's tenure as attorney general.

"The pervasive perception that you have allowed personal considerations to encroach on your constitutional responsibilities threatens to breed contempt for your office, your administration and the rule of law itself," the 11 congressmen said in a letter to Meese.

Meese, for his part, said that there was no reason for him to leave office and that recurring investigations into his conduct have not "detracted from my ability to do my job."

"Obviously I shouldn't step aside, because if honest public officials can be hounded out of office by partisan political attacks, by media barrages, then no one as a public official is safe," Meese told ABC News reporters last week.

Nevertheless, Meese's tenure has been a highwire act in which he has thus far avoided prosecution.

Senate Judiciary Committee investigators, a special federal prosecutor and newspaper accounts disclosed that in 1981-82, when Meese was White House counselor, he borrowed more than $ 475,000 from a friend, a San Diego Bank and his tax accountant and failed to list those loans on annual financial disclosure statements. He failed to repay the loans for months and in some cases years. And in the interim, 11 persons, including the friend, officers of the San Diego bank, the accountant and others connected with the loans received high-level federal jobs. Meese was a member of a three-man committee in the White House that approved White House patronage positions. The special prosecutor found no criminal violations but refused to say whether Meese's actions were unethical.

In 1985, Meese promised the Senate that he would sell his stocks, conservatively valued at $ 50,000 to $ 100,000. Among those stocks were 17 shares of regional telephone companies. Meese later that year signed off on crucial Justice Department decisions that, if adopted, would have benefited those telephone companies. In 1987, Meese disclosed during a special prosecutor's investigation that he had not been able to sell his regional telephone company stocks because he had lost the stock certificates.

Still, he insisted no conflict of interest existed because he had given control of the stocks to his broker when he had sold his other stocks.

In 1982, Meese ordered an aide to ensure that the Wedtech Corp., then an obscure South Bronx machine shop, would get a "fair hearing" in its contract dispute with the Army. Wedtech subsequently received a $ 32 million contract, over the objections of Army officials, to build 13,000 six-horsepower engines even though Wedtech had never built internal combustion engines and had no engine assembly line. Meese's longtime friend and former defense lawyer and Meese's stock broker were eventually indicted on charges of sharing more than $ 1 million paid by Wedtech to influence Meese. Meese is still under investigation in that case.

Special prosecutor Walsh has called Meese before the Iran-**contra** grand jury at least half a dozen times. Meese's role in the initial investigation of the illegal diversion of money to the Nicaraguan rebels was severely criticized by congressional investigators.

They said Meese failed to take adequate notes of crucial conversations, failed to bring in the FBI and veteran criminal prosecutors and allowed Lt. Col. Oliver North time to shred reams of documents. Meese is not expected to be prosecuted.

Long before Meese went to the White House, he developed a reputation for organizational sloppiness and forgetfulness, according to Reagan administration colleagues. In fact, as early as 1979 and before any hint of scandal surfaced, Meese's briefcase had jokingly been termed a "black hole" that sucked in memos that were never to be seen again.

A former White House colleague who is now supporting Bush's presidential candidacy told the National Journal that Meese's latest trouble was "not so much a scandal as an indication of a guy who is prone to being used, and in some cases abused, by his friends."

Throughout Meese's ethical travails, one Meese friend has provided a common thread. E. Robert Wallach, who has been Meese's friend since law school and who has been indicted in the Wedtech scandal, has figured in each of Meese's brushes with the law. That relationship, the Bush supporter said, is indicative of an "element of stupidity and suspect judgment."

Wallach, who was Meese's defense lawyer during the first special prosecutor's probe in 1984, had urged Meese to help Wedtech. Wallach set up meetings at which regional telephone company executives asked Meese to urge a federal judge to allow them to provide longdistance service. Meese agreed.

Wallach involved Meese in the Iraqi pipeline scheme by asking for a meeting between a Swiss financier involved in the deal and then-national security adviser Robert McFarlane.

Wallach's attorneys have maintained that Wallach and Meese are innocent.

While it is clear that friends of Meese's have been aided by his official actions, government investigators have said it may be impossible to prove ironclad links between Meese's actions and his friends' advancements. While Meese's role in the pipeline scheme may be the most serious in a series of troubling episodes, they said, it is far from clear whether Meese is any closer to indictment than when the inquiries began.

The Foreign Corrupt Practices Act makes it a federal crime for an American citizen or corporation to bribe foreign officials. It is also a crime if a third party, acting as the American's agent, conspires to bribe a foreign official.

Meese is the focus of a special federal prosecutor's investigation into allegations that in late 1985 he failed to act on knowledge that Israeli politicians were to be paid off to protect a proposed $ 1-billion Iraqi oil pipeline. Government investigators have said a $ 150,000 payment to Wallach from pipeline negotiators was apparently used to benefit Meese's stock portfolio unlawfully.

Government investigators and officials said that the proposed payment to the Israeli Labor Party was one of the many machinations in a complex scheme to build a pipeline from Iraqi oilfields to the Jordanian Red Sea port of Aqaba. But the pipeline was never built. If the pipeline had been built, it would have given the Iraqis an alternative oil-export route that would have avoided the dangerous sea lanes of the

The Bechtel Group, the giant San Francisco-based construction firm, wanted to build the proposed pipeline, but Iraqi government officials were afraid that Israel, which had destroyed an Iraqi nuclear reactor, might bomb the pipeline. The Iraqis wanted a guarantee that Israel would not harm the pipeline, at least until the $ 1 billion construction loan had been repaid from profits on the sale of pipeline oil.

In early 1985, Bechtel turned to **Bruce Rappaport, a** Swiss financier with close ties to high-level Israeli officials. Rappaport was promised distribution rights to the oil if he could satisfy the Iraqis' insurance needs. Rappaport secured a letter from then-Israeli prime minister Shimon Peres that Israel would not destroy the pipeline. But the Iraqis wanted better insurance. They wanted money deposited in New York banks and letters of credit of up to $ 400 million to insure the pipeline against Israeli sabotage.

Rappaport turned to Wallach after hearing of his close ties to Meese. At Wallach's urging, Meese arranged a meeting with then-national= security adviser McFarlane, saying the project was worthy of consideration. Rappaport and Wallach met with McFarlane, who gave the project his blessing, saying completion of the pipeline was important to the national interests of the United States.

With McFarlane's blessing in hand, Wallach renewed negotiations with the Overseas Private Investment Corp., a quasi-governmental organization that insures American firms opearating abroad against political risks. Officials of the investment corporation were reluctant to take a project that big; but feeling that they were under pressure from the White House, they tried to work with Rappaport and Wallach to arrange an insurance package.

Amid a bewildering array of insurance proposals and counterproposals - including a suggestion by the Rappaport-Wallach team that U.S. foreign aid funds earmarked for Israel could be diverted to its avowed enemy, Iraq, if Israel bombed the pipeline - Wallach wrote Meese a memo in September, 1985.

Complaining that the insurance negotiations were going nowhere, Wallach gave Meese a handwritten letter from Peres and, in the memo, said Peres should get high-level assurances that the U.S. government was interested in seeing the pipeline built. Wallach also wrote that Israel would receive about $ 650 million to $ 700 million from Rappaport's oil distribution profits and that a portion of the money would go directly to the Israeli Labor Party headed by Peres.

According to government investigators, in August, 1985, Rappaport sent $ 150,000 to the Bank of America account of San Francisco stock broker W. Franklyn Chinn, financial adviser to Wallach and Meese, who was indicted with Wallach in the Wedtech affair. The money was payment for Wallach's services on behalf of the pipeline, according to sources familiar with the investigation.

Shortly after that, $ 150,000 was transferred from Chinn's Bank of America account to Chinn's stock trading account at the Imperial Trust brokerage house, according to government investigators. At Imperial, Chinn created a pool account that drew funds from his own account, one maintained for Meese and also from other accounts as needed to make stock purchases.

This commingling of funds raises the possibility that Wallach's money was used to benefit Meese, but lawyers for Wallach and Meese deny this. It is a violation of Securities and Exchange Commission regulations for a broker to use someone else's money on behalf of a client and a violation of federal conflictof-interest laws for high-level officials to accept expensive gifts or undeclared loans.

If it can be proven that Rappaport, and in turn Wallach, were acting as agents for Bechtel in the pipeline negotiations, and the proposed payments to the Labor Party were in fact intended as a bribe to protect the pipeline, Meese could be charged with conspiracy, according to government investigators.

In defending its actions, Bechtel has insisted that Rappaport was its partner, not an agent acting on the firm's behalf. Therefore, if a bribe were intended, it would have emanated from Rappaport, a Swiss citizen. Rappaport and lawyers for Wallach and Meese have said no bribe was intended, and Meese has said that he doesn't think the memo alludes to a crime.

whether Meese took such action with the intent to enrich himself or his friends.

Meese has denied repeatedly that any of his actions were improper. He has said that he did not know what Chinn did with his money and that none of his official decisions have been made in an effort to reward anyone.

The Special Investigations

One independent counsel's investigation of Meese has been completed, and two more are continuing.

James McKay

Ongoing investigation into:

Meese's involvement in proposed Iraqi pipeline deal. Including allegations that he knew of but failed to investigate, a plan to pay Israeli politicians in return for protection of the pipeline.

Meese's ties to the scandal plagued Wedtech Corp., which received an Army contract after his deputy's intercession. At the time, in 1982, Meese's old friend, E. Robert Wallach, was working to procure the contract for Wedtech. In 1985 Meese hired W. Franklyn Chinn, a Wedtech consultant, as his investment adviser.

Meese's favorable decision regarding regional Bell telephone companies at a time he owned an estimated $ 14,000 in telephone stock.

Lawrence Walsh.

Investigation into the Iran-**Contra** scandal includes a review of Meese's role. However, he is not a target of the probe and it is considered highly unlikely that he would be charged. Questions concern:

His ordering of a delay of an FBI investigation into the crash of a plane carrying arms to the **contras.** Meese has said he delayed it only because John Poindexter, then national security adviser, told him it could endanger the hostages in Lebanon.

His conduct of the initial probe that discovered the diversion of arms sales profits for **contra** aid. In that probe, he failed to ask some pertinent questions, took inadequate notes and neglected to secure White House documents.

Jacob Stein

Investegation concluded before Meese's confirmation as attorney general in 1985. Stein's probe found that bank officers, friends and associates who had loaned money to Meese, then White House counselor, later had been appointed to government jobs. Stein reported that while many of Meese's actions were unusual, no criminal conduct could be proved. He declined to render an opinion on the ethics of Meese's conduct.

GRAPHIC: Photos-1) Edwin Meese III (4 C 3/28/88). 2) James McKay. 3) Lawrence Walsh. 4) Jacob Stein. Graphic-The Special Investigations. One independent counsel's investigation of Meese has been completed, and two more are continuing-See end of text

LANGUAGE: ENGLISH EDWIN MEESE III (99%); RONALD WILSON REAGAN (50%);

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Business Week

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February 7, 1977

SECTION: INTERNATIONAL MONEY MANAGEMENT; Pg. 90

LENGTH: 1020 words

HEADLINE: Untangling what **Pertamina** owes -- and to whom

HIGHLIGHT:
At stake: $1 billion in tanker charter payments, or maybe just $260 million

BODY:
A $1 billion legal war raging across three continents, pitting **Pertamina,** Indonesia's state-owned oil company, against Swis-based tanker operator Bruce **Rappaport,** has suddenly reached a crucial stage. At issue is payment for 15 ships chartered by **Pertamina** and provided by **Rappaport.** Last week the oil company scored an important victory in Singapore's highest court, regaining possession of a company-owned ship that **Rappaport** had attached. **Rappaport,** in turn, has come up with a new plan for an out-of-court settlement while also moving for a quick judgement against **Pertamina** in a New York court.

Meanwhile, pressure on both sides to settle the battle has increased. Bankers are unable to complete the tough job of untangling Indonesia's $6 billion in international debt until the issue is decided. And U.S. bankers, having watched their $925 million in loans to Indonesia go into technical default because of the legal wrangling, are espe cially distressed. Morgan Guaranty Trust Co. alone led two syndicates that raised some $850 million for Indonesia. **Rappaport's** own creditors, including Japan's Sanko Steamship Co., are beginning to sue for back payments, and they, too, would like the matter ended.
Pappaport's offer

Rappaport has seized the initiative by putting a new settlement plan on the negotiating table. If **Pertamina** forks over $260 million and returns the 15 chartered tankers to their owners, **Rappaport** says he will drop all claim to $1 billion that he insists the Indonesians owe him as part of the charter deal. "It's a moment of truth for the Indonesians," says **Rappaport's** New York Lawyer, Albert I. Edelman.

But the Indonesians are not rushing to accept the offer. Noting that **Rappaport** is asking for just half of what he wa demanding a few months ago, the Indonesians are sitting tight, hoping to pay even less. Indonesian Minister of State Reform Sumarlin Last week told BUSINESS WEEK, "The offer is unacceptable to the Indonesian government."

However, the Indonesians still face the new motion for summary judgement made against them by **Rappaport** in New York. If the judge rules for **Rappaport** -- and so far he has won nearly all the courtroom rounds -- Petamina could wind up paying the full $1 billion to **Rappaport** instead of the $260 million he has offered to accept.
Rooted in politics

while the pressure is on both sides to settle quickly, the roots of the dispute and of **Rappaport's**

scene is closely related to his ties with former **Pertamina** boss Lieutenant General Ibnu Sutowo. According to court records, **Rappaport** first became active in Indonesia in 1966, the year President Sukarno was overthrown by a group of generals led by Suharto, the current President. Sutowo was already the top oilman in the country, and when Suharto tood power Sutowo was named to head **Pertamina.**

In 1966, **Rappaport** set up General Maritime Enterprise Co. -- German -- in Indonesia and soon began supplying small inter-island tankers to **Pertamina.**

During this period, **Rappaport** and Sutowo became personal business partners. While **Rappaport** was organizing Genmar in Jakarta, he was also setting up the Inter Maritime Bank in Geneva. In 1967 Sutowo joined the bank's board of advisers. Later, to brush up his small bank's image in Switzerland, **Rappaport** got Francis J. Galbraith, U.S. ambassador to Indonesia from 1969 to 1974, to join the bank's board of directors.

Growing trouble

By the early 1970s, **Rappaport** also had hire-purchase contracts with **Pertamina** for the 15 oceangoing tankers. **Pertamina** now claims in court that the charters were signed "at rates greatly in excess of the market rates at the time." In addition, **Pertamina** says that the high rates were the result of a conspiracy between **Rappaport** and the company's exclusive tanker broker, Stephan Davids-Mor-elle -- the man appointed to bargain for the cheapest rates available for **PErtamina's** tankers. This is denied by **Rappaport's** lawyers in New York.

But in 1974 proved to be a disastrous year for both Indonesia and **PErtamina.** The one fact that can be established without questions is that the worsening worldwide recession slashed into the country's oil recession slashed into the country's oil revenues. At the same time, world inflation pushed interest rates sky-high, and **Pertamina,** with huge short-term debt, was caught without enough cash on hand.

Pertamina fell behind in its payments to **Rappaport** for his small, inter-island tankers, according to court papers. At the same time, the oceangoing tankers contracted for in the early 1970s began arriving in Jakarta. By 1974, however, the tanker market had collapsed. **Pertamina** found itself paying for a steady stream of new tankers in a depressed tanker market, at prices far above prevailing rates.

In January, 1975, as **Pertamina's** finances were crumbling, Sutowo met with **Rappaport** and signed 1,600 promissory notes payable in New York. The notes corresponded to the 1,600 monthly payments due **Rappaport** for his tanker charters on 15 vessels. In effect, **Rappaport** got himself insurance by receiving liquid IOUs he could present in a New York State court. Four months later, Sutowa says he requested and received a $2.5 million "interest-free, unsecured personal loan, with no repayments and no evidence of indebtedness . . ." **Rappaport** says the money was an investment in Sutowo's own Bank Pasifik.

By September, 1975, **Pertamina** was broke, and all tanker payments to **Rappaport** were cut off. Only two huge loans organized by Morgan Guaranty saved the day for **Pertamina** and Indonesia. By the following summer, **Rappaport** had taken **Pertamina** to court to try to collect on his promissory notes. **Rappaport's** own creditors -- the ship-owners from whom he chartered vessels to subcharter to **Pertamina** els to subcharter to **Pertamina** -- sued him to collect on his IOUs to them. The big squeeze was on for both players in **Pertamina's** tanker game, and the question remains: Who will yield first?
URL: http://www.businessweek.com/index.html

GRAPHIC: Picture, Bruce **Rappaport:** His compromise offer is "unacceptable" to Indonesia -- so far. Sam Kweskin

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THE HINDUSTAN TIMES
www.hindustantimes.com Online
Wednesday, March 10, 1999, New Delhi

Foreign

Pak millionaire appeals verdict in BCCI case

London, March 9 (AP)

An imprisoned Pakistani shipping tycoon yesterday appealed his 1997 conviction in the fraud that led to the spectacular failure of the Bank of Credit and Commerce International (BCCI).

Abbas Gokal is serving a 14- year sentence for two counts of conspiracy — plotting to commit false accounting and conspiring to defraud bcci in a fraudulent scheme that funneled $ 1.2 billion out of the bank. Gokal, 62, received the strictest sentence of its kind to be meted out by a British court. At the sentenceing, the judge said Gokal's actions had threatened the integrity of the entire international banking system. Gokal was present at London's law courts for the start of a hearing before three court of appeal judges. One of the main grounds of his appeal centers on the circumstances under which he was brought within this jurisdiction. Gokal was arrested in July 1994 in Frankfurt, Germany, as his flight from Karachi, Pakistan, to the United States stopped for refueling. He was extradited to Britain in Dec. 1994 and went on trial in September.

Jurors convicted him after hearing prosecutors from Britain's serious fraud office contend that he had siphoned the money out of bcci and then used it to pay for private jets, fancy homes and Rolls Royces. Gokal said he was innocent and had to use public assistance to get legal representation.

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Key player in BCCI fraud loses appeal

By Dan Atkinson
Guardian

Friday March 12, 1999

History's biggest convicted commercial fraudster, Abbas Gokal, yesterday lost his appeal against his April 1997 conviction on charges involving £750 million.

The former chairman of the Gulf shipping group was a key player in the $13 billion scandal at Bank of Credit and Commerce International.

The Court of Appeal rejected Gokal's claim that his conviction was unsafe and it confirmed the 14-year jail sentence – a record in a fraud case – passed at the Old Bailey, along with the threat of a further three years in prison should he fail to hand over £2.94 million confiscated by the court. He was ordered to pay prosecution costs incurred by the appeal.

Gokal, who is serving his sentence at the high-security Whitemoor Prison in Cambridgeshire, was in court to hear the verdict, dressed in a dark suit and accompanied by a guard. Lord Justice Rose said Gokal was at the heart of a highly sophisticated fraud that had brought about 'international consequences of great gravity'.

Serious Fraud Office director Rosalind Wright said: 'This is a satisfactory outcome to a very important and immensely serious case... It sends a clear signal that the courts are prepared to treat fraud on this scale with great severity.'

Part of the appeal case was that the arrest of Gokal at Frankfurt airport en route to the US, where he had been offered immunity by the Manhattan district attorney, rendered the conviction unsafe. But the three Appeal Court judges ruled this claim unfounded and without substance, adding that another key appeal point – that the summing-up of trial judge Mr Justice Buxton was unfair to Gokal – was also rejected.

Gokal's indictment fell into two parts. The first involved vast, largely fraudulent loans from BCCI to the Gulf group, while the second involved a 'mirror' fraud to keep BCCI afloat and to fool auditors Price Waterhouse into believing the loans were soundly made.

Document 554 of 775.

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July 28, 1985, Sunday, Final Edition

SECTION: First Section; A14

LENGTH: 1236 words

HEADLINE: ESM Scandal Extinguished A Rising Star;
Attorney for Failed Securities Firm Asserted Innocence In Suicide Note

BYLINE: By Kathy Sawyer, Washington Post Staff Writer

DATELINE: MIAMI

BODY:
The black clouds of a tropical storm had enveloped the Miami area early last Monday when hard-charging attorney Stephen Arky left two notes on legal paper, put a .38-cal. revolver to the right side of his head and pulled the trigger.

One of the notes was to his wife, Marlin, who found her husband dead in the bathroom when she returned about 10 a.m. to their Coral Gables home from a dental appointment. The note said "he loved her," but that he was "depressed . . . and couldn't deal with it anymore," according to Metro-Dade homicide detective John Butchko.

The other note, addressed "To Whom It May Concern," said this: "As for the ESM matter, I swear now that I did not know anything about the adverse financial conditions. I am innocent of any wrongdoing in that case and so are my partners."

So ended the life of a 42-year-old lawyer admired by his friends as a principled and decent man. He was a wily former federal enforcer and scourge of white-collar criminals who built a meteoric career on a reputation as one of the good guys -- until last spring, when he was entangled in the financial crisis that shook Ohio's savings and loan institutions.

The "ESM" in Arky's note referred to the obscure Fort Lauderdale securities firm whose collapse sent shock waves through the U.S. investment system, cost professional money handlers at least $250 million and touched off the Ohio banking crisis. It brought disaster to Arky's father-in-law, **Marvin Warner,** the politically connected, high-rolling Cincinnati financier, and apparently death to Arky, whose firm counted ESM as one of its clients.

It is not yet clear to what extent Arky was involved in ESM's questionable dealings or benefited from

them. But some of his friends said his fatal depression was born, in large measure, of embarrassment.

Arky had tried a month ago to commit suicide, Detective Butchko said, by taking "some sort of pills." His law partners never knew about it, one of them said.

"Based on things he said to us in the last three weeks, after he suddenly seemed to snap, I think he believed really he was a burden on us all," said his law partner, Eugene Stearns, who in recent months has taken on the role of spokesman for Arky. "He thought he was doing us all a favor . . . . It blows us all away."

Stearns argues that Arky was the innocent target of a vendetta by ESM's receiver and of irresponsible journalism and that the publicity was more than he could take.

Miami attorney Richard Pettigrew, a former assistant to President Jimmy Carter and Arky's first law partner, said, "I thought he approached everything on the basis of the highest principles."

Pettigrew, now with the firm of Morgan, Lewis & Bockius and chairman of the Dade County Democratic Party, added that Arky was "highly aware of where the lines are and that you must stay far away from them."

"He was very mature in his understanding of the business world . . . and cautious to a fault. I think, ultimately, this was what was so embarrassing to him, that someone so good at evaluating people and business could so misplace his confidence."

Soft-spoken and low-key for a wealthy and ambitious man, Arky was not given to the con-artistry and extraordinarily high living allegedly associated with some of the primary people in the ESM scandal, one of whom was reported to own a $78,000 dog.

Until the scandal surfaced five months ago, Arky's life had seemed golden.

"He was the epitome of a young lawyer who had married right and had the right father-in-law and was in the right business luncheon clubs," said James Russell, business editor of The Miami Herald.

Arky drove an "old Rolls Royce," lived comfortably but not ostentatiously and contributed to various community insitutions and causes, according to acquaintances. He jogged and played softball occasionally at his children's school, Pettigrew said.

The son of a St. Louis storekeeper, Arky earned a law degree from Washington University there in 1967 and went to work in 1968 for the Securities and Exchange Commission in Washington.

Stanley Sporkin, Arky's former SEC boss and now general counsel for the Central Intelligence Agency, said, "He was one of my finest young men."

Arky moved to the SEC's Miami office, where the securities business is reputedly one of the biggest and most scandal-ridden in the country. At that time, the SEC was in hot pursuit of fraudulent municipal bond dealers in Memphis, a market in which two of the people who were to found ESM were then operating.

One of the two was Ronnie Ewton, the "E" in ESM. He and Arky met subsequently when they were in the Army Reserve, at about the time Arky moved into private practice. It was Arky who introduced his father-in-law to Ewton, setting the stage for a series of business arrangements between the two.

Following a traditional path, Arky left the SEC to join Pettigrew's firm in 1971 as a corporate and securities specialist and, Pettigrew said, immediately impressed clients with his expertise.

After that firm dissolved in 1976, the lawyers regrouped as the general commercial firm of Pettigrew, Arky, Freed, which later became Arky, Freed, Stearns, Watson & Greer, a 55-attorney firm in downtown Miami.

At first, the firm was noted primarily for its youth and aggressiveness. But it got a crucial leg up when it signed Arky's father-in-law, whose patronage ushered the firm into the high-stakes realm of bank mergers and no-holds-barred takeover fights.

Arky acknowledged **Marvin Warner's** role in the law firm's success. But, he told The Miami Herald in late 1982, Warner's business would have meant little if the firm had stumbled in handling it. "He gave us the entree, and we capitalized on it," Arky said.

ESM's collapse in March precipitated the shutdown of Warner's S&L in Ohio, **Home State** Savings Bank. Depositors started a run on the banks when they learned that **Home State's** loss of $150 million had wiped out a private insurance fund of $130 million. Gov. Richard F. Celeste ordered the closing of all 71 institutions insured by that fund.

Arky's law firm was one of several that represented ESM. According to a lawsuit filed by the state of Ohio and statements by Miami lawyer Thomas Tew, court-appointed trustee for ESM, Arky was given favorable treatment on his personal account with ESM. In April, in an interim report filed in Fort Lauderdale district court, Tew named Arky as a "potential" ESM insider for legal purposes, meaning that payments to him might be recovered.

Stearns says that Arky lost more than $125,000 in his ESM account, which he closed last January.

Arky steadfastly denied Tew's allegations. In April he accused Tew of "viciousness, recklessness and prejudice" and of improperly using his position to pursue a longstanding "personal vendetta" against him.

"They're feeling the heat and want me off the case," Tew said, denying Arky's claims in turn.

The feud reportedly dated from 1971, when, as an attorney for the SEC, Arky sued Continental Tobacco Co. for alleged securities violations. Tew was an investor in and counsel for the tobacco firm.

Tew was in Ohio, testifying at a special state legislative hearing on the ESM case, when he received the news of Arky's suicide. He continued his testimony but decided to leave out the part dealing with Arky's favorable treatment.

Tew said, "It's a tragedy -- these issues, nothing is worth a life over."

GRAPHIC: Picture, Stephen Arky.

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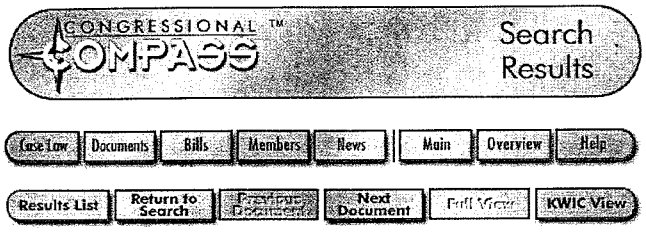

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Business Week

View Related Topics

April 7, 1986

SECTION: LEGAL AFFAIRS; Ethics; Pg. 76

LENGTH: 2112 words

HEADLINE: A QUESTION OF INTEGRITY AT BLUE-CHIP LAW FIRMS

BYLINE: By William B. Glaberson in New York, Pete Engardio in Atlanta, Stan Crock in Covington, Ky., and Scott Ticer in Los Angeles, with bureau reports

HIGHLIGHT:
ONCE UNTHINKABLE, CHARGES OF FOUL PLAY ARE HITTING PRESTIGIOUS PARTNERSHIPS

BODY:
Item: A Rogers & Wells lawyer wrote himself a note in 1983 about one of the firm's clients, J. David Dominelli: "Ponzi scheme. Love to have the business but want to sleep at night." It would be months, however, before the firm severed its ties to the lucrative client.

Item: As Maryland's thrift industry hurtled toward disaster last spring, regulators turned for advice to a bright young lawyer from Venable, Baetjer & Howard, a top Baltimore firm. What most of the regulators didn't know was that while the lawyer was advising them, his law partners were representing the very people whose wheeling and dealing at the edge of the law filled the agency's agenda at nearly every meeting.

Item: In April, 1981, a lawyer from prestigious Cravath, Swaine & Moore quietly made a trip to Geneva with orders from Cravath chief Smauel Butler. The mission: to get back $1.3 million that client Ashland Oil Inc. had paid a confidant of the Sultan of Oman. A shareholders' suit claims the trip was part of a scheme Butler helped devise to circumvent U.S. antibribery laws by retrieving the original payment in exchange for a new $3 million "finder's fee" to the Sultan's confidant. Butler denies the charge.

What's going on here? We're not talking about sleazy, hole-in-the-wall law firms. These are charter members of a blue-chip fraternity that has always seemed above reproach. Today, however, their names are being linked to unsavory allegations that raise serious questions about a profession whose chief asset ought to be its integrity (table, page 77).

THE LAW FIRMS

VENABLE, BAETJER & HOWARD
A government report charges this prestigious Maryland law firm with simultaneously representing a savings and loan regulatory agency and "habitual" violators of the agency's rules. Was this a conflict that hampered state banking regulation?

CRAVATH, SWAINE & MOORE
A lawsuit charges the presiding partner of this Wall Street firm with recommending that Ashland Oil make a possibly illegal payment to a foreign government official. Did this alleged advice harm the company's shareholders?

ARKY, FREED, STEARNS, WATSON, GREER, WEAVER & HARRIS
Among the charges against this Florida firm is the allegation that it failed to tell one client, an Ohio savings and loan, that ESM, another client, was insolvent. Were Ohio depositors hurt by the firm's failure to warn?

ROGERS & WELLS
This New York firm, headed by former Attorney General William P. Rogers, has agreed to pay $40 million to settle a suit filed by Dominelli's former customers. Was the law firm partly responsible for the customers' losses?

Cravath, considered by many to be the premier corporate law firm in the U.S., is embroiled in litigation claiming its lawyers helped plan an illegal payoff. Rogers & Wells, headed by former U.S. Attorney General William P. Rogers, agreed in February to pay $40 million to settle a suit claiming the law firm contributed to Dominelli's $200 million fraud. Last month, Venable, Baetjer & Howard, the firm of another former Attorney General, Benjamin R. Civiletti, was sued by depositors for its role in the Maryland thrift crisis. All the firms say they acted within the law.

The American Bar Assn. estimates that perhaps only two-tenths of a percent of all U.S. lawyers are ever disciplined by bar committees. And proceedings against the large firms that do major corporate work are almost unknown. That lack of oversight, together with increasing competition, say ethics experts, produces arrogance at the elite law firms. "There is hubris there," says Monroe H. Freedman, a nationally known ethics scholar at Hofstra University Law School. Civiletti himself says: "We should have lived up to a higher standard." The facts about improprieties of the blue-chip bar "have been submerged and are going to start to emerge," says Professor Stephen Gillers of New York University law school.

VENABLE BAETJER

If there was disregard of ethics at Baltimore's Venable, it began years ago. Since the mid-1970s, a Venable partner served as general counsel to the Maryland Savings Share Insurance Corp. (MSSIC, pronounced mis-sick), a private agency that insured and regulated the state's thrifts. At the same time, other Venable lawyers represented various owners of Maryland's savings and loan associations.

Some of the venable clients would eventually be labeled "habitual rule violators" by MSSIC. There is controversy about how much Venable told MSSIC's chief operating officer about its thrift clients. A report prepared by Maryland special counsel Wilbur D. Preston Jr., however, says MSSIC's board knew nothing about the dual representation.

The Preston report says that in 1976, MSSIC asked Venable whether the agency could insure each account a depositor held, no matter how many there were. Preston says Venable misinterpreted the law and incorrectly advised the agency that it could. MSSIC's "no-limit" rule brought a huge flow of deposits into the Maryland thrifts. Eventually, MSSIC would be liable for $76 million in deposits that might not otherwise have been made. Venable insists its advice was good. Last month, however, Maryland's attorney general agreed with special counsel Preston. The state is considering suing Venable.

Over the years, Venable added more S&L clients. Beginning in 1982, it represented the now-infamous Old Court Savings & Loan Assn. and its then-president, Jeffrey A. Levitt. Levitt, himself a lawyer, is the wily dealmaker whose downfall touched off the Maryland bank run in 1985. He has since been indicted for stealing millions from Old Court depositors.

Levitt was an important client. Some of his private real estate deals were handled through Venable. One top Venable partner invested with Levitt. Another represented Levitt in 1979 when Levitt was charged with unethical conduct and suspended from practice because he lied to a judge. MSSIC's Venable lawyer, working in the same office as Levitt's Venable lawyer, never mentioned the suspension to MSSIC, according to the Preston report. Meanwhile, MSSIC approved transactions that gave Levitt access to millions in depositors' money.

Civiletti says his firm didn't violate conflict-of-interest rules because it never represented any thrift clients before MSSIC. But Preston says MSSIC was hurt by "ineffective" advice. Says Preston: "A man can't serve two masters."

CRAVATH, SWAINE & MOORE

Samuel Butler was both a lawyer for Ashland and a company director as well as presiding partner of Cravath. The charges against him, contained in a shareholders' suit, stem from a 1980 decision by Orin E. Atkins, then Ashland's chairman, to pay $1.3 million to Yehia Omar, a wealthy adviser to the oil-rich Sultan of Oman. Even Atkins, who denies any wrongdoing, acknowledges the payment was intended to nail down an oil-supply contract.

There is little agreement as to what happened next. In court documents, Butler says that several months after he was told about the payment, he learned that Omar was listed as an aide at Oman's Washington embassy.Thus, although other Ashland advisers differed, Butler was concerned that Omar might be a government official who legally could not be given a corporate payment under the antibribery laws. Butler says from then on he simply tried to get the payment back.

The shareholders' suit tells a different story. It's based in part on the claims of a former Ashland official, Bill E. McKay Jr., who is also suing the company. The shareholders say Butler met with Ashland officials "to rearrange a scheme" to pay Omar as a consultant, even though Butler "should have known" that Omar was an official of a foreign government. No finder's fee was paid, but the suit implies that Butler violated his duties as a director by trying to insulate Ashland officials from liability for making the first payment.

After years of investigations of Ashland, the Securities & Exchange Commission decided on Mar. 12 not to sue. The private suit remains, however, and the charges it contains about Butler promise to keep the controversy alive.

ARKY FREED

The swirl of charges surrounding a once fast-rising Miami law firm aren't likely to fade quickly, either. Since the spectacular 1985 collapse of its client, ESM Government Securities Inc., Miami's Arky, Freed, Stearns, Watson, Greer, Weaver & Harris has been sued by other former clients claiming millions in losses. Last month, in the first defection since the scandal broke, two of the firm's top partners resigned with four other lawyers.

When ESM collapsed, Arky Freed was riding high. Since its founding in 1976, it had built a huge practice representing financial institutions in Florida. Some of its rapid growth may have been spurred by the firm's willingness to keep to itself information it might have owed its clients. In one suit, two thrifts that were clients claim they have evidence that Arky Freed knew investments made in another of the firm's clients, ESM, could be lost. The thrifts say Arky Freed lawyer Eugene E. Stearns represented one of ESM's founders in a divorce in 1978. At that time -- years before the ESM collapse -- the thrifts allege, Stearns argued that the securities firm was worthless. Stearns denies the charge.

Arky Freed's problems did not end with ESM. Months after that scandal broke, another client was charged with massive fraud, and there were questions about the firm's role. With Arky Freed's help, Juan Vicente Perez Sandoval, a wealthy Venezuelan, had quickly become a Florida business power in the early 1980s. The lawyers acted for Sandoval personally, represented two Venezuelan banks he controlled, managed his cash, and planned several profitable bank takeover attempts.

Sandoval fled to Switzerland this fall after the Venezuelan government seized his banks. Millions were missing. Venezuela is suing Arky Freed for $500 million, saying the lawyers "knew or should have known" about Sandoval's fraud. Arky Freed insists it did nothing wrong. A few months after both scandals broke, **Steven Arky,** the firm's glib, business-getting founder, killed himself.

ROGERS & WELLS

There are few questions about how much the lawyers at Rogers & Wells knew about their crooked client, J. David Dominelli, now in jail after a guilty plea. Before anybody else realized that the smooth-talking Dominelli's phenomenal 40% returns-on-investment were funded only with money from new investors, people inside the law firm were troubled.

More than a year before the fall, a partner in Rogers & Wells' London office, after extensive meetings on what was already a problem account, sent off a strongly worded internal memo saying she believed Dominelli was breaking the law. "The only possible solution," she said, was to have Dominelli immediately stop selling what were probably illegal unregistered securities. The memo said Dominelli could then properly register with government-securities agencies.

Instead, the sales continued. And a month after the memo, Rogers & Wells lawyers convinced the California Corporations Dept. that there was nothing illicit going on at Dominelli. The department officials believed Rogers & Wells's claims and stopped their probe. "It appears we were misled," G. W. McDonald, the department's enforcement chief, told BUSINESS WEEK last year. "The next time Rogers & Wells makes a representation, we will insist on much more." Rogers & Wells denies it misled the department.

There are many different versions of the Rogers & Wells story. The firm's partners even disagree about exactly when they gave up the troublesome client. But the reason they were so reluctant to get out of the mess seems clear. Some six months before the Dominelli collapse, several of Rogers & Wells's most influential lawyers met to lay out their options. One partner took notes. They provide a disquieting view of the subject being discussed by men and women at the top of their profession that day in June, 1983. The heading over one section said: "Fees vs. Reputation."

Why do people schooled in the rule of law risk so much? Civiletti says he has given such questions a good deal of thought lately. "It is a genetic deficiency of lawyers," he says, "that they are flattered by having clients, and they hate to reject clients." Yale Law School's ethics expert, Geoffrey Hazard, has a different response. He says that corporate law, dedicated to "getting and keeping money," makes lawyers lose the ability to be skeptical about their clients. That loss may be costly.
URL: http://www.businessweek.com/index.html

GRAPHIC: Illustration, no caption, DAVID SUTER; Picture 1, THE SCANDALS, OLD COURT S&L's LEVITT: HE WAS CHARGED WITH FRAUD AFTER HIS MARYLAND THRIFT COLLAPSED, MARTY KATZ; Picture 2, THE SCANDALS, AN ASHLAND REFINERY: THE COMPANY ALLEGEDLY MADE AN ILLEGAL PAYMENT TO LOCK IN OIL SUPPLIES, MATHER/BLACK STAR; Picture 3, THE SCANDALS, WHERE'S THE MONEY? OHIO THRIFTS FAILED AFTER LOSING MILLIONS IN ESM, A SECURITIES DEALER, MICHAEL KEATING; Picture 4, THE SCANDALS, DOMINELLI: HIS INVESTMENT FIRM GENERATED PHENOMENAL PROFITS THROUGH A PONZI SCHEME, ROY PORELLO

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The American Lawyer

March, 1989

SECTION: 1979-1989 TEN YEARS OF UPHEAVAL; Updates; Pg. 174

LENGTH: 445 words

HEADLINE: E.S.M.'s Fatal Fall

BYLINE: Alison Frankel

BODY:
The late **Stephen Arky** of Miami's late Arky, Freed, Stearns, Watson, Greer, Weaver & Harris was a central figure in the scandal involving E.S.M. Government Securities, Inc., a Florida investment firm. Arky, as *The American Lawyer* reported in "How Many Hats Can Steve Arky Wear?" in May 1985, had acted as defense lawyer for E.S.M. in a previous SEC investigation, as a securities lawyer for E.S.M. in a previous SEC investigation; as a securities lawyer for E.S.M.; as an E.S.M. customer; as council to E.S.M. customer Marvin Warner, who was also Arky's father-in-law; and as an investment banker setting up a deal with an E.S.M. partner in competition with Warner.

As E.S.M. went into receivership in March 1985, questions were raised about Arky's role in the collapse -- which eventually led to a run on savings and loans in Ohio. Four months after the scandal broke, Arky committed suicide. "He was clearly despondent over things that had happened in his life," says his friend and partner Eugene Stearns. There was no evidence at the time that Arky had broken any laws or violated the Code of Professional Responsibility.

Arky's estate, represented by Jack Carriglio of Chicago's Foran, Wiss & Schultz, eventually settled with E.S.M. receiver Thomas Tew, now of Miami's Tew Jorden Schulte and Beasley, for $135,000 -- denying all liability as part of the settlement and eradicating approximately $1 billion in claims, according to Carriglio.

After a state trial in Ohio, Arky's father-in-law, Marvin Warner, was sentenced to three-and-a-half years in jail and five years' probation and ordered to pay $22 million in restitution. The case is now on appeal. In a federal civil trial in Florida that ended in July 1988, a jury returned a verdict for $22.7 million against Warner, according to Tew Jorden partner Jose Garcia-Pedrosa, who represented E.S.M. creditors. Post-trial motions are pending, Garcia-Pedrosa says, because Warner has filed for bankruptcy.

E.S.M. president Nicholas Wallace was found guilty of conspiracy and mail fraud in a Miami federal trial, and was sentenced to a 30-year term in October 1986. Nine other E.S.M. defendants have been sentenced to jail terms, including E.S.M. principal George Mead, who received combined federal and state sentences of 20 years, to be served in Ohio state prison.

Although the Arky, Freed name had disappeared from the Florida legal landscape, Stearns claims his current firm, 66-lawyer Stearns Weaver Miller Weissler Alhadeff & Sitterson, has retained 40 Arky, Freed lawyers and a core of the pre-1985 business, despite losing four Arky, Freed name partners in the last four years.

GRAPHIC: Picture, E.S.M. receiver Thomas Tew, PHOTOGRAPH BY MICHAEL GERMANA

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BROWARD DAILY BUSINESS REVIEW

January 10, 1997 Friday

SECTION: THOMAS TEW; Pg. A5

LENGTH: 2860 words

HEADLINE: When the stakes are high, call goes out to Thomas Tew; Miami's mayor enlists a lawyer who's no stranger to complex financial cases to investigate accountant

BYLINE: MARY HLADKY, REVIEW STAFF

BODY:
Thomas Tew may be best known for successfully suing accounting firms, but it was his ability to explain a never-used state law that got him involved in mapping the future of the city of Miami.

Tew and his law firm, Tew & Beasley, had been hired to evaluate the liability of the city's former outside auditor, the Big 6 accountant Deloitte & Touche, in Miami's $ 68 million budget deficit.

Meanwhile, Miami Mayor Joe Carollo was facing a date with Gov. Lawton Chiles during Thanksgiving week to provide the governor with details of Miami's financial crisis.

Carollo consulted Tew, whose advice was straightforward: Chiles needed to be told that not only were Miami's financial problems severe, they had existed for at least two years.

"We have a duty to give the governor a heads-up," Tew recalls telling Carollo. "We would have no credibility if we left the meeting not explaining that to the governor."

Those admissions about the city's plight would trigger the use of a never-before-implemented state financial emergency law -- enabling the governor to intervene.

Tew was drawing on expertise he'd gained two years ago doing legal work for Escambia County. He'd spent hours boning up on the Florida law, enacted in the wake of the New York City crisis of the 1970s, that spells out the governor's powers if a local government faced a financial emergency. As it happened, the

law wasn't used in Escambia's case. But Miami was likely to prove a different matter.

"So few people knew about it, and Tom was one of the few who did know," Carollo says.

Carollo invited Tew to the meeting in Tallahassee. There, Tew took a lead role in walking the governor and his advisers through the law -- its requirements and ambiguities -- and what invoking it would mean.

"This was the first time in the history of Florida that [the law] had been used," said Miami lawyer Sylvan "Sonny" Holtzman who helped arrange the Chiles-Carollo meeting. "Everyone was there to debate the issues of this thing."

After that meeting, Chiles invoked the statute and appointed an oversight board led by Lt. Gov. Buddy MacKay to help pull Miami back from the brink.

Carollo says he was impressed by the respect the governor, a Democrat, and his staff accorded Tew, who is known in political circles as a GOP fund raiser.

"That was a surprise for me," Carollo says. "I didn't expect Democrats would have such high esteem for Republicans such as Tom."

But Tew's emergence as one of a small cadre of lawyers with influential roles in Miami's financial and political crisis comes as no surprise to those who have followed his career. Tew isn't a novice to high-profile roles, high-stakes litigation or complex investigations.

Former acting city manager Merrett Stierheim says that's why he wanted Tew for the job of evaluating Deloitte & Touche's liability in the matter of Miami's $ 68 million budget deficit.

"He has handled several heavy litigations in this area successfully," Stierheim says. "He has, in my judgment, a very solid background, and I was impressed with it."

Tew's resume is laden with experience in an area that's daunting to many that of intricate financial dealings and double-dealings. Tew is a lawyer who calls accountants to account, and those who know him say the investigative and advisory role Tew has taken on for Miami is a natural extension of that background.

"He is putting the puzzle together. It is the same thing," says Charles Harper, former Miami regional administrator of the U.S. Securities and Exchange Commission who recommended that Tew serve as trustee in the 1985 bankruptcy of ESM Government Securities, then the largest government securities fraud in U.S. history.

"Tom is one of the lawyers that people in this community go to in a big case," says Richard Brodsky, one of the many attorneys who faced him over ESM. "It is the kind of case you would want to have a good lawyer who is experienced and won't get all flustered when he sees his name in the paper."

Many of his earlier cases have similarities to the work he's doing for the city. "The thread through all of those are failed financial or troubled financial situations," Tew says. "In many ways, it is the same thread."

Tew, 56, who has lived in Miami since infancy, is a Dartmouth College graduate who earned his law degree from the University of Miami, where he was editor-in-chief of the law review. He is widely described as urbane and polished, with a strong ability to forge agreements among parties otherwise likely to squabble indefinitely. He also is credited with being able to handle sophisticated and complicated matters speedily.

"I have seen Tom go into meetings where I thought the fur was going to fly, and everyone left feeling like they were fairly treated, feeling really good about the result, which is pretty remarkable," Harper says.

"He is very effective. He has a great record of collections in some very heavy-duty bankruptcies and business failures," says Holtzman, who with L. Grant "Jack" Peeples, both Miami lawyers and friends of Chiles, arranged the November meeting between Carollo and the governor. The city has since retained Holtzman's firm -- Holtzman, Krinzman, Equels & Furia -- to help prepare it for reentering the bond market.

"When in regular conversation, he is a fine Southern gentleman," Holtzman says. "In his lawyer's uniform, he is very tenacious and aggressive."

He's also shrewd. Tew is advising Carollo at no cost on the state financial emergency law. He and his 25-lawyer firm will report to city commissioners in about a month on Deloitte & Touche's potential liability. For this work he proposed, and commissioners agreed, that he and his firm will earn no more than $ 25,000.

But if the commission decides to litigate against Deloitte, Tew's firm will be positioned to handle what could be far more lucrative work. Tew has proposed two options if his firm is hired -- a reduced hourly rate and modified contingency arrangement if the recovery is large, or a pure contingency fee of 25 percent on the first $ 1 million recovered, 20 percent of the next $ 2 million to $ 5 million and 15 percent thereafter.

Tew also is preparing for Carollo an economic analysis of the consequences of abolishing the city, a move being pushed by a group of downtown developers and lawyers. Tew's role enlists him in the mayor's battle to save the city, and he does not dispute that the information he is assembling likely will be used by opponents of abolition.

Carollo expects the analysis will show that eliminating the city will not be a boon for taxpayers. "Whichever way you look at it, I cannot see anything but additional increases in taxes for lesser service than the city residents are getting now," he says.

Although Tew suspects Carollo is right, he says he has not been pressed to reach a particular conclusion. "It has been refreshing. I have had no interference on any of the analysis I have done, no trying to shape my opinion," Tew says.

The ESM case

Tew was thrust into prominence in 1985, when he became counsel to ESM, discovered questionable numbers in the company's books and brought in an accountant who found years of undocumented trading losses. Tew alerted the SEC's Harper and returned ESM's $ 500,000 retainer.

The ESM fraud left dozens of municipalities across the country out millions of

dollars and triggered a run on Ohio thrifts, resulting in a one-day bank closure in that state.

Tew's organized and sophisticated handling of the complicated case -- including a $ 70.9 million verdict against the Alexander Grant (now Grant Thornton) accounting firm -- and his eventual recovery of 82 to 85 cents on the dollar, won him widespread accolades.

"I think that was a defining point in my career," Tew says.

When ESM broke, Tew was a partner in the national firm Finley, Kumble, Wagner, Heine, Underberg, Manley, Myerson & Casey, which eventually disintegrated in disgrace. He had joined with others of its Miami lawyers in creating Tew Jorden Schulte & Beasley, which got a shot of prestige, respectability and money from ESM.

Tew's role as trustee, recommended by the SEC regional chief, was lucrative. He, his firm and other professionals he brought into the case earned more than $ 8.25 million.

Tew's only significant failure in the ESM case was being unable to convince a federal judge that a group of Miami lawyers who were close to some of the ESM principals should be held liable. U.S. District Judge Jose A. Gonzalez Jr. dismissed suits against the firm then known as Arky, Freed, Stearns, Watson Greer, Weaver & Harris, and the estate of name partner **Stephen Arky**, who committed suicide in 1985. The firm's managing partner Eugene Stearns had repeatedly insisted the suit never should have been filed.

The ESM criminal case also benefited from Tew's assistance, said former federal prosecutor Jane Moscowitz, now in private practice in Miami. Moscowitz said Tew and the accountant he hired, Laurie Holtz, brought her up to speed quickly when she inherited the case after the two original prosecutors stepped aside to handle a major trial.

"They were always extremely accommodating," she says. "You had the feeling everything was being done right. The procedures civilly and criminally were enormously efficient. I attribute a lot of that to him [Tew]."

Eight years later, when another mammoth fraud case came to light, it was no surprise Harper turned to Tew.

The case was Premium Sales Corp., a North Dade grocery diverter that allegedly operated as a Ponzi scheme that defrauded investors out of $ 255 million.

"I knew what Tom's capabilities were," says Harper, now associate general counsel and senior vice president at PaineWebber in Fort Lauderdale. "When this came up, I needed someone who had been down that path before."

But after originally approving Tew's entry into the case, U. S. District Judge Federico Moreno announced he was naming Miami lawyer Harley Tropin as receiver instead. Moreno never explained the switch.

Although those who know Tew say he was shocked, and Harper recalls being "stunned," Tew now says only, "It was certainly unexpected." He noted, "The judge has the authority to select anyone he wants."

For a time, Tew was senior counsel to Tropin and evaluated the potential liability

of six law firms that prepared documents for investors. He recommended proceeding against two, and they eventually agreed to settle for a combined $ 30 million.

Brodsky, who represented Larry Sazant, one of the people who found investors for Premium, credits Tew with helping structure the civil case in a way that achieved good results for investors.

"Even after Judge Moreno starkly removed him from being the receiver of Premium, I think he was very instrumental in setting up mechanisms whereby the Premium case was able to be settled on successful terms," Brodsky said.

"I would hope that was the case" regarding law firm defendants, Tew says. But he said he played no role in the strategy against other defendants, which included grocery store chains.

Bankers and insurers

Tew has played important roles in a variety of other cases including the Escambia County financial mess that made him knowledgeable about the state financial emergency law.

He was hired by Escambia in 1994 to investigate why outside auditors hadn't alerted commissioners to the county's risky investments in derivatives.

In the end, no suit was filed against the auditors. Presented with the results of Tew's investigation, the insurance carrier for auditor Saltmarsh, Cleaveland & Gund agreed to settle for about $ 2 million. Suits filed against brokers either settled or are pending.

Tew was one of the lawyers who represented former Capital Bank chairman Abel Holtz, who, after lengthy federal investigations, pleaded guilty in 1994 to misleading a grand jury that investigated his one-time friend, Alex Daoud, the ex-mayor of Miami Beach.

Tew represented the chairman and other top officers of AmeriFirst Bank, which was seized by regulators and faced a class action by shareholders.

And he was appointed by former Florida Insurance Commissioner Tom Gallagher to investigate Metropolitan Life Insurance Co., which in 1994 paid $ 4.6 million to settle allegations about misleading sales practices.

Tew obtained $ 50 million from Coopers & Lybrand as receiver for Guaranty Security Life Insurance Co., and $ 9 million from Deloitte & Touche in his capacity as receiver for International Medical Centers Inc.

Now, with a new role representing Carollo and Miami, Tew finds himself drawn into the debate over the city's future. And, as a result, he may find himself in another type of advocacy -- assisting those who are fighting to keep Miami alive.

In that capacity, Tew once again would be opposite Eugene Stearns, who a decade ago fought off Tew's suit against his former firm and now is among those pressing to dissolve the city.

At a recent lunch with Stearns, Tew says he urged him to tell voters all the tax ramifications of that proposal to eliminate the city rather than allowing them to

believe that abolition is a cheap and easy way out of massive problems.

"I see my role not on the political front, but trying to make sure the debate for both sides treats the matter in a financially accurate manner," he says.

Even so, Tew concedes partisanship.

"At the end of the day, we may have different solutions [to Miami's financial problems]," Tew said. "I would prefer to see the city survive and flourish under partnership with the governor, rather than have it dissolved."

GRAPHIC: Photo, IN THE MIDDLE: Lawyer Thomas Tew is investigating Miami's accounting firm for potential liability in the fiscal crisis and inevitably finds himself discussing the move to abolish the city. 'I see my role not on the political front,' he says, 'but trying to make sure the debate for both sides treats the matter in a financially accurate manner.'; AIXA MONTERO-GREEN ; Photo, SURPRISED AT RESPONSE: Miami Mayor Joe Carollo, above, says the reaction of the governor and his staff to Tew surprised him. 'I didn't expect Democrats would have such high esteem for Republicans such as Tom,' Carollo says.; Photo, ON A 'SOUTHERN GENTLEMAN': Lawyer Sylan 'Sonny' Holtzman helped arrange the meeting at which Tew explained the financial crisis law. 'He is very effective,' Holtzman says of Tew. 'He has a great record of collections in some very heavy-duty bankruptcies and business failures.'; Photo, 'ACCOMMODATING': Jane Moscowitz prosecuted the federal fraud case against ESM Government Securities, in which Tew was bankruptcy trustee. 'They were always extremely accommodating,' she says of Tew and his staff. 'You had the feeling everything was being done right.'; Photo; SOLID EXPERIENCE: Lawyer Richard Brodsky, who faced Tew in the high-profile ESM case, says Tew is a lawyer people turn to in big cases. Miami's situation 'is the kind of case you would want to have a good lawyer who is experienced and won't get all flustered when he sees his name in the paper.'

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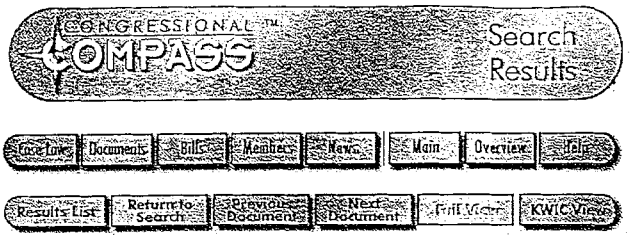


Document 9 of 11.

INVESTMENT RESEARCH ASSOCIATES, LTD., AND SUBSIDIARIES, ET AL., n1 Petitioners v. COMMISSIONER OF INTERNAL REVENUE, Respondent

n1 Cases of the following petitioners are consolidated herewith: Burton W. and Naomi R. Kanter, docket No. 712-86; Investment Research Associates, Ltd., and Subsidiaries, docket No. 45273-86; Burton W. and Naomi R. Kanter, docket No. 1350-87; Burton W. and Naomi R. Kanter, docket No. 31301-87; Burton W. and Naomi R. Kanter, docket No. 33557-87; Burton W. and Naomi R. Kanter, docket No. 3456-88; Investment Research Associates, Ltd., and Subsidiaries, docket No. 30830-88; Burton W. and Naomi R. Kanter, docket No. 32103-88; Investment Research Associates, Ltd., and Subsidiaries, docket No. 27444-89; Claude M. and Mary B. Ballard, docket No. 16421-90; Investment Research Associates, Ltd., and Subsidiaries, docket No. 25875-90; Burton W. and Naomi R. Kanter, docket No. 26251-90; Claude M. and Mary B. Ballard, docket No. 20211-91; Estate of Robert W. Lisle, Deceased, Thomas W. Lisle and Amy L. Albrecht, Independent Co-executors, and Estate of Donna M. Lisle, Deceased, Thomas W. Lisle and Amy L. Albrecht, Independent Co-executors, docket No. 20219-91; Estate of Robert W. Lisle, Deceased, Thomas W. Lisle and Amy L. Albrecht, Independent Co-executors, and Estate of Donna M. Lisle, Deceased, Thomas W. Lisle and Amy L. Albrecht, Independent Co-executors, docket No. 21555-91; Claude M. and Mary B. Ballard, docket No. 21616-91; Investment Research Associates, Ltd., and Subsidiaries, docket No. 23178-91; Burton W. and Naomi R. Kanter, docket No. 24002-91; Claude M. and Mary B. Ballard, docket No. 1984-92; Estate of Robert W. Lisle, Deceased, Thomas W. Lisle and Amy L. Albrecht, Independent Co-executors, and Estate of Donna M. Lisle, Deceased, Thomas W. Lisle and Amy L. Albrecht, Independent Co-executors, docket No. 16164-92; Investment Research Associates, Ltd., and Subsidiaries, docket No. 19314-92; Claude M. and Mary B. Ballard, docket No. 23743-92; Burton W. and Naomi R. Kanter, docket No. 26918-92; Estate of Robert W. Lisle, Deceased, Thomas W. Lisle and Amy L. Albrecht, Independent Co-executors, and Estate of Donna M. Lisle, Deceased, Thomas W. Lisle and Amy L. Albrecht, Independent Co-executors, docket No. 7557-93; Claude M. and Mary B. Ballard, docket No. 22884-93; Investment Research Associates, Ltd., and Subsidiaries, docket No. 25976-93; and Burton W. and Naomi R. Kanter, docket No. 25981-93.

No. 43966-85; No. 712-86; No. 45273-86; No. 1350-87; No. 31301-87; No. 33557-87; No. 3456-88; No. 30830-88; No. 32103-88; No. 27444-89; No. 16421-90; No. 25875-90; No. 26251-90; No. 20211-91; No. 20219-91; No. 21555-91; No. 21616-91; No. 23178-91; No. 24002-91; No. 1984-92; No. 16164-92; No. 19314-92; No. 23743-92; No. 26918-92; No. 7557-93; No. 22884-93; No. 25976-93; No. 25981-93

UNITED STATES TAX COURT

T.C. Memo 1999-407; 1999 Tax Ct. Memo LEXIS 463; 78 T.C.M. (CCH) 951

December 15, 1999, Filed

DISPOSITION: [*1] Decisions in all dockets will be entered under Rule 155.

COUNSEL:
Randall G. Dick and Jeffrey I. Margolis, for petitioners in docket Nos. 43966-85, 712-86, 45273-86, 1350-87, 31301-87, 33557-87, 3456-88, 30830-88, 32103-88, 27444-89, 25875-90, 26251-90, 23178-91, [*7] 24002-91, 19314-92, 26918-92, 25976-93, and 25981-93.

Royal B. Martin and Steven S. Brown, for petitioners in docket Nos. 16421-90, 20211-91, 20219-91, 21555-91, 21616-91, 1984-92, 16164-92, 23743-92, 7557-93, and 22884-93.

Mark E. O'Leary, John J. Comeau, James M. Cascino, Jonathan P. Decatorsmith, James M. Klein, G. Roger Markley, and Pamela V. Gibson, for respondent.

JUDGES: Dawson, Howard A., Jr.;
Couvillion, D. Irvin

OPINIONBY: DAWSON; COUVILLION

OPINION: [EDITOR'S NOTE: PART 1 OF 3. THIS DOCUMENT HAS BEEN SPLIT INTO MULTIPLE PARTS ON LEXIS TO ACCOMMODATE ITS LARGER SIZE. EACH PART CONTAINS THE SAME LEXIS CITE.]

MEMORANDUM FINDINGS OF FACT AND OPINION

DAWSON, JUDGE: These consolidated cases were assigned to Special Trial Judge D. Irvin Couvillion pursuant to Rules 180, 181, and 183. n2 The Court agrees with and adopts the opinion of the Special Trial Judge, which is set forth below.

----------Footnotes----------

n2 Unless otherwise indicated, section references are to the Internal Revenue Code in effect for the years at issue. All Rule references are to the Tax Court Rules of Practice and Procedure.

----------End Footnotes---------- [*8]

OPINION OF THE SPECIAL TRIAL JUDGE

COUVILLION, SPECIAL TRIAL JUDGE: In these consolidated cases, respondent determined deficiencies in petitioners' Federal income taxes, additions to tax, n3 penalties, and increased interest, as follows:

Investment Research Associates, Ltd., and Subsidiaries

Docket No. 43966-85:

Year	Deficiency	Addition to Tax Sec. 6659(a)
1979	$ 18,791	$ 5,637

Docket No. 45273-86:

		Additions to Tax		
Year	Deficiency	Sec. 6653	Sec. 6659(a)	Sec. 6661
1982	$ 174,225	$ 8,711	$ 49,154	$ 1,038

Docket No. 30830-88: n1

Additions to Tax

Ballard did not cooperate with respondent's agents at various stages of their investigation of his tax returns. He withheld relevant documents and information involving transactions with the Five.

Ballard discarded and permitted others, including Kanter, Gallenberger, and Weisgal, to discard supporting income documentation, an intentional act designed to conceal and evade the reporting and payment of Federal income tax.

Ballard allowed Kanter to commingle his share of the kickback moneys in the laundering mechanism Kanter used to conceal its identity. Ballard's use of the various Kanter sham entities (including among others, IRA, TMT, KWJ Corp., KWJ Co., Essex, Zeus, Holding Co., Int'l Films, HELO, Administration Co., and Principal Services) made it difficult and sometimes impossible to trace the cash-flow and is substantial evidence of Ballard's intent to evade tax. Commingling the kickbacks in the accounts of the conduit entities, together with other unrelated income, was a device to [*348] hide the kickbacks from Prudential and the IRS, and is evidence of Ballard's fraud.

Ballard plainly attempted to disguise the source of the kickback funds by funneling money in the roundabout method through the conduit entities over a period of many years.

Ballard made the following misleading and false statements:

(1) He testified that at the dinner meeting where Kanter introduced Schaffel to Ballard and Lisle, they only discussed politics, football, and religion, and that no business was discussed;

(2) he testified that he did not know whether Walters had transacted any business with Prudential when Ballard was at Prudential and that he was not involved with the Ramada Renaissance property; yet he met with Schaffel and Walters to finalize the financing of the Cherry Creek Place II and the Ramada Renaissance properties;

(3) he testified that Prudential did not purchase the Schnitzer-PMS stock because, apart from the potential conflict of interest, Prudential did not have any business to give to Schnitzer-PMS; yet Prudential started giving Schnitzer-PMS substantial business;

(4) he testified that he had no involvement and no meetings with Connolly other [*349] than seeing him at the Gateway hotel; yet he is the person who introduced Connolly to Eulich for purposes of setting up the Essex arrangement.

Finally, we find Ballard's testimony vague, evasive, and unreliable as to the kickback payments in the face of overwhelming evidence to the contrary.

Ballard's pattern of consistent and substantial underreporting of income, when accompanied by the other indicia indicating an intent to conceal income, justifies our finding that Ballard's underpayment of tax attributable to income he omitted from transactions involving the Five is attributable to fraud.

3. KANTER'S FRAUD

Kanter was the architect who planned and executed the elaborate scheme with respect to the kickback income payments received from the transactions involving the Five. Ballard and Lisle participated with him, shared in the payments, and cooperated in the diversions. In our view, what we have here, purely and simply, is a concerted effort by an experienced tax lawyer and two corporate executives to defeat and evade the payment of taxes and to cover up their illegal acts so that the corporations, Prudential and Travelers, and the Federal Government would be unable to discover them. [*350]

Respondent has proven by clear and convincing evidence that Kanter underpaid his taxes for each of the years at issue attributable to transactions related to the Five. Respondent has also proven by clear and convincing evidence that Kanter intended to evade taxes known to be owing on that income by conduct designed to conceal, mislead, or otherwise prevent the collection of such taxes.

The record is replete with several indicia of Kanter's fraud. They are:

First, Kanter has a legal education. He has been a practicing tax attorney since 1956. He has taught courses in estate and gift taxation and estate planning at the University of Chicago Law School. He has lectured and written extensively in the area of Federal tax law. For a number of years, he has been a writer and contributor to the Journal of Taxation, a national monthly publication devoted exclusively to Federal taxation. Kanter, as an experienced tax attorney, obviously understood and fully appreciated his legal obligations to report income correctly and to pay taxes on that income. Nevertheless, he disregarded these obligations by conceiving and carrying out various schemes to misdirect income. Furthermore, he was or should [*351] have been aware that his Federal income tax liabilities were substantially underreported for each of the years in issue.

Second, as we have previously found, Kanter reported adjusted gross losses on his Federal income tax returns for every year from 1978 through 1989. For 11 of those years he paid no Federal income taxes, and only minimum tax of $ 1,671 in 1978. Kanter omitted income received from transactions with the Five during the years 1978 through 1989 (except for 1985) in the total amount of $ 3,422,469. Even for 1985, a year not before us here, he omitted $ 1,592,939.

Third, Kanter created a complex laundering mechanism made up of sham corporations and entities (including among others, IRA, Carlco, TMT, BWK, Inc., KWJ Corp., KWJ Co., Essex, Zeus, Holding Co., Int'l Films, HELO, Administration Co., and Principal Services) to receive, distribute, and conceal his income, as well as Ballard's and Lisle's income. Payments made for their services were paid to IRA and Holding Co. or one of their subsidiaries. The payments were commingled with funds from other entities in Administration Co.'s accounts and later Principal Service's accounts. Large amounts of money were distributed [*352] to various entities and individuals, including Kanter, Ballard, and Lisle, through IRA, Holding Co., HELO, Int'l Films, and the Bea Ritch trusts. The distributions were disguised as loans and recorded as receivables. The receivables were shuffled (through book entries) between the various entities and eventually written off. Kanter's use of the various sham entities made it difficult and sometimes impossible to trace the flow of the money and is substantial evidence of his intent to evade tax. See Scallen v. Commissioner, 877 F.2d 1364, 1370-1371 (8th Cir. 1989).

Fourth, as reflected in our findings of fact, Kanter did not cooperate with respondent's agents at various stages of their investigation of his tax returns. He withheld relevant documents and information involving transactions with the Five and the movement of moneys through the conduit entities such as Administration Co., IRA, Holding Co., and others.

Kanter caused some records to be destroyed and attempted to place other records beyond the reach of the revenue agents conducting the investigation. We find in particular that destruction of records that were the subject of the IRS summonses after [*353] the issuance of the summonses to be a strong indication of fraud. "The summons had no time limit, was never withdrawn, and * * * required the recipient to retain -- indefinitely -- the documents within its scope." United States v. Administrative Enters., Inc., 46 F.3d at 673.

Gallenberger and Weisgal claim that records had been discarded pursuant to a 3-year retention policy based on the normal 3-year statute of limitations for assessing tax deficiencies. Yet the records they destroyed related to returns that were being audited and were the subject of IRS administrative summonses. We think that such a 3-year retention policy could not justify the destruction of corporate minutes, stock ownership records, or resolutions by the boards of directors. Moreover, some of the entities involved were trusts or corporations owned by trusts. Corporate officers and directors, as well as trustees of trusts, are often required to account to shareholders and beneficiaries for periods greater than 3 years. None of the individuals involved with the various entities (Gallenberger, Weisgal, Meyers, and Schott) acted in any independent manner. They all acted as directed by [*354] Kanter. It is clear that they destroyed the records at Kanter's direction.

Kanter, a tax professional who represents clients before the IRS and this Court, is aware of the need for documentation and records to support the items reported on tax returns. In light of that knowledge, coupled with other evidence, we find that his discarding of his supporting income documentation was an intentional act designed to conceal and evade the reporting and payment of Federal income tax.

Fifth, Kanter's commingling of his income with the moneys of others is an indication of fraud in an attempt to avoid tax. United States v. Walton, 909 F.2d 915 (6th Cir. 1990). The use of IRA and the other entities by Kanter and the commingling of the kickback moneys were part of the laundering mechanism designed by Kanter. All of the commingling of Kanter's income, as well as that of Ballard and Lisle, was done at his direction. Commingling of the kickbacks in Administration Co.'s accounts, together with other unrelated income, was designed to conceal the kickbacks. The commingling and laundering are evidence of fraud. Maddas v. Commissioner, 114 F.2d 548 (3d Cir. 1940); [*355] United States v. Jackson, supra.

Sixth, Kanter's scheme was intended to "thwart the effective functioning of the IRS" and was an attempt to disguise the source of income. Kanter plainly attempted to disguise the source of the kickback funds by the manner employed in sending the moneys through conduit entities in a roundabout method over a period of many years. Obviously, he, as well as Ballard and Lisle, did not want Prudential and Travelers to know about the kickback payments. Certainly, the movement of the moneys had no legitimate business purpose.

Seventh, Kanter's reporting of the kickback moneys on the returns of IRA and Holding Co. was designed to conceal the scheme, and is another strong indication of Kanter's fraud. See Lang v. Commissioner, T.C. Memo 1961-134, where the reporting of income from property beneficially owned by the taxpayer on the returns of family members was held to be fraudulent. It is clear that Kanter used the sham corporations to give the appearance that the kickback income was earned by them, rather than Ballard, Lisle, and himself, and that there was no tax due by the corporations because there [*356] were claimed losses sufficient to offset the income. Moneys were distributed from IRA and Holding Co. at Kanter's direction to other entities that were created to conceal further the true nature of the payments. Three of those entities, TMT, Carlco, and BWK Inc., were controlled respectively by Ballard, Lisle, and Kanter, and were the repositories of the kickback moneys distributed from IRA.

Eighth, Kanter routinely used the various conduit entities as nominees, placing money and property in the names of the entities to conceal the transactions. In fact, when it was convenient, he would assert that the entity held an asset merely as nominee.

Ninth, Kanter created phony loans to disguise the distributions of the income to himself and others and to evade the income tax due on the income. He later arranged for sales of the receivables for nominal amounts in order to claim false bad debt deduction losses and offset additional income reported on his returns and the returns of the conduit entities.

Tenth, as discussed previously, Kanter's testimony at trial was implausible, unreliable, and sometimes contradictory. We did not find it credible.

Finally, other factors that support a finding [*357] of Kanter's fraud include, but are not limited to, manipulations of deductions and income between various corporate, partnership, and trust entities to conceal not only his income but the income of others; failure to account for payments for services; and the use of the various artifices to divert the payments to his children and trusts benefiting his family.

Kanter's substantial understatements of income over an 11-year period, his intentional misdirection of income, and his deliberate mischaracterizations of the transactions are clear and convincing evidence of his fraudulent intent to evade taxes, particularly in light of his legal education and experience and overall tax sophistication. See Scallen v. Commissioner, 877 F.2d 1364, 1370-1371 (8th Cir. 1989); Sisson v. Commissioner, T.C. Memo 1994-545, affd. without published opinion 108 F.3d 339 (9th Cir. 1996); Wheadon v. Commissioner, T.C. Memo 1992-633.

The transactions involved here were masquerades, concealing the true character of the payments. In

reality, an attorney and two highly successful businessmen conspired [*358] to conceal millions of dollars of kickbacks, using a multitude of entities with friends and employees serving as officers of convenience, in an attempt to defraud the employers of Ballard and Lisle and evade taxes properly owed to the Government.

As each layer of Kanter's complex organization is removed, and the flow of the money is followed, the magnitude of the fraud is revealed. Kanter's explanations are mere platitudes and rationalized rhetoric intended to obfuscate the true character of the transactions and his wrongdoing.

F. SUMMARY AND CONCLUSIONS AS TO FRAUD

The addition to tax or penalty in the case of fraud is a civil sanction provided primarily as a safeguard for the protection of the revenue and to reimburse the Government for the heavy expense of investigation and the loss resulting from the taxpayer's fraud. Helvering v. Mitchell, 303 U.S. 391, 401, 82 L. Ed. 917, 58 S. Ct. 630 (1938). The facts, as we have found in detail, clearly show that Kanter, Ballard, and Lisle, through the use of various conduit entities, devised a multifaceted scheme to shield kickback payments they received from transactions involving the Five. Their fraud resulted in the Federal Government [*359] not being paid several millions in income taxes due and owing. Clearly, the Government incurred great expense investigating petitioners' returns. The investigation took years and involved the efforts of dozens of IRS agents and several Government attorneys.

Petitioners created profitable business deals between the Five and Prudential and Travelers. The large sums of money they received as kickbacks were diverted at Kanter's direction to their controlled conduit entities. To effectuate the part of the scheme involving the Prudential transactions, Kanter through his related entities (IRA and its subsidiaries), retained the moneys for a period of time until they were distributed directly or indirectly to Ballard, Lisle, and himself in a 45-45-10 percent split. To effectuate the remaining part of the scheme involving the payments for Kanter's services, including payments from the Schaffel/Travelers transactions, Kanter caused the moneys to be paid to Holding Co., which he controlled.

As a result of the overall scheme, over $ 13 million of kickback and other income was omitted by petitioners collectively. The evidence is clear and convincing that they intended to evade the payment of their [*360] taxes on such omitted income. Accordingly, after considering all the facts and circumstances contained in the massive record of these cases, we hold that Kanter, Ballard, and Lisle are liable for the fraud additions to tax and penalties for each of the years at issue.

ISSUE 2. WHETHER CERTAIN COMMITMENT FEES PAID TO CENTURY INDUSTRIES, LTD., ARE INCLUDABLE IN KANTER'S INCOME FOR 1981, 1982, 1983, 1984, AND 1986

FINDINGS OF FACT

Century Industries, a partnership, was organized in 1979. Its partners were the Bea Ritch trusts, Weisgal individually (rather than as trustee of the Bea Ritch trusts), and a third individual. The 25 trusts (collectively), Weisgal, and the other individual each held one-third interests in the partnership. The partnership's objective was to engage in highly leveraged investments in which the partners would contribute relatively minimal amounts of their own capital. The partnership was ultimately unsuccessful in such investments.

In early 1980, the partnership was reconstituted. The third individual referred to above withdrew from the partnership, new partners were admitted, and the partnership's investment focus was changed. The new partners included Kanter, [*361] four family trusts for the benefit of Weisgal's family members (the James Children's Trust, the Lawrence Children's Trust, the Lee Children's Trust, and the Richard Children's Trust), and another investment partnership composed of irrevocable trusts for the benefit of Weisgal's family called Atlay Valley Investments General Partnership (Atlay partnership).

During 1980 and 1981, the partners in Century Industries, their capital interests, and their initial capital contributions were as follows:

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

March 10, 1997

In the Matter of Ulster Investments, Ltd. C-2851	:	ORDER DIRECTING A PRIVATE INVESTIGATION AND DESIGNATING OFFICERS TO TAKE TESTIMONY

I.

The Commission's official public files disclose that:

A. Site Holdings, Inc. f/k/a Site-Based Media, Inc. (Site) is a corporation based in New York, New York engaged in the business of selling in-store video advertising equipment. Site's securities are registered with the Commission pursuant to Section 15(d) of the Securities Exchange Act of 1934 (Exchange Act) and its stock is traded over-the-counter on the NASDAQ system.

B. Hibbard, Brown & Co., Inc. (Hibbard) was a broker-dealer based in New York, New York and registered with the Commission until December 13, 1995. The Commission revoked Hibbard's registration in a case styled In the Matter of F.N. Wolf & Co., Inc., Securities Act Release No. 7247 (December 13, 1995).

II.

Members of the staff have reported information to the Commission which tends to show:

A. From October 1993 through at least May 1994, Ulster Investments, Ltd., an Antiguan corporation (Ulster), Site, Hibbard and others may have made use of the mails or means and instrumentalities of interstate commerce to offer, sell and deliver after sale Site common stock while no registration statement was on file with the Commission or was in effect with respect to those securities and without a valid exemption from the registration requirements of the Securities Act of 1933 (Securities Act).

B. While engaged in, and in connection with the offer, sale and delivery after sale of Site common stock issued purportedly in reliance on a Regulation S safe harbor, Ulster, Site, Hibbard and others may have offered, sold, and delivered after sale, unregistered Site stock to a U.S. person, or for the account or

benefit of U.S. persons, without complying with the requirements of Regulation S.

C. While engaged in, and in connection with, the offer, sale and delivery after sale of Site common stock, Ulster, Site, Hibbard and others may have entered into a transaction or series of transactions which, although in technical compliance with Regulation S, was part of a plan or scheme to evade the registration provisions of the Securities Act.

III.

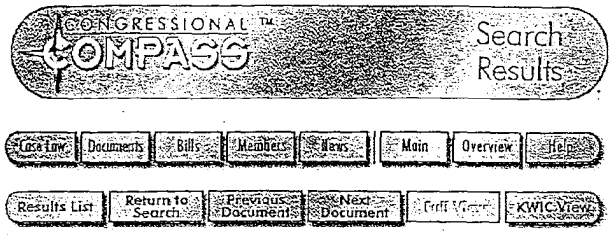
The Commission having considered the staff report and deeming such acts and practices, if true, to be in possible violation of Sections 5(a) and 5(c) of the Securities Act, finds it necessary and appropriate and hereby,

ORDERS, pursuant to the provisions of Section 20(a) of the Securities Act, that a private investigation be made to determine whether the aforesaid persons have engaged, or are about to engage, in any of the reported acts or practices or in any acts or practices of a similar purport or object; and

FURTHER ORDERS, pursuant to the provisions of Section 19(b) of the Securities Act that for purposes of such investigation, Randall J. Fons, Robert J. Burson, Mark R. Borrelli, Jeannette L. Lewis, Timothy L. Warren, John R. Brissman, David J. Medow, Thomas W. Szromba, Peter Chan, Michael J. Diver, Kevin M. Robinson, Tina Diamantopoulos, Bruce M. Lewitas, Evelyn T. Kendra, George J. Miller, Scott J. Hlavacek, Luz M. Aguilar, William P. Glaser, James R. Silverwood, Norman H. Jones, James B. Wilson, Michelle A. Fingal, and Donald A. Ryba and each of them, is hereby designated an officer of this Commission and empowered to administer oaths and affirmations, subpoena witnesses, take evidence and require the production of any books, papers, or other documents deemed relevant and material to this inquiry, and to perform all other duties in connection herewith as prescribed by law.

By the Commission.

Jonathan G. Katz
Secretary



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March 15, 1999

SECTION: Letters; Pg. 3

LENGTH: 983 words

HEADLINE: IRS TANGLES WITH ZELL OVER PARTNER'S ESTATE: AGENCY CLAIMS LURIE TRUSTS WERE TAX-REDUCTION PLOY

BYLINE: PAUL MERRION

BODY:

The Internal Revenue Service is seeking between $47.6 million and $83.7 million from the estate of the late Robert Lurie, alleging a broad series of complex tax-reduction schemes involving his longtime friend and business partner, billionaire Chicago investor Sam Zell.

In several hundred thousand pages of documents and 13 days of trial in U.S. Tax Court here ending early last month, the government is alleging that Mr. Lurie sought to reduce estate taxes through improper transfers of assets and income to trusts set up in 1969 for the benefit of his family.

Mr. Zell has not been charged with any civil or criminal wrongdoing, and attorneys for the Lurie estate say the IRS' allegations are groundless.

The crux of the case is whether the trusts paid "less than full and adequate consideration" for those assets, according to the IRS.

Noting that the 10 Lurie family trusts were set up with $200 each in capital and grew to more than $36 million in value by the time Mr. Lurie died in 1990, an IRS trial memorandum alleges that Mr. Lurie "created the facade that their trusts' wealth was the result of 'investments' made by the trusts."

While the taxpayer generally bears the burden of proof in Tax Court, in this case, the IRS must dissect two decades of real estate deals and other transactions to make these civil tax charges stick.

"Normally, estate planning holds up because the (Internal Revenue) Code permits you to do a number of things," says Charles Bruce, a Washington, D.C., attorney and expert on the use of trusts. "If you're being aggressive, this case may stand for the proposition that you're going to end up in Tax Court."

Messrs. Lurie and Zell had a nickname for their collection of trusts and partnerships owned by trusts, which served as their combined investment vehicle for real estate and other deals: "The Family."

The IRS alleged in Tax Court documents that Mr. Lurie used "false books and records," "back-dated documents" and "sham transactions."

However complex the case has become, attorneys for the Lurie estate say the IRS has simply not proved the heart of its case.

"There is innuendo, but never any showing these were false books and records," says Robert Levin, the Lurie estate's lead attorney. "A lot of this is gratuitous. There was not a single witness to say these tax returns were false. It is completely unsubstantiated."

Colorful characters

The case is a dichotomous blend of dry, technical legal issues and colorful characters, from the irreverent, motorcycle-riding Mr. Zell to the noted Chicago tax-shelter attorney Burton Kanter, whose clients and law partners participated in some of the earliest deals of what would become the Zell-Lurie empire.

This is the latest in a series of cases the IRS has pursued against Mr. Kanter's clients as well as Mr. Kanter himself, including a claim for $53 million against the estate of A. N. Pritzker, the patriarch of Chicago's wealthiest family, which was settled out of court in 1994 for $9.5 million (Crain's, April 25, 1994).

"Clearly, I've been a target for a long time," says Mr. Kanter in a telephone interview. "I don't see any likelihood of that changing."

Mr. Kanter was also a witness in the recent Lurie estate Tax Court trial.

Over the objections of attorneys for Mr. Kanter and the Lurie estate, the IRS repeatedly brought up during the trial a 23-year-old case in which Messrs. Zell and Kanter and Roger Baskes -- who is Mr. Zell's brother-in-law and a former partner of Mr. Kanter -- were indicted in a tax-evasion scheme involving foreign trusts at a bank in the Bahamas.

"That was an attempt to tarnish somebody with somebody else's problem," says Chicago attorney Stephen Novack, who represents Mr. Zell. "It was designed to prejudice the court."

In that case, which grew out of a controversial IRS investigation called Project Haven, the charges against Mr. Zell were dismissed, Mr. Kanter was acquitted and Mr. Baskes was convicted and sentenced to two years in prison.

'Advocated family trusts'

At the recent trial in the Lurie estate case, Mr. Zell testified that he encouraged Mr. Lurie to use trusts in his business deals and served as the first trustee of the Lurie family trusts, shortly after the two college friends and business partners teamed up again in Chicago in 1969. (Mr. Kanter was the initial trustee of Mr. Zell's family trusts.)

"I don't remember my exact language, but I'm sure I advocated family trusts as very effective and helpful in creating estate plans," Mr. Zell testified.

A pretrial memo filed by the estate's lawyers notes that in 1969, Mr. Zell "spent much time discussing with Mr. A. N. Pritzker the concept of the use of trusts and the benefits of 100%-financed transactions, which laid the groundwork for much of the structure of the subsequent business activities in which Zell and (Mr. Lurie) were to engage." At the time, the Pritzker family -- through a series of trusts -- was investing in one of Mr. Zell's first major real estate deals.

"The success of Lurie's and Zell's schemes depended upon whether they could successfully obscure their identity as the 'transferors' of the assets, income and real estate interests that they transferred to their trusts," the IRS alleged in its trial memo summarizing the case before witnesses were heard. "To hide their identity as transferors they created the facade that their trusts' wealth was the result of 'investments' made by the trusts."

Notes Mr. Levin, the attorney for the Lurie estate: "That's easy to say in a trial memo, but it wasn't in their opening statement and it was not (brought out) in the trial. There's nothing in here that's a facade."

The case now moves into a post-trial phase of legal briefs and responses, which could take years before a final decision is rendered by the court.

GRAPHIC: Rich testimony: In Tax Court, Sam Zell said he encouraged the late Robert Lurie to use trusts and served as the first trustee of the Lurie family trusts.

LANGUAGE: ENGLISH

LOAD-DATE: March 12, 1999

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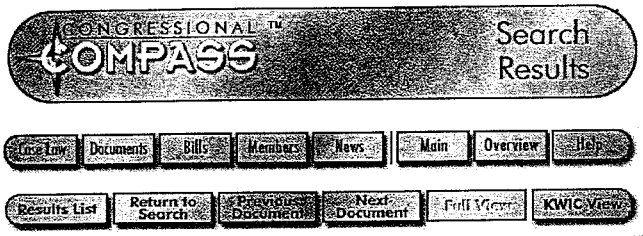

Document 3 of 11.

SECURITIES AND EXCHANGE COMMISSION, Applicant, v. **BURTON KANTER** and JOSHUA KANTER, Respondents.

Case No. 98 C 2101

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

1998 U.S. Dist. LEXIS 10902

July 9, 1998, Decided
July 10, 1998, Docketed

DISPOSITION: [*1] SEC's Application and Motion for an Order to Require Compliance with Subpoenas GRANTED.

COUNSEL: For SECURITIES AND EXCHANGE COMMISSION, plaintiff: David J. Medow, Michael J. Diver, United States Securities & Exchange Commission, Chicago, IL.

For **BURTON KANTER,** JOSHUA KANTER, defendants: Ray G. Rezner, William Scott Porterfield, Gayle L. Yeatman, Barack, Ferrazzano, Kirschbaum, Perlman & Nagelberg, Chicago, IL.

JUDGES: ARLANDER KEYS, United States Magistrate Judge. Chief Judge Marvin E. Aspen.

OPINIONBY: ARLANDER KEYS

OPINION: MEMORANDUM OPINION AND ORDER

The dispute before the Court arises from Applicant's Motion for an Order to Require Compliance with Subpoenas. For the reasons set forth below, the Court grants Applicant's motion.

BACKGROUND

On March 10, 1997, Applicant, the Securities and Exchange Commission ("SEC"), issued a formal order of investigation n1 concerning unregistered stock purchases made overseas by Ulster Investments Limited ("Ulster") in October of 1993 and February of 1994. (Appl.'s Mem., Ex. B; Resp. at 4, 5.) The SEC alleges that Ulster, incorporated overseas in Antigua, the West Indies, was created for the purpose of purchasing the unregistered common [*2] stock of Site Holdings, Inc. f/k/a Site-Based Media, Inc. ("Site"). (Appl.'s Mem. at 4, 5; Reply, Ex. A.) According to the SEC, Ulster then sold the unregistered stocks to Hibbard, Brown & Co., a New York broker-dealer. (Appl.'s Mem. at 4, 6.) The SEC's inquiry concerns whether Ulster's purchases of unregistered shares of Site violated Regulation S. n2 (Appl.'s

Mem. at 2); *see* 17 C.F.R. § 230 (1997), Regulation S (Preliminary Notes).

----------Footnotes----------

n1 Pursuant to 17 C.F.R. § 203 (1997), a formal order of investigation authorizes the SEC to commence a private investigation into possible federal securities law violations. Such orders authorize the agency to subpoena testimony and documents, if necessary, from parties under investigation.

n2 Regulation S is applicable only to the Securities Act of 1933, 15 U.S.C. § 77(e) (1994). Regulation S governs the offers and sales of unregistered securities made outside the United States. Under a Regulation S registration exemption, unregistered securities acquired overseas may be resold in the United States without registration. However, a Regulation S exemption does not apply to transactions which are part of a "plan or scheme to evade" the Act's registration requirement. 17 C.F.R. § 230 (1997), Regulation S (Preliminary Notes) at 579.

----------End Footnotes---------- [*3]

The SEC maintains that Respondents Burton and Joshua Kanter have information regarding the Ulster-Site-Hibbard transactions. (Appl.'s Mem. at 5, 6.) The subpoenas request production of all documents from January 1, 1993, through December 31, 1996, relating to the Ulster-Site-Hibbard transactions. (Appl.'s Mem., Ex. A.) Further, the subpoenas request the production of all credit card receipts and statements; calendars; appointment books; travel itineraries; telephone records; and bank records from June of 1993, through July of 1994. (Appl.'s Mem., Ex. A.)

It appears that **Burton Kanter's** mother established the St. John's trust -- Ulster's only shareholder -- at her death in 1990, and made **Burton Kanter's** family, including Joshua Kanter, its beneficiaries. (Resp. at 3, 4.) It further appears that at the time of the transactions, **Burton Kanter** was a director of Antigua International Trust, Ltd. ("Antigua International"). (Appl.'s Mem. at 5.) Located overseas, Antigua International is Ulster's sole director and the entity that incorporated Ulster prior to the stock transactions in question. (Reply at 7.) The SEC claims that **Burton Kanter** may have arranged for Ulster's purchases of the [*4] Site stock as a "plan or scheme to evade the registration requirements of the Securities Act. . ." (Appl.'s Mem. at 2.) The SEC contends that the Kanters may have improperly used "Kanter-related entities" to facilitate the stock transactions. (Appl.'s Mem. at 6, 7; Reply at 7-9.) The investigation includes Joshua Kanter, because, as a beneficiary of St. John's Trust, he may have documents relevant to the SEC's investigation. (Reply at 7, 8.)

Before the Kanters received the subpoenas, Ulster had produced documents directly related to its purchase of Site securities. (Resp. at 1.) However, the Kanters refused to comply with their subpoenas. (Resp. at 1.) They claimed that the subpoenas were overly burdensome and too broad in scope, and that Ulster had already voluntarily produced all documents relevant to the SEC's inquiry. (Resp. at 1, 2; Appl.'s Mem., Ex. E.) Although the SEC and the Kanters attempted to resolve their differences, they were unable to agree as to the relevance of the subpoenaed, yet still unproduced, documents. (Appl.'s Mem., Exs. F-I.) Thus, the SEC filed the instant motion to enforce compliance with the subpoenas duces tecum.

DISCUSSION

A. [*5] The Scope of the SEC's Authority

Congress vested the SEC with broad discretion in its investigation of possible securities violations. The SEC may "require the production of any books, papers, or other documents which [it] deems relevant or material to the inquiry." 15 U.S.C. § 77s (b) (emphasis added). However, the SEC may not abuse its power and issue a subpoena for improper purposes such as harassing or pressuring the subpoenaed party. *United States v. Powell*, 379 U.S. 48, 58, 13 L. Ed. 2d 112, 85 S. Ct. 248 (1964).

B. The Standard for Enforcing Administrative Subpoenas

An administrative agency acts within the scope of its investigatory powers when the inquiry is within the

agency's authority, not too indefinite, and reasonably relevant to the investigation. *United States v. Morton Salt Co.*, 338 U.S. 632, 652, 94 L. Ed. 401, 70 S. Ct. 357 (1950). Further, to enforce its subpoena, the agency must show that the investigation serves a "legitimate purpose, that the inquiry may be relevant to the purpose, that the information sought is not already within the [agency's] possession, and that the administrative steps required by the [agency] have [*6] been followed. . . ." *Powell*, 379 U.S. at 57-58.

C. Application of the Standard to the SEC's Subpoenas

The SEC satisfies the first elements of the *Morton Salt* and *Powell* tests, respectively, because the SEC investigation is "within its authority" and serves a "legitimate purpose." Congress allows the SEC to investigate any potential securities law violation at its own discretion "whenever it shall appear to the Commission . . . that the provisions of this subchapter, or of any rule or regulation prescribed under authority thereof, have been or are about to be violated . . . ." 15 U.S.C. § 77t(a). The SEC's investigation of Ulster's purchase of unregistered Site stock, and the possible violation of Regulation S, lies within the SEC' s authority. Therefore, this Court has no reason to suspect the SEC's inquiry is outside its authority or serves an illegitimate purpose. n3

----------Footnotes----------

n3 The Court finds for the SEC despite the Kanters' protests alleging that the SEC has "unfairly" attacked **Burton Kanter** and targeted him because of his associations with people having "'regulatory problems.'" (Resp. at 7, 8.) This Court finds ample other evidence giving the SEC legitimate reasons to investigate the Kanters. Further, the standards the Court uses today speak of no "fairness" requirement. Therefore, this Court need not address the legitimacy of the Kanters' allegations.

----------End Footnotes---------- [*7]

Further, the documents the SEC has requested from the Kanters are "not too indefinite." The "personal records" which the Kanters particularly object to producing, such as the credit card receipts/statements; bank records; appointment books; and telephone records, are only for the period between June of 1993 and July of 1994. The Ulster-Site-Hibbard transactions occurred in October of 1993 and February of 1994 and, therefore, the requested "personal" documents from around that particular time period are relevant. The other, "non-personal" documents sought by the SEC cover the more extensive period from January 1, 1993, through December 31, 1996, and concern entities associated with the Kanters and possibly connected to the transactions. These documents are also relevant to the investigation, because they may provide information concerning the Ulster-Site-Hibbard transactions. Thus, this Court finds that the scope of the subpoenas is not too indefinite.

As touched upon above, the SEC's request satisfies the "reasonably relevant" and "relevant to the purpose" elements of the *Morton Salt* and *Powell* tests, respectively. The Supreme Court, in *Morton Salt*, analogized an administrative [*8] agency to a "Grand Jury, which does not depend on a case or controversy for power to get evidence but can investigate merely on suspicion that the law is being violated. . . . " 338 U.S. at 642; *see SEC v. Savage*, 513 F.2d 188, 189 (7th Cir. 1975) (finding that the SEC need not justify its investigative subpoenas by proving at the outset what the investigation is "designed [to do] and authorized to illuminate.") The SEC has the power to investigate any possible securities law violation. The SEC may investigate documents in the Kanters' possession which are relevant to its investigation. The suspected violations appear related to the Kanters, or at least to entities associated with them.

The Kanters raise two arguments to support their contention that the documents the SEC seeks are irrelevant. First, they argue that they are innocent of any wrongdoing, and therefore, any additional documents the SEC still seeks are irrelevant to its investigation. (Resp. at 9, 10.) At this early stage in the investigation, however, the SEC need not have conclusive evidence of any wrongdoing by the Kanters to seek an order forcing them to comply with the subpoenas. The suspected violations relate [*9] to such matters as: the purpose of Ulster's formation; the possible plan to evade securities registration requirements with the stock transactions; the resale of the stocks to a United States corporation; and the roles Burton and Joshua Kanter may have played in the operations of Ulster and/or

Site. Since the Kanters are involved with Ulster, Site and, to some degree, the other entities included in the subpoenas, the SEC's broad powers allow it to request all documents which it deems reasonably relevant to the transactions. Those documents include the documents the Kanters refuse to produce.

The Kanters also argue that producing their personal financial records would violate their privacy rights. (Resp. at 8.) They cite to *In re McVane*, 44 F.3d 1127 (2d Cir. 1995), in hopes of preventing disclosure of their financial records. (Resp. at 8.) However, the *McVane* court found that only an investigation "of such a sweeping nature and so unrelated to the matter properly under inquiry . . . " would exceed agency powers. 44 F.3d at 1135 (quoting *Morton Salt*, 338 U.S. at 652). *In re Gimbel* added that people choosing to involve themselves in intensely regulated industries should [*10] not expect to have the same privacy interests as those who do not. 77 F.3d 593, 600 (2d Cir. 1996).

The Kanters, as businessmen, should not complain of privacy invasions when a regulatory body, such as the SEC, requests information from them during an investigation of business transactions and possible securities violations. The SEC is not improperly imposing upon the Kanters' privacy rights, because it is statutorily authorized to investigate all relevant matters. The "personal" records that the SEC requests are only those dating to approximately the time period surrounding the alleged securities violation. Surely, the dates are specific enough that the inquiry may not be described as that of a "sweeping nature" or "unrelated to the matter." Therefore, the "personal" documents sought by the SEC are neither unreasonable nor irrelevant to its investigation.

Satisfying the third *Powell* requirement, the SEC does not already possess any of the documents the Kanters are refusing to produce. Although the Kanters claim that Ulster has already produced all documents relevant to the Site offerings, the Kanters have not turned over all the documents subpoenaed by the SEC. Clearly, the [*11] SEC cannot obtain these materials from any other source. Ulster, for instance, is a foreign corporation and cannot be compelled to produce any documents. As evidenced by the correspondences between the SEC and the Kanters, the SEC does not possess any of the documents it is now asking this Court to compel the Kanters to produce.

Finally, the SEC has followed the required "administrative steps" in seeking to compel the production of documents. The sole requirement under the SEC' s Rules Relating to Investigations is that the agency issue a formal order of investigation before issuing a subpoena. 17 C.F.R. § 203 (1997). The SEC followed the requirement by issuing the formal order of investigation on March 10, 1997, and serving the Kanters with their separate subpoenas.

CONCLUSION

The SEC has satisfied both the *Morton Salt* and *Powell* tests for enforcing compliance with an administrative subpoena. Therefore, the Respondents Burton and Joshua Kanter are directed to produce all documents requested by the SEC's subpoenas.

IT IS THEREFORE ORDERED that the SEC's Application and Motion for an Order to Require Compliance with Subpoenas be, and the same hereby is, [*12] **GRANTED**. The documents described in said subpoenas shall be produced no later than July 17, 1998.

DATED: July 9, 1998

ENTER:

ARLANDER KEYS

United States Magistrate Judge

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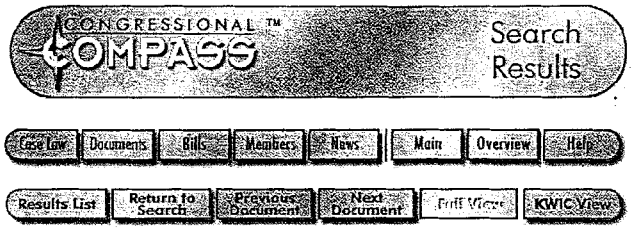


Document 11 of 50.

Copyright 1994 Crain Communications, Inc.
Crain's Chicago Business

May 23, 1994 / May 29, 1994

SECTION: Pg. 1

LENGTH: 1088 words

HEADLINE: Tax guru, IRS ready for face-off;
Lawyers to stars returns to court

BYLINE: By PAUL MERRION

BODY:
Once again, Burton W. Kanter is going to have his day in court.

One of Chicago's most prominent -- and controversial -- tax attorneys is heading to trial in U.S. Tax Court here next month to defend almost 10 years worth of transactions, with more than $ 10 million in back taxes and penalties at stake.

The trial, scheduled to start June 13 in Chicago, is expected to last at least two weeks.

As one of the nation's leading experts on the use of trusts and other ways to avoid taxes -- a subject on which he lectures at the University of Chicago law school -- Mr. Kanter has helped numerous wealthy Americans set up complicated arrangements of trusts and other entities to reduce their taxes.

"But Kanter is probably the one lawyer that every lawyer in town would recommend," says Bruce Frey, president of Glencoe-based real estate firm BJF Development Inc., who teamed up with Mr. Kanter and former Chicago Bears coach Mike Ditka last year in an unsuccessful bid for the Miami Dolphins franchise.

However, the Internal Revenue Service has challenged several of the deals he has structured for clients, such as Chicago's Pritzker family -- owners of the Hyatt Corp. hotel chain -- and several in the entertainment industry, including musician John Fogerty, leader of Creedence Clearwater Revival.

Often, his clients have won or reached a favorable settlement after going to U.S. Tax Court. Last month, for example, the Pritzkers settled, for $ 9.5 million, a case involving more than $ 150 million in back taxes.

Mr. Kanter himself was acquitted in 1977 of a criminal conspiracy to avoid taxes on the profits from the $ 9.1-million sale of a Nevada apartment building, although his law partner at the time, Roger Baskes,

was sentenced to two years in prison for the same charge.

"Burt Kanter took the stand," says George Cotsirilos, Mr. Kanter's attorney in that case. "That exposed the defendant to any kind of attack the prosecutor had. The man was completely innocent."

Under close scrutiny

Since the mid-1970s, when the IRS and the Department of Justice mounted "Project Haven," a major investigation centered on Castle Bank & Trust (Bahamas) Ltd., Mr. Kanter has been under close scrutiny by the government.

"Castle (Bank) was a tax haven first and foremost . . . used from time to time to launder illicit funds," says Alan Block, a Pennsylvania State University criminology professor, in his book about the Project Haven investigation, "Masters of Paradise: Organized Crime and the Internal Revenue Service in the Bahamas."

"It was Burt Kanter . . . who was instrumental in Castle's formation," according to Mr. Block's book, which is based on a four-year investigation into the matter.

Mr. kanter has consistently denied government allegations that he was an owner of Castle Bank, and those charges have never been proved in court.

The Project Haven investigation was ultimately hamstrung when an IRS informant stole a list of the bank's clients, which made the evidence inadmissible in court.

Mr. Block's book points out why the government has wanted for years to prove Mr. Kanter's ownership interest in Castle Bank.

He cites a U.S. Tax Court case in the late 1980s in which the IRS charged Saul Zaentz, a client of Mr. Kanter, with using Castle to evade taxes on his stake in the award-winning film "One Flew Over the Cuckoo's Nest."

The IRS sought to prove Mr. Kanter's ownership of Castle, IRS attorney Eugene Ciranni argued at the trial, in order to bolster the government's position "that a good, hard look at the entire circular transaction reveals a complete lack of any real economic purpose, beyond tax avoidance."

Quoting from court documents, the book notes the government's allegation that Castle Bank was "not independent in any respect . . . Castle basically served as an arm of (Mr. Kanter's law firm at the time), and even had a Chicago bank account for which **Burton Kanter** had signatory authority. . . . Its job was to carry out Kanter's tax plans."

The Zaentz case was settled in June 1990, without resolving the issue of Castle Bank's ownership.

Mr. Kanter did not return repeated calls for comment.

Another battle

Now, Mr. Kanter, his wife, Naomi, and several firms or partnerships he allegedly controls are preparing for another monumental battle with the IRS.

In the arcane world of civil tax litigation, it's difficult to glean from the U.S. Tax Court's public record what the case is all about, and lawyers for Mr. Kanter and the IRS aren't talking.

But several discovery motions filed by Mr. Kanter's layers, quoting proposed IRS allegations not yet in the public record, show the government may take another stab at proving Mr. Kanter was an owner of Castle Bank.

Aside from the Castle Bank issue, Mr. Kanter's lawyers also asked for proof of IRS allegations that an

"income-concealing device used by Mr. Kanter was the transfer of money from one entity to another, from one dummy (entity) to Mr. Kanter under the guise that it was a 'loan'" and that these "loans were never intended to be repaid, and in fact, were not repaid, unless and until the government questioned a particular 'loan.'"

In general, the IRS is pursuing "assignment of income" issues, says Royal Martin, a Chicago attorney who represents Claude Ballard, a partner in the Chicago office of investment bank Goldman Sachs & Co.

Mr. Ballard, whom Mr. Martin describes as a "longtime friend" of Mr. Kanter, is challenging an IRS claim for back taxes in a case that has been consolidated with Mr. Kanter's upcoming trial.

Basically, Mr. Martin adds, "the IRS has taken the position that the income of corporations owned by trusts, the beneficiaries of which are **Burton Kanter** and his family" should be taxed as income on their individual tax returns instead.

John Comeau, lead IRS attorney on the case, did not return repeated phone calls seeking comment.

Mr. Martin, who also represents the estate of Robert Lisle, an insurance executive who died last year, claims that his clients are simply "longtime friends of Kanter's" and he could not explain why they are a party to the case.

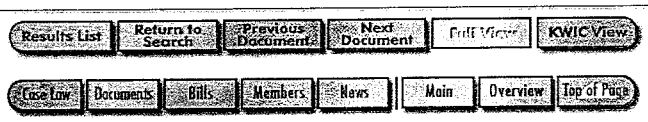
Mr. Martin notes that the IRS allegations cited by Mr. Kanter's attorneys are merely "proposed" allegations that "if filed, would be filed when we commence trial in June."

"The language employed by the (Internal Revenue) Service is a bit of hyperbole," adds Mr. Martin. "It will be proven groundless."

Also, he notes, "we have no understanding why the ownership of Castle Bank is an issue."

LANGUAGE: ENGLISH

LOAD-DATE: June 02, 1994



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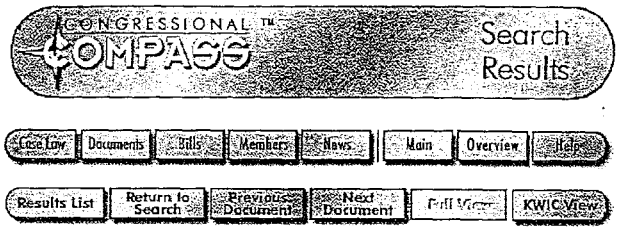


Document 24 of 50.

Copyright 1992 Crain Communications, Inc.
Crain's Chicago Business

August 3, 1992

SECTION: Pg. 1

LENGTH: 1330 words

HEADLINE: Pritzker tax showdown;
IRS readies press for $ 53 mil.

BYLINE: By PAUL MERRION

DATELINE: WASHINGTON

BODY:

Chicago's Pritzker family is heading for a multimillion-dollar showdown with the Internal Revenue Service over aggressive tactics the wealthy family used to avoid personal income and estate taxes, *CRAIN'S CHICAGO BUSINESS* learned.

For the last 10 years, the IRS has doggedly challenged the Pritzker family's heavy use of foreign trusts and other sophisticated tax-avoidance techniques to shelter the proceeds of their vast hotel, manufacturing and financial empire, estimated to be worth $ 4.5 billion.

With more than $ 150 million in additional income and estate taxes now at stake, attorneys for the Pritzker family and the IRS have pursued a settlement for five years, according to filings with the U.S. Tax Court here.

But those talks now are at an impasse and the government expects to seek a trial starting early next year, according to an IRS attorney who is involved with the case but who asked not to be named.

"No settlement is likely," says the attorney. "It will all become very public fairly soon."

Negotiations to reach a settlement have centered recently on a 2-year-old case involving the estate of A. N. Pritzker.

When the patriarch died in February 1986 at the age of 90, he headed a family whose fortune then was estimated by *Forbes* at $ 2.3 billion. Holdings included the Hyatt Corp. hotel chain and Marmon Group Inc., and industrial conglomerate with 1991 revenues of $ 3.9 billion.

Yet, as the result of a foreign trust arrangement masterminded more than 15 years ago by Chicago

attorney **Burton Kanter,** one of the country's best-known tax-avoidance experts, no estate taxes were paid.

In a "notice of deficiency" issued in May 1990, the IRS alleges that the foreign trust was a "sham" and the A. N. Pritzker estate should have been valued at $ 97,393,835, creating a federal estate tax liability of $ 53,207,409.

The outcome of 12 other related cases -- involving Hyatt Corp. Chairman Jay Pritzker, son of A. N. Pritzker and executor of his estate, as well as other descendants -- hinges largely on the estate case.

A major issue in those cases is whether income from the family holding company, Great Lakes Corp., was properly transferred to foreign trusts or should have been taxable income to the heirs.

Because the IRS has filed challenges for only a few of the years in which foreign trusts were used by the Pritzkers, the tax liabilities proposed by the agency in both existing and potential cases "substantially exceed $ 100 million," according to a U.S. Tax Court filing in 1988 -- before the IRS went after an additional $ 53.2 million from the A. N. Pritzker estate.

"Depending on the court's decision" if and when the estate case goes to trial, "a lot of other cases could fall into place," says the IRS attorney. "The question is, how far can you stretch the tax laws to shift income from domestic corporations to foreign trusts and pass on to heirs without paying estate tax?"

Foreign trusts are typically used nowadays to protect assets from litigation, not to avoid estate taxes. In that sense, the case is unusual and could break new legal ground. Foreign trusts came into vogue during the 1960s, but were sharply restricted by Congress in 1976.

Currently, there is an "extremely unusual set of circumstances in which it could be legal and effective" to avoid estate taxes through a foreign trust, says Virginia attorney Howard Zaritsky, an expert on foreign trusts.

"If it's tried, it will be an interesting trial," agrees Mr. Kanter, who is now of counsel to Neal Gerber & Eisenberg, the law firm that represents the Pritzker family on tax matters. "I think they'll be proved wrong," he says, referring to the IRS, while noting that he may be a witness in the case.

Mr. Kanter has come to blows with the IRS before.

In the mid-1970s, the IRS believed he was the brains behind the controversial Castle Bank & Trust Co. in the Bahamas -- a claim he stoutly denies.

Castle Bank was targeted by the IRS in a highly publicized investigation called Project Haven for its alleged role in setting up tax shelters for wealthy Americans.

In the probe, an IRS informant stole a client list from the bank's president, which listed some 300 prominent Americans, including Jay Pritzker and Hugh Hefner, founder of Playboy Enterprises Inc.

1977 acquittal

Mr. Kanter was acquitted in 1977 of conspiring to conceal profits from a $ 9.1-million Nevada hotel sale by allegedly depositing the proceeds in the now-defunct bank, but his law partner at the time, Roger Baskes, was convicted and sentenced to two years in prison.

Harold Lipsitz, the Pritzker family's main attorney on the case, refused to comment. Jay Pritzker was out of the country last week and could not be reached for comment.

Generally, a foreign trust involves the creation of a trust by a foreign national, using his or her own funds; the foreign national then appoints a third party as trustee. When acquired by the trust, the U.S. taxpayer's assets are theoretically no longer considered part of the taxpayer's estate, and are managed for the benefit of the trust's beneficiaries.

What's tricky is that the transactions have to be at arm's length and the taxpayer has to give up control. The IRS is refuting both propositions in the case of the A. N. Pritzker estate.

The U.S. Tax Court recently upheld the use of foreign trusts to purchase a private annuity, which provides income to the taxpayer while sheltering asset gains from taxation. But Mr. Kanter says no private annuities were involved in the Pritzker case.

While details have not been made public, the IRS is alleging that the late Mr. Pritzker designed the trust "to mask his role as virtual owner of the trust property during his lifetime, rendering the entire arrangement a sham."

During his life, according to the IRS filing, the late Mr. Pritzker transferred more than $ 94.7 million worth of property to several foreign trusts "through a series of bargain sales and through other gratuitous transfers."

While the IRS is taking a tough stance, experts note that the agency filed a sweeping notice of deficiency, and the issues are likely to become much narrower as the case progresses.

Noteworthy language

Calling the arrangement a sham is "noteworthy," says Charles Bruce, a Washington attorney who published an article on foreign trusts recently. "You don't see the government taking that position in too many cases. There are very few cases where the government has successfully 'shammed' a foreign trust."

In the last toe-to-toe confrontation between the Pritzkers and the IRS, the government alleged that Great Lakes Corp., the family holding company, could not be used to offset income from Hyatt and Marmon with losses from unrelated motion picture deals and other alleged tax shelters.

Seeking about $ 19.5 million in back taxes for the years 1971 through 1973, the IRS eventually settled last October for $ 549,479, after U.S. Tax Court Judge Edna Parker, who is overseeing the consolidated Pritzker tax cases, refused to allow more time for negotiations and scheduled the case for trial.

That settlement dealt with the alleged tax shelters, not whether the Pritzkers could file a consolidated corporate return. The guts of the case had been made moot by a special provision tucked into the 1986 Tax Reform Act by Rep. Dan Rostenkowski, D-Chicago, chairman of the House Ways and Means Committee.

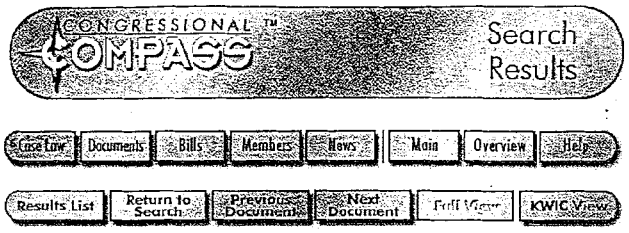
The provision, designed specifically for the Pritzkers, established that Great Lakes could file a consolidated return as a matter of law.

PRITZKER VS. THE IRS

A. N. Pritzker
Vice-chairman of Hyatt Corp. and patriarch of family empire estimated at $ 2.3 billion at the time of his death.
Died: 2/8/86
Taxable estate: $ 97,393,835
Amount in foreign trusts: $ 94,760,410
Estate tax paid: $ 0
Taxes sought by IRS: $ 53,207,409
Source: Internal Revenue Service
CRAIN'S/RICHARD CARTON

GRAPHIC: Photo, no caption, AP/WIDE WORLD

LANGUAGE: ENGLISH



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View Related Topics

October 23, 1989

SECTION: PROFILES; Pg. 54

LENGTH: 2625 words

HEADLINE: Jim Moran, master salesman

BYLINE: By Graham Button

HIGHLIGHT:
Born poor, James Moran beat cancer and has built a $ 700 million business selling cars. He didn't beat the Justice Department, but there's a twist on that, too.

BODY:
OLDER CHICAGOANS still remember Jim Moran from the 1950s. He was "Jim Moran the Courtesy Man," a local TV advertising phenomenon. His Courtesy Motors was the world's largest Ford dealer; as show host, Moran beat out Ed Sullivan and Steve Allen in a local popularity poll. Or so reported *Time* magazine when it put the car dealer on its cover in 1961.

Today Moran is 71. In his first interview with a national publication in nearly three decades, Moran says he moved to Hillsboro Beach, Fla. in 1966 when his doctor told him he had less than a year to live. "My whole world came crashing down at 47 years of age," Moran recalls.

Moran fought back the cancer and overcame several other health problems. And he managed to keep his $ 2.4 billion (sales) automotive empire, JM Family Enterprises, Inc., one of America's best-kept secrets.

JM Family Enterprises has 2,300 employees in more than 25 automotive-related subsidiaries. The centerpiece is Southeast Toyota Distributors, which Moran opened in 1968. Today Southeast is perhaps the largest independent automotive distributor in the world. Moran has supplied some 2 million cars, vans and trucks, and support services, to what are now 165 dealers in five southeastern states. Last year over 151,000 Toyotas passed through Southeast's sprawling, 70-acre port and accessorizing plant in Jacksonville. Moran also owns a company to supply parts, one for insurance, one for financing, another for leasing, and a Puerto Rico chemical company that makes automotive paint sealants and undercoating.

That accessorizing plant was one important key to Southeast's riches. The cars arriving from Japan were

like virgin Christmas trees, waiting to be trimmed with sunroofs, vinyl tops, alloy wheels, air conditioners, stereo radios and so on. In its heyday, Moran's accessorization subsidiary, Joyserve, resembled a Detroit assembly line, and the profit margins on many items were phenomenal. By one dealer's estimate, Moran was making $ 10 million a year on car pinstripes alone. With freight charges and other mark-ups, Moran had an average pretax profit of at least $ 1,000 per car.

Along the way, Moran has been responsible for a number of innovations. He started the first finance company for U.S. dealers of imported cars; his World Omni Financial Corp. now has $ 2.5 billion in loans outstanding. Moran's was the first U.S. dealer network to computerize inventory control, retail sales reporting, and warranty claims submission. Many of his dealers have, as a result, become multimillionaires.

Moran's hard work and creativity have amply rewarded him, too. Altogether, FORBES estimates, in 1988 JM Family netted around $ 200 million pretax from distribution and all his other businesses. Value of a business like this: around $ 700 million.

Moran grew up during the Depression, the only son of a Chicago cigar store clerk. He is still proud of his Horatio Algeresque story. A few days before Moran's 14th birthday, his father died. "We had an Irish wake on the fourth floor of a walkup," says Moran. "My mother had a ham and you know, some beer and ginger ale, and you passed the hat."

His passion was cars. Soon after graduating from high school, Moran bought a Sinclair filling station for $ 360. He shelled out $ 75 for the first car he rebuilt, a 1936 Ford, in 1944, he installed a new clutch, spiffed it up, and sold it for $ 235. That beat pumping gas. He turned his station over to his brother-in-law and borrowed $ 5,000 to start a used car lot.

"That first month I made $ 3,000 -- *$ 3,000?*" he exclaims, as if still in awe.

Moran wanted a new car dealership and eventually got a Hudson franchise. But it was the way Moran sold cars, not the make itself, that was Courtesy Motors' secret.

"I had a television set," he recalls. "All I had to do was look at it and say, 'My God. What a way to advertise cars! And nobody is doing it.'" The year was 1948.

Soon he was sponsoring his own TV programs, including *Wrestling from Rainbow* and *Sunday Night Movies*. He personally hosted a country and western music show, and customers flocked to the salesman/celebrity's dealership. *Time* would later say that Moran's voice "seizes the listener -- especially women," sending "shivers up and down the stitching of many a wallet and purse." Soon Moran was moving over 15% of Hudson's output.

When he switched to Ford in 1955 (Hudson merged with Nash-Kelvinator in 1954), Moran already had his Chicago variety show, the *Jim Moran Courtesy Hour*. Moran held his own with the top stars of the day -- Bob Hope, Mickey Rooney, Danny Thomas and many others. Within 30 days Courtesy Motors was reportedly the world's largest Ford dealer.

By 1966 Moran was living a life far from the Irish enclave on Chicago's north side. He had a wife, three kids, a house with a pool in the suburbs, lots of money, the admiration of the community, a vacation home in Florida. That's when his doctors told him he had a year to live. "It's a very traumatic thing," he says, "when somebody hits you with that big C."

Moran turned over Courtesy Motors to his son-in-law and general manager and moved to Florida, where he has waged a long and, say his doctors, successful fight against cancer.

But Moran was not cut out for the role of idle convalescent. Soon after arriving in Florida, he got a Pontiac dealership. Today JM Pontiac, now based in Hollywood, Fla., is recognized by General Motors as the nation's largest Pontiac dealer.

Meanwhile, Toyota was trying to build sales in the U.S. It needed distributors to set up dealer networks,

and wall willing to share profits with American entrepreneurs. Moran decided to try the Japanese. Southeast Toyota was incorporated in Pompano Beach, Fla., and thanks to clever marketing, Moran soon became the largest Toyota distributor in the U.S.

From merely rich, he became megawealthy.

Moran had realized early on that he needed the best relations with Toyota's top officers, who would ultimately decide how many care he could get. Moran, says a former Toyota Motor Sales U.S.A. executive, "has done an excellent job of catering to the Japanese need for stroking. He's *real* good at stroking up front, and then stroking below the table." According to documents obtained by FORBES and corroborated by former Southeast Toyota employees, Moran agreed from the beginning to pay at least one top Japanese officer $ 10 for every car sold above a predetermined level. Moran denies any such arrangement existed.

We now meet the skeleton in Moran's closet. In 1973 something called Project Haven came to light. This was, at the time, the largest-ever IRS probe into tax evasion through the use of offshore tax havens. IRS agents surreptitiously obtained the contents of a briefcase belonging to an officer of Castle Bank & Trust, of Nassau, Bahamas. (The Supreme Court later ruled that the evidence could not be suppressed by the defendants.)

In the briefcase was a list of prominent Americans with accounts at Castle Bank: Chicago's Pritzker family; actor Tony Curtis; *Playboy's* Hugh Hefner; *Penthouse's* Bob Guccione; the late Morris (Moe) Dalitz, known for his ties to the Teamsters and the mob; and Jim Moran and three top Japanese Toyota officials.

One of those Toyota officials, Shoji Hattori, then in charge of Toyota's U.S. operation, was later indicted for allegedly using Castle Bank to evade taxes on kickbacks from three Toyota distributors (Moran was not among them) for awarding Toyota distributorships; Hattori fled the country, and remains a fugitive from U.S. justice.

Project Haven opened a Pandora's box. According to IRS investigators, Castle Bank & Trust had been created to evade U.S. taxes. Among the bank's key players was **Burton Kanter**, a noted Chicago tax specialist whose clients included members of Cleveland's organized crime fraternity. The authorities wanted to know more about Kanter and Castle Bank.

In 1978, more than five years after Project Haven made headlines, Moran was indicted for criminal tax fraud. He hired a Hollywood, Fla. lawyer, Steadman Stahl Jr., to defend him.

Moran cut -- or thought he'd cut -- a deal with the Justice Department. In return for immunity, he would provide the feds with evidence establishing Kanter's ownership in Castle Bank. According to people familiar with the case, Moran delivered his side of the bargain. But then the inexplicable happened: Moran's lawyer, Stahl, moved to have the evidence sealed. And the Justice Department's lawyers agreed. No Kanter, no immunity deal with Moran.

In 1984 Moran pleaded guilty to seven counts of filing false individual and corporate tax returns. He drew a suspended two-year sentence, a civil settlement in excess of $ 12 million, and a community service requirement that he satisfied by establishing a training center where underprivileged children learn car maintenance.

What went wrong? Alan Block, a criminologist at Penn State University who has written a monograph about organized crime and the IRS in the Bahamas, and has carefully reviewed the Moran case, thinks Moran was victimized. "I believe Moran produced the evidence necessary to go after Kanter," says Block. "It's quite clear, in my mind, that Justice did not honor its deal with Moran." In Block's opinion, Kanter used Justice Department connections to derail the case.

Why would Justice not have honored its deal? Richard Jaffe, now an investigator in the Florida state attorney's office, was the IRS agent who led the Project Haven investigation. Donald Van Koughnet, a Florida attorney, is a specialist in legitimate offshore trusts; he was also involved in the later stages of

Moran's defense. Both Jaffe and Van Koughnet believe that Stahl, and perhaps lawyers inside the Justice Department, were trying to protect Kanter. Under this somewhat conspiratorial theory, Moran was simply the fall guy.

Another fall guy was Roger Baskes, a partner in Kanter's Chicago law firm. He was convicted of setting up tax evasion schemes in Castle Bank for his clients. Kanter faced tax conspiracy charges in a case arising out of Project Haven; he was acquitted in 1977, and to this day maintains he was never a principal in Castle Bank.

One thing is clear. In asking Steadman Stahl to defend him, Moran could have done better. In 1985 Stahl was convicted of obstructing justice while defending a local drug kingpin. Stahl served two years and has been readmitted to the Florida bar. Asked about his alleged misrepresentation of Moran, Stahl dismisses it as a "vicious lie." He contends -- and at least one Justice official involved in the case backs him up -- that the evidence provided in Moran's defense wasn't sufficient to prosecute Kanter.

Why then did Stahl move to seal the evidence? Stahl says that by prior agreement with the government, the evidence would not be made public if it was not compelling.

What says victim Moran, if victim he was? Nothing. He's muzzled. Williams & Connolly, Moran's current counsel, has strongly advised him to say nothing about his tax case.

"Every bone in my body says yes, I should talk about it, but my lawyers say no," says Moran. And so the skeleton still rattles.

Why bother with a decade-old tax case? Because it took a heavy toll on Moran -- he says it caused his stroke in 1983 -- and because it could have cost him his business. Under the terms of its distributorship agreement, Toyota could have terminated Moran's franchise. But Toyota apparently wasn't prepared to part company with the man once responsible for selling nearly one out of every five Toyotas in the U.S. Says Don Sigmon, a Toyota dealer in Greenville, N.C.: "I can assure you that [Toyota Chairman] Eiji Toyoda and President [Shoichiro] Toyoda love Jim Moran. He has always been a producer."

Many of the dealers who get their cars from Southeast also think highly of Moran. In years past he has flown virtually every Southeast dealer or general manager, with their spouses, to an annual all-expenses-paid gala, usually in places like Hawaii or even Tokyo. Topping off these occasions was a multimillion-dollar money pool -- funded by Southeast and the dealers -- called the "cashbash," in which dealers could draw for cash prizes of up to $ 100,000.

"Everybody like money," reasons Moran, who says he has doled our $ 100,000 bonuses to people making $ 50,000 salary. "Hey -- that gets his attention," says the master salesman. "You couldn't drive him off with a baseball bat."

But life with Toyota took on a troubling cast with the introduction of car import quotas in 1981. Overnight, dealers had to fight for cars that were in short supply. Under Toyota's "turn-to-earn" allocation system -- in which the 12 U.S. distributors, company-owned and private, competed for monthly allocations from Japan -- competition for cars among distributors grew fierce.

Some of Southeast's district managers began encouraging dealers to file false sales reports, so as to get more cars. This backfired when, in 1986, a few North Carolina dealers who refused to go along with the alleged scheme petitioned state regulators to revoke Moran's license to operate.

The key plaintiff in a $ 40 million suit against Southeast Toyota was North Carolina's first (and most successful) Toyota dealer, Garson Rice. He had vied against Moran for the original Southeast franchise back in 1968. Now he won some revenge from Moran in the form of a staggering $ 22 million out-of-court settlement.

Moran had other dealer problems when the rising yen jacked up prices and competition from new imports and better-made domestics started squeezing margins. But instead of cutting prices to its dealers, Southeast basically held the line.

Sensing Moran's vulnerability after the settlement with Rice, other dealers are beginning to grumble. Richard Beasley, a prominent South Carolina banker and Toyota dealer, has filed a $ 70 million complaint that a representative of Southeast falsified his books and coerced his dealership to file false sales reports under the threat of loss of his franchise. Moran denies all the charges and vows to fight Beasley vigorously.

According to some estimates, half of Toyota's U.S. dealers lost money in 1988. Cars are starting to back up on dealer lots. In January Moran scaled back his accessorizing operation by more than one-third and announced price reductions. This year, there will be no motivational trips to Hawaii.

The future of Moran's JM Family Enterprises after its founder passes from the scene is by no means clear Toyota's long-term goal, according to some observers, is to regain control of its three remaining independent distributorships, including Moran's. But for now, Moran has renewed his franchise agreement for six more years.

"I've been assured from the top on down that I have it ad infinitum," says Moran. "But," he adds, "nothing is forever." Moran has done what he can to concentrate control within his family. Besides son-in-law John McNally and daughter Pat (both possible successors), Moran's second wife, his son James Jr. and daughter Arline (McNally's wife) are all key executives, or at least on the board.

Moran himself continues to work a nine-hour day, six days a week. Hard work is as much a part of him as the gruesome cancer surgery scars he offers to show a FORBES reporter. Recalling that Sinclair gas station he bought with $ 360 in 1939, he says: "I worked seven days a week, from 6:30 in the morning to 10 o'clock at night, 365 days a year." Retirement? "I wouldn't know what to do with myself," he replies. "I'd go crazy."

GRAPHIC: Picture 1, James Moran in front of Southeast Toyota's headquarters, In his heyday, he sold one out of every five Toyotas in the U.S. Bill Wax; Picture 2, Moran as cover subject and TV star "The Courtesy Man."; Picture 3, Moran as cover subject and TV star "The Courtesy Man.", Chicago Tribune

LANGUAGE: ENGLISH

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60 MINUTES

Volume IX, Number 9

as broadcast over the

CBS TELEVISION NETWORK

Sunday, November 21, 1976

7:00 - 8:00 PM, EST

With CBS News Correspondents Mike Wallace, Morley Safer and Dan Rather

"THE CASTLE BANK CAPER" - Produced by Barry Lando

"ABU DHABI" - Produced by John Tiffin

"SPECIAL EFFECTS" - Produced by Igor Oganesoff

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SYBIL KENNEDY: I agreed to take Mr. Wolstonecroft to dinner. And while we were at dinner, I had given Mr. Casper a key to my apartment. Mr. Wolstonecroft left his briefcase in my apartment.

NORM CASPER [Undercover agent for IRS]: I opened up the briefcase and handed the-- the documents to an IRS agent. And they filmed it, handed it back to me, and I placed it back in the briefcase.

MIKE WALLACE: So you and Wolstonecroft--

KENNEDY: Went back to the apartment. He picked up the briefcase. He never knew that it had even been touched.

. . . . . .

MORLEY SAFER: Come along with us tonight to a place you've probably never heard of, a place you're not likely to visit, a place where the streets do run with gold, where a citizen never pays a doctor's bill, never pays rent, never pays taxes; man for man, woman for woman, child for child, the richest people on earth.

. . . . . .

DAN RATHER: This is the kind of thing we're talking about.

[Special effect]

Is this the most complicated thing of its sort you've ever been into?

BARRY BIEDERMAN [Senior VP, Needham-Harper ad agency]: Oh, I-- Absolutely. I think it's probably the most complicated special effects job ever done on television commercials.

. . . . . .

WALLACE: I'm Mike Wallace.

SAFER: I'm Morley Safer. Dan Rather is on assignment. In a moment, those stories and more tonight on 60 MINUTES.

[Announcements]

["THE CASTLE BANK CAPER"]

MIKE WALLACE: "The Castle Bank Caper" is a story about taxes. Nobody wants to pay more taxes than he has to - legally. That is called tax avoidance. Tax evasion is another thing. That is illegal. Well, both dodges - avoidance and evasion - are possible for Americans in some tiny off-shore islands in the Caribbean, islands called tax havens. Some Americans doing business there, banking there, pay no income tax, no capital gains tax. Indeed, those islands have been described in the U.S. Congress as "pirate nations" that each year defraud the United States of hundreds of millions of dollars. Well,

a Miami private detective decided he wanted to help save some of those millions for the United States, so he went to work on it. His name is Norman Casper.

Norm Casper lives on Key Biscayne near Miami. At first glance, he looks like any other modest suburban home owner. But in fact he worked two years as an undercover agent for IRS. His code designation, TW-24.

NORM CASPER: That was a code designation for Trade Winds, and obviously I must have been the twenty-fourth informant that came along. I don't know what happened to the other twenty-three.

WALLACE: You were paid how much?

CASPER: Approximately twenty-six thousand dollars.

WALLACE: Over a period of two years?

CASPER: A little over two years.

WALLACE: Paid by the U.S. Government?

CASPER: Correct.

WALLACE: Casper's target lay fifty miles off Florida in the Bahamas. It's an outfit called Castle Bank and Trust.

These are the offices of Castle Bank and Trust in downtown Nassau - like most banks in the Bahamas, a private institution. There are no tellers inside (they don't want depositors just walking in off the street) but they are said to handle more than a quarter billion dollars in assets. There are a few employees in there; modest quarters; a shredding machine. And Internal Revenue was said to be curious about their clients.

CASPER: I know that when I first got involved with Castle Bank and Trust, that there was an almost paranoid fear of the IRS.

WALLACE: The IRS was stymied in its efforts to find out more about Castle Bank by the Bahamas Bank secrecy laws. A bank employee there can go to jail for revealing information about depositors.

CASPER: Mr. Wallace, the banking laws over there have been formulated purely and simply to hide money. If it's completely above board, why have all the secrecy?

WALLACE: Not just Casper, but Congressman Ben Rosenthal, of the House Committee that oversees the IRS, complains about Bahamian secrecy.

REP. BENJAMIN ROSENTHAL [Dem., New York]: There is in fact a Berlin Wall surrounding the Bahamas, and there's virtually no way that that government will cooperate with our government in assisting-- assisting

the enforcement of United States tax laws. And additionally, they make it easy for illicit money, illegally obtained money, to find its way into channels in which it can rest and not only avoid taxes, but avoid accountability.

WALLACE: The Governor of the Central Bank of the Bahamas is Basil Donaldson.

What if you have reason to believe that some of the people who are banking here in the Bahamas and private banks have been breaking our laws, United States laws? Does that interest you?

GOVERNOR DONALDSON: Well, that is-- that is not-- With respect, that's-- that's a matter for the United States Government.

WALLACE: But don't you--

GOVERNOR DONALDSON: Could we-- could you expect a small country like the Bahamas to spend all its time, with our limited resources, limited personnel, policing the citizens of the United States? I mean, this would-- this would occupy our time. This is a matter for the United States Government to do. It-- it simply indicates that the United States Government is not doing its own policing.

WALLACE: Well, Norman Casper was hired by the Intelligence Division of IRS to try to finger U.S. tax evaders in the Bahamas, and that is where Castle Bank came under scrutiny. Based largely on Casper's reports, the IRS came to believe Castle Bank was just a sham. Not in truth an offshore bank owned and run by Bahamians, but a captive institution effectively controlled by Americans, who were using the bank to hide their clients' money, not to avoid taxes but to evade them. And evasion is illegal.

CASPER: If it's all legitimate, why such paranoia, why such a fear? Why?

WALLACE: The key to the Castle Bank puzzle was in finding out which Americans had accounts with Castle Bank. And one man who knew was Michael Wolstonecroft, the Manager of Castle Bank, whom Casper had befriended. The breakthrough came during one of Wolstonecroft's trips to Miami.

You got hold of the contents of a briefcase owned by Michael Wolstonecroft. You smile, but you did.

CASPER: That is correct.

WALLACE: By what means?

CASPER: I employed a female.

WALLACE: By the name of Sybil Kennedy?

CASPER: That is correct.

SYBIL KENNEDY: I agreed to take Mr. Wolstonecroft to dinner. And while we were at dinner, I had given Mr. Casper a key to my apartment. Mr. Wolstonecroft left his briefcase in my apartment.

CASPER: I removed the briefcase, and took it to another location; opened up the briefcase, and handed the-- the documents to an IRS agent. And they filmed it, handed it back to me, and I placed it back in the briefcase.

WALLACE: So you and Wolstonecroft--

KENNEDY: Went back to the apartment. He picked up his briefcase. He never knew that it had even been touched.

WALLACE: A few weeks later, Casper again enlisted Sybil Kennedy, this time to fly to Nassau for a weekend visit with Mike Wolstonecroft. Her mission: to steal a Rolodex that contained data on Castle Bank's clients. Her chance came when Wolstonecroft, who was showing her around the empty bank, left her alone for a few minutes.

KENNEDY: What I had was a small suitcase, which looked like a pocketbook, and I slipped the Rolodex into it, which fit just perfectly. The next day I returned to Miami with the Rolodex still in my purse, and turned it over to Mr. Casper.

WALLACE: You never worried that-- that what you were doing was dirty pool?

KENNEDY: I knew it was dirty pool. Yes, I knew-- Certainly I knew it was dirty pool. But it was necessary; it had to be done. Hey, I love this country, and I feel that the American people were-- are being robbed.

WALLACE: Casper paid Sybil Kennedy five hundred dollars for her work. They put together a list of three hundred eight Castle Bank accounts. Now, the fact that someone's name was on that list does not necessarily mean something illegal was going on. But it gave the IRS a place to start, and some prominent names were turned up. U.S. magazine publishers, large American corporations, Hollywood figures, and seven individuals with old connections to organized crime in Cleveland. Again, Basil Donaldson.

Governor Donaldson, what would you do if you found out that Castle Bank was dealing with Americans the FBI says are connected with organized crime?

GOVERNOR DONALDSON: If I found it out officially?

WALLACE: Yeah.

GOVERNOR DONALDSON: I would recommend to the Minister immediately that the bank would be delicensed. This would be my-- my immediate reaction.

WALLACE: Now you do know that, according to the IRS, the list of depositors lifted from Wolstonecroft's briefcase had the name of several men (I believe seven) allegedly connected with organized crime in Ohio, who are doing--

GOVERNOR DONALDSON: I-- I don't know this. See, I think that is-- that is the real difference. I think the difference is that it is-- it has been alleged by various media in the United States. And what I'm saying to you--

WALLACE: Well you-- you've seen these names. Have you tried to check this out with Castle Bank?

GOVERNOR DONALDSON: Oh, yes. Yes.

WALLACE: You have?

GOVERNOR DONALDSON: Yes.

WALLACE: And?

GOVERNOR DONALDSON: Castle Bank informs me, on an informal basis, that the persons who are mentioned in this particular document--

WALLACE: Right.

GOVERNOR DONALDSON: --are not doing business with them.

WALLACE: Any more.

GOVERNOR DONALDSON: Well-- [laughing] I am talk--

WALLACE: That could be it?

GOVERNOR DONALDSON: That could be it. I mean, I am talking at the time. I didn't say, "Did these people ever do business with you?" I say, "Are these people....?" You know. [Laughing]

WALLACE: I see.

Another Castle Bank connection. This is the Bahamian White House. It is also the private residence of Lynden Pindling, the Prime Minister of the Bahamas, who acquired it at a cost of four hundred and fifty thousand dollars. He borrowed fifty thousand dollars toward the purchase price from Castle Bank and Trust.

Last year, Norm Casper's work and the secret IRS investigation were revealed, and temporarily roadblocked, by the then-new head of the IRS himself, Donald Alexander.

DONALD ALEXANDER [Commissioner, IRS]: One of my primary objectives has been to see to it that the Internal Revenue Service respects individual rights, that its employees always operate within the law

in conducting investigations, and that the Service confine its activities to those appropriate to a tax administration and enforcement agency.

WALLACE: Alexander's statement dismayed many in the Justice Department. They thought the material purloined by Casper could be legally used in any prosecution, and that Alexander's statement could undermine their case. Yet long before all that, news of what the IRS was up to had leaked to one of the men most closely associated with Castle Bank - prominent Chicago lawyer Burton Cantor, U.S. tax attorney to Castle Bank. He's already under indictment in a tax evasion case involving a wealthy Castle Bank client.

Who owns Castle Bank?

CANTOR: I don't know.

WALLACE: Oh, Mr. Cantor. You know.

CANTOR: No, I don't know.

WALLACE: You really don't know who?

CANTOR: I really don't know.

WALLACE: And you're not even curious?

CANTOR: Oh, today I'm more curious than ever.

WALLACE: Do you own any shares in Castle Bank and Trust?

CANTOR: No.

WALLACE: You're just--

CANTOR: I'm an attorney. And I represent the bank like I represent lots of other people.

WALLACE: I quote to you from an internal memo, an internal IRS memo, dated April thirtieth, nineteen seventy four, which says, "The evidence thus far adduced indicates the utilization of captive foreign financial institutions by unscrupulous tax practitioners in conspiracies with their wealthy clients, who have bought their packaged schemes." Sounds like they have you in mind.

CANTOR: Well, let's assume that they do have me in mind. The problem is, I don't know what any of that means. If that's the accusation, where is the crime?

WALLACE: The crime, as we said, according to the IRS, could lie in that word "captive" - referring to Castle Bank and Trust. The IRS believes Castle Bank is not controlled in the Bahamas, but that its affairs were directed and effectively controlled by such as Burt

Cantor out of Chicago. If that is true, says the IRS, then Castle Bank is not a true tax haven; it is a sham, and its trust accounts are evading U.S. taxes illegally. But Burt Cantor asserts the IRS doesn't understand its own tax laws.

CANTOR: What are the schemes that allegedly are being purveyed? What are the schemes in conjunction with these wealthy clients?

WALLACE: Tax evasion; not avoidance, which is your business, but tax evasion, which should not be your business.

CANTOR: You're quite right. It should not, and is not. Tax avoidance is my business.

WALLACE: You know that, according to IRS memos, many of the people who had accounts at Castle Bank indicated on their U.S. income tax returns that they had no foreign bank accounts.

CANTOR: No, you're telling me that. I don't know that.

WALLACE: It would not be true with any of your clients?

CANTOR: To the best of my knowledge, it would not be true with any of our clients; or at least, if they did so, it was contrary to any advice we would have given them.

WALLACE: We have learned that several cartons of documents have been shredded at Castle Bank over the past months. Most of those files involve clients of Burton Cantor. Cantor denies ordering the shredding.

Miami lawyer Paul Helliwell, another of Castle Bank's U.S. lawyers, is also said to be an object of IRS investigation. Norm Casper says his contacts in Nassau told him that Helliwell, like Cantor, played a major role in running Castle Bank.

HELLIWELL: Well, I don't know who told him that, but much of the direction of their operation did not come from me. We have given them advice. We have told them how we think documents and so forth should be set up; how a bank should be run, whether it's a Bahamian bank, an American bank, or any other bank that happens to be an area in which we have a certain amount of expertise.

WALLACE: What do you think of the motives and the operation of Norman Casper?

HELLIWELL: I just-- It just shocks the sense of morality. I just don't think it's proper. I certainly don't think it's a very American way to do it.

WALLACE: Helliwell calls it un-American.

CASPER: He does?

WALLACE: Yes. Told me that this afternoon.

CASPER: Tell me something. How is it American to have secret bank accounts, to siphon money off? Mr. Wallace, you are paying for this, point blank, you and everyone else, because more-- fewer and fewer are-- are being asked to supply more and more money.

WALLACE: What you're doing is setting yourself up, for what you perceive to be the best of motives, as a paid vigilante.

CASPER: No--

WALLACE: And yet, in the course of performing your duties as informant, vigilante, or wherever, you yourself break the law.

CASPER: I'd do it again.

GOVERNOR DONALDSON: As I see it, there-- there are some members in-- agencies such as the IRS in the lower echelon who feel a-- a real frustration, and I can sympathize with the frustration, because they see persons of wealth taking advantages of loopholes in the tax laws. These people are relatively low-paid. And when they see somebody setting up a trust, you know, and-- and they're able to do all this legally, it frustrates them. So naturally they begin to go after these people. This-- this-- this isn't a money struggle. We're talking about a fundamental class struggle, strangely enough, in the United States. And it is a class struggle. It's a class struggle between the haves and-- between the haves and the have-nots.

WALLACE: So, a man like Norman Casper, you can understand his-- his motives?

GOVERNOR DONALDSON: Oh, oh, oh, I can understand it, yes. I mean, that-- that is quite understandable.

WALLACE: And you realize, of course, that it is your feelings about secrecy here in the Bahamas, your willingness to let avoiders, and even evaders--

GOVERNOR DONALDSON: Yes.

WALLACE: --take advantage of your laws.

GOVERNOR DONALDSON: Oh, well, this is-- this is true in life. I think you have to recognize that there is no perfect situation. That, in fact, because the laws here are set up to accommodate avoidance, one cannot say that there might be the evaders that slip through, and one must accept this as a fact of life.

WALLACE: But Norm Casper doesn't accept it as a fact of life. He finds himself with lots of time on his hands, while just a few miles away in Miami a federal grand jury continues to take testimony on Castle Bank and Trust. But this man, who played such a big role in

getting the investigation going, is no longer providing information. He was cut off by the IRS after Commissioner Alexander blew his cover. Norm Casper's out of a job, broke; yet sure of what he's done.

CASPER: I believe that each person has to view me as he will, and I cannot help what they think at this point. I have done what I think is right, and I would do it again.

WALLACE: Just this week, Norm Casper brought a ten million dollar suit against the U.S. Government. He claims that, by his public statements, Internal Revenue boss Donald Alexander blew Casper's cover, put his life in danger, and made it impossible for him to find other work.

[Announcements]

["ABU DHABI"]

MORLEY SAFER: Our next story is one that was dropped a few weeks ago when a football game once again ran over into our time period. For those of you in the Far West who've already seen it, we beg your indulgence while we show it to the rest of the country.

Once upon a time, in the shifting sands of southern Arabia, there was a tribe called the Banyas. Even by the standards of the nineteenth century, they were poor. They were nomadic herdsmen: a few goats and a few camels. And according to the few explorers to entered the area, they were dangerous, too; as like to tear you apart for your shoes as say, "Good morning." They wandered about in search of water, and finally settled on an island in the Persian Gulf which they called Abu Dhabi.

And there they remained for centuries - even to this day. Just listen to how a 19th century British geographer describes the place and the people: "Immeasurable tracts of inhospitable stoney desert . . . the rapacity of guides and the extortionate demands of petty chieftains when they have once got the stranger in their power..."

All this, together with the heat of the climate and the forbidding aspect of the desert are enough to deter even the most courageous and indefatigable of travelers.

In this century, when hard cash became a necessity, the Banyas practiced a little piracy along the Gulf coast, but never enough to really strain themselves. Indeed, the Banyas had very little to recommend them - except for one thing: a belief that, with patience, everything would get better. The Arabic word for it is *hadth*. It means luck. The Banyas always believed that one day they'd get lucky. And they were right. Today they're the richest people on this earth.

The source of all this wealth is, of course, oil. But the tale we have to tell is not about oil, but about the money oil brings to these people.

Senate Permanent Subcommittee
On Investigations
EXHIBIT #____61d____

Exhibit 61d.

Fitzgerald case documents

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA	)	93-10149Z
	)	
V.	)	CR. NO.
	)	
JOSEPH CARDONE and JOHN E. FITZGERALD	)	VIOLATIONS: 18 U.S.C. § 1962(d) 18 U.S.C. § 1957

INDICTMENT

The Grand Jury charges that:

COUNT ONE

(18 U.S.C. § 1962(d))

1. From a date in or before 1983 through a date in or about 1992, the exact dates being unknown to the Grand Jury, in the District of Massachusetts and elsewhere, the defendants

JOSEPH CARDONE and JOHN E. FITZGERALD

along with Joseph P. Murray, Jr., and other persons known and unknown to the Grand Jury did constitute an Enterprise within the meaning of Title 18, United States Code, Section 1961(4), that is, a group of individuals associated in fact which engaged in various criminal activities, consisting of acts indictable under Title 18, United States Code, Section 1952 (relating to interstate travel in aid of racketeering), Section 1956 (relating to the laundering of monetary instruments), Section 1957 (relating to engaging in monetary transactions in property derived from specified unlawful activity), under Title 21, United States Code, Section 841 (relating to the possession with intent to distribute and the distribution of controlled substances), Section 846 (relating to conspiracy to violate controlled substances laws), and under Title

841(a)(1) and Title 18, United States Code, Section 2.

B.
Racketeering Acts Involving
The Laundering of Monetary Instruments

Racketeering Act B-1

a. On or about May 29, 1990, in the District of Massachusetts, JOSEPH CARDONE did knowingly and willfully conduct and attempt to conduct a financial transaction affecting interstate and foreign commerce by purchasing Century Bank and Trust Treasurer's check number 145234 in the amount of twenty-two thousand seven hundred dollars ($22,700), which involved the proceeds of a specified unlawful activity, namely, an offense involving the manufacture, importation, sale and distribution of a controlled substance, (1) with the intent to promote the carrying on of specified unlawful activity, namely, an offense involving the manufacture, importation, sale and distribution of a controlled substance and (2) knowing that the transaction was designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity, and while conducting and attempting to conduct such financial transaction JOSEPH CARDONE knew that the property involved in the financial transaction, that is, funds in the amount of $22,700 represented the proceeds of some form of unlawful activity.

All in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i), 1956(a)(1)(B)(i) and 2.

b. On or about May 29, 1990, in the District of Massachusetts, JOSEPH CARDONE did knowingly engage and attempt to engage in a monetary transaction, affecting interstate and foreign commerce, in criminally derived property of a value greater than $10,000, that is, the purchase of Century Bank and Trust Treasurer's check number 145234 in the amount of twenty-two thousand seven hundred dollars ($22,700), such property having been derived from a specified unlawful activity, that is, an offense involving the manufacture, importation, sale and distribution of a controlled substance.

All in violation of Title 18, United States Code, Sections 1957 and 2.

Racketeering Act B-2

a. On or about March 26, 1991, in the District of Massachusetts, JOSEPH CARDONE, with Joseph P. Murray, Jr. and others known and unknown to the Grand Jury, did knowingly and willfully conduct and attempt to conduct a financial transaction affecting interstate and foreign commerce by purchasing Century Bank and Trust Treasurer's check number 018847, in the amount of twenty-five thousand dollars ($25,000), which involved the proceeds of a specified unlawful activity, that is, an offense involving the manufacture, importation, sale and distribution of a controlled substance, (1) with the intent to promote the carrying on of specified unlawful activity, namely, an offense involving the manufacture, importation, sale and distribution of a controlled substance and (2) knowing that the transaction was designed in

whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity, and while conducting and attempting to conduct such financial transaction JOSEPH CARDONE knew that the property involved in the financial transaction, that is, funds in the amount of $25,000, represented the proceeds of some form of unlawful activity.

All in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i), 1956(a)(1)(B)(i) and 2.

b. On or about March 26, 1991, in the District of Massachusetts, JOSEPH CARDONE, with Joseph P. Murray, Jr. and others known and unknown to the Grand Jury, did knowingly engage and attempt to engage in a monetary transaction, affecting interstate and foreign commerce, in criminally derived property of a value greater than $10,000, by purchasing Century Bank and Trust Treasurer's check number 018847 in the amount of twenty-five thousand dollars ($25,000), such property having been derived from a specified unlawful activity, that is, an offense involving the manufacture, importation, sale and distribution of a controlled substance.

All in violation of Title 18, United States Code, Sections 1957 and 2.

Racketeering Act B-3

a. In or about November 1986 through June 1987, in the District of Massachusetts, Antigua and elsewhere, JOHN E.

FITZGERALD, a United States citizen, with Joseph P. Murray, Jr., a United States citizen, and others known and unknown to the Grand Jury, did knowingly and willfully conduct and attempt to conduct financial transactions affecting interstate and foreign commerce, to wit, the purchase of certificates of deposits by using portions of funds totalling in excess of six million dollars ($6,000,000), which had been deposited into the Rosebud Investments Ltd., White Rose Investments Ltd., Handel Investments Ltd., Guardian Bank, and J & B Investments Corp. accounts at the Swiss American Bank, Ltd. and Swiss American National Bank located at St. Johns, Antigua, which funds represented the proceeds of a specified unlawful activity, that is an offense involving the manufacture, importation, sale and distribution of a controlled substance, (1) with the intent to promote the carrying on of specified unlawful activity, to wit, an offense involving the manufacture, importation, sale and distribution of a controlled substance and (2) knowing that the transactions were designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity, and while conducting and attempting to conduct such financial transactions JOHN E. FITZGERALD knew that the property involved in the financial transactions, that is, the funds in excess of $6,000,000, represented the proceeds of some form of unlawful activity.

All in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i), 1956(a)(1)(B)(i) and 2.

b. In or about November 1986 through June 1987, in the District of Massachusetts, Antigua and elsewhere, JOHN E. FITZGERALD, a United States person, with Joseph P. Murray, Jr., a United States person, and others known and unknown to the Grand Jury, did knowingly engage and attempt to engage in monetary transactions, affecting interstate and foreign commerce, in criminally derived property of a value greater than $10,000, that is, the purchase of certificates of deposit by using portions of funds totalling in excess of six million dollars ($6,000,000), which had been deposited into the Rosebud Investments Ltd., White Rose Investments Ltd., Handel Investments Ltd., Guardian Bank, and J & B Investments Corp. accounts at the Swiss American Bank, Ltd. and Swiss American National Bank located at St. Johns, Antigua, such property having been derived from a specified unlawful activity, that is an offense involving the manufacture, importation, sale and distribution of a controlled substance.

All in violation of Title 18, United States Code, Sections 1957 and 2.

Racketeering Act B-4

a. On or about December 7, 1989, in the District of Massachusetts and Antigua, JOHN E. FITZGERALD, a United States citizen, with Joseph P. Murray, Jr., a United States citizen, and others known and unknown to the Grand Jury, did knowingly and willfully attempt to conduct a financial transaction affecting interstate and foreign commerce, to wit, the withdrawal of funds totalling in excess of six million dollars ($6,000,000), which had

been deposited into the Rosebud Investments Ltd., White Rose Investments Ltd., Handel Investments Ltd., Guardian Bank, and J & B Investments Corp. accounts at the Swiss American Bank, Ltd. and Swiss American National Bank located at St. Johns, Antigua, which funds represented the proceeds of a specified unlawful activity, that is an offense involving the manufacture, importation, sale and distribution of a controlled substance, (1) with the intent to promote the carrying on of specified unlawful activity, to wit, an offense involving the manufacture, importation, sale and distribution of a controlled substance and (2) knowing that the transaction was designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity, and while attempting to conduct such financial transaction, JOHN E. FITZGERALD knew that the property involved in the attempted financial transaction, that is, the funds in excess of $6,000,000 represented the proceeds of some form of unlawful activity.

All in violation of Title 18, United States Code, Sections 1956(a)(1)(a)(i), 1956(a)(1)(B)(i) and 2.

b. On or about December 7, 1989, in the District of Massachusetts and Antigua, JOHN E. FITZGERALD, a United States person, with Joseph P. Murray, Jr., a United States person, and others known and unknown to the Grand Jury, did knowingly attempt to engage in a monetary transaction, affecting interstate and foreign commerce, in criminally derived property of a value greater

than $10,000, that is, the withdrawal of funds totalling in excess of six million dollars ($6,000,000), which had been deposited into the Rosebud Investments Ltd., White Rose Investments Ltd., Handel Investments Ltd., Guardian Bank, and J & B Investments Corp. accounts at the Swiss American Bank, Ltd. and Swiss American National Bank located at St. Johns, Antigua, such property having been derived from a specified unlawful activity, that is, an offense involving the manufacture, importation, sale and distribution of a controlled substance.

All in violation of Title 18, United States Code, Sections 1957 and 2.

C.
Racketeering Acts Involving
Evasion of the Currency Reporting Requirements

Racketeering Act C-1

From on or about March 26, 1990 through on or about March 29, 1990, in the District of Massachusetts, JOSEPH CARDONE knowingly and willfully and for the purpose of evading the reporting requirements of Section 5313(a) of Title 31, United States Code, and the regulations promulgated thereunder, structured the purchase of sixty thousand dollars ($60,000) in bank checks as described below at the domestic financial institutions listed below.

Date	Financial Institution	Check No.	Amount
3/26	Marlborough Savings Bank	3048326	$8,000
"	W. Newton Savings Bank	212750	$8,000
"	Middleborough Trust	129689	$8,000
"	Century Bank & Trust	321650	$4,000
"	Baybank Middlesex	4673062	$1,000
"	" "	4673091	$1,000
"	" "	4673092	$1,000
"	" "	4673093	$1,000

3/27	Century Bank & Trust	144900	$4,000
"	Winter Hill Fed. Savings Bk.	268058231	$4,000
"	University Bank	417428	$ 500
"	" "	417429	$ 500
"	" "	417430	$ 500
"	" "	417431	$ 500
"	" "	417432	$ 500
"	" "	417433	$ 500
3/28	Bank of New England	7000704-09	$3,000
"	Home Owners Fed. S & L	28-257077042	$1,000
"	" " " "	28-257077043	$1,000
"	" " " "	28-257077044	$1,000
"	Pioneer Financial	216284	$4,000
3/29	Depositor's Trust	M34331	$5,000
"	Medford Savings Bank	1774483	$1,000
"	" " "	1774484	$1,000

All in violation of Title 31, United States Code, Sections 5324(3) and 5322(a) and Title 31, Code of Federal Regulations, Section 103.11.

Racketeering Act C-2

In or about January or February of 1985, in the District of Massachusetts, JOHN E. FITZGERALD, with others known and unknown to the Grand Jury, knowingly and intentionally transported monetary instruments of more than ten thousand dollars ($10,000) at one time, that is, one hundred thousand dollars in U.S. currency ($100,000), from a place in the United States, that is, the Commonwealth of Massachusetts, to a place outside the United States, that is, Antigua, without filing a Report of International Transportation of Currency or Monetary Instruments, Customs Form 4790, as required by law.

In violation of Title 31, United States Code, Sections 5316(a)(1)(A) and 5322(b); Title 31, Code of Federal Regulations,

Section 103.23; and Title 18, United States Code, Section 2.

Racketeering Act C-3

On or about September 25, 1985, in the District of Massachusetts, JOHN E. FITZGERALD, with others known and unknown to the Grand Jury, knowingly and intentionally transported monetary instruments of more than ten thousand dollars ($10,000) at one time, that is, fifty thousand dollars in U.S. currency ($50,000), from a place in the United States, that is, the Commonwealth of Massachusetts, to a place outside the United States, that is, Antigua, without filing a Report of International Transportation of Currency or Monetary Instruments, Customs Form 4790, as required by law.

In violation of Title 31, United States Code, Sections 5316(a)(1)(A) and 5322(b); Title 31, Code of Federal Regulations, Section 103.23; and Title 18, United States Code, Section 2.

Racketeering Act C-4

On or about November 5, 1985, in the District of Massachusetts, JOHN E. FITZGERALD, with others known and unknown to the Grand Jury, knowingly and intentionally transported monetary instruments of more than ten thousand dollars ($10,000) at one time, that is, four hundred and fifty thousand dollars ($450,000), consisting of two negotiable instruments in bearer form in the amount of $125,000 each and $200,000 in U.S. currency, from a place in the United States, that is, the Commonwealth of Massachusetts, to a place outside the United States, that is, Antigua, without filing a Report of International Transportation of Currency or

Monetary Instruments, Customs Form 4790, as required by law.

In violation of Title 31, United States Code, Sections 5316(a)(1)(A) and 5322(b); Title 31, Code of Federal Regulations, Section 103.23; and Title 18, United States Code, Section 2.

Racketeering Act C-5

On or about November 17, 1985, in the District of Massachusetts, JOHN E. FITZGERALD, with others known and unknown to the Grand Jury, knowingly and intentionally transported monetary instruments of more than ten thousand dollars ($10,000) at one time, that is, two hundred thousand dollars in U.S. currency ($200,000), from a place in the United States, that is, the Commonwealth of Massachusetts, to a place outside the United States, that is, Antigua, without filing a Report of International Transportation of Currency or Monetary Instruments, Customs Form 4790, as required by law.

In violation of Title 31, United States Code, Sections 5316(a)(1)(A) and 5322(b); Title 31, Code of Federal Regulations, Section 103.23; and Title 18, United States Code, Section 2.

Racketeering Act C-6

On or about December 17, 1985, in the District of Massachusetts, JOHN E. FITZGERALD, with Joseph P. Murray, Jr. and others known and unknown to the Grand Jury, knowingly and intentionally transported monetary instruments of more than ten thousand dollars ($10,000) at one time, that is, three hundred thousand dollars in U.S. currency ($300,000), from a place in the United States, that is, the Commonwealth of Massachusetts, to a

place outside the United States, that is, Antigua, without filing a Report of International Transportation of Currency or Monetary Instruments, Customs Form 4790, as required by law.

In violation of Title 31, United States Code, Sections 5316(a)(1)(A) and 5322(b); Title 31, Code of Federal Regulations, Section 103.23; and Title 18, United States Code, Section 2.

D.
Racketeering Acts Involving
Foreign Travel in Aid of Racketeering

Racketeering Act D-1

In or about January 1985, JOHN E. FITZGERALD, with others known and unknown to the Grand Jury, did unlawfully, willfully and knowingly travel in foreign commerce between the Commonwealth of Massachusetts and St. Lucia with intent to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of unlawful activity, to wit, a business enterprise involving narcotics and controlled substances in violation of Title 21, United States Code, Sections 841 and 846, and thereafter did perform and attempt to perform acts to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of said unlawful activity.

In violation of Title 18, United States Code, Sections 1952 and 2.

Racketeering Act D-2

In or about January or February 1985, JOHN E. FITZGERALD, with others known and unknown to the Grand Jury, did unlawfully,

willfully and knowingly travel in foreign commerce between the Commonwealth of Massachusetts and Antigua with intent to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of unlawful activity, to wit, a business enterprise involving narcotics and controlled substances in violation of Title 21, United States Code, Sections 841 and 846, and thereafter did perform and attempt to perform acts to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of said unlawful activity.

In violation of Title 18, United States Code, Sections 1952 and 2.

Racketeering Act D-3

In or about April 1985, JOHN E. FITZGERALD, with others known and unknown to the Grand Jury, did unlawfully, willfully and knowingly travel in foreign commerce between the Commonwealth of Massachusetts and St. Lucia with intent to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of unlawful activity, to wit, a business enterprise involving narcotics and controlled substances in violation of Title 21, United States Code, Sections 841 and 846, and thereafter did perform and attempt to perform acts to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of said unlawful activity.

In violation of Title 18, United States Code, Sections 1952

and 2.

Racketeering Act D-4

On or about September 25, 1985, JOHN E. FITZGERALD, with others known and unknown to the Grand Jury, did unlawfully, willfully and knowingly travel in foreign commerce between the Commonwealth of Massachusetts and Antigua with intent to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of unlawful activity, to wit, a business enterprise involving narcotics and controlled substances in violation of Title 21, United States Code, Sections 841 and 846, and thereafter did perform and attempt to perform acts to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of said unlawful activity.

In violation of Title 18, United States Code, Sections 1952 and 2.

Racketeering Act D-5

On or about October 7, 1985, JOHN E. FITZGERALD, with others known and unknown to the Grand Jury, did unlawfully, willfully and knowingly travel in foreign commerce between the Commonwealth of Massachusetts and Bermuda with intent to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of unlawful activity, to wit, a business enterprise involving narcotics and controlled substances in violation of Title 21, United States Code, Sections 841 and 846, and thereafter did perform and attempt to perform acts to promote,

manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of said unlawful activity.

In violation of Title 18, United States Code, Sections 1952 and 2.

Racketeering Act D-6

On or about November 5, 1985, JOHN E. FITZGERALD, with others known and unknown to the Grand Jury, did unlawfully, willfully and knowingly travel in foreign commerce between the Commonwealth of Massachusetts and Antigua with intent to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of unlawful activity, to wit, a business enterprise involving narcotics and controlled substances in violation of Title 21, United States Code, Sections 841 and 846, and thereafter did perform and attempt to perform acts to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of said unlawful activity.

In violation of Title 18, United States Code, Sections 1952 and 2.

Racketeering Act D-7

On or about November 17, 1985, JOHN E. FITZGERALD, with others known and unknown to the Grand Jury, did unlawfully, willfully and knowingly travel in foreign commerce between the Commonwealth of Massachusetts and Antigua with intent to promote, manage, establish, carry on and facilitate the promotion, management,

establishment and carrying on of unlawful activity, to wit, a business enterprise involving narcotics and controlled substances in violation of Title 21, United States Code, Sections 841 and 846, and thereafter did perform and attempt to perform acts to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of said unlawful activity.

In violation of Title 18, United States Code, Sections 1952 and 2.

Racketeering Act D-8

On or about December 17, 1985, JOHN E. FITZGERALD, with others known and unknown to the Grand Jury, did unlawfully, willfully and knowingly travel in foreign commerce between the Commonwealth of Massachusetts and Antigua with intent to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of unlawful activity, to wit, a business enterprise involving narcotics and controlled substances in violation of Title 21, United States Code, Sections 841 and 846, and thereafter did perform and attempt to perform acts to promote, manage, establish, carry on and facilitate the promotion, management, establishment and carrying on of said unlawful activity.

In violation of Title 18, United States Code, Sections 1952 and 2.

Racketeering Act D-9

On or about December 7, 1989, JOHN E. FITZGERALD, with others

b, or both, of sub-paragraph B-4, or of sub-paragraph D-9, constituting one act of racketeering.

Overt Acts of the Racketeering Conspiracy

9. In furtherance of the racketeering conspiracy and to effect the objects thereof, the defendants and their coconspirators committed the following overt acts, among others, in the District of Massachusetts and elsewhere:

(a) In approximately 1979, two individuals went into business with Joseph P. Murray, Jr. and another coconspirator, importing shiploads of marijuana into the Boston area from Columbia.

(b) From approximately 1979 through 1983, one individual purchased approximately 12 tons of marijuana from Joseph P. Murray, Jr. and his associates.

(c) Beginning in 1981 and continuing through early 1983, two other individuals purchased over $3,000,000 of marijuana from Joseph P. Murray, Jr. and his associates. One of these individuals was told by Joseph P. Murray, Jr. that the Murray organization smuggled ship loads of marijuana into the Boston area by off-loading ships at sea and transferring the loads onto trucks once the off-load ships docked.

(d) On April 6, 1983, Joseph P. Murray, Jr.'s brother, Michael F. Murray, and others were in possession of over 11 tons of marijuana secreted inside a warehouse in South Boston.

(e) During the summer of 1983, for the purpose of obtaining the assistance of JOSEPH CARDONE in the marijuana business, Joseph P. Murray, Jr. told CARDONE that he imported marijuana into the

Boston area by meeting ships at sea with approximately 20 individuals who would off-load marijuana from the mother ship and return with the marijuana to the coast where the marijuana would be loaded onto trucks. Joseph P. Murray, Jr. informed JOSEPH CARDONE that each "off-loader" would be paid approximately $20,000 per load. JOSEPH CARDONE told Joseph P. Murray, Jr. that he would be interested in such work.

(f) During 1984, Joseph P. Murray, Jr. sold approximately sixteen kilograms of cocaine to JOSEPH CARDONE for $50,000 per kilo.

(g) In 1984, Joseph P. Murray, Jr. told a coconspirator that during 1980-1984 his smuggling operation had brought in twenty-three shiploads of marijuana into Boston with only one lost load.

(h) In the late summer of 1984, JOSEPH CARDONE agreed to operate a marine salvage business, "Commercial Marine Exchange, Inc." as a front for Joseph P. Murray, Jr.'s smuggling of ships loaded with marijuana.

(i) On approximately November 16, 1984, the "Ramsland," a 200 foot freighter with over 36 tons of marijuana secreted under gravel ballast, and the first ship scheduled to utilize the cover of Commercial Marine Exchange, arrived in Boston harbor.

(j) Sometime in 1983 or 1984, one of Joseph P. Murray, Jr.'s coconspirators told JOSEPH CARDONE that Joseph P. Murray, Jr. had made approximately five to six million dollars through trafficking in narcotics.

(j) In early 1985, acting on the instructions of one of

Joseph P. Murray, Jr.'s coconspirators, JOHN E. FITZGERALD established a St. Lucian corporation named "Halcyon Days Investments, Ltd." and opened a bank account at the Canadian Imperial Bank of Commerce on St. Lucia in the corporation's name.

(k) In January or February of 1985, in Boston, Massachusetts, a coconspirator gave JOHN E. FITZGERALD $100,000 in cash to deposit into the Halcyon Days account at the Canadian Imperial Bank of Commerce on St. Lucia.

(l) Between approximately January and March of 1985, at one of Joseph P. Murray Jr.'s coconspirator's direction, JOHN E. FITZGERALD and others deposited approximately $3,000,000 into the Halcyon Days account at the Canadian Imperial Bank of Commerce on St. Lucia.

(m) In approximately May of 1985, acting at the direction of this same coconspirator, JOHN E. FITZGERALD closed the Halcyon Days account at the Canadian Imperial Bank of Commerce on St. Lucia and provided the proceeds of the account, which totalled $3,000,000 plus interest, in the form of a bank check issued to Guinness Bank to another individual, who informed JOHN E. FITZGERALD that the money was being taken to the Cayman Islands.

(n) On September 25, 1985, in Boston, Massachusetts, a coconspirator gave $50,000 in cash to JOHN E. FITZGERALD to take to Antigua.

(o) On September 27, 1985, JOHN E. FITZGERALD incorporated "Rosebud Investments Ltd." in Antigua and opened an account in the corporation's name at the Swiss American Bank in Antigua with the

$50,000 provided by one of Joseph P. Murray, Jr.'s coconspirators.

(p) At the direction of one of Joseph P. Murray, Jr.'s coconspirators, on October 7, 1985, JOHN E. FITZGERALD travelled from Massachusetts to Bermuda and met an man and a woman at a hotel who gave JOHN E. FITZGERALD approximately $460,000 in cash. FITZGERALD caused the cash, along with $252,000 in the form of time deposit slips issued to another individual, to be deposited into the Swiss American Bank in Antigua via the Bank of Bermuda.

(q) In October of 1985, in Boston, Massachusetts, one of Joseph P. Murray, Jr.'s coconspirators informed JOHN E. FITZGERALD that $5,000,000 would be wire transferred to the Swiss American Bank and that another corporation with an account at the Swiss American Bank should be formed and the money divided equally between the two accounts.

(r) On October 31, 1985, a wire transfer of $5,000,000 to the Swiss American Bank was initiated.

(s) In November of 1985, JOHN E. FITZGERALD met one of the coconspirators in Boston, Massachusetts. The individual gave two $125,000 checks made out to cash as well as $200,000 in cash to JOHN E. FITZGERALD to transport to Antigua and deposit into the Swiss American Bank account. The two $125,000 checks were deposited into the Rosebud account at the Swiss American Bank on November 5, 1985. The following day, the $200,000 in cash was deposited into the same account.

(t) On November 6, 1985, JOHN E. FITZGERALD incorporated "White Rose Investments Ltd." in Antigua and opened an account in

the corporation's name at the Swiss American Bank.

(u) On November 11, 1985, the funds from the wire transfer which originated on October 31, 1985 were deposited into the Swiss American Bank accounts as follows: $2,500,000 into the Rosebud account and $2,500,000 into the White Rose account.

(v) On November 17, 1985, after receiving an additional $200,000 in cash from a coconspirator in Boston, Massachusetts, JOHN E. FITZGERALD transported the money to Antigua and deposited it into the Rosebud account at the Swiss American Bank.

(w) On November 18, 1985, acting on the instructions of one of Joseph P. Murray's coconspirators, JOHN E. FITZGERALD incorporated "Handel Investments Ltd." in Antigua and opened an account in the corporation's name at the Swiss American Bank.

(x) On December 17, 1985, after receiving $300,000 in cash from Joseph P. Murray, Jr. in Boston, Massachusetts, JOHN E. FITZGERALD transported the money to Antigua and deposited it into the Rosebud account in the Swiss American Bank.

(y) On June 4, 1986, JOHN E. FITZGERALD caused the "Guardian Bank, Ltd." to be incorporated in Anguilla and an account opened in its name at both the Swiss American Bank and Swiss American National Bank.

(z) Between June and September of 1986, the money which was held in the Rosebud and White Rose accounts was gradually transferred to the Guardian Bank accounts at both the Swiss American Bank and Swiss American National Bank.

(aa) On June 9, 1986, "J & B Investments Corp." was

incorporated at JOHN E. FITZGERALD'S request in Antigua and a corporate account at the Swiss American Bank was opened in its name. A portion of the monies from the Rosebud and White Rose accounts was transferred into this account.

(bb) From June 1986 through June 1987, the bulk of the money held in the Swiss American Bank and Swiss American National Bank was continually reinvested in certificates of deposit upon the instruction of JOHN E. FITZGERALD.

(cc) In July of 1987, approximately one month after the Swiss American Bank and the Swiss American National Bank placed a hold on the money preventing their transfer or withdrawal, one of the coconspirators telephoned JOHN E. FITZGERALD and told him to leave the island of Antigua.

(dd) On March 28, 1989, Joseph P. Murray Jr. and his coconspirators, in the name of the Guardian Bank Ltd., filed suit against the Swiss American National Bank of Antigua in the High Court of Antigua and Barbuda, seeking the release of funds held in SANBANK accounts 132731 and 132732, held in the name of the Guardian Bank Ltd.

(ee) On the instruction of one of Joseph P. Murray, Jr.'s coconspirators, JOHN E. FITZGERALD travelled on approximately four occasions to Antigua in connection with the litigation pending between the Swiss American National Bank and the Guardian Bank Ltd. On one of these occasions, December 7, 1989, JOHN E. FITZGERALD executed an affidavit in Antigua to be filed on behalf of the plaintiff in the lawsuit, the Guardian Bank Ltd. for the purpose of

securing the release of the money to Joseph P. Murray, Jr. and his coconspirators.

(ff) In approximately January of 1990, Joseph P. Murray, Jr. gave approximately twenty-eight pounds of marijuana to JOSEPH CARDONE to sell.

(gg) In March of 1990, Joseph P. Murray, Jr. gave to JOSEPH CARDONE one hundred thousand dollars in cash ($100,000).

(hh) On March 25, 1991, in Warwick, Rhode Island, Thomas Murray, an associate of Joseph P. Murray, Jr., stated, during a narcotics transaction financed by Joseph P. Murray, Jr. and in order to assure the supplier of the marijuana to be purchased that the Murray organization had the necessary funds to complete future large scale purchases, that seven years earlier Joseph P. Murray had put eight million dollars in the Caribbean.

(ii) On March 26, 1991, Joseph P. Murray, Jr., along with other individuals, attempted to purchase over five hundred pounds of marijuana for over four hundred thousand dollars ($400,000) in Warwick, Rhode Island.

(jj) In March of 1991, Joseph P. Murray, Jr. purchased 23 Country Club Road, Melrose, Massachusetts for three hundred thousand dollars ($300,000). JOSEPH CARDONE converted twenty-five thousand dollars ($25,000) in cash which he obtained from Joseph P. Murray, Jr. into a treasurer's check to be used as part of the purchase price of the residence.

All in violation of Title 18, United States Code, Section 1962(d).

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA	)	
	)	
v.	)	
	)	CR. NO. 93-10142-Z
	)	
JOHN E. FITZGERALD	)	

APPLICATION FOR AN ORDER AUTHORIZING DEPOSITIONS AND PRODUCTION OF DOCUMENTS

The United States of America, by and through its undersigned attorneys, hereby applies for an order, pursuant to Title 21, United States Code, Section 853(m)(as incorporated by Title 18, United States Code, Section 982(b)(1)(A)), and Title 18, United States Code, Section 1963(k), authorizing the taking of depositions and the production of documents to facilitate the identification and location of in excess of $6 million in narcotics proceeds which were declared forfeited to the United States on November 9, 1993. The grounds for this Application follow:

1. On or about August 17, 1993, John E. Fitzgerald ("Fitzgerald") executed a written plea agreement in which he agreed to plead guilty to Count One of the Indictment, charging him with racketeering conspiracy, in violation of Title 18, United States Code, Section 1962(d), and to Count Three of the Indictment, charging him with money laundering, in violation of Title 18, United States Code, Section 1957. Pursuant to the plea agreement, Fitzgerald agreed to forfeit to the United States all proceeds of the above offenses which had been deposited at Swiss American Bank, Ltd., and the Swiss American National Bank in St. Johns, Antigua, during the period September 1985 through June 23,

Granted
Myra D. Zobel J. 2/4/97

DOCKETED

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1987, into accounts, including certificates of deposit, held in the names of Rosebud Investments, Ltd., White Rose Investments, Ltd., Handel Investments, Ltd., J & B Investments Corp., and Guardian Bank, Ltd., plus accrued interest. The then-known certificates of deposit at issue had a combined total value in excess of six million dollars.

2. On November 9, 1993, the Court issued an initial Order of Forfeiture with respect to the accounts (collectively, the "Property" or the "Fitzgerald Funds"). The Court ordered the Property forfeited to the United States for disposition in accordance with the provisions of Title 18, United States Code, Sections 982 and 1963.

3. Pursuant to the initial Order of Forfeiture, the United States published notice of the Order of Forfeiture for three successive weeks (February 17, 24 and March 3, 1994) in the Antigua and Barbuda Official Gazette, and the Boston Globe (March 10, 17 and 24, 1994).

4. No petitions were received from any person asserting a legal interest in the Property. Accordingly, on May 4, 1994, the Court entered a Final Order of Forfeiture, declaring the Property forfeited to the United States.[1]

5. In or about April 1994, attorneys from the United States Department of Justice met with Antiguan Attorney General Clare K. Roberts to discuss the enforcement of the forfeiture and

[1] Several months later, Fitzgerald died. The forfeiture did not abate upon Fitzgerald's death because at that time it was a final judgment not subject to appeal.

subsequent sharing of the forfeited proceeds between the United States and Antigua.

6. Subsequent to the meeting, the United States submitted several formal requests to Antigua seeking restraint of the forfeited Property, production of bank records of Swiss American Bank, and a response on the question of asset sharing. The Government of Antigua failed to respond.

7. On December 18, 1995, counsel from Washington & Christian, a Washington, D.C., law firm which lobbies on behalf of Antigua, informed Assistant Legal Attache Paul Garner of the American Embassy in Bridgetown, Barbados (which covers Antiguan matters) that the Fitzgerald funds at Swiss American Bank were no longer available. Counsel from Washington & Christian stated that the funds had been transferred by Swiss American Bank to the Government of Antigua, and that the Government of Antigua had deposited the funds into its general treasury.

8. On or about January 22, 1996, Department of Justice attorneys again met with Antiguan Attorney General Roberts and counsel from Washington & Christian to discuss the Swiss American Bank issue. Attorney General Roberts stated that Swiss American Bank had unilaterally approached the Antiguan Finance Ministry on the grounds that the bank no longer felt comfortable holding the Fitzgerald funds. According to Attorney General Roberts, the Finance Ministry, without informing the Attorney General's Office, had accepted the funds and deposited them into the general treasury. The Justice Department attorneys

were informed that the funds, therefore, were not available for sharing with the United States.[2]

9. On or about October 1, 1996, this Court issued an International Letter Rogatory to the judicial authorities in Antigua and Barbuda. The Letter Rogatory requested that Swiss American Bank, Ltd., and Swiss American National Bank be ordered to produce all records of bank accounts held in the name of Rosebud Investments, Ltd., White Rose Investments, Ltd., Handel Investments, Ltd., J & B Investments Corp., and Guardian Bank, Ltd. On or about November 13, 1996, the Government of Antigua and Barbuda confirmed that on December 28, 1994, Swiss American Bank had turned over approximately $5,003,685, formerly contained in the Guardian Bank, Ltd., Handel Investments, and J & B Investments accounts, to the Antiguan Government. However, no documents pertaining to those accounts were produced.

10. Although Swiss American Bank, Ltd., and Swiss American National Bank do not maintain offices in the United States, upon information and belief, Swiss American Bank, Ltd., and Swiss American National Bank have or had correspondent account(s) at the following financial institutions: Bank of New York; BankAmerica International New York; Bank of Bermuda (N.Y.) Ltd.; and Chase Manhattan Bank. All of these financial institutions are located and available for depositions and

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[2] Counsel from Washington & Christian also stated that not all the Fitzgerald funds had been transferred to the Finance Ministry, because some of the funds in question had been retained by the bank, presumably to cover expenses.

discovery in New York, New York. Accordingly, the United States now seeks an Asset Discovery Order in the form attached hereto as Exhibit A. The proposed Asset Discovery Order would authorize the United States to depose each of these banks, and to require them to produce pertinent records, all for the purpose of identifying and locating the forfeited Property and discovering the circumstances surrounding the movement of the Property, which has had the effect, to date, of preventing its transfer to the United States pursuant to the Final Order of Forfeiture.

11. Title 18, United States Code, Section 1963(k) and Title 21, United States Code, Section 853(m), as incorporated by Title 18, United States Code, Section 982(b)(1)(A), both provide that "in order to facilitate the identification and location of property declared forfeited," the court may "order that the testimony of any witness relating to the property forfeited be taken by deposition and that any designated book, paper, document, record . . . or other material not privileged be produced at the same time and place . . . ." See, e.g., United States v. Paccione, 948 F.2d 851, 854 (2d Cir. 1991)(rev'd on other grounds)(depositions ordered to identify and locate assets needed to satisfy a forfeiture money judgment).

WHEREFORE, for the foregoing reasons, the United States requests that this Court enter an Asset Discovery Order in the form attached hereto as Exhibit A.

Respectfully submitted,

DONALD K. STERN
United States Attorney
District of Massachusetts

Richard L. Hoffman
James D. Herbert
Assistant United States Attorneys

Dated: January 23, 1997

CERTIFICATE OF SERVICE

I hereby certify that today I served a true copy of the foregoing on the office of the Federal Public Defender, 125 Pearl Street, 3rd. Floor, Boston, Massachusetts 02110, by first class mail.

Dated: January 23, 1997

Richard L. Hoffman
Assistant U.S. Attorney

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA	)	
	)	
v.	)	
	)	CR. NO. 93-10149-Z
	)	
JOHN E. FITZGERALD	)	

ASSET DISCOVERY ORDER

DOCKETED

ZOBEL, J.:

Whereas, on May 4, 1994, this Court entered a Final Order of Forfeiture, forfeiting to the United States of America all of the defendant's interests in proceeds of the racketeering conspiracy, in violation of Title 18, United States Code, Section 1962(d), charged in Count One of the Indictment, and of the money laundering, in violation of Title 18, United States Code, Section 1957, charged in Count Three of the Indictment, deposited at Swiss American Bank, Ltd., and the Swiss American National Bank in St. Johns, Antigua, during the period September 1985 through June 23, 1987, into accounts, including certificates of deposit, held in the names of Rosebud Investments, Ltd., White Rose Investments, Ltd., Handel Investments, Ltd., J & B Investments Corp., and Guardian Bank, Ltd., plus accrued interest;

Whereas, this Court on or about October 1, 1996, issued an International Letter Rogatory to the judicial authorities in Antigua and Barbuda, requesting that Swiss American Bank, Ltd., and Swiss American National Bank be ordered to produce all records of bank accounts held in the name of Rosebud Investments, Ltd., White Rose Investments, Ltd., Handel Investments, Ltd., J &

46

B Investments Corp., and Guardian Bank, Ltd.;

Whereas, the United States has reported that on or about November 13, 1996, the Government of Antigua and Barbuda confirmed that on December 28, 1994, Swiss American Bank had turned over approximately $5,003,685 contained in the Guardian Bank, Ltd., Handel Investments, and J & B Investments accounts to the Antiguan Government, but the United States has also reported that no documents pertaining to those accounts were produced in response to the Letter Rogatory;

Whereas, the United States has further reported that although Swiss American Bank, Ltd., and Swiss American National Bank do not maintain offices in the United States, the United States believes that Swiss American Bank, Ltd., and Swiss American National Bank have, or had, one or more correspondent account(s) at the following financial institutions: Bank of New York; BankAmerica International New York; Bank of Bermuda (N.Y.), Ltd.; and Chase Manhattan Bank, and the United States has reported that all of these institutions are located, and available for discovery, in New York, New York;

Whereas, the United States has applied to the Court for an asset discovery order pursuant to 18 U.S.C. § 1963(k) and 21 U.S.C. § 853(m);

It is hereby ORDERED, ADJUDGED, and DECREED that:

1. Pursuant to 18 U.S.C. § 1963(k) and 21 U.S.C. § 853(m), the United States may depose the financial institutions named below and may demand production from them of all documents and

other related materials which the United States Attorney deems necessary in order to identify, locate, and facilitate the disposition of, the forfeited property or any substitute assets of defendant Fitzgerald.

2. The institutions to be deposed pursuant to this Asset Discovery Order are the following:

(a) Bank of New York;

(b) BankAmerica International New York;

(c) Bank of Bermuda (N.Y.), Ltd.; and

(d) Chase Manhattan Bank.

3. The documents to be produced include, without limitation, the following:

a. Any and all records, documents, instructions, memoranda and papers in the bank's care, custody, possession or control, relating to any activity (including but not limited to deposits, withdrawals, and wire transfers) in any account(s) in the name of Swiss American Bank, Ltd., and/or Swiss American National Bank of Antigua for the period December 24, 1994 through December 31, 1994, inclusive; and

b. Any and all records, documents, instructions, memoranda and papers in the bank's care, custody, possession or control, relating to any transfer of funds from any account in the name of Swiss American Bank, Ltd., and/or Swiss American National Bank of Antigua to any account in the name of the Government of Antigua and Barbuda for the period December 24, 1994 through December 31, 1994, inclusive.

RYA W. ZOBEL
United States District Judge

Date: 2/4/97

Mrs. Eileen Dillon

Mr. John E. Fuller
Long and Market Streets
P.O. Box 1168
St. John's
Antigua, W.I.

14 April 1988

Dear Mrs. Dillon and Mr. Fuller,

Guardian Bank Limited / J & B Investments Corporation / Handel Investments Limited

Following meetings held with you over the last two days concerning the ownership and investment of funds deposited with Swiss American Bank Limited ("SAB") and Swiss American National Bank of Antigua ("SANBANK") to the credit of the three companies referred to above, we now confirm the agreement reached today between us:-

1. You each agreed to swear and furnish us with a statutory declaration in the form of the first schedule to this letter, which shall contain complete and accurate answers to each of the questions set out and shall exhibit copies of the statements, certificates and minutes referred to. The originals of the exhibited documentation shall be produced to us for inspection when the statutory declarations are delivered to us.

2. Following delivery to us of the statutory declarations referred to in 1 above (which is hereinafter referred to as the "effective date") and once we have had an opportunity to satisfy ourselves as to their contents and to obtain a court order pursuant to the proceedings referred to in paragraph 4(c) below, in reliance upon the information contained in the statutory declarations, we will permit representatives of Guardian Bank Limited, J & B Investments Corporation Handel Investments Limited, who are duly authorised in accordance with the information and documentation contained in and exhibited to the statutory declarations (being hereinafter referred to as the "authorised representatives"), to withdraw from deposit or otherwise give instructions as the disposition of the following amounts that are currently

GOVERNMENT EXHIBIT 9

information contained in the second schedule to this letter:-

Guardian Bank Limited : up to US$ 622,096.15.

J & B Investments Corporation and Handel Investments Limited : the total amount currently held on deposit.

3. The balance of the funds presently held on deposit for the account of Guardian Bank Limited shall be maintained on deposit with SAB for the minimum periods stipulated below at a fixed rate of interest equal to the market rate offered by SAB for US dollar deposits prevailing on the effective date:

Amount	Period
US$ 2 million	two years
US$ 2 million	three years
US$ 2,379,332.37	five years.

4. You acknowledge that in permitting the authorised representatives of Guardian Bank Limited, J & B Investments Corporation and Handel Investments Limited to operate the accounts held in those companies' names, SAB and SANBANK rely on the completeness and accuracy of the information contained in the statutory declarations and, accordingly, you agree:-

(a) To indemnify SAB and SANBANK jointly and severally against any liability that they may incur to any third party at any time in the future by reason either of any misstatement contained in the declarations or otherwise resulting from compliance with any instructions from time to time of any authorised representative of Guardian Bank Limited, J & B Investments Corporation and Handel Investments Limited;

(b) To grant to SAB the right to set off at any time without prior notice to you or to any authorised representative of the account holders any such liabilities against all funds held from time to time to the account of Guardian Bank Limited, J & B Investments Corporation and Handel Investments Limited; and

(c) To join with or consent to any proceedings brought by SAB and/or SANBANK before the courts of Antigua and Barbuda for the purpose of confirming their right to dispose of the funds held to the credit of the three companies according to the instructions of an authorised representative of those companies.

If you are in agreement with the terms proposed for future dealings with the funds held to the credit of these accounts, we would ask you to sign and return to us the attached copy of this

letter, following which we will look forward to receiving from you in due course the statutory declarations referred to above.

Yours faithfully,
SWISS AMERICAN BANK LIMITED

Attach./

SCHEDULE 2 TO SWISS AMERICAN BANK'S LETTER TO MRS. EILEEN DIXON AND MR. JOHN FULLER OF 14 APRIL 1988

ACCOUNT NAME	ACCOUNT NO.	TYPE OF ACCOUNT	AMOUNT	DATE OF DEPOSIT	DATE OF MATURIT
Guardian Bank Limited	SANBANK 132731	Fixed Deposit	EC$ 540,000.00	11.6.86	9.6.88
	SANBANK 132732	Fixed Deposit	US$ 3,969,279.58	29.9.86	29.4.88
	SAB 1062139	Fixed Deposit	US$ 2,777,167.98	10.7.86	8.5.88
	SAB 1062102	Current Account	$ 52,008.88	6.6.86	
	SAB 1062101	Current Account	$ 2,972.08	5.11.86	
		TOTAL	EC$ 540,000.00 US$ 6,801,428.52		
J&B Investments Ltd.	SAB 1091531	Fixed Deposit	US$ 272,620.29	22.6.87	22.4.88
Handel Investments Ltd.	SAB 1071231	Fixed Deposit	US$ 105,283.56	10.1.86	12.10.88

1989-12-04 23:29 INTERNATIONAL SERVICES

Schedule 6

GOVERNMENT OF ANTIGUA AND BARBUDA

Ministry of Finance
HIGH STREET
ST. JOHN'S, ANTIGUA, W.I.
Telephone: 462 4860/462 4061
462 3438
Telex No. 2355 FINANCE AK

June 29, 1990

Manager
Swiss American Bank Limited
High Street
St. John's
Antigua

Dear Sir,

I refer to your letter of 15th June, 1990 concerning certain accounts which are held in your bank and which are believed to have been the proceeds of drug trafficking and sale of firearms for terrorist purposes.

The contents of your letter and supporting documents have been discussed by the Cabinet of Antigua and Barbuda. Having investigated this matter the Government considers that it would be in the public interest and a matter of security of state that you immediately freeze the accounts in question.

You will remember that the accounts in question are as follows:-

1.	Handel Investments	US$ 92,000.00
2.	Chelsea	US$ 20,000.00
3.	J & B	US$ 228,000.00
4.	Guardian Bank	EC$ 500,000.00
5.	Guardian Bank	US$5,581,430.00

I therefore authorize and direct you to put a hold on these funds until further notice.

Yours truly,

.....
Hon. John E. St. Luce
Minister of Finance

JESt.L/wl

CORDELL B. SHEPPARD
BARRISTER-AT-LAW & SOLICITOR
P.O. BOX 291
MARKET & LONG STREETS
ST. JOHNS ANTIGUA

CABLE ADDRESS
BUREAU ANTIGUA

TEL (809) 462-1880
TELEFAX (809) 462-1335

PRIVILEGED & CONFIDENTIAL

June 18th 1990

TO: Board of Directors
SWISS AMERICAN NATIONAL BANK OF ANTIGUA

FROM: Cordell B. Sheppard

SUBJECT: GUARDIAN BANK LTD. - FREEZING OF FUNDS

I have been requested by the Board of Directors of Swiss American National Bank of Antigua to give an opinion as to whether or not the funds held by SANB & SAB can be frozen by the Minister of Finance if it can be determined that the said funds are linked to arms smuggling and terrorism.

I understand that the Minister has been supplied with investigative reports from Bermuda which establish such a link, and I base this opinion on the premise that the reports exist and that their contents are true.

Guardian Bank Limited is a company incorporated in June 1986 under the laws of Anguilla, to carry on the business of Banking. It is accepted, for the purposes of this opinion only, that the shareholders of Guardian Bank Ltd. are Sarcens, Hoylake and Harlequins, companies incorporated under the International Business Corporation Act 1982.

Section 230 [1] of the Act states, inter alia, that the licence of any off shore Company must be issued on application, if the appropriate official has no reason to believe that it would be contrary to the public interest to do so.

I am informed that the information now in the hands of the Minister of Finance, who is responsible for administering and policing the Act, suggests that the whole object for setting up the three off shore companies was to hold the shares in Guardian Bank Ltd. and thereby control the funds deposited in the Swiss American Banks in the name of Guardian Bank Ltd.

All the threads of this illegal conspiracy were drawn together by Peter Herrington in Antigua, and Antigua became the financial pivot for the proposed arms smuggling activities of the persons investigated.

.../2

/2

If the "appropriate official" mentioned in section 230 [1] above had been aware of these circumstances he would indubitably have refused to licence the companies concerned under Section 230 [1].

The aforesaid Section 230 [1] speaks of the interest of the public as a pre-licensing requirement. It is this writer's view that the public interest would not cease to predominate on the issue of the licence, but must continue to subsist as an operative and positive requirement during the life of the company, the licence of which may be terminated in the interest of the public good.

The duty placed upon the licensing authority to ensure that the public interest is protected, does not dissipate or disappear or lose its virility when the licence is granted. The appropriate official has a continuing duty to ensure that a company operating under the International Business Corporation Act does so in the public interest in accordance with what the Minister perceives this to be.

The reports which have been submitted to the Minister must lead him to the conclusion that the continued existence of Sarcens, Haylake and Harlequins are not in the public interest, since their very existence is based upon a criminal purpose. The Minister can therefore revoke the companies' charter under Section 236 [1] [b] of the IBC Act, on the ground that those companies are in breach of an implied condition not to act in a manner inimical to the best interests of the State and Citizens of Antigua & Barbuda.

If the Minister uses his powers under this Section, then Guardian Bank Ltd. would be without shareholders, and incapable of corporate existence; it is no longer a bank by virtue of the revocation of its banking licence by the Anguillan authorities, and, the funds held in its accounts by SANB & SAB may properly be declared frozen by Ministerial order, pending proper representation of the true beneficial owners. In the absence of evidence of such beneficial ownership, the funds would escheat to the Crown after a suitable period.

Cordell B. Sheppard

SWISS AMERICAN BANK LTD.

28th March, 1994

The Clerk
United States District Court
7th Floor
J.W. McCormack Post Office and Courthouse
Boston, Massachusetts 02109
U.S.A.

Dear Sir:

Re: United States of America vs. John Fitzgerald
CR. No. 93-10149-Z

Your advertisement in the Official Gazette dated 17th February and 3rd March, respectively, on the above-captioned have come to hand on 24th March, 1994, with respect to your present action for forfeiture of the funds in question. I respectfully state the following for your information which I am sure you will relay to the Court.

a. By action commenced in the High Court of Antigua, a Court of competent jurisdiction, it was adjudged that Mr. Fitzgerald was not the beneficial owner of sums of money held in the Swiss American Bank Ltd. and Swiss American National Bank of Antigua.

b. That Mr. John Fuller, a local attorney who was the plaintiff in the action, had no standing and therefore could not operate those accounts on behalf of the beneficiaries and that if he did possess the bearer share certificates of any of the companies mentioned in your notice then he had no right to hold them as there was no proper delivery to him by Mr. Herrington, the banks' outgoing General Manager, who was dismissed for cause against whom the banks have instituted civil proceedings in the High Court.

c. Further, and in the event of your action for forfeiture being successful, the banks have been instructed by the Government of Antigua and Barbuda to freeze all of the assets of Guardian Bank Limited, the same funds in issue in your Petition, until the ultimate beneficial owners have been ascertained to the Government's satisfaction.

S.A.B.

28th March. 1974

The Clerk
United States District Court

This is a directive that the banks have to honour on pain of having their licences revoked and is a problem that you may well have to address on the successful conclusion of your litigation.

The banks assure you of their co-operation at all times providing they can, without prejudice and/or penalty, assist you in the enforcement of any order you may obtain in the U.S.A.

I sincerely regret the lateness of this communication which is due to circumstances beyond my control, and I reiterate my intention to assist you in any way possible.

Yours sincerely.

John Greaves
General Manager

JG/phc

cc: The United States Attorney's Office

JG4954

SWISS AMERICAN NATIONAL BANK OF ANTIGUA
HIGH STREET P.O. BOX 1302 - ST. JOHN'S, ANTIGUA, W.I.
TEL: (809) 462-4460/1/2/3 TELEX: 2128 AIT SAB FAX: (809) 462-0274

RECEIVED
APR 20 1994
UNIT
STP

The United States Attorney's Office
Room 606
J.W. McCormack Post Office and Courthouse
Boston, Massachusetts 02109
U.S.A.

3856

Ministry of Legal Affairs
Office of the
Attorney General

GOVERNMENT OF ANTIGUA AND BARBUDA

ST. JOHN'S, ANTIGUA, W.I.

Telephone: 809-462-2807

November 13, 1996

Ref: AG 22/37

Mr Gerald E. McDowell
Chief Asset Forfeiture and
Money Laundering Section
US Department of Justice
Criminal Division
Washington D.C.
20530
U.S.A.

Re: United States v. John E. Fitzgerald, CR. No. 93-10149-Z (D. Mass.)

Dear Mr. Gerald E. McDowell,

I am sorry I have not been able until now to reply to your letter of July 12, 1996 on the above matter. I learnt the Swiss American Bank had difficulty in tracing records of the accounts named in your letter.

I was informed that the Banks records of most of its non performing accounts which were closed were kept at its Friars Hill Branch and were either lost or destroyed when Hurricane Luis struck the island of Antigua and Barbuda in September, 1995 and destroyed the Friars Hill Branch of the Bank premises. After extensive and long search the Bank reported that it was unable to provide the statement of accounts which were closed prior to September, 1995. The Bank further advised that no accounts were conducted in the corporate names of Rosebud Investment, Ltd; White Rose Investment, Ltd; or in the personal names of John Fitzgerald; Joseph Murray and Michael Murray.

With respect to your request for all records reflecting the turnover of funds by the Swiss American Bank to the Government of Antigua, the Bank revealed that on December 28,1994 it turned over to the Government a total sum of US$5,003,685.00. This sum consisted of certain

amounts deposited in various accounts frozen by the order of the Government. These accounts were frozen after investigation authorised by the Government showed that the various sums credited to those accounts were proceeds of drug trafficking and sale of firearms for terrorist purposes. The accounts are as follows -

1.	Guardian Bank Limited	US$4,669,670.00
2.	Guardian Bank Limited EC$15,432.89 (in Swiss American National Bank of Antigua)	US$ 5,715.00
3.	Handel Investments	US$ 92,000.00
4.	J&B Investment Corporation	US$ 236,300.00
	Total	US$5,003,685.00

Again, I very much regret the delay in responding to your letter. I hope however, that this information will be useful and go a long way in satisfying your Court.

Yours sincerely,

Lebrecht Hesse
Solicitor General

C. LLOYD LUCKHOO, Q.C.
Attorney at Law
Senior Counsel
of
Luckhoo and Luckhoo
(Legal Practitioners)

P.O. Box 1101
St. John's
Antigua,
West Indies
Tel: (809) 462-1313

October 6, 1997

Gerald E. McDowell
Chief Asset Forfeiture & Money Laundering Section
U.S. Department of Justice
1003, J.W. McCormack Post Office and Court House,
Boston,
Massachusetts
02109

Dear Sir,

I have been appointed Counsel to Swiss American Bank and in that capacity, I acknowledge receipt of your letter of September 15th 1997 addressed to Swiss American Bank.

The Funds to which you refer were deposited as stated by you into the accounts during the period September 1985 through June 23rd, 1987.

However, The Proceeds of Crime Act No.13 of 1993 was enacted on the 10th of June 1993 and came into effect on the 25th of June 1993, almost 6 years later than the above events.

There was introduced into the said Act offences for Money Laundering under Section 61(2) and (3). Sections 67(1) and (2) included provision for an external forfeiture order for "a designated country". However, the USA has never been named as "a designated country".

Section 67(3) of the above Act provided " subject to subsection (4) the Court may on application by or on behalf of the Government of a designated country, register an external forfeiture order.

The Government of the United States did not, nor can it register the Order of April 5th 1994 which was made in the United States District Court, District of Massachusetts, inasmuch as the deposits referred to as proceeds of crime, were made during the period September 1985 through June 23rd 1987, and were not then in violation of any criminal laws in Antigua and Barbuda and/or not liable to forfeiture in Antigua and Barbuda.

With reference to your statement that the Government of Antigua has represented to the United States of America that on December 28th 1994, Swiss American Bank, unilaterally turned over the amount of US$5,003,685 to the Government of Antigua, your allegation of unilateral action on the part of the bank is categorically denied.

In fact, on 15th June 1990, my client notified the Minister of Finance that certain accounts, which were held at the bank, were believed to be the proceeds of drug trafficking and the sale of firearms for terrorist purposes. My bank enclosed supporting documents and acted in the utmost good faith.

The Minister of Finance responded on 29 June 1990, "The contents of your letter and supporting documents have been discussed by the Cabinet of Antigua and Barbuda. Having investigated this matter the Government considers that it would be in the public interest and a matter of security of the state that you immediately freeze the accounts in question, I therefore authorize and direct you to put a hold on these funds until further notice."

October 6, 1997

The directions of the Minister of Finance were complied with until there were discussions between Swiss American Bank Ltd. and the Government as to the final disposition of the funds held in these various accounts. The bank could not and did not act unilaterally. With the express approval and directions of the Government, the bank disbursed the entire amounts lying at credit to the relevant accounts on January 23rd 1995, in a manner wholly acceptable and approved by the Government of Antigua and Barbuda and for the sole benefit of the Government as set out in a letter to the Prime Minister which was delivered on January 20th, 1995.

From the above background it is our contention that "the funds claimed to be forfeited" do not properly belong to the United States and have been paid in good faith to the Government of Antigua and Barbuda. The bank will be compelled to resist any legal action, which might be brought against it in this respect.

Yours truly,

C. Lloyd Luckhoo Q.C.

GOVERNMENT OF ANTIGUA AND BARBUDA

Prime Minister's Office
ST. JOHN'S ANTIGUA, W.I.
Telephone (268) 462-4956
(268) 462-0773
Fax (268) 462-3225

29 January 1998

Mr Gerald C McDowell
Chief Asset Forfeiture and Money Laundering Section
Criminal Division
U S Department of Justice
1400 New York Avenue
NW RM 10100
Bond Building
Washington, DC 20005
U S A

Reference: 26019SGMcD

Dear Mr McDowell

The Government of Antigua and Barbuda has received a copy of the recent filing in the State of Massachusetts of a civil complaint (United States v. Swiss American Bank Ltd et al, 97 Civ. 12811RWZ (the "Complaint") brought jointly by the U S Attorney's Office in that jurisdiction and the Department of Justice Criminal Division against, inter alia, Swiss American Bank Ltd and Swiss American National Bank of Antigua Ltd (the "Banks") both reputable Antiguan corporations in good standing.

This Complaint attacks the validity and legitimacy of a payment by the Banks to the Government of Antigua and Barbuda of approximately $5 million in January, 1995. The $5 million was the balance remaining in accounts at the Banks as a result of a freeze imposed in 1990 by the Government of Antigua and Barbuda because of evidence that the monies were the proceeds of illegal conduct. The Complaint claims that the $5 million should not have been paid in 1995 to the Government of Antigua and Barbuda but, instead was required to be paid to the Government of the United States pursuant to an Order of Forfeiture issued on May 4, 1994, in the District of Massachusetts in connection with the conviction of one John F Fitzgerald in that Jurisdiction.

/We . . .

We believe that it is critical that you act as soon as possible in order to clear the name of the Banks, the reputations of which have been injured unjustly by the filing of the Complaint and the media reports subsequently arising therefrom.

It was the Banks, on their own initiative, who acted in the late 1980's to alert your law enforcement agencies to prevent the use of these accounts by criminals, and then alerted the Antiguan and Barbudan Government to the situation so that the funds were frozen in 1990 by Government order. In a judgement handed down from our High Court dated December 20, 1990, it was found that Fitzgerald was not the owner of these funds.

In 1994, prior to the payment but after the U S Court Order, the Banks and the Government discussed the appropriate disposition of these funds. While the Banks initiated these discussions the Government understood all of the facts and circumstances regarding this account and acting in the public interest of Antigua and Barbuda released the freeze order on the funds and approved the disposition of the funds in a manner agreed by the Banks and approved by the Government.

We urge that the interests and actions of the Government of Antigua and Barbuda be recognised by the United States with the withdrawal of this litigation.

Yours sincerely

Lourel Stevens
Cabinet Secretary

cc The Manager - Swiss American Bank Ltd.
The Hon Attorney General - Ministry of Legal Affairs & Justice

U.S. Department of Justice

Criminal Division

Washington, D.C. 20530

APR 14 1998

The Honorable Lounel Stevens
Cabinet Secretary
Government of Antigua and Barbuda
Saint John's
Antigua, West Indies

Re: United States v. Swiss American Bank, Ltd., et al.
United States District Court, District of
Massachusetts, Civil Action No. 97-CV12811 RWZ

Dear Mr. Stevens:

I am in receipt of your January 28, 1998 letter requesting that the United States Department of Justice withdraw its December 23, 1997 lawsuit against Swiss American Bank ("SAB") and related entities. Frankly, I am puzzled by the request. The Government's lawsuit seeks to recover monies deposited with the defendant banks by John E. Fitzgerald. These funds were criminal proceeds derived in violation of United States law that were lawfully forfeited to the United States, on or about May 4, 1994, during the successful criminal prosecution of Fitzgerald in the United States. Further, I am surprised by the allegation that SAB acted with the approval of the Antiguan Government, a representation that runs counter to prior representations made by your government. Since January 1994, the Department of Justice made numerous unsuccessful diplomatic and legal efforts to gain information about the funds forfeited in the Fitzgerald criminal matter. The following history of the Department of Justice's pursuit of this matter will underscore the magnitude of these efforts.

The Department of Justice first requested the Antiguan Government's assistance in the Fitzgerald matter on January 7, 1994, in a letter from the Department of Justice's Office of International Affairs (OIA) to Attorney General Keith Ford. OIA requested the Antiguan Government's assistance in providing notice of the then-pending, but not yet completed, Fitzgerald criminal forfeiture action, restraining the relevant bank accounts, and obtaining account information from the banks. OIA

proposed a meeting to discuss the execution of a forfeiture judgment under Antiguan law and the sharing of proceeds with the Antiguan Government. On February 10, 1994, OIA followed-up the initial inquiry with a communication to Solicitor General Ken Ballantyne reiterating the prior requests and providing a copy of the notice of forfeiture for service on SAB.

On April 21, 1994, members of the Department of Justice's Asset Forfeiture Office and OIA met with Attorney General Clare Roberts. During this meeting, the Antiguan Government asked the Department of Justice to prepare a formal affidavit which, the Department of Justice was told, would be required to obtain a restraining order against the Fitzgerald funds. The Antiguan Government also assured the Department of Justice that a restraining order would provide the basis for the production of bank documents. Finally, the Antiguan Government promised to take steps to designate the United States under the Proceeds of Crime Act, 1993, so that the forfeiture order could be registered and enforced in Antigua. The day after this meeting, the Department of Justice learned that approximately five million dollars of the Fitzgerald funds remained on deposit with SAB, a sum significantly smaller than the amounts deposited by Fitzgerald. The Department of Justice further discovered that the funds were no longer being held in interest bearing accounts. In an April 28, 1994 letter to Attorney General Roberts, OIA confirmed the Antiguan Government's request for an affidavit, informed the Antiguan Government of our intent to forward the final order of forfeiture by diplomatic note, accompanied by a proposal for an equal sharing of the proceeds, and informed the Antiguan Government of the Department of Justice's preference to have the remaining funds placed into interest bearing accounts.

On May 17, 1994, OIA sent the requested affidavit to Attorney General Roberts, reiterated the United States' desire to have the funds transferred to interest bearing accounts, and again requested the Antiguan Government's assistance in obtaining copies of the underlying bank records. On June 2, 1994, the United States sent a diplomatic note outlining the agreement to share in the proceeds of the forfeiture of the Fitzgerald funds. On June 27, 1994, OIA requested a status report from the Antiguan Government's Office of the Attorney General as to the restraining order and its request for bank documents. There was no response. On July 8, 1994 and August 3, 1994, OIA again requested the status of the two requests. Meanwhile, the United States continued to await word from the Antigua and Barbuda Ministry of Foreign Affairs regarding the proposal to share the funds.

Finally, on August 8, 1994, the Antiguan Government's Office of the Attorney General advised the Department of Justice, for the first time, that an order of restraint could be issued only after the final order of criminal forfeiture from the Fitzgerald matter is filed with a court in Antigua. The Antiguan Government's Office of the Attorney General also stated, for the first time, that the final order would need to be filed with an Antiguan court in order to gain access to the banks' records. The Antiguan Government's Office of the Attorney General further stressed that the final order of forfeiture should be filed with the Antiguan court even in the absence of an agreement regarding sharing of proceeds between the two governments.

On December 2, 1994, OIA sent a letter to the Antiguan Government's Attorney General seeking a commitment on the equitable distribution of the Fitzgerald funds under Article 5 of the Vienna Convention. OIA stressed that an agreement on this point was a condition precedent to the forwarding of the final order of forfeiture to an Antiguan court. The OIA letter set forth a legal analysis for the transfer of the Fitzgerald funds to the United States by an Antiguan court pursuant to the Antiguan Proceeds of the Crime Act, 1993. Further, OIA illustrated this analysis with a case in which the High Court of England repatriated monies ordered forfeited in the United States, in the absence of statutory authority, based solely upon equitable principles. Finally, OIA gave three examples of equitable sharing of forfeited funds, based upon U.S. domestic law, between the United States and common law jurisdictions. The Antiguan Government was invited to comment on the legal analysis.

Meanwhile, between December 1994 and January 1995,[1] the Fitzgerald funds were mysteriously transferred to the Antiguan Government. However, the Antiguan Government did not inform the United States of this development until almost a year later. On February 17, 1995, OIA requested a response to its December 2, 1994 letter. No response was received. On March 22, 1995, OIA sent a letter to the Antiguan Attorney General, attaching a copy of the final order of forfeiture, and reiterating its December 1994 request for repatriation of the Fitzgerald funds pursuant to Article 5 of the Vienna Convention, the proposal for equitable sharing of the funds under U.S. domestic law, the desire to have the funds placed in an interest

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[1] The Antiguan Government asserts the transfer occurred on December 28, 1994. SAB claims the transfer occurred on January 23, 1995.

bearing account, and the desire to obtain the records from the bank. Again, no response was received.

In late October 1995, OIA asked the Legal Attache at the U.S. Embassy in Bridgetown, Barbados to follow-up on the Fitzgerald matter. On November 20, 1995, a representative from the Legal Attache's office met with two attorneys from the Washington D.C. law firm of Washington and Christian, counsel to the Antiguan Government. Counsel informed the Legal Attache's office that the five million dollars in the Fitzgerald accounts was "no longer available." The attorneys advised that the funds had been transferred to the Antiguan Government, who had already spent the funds to pay pending debts, and, therefore, the Antiguan Government would not conduct further negotiations regarding the funds.

On January 22, 1996, attorneys from OIA and this Section, met with Attorney General Roberts to discuss the alarming revelation that the Fitzgerald funds were "no longer available." Attorney General Roberts informed the Department of Justice that SAB had unilaterally approached the Finance Ministry, explaining that the bank no longer felt "comfortable" holding the Fitzgerald funds, and deposited the funds in an Antiguan Government account. Attorney General Roberts claimed that the Finance Ministry accepted the funds without informing his office and that all the funds had been appropriated for internal improvements and social services. I voiced my dissatisfaction with the disposition of the funds and, again, requested the Antiguan Government's assistance in obtaining copies of the bank's records so the Department of Justice could do an accounting of the Fitzgerald funds. Subsequently, on February 28, 1996, OIA sent a letter to the Antiguan Government's Attorney General requesting a detailed written explanation of the arrangement between SAB and the Antiguan Government regarding the Fitzgerald funds and what steps were taken to dispose of the proceeds. Additionally, OIA identified the specific bank accounts and relevant time periods to which the document request applied. Again, no response was received.

In June 1996, I was introduced to Solicitor General Lebrecht Hesse at a conference in Port of Spain, Trinidad, promoting international cooperation in forfeiture and money laundering matters. I expressed to him that the Department of Justice continued to be dissatisfied with the resolution of the Fitzgerald matter. On July 12, 1996, I followed-up this chance meeting with a letter to Mr. Hesse, and, referring to OIA's February 28 request, I explained the need for copies of the bank account records and documents surrounding the transfer of the

funds to the Government of Antigua. On July 29, 1996, I, along with other Asset Forfeiture and Money Laundering Section attorneys, again met with Attorney General Roberts and other representatives of the Antiguan Government. I was informed that the request for documents had been forwarded to the Finance Ministry, and then to SAB directly, who agreed to provide the information requested. The Department of Justice was assured that the information would be provided shortly. Again, Attorney General Roberts stressed that the transfer of the funds to the Antiguan Government was "unilateral" and that the bank transferred the funds first and then sent the Antiguan Government a letter informing the Antiguan Government of the transfer. Attorney General Roberts stated that the transfer was initially done without the knowledge of the Ministry of Justice or the Antiguan Government.

Finally, on November 13, 1996, Solicitor General Lebrecht Hesse informed the Department of Justice that the bank records requested were not available because Hurricane Luis apparently destroyed the Friars Hill branch of SAB. Nonetheless, the Solicitor General identified and broke down the source accounts for the funds allegedly transferred to the Antiguan Government on December 28, 1994. For the first time, and almost three years after the Department of Justice first sought assistance from the Antiguan Government, the Antiguan Government informed the Department of Justice that the funds in the bank accounts in question had been "frozen" by the Government, something that had been specifically denied in prior communications. Nonetheless, the Antiguan Government did not provide any documentation evidencing any of these circumstances.

At a November 21, 1996 meeting between Department of Justice Deputy Assistant Attorney General Mark Richard, Antiguan Attorney General Roberts and Prime Minister Bird, the Antiguan Government was again confronted with the United States' continued dissatisfaction about the resolution of the Fitzgerald matter. The Prime Minister indicated that the Antiguan Government would review the situation and consider returning the funds to the United States. On April 3, 1997, Deputy Assistant Attorney General Mark Richard spoke to the newly-installed Attorney General, Radford Hill. Deputy Assistant Attorney General Richard reiterated the points he made to and the promises made by the Prime Minister at the November 21, 1996 meeting. In addition, Mr. Richard informed Attorney General Hill that, should the Antiguan Government decide not to repatriate the funds to the United States, the United States would be forced to consider legal action against SAB. This Department of Justice position

was memorialized in a letter to Attorney General Hill on April 10, 1997.

On or about April 16, 1997, the Department of Justice was contacted by Robert Washington of Washington & Christian. Mr. Washington stated that he thought the Fitzgerald matter had been resolved until Prime Minister Bird heard during a conference in Tobago the previous week that the United States was unhappy with the status of the matter. During the course of the phone call, Mr. Washington stated that the approximately $2 million that SAB retained was a set-off against outstanding Antiguan loans. He did not explain why the Antiguan Government accepted the approximately $5 million from SAB. Mr. Washington requested, in writing, the basis of the United States' dissatisfaction as to the non-repatriation of the Fitzgerald funds. This Section sent him both the April 10, 1997 letter to Attorney General Hill and the November 13, 1996 letter from Solicitor General Hesse.

On September 15, 1997, the United States Attorney's Office, District of Massachusetts and the Department of Justice, sent a demand letter to SAB for the monies deposited by Fitzgerald. A copy of this letter was sent to Attorney General Hill. On October 29, 1997, OIA received a response to the demand letter. The response denied that SAB acted unilaterally in transferring the funds to the Antiguan Government and justified the transfer of the Fitzgerald funds based upon "approval" received from the Antiguan Government. On December 12, 1997, this Section again asked counsel for SAB to provide documentation supporting the claim that the Antiguan Government was involved in the decision to transfer the funds. However, no response was received and the United States was forced to file its suit in order to preserve its legal rights.

Although given ample opportunities over the past four years, the Antiguan Government failed to admit, and at times outright denied, that the transfer of the Fitzgerald funds from SAB to the Antiguan Government was "approved" by Antiguan Government. Rather, until now, representatives from the Antiguan Government emphasized that SAB acted unilaterally and that the Antiguan Government neither requested nor encouraged the transfer of the Fitzgerald funds. This is not the only inconsistency in representations made by the Antiguan Government. On the advice of the Antiguan Government, from January 1994 through November of 1995, the United States made numerous requests for, and provided many documents in support of, an order to restrain the Fitzgerald funds. Yet, in November of 1996, the Antiguan Government, when pressed to provide a full accounting of the funds, divulged that the Fitzgerald funds were already "frozen" by the Antiguan

Government. Also the United States consistently requested access to documents that would allow for an independent review of the facts, only to be stalled and told of new requirements for obtaining those documents and, eventually, that the documents were no longer available.

The United States is committed to recovering the Fitzgerald funds which were lawfully forfeited to the United States Government. Pursuant to your obligations as a signatory to the Vienna Convention, we ask that you clear up the inconsistencies in our past communications with the Antiguan Government. The Department of Justice continues to be interested in finding out the details of the Fitzgerald funds transfer. Your January 29, 1998 letter implies that the transfer of the Fitzgerald funds by SAB to the Antiguan Government was pursuant to instructions or orders from the Antiguan Government. Since this is directly contrary to prior representations, the Department of Justice would appreciate any information you can provide that would confirm this. For example, the Department of Justice would like to review copies of all correspondence memorializing any part of the transfer of the Fitzgerald funds from SAB to the Antiguan Government. In addition, the Department of Justice requests that all Antiguan Government officials involved in SAB's transfer of the Fitzgerald funds be made available for deposition, or, if they are no longer in the employ of the Antiguan Government, that the Department of Justice be provided with their names and last known addresses and telephone numbers.

Sincerely,

Gerald E. McDowell

Gerald E. McDowell, Chief
Asset Forfeiture and
Money Laundering Section

cc: Jonathan Winer,
Deputy Assistant Secretary of State
James Christian, Esq.
Howard Wilson, Esq.

Subject: Swiss American Bank Ltd. and others – Antigua & Barbuda versus US Justice Department – Boston, Massachusetts.

In the above case relating to laundered funds in excess of US 7 million by Fitzgerald and Guardian Bank.

The Managing Director of Swiss American Bank Ltd. has been consistently feeding wrong information on this matter to the US Legal Authorities. It is reported that an Ambassador of the Antigua Government who was also the Chairman of the then Board of Directors of the Bank appointed Brian StuartYoung as Managing Director of Swiss American Bank Ltd. to protect certain illegal transactions made by the Bank by the then Board of Directors of the Bank and the Antigua Government.

From the Fitzgerald moneys, the sum of US 830,000 was transferred between January 22-25, 1995 to InterContinental Bulk Traders S.A. account # 4763751 at Bank of Bermuda, Hamilton. If you trace the beneficial owners of InterContinental Bulk Traders, S.A. you will find not only the Directors of the then Swiss American Bank which included a well known US Legal Luminary from Chicago, but also perhaps direct Antigua Government personnel. This money was from the Fitzgerald moneys and was supposed to be the fee for the Directors and the Government personnel to settle the Guardian Bank Deposits without returning any money to the US Government.

It is clear that a complete listing of the disposition of the Fitzgerald moneys has not been provided by the Swiss American Bank.

Hope the information is helpful in obtaining a positive judgement in favor of the US Government. Direct identification is impossible because reprisals including death is very likely since these people are crooks of the highest order.

Sincerely,

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA, Plaintiff,	)	
v.	)	CIVIL NO. 97-CV-12811 WGY
SWISS AMERICAN BANK, LTD., et al. Defendants.	)	

UNITED STATES' OPPOSITION
TO MOTION OF BANK OF NEW YORK-INTER MARITIME BANK, GENEVA
TO DISMISS FOR FAILURE TO ADEQUATELY PLEAD
ALLEGATIONS OF ALTER EGO LIABILITY

The government respectfully submits this Opposition to the Motion of Bank of New York-Inter Maritime Bank, Geneva to Dismiss for Failure to Adequately Plead Allegations of Alter Ego Liability.[1] In its Motion to Dismiss for Failure to Adequately Plead Allegations of Alter Ego Liability, filed pursuant to Federal Rules of Civil Procedure 12(b)(6) and 9(b), Inter-

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[1] Additionally, the government is simultaneously filing, two other oppositions in response to Inter Maritime Bank, Geneva, Swiss American Bank, Ltd. and Swiss American National Bank's (collectively "Defendants") other motions to dismiss - (1) United States' Opposition to Motion of Bank of New York-Inter Maritime Bank, Geneva and Motion of Swiss American Bank, Ltd. and Swiss American National Bank to Dismiss the Complaint for Lack of Personal Jurisdiction and (2) United States' Opposition to Motion of Swiss American Bank, Ltd. and Swiss American National Bank to Dismiss the Complaint for Improper Service, Failure to Join an Indispensable Party and on the Grounds of Forum Non Conveniens. The United States incorporates these other oppositions as if fully restated herein. The government has organized its responses in this manner for the Court's convenience in the event that the Court again chooses to address the issue of personal jurisdiction before any other preliminary issue.

Maritime Bank, Geneva ("Geneva")[2] claims it should be dismissed from this lawsuit for two reasons. First, Geneva asserts that the government's claims against Geneva do not meet the pleading requirements of Fed. R. Civ. P 8(a) or 9(b). Second, Geneva contends that the government has not stated a claim as to Geneva's alter ego basis for liability. Because the government has alleged its claims against Geneva with sufficient particularity to satisfy the requirements of Rules 8(a) and 9(b) and has stated a claim upon which relief can be granted, Geneva's motion should be denied. Moreover, the appropriate remedy for failing to sufficiently plead alter ego liability is not outright dismissal of Geneva. Instead, if the pleadings are deficient, the Court should afford the government an opportunity to amend the Complaint to remedy any alleged deficiency.

Finally, because Geneva's motion seeks to have the Court consider matters outside the pleadings, namely the March 12, 1998 Affidavit of Stephen Beekman, Geneva is actually requesting relief pursuant to Fed. R. Civ. P. 56. Because Geneva is requesting summary judgment, it is appropriate for the Court to exercise its discretion to grant the United States leave to conduct discovery to probe the relationship between and among the

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[2] Geneva has noted in its papers that in 1989, its name changed to Bank of New York-Inter Maritime Bank, Geneva. If Geneva were to provide appropriate documentation evidencing this name change, then the government would move the Court to amend the caption of the case.

Defendants[3] pursuant to Rule 56(f) before ruling on Geneva's motion.

FACTUAL BACKGROUND

From 1985 through 1987, John E. Fitzgerald ("Fitzgerald") arranged for the deposit of over $7 million in illegal drug proceeds into accounts ("forfeited funds") that he opened at Swiss American Bank, Ltd. and Swiss American National Bank ("SAB"). (Complaint at ¶ 13; see September 26, 1991 Sworn Statement of Peter Herrington at p. 33, attached hereto as Exhibit A). During this time, Fitzgerald's contact persons at SAB were its General Manager, Peter Herrington ("Herrington"), and Manager, McAlister Abbott ("Abbott"). (Complaint at ¶¶ 18-20; Exhibit A at pp. 37-39). None of the SAB accounts under Fitzgerald's control were opened in Fitzgerald's name, but, rather, in the name of shell-corporations incorporated by Herrington for Fitzgerald. (Complaint at ¶¶ 18-32; Exhibit A at pp. 5-6 & 10-11). Herrington created the Fitzgerald shell-corporations in his capacity as the General Manager of the Antigua International Trust Limited ("AIT"), a "trust" company

[3] Geneva's contention that the government waived its right to move the Court for discovery because it did not renew its motion for discovery at the January 6, 2000 status conference is without merit. It would have been premature for the government to renew its request for discovery without first knowing the Defendants' bases upon which they would be renewing their motions. Therefore, the government has not waived its rights to discovery.

that incorporated shell-corporations for SAB's customers. (Complaint at ¶¶ 20-32; Exhibit A at pp. 10-11). For all practical purposes, although they performed different functions, AIT and SAB acted as one business entity. AIT and SAB had the same offices, used the same post office box, had common officers and employees, and, most importantly, were owned by, controlled by, and answered to the same principals, namely, Defendants Swiss American Holding Company S.A. of Panama ("SAHC"), Geneva, and their principal shareholder, Swiss-Israeli businessman Bruce Rappaport ("Rappaport"). (Compare Unauthorized Annual Return for Guardian filed by AIT and March 7, 1988 Letter from McAlister Abbott to Bruce Rappaport/IMB, attached hereto as Exhibits B and C, respectively; Exhibit A at pp. 5-7 & 42-43).[4]

By May 1987, most of Fitzgerald's deposits at SAB, which at that time accounted for almost one third of SAB's deposits, were held in the name of a shell-corporation called Guardian Bank Limited ("Guardian"). (October 19, 1989 Investigatory Report of Prospect Special Branch, attached hereto as Exhibit E at pp. 1-2). Guardian was actually owned by three holding companies, wholly controlled and owned by Fitzgerald. (Complaint at ¶ 25;

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[4] In 1987, SAB and AIT were owned and controlled by Defendant Swiss American Holding Company of Panama, S.A., which in turn was owned and controlled by Defendant Geneva, which in turn was owned and controlled by Bruce Rappaport. (See Excerpt of the December 6, 1989 Summary of Testimony by Marc Sturzenegger, attached hereto as Exhibit D at p. 8; Exhibit A at pp. 42-43).

see Exhibit A at pp. 39-40 & 45-46). The corporate documents for Guardian and these holding companies were held in trust by AIT for the benefit of Fitzgerald. (See Exhibit A at p. 46; Exhibit E at p. 8). From June 1986 to June 1987, Herrington was the sole director of Guardian and of the various holding companies that owned Guardian. (See Exhibit A at pp. 39-40, & 45-46).

Although most of the facts are in the control of the Defendants, the United States has learned that by the end of May 1987, Mr. Rappaport became concerned that an unknown depositor controlled one-third of SAB's deposits and ordered Herrington to travel to Geneva's Swiss offices for a face-to-face conference. (Affidavit of A. J. de Kluiver, previously filed on April 15, 1998 ("de Kluiver Aff."), attached hereto, at ¶ 4a). When Herrington arrived in Geneva, Mr. Rappaport asked Herrington to identify the beneficial owners of Guardian, but Herrington refused. (de Kluiver Aff. at ¶¶ 4b & 4c). As a result, Rappaport removed Herrington as the General Manager of AIT and SAB. (de Kluiver Aff. at ¶ 4c). Thus, Rappaport was apparently able to exert enough control over the corporate structure of the Defendants to remove Herrington.

Upon his return to Antigua, Herrington contacted Fitzgerald and informed the latter of Rappaport's inquiries about Guardian. (See Exhibit A at p. 45). Herrington and Abbott resigned as officers of Guardian and its holding companies and Herrington

transferred all corporate documents relating to the ownership of Guardian to Fitzgerald. (Exhibit A at p. 46). Fitzgerald, armed with Guardian's corporate documents, elected a new director for Guardian, who then attempted to withdraw funds from SAB. (Exhibit A at p. 46; Exhibit E at p. 2). SAB refused to honor the request made by Guardian's new director who attempted to negotiate a release of part of Guardian's SAB funds. (See Exhibit E at p. 2). Finally, after attempts at a negotiated settlement failed, Guardian's director filed a lawsuit in Antigua in 1989, asking the court to recognize him as the sole director of Guardian and for authority to withdraw approximately $4.15 million from Guardian's SAB accounts. (See Exhibit E at p. 2). In December 1990, the Antiguan court ruled that Guardian's director did not possess the proper corporate authority to file the lawsuit and dismissed the case for lack of standing.[5]

The United States possesses copies of most of the pleadings and exhibits filed in the aforementioned Antiguan litigation.[6] These documents show that immediately after Herrington's

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[5] As of October 1992, the case was still on appeal. (October 1, 1992 Letter from Marc Sturzenegger, attached hereto as Exhibit F). The United States is presently unaware of the final resolution of this appeal.

[6] The United States received copies of pleadings in the Antiguan lawsuit from Inter Maritime Services Company Limited, a company that provided legal and accounting services to various companies in the "Inter Maritime Group," including, AIT, SAB and Geneva. (See Exhibits D and F).

dismissal in 1987, SAB, through its agent AIT, appears to have engineered a takeover of Guardian.[7] On June 22, 1987, AIT issued proxies to Suzanne Wolf, a resident of Geneva, Switzerland, allegedly giving her the authority to operate the voting shares in Guardian held by the three holding companies owned by Fitzgerald, even though AIT did not hold the bearer shares to the holding companies, was not the named director of the holding companies, and did not have Fitzgerald's permission to operate the holding companies. (de Kluiver Aff. at ¶ 4d; see Documents from Unauthorized Guardian Bank Shareholder Meeting of June 23, 1987, attached hereto as Exhibit G; Exhibit A at pp. 45-46; Exhibit B; Exhibit E at p. 8). Then, on June 23, 1987, using the bogus proxies, Ms. Wolf appointed AIT as director of Guardian and passed a corporate resolution freezing Guardian's accounts at SAB "to protect the interests of the bank and its customers." (Exhibit G; Exhibit A at pp. 45-46). When Guardian was incorporated in June 1986, all 5,000 voting shares were issued to the three holding companies controlled and owned by Fitzgerald. (See Guardian Stock Certificates Issued to Harlequins Limited, Hoylake Limited, and Saracens Limited, attached hereto as Exhibit H; Exhibit A at pp. 10-11, 39-40 & 45-46). After Fitzgerald

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[7] Fitzgerald attempted to withdraw his deposits at SAB at a time when SAB was financially unstable. A cash withdrawal of almost one quarter of SAB's total deposits could have forced SAB into insolvency. (See Exhibit E at pp.1-2).

attempted to withdraw Guardian's funds from SAB in 1987, AIT mysteriously obtained 15,100 voting shares in Guardian, making AIT a 75% majority shareholder in Guardian. (See Exhibit B at p. 1).

ARGUMENT

I. The Government has Pleaded its Claims Sufficiently Under Rules 8(a) and 9(b)

Geneva argues that the Complaint does not meet the minimum pleading requirements of Rule 8(a) or the particularity requirements of Rule 9(b), and as such, the Complaint must be dismissed. The government has fulfilled its pleading obligations; however, if the Court finds that the Complaint is insufficiently pleaded, then the proper remedy for the Court is to allow the government to amend, rather than to dismiss, the Complaint.

Fed. R. Civ. P. 8(a) requires that a pleading set forth a short and plain statement of the claim, showing that the pleader is entitled to relief. The notice pleading standard eliminates the need in pleadings for a detailed statement of the facts upon which the claim is based, leaving development of the facts to the discovery phase of the litigation. J.D. Conley v. Gibson, 355 U.S. 41, 47 (1957). Federal Rule of Civil Procedure 9(b) requires that fraud be pleaded with particularity. In determining whether the requirement to plead fraud with particularity has been satisfied, the First Circuit has

Respectfully submitted,

GERALD E. McDOWELL, Chief
Asset Forfeiture and Money
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Date: February 24, 2000

Douglas
Isle of Man

Registered No.

Sub-No.

SUBJECT

ISLE OF MAN CONSTABULARY

RECORD OF TAPE RECORDED INTERVIEW

Exhibit No: BJS1C

Interview of Peter Frederick HERRINGTON at Police Headquarters, Douglas, Isle of Man on Friday, 26th September, 1991.

NOTE: This exhibit, submitted with the DOJ filing, included only the following excerpts of the Herrington interview.

D OF TAPE RECORDED INTERVIEW

terviewed: Peter Frederick HERRINGTON (PFH) Exhibit No.: BJS1C

nterview: Police Headquarters, Douglas, Isle of Man.

This record consisting of 5 pages, each signed by me is the exhibit referred to in the statement made and signed by me.

DC 163

nterview: Friday, 26th September, 1991.

mmenced: 5.46 p.m. Time concluded: 6.47 p.m.

present:
e Constable Barry John SMITH, Fraud Squad, Isle of Man Constabulary.
nt United States Attorney Michael KENDALL, United States Department of Justice.
Agent Paul J. FOLEY, Federal Bureau of Investigation.
Agent Robert R. TURGISS, Federal Bureau of Investigation.

Person Speaking	Dialogue
BJS	This interview is being tape recorded, I am Detective Constable 163 Barry John Smith of the Isle of Man Constabulary. Other officers present are -
PJF	Special Agent Paul J. Foley of the F.B.I. in Boston, Mass
RT	Special Agent Robert Turgiss with the F.B.I. in Boston
MK	And Michael Kendall, Assistant United States Attorney with the Department of Justice in Boston Massachusetts
BJS	And you are?
PH	I'm Peter Herrington from the Savoy Hotel, The Promenade, Douglas, Isle of Man.

2 Exhibit No.: BJS1C Date: 26th September, 1991.

Name: Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
BJS	OK, we are in an interview room at Police Headquarters, Douglas. The date today is Thursday, 26th September, 1991 and the time by my watch is 5.46pm. Do you agree first of all Mr. Herrington that these two tapes were unsealed in your presence?
PH	I do
BJS	And placed in the machine, thank you. This interview is being conducted in accordance with an order which was issued under Section 24 of The Criminal Justice Act 1991, which is an Act of the Legislature in the Isle of Man. It concerns persons under investigation who are Joseph Paul MURRAY, Suzanne Jane MURRAY, Michael Francis MURRAY, James Joseph MURRAY, John F. FEENEY, John Edward FITZGERALD, Global Holdings Ltd, Irving Trust Company, Harlequins Ltd, Hoylake Ltd, Sarasins Ltd and Antigua International Trust Ltd. This order was duly served on Mr. Peter HERRINGTON who later petitioned the Deemster in the High Court of the Isle of Man as to whether he should answer to it; the Deemster did so order on the 10th day of September, 1991. Would you agree with

3 Exhibit No.: BJS1C Date: 26th September, 1991.

Re: Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	that Mr. HERRINGTON that that is a true summary of the legal proceedings to date?
PH	Yes, I just wish to add that eh, I sought clarification from the Court because I would be in breach of the laws of Antigua by volunteering to give this information without the benefit of an Isle of Man Court Order.
BJS	And are you satisfied now that you are covered by the Isle of Man Order?
PH	I am satisfied that I'm obliged to give the information, although I'm still technically in breach of the law of Antigua.
BJS	OK the interview from now will be conducted by Mr. Michael Kendall
MK	OK, thank you Mr. Herrington. If we could just get a few personal details on the record. Eh, you're a citizen of the United Kingdom, is that correct?
PH	That's correct.
MK	OK, and your date of birth?
PH	130144
MK	OK
PH	Or to put it in American 1-13-44
MK	And you are a member of the Bar in the United

4 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick BERRINGTON..... Signature:

Person Speaking	Dialogue
	Kingdom, is that correct?
PH	No, I'm a Solicitor, and a Member of the Law Society.
MK	OK that means you're..
PH	We don't have a fused profession like you have in the States.
MK	But you're an Attorney, is that correct?
PH	Yes
MK	You've been practising since 1969?
PH	That's correct
MK	Could you just briefly tell us your educational background.
PH	Eh, I'm a product of an English Grammar School and the, I got my legal qualifications at the College of Law in England
MK	Now em, also just to lay out some more formalities you also understand that under Section 24 of The Criminal Justice Act that em, your not em specifically under oath if you do make a false statement if that is considered a criminal offence
PH	I understand, yes.
MK	OK, now is it true at some point that you were an employee of the Bank of Bermuda?
PH	Yes

OF TAPE RECORDED INTERVIEW (CONTINUATION)

5 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
MK	OK ..
PH	1979 to 1984 end of March ?
MK	And what was your last position at the Bank of Bermuda?
PH	I was the Bank's in-house Counsel and also its corporate secretary. #
MK	Yep, and you were located actually on the island of Bermuda at that time?
PH	Yes, indeed
MK	OK, did you leave the Bank of Bermuda for another position?
PH	Yes, I did.
MK	OK, and what was that position?
PH	That was to be General Manager of Antigua International Trust Ltd, Swiss American National Bank of Antigua and Swiss American Bank Ltd in Antigua.
MK	Could you explain what those three Corporations were and how they related to each other?
PH	They are three sister companies and Antigua International Trust Ltd is a trust company and the other two are Banks, Swiss American Bank was an off shore Bank located in Antigua and under

6

Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	National Bank of Antigua was a locally licensed Bank.
MK	OK Could you explain what you mean by an offshore Bank?
PH	The Bank which is licensed to do international business and cannot under its charter deal with citizens or individuals in the island in which it is situated
MK	When you say they were sister companies, what do you mean by that?
PH	I mean that they were all three subsidiaries of a Panamanian Company, which in turn is wholly owned by Inter Maritime Bank Geneva.
MK	Would it be fair to say that you were the top Managerial person on the island of Antigua for each of those three entities?
PH	That's correct
MK	You were the local Boss to put it in sort of colloquial terms
PH	In the vernacular yes,
MK	So you reported to a Board of Directors and they of course
PH	I was also a director of each of those three concerns, and I was the only executive director

7 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
MK	Now, were there any other active off shore Banks in Antigua at the time that you were employed by those three banks?
PH	There were others registered but em, it would be fair to say that none of them were 'active' in the sense of dealing with the public in the manner that Swiss American Bank Ltd did.
MK	OK, now do you know a man by the name of Malcolm ABBOTT?
PH	No, I did know a man by the name of McAllister ABBOT who was the Manager of the three entities I've described
MK	When you were there?
PH	He was there when I got there, he'd been employed em in that position previously under my predecessor and he remained in that position throughout the time I was in Antigua
MK	and Belgrove Gregory was also a bank employee at the time you were there?
PH	Belgrove Gregory was employed by us as the Bank's Accountant and I have no recollection of when he was taken on, but it would be sometime during my term in Antigua, it may have been a year or eighteen months before I left

8 Exhibit No.: BJSIC Date: 26th September, 1994.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
MK	At some point when you were on Antigua did you meet a man by the name of John FITZGERALD?
PH	Yes, I knew him as Jack Fitzgerald
MK	And roughly what time do you believe you first came in contact with Mr. Fitzgerald?
PH	I don't have any personal recollection or records to indicate except that I have seen an affidavit sworn by Mr. Fitzgerald in Antigua proceedings which suggested it was in February, I think 1985, I have no reason to dispute this
MK	OK. Well, putting aside that Affidavit would it be fair to say you probably met him sometime in early 85 would be your own memory of it?
PH	I'm so sorry I really don't have my own memory of when it may have been in 1985, em, but certainly I've no reason to doubt it was early in 1985
MK	If I were to show you this folder that has six pictures numbered 1 through 6, all of white males, Is it fair to say that you identified Mr. Fitzgerald's picture from that photo display?
PH	Yes, Mr. Fitzgerald is number 2 and I have signed and dated the back of the picture number 2 as my authentication of having identified him.
MK	When you were initially shown this photo display

9 Exhibit No.: BJS1C Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	was any reference made as to what person by name who might be on this?
PH	No, I was simply handed the sheet and asked if I recognised any of the people on it
MK	OK Did you receive any hints at all that, as to who would be on this photo display?
PH	None at all
MK	Now, when you met Mr. Fitzgerald, did you meet him in your capacity as a Banker?
PH	Yes, I did
MK	Would it be fair to say that over the beginning of your relationship with him, whether it was a few weeks or a few months, you had a series of discussions with him?
PH	I'm sure that we had a series of discussions over how long a period, or what regularity I couldn't now say
MK	And you had these discussions with him in the context of him becoming a customer of the Bank?
PH	That's correct
MK	Be fair to say that many of the things you said to him are fairly standard of what you would say to all new customers at the Bank, in explaining procedures and the way the Bank operates?

OF TAPE RECORDED INTERVIEW (CONTINUATION)

10 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
PH	Yes, indeed.
MK	Could you tell us sort of the gist of your conversations with him and what he told you about himself and what you told him about the Bank?
PH	As I would say to all of my customers who came in, I would describe the various types of accounts we operated, I would have described how Bank confidentiality operated
MK	Why don't you explain to us what you mean by those things, - the types of accounts and how the Bank's confidentiality operated?
PH	Well, as in any banking operation there are a range of accounts between current accounts and chequing accounts going through to interest bearing deposits for various terms, that would be the normal context obviously there are certain borrowing customers as well, but that wouldn't be relevant in this case.
MK	And what did you explain about confidentiality?
PH	I explained that er, as I again said with all my customers who required confidentiality that they were able to open accounts in the name of Corporations which they would own, but the records of those Corporations would only indicate that

11 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	they had issued bearer shares, that my organisation was established to provide Directors for such Corporations, and therefore in general terms there was er a complete confidence which I could assure and furthermore that this was enshrined under the laws of the, of Antigua and the International Business Corporations Act and any officer of the Bank who breached that confidentiality would be guilty of a criminal offence.
MK	What is a bearer share?
PH	A bearer share is literally a certificate which says that the owner of the number of shares in the Corporation is 'bearer' which means in effect that anybody who holds that certificate for the time being is the owner of those shares - much as a bearer bond that you're used to in the States
MK	Now, did Mr. Fitzgerald tell you where he came from?
PH	I can't remember at what point, but eh, Mr. Fitzgerald did tell me that he came from Boston
MK	And what did he say was his career or profession?
PH	He had indicated to me that he was involved in the management of Casinos

33 Exhibit No.: BJS1C Date: 26th September, 1991

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	the three banks?
PH	I'm sorry, could you..
MK	He set up accounts in one of the three banks that you were supervising...
PH	No, only one bank..
MK	Yeah, and what was that bank?
PH	That was Swiss American Bank, the offshore bank
MK	OK
PH	He would not be entitled to have a US Dollar account in the local bank without consent from the monetary authority and Antigua International Trust Ltd was a trust company, not a bank
MK	OK. Now, at some point did he em, strike that. What was the total amount of money that he deposited into the banks when you were there?
PH	Something between seven and seven and a half million dollars
MK	And did the bulk of that come in from one particular transfer?
PH	To the best of my recollection, some five million dollars came in on a wire transfer from the bank in the Cayman Islands
MK	Do you recall which bank in the Caymans?
PH	I don't recall from my knowledge, but I have seen

36 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	relation to all his deposits always said that they were eventually going to be used for some development project, or purchase, em, investment purchase, but that there was not going to be any hurry and that the funds would be with us for some time.
MK	Now, was he looking at investment projects or did he say he was considering investment projects off of Antigua or only on Antigua?
PH	No, I think we always understood that Mr. Fitzgerald was open to making investment in the Caribbean area, not only in Antigua but I think my Manager and I em presented proposals to him over the period of time and I think Mr. Fitzgerald probably also discussed proposals which he had found himself over a certain period of time.
MK	They were off island?
PH	No, not all of them...
MK	Some aren't some are..
PH	Some are and some aren't
MK	Now after there was a total of seven or more million dollars deposited into accounts that he was controlling. Did you have a conversation with him on how those accounts should be handled or

37 Exhibit No.: BJSIC Date : 26th September, 1991

Peter Frederick HERRINGTON ..... Signature:

Person Speaking	Dialogue
	changed?
PH	Yes, certainly, when I knew that we were going to receive this amount of five million dollars, I'm assuming it would have been sometime probably em, before its actual receipt, I would have discussed with Mr. Fitzgerald how those deposits should be dealt with in our bank and how in fact, what type of accounts they should be held in.
MK	Did this conversation take place at the bank - or was it a series of conversations?
PH	I can't promise you that every one took place in the bank, some may have taken place wherever he was staying, and some may even have taken place at my home, but eh...
MK	Did they all take place in Antigua?
PH	Oh, Yes.
MK	And they all were face to face?
PH	I, to the best of my knowledge, er, I never met Mr. Fitzgerald anywhere else but Antigua.
MK	Good, and would anybody else have been present in your conversations other than you and Mr. Fitzgerald?
PH	Oh yes, Mr. Abbot would be privy to all our

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Peter Frederick HERRINGTON Signature:

Person speaking	Dialogue
	customer and not my own customer in that sense.
MK	When you say...
PH	I wouldn't of thought that anybody else would be present, not to my recollection
MK	Yeah, well, be fair to say that Mr. Abbot would have been present at some of your conversations with Fitzgerald but not all of them?
PH	If, If we were going to discuss the conduct of his account in any material form, then if both Abbot and I were on the island and in the bank we would have met with him almost certainly together. There will have been a number of occasions however when either Mac or myself would have discussed things with him separately.
MK	OK, would that also be true of your initial conversations when you first set up the White Rose and Rose Bud accounts?
PH	Oh I can't recollect whether, when he first came in, he saw just me or both of us, or even whether his initial contact may have been with Mac and me later.
MK	But as things developed over the initial period of time when you were having conversations with him, would it be accurate to say sometimes you might

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Peter Frederick HERRINGTON Signature:

Person speaking	Dialogue
	have spoken with him alone and sometimes Mr. Abbot may have been present?
PH	Yes, or sometimes he may have spoken with Mr. Abbot alone.
MK	Abbot alone, OK...
PH	Oh yes.
MK	After you had this discussion with him about how to change the structuring or depositing of the seven million, did you in fact take certain steps with his approval?
PH	Yes I did. I recommended that in view of the size of the deposit as against the funds that were lodged in the bank, as its capital, by its owner that I didn't think it appropriate that he were just a deposit customer of the bank, I suggested that in view of the size of the funds and in view of the fact that they were going to be on-used at some point for development, that they should be used to form a bank, so that he would in fact be the owner of a bank in which all of these funds would be deposited, and then that bank would on-lend its funds to Swiss American Bank.
MK	OK, and did you in fact set up such a corporate structure?

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Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
PH	Yes, I did, it was called Guardian Bank Ltd, and and it set up in Anguilla
MK	And what was the reason for setting it up in Anguilla?
PH	Because that was the most flexible jurisdiction in order to set up a bank at that time.
MK	And what was flexible about it?
PH	In terms of its capital requirements, in terms of its management, in terms of its share holding, it represented the simplest and easiest jurisdiction in which to form a bank, which wasn't going to operate or be licensed to deal with the public.
MK	And what were the Corporations that owned the shares in Guardian Bank?
PH	Hoylake Ltd, Sarasins Ltd and Harlequins Ltd.
MK	And who picked the names for the three corporations in the Bank?
PH	I did.
MK	And what was the significance in the three names for the three corporations?
PH	They were all rugby clubs from the UK
MK	And you are a rugby fan?
PH	Yes
MK	OK. And Guardian Bank?

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Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	good?
PH	Guardian Bank again was my name, and yes, because it had an appropriate ring to it.
MK	Now, were there ever accounts set up in the name of JONES or HANDEL, H-A-N-D-E-L, for Mr. Fitzgerald's benefit?
PH	Yes, em, my recollections, both were set up for his benefit
MK	OK, at this time, without having the benefit of bank records which I know might be helpful, do you recall any other accounts that were set up for the benefit of Mr. Fitzgerald?
PH	Well, apart from Guardian, there was White Rose, Rose Bud, J&B, Handel, Jones Enterprises, I think thats it.
MK	Did Handel and Jones play any particular role, that they were set up for? or were they just holding accounts...
PH	I wasn't aware of any particular role, I think they were just company accounts in which he deposited funds.
MK	And do you know if Chelsea Ltd and Newington were affiliated at all with him?
PH	No, they were nothing to do with him.

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Peter Frederick HERRINGTON Signature:

Person speaking	Dialogue
MK	Now, at some point you, would it be fair to say you had your differences with the management of the three banks?
PH	It would be a classic understatement
MK	OK, and when did you first learn that you were having some differences with the management, not the management, the ownership?
PH	That surfaced, I think towards the end of January when the owner of the parent bank in Geneva one Mr. Rappaport, instructed an Attorney from I think Washington, from one of the prime firms in Washington to come to the island to discuss the state of the Government of Antigua's accounts with the local bank
MK	OK, and at that point did you have some conversation with Mr. Fitzgerald?
PH	No, I wouldn't of said it was at that point, em, following the visit from the US Attorney....
MK	You mean the Attorney from the United States as opposed to someone of the title that you were describing...
PH	Yes, indeed, in private practise in the States, yes. It became obvious to me that Mr. Rappaport was about to enter into one of his fights with the

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Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	Antigua Government, I had indicated that they shouldn't involve the bank because the Government's accounts with the bank were entirely satisfactory. Sometime in February, Rappaport sent two people from Geneva to make an internal inspection. One of those people told me quite openly when he came that he was designated as my successor. At that point I knew that my time was limited..
MK	What year was this?
PH	This was the beginning of '87.
MK	And at that point did you tell Mr. Fitzgerald anything, because of what you had learned?
PH	Er, as soon as I appreciated that this man had been sent to replace me, I warned certain of my customers that Mr. Rappaport was going to replace me, that it was inevitable, that I personally had no confidence or trust in Mr. Rappaport, and that although it was not for me to tell them what to do, I advised that they considered their continuing relationship with the bank, in view of the activities that Mr. Rappaport was embarked upon.
MK	And did Mr. Fitzgerald...

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Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	respect to em the advice you gave him or if not the advice, but the conversation you had concerning this?
PH	I think between, lets say the middle or end of February, lets say towards the end of May, during that period we will have had several conversations.
MK	This is what year?
PH	'87.
MK	OK
PH	And Mr. Fitzgerald chose to do nothing about the situation, which indeed was his entitlement.
MK	When did you terminate your relationship with the three banks?
PH	I was suspended from duty well, em, in terms of my signing power and ability to do things I think from around the end of February, during the time that the two internal inspectors were there, em, but my formal dismissal from the bank was probably around towards the middle or end of June, I can't be specific because I haven't got my files with me.
MK	Now when you were, after you left the bank or perhaps just before you left the bank, did you take any action with respect to the three Corporations that owned the shares in the Guardian

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Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	Bank, or the Guardian Bank itself?
PH	Well yes, em at some point, I will have advised Mr. Fitzgerald that I was definitely not going to be with the bank any longer, that I was at war with Mr. Rappaport, and that therefore I should resign from the Guardian Bank, as indeed should my Manger, and that he should appoint new officers to run the bank because it would not be fair to him to have me as an officer in charge of the Bank, when I was at war with my employer and soon to be not able to assist him in banking terms any longer.
MK	And did you in fact carry out that transfer?
PH	Yes indeed, both Mr. Abbot and myself and I think Belgrove Gregory who is another officer at the bank, we all three resigned at the same time.
MK	Would you remember roughly what time that was?
PH	It would have been some time in May or at the beginning of June, I'm afraid I don't have any recollection of the date.
MK	What year?
PH	Oh, '87
MK	And, OK what happened to the various shares in the three rugby club Corporations at that time?

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Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
PH	I have seen again an Affidavit made by Mr. Fitzgerald in the course of Antigua proceedings concerning Guardian Bank, which indicate that I think on the 9th June he came into the bank premises with my successor, em, director and manager of Guardian Bank who was an Antiguan Attorney, Mr. Fuller, and they requested that the bearer shares for the three shareholder companies in the bank be handed to them and that this was done.. In the presence of Mr. Abbot also.
MK	OK, were you one of the people that handed over the shares?
PH	I imagine I probably physically handed them over myself, yes.
MK	Just to clarify a couple of things, the Affidavit you're referring to I have a three page document that I would like to show you, each, the top of it has a telefax imprinting showing its been sent by a telecopier, numbered pages 2, 3 and 4 on the telecopier imprint, and the heading is Antigua and Barbuda in the High Court of Justice Civil Suite No. 123/89 between the Guardian Bank Ltd and Swiss American National Bank of Antigua. Could you just look at that three page document

Special Branch
Police Headquarters
Prospect

19th October, 1989

SWISS AMERICAN BANK OF ANTIGUA

INTRODUCTION

This report has been prepared following information received by the Deputy Commissioner about irregularities which have surfaced in the operation of the above bank and some of its other interests. Special Branch and the FBI are now investigating various aspects of the information and it seems likely that other agencies may be called upon to assist in unravelling the fraud and money laundering that has been identified.

BACKGROUND INFORMATION

2. Swiss American Bank of Antigua (SAB) was founded by an Israeli citizen, Bruce RAPPAPORT, who is a resident of Switzerland. During the oil embargo on Israel in the early 1970s, Arab nations would only sell oil to companies that had an existing refinery. At this time RAPPAPORT bought a small operation in Antigua to secure his financial interests. Being a wealthy man he later made other investments in Antigua and one of these was the establishment of the Swiss American Bank of Antigua. This is an offshore bank and to accommodate domestic business Swiss American National Bank of Antigua was incorporated. The American aspect in the titles refer to an American partner who helped establish the banks but withdrew a short time after their inception.

3. RAPPAPORT is described as being totally reputable and many of his interests are looked after by the Bank of Bermuda. Due to his wealth he paid little attention to SAB. The first manager was incompetent and he subsequently hired:

1. Peter Frederick HERRINGTON
Born 13.01.44 - U.K.

to be the General Manager of the two banks and a management company, Antigua International Trust Ltd. (AIT). HERRINGTON was at that time employed at the Bank of Bermuda as Secretary and Assistant Manager - Legal.

1989 INVESTIGATION

4. It is apparent that due to business links in Bermuda:

2. Alan THOMSON
Thomson Associates Ltd.
7 Reid Street
Hamilton

3. Susan WILSON
Masters Ltd.
Hamilton

were added to the Board of Directors. They learnt that SAB had assets of US$ 24 million and liabilities of US$ 22 million. Eighty-seven percent (87%) of the loan

[illegible] of approximately $14 million is deliquent [illegible] the bank directors privately admit to a liquidity [illegible] although they believe that they have returned [illegible] to a correct footing.

5. The directors also learnt that the major deposit [illegible] was valued at US$ 7 million and was subject to a withdrawal attempt. ($5 million of the $7 million [illegible] deposited at one time and is at the centre of this investigation). Furthermore the circumstances surrounding the attempt to withdraw the money, which was held in the name of Guardian Bank of Anguilla, were strange. On 13/14th April, 1988 a woman calling herself:

4. Eileen DILLON
Antiques Dealer

presented herself at the company offices in Geneva, Switzerland together with the following persons and claimed ownership of the account

5. John FULLER
Lawyer
P.O. Box 1168
St. Johns
Antigua
Antiguan/American Nationality.

6. Subsequently FULLER produced bearer certificates in respect of three (3) companies which own the Guardian Bank. The companies are Saracens - 50%, Harlequins - 25% and Hoylake - 25%. The bank refused to accept the certificates and the matter will come before the Courts in Antigua on the 14th November, 1989. FULLER has been described as a 'Mr. Fixit' who has a dubious reputation tainted with political corruption.

7. The directors also came to suspect their own bank lawyer after he came to a private agreement with FULLER to return the $7 million over a period of five (5) years.

8. In September, 1989 the directors engaged local accountants, Coopers and Lybrand to perform some accounting and investigative enquiries. The basis for the investigation was to look at the accounts controlled by AIT where HERRINGTON, then General Manager of the Bank was the sole signatory on bank accounts of these companies at SAB during the period 1985 - 1987. During the same month THOMSON and

6. Peter MITCHELL
Accountant
Coopers and Lybrand
Bermuda

visited Antigua and examined the transactions of SAB and the records of Guardian Bank. A number of major problems were highlighted which included:

(a) All of the documents for companies controlled by HERRINGTON were missing.

(b) HERRINGTON was the sole signatory on the accounts and had freedom to move funds at will.

(c) HERRINGTON had made some strange bank entries which indicated account 'skimming' at the very least. He also operated personal and company

accounts all within the same gambit.

(b) The source of many deposits was unknown as was the ownership of the companies/accounts being managed by AIT.

(c) As many loans were also arranged by HERRINGTON this is probably another way he has defrauded the company.

9. The companies primarily of interest because they were controlled exclusively by HERRINGTON are:

Rosebud Investments Ltd.
Jones Enterprises
Chelsea Ltd.
White Rose Investments Ltd.
J and B Investments Inc.
Guardian Bank Ltd.
Leonora Investments Inc.
Nelson Holdings Ltd.
Handel Investments Ltd.

10. A more detailed look at the transactions will follow later in the report.

11. The investigation did of course reveal the source of some funds and names and addresses or telephone numbers of HERRINGTON's contacts. The directors noted that a deposit totalling $250,000 was received from National Commercial Foreign Exchanges Corporation of Canada which they learnt to be a suspect bank named in the 'Pizza Connection' drug case where money was laundered through Bermuda. They also saw that one:

7. Susan Jay REINBERG
Susan Jay REINBERGS

had transferred $252,151 from the Bank of Bermuda, Peter HERRINGTON had transferred $454,430 from the Bank of Bermuda and they eventually tracked a $5 million deposit on a route which took it from the Cayman Islands through the Bank of Bermuda to Swiss American.

12. The directors attempted to trace some of the people and also called telephone numbers which had been used in 1986 by HERRINGTON on his private line at the bank. (An extensive listing is being made available). They found that some of the numbers were call boxes in the Boston area whilst others were in bars or unsavory parts of the city. At some stage

8. Paul FIELD
Safeguard Security Ltd.
Hamilton

was hired to assist. His contacts in the United States established that the numbers called were at locations considered to be very Irish with strong IRA links. It was also learnt that Suzanne J. REINBERG(S) was most likely

9. Suzanne Jay MURRAY (Nee SHAFER)
Born 26.12.51

6 Abena Shores
Belgrade
Maine
Previously resided at
51 Allston Street
Charlestown
Maine
and
100 Nokomis Road
Hingham
Mass., USA
(REINBERG/MURRAY may also be
Eileen DILLON #4 of this report).

MURRAY is the wife of

10. Joseph Paul MURRAY Jr.
Born 18.03.46
Newspaper Compositor
51 Alleston Street
Charlestown
Maine

13. MURRAY is presently serving 10 years for his part in organising the sale of arms to the IRA in September 1984 when an American registered trawler, "Valhalla", crossed the Atlantic and transferred weapons to an Irish ship that was later detained by Security Forces. The "Valhalla" returned to Boston and was detained shortly after arrival. MURRAY and two other men

11. Robert ANDERSON
USC aged 49 years

12. William WINN
USC aged 55 years

were convicted and jailed. Others arrested at the time remain at large and include

13. Patrick NEE
USC aged 44 years

14. Michael NIGRO
USC aged 34 years

15. John McINTYRE
USC aged 36 years
Quincy, Mass.

14. McINTYRE disappeared in November, 1984 and has been the subject of much speculation and press coverage after it was alleged that he had been killed by the IRA. Both the British and American governments have been accused of allowing him to be killed.

15. MURRAY and others also pleaded guilty to importing about 10 tons of cannabis into the USA using a trawler carrying the drug buried beneath gravel and steel plates. He commenced his sentence in 1987 and could be released in about two (2) months.

16. At about this time the directors also established that the $253,156 in the account of REINBERG/MURRAY at the Bank of Bermuda was originally held in an account normally used by residents and certain other irregularities could not be explained. What they did know was that HERRINGTON was working at the Bank of Bermuda when the account was opened and when he went to Antigua the money later went with him. He even paid large penalty fees to transfer the money in October, 1985. They also established that the $454,000 deposited by HERRINGTON at the Bank of Bermuda in October, 1985 was in cash. SAB used the Bank of Bermuda as a clearing bank and this relationship seems to have influenced the staff to accept the money. As will be seen it now seems likely that the cash came from a safety deposit box at the Bank of Butterfield.

17. After a number of meetings between the directors and accountants it was decided to alert the Police. There was unanimous agreement that the money was the proceeds of crime and a fear that when it became known that the funds would not be returned the IRA would take revenge. The directors also believed that MURRAY was storing the profits from his IRA gun running and possibly other IRA funds as well. SB/FBI believe the funds to be proceeds of crime until other evidence surfaces.

HERRINGTON AND AIT COMPANIES

18. HERRINGTON lived in Bermuda for five (5) years and received three (3) promotions at the Bank of Bermuda. He has been described as having a difficult character, not easy to get along with and arrogant, but always maintaining a professional manner. He had a keen interest in Rugby and played for Renegrades RFC whilst residing on the island.

19. HERRINGTON was recruited for his new job whilst the founder was visiting Bermuda and former colleagues surmise that he was thought to be the man who could sort out the mess at SAB.

20. During his tenure:

i. The suspect deposits appear to have started with the transfer of the REINBERG money.

ii. He travelled on business and charged the expense to more than one account, sometimes travelling with female companions.

iii. Bank slips were written up as 'cash' and 'deposit' when money was being transferred from one account to another as a way to disguise its destination. Only by checking other banking records can the accountants identify whether true cash was handed over and frequently it was not.

iv. HERRINGTON appears to have had total control of the funds and manipulated the charges and fees on accounts.

v. Many of the loans are to companies c/o AIT and no other details are available.

vi. Funds transferred from Bermuda appear to have been 'held' until he returned to Antigua and made the appropriate book entries.

vii. In the early part of 1987 an attempt was made to withdraw money from Guardian and HERRINGTON appears to have already formed a link with FULLER. He later made an attempt to buy SAB from RAPPAPORT for $2 million and the directors surmise that this was in collusion with FULLER so that they could buy a 'shell' at a time when the founder was dismayed with events. RAPPAPORT reacted to the offer by dismissing HERRINGTON who has since commenced legal action for wrongful dismissal.

viii. HERRINGTON was named in an Antiguan newspaper as being of interest to the DEA because of the reputation of SAB.

ix. After his dismissal HERRINGTON was allowed to return to the bank for six (6) weeks and during this time was seen by other staff to remove boxes of records.

x. HERRINGTON was detained in Geneva on 26th May, 1987 after a complaint of Damage to Property and Disloyal Management. Local Police decided they had no jurisdiction and he was released. This appears to be RAPPAPORT reacting to events in Antigua.

21. A brief summary of suspect and fraudulent actions follows.

ROSEBUD INVESTMENTS

This account was opened in September, 1985 and was the subject of an earlier accounting report. During the next few weeks, $450,000 was deposited in cash and this was followed by two cheques from the suspect bank in Canada. Within three (3) weeks of being opened the Susan REINBERG/MURRAY $252,151 was transferred from Bermuda and the $450,000 cash that HERRINGTON had deposited in Bermuda also moved. On November 11th, $2.5 million which was the proceeds of the $5 million that had travelled from Cayman to Bermuda to Antigua was deposited. HERRINGTON made all of the decisions alone apart from the Canadian deposit.

The directors have since learnt that the $5 million was transferred by wire upon the instructions of Guinness Mahn and Co., London from their bank in Cayman to Philadelphia to Manufacturers Hanover, New York, to Bermuda, to Cayman. Not only is this path murky but subsequently Guinness Mahn sold their subsidiary in Cayman because of their embarrassment at the management. Regrettably Guinness Mahn have chosen not to reveal why they were embarrassed or the source of the money.

JONES ENTERPRISES

This account was used as a 'feeder' account for Rosebud, Handel and Chelsea. Large cash deposits were made into the account and later diverted

to others but as the clients' statements are missing it is not possible at this stage to say where the cash originated.

On 1st April, 1986 Jones received via the Bank of Bermuda International Ltd., $60,000 from Recovery Services Ltd., a Cayman corporation. Again no process is available.

CHELSEA LTD.

Chelsea was opened when the $60,000 mentioned above was transferred from Jones on 3rd April, 1986 and the account was later used by HERRINGTON to obtain US cash and East Caribbean dollars.

The account was used extensively and most likely for his own use and to provide funds to buy real estate in Florida. He also used the account to move sterling from his own personal company account in the name of 'Nelson'.

WHITE ROSE INVESTMENTS

This account was the recipient of the other $2.5 million of the $5 million transfer from Cayman by Guinness Mann. The significant transactions occurred some months after the transfer and there is reference to transactions being authorised by telephone.

J AND B INVESTMENTS CORP.

This account was opened in June, 1986 with transfers from White Rose and a deposit from Rosebud/White Rose. It was used by HERRINGTON to obtain substantial cash amounts and in November 1986, $11,909 was moved to Ireland Holdings to buy a house. Funds were also paid to S and S Adams which may represent rental payments for accommodation used by

16. Jack FITZGERALD
USC aged about 50 years
15 Fairway Drive
McKee City
New Jersey
609 645 7517

who has a long history of being a 'minder' for Joseph MURRAY. FITZGERALD visited SAB on occasions and is believed to have withdrawn money when he was gambling at the casino in Antigua. He now lives on a semi-permanent basis in Antigua and according to the FBI can always be found where MURRAY has his funds.

Guardian Bank lawyer/owner John FULLER is also claiming ownership of J and B Investments.

This account also illustrates that substantial amounts of cash were being manipulated by HERRINGTON on no known instructions and some of it ended up in his own companies.

GUARDIAN BANK OF ANGUILLA

This account was the recipient of all funds from the initial deposits made to Rosebud and White Rose. There were several withdrawals of cash by HERRINGTON for which no slips are available. However, the money eventually ended up in this account and as has been stated earlier, Guardian Bank is supposedly owned by three (3) bearer companies, Saracens, Hoylake and Harlequins. Whoever owns the bearer share certificates, as FULLER claims he does, has access to $7 million.
Assistant Manager of SAB

17. MacDonald ABBOTT
Antiguan National

has been interviewed by the directors and stated that he thought Guardian was established to hide the profits skimmed from casino operations.

He thought Jack FITZGERALD had a controlling interest and also thought that HERRINGTON maintained a second set of books on behalf of the Company. ABBOTT has been described as a person who would turn a blind eye to tax evasion but appears to have no knowledge of drug involvement.

HANDEL INVESTMENTS LTD.

This account was opened in January, 1986 and $92,000 transferred from Jones Enterprises. The money remains on deposit.

LEONORA INVESTMENTS LTD.

This account was opened in May, 1986 and appears to have been used to buy an unidentified house in Florida.

NELSON HOLDINGS LTD.

This account was opened in January, 1986 by HERRINGTON to be his own personal company. Once again HERRINGTON used this account to transfer money between different companies and hide true destinations. Some money appears to have been transferred from the Bank of Bermuda to the account.

It should be noted that Ireland was his first wife's maiden name and Leonora is a christian name of his present wife. The directors have been told that the other names refer to names used in Ireland for matters of secrecy and possibly have IRA connotations.

A number of other companies have yet to be investigated by the accountant but to facilitate this many of the bank records for the years under review have been flown to Bermuda for access and security.

BANK RECORDS IN BERMUDA

On Thursday 14th October, 1989:

18. Donald LINES
General Manager
Bank of Bermuda

agreed to meet with Mr. Larry NEAVES from the FBI and DCI SMITH together with Mrs. WILSON. It had initially been indicated that the $450,000 deposited by HERRINGTON had been cash which he was carrying on his person whilst on his way to Geneva. The bank only agreed to accept same as they knew HERRINGTON and SAB used them as a clearing house. However, LINES indicated that upon reflection his staff thought that HERRINGTON was accompanied by two other men and the money had been brought from a safety deposit box at the Bank of Butterfield. He also produced a copy bank draft for $9000 payable to:

19. Dr. Bernard MITTER
Florida.

This man may be associated with a health clinic telephoned a number of times by HERRINGTON.

Mr. LINES admitted that the first account opened by REINBERG/MURRAY was one for US dollars normally used by residents of Bermuda. He could not explain either why a second account had no mailing or home address.

On Friday 13th October, DCI SMITH visited the Bank of Butterfield and met with:

20. Mansfield BROCK
Manager
Bank of Butterfield

21. Peter Rogers
Bank Lawyer
Bank of Butterfield

22. John GRAHAM
Head of Security
Bank of Butterfield

to discuss the rental of safety deposit boxes and other related matters. The bank officers said that they could not release any information without production of a Search Warrant although they were sympathetic to the request. Mr. ROGERS indicated that the bank had been named in the "Pizza Connection" trial for accepting money in suitcases and they had no wish to be named again. Furthermore the involvement of the IRA could perhaps lead to reprisals if account matters were released and the bank had a responsibility to their employees to provide safe working conditions.

He did, however, reveal that an enquiry had been made previously by telephone from the United States about certain drafts obtained by MURRAY in June

1982 and August, 1983. He thought the person making the enquiry was:

23. Mr. DUBOIS
US Treasury Department

ROGERS told DUBOIS that such matters would have to be dealt with on an official level through British representatives in the US. According to ROGERS he conducted an enquiry at the time and the banking officers were satisfied that the cash deposits were from a legitimate customer. He refused to acknowledge the 'cat was out of the bag' and Mr. BROCK said a warrant must be produced.

It is suspected that the FBI did not follow up on their earlier enquiry because the Bank of Butterfield made it clear no cooperation would be forthcoming.

It was also established that REINBERG/MURRAY had deposited money at the Bank of Bermuda on the following dates:

7th August, 1983
8th November, 1983
14th November, 1983
10th January, 1983
3rd July, 1983
21st August, 1983

Enquiries are still continuing.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	
	)	
v.	)	C.A. NO. 97CV12811 RWZ
	)	
SWISS AMERICAN BANK, LTD., SWISS AMERICAN NATIONAL BANK, SWISS AMERICAN HOLDING COMPANY S.A. OF PANAMA, AND INTER-MARITIME BANK, GENEVA,	)	COMPLAINT FOR DAMAGES
	)	
Defendants.	)	

COPY

FILED IN CLERK'S OFFICE Dec 23 2 10 PM '97 U.S. DISTRICT COURT DISTRICT OF MASS.

COMPLAINT

Plaintiff, the United States of America, by and through its undersigned attorneys, for its Complaint for damages, alleges, upon information and belief, as follows:

PARTIES

1. Plaintiff the United States of America is the sovereign.

2. Defendants Swiss American Bank Limited and Swiss American National Bank are foreign corporations with their principal place of business in St. Johns, Antigua, West Indies.

3. Defendants Swiss American Holding Company S.A. of Panama and Inter-Maritime Bank, Geneva are foreign corporations with their respective principal places of business in Panama and Geneva, Switzerland.

4. At all material times, defendants Swiss American Bank Limited and Swiss American National Bank were controlled by

and/or are the alter egos of defendants Swiss American Holding Company S.A. of Panama and Inter-Maritime Bank, Geneva.

JURISDICTION AND VENUE

5. The Court has subject matter jurisdiction over this case pursuant to Title 28 United States Code ("U.S.C."), Section 1345, because this case is a civil action commenced by the United States.

6. Venue is proper before this Court pursuant to Title 28 U.S.C. Sections 1391(b)(2)&(3).

STATEMENT OF FACTS

7. This action is commenced by the United States of America ("United States"), under applicable law, including federal common law, to recover debts owed the United States wrongfully and intentionally converted by defendants Swiss American Bank, Ltd., Swiss American National Bank, Swiss American Holding Company S.A. of Panama, and Inter-Maritime Bank, Geneva (hereinafter, collectively referred to as "SAB") in contravention of this Court's May 4, 1994, Final Order of Forfeiture in United States v. Fitzgerald, United States District Court for the District of Massachusetts Criminal Action No. 93-10149-Z.

8. Brothers Joseph and Michael Murray, along with other family members and associates, established one of the largest marijuana smuggling rings in the New England region of the United

States during the 1980s, smuggling over 200 tons of marijuana into the United States between 1979 and 1986.

9. Joseph Murray was primarily responsible for the smuggling aspects of the drug organization, while Michael Murray oversaw financial matters.

10. Michael Murray was assisted in the financial aspects of the Murray brothers' drug organization by John E. Fitzgerald ("Fitzgerald"), a United States citizen.

11. Fitzgerald served as the principal money launderer for the Murray brothers' drug organization.

12. SAB owned and operated Antiguan banks that accepted deposits from customers residing in the United States.

13. Between 1985 and 1987, in excess of seven million U.S. dollars of proceeds from the illegal drug activity of the Murray brothers' drug organization was deposited in accounts at SAB's Antiguan branches. Those accounts (collectively referred to hereafter as the "Fitzgerald accounts") were controlled by Fitzgerald for the Murray brothers' drug organization.

14. The deposit of funds into the Fitzgerald accounts created a debt owed by SAB to the depositor, which debt was a property interest of the depositor that SAB had no lawful right to extinguish, without the consent of the depositor, except by paying the sum evidenced by the balance in the account.

15. On or about January 13, 1994, following an eighteen-day jury trial held in the United States District Court for the

District of Massachusetts, Michael Murray was convicted of conspiracy to possess with intent to distribute a controlled substance (in violation of Title 21 U.S.C. Section 846) and several substantive violations of possession with intent to distribute a controlled substance (in violation of Title 21 U.S.C. Section 841).

16. On or about April 25, 1994, Michael Murray was sentenced to thirty years imprisonment and fined $10 million for his conviction on these charges.

17. During the course of the prosecution, Michael Murray admitted that the funds on deposit at SAB in the Fitzgerald accounts were the proceeds of his narcotics trafficking and that Fitzgerald had been responsible for seeing that the funds were deposited at SAB.

18. The Fitzgerald accounts were held in the names of a series of foreign shell corporations (identified in paragraphs 24 through 27) that had been established by Fitzgerald on the advice and under the supervision of Peter F. Herrington ("Herrington").

19. Herrington, at all material times, was the General Manager and/or lawful employee of SAB.

20. While employed at SAB, at all material times, Herrington was also the General Manager and lawful employee of Antiguan International Trust, Limited ("AIT"), a company wholly owned and controlled by defendants Swiss American Holding Company S.A. of Panama and Inter-Maritime Bank, Geneva.

21. AIT was authorized to register companies under the Antiguan International Business Corporations Act and provided corporate and trust services to the purchasers and shareholders of companies incorporated by AIT for the benefit of those third parties.

22. Herrington was aware of Fitzgerald's need to move large sums of money from the Murray brothers' drug organization in Massachusetts to bank accounts outside the United States. Herrington also knew of the need to disguise and conceal the ownership, location, source, and nature of these monies.

23. Herrington advised Fitzgerald to establish a series of offshore companies whose bank accounts at SAB would be used to move monies from Massachusetts to these accounts in order to disguise and conceal the ownership, location, source, and nature of these monies.

24. Between September and November 1985, Herrington and Fitzgerald, through AIT, supervised the incorporation of three Antiguan business entities: Rosebud Investments Ltd. ("Rosebud"), White Rose Investments Ltd. ("White Rose"), and Handel Investments, Ltd. ("Handel").

25. On or about May 1986, Herrington, through AIT, supervised the incorporation of three Antiguan business entities, named Harlequins Ltd., Hoylake Ltd., and Saracens Ltd. ("HHS"), to serve as holding companies for an Anguillan (another Carribean

island) business entity named Guardian Bank Limited ("Guardian Bank").

26. On or about June 1986, Herrington and Fitzgerald, through AIT, supervised the incorporation of Guardian Bank, of which the controlling shares were issued to HHS.

27. On or about June 1986, Herrington and Fitzgerald, through AIT, also supervised the incorporation of an additional Antiguan business entity named J&B Investments Corporation ("J&B").

28. Immediately after the incorporation of Rosebud, White Rose, Handel, J & B, and HHS, AIT, through Herrington, issued bearer shares for each individual company.

29. Initially, all bearer shares for Rosebud, White Rose, Handel, J & B, and HHS were held in trust by AIT through Herrington.

30. Herrington, in his capacity as General Manager of AIT, on the instructions of the true beneficial owners of Rosebud, White Rose, Handel, J & B, and HHS, lawfully transferred all bearer shares for Rosebud, White Rose, Handel, J & B, and HHS to Fitzgerald.

31. At all material times, Fitzgerald and/or Michael Murray held and were the rightful owners of all the lawfully issued bearer shares for Rosebud, White Rose, Handel, J & B, and HHS.

32. Between September of 1985 and June of 1987, Herrington opened accounts at SAB and purchased certificates of deposit from

SAB in the names of Rosebud, White Rose, Handel, J & B, and Guardian Bank. Those certificates of deposit constituted some, or all, of the Fitzgerald accounts, as defined in Paragraph 13 hereof.

33. Herrington was a signatory for the Fitzgerald accounts.

34. Herrington engaged in a series of transactions to move funds between and among the various Fitzgerald accounts. These transactions were designed to disguise and conceal the ownership, location, source, and nature of these monies.

35. On several occasions, Herrington prepared withdrawal vouchers for "cash" from certain Fitzgerald accounts, but actually used the "cash" notation to facilitate the transfer between and among Fitzgerald accounts without records showing the ultimate destination of the transfer.

36. The transfers by Herrington using the "cash" notation were designed to avoid detection and tracing of the movement of funds from and among the Fitzgerald accounts, and to further disguise and conceal the ownership, location, source, and nature of these monies.

37. On or about August 17, 1993, in Criminal Action Number 93-10149-Z, in the United States District Court for the District of Massachusetts, Fitzgerald pleaded guilty to conspiring to violate the RICO statute, Title 18 U.S.C. Section 1962(d), and attempting to engage in money laundering, in violation of Title 18 U.S.C. Section 1957, and agreed to forfeit the Fitzgerald

accounts to the United States, pursuant to the RICO forfeiture statute, Title 18 U.S.C. Section 1963.

38. On or about November 9, 1993, pursuant to Fitzgerald's guilty plea, the Court, in Criminal Action Number 93-10149-Z, entered a preliminary Order of Forfeiture against Fitzgerald, forfeiting to the United States:

> the property described in the forfeiture allegations of Count One, namely, funds which were deposited into the Swiss American Bank, Ltd., and the Swiss American National Bank in St. Johns, Antigua during the time period September 1985 through June 23, 1987, plus any interest which has accrued since that time, into any accounts (including, without limitation, certificates of deposit thereon) held in the name of Rosebud Investments, Ltd., White Rose Investments, Ltd., Handel Investments, Ltd., J & B Investments Corp., and Guardian Bank, Ltd. These funds have been identified as interests which the defendant acquired or maintained in violation of 18 U.S.C. § 1962 or constituted property which was derived from, or proceeds which the defendant obtained from, directly and indirectly, the pattern of racketeering alleged in the Indictment.

39. The effect of the Order of Forfeiture was to transfer Fitzgerald's interest in the Fitzgerald accounts -- i.e. his right to be paid the sum of money evidenced by the balances in all of those accounts -- to the United States, so that the debt SAB had previously owed to Fitzgerald was owed to the United States.

40. Notice of the District Court's November 9, 1993, Order of Forfeiture was published for three consecutive weeks in a newspaper of general circulation in Antigua in February and March

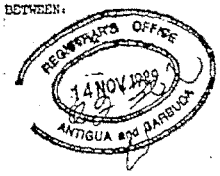
ANTIGUA AND BARBUDA

IN THE HIGH COURT OF JUSTICE

(CIVIL)

SUIT NO: 123 of 1989

BETWEEN:



GUARDIAN BANK LIMITED

Plaintiff

-and-

SWISS AMERICAN NATIONAL BANK OF ANTIGUA

Defendant

AFFIDAVIT

I, MARC STURZENEGGER , of 12 Grand' Rue, Geneva, Switzerland make oath and say as follows:

1. I am a solicitor of the Supreme Court of New South Wales, and I am, and have been, employed in the legal department of International Maritime Services Company Limited of Geneva Switzerland since December 1983. I have assisted the Defendant in relation to various matters since that date. I make this affidavit to the best of my knowledge, information and belief being derived from documents and information supplied to me from time to time in connection with this matter in particular by the directors of the Defendant and of Antigua International Trust Limited. I have also been provided with information by Mr. Peter Mitchell of Coopers & Lybrand, which is an international firm of accountants. Mr. Mitchell is a partner in the firm based in Bermuda who has carried out an investigation into the affairs of the Defendant, and transactions concerning Mr. Herrington.

three Antiguan shareholding companies. A copy of the minutes is at Exhibit "JG 12" to the supplemental affidavit of Mr. Greaves sworn herein. An annual return was made on 28 July 1987, a copy of which is exhibited as "JG 14" to the original affidavit of Mr. Greaves sworn herein. I believe that Mr. Fuller did not become a director of Guardian Bank Limited.

10. In this affidavit I have endeavoured to address certain of the legal issues which arise on the present application. However, it is appropriate that I should inform this Honourable Court of certain of the background to the present case. Mr. Herrington ceased to be General Manager of AIT in May 1987 following the discovery of various substantial irregularities which had come to light in relation to his conduct as General Manager and a director of the Defendant, Swiss American Bank Ltd. and AIT. Further inquiries have revealed (inter alia) that:-

(1) Mr. Herrington made a large number of cash withdrawals in particular from accounts at Swiss American Bank Ltd. without any apparent authority to do.

(2) Mr. Herrington made transfers from time to time in the books of account of the Banks to companies owned or controlled by him from other accounts maintained at the Banks, without any apparent authority to do so.

(3) Mr. Herrington failed to account to AIT for directors' fees arising from companies incorporated by AIT. He kept the fees for himself.

(4) Mr. Herrington made unauthorised loans to companies owned or controlled by himself, thus benefiting himself at the expense of his employers.

(5) Mr. Herrington was instrumental in causing loans to be made which were not prudent or proper as ordinary banking transactions and which exposed the Banks to substantial losses on loans which ought never to have been made and for which there was totally inadequate security.

(6) Mr. Herrington apparently took a secret commission on a loan authorised by him.

11. The Defendant has had an investigation carried out by the international firm of accountants and auditors, Coopers & Lybrand. I have been informed by Mr. Peter Mitchell, the audit partner of that firm responsible for the investigation that he identified a number of transactions in which funds were transferred by Mr. Herrington from the account of third party clients, namely individuals or companies not owned or controlled by Mr. Herrington, of the two banks to companies in which Mr. Herrington was personally interested. The instances identified are as follows:

(a) On 3 April 1986, Mr. Herrington transferred US$60,000.00 from the account of Jones Enterprises to that of Chelsea Limited, a company owned by Mr. Herrington. The debit notice issued to Jones Enterprises and the credit notice issued to Chelsea Limited are both made out to cash, although it is believed by Mr. Mitchell that cash was not disbursed or received for the transaction. Mr. Mitchell has pointed out that by documenting the transaction in this way, the recipient of

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the funds cannot be identified except after a detailed review of all transactions carried out on the date of the debit.

(b) Mr. Mitchell believes that US$10,000.00 was transferred by Mr. Herrington from the account of Whiterose Investments Limited to that of Leonora Investments Limited. Leonora Investments Limited was a company used to fund and transact personal business of Mr. Herrington, and from its accounts, a number of transfers were made to accounts of other companies of Mr. Herrington.The account of Whiterose Investments Limited was debited for this amount on 13 May 1986 and the account of Leonora Investments Limited was credited with the same amount on 14 May 1986. The respective debit and credit advices were both made out to "cash" and both bear the sole signature of Mr. Herrington.

(c) On 17 November 1986, Mr. Herrington transferred US$11,909.00 from the account of J & B Investments Corporation to the account of Ireland Holdings Limited, a company controlled by him. Ireland Holdings Limited was the company through which he purchased his residence at Crosbies and which obtained a finance facility of US$150,000.00 for that purpose. The loan was secured by a mortgage from the company. Following Mr. Herrington's departure from Antigua, the company defaulted on the loan and summary judgement has been entered in favour of the mortgagee. The proceeds of sale of the property are insufficient to satisfy the outstanding debt. There is nothing in the records of SAB identifying the nature of the payment made by Mr. Herrington from J & B Investments Corporation to Ireland Holdings Limited or disclosing the transaction to the Board of Directors of SAB.

12. A series of 22 cash withdrawals were made by Mr. Herrington over the period from June 1986 to June 1987 from accounts of J & B Investments Corporation. The total so drawn amounts to US$141,533.18. The debit advices issued to the company, which served as withdrawal instructions, were made out in manuscript by Mr. Herrington and were signed by him. The stamps and markings appearing on the debit advices show the payment of cash. No documentation was located disclosing the disposition of these cash drawings.

13. The documentation purporting to evidence a deposit with the Defendants by Guardian Bank Limited originated from Mr. Herrington whilst he was the General Manager of the Defendant. In fact Guardian Bank Limited has not itself deposited money with the Defendant. It was only formed as a company on 4 June 1986. Each of its shareholders were themselves incorporated on 22 May 1986. In the period up until 26 May 1987, Mr. Herrington was both the sole director of Guardian Bank Limited and the General Manager of the Defendants. The Defendant does not accept that any sums are owed by it to Guardian Bank Limited. The Statement of Claim does not seek to explain on what grounds it is said that the Defendant is indebted to Guardian Bank Limited. It simply refers to account numbers on documentation which originates from Mr. Herrington when he was also the sole director of Guardian Bank Limited, which he himself had been instrumental in incorporating. Despite persistent inquiries made by the Defendant's auditors and others acting for the Defendant, Mr. Herrington has refused to reveal the identity of any third party from whom funds have been received by the Defendant, which are said by Mr. Herrington to have given rise to indebtedness to Guardian Bank Limited.

Sworn at Antigua this 14th)
day of November 1989)
before me)

COMMISSIONER FOR OATH
ANTIGUA AND BARBUDA

THE WEST INDIES OIL COMPANY, LIMITED

MEMORANDUM

To: Bruce Kappaport/Irith Raby

Date: 28th August 1987

From: Roger S. Fryer

000469 JL 1488

Summary: Loan Balances at Swiss American Bank

Further to my telex of today's date, I attach an updated Summary of Loans outstanding from the report prepared by Pannell, Kerr Forstar dated 15th May 1987.

The details of security and current status will by forwarded to you shortly. I understand that Tony Barnes has sent you separate advice on a number of the accounts today.

Since Tony will be on vacation for the period 1st to 15th September, I have requested by telex formal approval of the Board to continue to make advances to cover only current operating costs on the accounts. I will supply you with details as soon as possible. Please confirm such approval to me.

Best regards.

Roger S. Fryer

cc: Anthony P. Barnes

RSF/pw

Attachment

8. LOAN PORTFOLIO

The following loans were reported in the "Anthony Barnes Report"

	As at [illegible]	As at 24.8.87
	US$	US$
1. Government of Antigua and Barbuda	1,734,056	1,703,454
2. Antigua Sugar Industry Corporation	355,132	382,286
3. Antigua Public Utilities Authority	366,796	216,712
4. Edward Mellanson	171,989	147,480
5. Barbuda Shutters Limited/Antigua Aggregates Ltd	754,176	834,820
6. a) Trans Caribbean Industries/Canam (Amu) Ltd	1,788,803	2,022,323
b) Spectrum Industries	247,170	1,336,650
c) F.Y.M. Unlimited	257,000	262,727
7. Leeward Motors Limited	1,459,799	2,005,683
8. Windward Resort Limited	224,327	335,778
9. Galleon Beach Club Limited	323,737	335,591
10. Tradewinds Hotel and Aprartments	42,317	18,160
11. Roydan Limited/ Antigua Packing and Trading Corporation Limited	2,132,451	3,306,486
12. Cougar Development Limited	608,225	789,550
13. Ireland Holding Limited - Peter Merrrington's House	158,022	160,851
14. Jeffrey Marley	226,804	277,988
15. Big Banana Molding/Pizzas in Paradise Limited	166,867	162,750
16. Antigua Amusements Limited/Adonis	216,972	255,461
17. Caribbean Farms Limited	79,870	81,050
18. Maryna	204,481	1,196,773
	11,518,994	15,832,203

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____61e_____

Exhibit 61e.

Gherman fraud documents

04628220
CLIENTS OF ****GHERMAN**** FILE SUIT FOR FUNDS IN ****CARIBBEAN**** BANK
MIAMI HERALD (MH) - TUE OCT 11 1988
By: CHARISSE L. GRANT Herald Staff Writer
Edition: FINAL Section: FRONT Page: 1A
Word Count: 776

TEXT:
A group of South Florida doctors who lost millions when financier Henry ****Gherman**** vanished has filed suit in Antigua to recover funds they believe ****Gherman**** stashed in a Swiss bank on the ****Caribbean**** island, according to court documents filed there.

In Miami, the court-appointed receiver for ****Gherman****'s companies said he has taken legal action in two foreign countries to recover some of the $25 million that disappeared with the North Dade financial adviser in August.

The receiver, James Feltman, would not say which countries or whether Antigua was one of them, nor would he say how much money might be involved.

"I have no knowledge of any specific amounts in accounts," Feltman said.

Two days after the U.S. Attorney's Office in Miami issued a warrant for ****Gherman****'s arrest, the doctors filed suit in the High Court of Justice of Antigua and Barbuda, which together make up the island country in the ****Caribbean**** Sea.

On Aug. 31, the court ordered the Swiss American Bank in Antigua to freeze any accounts it holds under ****Gherman****'s name or authority.

A private investigator's information that ****Gherman**** frequented Antigua and that he had placed telephone calls to the bank shortly before he fled led to the "strong suspicion he had money there," said Sydney Christian, the attorney representing the doctors in Antigua.

Christian said his inquiries with the immigration department and police reveal that ****Gherman**** was in Antigua two weeks before he vanished from Miami. An affidavit prepared for the suit says ****Gherman**** also visited the island after he fled.

Christian said that, because of secrecy laws, he has no way of knowing details about any accounts. The bank by law is prohibited from disclosing information about accounts, including whether an individual has any.

"We are willing to do anything we can, if we can do it without breaking the law," said Caldwell Shephard, an attorney for the Swiss American Bank in Antigua. "If we do have any documents, and that is not to say we do, we are prohibited by law from disclosing them."

Christian said, "In the event the bank had any such accounts, they were to be frozen until the disposition of the case. The difficulty, of course, has been the question of serving Mr. ****Gherman****."

On Friday, the court approved a request to serve the suit and summons to appear to the fugitive through his last known address and through South Florida newspapers, Christian said.

****Gherman**** disappeared from Miami on Aug. 8 along with the millions he had been entrusted to invest for clients, including dozens of prominent Miami Beach doctors.

Twelve of the physicians have a suit pending in Dade Circuit Court, which froze local assets that belong to ****Gherman**** and his companies.

Two of those dozen doctors, surgeons Jack Greenberg and William Yahr, are named as plaintiffs in the foreign suit that seeks to recover some of the $2.9 million in personal investments and pension funds ****Gherman**** allegedly stole from their professional association.

The attorneys for the doctors in Miami refused to comment.

"While there is litigation to chase the assets, it is not in the best interest of our clients to comment," said Miami attorney William Richey.

According to the affidavit of a private investigator for the doctors, ****Gherman**** frequented Antigua and he had been at a resort there on Aug. 16 -- a week after he fled Miami and three days before he checked into a hotel in Taipei, Taiwan.

"Henry ****Gherman**** was a compulsive gambler who frequented Antiguan casinos," according to the affidavit from Wayne Black, a former investigator with the State Attorney's Office in Miami. "He has been known to lose as much as U.S. $100,000 in a single evening playing blackjack."

The document also says phone records from ****Gherman****'s Miami office indicate that on Aug. 1 he phoned the Swiss American Bank in Antigua.

Black's affidavit says that "our investigation also reveals that Martin J. Nash, Esq., a long-time attorney for Henry ****Gherman**** in Miami, Florida, made a series of wire transfers to Antigua in or about early August 1988."

The Miami Herald was unable to speak with Nash Monday.

"We started the investigation the day Henry left the notes, and we are still frantically working on it," Black said Monday.

On Aug. 29, the U.S. Attorney's Office charged ****Gherman**** with two counts of mail fraud and five counts of embezzlement.

After two months on the run, ****Gherman**** was arrested Saturday in Tokyo. He had been expelled from Taiwan where he had checked into a Taipei hotel under his own name since Aug. 19.

If convicted, ****Gherman**** faces 35 years in jail and fines in excess of $1.5 million.
DESCRIPTORS: lawsuit; ****gherman****; asset; finance
?

MPS:mf
IND

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

89-00500 CR - MARCUS

18 USC §664
18 USC §1341

MAGISTRATE
SMARGON

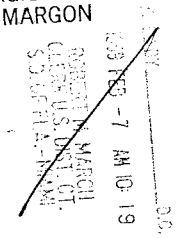
UNITED STATES OF AMERICA,

v.

HENRY GHERMAN,

Defendant.
_____/

INFORMATION



The United States Attorney charges that:

Allegations Common To All Counts

1. At all times material to this information the defendant, HENRY GHERMAN, operated Financial Investment and Planning, Inc. ("FIP"), a corporation organized under the laws of the State of Florida with its office in North Miami Beach, Florida.

2. At all times material to this information, the defendant, HENRY GHERMAN, offered financial management services to clients, including the administration of pension plans subject to Title I of the Employee Retirement Security Act of 1974 ("ERISA").

3. From in or about December of 1982 until in or about August of 1988, in the Southern District of Florida, the defendant,

HENRY GHERMAN,

knowingly, willfully and unlawfully devised and intended to devise a scheme and artifice to defraud and for obtaining money

and property from clients by means of false and fraudulent pretenses, representations, and promises, well knowing that the pretenses, representations and promises would be and were false and fraudulent when made.

The Essence of the Scheme to Defraud

4. It was a part of the scheme and artifice to defraud that the defendant, HENRY GHERMAN, would and did solicit clients to utilize investment and financial management services offered through FIP. These clients included physicians and their professional associations as well as other private investors.

5. It was a part of the scheme and artifice to defraud that the defendant, HENRY GHERMAN, would and did solicit and accept funds from clients on the false representation, promise, and pretense that he would profitably invest such funds on their behalf and on behalf of the beneficiaries of the clients' pension plans.

6. It was a part of the scheme and artifice to defraud that the defendant, HENRY GHERMAN, would offer to manage employee benefit plans of medical Professional Associations that were subject to Title I of ERISA. The defendant exercised substantial control over the transfer, investment, and disbursement of funds covered by these plans, and had fiduciary responsibility for their management.

7. It was a part of the scheme and artifice to defraud that the defendant, HENRY GHERMAN, would use his authority over client accounts to transfer funds from accounts of clients, including from money market accounts at Prudential-Bache Securities, Inc. to bank accounts of FIP at Commercebank, N.A.,

Miami, Florida. After such funds were transferred to FIP's accounts, the defendant would convert and utilize such funds for his own benefit.

8. It was a part of the scheme and artifice to defraud that the defendant, HENRY GHERMAN, obtained and retained funds from clients on the false representations, embodied in written invoices and financial statements, that the clients' money would be, and was, invested in certificates of deposit at Commercebank, N.A., a financial institution in North Miami Beach, Florida, for the benefit of the client or the client's designated beneficiaries.

9. It was a part of the scheme and artifice to defraud that after obtaining and retaining funds from clients through the false representations set forth herein, the defendant, HENRY GHERMAN, took, embezzled and converted to his own use approximately $9.8 million in funds entrusted to him by his clients during the time set forth in this information. Of those converted funds, approximately $7.5 million were funds and assets of eleven employee benefit plans subject to ERISA managed by the defendant through FIP as set forth below:

PENSION PLAN OF	AMOUNT EMBEZZLED BY THE DEFENDANT:
Frederick W. Ackroyd, PA	$ 250,000
Leonard Filhaber Associates	115,000
Florida Extracorporeal, Inc.	102,500
Jack J. Greenberg, PA	2,215,000
Mario Inchausti, PA	275,000
Edward D. Michaelson, PA	1,220,000
Morgan, Trop & Eustace, PA	235,000

Arthur G. Shapiro, PA		170,000
Arkadi M. Rywlin, PA		2,030,000
Charles Weiss, PA		640,000
Nardo Zalas, PA		260,000
	TOTAL	$7,512,500

10. It as a part of the scheme and artifice to defraud that the defendant, HENRY GHERMAN, set up offshore bank accounts to transfer funds embezzled from clients in the Southern District of Florida. In particular, the defendant opened an account in Swiss-American National Bank in Antigua, West Indies under the name Chaska Trading, Ltd., where embezzled funds were transferred from the Southern District of Florida. After being deposited in said account, approximately $2.2 million was transferred to the account of Chaska Trading, Ltd. at Prudential-Bache Securities, Inc., in Miami, Florida, which funds were available to the defendant.

11. It was a part of this scheme and artifice to defraud that the defendant, HENRY GHERMAN, in or about July 1988 would and did embezzle and abscond with approximately $4.4 million in client funds to facilitate his departure from the United States.

COUNTS 1-3

On or about each of the following dates, in Dade County, in the Southern District of Florida, the defendant,

HENRY GHERMAN,

having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, promises, and representations, as alleged above, for the purpose of executing such scheme and

artifice and attempting to do so, did knowingly cause to be delivered by mail according to the direction thereon, mail matter as described in each case:

COUNT	DATE	MAIL MATTER
1	February 18, 1986	FIP statements mailed from FIP to Charles Weiss, M.D., Miami Beach, Florida (falsely indicating participation by various accounts of Charles Weiss PA Pension Plan in a certificate of deposit at Commercebank, N.A. and the earning of interest on same).
2	February 11, 1987	FIP statements mailed from FIP to Edward D. Michaelson, M.D. Fort Lauderdale, Florida (falsely indicating participation by various accounts of the EDM PA Pension Plan, the EDM PA FB Pension Plan, by Dr. and Mrs. Michaelson and the EDM PA in a certificate of deposit at Commercebank, N.A. and the earning of interest on same).
3	February 18, 1986	FIP statements mailed from FIP to Arthur Shapiro, M.D. Miami Beach, Florida (falsely indicating participation by AGS PA pension plan and AGS PA in a certificate of deposit at Commercebank, N.A. and the earning of interest on same).

All in violation of Title 18, United Stated Code, sections 1341 and 2.

COUNT 4

Between in or about December of 1982, and on or about October 21, 1987, the defendant,

HENRY GHERMAN,

knowingly, and willfully, did embezzle and convert to his own use approximately $1,900,000 of the monies, funds, securities, premiums, credits, accounts, and assets of the Arkadi M. Rywlin

P.A. pension plan, an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, all in violation of Title 18, United States Code, Section 664.

COUNT 5

Between in or about December of 1982, and on or about October 21, 1987, the defendant,

HENRY GHERMAN,

knowingly, and willfully, did embezzle and convert to his own use approximately $1,840,000. of the monies, funds, securities, premiums, credits, accounts, and assets of the Jack J. Greenberg P.A. pension plan, an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, all in violation of Title 18, United States Code, section 664.

COUNT 6

Between in or about December of 1982, and on or about October 21, 1987, the defendant,

HENRY GHERMAN,

knowingly, and willfully, did embezzle and convert to his own use approximately $1,195,000. of the monies, funds, securities, premiums, credits, accounts, and assets of the Edward D. Michaelson P.A. pension plan, an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, all in violation of Title 18, United States Code, section 664.

COUNT 7

Between in or about December of 1982, and on or about October 21, 1987, the defendant,

HENRY GHERMAN,

knowingly and willfully, did embezzle and convert to his own use approximately $585,000 of the monies, funds, securities, premiums, credits, accounts, and assets of the Charles Weiss, P.A. pension plan, and employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, all in violation of Title 18, United States Code, section 664.

for DEXTER W. LEHTINEN
UNITED STATES ATTORNEY

MARK P. SCHNAPP
ASSISTANT UNITED STATES ATTORNEY

JEFFREY B. CROCKETT
ASSISTANT UNITED STATES ATTORNEY

Gov. Ex. 141

IN THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

NO. 89-50-CR-MARCUS

UNITED STATES OF AMERICA,

Plaintiff,

-vs-

HENRY GHERMAN,

Defendant.
_____/

FILED by _____ D.C.
FEB -7 1989
ROBERT M. MARCH
CLERK, U.S. DIST. CT.
S.D. OF FLA. MIAMI

PLEA AGREEMENT

1. The Defendant, Henry Gherman, agrees to waive indictment by a grand jury and plead guilty to charges of four counts of embezzlement of pension funds subject to the Employee Retirement Income Security Act, pursuant to Title 18 United States Code Section 664, and three counts of mail fraud, pursuant to Title 18 United States Code Section 1341. These charges carry a maximum prison sentence of thirty-five years incarceration and up to $1,750,000. in fines, and an award of restitution to all victims of the scheme.

2. The charges set forth in paragraph one relate to the defendant's involvement in a scheme to defraud investors, primarily medical Professional Associations,

HG

out of approximately $9.7 million in pension and other funds entrusted to the defendant and his related companies, including Financial Investment and Planning, Inc., by fraudulently representing to such investors that such funds had been placed in certificates of deposit, when, in truth and in-fact, such investments were not made and such certificates of deposit did not exist. The United States will not file additional charges relating to or arising from the investigation of this scheme and embezzlement, and the concealment or transfer of such funds, including the removal of $4.4 million of funds in July and August 1988 and any financial transactions with such funds, if the defendant fully complies with the terms of this agreement.

3. The defendant, Henry Gherman, agrees to provide complete and truthful cooperation to the United States as to all facts within his knowledge, including but not limited to the aforementioned scheme and embezzlement, including by providing information to Federal and local authorities and by providing testimony in any trial or grand jury proceeding as required. The defendant understands and agrees that he will not protect any individual or entity in providing such information. Further, the defendant agrees to provide complete and

truthful cooperation to any third party as the United States should so direct, including but not limited to such parties seeking recovery of assets in related bankruptcy proceedings. All information provided by the defendant shall be treated as if given pursuant to a court order under Title 18 United States Code 6002-6003, that is, no information provided by the defendant, directly or indirectly, shall be used against him in any further criminal proceeding. If it is determined by a U. S. District Judge that the defendant has made a material false statement pursuant to this agreement, then the use immunity discussed in this paragraph shall be void and any statements or testimony of the defendant can be used in any further proceeding against him.

4. The defendant agrees to immediately return and assist in returning all funds or assets directly or indirectly in his custody, care, or control, available to him, which were obtained from any client of the defendant or any company controlled by the defendant. These funds will be returned to the United States government for disbursement to the appropriate parties.

5. The defendant will provide and assist in obtaining a complete accounting of all funds obtained from his clients including the use and expenditure of any funds

entrusted to him. The defendant shall provide all relevant documents to law enforcement officials as requested. The defendant further agrees to waive all bank secrecy laws, foreign and domestic, and to execute any document that is required for the recovery of said funds.

6. The defendant understands and agrees that the sentence to be imposed lies within the sole discretion of the United States District Court for the Southern District of Florida. Each party shall retain the right to make any sentencing recommendation and to present all related information to the Court and the Probation Department. The defenndant understands that this recommendation may include restitution to any and all victims of the defendant's conduct. All restitution shall be accomplished pursuant to the bankruptcy proceedings currently pending in the United States Bankruptcy Court, Southern District of Florida, in *In Re: Henry Gherman, et al.*, Case No. 88-03266-BKC-TCB, Chapter 11.

7. The defendant understands and agrees that the court may impose any sentence authorized by law and that the defendant may not withdraw his plea solely as a result of the sentence imposed.

8. The defendant understands and agrees that, in addition to any sentence imposed under paragraph 6 of this agreement, a special assessment in the maximum amount

of $350 will be imposed.

9. This is the entire agreement and understanding between the United States and the defendant. There are no other agreements or understandings between the parties.

Respectfully submitted,

DEXTER W. LEHTINEN
UNITED STATES ATTORNEY

2/6/89
Date

BY: MARK P. SCHNAPP
CHIEF, CRIMINAL DIVISION

2/6/89
Date

JEFFREY B. CROCKETT
ASSISTANT U. S. ATTORNEY

2.C.89
Date

RAMSEY CLARK
ATTORNEY FOR THE DEFENDANT

2/6/89
Date

MILTON M. FERRELL, JR.
ATTORNEY FOR THE DEFENDANT

2/06/89
Date

HENRY GHERMAN
DEFENDANT

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA

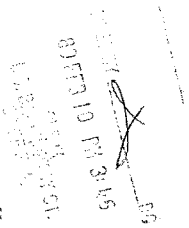
CASE NO.: 88-03266-BKC-TCB

Jointly Administered Chapter 11 Proceedings

IN RE:

HENRY GHERMAN, FIRST FINANCIAL PLANNING CORPORATION OF SOUTH FLORIDA, INC., FINANCIAL & INVESTMENT PLANNING, INC. a/k/a FIP, INC.,

Debtors.



REPLY TO HENRY GHERMAN'S OBJECTION TO AND MEMORANDUM IN RESPONSE TO TRUSTEE'S AND CREDITORS' COMMITTEE'S MOTIONS TO DISSOLVE THE ORDER APPROVING EMPLOYMENT OF COUNSEL FOR THE DEBTORS

James S. Feltman, duly authorized and appointed Trustee for Henry Gherman, First Financial Planning Corporation of South Florida, Inc. ("FFP"), and Financial & Investment Planning, Inc. ("FIP"), submits this reply to Henry Gherman's Objection to the Trustee's and Creditors' Committee's Motions to Dissolve the Order Approving Employment of Counsel for Gherman and FIP ("Objection").

Gherman's Objection rests on three contentions: (1) Gherman and FIP have never been properly served with notice of these bankruptcy proceedings; (2) Gherman and FIP are entitled to counsel separate and apart from that counsel selected by the Trustee; and (3) separate counsel will assist the administration of these estates by facilitating Gherman's cooperation with the Trustee. Each of these contentions is meritless.

LAW OFFICES KOZYAK TROPIN & THROCKMORTON, P.A.
2850 SOUTHEAST FINANCIAL CENTER, 200 SOUTH BISCAYNE BOULEVARD, MIAMI, FLORIDA 33131 · TEL. (305) 372-1800

6th December, 1988

The Manager
Swiss American Bank
St. Johns, ANTIGUA

Re: High Court Action No. 300/1988 - Jack J. Greenberg and William Z. Yahr (Trustees of Jack J. Greenberg M.D. & Associates P.A. Pension Plan), Beatrice Yahr (Trustee of Beatrice Yahr Trust) and Jack J. Greenberg (Trustee and Personal Representative of the Estate of Father Greenberg, deceased) v: Swiss American Bank, Swiss American National Bank of Antigua Ltd., and Henry Gherman.

Dear Sir:

I authorise you to release to the plaintiff's solicitor Sydney Christian all records of any accounts over which I, Henry Gherman, have control or signatory authority and any other property in your Bank's possession in which I have any other right, title, or interest, directly or indirectly.

I authorise you to deduct from any funds in your Bank over which I have control or signatory authority or any right, title, or interest, directly or indirectly, all bank charges and expenses, and all reasonable costs incurred by you in the abovenamed action.

I also direct you to prepare a cashier's cheque in favour of Mr. James S. Feltman, Trustee appointed by the U.S. Bankruptcy court for the Southern District of Florida, for the balance of any and

 EXHIBIT A

all such funds in your Bank's possession over which I have co
or signatory authority or any right title or interest, either dir
or indirectly.

You should take care to avoid any penalty or los
interest by premature withdrawal. If this might cause
significant loss, you should discuss the timing and use of a seri
cashiers checks to avoid such loss with Solicitor Christian. You
authorised to follow his instructions on the timing of withdrawa

I further direct you to collect any securities and oth
property in your Bank's possession over which I have control
signatory authority or any right title or interest, direct
indirectly.

It has been agreed that Solicitor Christian will prep
and file a Notice of Discontinuance of the above action against
Defendants upon the cashier's cheque, securities, and oth
property being delivered to him, and I would ask you to have yo
Solicitor ensure that the said Notice of Discontinuance is duly s
regularly filed at the time when the cashier's cheque, securiti
and other property is handed to him. He will receive all such ite
on behalf of Mr. James S. Feltman, Trustee in Bankruptcy,
Miami, Florida.

I am returning all of these funds to a United State
Bankruptcy Court in this way because I want an American Court
determine ownership rights in them in accordance with Americ
law. I deposited the money lawfully in your bank under authori
from those for whom I managed it, including members of m
family, and myself. It will be for the Bankruptcy Court
determine the rightful owners. I have done nothing wrong.

Your cooperation in this matter would be greatly appreciated.

Very truly yours,

Henry Gherman

Witnessed by:

12/6/88

Attorney: Washington State Bar Association

David Hale Nelson

Masayoshi Tanigawaki 12/6/88

Defending Attorney: Matsuo & Kouge

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

vs.

HENRY SHERMAN,

Defendant.

CASE NO. 89-80-CR-Marcus

FILED by _____
DEC 5 1992
CARLOS JUENKE
CLERK U.S. DIST. CT.
S.D. OF FLA. - MIAMI

Miami, Florida
May 10, 1989
9:40 a.m.

TRANSCRIPT OF SENTENCE
BEFORE THE HONORABLE STANLEY MARCUS

APPEARANCES:

PLAINTIFF: MARK SCHNAPP, ESQ.
Assistant United States Attorney
155 South Miami Avenue
Miami, Florida 33130

DEFENDANT: RAMSEY CLARK, ESQ.
36 E. 12 Street
New York, New York
-and-
MILTON M. FERRELL, JR., ESQ.
Suite 1920 Miami Center
100 Chopin Plaza
Miami, Florida 33131

REPORTER: ROBERT A. RYCKOFF
301 North Miami Avenue
Fifth Floor
Miami, Florida 33128

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I would hope the pleadings of the many people here before you will bear fruit of mercy. Do not send my brother away without hope. Do not destroy the soul of his family.

My brother is not an evil man. He has admitted many mistakes. His shame is deep, his name disgraced, his family shattered, his dignity destroyed.

Please allow my brother the ability to rejoin our family and society. He will and he can be a meaningful member, and only you can separate him from the vengeance that's sought by others.

THE COURT: Any questions that you wanted to put? Anything further, Mr. Ferrell?

MR. FERRELL: No.

THE COURT: Mr. Schnapp?

MR. SCHNAPP: Yes, Your Honor.

THE COURT: All right. Mr. Schnapp, you may proceed.

MR. SCHNAPP: Thank you, Your Honor.

CROSS EXAMINATION

BY MR. SCHNAPP:

Q Sir, you are Mr. Henry Gherman's brother, are you not?

A Yes, sir.

Q And your brother left the United States on August 8th of 1988, is that correct?

A Yes.

Q Now, Mr. Sherman, on August 5th of 1988 you made a trip to Antigua, did you not?

A Yes, sir.

Q And, in fact, you carried $500,000 deposited in the Swiss-American Bank for your brother, did you not?

A Yes, sir.

Q Were you aware that your brother was going to leave town on August 8th?

A No, sir.

Q Were you aware that your brother embezzled any money from his clients?

A No, sir.

Q What was the reason you took $500,000 and deposited it in an offshore account?

A My brother had -- I had told this already to Agent Dan Walker in a deposition in Max Kogen's room, and I had told him my brother had asked me to do him a favor.

He was caught up in a very busy weekend. His family was not there, and he had no one to do him this favor and make this deposit.

Q Now, you didn't walk down there -- I am sorry -- you didn't travel down there with a cashier's check, did you?

A No, sir.

Q In fact, you had a suitcase full of money, is that correct?

A I said this, yes.
Q Could you describe how you made the deposit, who you met with down there?
A A bank officer. I don't believe -- I believe his name was Reeves (phonetic).
Q What were of the instructions that Mr. Sherman gave to you?
A Nothing. Just to make a deposit.
Q He said: Just take this suitcase with $500,000 in cash --
A No, sir. It was a little attache case. He said, "Take this money and deposit it in the bank for me."
Q Did you ask why you were transporting $500,000 in cash outside the United States?
A No, sir. I didn't think it was important.
My brother asked me for a favor.
Q You didn't think it was important to ask why you were hand carrying a half a million dollars?
A No, sir.
Q Did you take any security precautions?
A No, sir.
Q Did you declare the money when you left?
A No, sir.
Q Why didn't you declare the money?
A I didn't put anything down. I just signed -- I travel

around the country and outside the country, and I just normally sign the document that I -- where they ask you to sign on the paper.

Q I am sorry. When you left the United States, you didn't declare any Customs form that you were transporting $500,000 in cash?

A No, sir.

Q Did you know that you were violating the law?

A No, sir.

Q Did you read the Customs form?

A I said I didn't.

MR. SCHNAPP: I have no further questions --

Q Incidentally -- I am sorry -- that deposit was made to Chaska (phonetic) Trading, is that correct?

A I believe so, yes.

MR. SCHNAPP: Your Honor, I have no further questions.

THE COURT: Redirect?

MR. FERRELL: I have just a couple.

THE COURT: Yes, indeed.

REDIRECT EXAMINATION

BY MR. FERRELL:

Q Mr. Gherman, these matters you were asked about as revelations, these you have been questioned about and questioned about through depositions, through hearings,

89 JUL -6 PM 4:32
CLERK
U.S. BANKRUPTCY CT.
S. DIST. OF FLA.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NOS.: 88-03266-BKC-TCB
88-03267-BKC-TCB
88-03268-BKC-TCB
Jointly Administered Chapter 11 Proceedings

IN RE:

HENRY GHERMAN, FIRST FINANCIAL PLANNING CORPORATION OF SOUTH FLORIDA, INC., FINANCIAL & INVESTMENT PLANNING, INC. a/k/a FIP, INC.,
Debtors.
_____/

FIFTH TRUSTEE'S REPORT
DATED JULY 6, 1989

discovery and the defense of discovery in this matter, and is currently involved in settlement negotiations with counsel for the defendants. In the event that the settlement negotiations are not successful, the matter presumably will be set for trial by Judge Marcus on the next status date in this case (August 11, 1989). The Trustee is fully prepared to try this lawsuit at this time in the event settlement is not reached.

3. The Trustee, his counsel and accountants continue their investigation of a substantial number of possible preference payments, fraudulent conveyances and outstanding obligations due and owing the debtors, and will file additional complaints as appropriate.

B. Antigua Litigation

On April 28, 1989, the Trustee secured from the Swiss American Bank of Antigua a check in the amount of $787,000, representing the balance of unrecovered money Henry Gherman had secreted to that bank. This payment concluded the Antiguan litigation, and represents complete recovery of all amounts secreted in Antigua of which the Trustee is aware, less amounts withheld by the bank as attorneys fees and handling charges.

C. Family Litigation

Since the last report to this Court, Henry Gherman and the defendants in the family litigation filed motions for a new trial. The Trustee and his counsel prepared and

Senate Permanent Subcommittee
On Investigations
EXHIBIT #___61f___

Exhibit 61f.

Debella fraud documents

31 11:21 FROM BRITEMB WASHING 913057876538 P.02
30/05/90 10:33 MINISTRY FINANCE FAX 497 3761 P.02

GOVERNMENT OF ANGUILLA

TELEPHONE (809) 497-2547 or 2451
FACSIMILE (809) 497-3761
TELEGRAM ANGGOVT
TELEX 8313 ANGGOVT
CODE 0391

OFFICE OF THE PERMANENT SECRETARY FINANCE
THE VALLEY, ANGUILLA
BRITISH WEST INDIES

Ref:

The Banking Act, 1967

ORDER OF REVOCATION (S.5(4))

I, Osbourne Berrington Fleming, Minister of Finance in exercise of my powers under section 5 (4) of the Banking Act, 1967 and being of the opinion that the United bank International (West Indies) Limited is carrying on business in Anguilla in a manner detrimental to the public interest, do hereby by this Order revoke the banking Licence of the United Bank International (West Indies) Limited with effect from the date hereof.

Dated this 29 day of May, 1990

O.B. Fleming
Minister of Finance

Received by:
Chiddiex, Asst Mgr.
29/05/90.
Time: 4:45pm

ATTACHMENT A

THE BANKING ACT 1967

NOTICE OF INTENDED REVOCATION OF BANKING LICENCE
(Section 5(5))

To: UNITED BANK INTERNATIONAL (WEST INDIES) LIMITED
P. J. Webster's Chambers, P.O. Box 58, The Valley, Anguilla.

Copy to: P.O. Box 119, Caribbean Commercial Center, The Valley, Anguilla.

TAKE NOTICE that I, OSBOURNE BERRINGTON FLEMING Minister for Finance, in exercise of my powers under section 5(5) of the Banking Act 1967 ("the Act") HEREBY GIVE YOU NOTICE that I intend to make an Order revoking your 'B' class Banking Licence pursuant to the provisions of section 5(4)(c) of the Act, on the grounds that in my opinion you are carrying on business in a manner detrimental to the public interest, as is more particularly evidenced by the course of events described hereafter. Section 5(5) of the Act also requires that you be afforded an opportunity of submitting to me a written statement of objections to the making of a revocation Order.

Accordingly, I HEREBY give you the opportunity, if you so wish, of submitting to me within 14 days from the date hereof, a written statement of objections to the making of the revocation Order.

PARTICULARS

1. (a) On 23rd September 1987, you entered into an irrevocable Loan Arrangement Committment reference number 71204UBI with Sea Chase International N.V. for the provision of a loan of US$7,040,000.00.

(b) That Sea Chase International N.V. paid a committment fee of US$70,400.00 for the arrangement of the loan.

(c) That you failed to arrange the loan as agreed and in spite of the terms of the loan committment aforesaid you refused to repay the fee, when requested by Sea Chase International N.V.

2. (a) That on 19th January 1988, you issued a Cashiers cheque, number [redacted] payable to Lionel U. Silberman in the sum of US$10,000.00.

(b) [redacted]

(c) That on [redacted] you refused to pay on the said cheque.

Scanned Image - 093cr6081 Document 1 page 9 Tue Jun 15 11:59:04 1999

(d) That acting on the instructions of your manager, a Mr. Michael De Bella, the said cheque was re-presented by Sun Bank N.A. Orlando Florida, with instructions as to payment.

(e) That on or about the 4th March 1988, you again refused to pay on the said cheque. By letter of that date you informed Sun Bank N.A. that the said cheque will not be honoured "because fraud is involved"; inspite of the fact that on 5th February and 12th February 1988, respectively you had in separate facsimile messages to Sun Bank N.A. represented that on receipt of collection instructions you would "process this collection immediately" and expeditiously finalize this collection.

3. (a) That on or about 21st December 1987, at Corpus Christi, Texas U.S.A. you conducted banking business with a company called PROAF SA, for a loan of US$6,000,000.

(b) In spite of the fact that an advance fee or committment fee of US$20,000 was paid by the said principals, no loan was made and you refused to repay the said committment fee when requested.

(c) You did not have any authority from the Administrator of National Banks office in the United States or any other agency of the United States Government to conduct banking business in the United States.

4. (a) That on or about October 21st 1987, Mr De Bella, acting as your manager represented to one William Webster Millsaps, that a loan of US$1,500,000 could be arranged for him, on payment of a fee of US$6,000, which fee was subsequently paid by Mr Millsaps.

(b) That in spite of the representations referred to in paragraph 4(a) no such loan was ever arranged and you refused to refund all or any part of the said US$6,000 fee.

5. (a) That in or about June 1987, you represented to a Mr Alex Korman of 14847 NE 20th Avenue, Miami, Florida that you would arrange a loan for him in the amount of US$919,000, to be made to Mr Korman's company, Korman Investments Inc.

(b) Mr Korman paid a total of US$30,000 to you in advance fees for the arrangement of the loan. In spite of your representations to the effect that the loans would be made, (see your letters of 20th July and 6th August 1987) and representations made in a Florida Court hearing by one Joseph Macaluso, described as your "loans officer", to the effect that the loans would be made, the loan was not infact made, and no repayment of any part of the said advance fees was repaid to Mr. Korman until after Mr. Korman had lodged complaints with the Government of Anguilla and had instructed lawyers in Anguilla to act for him in the recovery of his fees.

(c) That letters written to Mr. Korman and signed by the said Joseph Macaluso were intended by you to represent that Mr. Macaluso was employed by you in Anguilla, whereas Mr. Macaluso is not and never has been employed by you in Anguilla, and is infact employed by a company known as Western Financial Inc, based in Miami Florida which was represented to Mr. Korman as an agent for you in the United States.

6. (a) That in about July 1987, you issued a conditional letter of credit to a Mr. Jenkinson of Florida, USA, for the amount of US$200,000, and Mr. Jenkinson paid to you a fee of US$20,000 for arranging the said letter of credit.

(b) The said letter of credit was not accepted by any of the banks which you represented to Mr. Jenkinson would so accept, and accordingly was worthless. You refused to repay all or any part of the said fee when requested.

7. (a) In about August 1987, you represented to a Mr. Glenn Hatch and a Mr. Randy Burton that you could arrange loan financing of up to US$1,500,000 for production of motion pictures. Mr. Hatch paid to you an advance fee of US$1,000, and delivered to you a cheque for US$5,000 to be held in escrow pending agreement of the loan.

(b) Inspite of your representations as aforesaid, the said loan was not made and you failed or refused to refund any part of the said fees to Mr. Burton until after he had lodged complaints with authorities in the United States and the Attorney General and Minister of Finance in Anguilla.

8. In about May 1987, you represented to Mr. Richard J. Halley of New Jersey that you would provide him with a loan of US$450,000. Mr. Halley paid to you an advance fee of US$45,000, but inspite of your representations, the loan was never provided and you failed or refused to refund all or any part of the said fee when requested (at the said time).

9. That on or about the 30 January 1989 Mr Bernard Defive executed a Promissory Note in your favour and the said Note was subsequently changed and/or amended without his knowledge, consent or authority resulting in police investigations likely to bring the Banking sector into disrepute.

Dated this 4th day of April 1990.

O.B. Fleming
Minister of Finance

I, of
personally delivered this notice to the offices of United Bank International Ltd, The Valley, Anguilla, on the of 1990.

Signed: .....

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SWISS-AMERICAN NATIONAL BANK OF ANTIGUA

25th June, 1990

Mr. John C. Mattes
Brickell Concours
Suite 910
1401 Brickell Avenue
Miami, Florida 33131
U.S.A.

Dear Mr. Mattes:

Re: United Bank International

In reply to your letter of 22nd June, addressed to Mr. Bruce Rappaport, could you please take note that neither Mr. Bruce Rappaport nor the Inter Maritime Bank in Geneva has any connection with the Swiss American group, either as shareholders or directors and that future enquiries or correspondence should be addressed directly to the undersigned at the address below.

To now refer to your enquiry, the bank in question did have a small banking relationship with us, and during the course of this relationship, we, on occasions, effected transfers out through our correspondent banking network on their behalf and received payments in. The turn over on the accounts has never exceeded a low five-figure.

I have very carefully investigated the claim made regarding our bank's involvement and have ascertained that on 19th October, 1989 we received a request to verify to the Industrial and Commercial Bank of China a signature of a bank officer of United Bank. This was done through the intermediary of Irving Trust Company who was asked to pass it on to CitiBank, New York. In no circumstances could this have been construed as any confirmation from us of the underlying transaction of which we were totally unaware, and I think if you check with bank authorities in the U.S.A. they will confirm that it would be normal practice for banks to verify their customers' signatures.

We know nothing of the transactions carried out by this bank and have never been asked to arrange or confirm any banking document such as a Letter of Credit, Letter of Guarantee, etc.

GOVERNMENT EXHIBIT 231

003669

BANK

25th June, 1990

Mr. John C. Mattes

I trust that you are now clearly aware of our position in this matter. If there is any further information that we are able, within the constraints of the Antigua Banking laws, to give you, I will of course be only too happy to oblige.

Yours sincerely,

John Greaves
General Manager

JG/pc

GET: vlf

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

UNITED STATES OF AMERICA,		
Plaintiff,		
v.	No.	93-6081 CR MORENO(s)
MICHAEL A. DEBELLA, JR., a/k/a MICHAEL JORDAN, SANDRA A. SIEGEL, a/k/a SANDY DEBELLA, JOSEPH MACALUSO,		18 U.S.C. § 2 18 U.S.C. § 371 18 U.S.C. § 1341 18 U.S.C. § 1343 18 U.S.C. § 1344 18 U.S.C. § 1956 26 U.S.C. § 7201 42 U.S.C. § 408
Defendants.		

SUPERSEDING INDICTMENT

The Grand Jury charges that:

INTRODUCTION

At all times relevant to this Indictment:

1. MICHAEL A. DEBELLA, JR., also known as MICHAEL JORDAN, was a United States citizen who maintained a residence with SANDRA A. SIEGEL, also known as SANDY DEBELLA, in the Southern District of Florida. MICHAEL A. DEBELLA, JR. and SANDRA A. SIEGEL were unmarried individuals.

2. From on or about June 23, 1986 to on or about May 29, 1990, United Bank International (hereinafter "UBI") was an offshore "Class B" bank located in The Valley, Anguilla, British West Indies. A "Class B" banking license allowed UBI to conduct banking business with customers other than citizens or temporary

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residents of Anguilla. On or about May 29, 1990, the Anguillan Ministry of Finance revoked UBI's banking license because it was carrying on business in Anguilla in a manner detrimental to the public interest.

3. From in or about and between September, 1986 and May, 1990, MICHAEL A. DEBELLA, JR., held 45,000 out of 50,000 shares in UBI stock. MICHAEL A. DEBELLA, JR. was UBI's president and chairman of the board of directors.

4. SANDRA A. SIEGEL, JOSEPH MACALUSO, and others both known and unknown to the Grand Jury, made false statements and representations to individuals as agents conducting business for, or on behalf of, UBI.

5. MICHAEL A. DEBELLA, JR. was the president and director of Atlantic Capital Corporation, a corporation chartered in the State of Florida and was also the director of Atlantic Capital Corporation, Ltd., a corporation chartered in St. Johns, Antigua, British West Indies. MICHAEL A. DEBELLA, JR. and SANDRA A. SIEGEL held an account at Commonwealth Savings and Loan Association of Florida ("Commonwealth") in Boca Raton, Florida under the name of "Atlantic Capital."

6. MICHAEL A. DEBELLA, JR. operated an unincorporated business known as Marlborough Village, a mobile home park located in Marlborough, Connecticut. MICHAEL A. DEBELLA, JR. held an account with People's Savings Bank, West Hartford, Connecticut, under the name of Marlborough Village.

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COUNT ONE

1. Paragraphs 1 through 6 of the Introduction to this Indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about and between June 23, 1986 and September 24, 1990, both dates being approximate and inclusive, within the Southern District of Florida and elsewhere, defendants,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,
SANDRA A. SIEGEL,
a/k/a SANDY DEBELLA,
JOSEPH MACALUSO,

did knowingly, willfully, combine, conspire, confederate, and agree with each other and with persons known and unknown to the Grand Jury:

(1) to use the mails and cause the use of the United States mails in the execution of a scheme and artifice to defraud, in violation of Title 18, United States Code, Sections 1341 and 2;

(2) to use and cause the use of wire communications, signs, signals and sounds, that is, facsimile transmissions, telephone calls, telexes and wire transfers in the execution of a scheme and artifice to defraud, in violation of Title 18, United States Code, Sections 1343 and 2;

(3) to knowingly and willfully conduct financial transactions affecting interstate or foreign commerce which involved the proceeds of specified unlawful activity, in

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violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i), 1956(a)(2)(B)(i), and 2.

The Manner and Means of the Conspiracy

1. It was part of the conspiracy that defendants MICHAEL A. DEBELLA, JR., JOSEPH MACALUSO, and others known and unknown to the Grand Jury, induced individuals ("borrowers") to pay sums of money as a "fee" for obtaining negotiable letters of credit, lines of credit and loans from UBI. The amounts of these "fees" were a percentage of the letters of credit, lines of credit and loans to be obtained from UBI.

2. It was further a part of the conspiracy that defendants MICHAEL A. DEBELLA, JR., SANDRA A. SIEGEL, JOSEPH MACALUSO, and others known and unknown to the Grand Jury, falsely represented to the borrowers that UBI was an offshore financial institution which could provide financing in the form of letters of credit, lines of credit and loans.

3. It was further a part of the conspiracy that defendants MICHAEL A. DEBELLA, JR., SANDRA A. SIEGEL, JOSEPH MACALUSO and others known and unknown to the Grand Jury, falsely represented to the borrowers that UBI had correspondent banking relationships with major banking institutions, including but not limited to the Bank of Credit and Commerce International (BCCI), the Bank of Hong Kong and Shanghai, North Carolina National Bank (NCNB), and Credit Suisse.

4. It was further a part of the conspiracy that defendants MICHAEL A. DEBELLA, JR., JOSEPH MACALUSO, and others known and

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unknown to the Grand Jury, falsely represented to the borrowers that UBI's letters of credit were negotiable at major banking institutions.

5. It was further a part of the conspiracy that defendants MICHAEL A. DEBELLA, JR., JOSEPH MACALUSO, and others known and unknown to the Grand Jury caused the borrowers to pay "fees" to them in advance of receiving financing from UBI.

6. It was further a part of the conspiracy that defendants MICHAEL A. DEBELLA, JR., JOSEPH MACALUSO, and others known and unknown to the Grand Jury, received the borrowers' advance fees in the form of wire transfers and checks, payable in United States currency.

7. It was further a part of the conspiracy that defendants MICHAEL A. DEBELLA, JR., SANDRA A. SIEGEL, JOSEPH MACALUSO, and others known and unknown to the Grand Jury, for the purpose of executing a scheme and artifice to defraud the borrowers, did knowingly place and caused to be placed in an authorized depository for mail, matter to be sent and delivered by the United States Postal Service.

8. It was further a part of the conspiracy that defendants MICHAEL A. DEBELLA, JR., SANDRA A. SIEGEL, JOSEPH MACALUSO, and others known and unknown to the Grand Jury, for the purpose of executing a scheme and artifice to defraud the borrowers, transmitted and did cause to be transmitted in interstate commerce by means of wire communications, signs, signals and

sounds, that is, facsimile transmissions, telephone calls, telexes and wire transfers.

9. It was further a part of the conspiracy that defendants MICHAEL A. DEBELLA, JR., SANDRA A. SIEGEL, JOSEPH MACALUSO, and others known and unknown to the Grand Jury, failed to provide the borrowers with negotiable letters of credit, lines of credit and loans from UBI.

10. It was further a part of the conspiracy that defendants MICHAEL A. DEBELLA, JR., SANDRA A. SIEGEL, and others known and unknown to the Grand Jury, opened multiple bank accounts throughout the Southern District of Florida and elsewhere, using Social Security Numbers not truly their own.

11. It was further a part of the conspiracy that defendants MICHAEL A. DEBELLA, JR., SANDRA A. SIEGEL, and others known and unknown to the Grand Jury, caused the wire transfer of the borrowers' advance fees from bank accounts outside the United States to accounts in the United States.

12. It was further a part of the conspiracy that defendants MICHAEL A. DEBELLA, JR., SANDRA A. SIEGEL, JOSEPH MACALUSO, and others known and unknown to the Grand Jury, did knowingly and willfully conduct financial transactions affecting interstate or foreign commerce which involved the proceeds of specified unlawful activity.

OVERT ACTS

In furtherance of the conspiracy, and to effect the objects thereof, the following acts, among others, were committed by or

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caused to be committed by one or more members of the conspiracy, in the Southern District of Florida and elsewhere:

A. Robert Thompson

1. In or about August, 1987, defendants MICHAEL A. DEBELLA, JR., JOSEPH MACALUSO, and others known and unknown to the Grand Jury, caused Robert Thompson to meet with them on at least two occasions at the Sheraton Hotel in Boca Raton, Florida for the purpose of obtaining a $5 million loan from UBI.

2. On or about August 3, 1987 defendant JOSEPH MACALUSO told Robert Thompson that UBI would charge a $10,000 non-refundable fee.

3. On or about August 17, 1987, defendant MICHAEL A. DEBELLA, JR., JOSEPH MACALUSO and others known and unknown to the Grand Jury, caused Robert Thompson to write check number 761 from the account of Robert E. Thompson and Bernice Thiele Thompson, Sun Bank/South Florida, N.A., Lauderdale-By-The-Sea, Florida, and payable to Joseph Macaluso, in the amount of $10,000.

4. On or about August 17, 1987, defendants MICHAEL A. DEBELLA, JR. and JOSEPH MACALUSO cashed the $10,000 check at Sun Bank.

5. On or about August 24, 1987, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Robert Thompson to travel in interstate commerce from the Southern District of Florida to Beverly Hills, California.

6. On or about August 26, 1987, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury,

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caused Robert Thompson to wire transfer $6,000 from Sun Bank/South Florida, N.A., Lauderdale-By-The-Sea, Florida for credit to the account held by UBI, The Valley, Anguilla.

7. In or about September, 1987, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Robert Thompson to make telephone calls from the Southern District of Florida to UBI, The Valley, Anguilla, BCCI, London, England, and the Commercial Bank of Djibouti, Djibouti, Africa.

8. On or about September 1, 1987, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Robert Thompson to wire transfer $1,500 from the Southern District of Florida to Fernando Gomez in New York, New York for delivery to defendant MICHAEL A. DEBELLA, JR.

9. On or about September 7, 1987, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Robert Thompson to transmit by facsimile a copy of a letter from Lauderdale-By-The-Sea, Florida to defendant MICHAEL A. DEBELLA, JR. at UBI, The Valley, Anguilla regarding the UBI loan.

10. On or about September 15, 1987, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Robert Thompson in Lauderdale-By-The-Sea, Florida concerning the incorporation documents for Leaseco/Tradeco Ltd.

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11. On or about September 18, 1987, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, mailed and caused to be mailed incorporation documents for Leasco/Tradeco Ltd. from UBI, The Valley, Anguilla to Robert Thompson in Lauderdale-By-The-Sea, Florida.

12. In or about January, 1988, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, mailed and caused to be mailed a letter regarding Leasco/Tradeco Ltd. from UBI, The Valley, Anguilla to Robert Thompson in Lauderdale-By-The-Sea, Florida.

B. John Feketis

13. On or about August 12, 1987, defendants MICHAEL A. DEBELLA, JR., JOSEPH MACALUSO and others known and unknown to the Grand Jury, caused John Feketis to write check no. 34, from the account of Lillian Feketis and John Feketis (joint tenants), Dreyfus Liquid Assets, Inc., the Bank of New York, White Plains, New York, payable to defendant JOSEPH MACALUSO in the amount of $10,000.

14. On or about August 15, 1987, defendant MICHAEL A. DEBELLA, JR., JOSEPH MACALUSO and others known and unknown to the Grand Jury, caused John Feketis to meet with them at the Intercontinental Hotel in Miami, Florida for the purpose of obtaining a $50 million letter of credit from UBI.

15. On or about September 26, 1987, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused John Feketis to write check no. 38, from the account of

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Lillian Feketis and John Feketis (joint tenants), Dreyfus Liquid Assets, Inc., the Bank of New York, White Plains, New York, and payable to National Bank of Anguilla in the amount of $50,000.

16. On or about September 26, 1987, defendant MICHAEL A. DEBELLA, JR., and others known and unknown to the Grand Jury, prepared and caused the preparation of a document purporting to be an irrevocable letter of credit, number 71202 UBI in the amount of $50 million, issued by UBI to Laverndale Corporation. A copy of the "letter of credit" was hand-delivered to John Feketis.

17. On or about October 7, 1987, defendants MICHAEL A. DEBELLA, JR., JOSEPH MACALUSO and others known and unknown to the Grand Jury, caused John Feketis to travel in interstate commerce from Miami, Florida to New York, New York, to meet defendant JOSEPH MACALUSO regarding Letter of Credit Commitment Number 71202 UBI.

18. On or about November 26, 1987, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, mailed and caused to be mailed a letter from UBI, The Valley, Anguilla, regarding cancellation of Letter of Credit Commitment Number 71202 UBI to John Feketis, Miami Beach, Florida.

C. Denis Renuart

19. In or about April, 1989, defendant JOSEPH MACALUSO and others known and unknown to the Grand Jury, caused Denis Renuart, doing business as Claws, Tails & Scales, Inc., to travel in interstate commerce from Annapolis, Maryland to Coral

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Gables, Florida, to meet defendant MACALUSO, doing business as Selective Seafood Imports, Inc., Fort Lauderdale, Florida, to discuss a proposed shrimp purchase.

20. On or about May 26, 1989, defendant JOSEPH MACALUSO gave Denis Renuart approximately five (5) checks totalling $6,475, drawn upon the account of Selective Seafood Imports, Inc. at Gateway American Bank of Florida, Fort Lauderdale, Florida, to initiate delivery of the shrimp. On or about June 8, 1989, Renuart deposited the checks into his account at Key Biscayne Bank and Trust, Key Biscayne, Florida.

21. On or about June 23, 1989, defendant, MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, prepared and caused the preparation of a document purporting to be an irrevocable standby letter of credit, number 71378 UBI in the amount of $750,000, issued by UBI, The Valley, Anguilla, for Selective Seafood Imports, Inc. The "letter of credit" was made in favor of King Neptune Seafood, Inc., T/A Claws, Tails & Scales, Inc., and a copy was transmitted by facsimile from UBI, The Valley, Anguilla, to Denis Renuart in Annapolis, Maryland.

22. In or about June, 1989, defendants MICHAEL A. DEBELLA, JR., JOSEPH MACALUSO and others known and unknown to the Grand Jury, caused Denis Renuart to place telephone calls from Annapolis, Maryland to Fort Lauderdale, Florida.

23. In or about June, 1989, defendants MICHAEL A. DEBELLA, JR. and JOSEPH MACALUSO, and others known and unknown to

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the Grand Jury, in Fort Lauderdale, Florida, placed telephone calls to Denis Renuart in Annapolis, Maryland.

24. On or about July 26, 1989, defendants MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Denis Renuart in Annapolis, Maryland stating that Letter of Credit Number 71378 UBI would not be honored by UBI.

D. Frank DiNardo

25. In or about July, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Frank DiNardo to travel from Sarasota, Florida to Fort Lauderdale, Florida to meet defendant MICHAEL A. DEBELLA, JR. DEBELLA represented to DiNardo that he was the chairman of UBI and that UBI could loan him $9 million.

26. On or about August 23, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Frank DiNardo, Sarasota Florida regarding payment of a site inspection fee of $2,500 and deposit $1,000 in a UBI account.

27. In or about August, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Frank DiNardo to pay the $2,500 site inspection fee and open a UBI account with a $1,000 deposit.

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28. On or about September 6, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Frank DiNardo in Sarasota, Florida regarding the UBI loan summary.

29. On or about October 16, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, prepared and caused the preparation of a document purporting to be a loan arrangement commitment, number 71456 UBI in the amount of $9 million, issued by UBI, The Valley, Anguilla to DiNardo International and Frank DiNardo. A copy of the "loan commitment" was transmitted by facsimile from UBI, The Valley, Anguilla to Frank DiNardo in Sarasota, Florida.

30. On or about October 20, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla, to Frank DiNardo in Sarasota, Florida regarding wiring instructions.

31. On or about October 24, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Frank DiNardo to wire transfer $50,000 from Lafayette Bank and Trust Company, Bridgeport, Connecticut, to the account of Swiss American National Bank of Antigua, West Indies ("Swiss American Bank") at Irving Trust Company, now known as the Bank of New York, New York, New York, for further credit to UBI.

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32. On or about October 27, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Frank DiNardo to wire transfer $40,000 from Lafayette Bank and Trust Company, Bridgeport, Connecticut, to the account of Swiss American Bank at Irving Trust Company, now known as the Bank of New York, New York, New York, for further credit to UBI.

33. On or about October 27, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Frank DiNardo to transmit by facsimile a copy of a letter from Sarasota, Florida to UBI, The Valley, Anguilla regarding changes in the loan commitment.

34. On or about November 14, 1989, defendant MICHAEL A. DEBELLA, JR. caused Frank DiNardo to send the Naples Property Appraisal and tax returns by overnight courier to defendant JOSEPH MACALUSO in Atlanta, Georgia. On or about November 14, defendant DEBELLA caused DiNardo to transmit by facsimile a copy of a letter from Sarasota, Florida to UBI, The Valley, Anguilla confirming delivery of the documents to Atlanta by courier.

35. On or about November 14, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Frank DiNardo in Sarasota, Florida regarding Loan Arrangement Commitment Number 71456 UBI.

36. On or about November 15, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury,

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caused UBI to fail to provide the $9 million loan commitment to Frank DiNardo.

37. On or about December 1, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Frank DiNardo in Sarasota, Florida offering to seek financing from another financial institution.

E. Marcus Van Winkle

38. On or about July 17, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Marcus Van Winkle in Hillsboro Beach, Florida regarding a $400,000 letter of credit.

39. On or about July 28, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Marcus Van Winkle to wire transfer $12,000 from AmeriFirst, Boca Raton, Florida to the account of Swiss American Bank at Irving Trust Company, now known as the Bank of New York, New York, New York, for further credit to UBI.

40. On or about August 29, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Marcus Van Winkle in Hillsboro Beach, Florida regarding proposed changes to the $400,000 letter of credit.

41. On or about September 12, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury,

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caused Marcus Van Winkle to wire transfer $8,500 from AmeriFirst, Boca Raton, Florida to the account of Swiss American Bank at Irving Trust Company, now known as the Bank of New York, New York, New York, for further credit to UBI.

F. Hosel International Hong Kong Ltd.

42. In or about June, 1988, the president and vice-president of RU-JO Traders, Inc., Miami Beach, Florida ("RU-JO Traders"), were introduced to defendant MICHAEL A. DEBELLA, JR. by defendant JOSEPH MACALUSO.

43. On or about August 16, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Jack Terrell, Director, Hosel International Hong Kong Ltd. ("Hosel"), to travel in interstate commerce from Atlanta, Georgia to Miami, Florida to meet with them at the Embassy Suites Hotel to discuss UBI's financing of shrimp shipments from China.

44. On or about September 12, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Ray Mathis, Hosel's U.S. National Liason, in Wilmington, North Carolina regarding the pre-advice letter of credit.

45. On or about September 25, 1989, defendant MICHAEL A. DEBELLA, JR., and others known and unknown to the Grand Jury, prepared and caused the preparation of a document purporting to be an irrevocable letter of credit, number 71442 UBI in an amount not to exceed $1,148,416.18, issued by UBI for RU-JO Traders.

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The "letter of credit" was made in favor of China Foreign Trade Development Companies, Inc. ("China Foreign Trade") and a copy was transmitted by facsimile from UBI, The Valley, Anguilla to The Industrial & Commercial Bank of China, Shenzen, China.

46. On or about September 28, 1989, defendant MICHAEL A. DEBELLA, JR., as a 6.6 percent shareholder of RU-JO Traders, authorized RU-JO Traders to execute an exclusive contract with Hosel to purchase at least 6,000 metric tons of shrimp.

47. On or about October 4, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Jack Terrell to transmit by facsimile a copy of a letter from Hong Kong to UBI, The Valley, Anguilla regarding amendments to Letter of Credit Number 71442 UBI.

48. On or about October 4, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Jack Terrell in Hong Kong regarding amendments to Letter of Credit Number 71442.

49. On or about October 4, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Jack Terrell to transmit by facsimile a copy of a letter from Hong Kong to DEBELLA in the Southern District of Florida regarding verification of Letter of Credit Number 71442 UBI.

50. On or about November 1, 1989, defendant MICHAEL A. DEBELLA, JR., and others known and unknown to the Grand Jury, prepared and caused the preparation of a document purporting to

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be an irrevocable letter of credit, No. 71464 UBI in the amount not to exceed $105,000, issued by UBI for RU-JO Traders. The "letter of credit" was made in favor of Hosel, Hong Kong and a copy was transmitted by facsimile from UBI, The Valley, Anguilla to The Hong Kong Chinese Bank, Limited in Hong Kong.

51. On or about November 21, 1989, defendant MICHAEL A. DEBELLA, JR., and others known and unknown to the Grand Jury, prepared and caused the preparation of UBI cashier's check number C13589 RJ1, in the amount of $935,225.61, payable to China Foreign Trade.

52. In or about November, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Ray Mathis to travel in interstate commerce from Wilmington, North Carolina to Boca Raton, Florida, to discuss payment for the shipments of shrimp.

53. On or about December 6, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Jack Terrell in Hong Kong regarding the cancellation of banking relations with RU-JO Traders.

54. On or about December 15, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to issue an invoice to Imported Meats, Incorporated, Elmhurst, Illinois, in the amount of $266,470.30 for 72,019 pounds of shrimp.

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55. On or about December 18, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Imported Meats, Inc. to wire transfer $266,470.30 from First Illinois Bank, Wilmette, Illinois to the account of Swiss American Bank at the Bank of New York, New York, New York, for further credit to UBI.

56. On or about December 18, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused the shipment of six (6) containers of shrimp weighing approximately 75 tons from Los Angeles, California to Elmhurst, Illinois.

57. On or about December 19, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to stop payment on UBI cashier's check number C13589 RJ1, in the amount of $935,225.61, payable to China Foreign Trade.

58. On or about December 19, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Jack Terrell in Hong Kong regarding Letter of Credit Number 71442 UBI.

59. On or about December 19, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to issue an invoice to Imported Meats, Incorporated, Elmhurst, Illinois, in the amount of $266,512.00 for 68,640 pounds of shrimp.

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60. On or about December 19, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Imported Meats, Inc. to wire transfer $226,512.00 from First Illinois Bank, Wilmette, Illinois to the account of Swiss American Bank at the Bank of New York, New York, New York, for further credit to UBI.

61. On or about December 22, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Ray Mathis to transmit by facsimile a copy of a letter from Wilmington, North Carolina to defendant DEBELLA at UBI, The Valley, Anguilla regarding UBI cashier's check number C13589 RJ1, in the amount of $935,225.61.

62. On or about December 22, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Ray Mathis in Wilmington, North Carolina regarding Letter of Credit Number 71442 UBI.

63. On or about December 22, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to wire transfer $77,014.08 from the account of Swiss American Bank at the Bank of New York, New York, New York, to the account of China Foreign Trade at Citibank, Shenzen, China.

64. On or about December 27, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury,

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caused China Foreign Trade to transmit a copy of a telex from Shenzen, China to UBI, The Valley, Anguilla refusing UBI's partial payment of $77,014.88.

65. On or about December 28, 1989, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to issue an invoice to Imported Meats, Incorporated, Elmhurst, Illinois, in the amount of $113,168.88 for 34,293 pounds of shrimp.

66. On or about January 8, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to issue an invoice to Imported Meats, Incorporated, Elmhurst, Illinois, in the amount of $91,388.68 for 27,737 pounds of shrimp.

67. On or about January 8, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to issue an invoice to Imported Meats, Incorporated, Elmhurst, Illinois, in the amount of $72,510.24 for 23,390 pounds of shrimp.

68. On or about January 9, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Imported Meats, Inc. to wire transfer $113,168.88 from First Illinois Bank, Wilmette, Illinois to the account of Swiss American Bank at the Bank of New York, New York, New York, for further credit to UBI.

69. On or about January 17, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury,

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caused UBI to issue an invoice to Imported Meats, Incorporated, Elmhurst, Illinois, in the amount of $63,513.12 for 27,614 pounds of shrimp.

70. On or about January 18, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Imported Meats, Inc. to wire transfer $63,513.12 from First Illinois Bank, Wilmette, Illinois to the account of Swiss American Bank at the Bank of New York, New York, New York, for further credit to UBI.

71. On or about January 18, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to issue an invoice to Imported Meats, Incorporated, Elmhurst, Illinois, in the amount of $93,588.00 for 18,717 pounds of shrimp.

72. On or about January 22, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Imported Meats, Inc. to wire transfer $72,510.24 from First Illinois Bank, Wilmette, Illinois to the account of Swiss American Bank at the Bank of New York, New York, New York, for further credit to UBI.

73. On or about February 2, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Imported Meats, Inc. to wire transfer $26,400.00 from First Illinois Bank, Wilmette, Illinois to the account of Swiss American Bank at the Bank of New York, New York, New York, for further credit to UBI.

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74. On or about February 23, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Imported Meats, Inc. to wire transfer $65,188.00 from First Illinois Bank, Wilmette, Illinois to the account of Swiss American Bank at the Bank of New York, New York, New York, for further credit to UBI.

G. Chester Benjamin

75. In or about April, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Chester Benjamin to travel in interstate commerce from Nassau, Bahamas to Boca Raton, Florida to meet defendant MICHAEL DEBELLA, JR. regarding financing from UBI.

76. On or about July 18, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, prepared and caused the preparation of a document purporting to be an irrevocable letter of credit, number 71543 UBI in the amount of $110,000, issued by UBI, The Valley, Anguilla for Paradise Travel (1988) Ltd. A copy of the "letter of credit" was transmitted by facsimile from UBI, The Valley, Anguilla, to Chester Benjamin in Nassau, Bahamas.

77. On or about July 23, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Chester Benjamin to wire transfer $11,000 from The Bank of Nova Scotia, Nassau, Bahamas, to the account of Swiss American Bank at the Bank of New York, New York, New York, for further credit to UBI.

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78. On or about September 1, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Chester Benjamin, in Nassau, Bahamas regarding the letter of credit.

79. On or about September 7, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Chester Benjamin to transmit by facsimile a copy of a letter from Nassau, Bahamas to UBI, The Valley, Anguilla regarding the letter of credit.

80. On or about September 10, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused UBI to transmit by facsimile a copy of a letter from The Valley, Anguilla to Chester Benjamin, in Nassau, Bahamas stating that UBI ceased trading and would not fund Letter of Credit Number 71543.

H. Carl and Connie Calvitti

81. On or about May 6, 1990, Carl Calvitti contacted defendant MICHAEL A. DEBELLA, JR. to obtain financing from UBI.

82. On or about June 11, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, prepared and caused the preparation of a document purporting to be an irrevocable letter of credit commitment, letter of credit number 71515 UBI in the amount of $4.5 million by order of SEAS Diversified Financial Services, Inc. A copy of the "letter of credit" was transmitted by facsimile from UBI, The Valley,

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Anguilla to SEAS Diversified Financial Services, Inc. in Bakersfield, California.

83. On or about July 12, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Colleen B. Gessel to wire transfer $35,000 from Home Savings of America, Santa Monica, California to the account of Swiss American Bank at the Bank of New York, New York, New York, for further credit to UBI.

84. On or about July 17, 1990, defendant MICHAEL A. DEBELLA, JR. wrote check number 117, from the account of UBI, Commonwealth, Boca Raton, Florida, and payable to Connie Calvitti in the amount of $150,000. The check was sent by Federal Express from Boca Raton, Florida to Connie Calvitti in Woodland Hills, California.

85. On or about August 8, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused Connie Calvitti to transmit by facsimile a copy of a letter from Burbank, California to UBI, The Valley, Anguilla regarding cancellation of Letter of Credit Number 71515 UBI and return of the $35,000 payment.

86. On or about September 20, 1990, defendant SANDRA A. SIEGEL caused Connie Calvitti to place a telephone call from Woodland Hills, California to Boca Raton, Florida.

I. George Trodella

87. In or about July, 1990, George Trodella of Fort Lauderdale, Florida, spoke to defendant MICHAEL A. DEBELLA, JR.

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DEBELLA represented to George Trodella that he was a UBI board member and that UBI had correspondent banking relationships with financial institutions worldwide, including Trodella's bank, NCNB, in Fort Lauderdale, Florida. DEBELLA further represented to George Trodella that he could assist him in obtaining a $500,000 letter of credit to assist in refurbishing a commercial property located in Broward County.

88. On or about July 9, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused George Trodella to wire transfer $2,500 from NCNB, Fort Lauderdale, Florida to the account of Swiss American Bank at the Bank of New York, New York, New York, for further credit to UBI.

89. On or about July 18, 1990, defendant MICHAEL A. DEBELLA, JR. and others known and unknown to the Grand Jury, caused George Trodella to wire transfer $57,500 from NCNB, Fort Lauderdale, Florida to the account of Swiss American Bank at the Bank of New York, New York, New York, for further credit to UBI.

J. Wire Transfers

90-107. On or about the dates specified below, funds were wire transferred from Swiss American Bank, St. John's, Antigua, British West Indies to the Bank of New York, New York, New York for further credit to accounts held by defendants MICHAEL A. DEBELLA, JR. and SANDRA A. SIEGEL at AmeriFirst Savings Bank ("AmeriFirst") and Commonwealth, Boca Raton, Florida, respectively:

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OVERT ACT NO.	DATE	DOLLAR AMOUNT OF WIRE TRANSFER	DEPOSITED TO
90.	08/02/89	$ 5,000.00	Commonwealth
91.	08/08/89	$ 8,000.00	Commonwealth
92.	08/18/89	$20,000.00	Commonwealth
93.	09/05/89	$15,000.00	Commonwealth
94.	11/03/89	$10,000.00	Commonwealth
95.	11/10/89	$10,000.00	Commonwealth
96.	12/26/89	$50,000.00	Commonwealth
97.	12/29/89	$50,000.00	Commonwealth
98.	02/05/90	$15,000.00	AmeriFirst
99.	02/12/90	$ 5,000.00	AmeriFirst
100.	02/13/90	$ 5,000.00	AmeriFirst
101.	03/05/90	$ 5,000.00	AmeriFirst
102.	05/23/90	$ 5,000.00	AmeriFirst
103.	06/28/90	$10,000.00	AmeriFirst
104.	07/03/90	$ 9,500.00	AmeriFirst
105.	07/11/90	$ 7,500.00	AmeriFirst
106.	07/18/90	$ 7,500.00	AmeriFirst
107.	09/06/90	$ 7,940.00	AmeriFirst

108-113. On or about the dates specified below, funds were wire transferred from Swiss American Bank's account at the Bank of New York, New York, New York to an account controlled by defendant DEBELLA at Peoples Bank, Marlborough, Connecticut, and then wire transferrd to an account held by defendants MICHAEL A. DEBELLA, JR. and SANDRA A. SIEGEL at AmeriFirst, Boca Raton, Florida, respectively:

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OVERT ACT NO.	DATE	DOLLAR AMOUNT OF WIRE TRANSFER	DEPOSITED TO
108	04/06/90	$9,000.00	AmeriFirst
109	04/12/90	$5,000.00	AmeriFirst
110	04/25/90	$9,500.00	AmeriFirst
111	05/02/90	$9,500.00	AmeriFirst
112	05/10/90	$9,500.00	AmeriFirst
113	09/24/90	$5,000.00	AmeriFirst

All in violation of Title 18, United States Code, Sections 371 and 2.

COUNT TWO

1. Paragraphs 1 through 6 of the Introduction to this Indictment are hereby realleged and incorporated as if fully set forth herein.

2. The allegations contained in Paragraphs 1 through 113 of Count 1 are hereby realleged and incorporated as if fully set forth herein.

3. On or about July 28, 1989, for the purpose of executing the above scheme, defendant,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,

did transmit and cause to be transmitted in interstate commerce by means of wire communications, signs, signals and sounds, that is, a wire transfer from AmeriFirst, Boca Raton, Palm Beach County, in the Southern District of Florida, which resulted in the deposit of $12,000 into the account of Swiss American Bank at Irving Trust Company, now known as the Bank of New York, New

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York, New York, for further credit to UBI, account number 1200501.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT THREE

1. Paragraphs 1 through 6 of the Introduction to this Indictment are hereby realleged and incorporated as if fully set forth herein.

2. The allegations contained in Paragraphs 1 through 113 of Count 1 are hereby realleged and incorporated as if fully set forth herein.

3. On or about September 12, 1989, for the purpose of executing the above scheme, defendant,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,

did transmit and cause to be transmitted in interstate commerce by means of wire communications, signs, signals and sounds, that is, a wire transfer from AmeriFirst, Boca Raton, Palm Beach County, in the Southern District of Florida, which resulted in the deposit of $8,500 into the account of Swiss American Bank at Irving Trust Company, now known as the Bank of New York, New York, New York, for further credit to UBI, account number 1200501.

All in violation of Title 18, United States Code, Section 1343 and 2.

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COUNT FOUR

1. Paragraphs 1 through 6 of the Introduction to this Indictment are hereby realleged and incorporated as if fully set forth herein.

2. The allegations contained in Paragraphs 1 through 113 of Count 1 are hereby realleged and incorporated as if fully set forth herein.

3. On or about September 20, 1990, for the purpose of executing the above scheme, defendant,

SANDRA A. SIEGEL,
a/k/a SANDY DEBELLA,

did transmit and cause to be transmitted in interstate commerce by means of wire communications, signs, signals and sounds, that is, a telephone call from Connie Calvitti in Woodland Hills, California to Boca Raton, Palm Beach County, in the Southern District of Florida.

All in violation of Title 18, United States Code, Section 1343 and 2.

COUNTS FIVE THROUGH TWENTY-TWO

1. Paragraphs 1 through 6 of the Introduction to this Indictment are hereby realleged and incorporated as if fully set forth herein.

2. The allegations contained in Paragraphs 1 through 113 of Count 1 are hereby realleged and incorporated as if fully set forth herein.

3. The allegations contained in Counts 2 through 4 are hereby realleged and incorporated as if fully set forth herein.

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4. On or about the dates set forth below, according to Counts 5 through 22, in the Southern District of Florida, and elsewhere, defendants,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,
SANDRA A. SIEGEL,
a/k/a SANDY DEBELLA,

knowingly and willfully did transport, transmit, and transfer, and attempt to transport, transmit, and transfer, monetary instruments and funds from Swiss American Bank, St. John's, Antigua, British West Indies, a place outside the United States, to the Bank of New York, New York, New York, for further credit to AmeriFirst, Boca Raton, Florida, and Commonwealth, Boca Raton, Florida, a place inside the United States, knowing that the monetary instruments and funds represented the proceeds of unlawful activity and knowing that the transportation, transmission and transfer of these instruments and funds was designed in whole or in part to conceal and disguise the nature, the location, the source, the ownership, and the control of the proceeds of specified unlawful activity, that is, the use of wires in the execution of a scheme and artifice to defraud punishable under Title 18, United States Code, Section 1343, the approximate amounts set forth below:

COUNT	DATE	DOLLAR AMOUNT OF WIRE TRANSFER	DEPOSITED TO
5	08/02/89	$ 5,000.00	Commonwealth
6	08/08/89	$ 8,000.00	Commonwealth
7	08/18/89	$20,000.00	Commonwealth

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COUNT	DATE	DOLLAR AMOUNT OF WIRE TRANSFER	DEPOSITED TO
8	09/05/89	$15,000.00	Commonwealth
9	11/03/89	$10,000.00	Commonwealth
10	11/10/89	$10,000.00	Commonwealth
11	12/26/89	$50,000.00	Commonwealth
12	12/29/89	$50,000.00	Commonwealth
13	02/05/90	$15,000.00	AmeriFirst
14	02/12/90	$ 5,000.00	AmeriFirst
15	02/13/90	$ 5,000.00	AmeriFirst
16	03/05/90	$ 5,000.00	AmeriFirst
17	05/23/90	$ 5,000.00	AmeriFirst
18	06/28/90	$10,000.00	AmeriFirst
19	07/03/90	$ 9,500.00	AmeriFirst
20	07/11/90	$ 7,500.00	AmeriFirst
21	07/18/90	$ 7,500.00	AmeriFirst
22	09/06/90	$ 7,940.00	AmeriFirst

All in violation of Title 18, United States Code, Sections 1956(a)(2)(B)(i) and 2.

COUNTS TWENTTY-THREE THROUGH TWENTY-EIGHT

1. Paragraphs 1 through 6 of the Introduction to this Indictment are hereby realleged and incorporated as if fully set forth herein.

2. The allegations contained in Paragraphs 1 through 113 of Count 1 are hereby realleged and incorporated as if fully set forth herein.

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3. The allegations contained in Counts 2 through 4 are hereby realleged and incorporated as if fully set forth herein.

4. On or about the dates set forth below, according to Counts 23 through 28, in the Southern District of Florida, and elsewhere, defendants,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,
SANDRA A. SIEGEL,
a/k/a SANDY DEBELLA,

did knowingly conduct and attempt to conduct a financial transaction affecting interstate and foreign commerce, that is, the wire transfer of funds from Peoples Bank, Marlborough, Connecticut, to AmeriFirst, Boca Raton, Florida, knowing that the monetary instruments and funds represented the proceeds of unlawful activity and knowing that the transportation, transmission and transfer of these instruments and funds was designed in whole or in part to conceal and disguise the nature, the location, the source, the ownership, and the control of the proceeds of specified unlawful activity, that is, the use of wires in the execution of a scheme and artifice to defraud punishable under Title 18, United States Code, Section 1343, the approximate amounts are set forth below:

COUNT	DATE	DOLLAR AMOUNT OF WIRE TRANSFER	DEPOSITED TO
23	04/06/90	$9,000.00	AmeriFirst
24	04/12/90	$5,000.00	AmeriFirst
25	04/25/90	$9,500.00	AmeriFirst
26	05/02/90	$9,500.00	AmeriFirst

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27	05/10/90	$9,500.00	AmeriFirst
28	09/24/90	$5,000.00	AmeriFirst

All in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.

COUNT TWENTY-NINE

1. Paragraphs 1 through 6 of the Introduction to this Indictment are hereby realleged and incorporated as if fully set forth herein.

2. The allegations contained in Paragraphs 1 through 113 of Count 1 are hereby realleged and incorporated as if fully set forth herein.

3. The allegations contained in Counts 2 through 4 are hereby realleged and incorporated as if fully set forth herein.

4. On or about December 29, 1989, in the Southern District of Florida, and elsewhere, defendants,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,
SANDRA A. SIEGEL,
a/k/a SANDY DEBELLA,

did knowingly conduct and attempt to conduct a financial transaction affecting interstate and foreign commerce, that is, the withdrawal of funds from the Atlantic Capital account at Commonwealth, Boca, Raton, and the purchase of cashier's check number 382741549 in the amount of $56,716.28 from Commonwealth, with remitter Michael A. DeBella and payee Broad and Cassel, Trust Account, and the use of this check to purchase of a residence located at 2226 N.W. 52nd Street, Boca Raton, Florida and titled in the name of SANDRA A. SIEGEL, which involved the

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proceeds of specified unlawful activity, that is, the use of the wires in the execution of a scheme or artifice to defraud punishable under Title 18, United States Code, Section 1343, with the intent to conceal or disguise the nature, the location, the source, the ownership, and the control of the proceeds of the specified unlawful activity, and that while conducting or attempting to conduct such financial transaction, the defendants knew the property involved in the financial transaction represented the proceeds of some form of unlawful activity.

All in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.

COUNT THIRTY

Beginning on or about August 29, 1989, and continuing until at least on or about March 23, 1990, in the Southern District of Florida, defendant,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,

knowingly, willfully and unlawfully devised a scheme and artifice to defraud and to obtain moneys, funds, credits and other property owned by and under the custody and control of NCNB, Fort Lauderdale, Florida, by means of false and fraudulent pretenses and representations.

1. At all relevant times, NCNB held deposits insured by the Federal Deposit Insurance Corporation.

2. It was the object of this scheme and artifice to induce NCNB to pay $41,000 to the defendant MICHAEL A. DEBELLA, JR. by using a cashier's check which contained a forged endorsement.

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3. On or about August 29, 1989, cashier's check number 406359 in the amount of $41,000, payable to North Hemisphere Trading, Inc., with remitter Denis Renuart, was purchased by Renuart from NCNB.

4. On or about September 5, 1989, the defendant MICHAEL A. DEBELLA, JR., deposited cashier's check number 406359 into account number 07-000122-48-04 at Commonwealth, Boca Raton, Florida, an account he had signature authority over.

5. Cashier's check number 406359 purporting to be endorsed by the North Hemisphere Trading, Inc. However, said endorsement was a forgery.

6. At the time, defendant MICHAEL A. DEBELLA, JR. submitted the endorsed cashier's check to NCNB, he then and there well knew and believed that it was false and fraudulent in that it contained a forged endorsement.

All in violation of Title 18, United States Code, Sections 1344 and 2.

COUNT THIRTY-ONE

On or about April 15, 1989, in Palm Beach County, in the Southern District of Florida and elsewhere, defendant,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,

a resident of Boca Raton, Florida, who, during the calendar year 1988 had and received taxable income upon which taxable income there was owing to the United States of America a substantial income tax, did knowingly and willfully attempt to evade and

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defeat a substantial part of the said income tax due and owing by him to the United States of America for the calendar year 1988, by failing to make an income tax return on or before April 15, 1989, as required by law, to any proper officer of the Internal Revenue Service; by failing to pay to the Internal Revenue Service said income tax; by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through his extensive use of cash and cashier's checks; by using false Social Security numbers; and by handling his affairs so as to avoid making records usual in transactions of the kind.

All in violation of Title 26, United States Code, Section 7201.

COUNT THIRTY-TWO

On or about April 15, 1990, in Palm Beach County, in the Southern District of Florida and elsewhere, defendant,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,

a resident of Boca Raton, Florida, who, during the calendar year 1989 had and received taxable income upon which taxable income there was owing to the United States of America a substantial income tax, did knowingly and willfully attempt to evade and defeat a substantial part of the said income tax due and owing by him to the United States of America for the calendar year 1989, by failing to make an income tax return on or before April 15, 1990, as required by law, to any proper officer of the Internal Revenue Service; by failing to pay to the Internal Revenue

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Service said income tax; by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through his extensive use of cash and cashier's checks; by using nominees to purchase assets on his behalf; by avoiding standard banking practices when purchasing assets; by making false statements on loan applications submitted to financial institutions; by using false Social Security numbers; and by handling his affairs so as to avoid making records usual in transactions of the kind.

All in violation of Title 26, United States Code, Section 7201.

COUNT THIRTY-THREE

On or about April 15, 1991, in Palm Beach County, in the Southern District of Florida and elsewhere, defendant,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,

a resident of Boca Raton, Florida, who, during the calendar year 1990 had and received taxable income upon which taxable income there was owing to the United States of America a substantial income tax, did knowingly and willfully attempt to evade and defeat a substantial part of the said income tax due and owing by him to the United States of America for the calendar year 1990, by failing to make an income tax return on or before April 15, 1991, as required by law, to any proper officer of the Internal Revenue Service; by failing to pay to the Internal Revenue Service said income tax; by concealing and attempting to conceal

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from all proper officers of the United States of America his true and correct income through his extensive use of cash and cashier's checks; by using false Social Security numbers; and by handling his affairs so as to avoid making records usual in transactions of the kind.

All in violation of Title 26, United States Code, Section 7201.

COUNT THIRTY-FOUR

On or about October 4, 1989, in the Southern District of Florida and elsewhere, defendant,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,

for the purpose of falsely identifying himself, and with intent to deceive, did falsely represent that his social security account number was 312-32-4979, whereas, as the defendant then and there well knew and believed, such number was not assigned to him by the Secretary of Health and Human Services.

All in violation of Title 42, United States Code, Section 408(g)(2) and Title 18, United States Code, Section 2.

COUNT THIRTY-FIVE

On or about November 18, 1989, in the Southern District of Florida and elsewhere, defendant,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,

for the purpose of falsely identifying himself, and with intent to deceive, did falsely represent that his social security

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account number was 041-26-5128, whereas, as the defendant then and there well knew and believed, such number was not assigned to him by the Secretary of Health and Human Services.

All in violation of Title 42, United States Code, Section 408(g)(2) and Title 18, United States Code, Section 2.

COUNT THIRTY-SIX

On or about November 18, 1989, in the Southern District of Florida and elsewhere, defendant,

SANDRA A. SIEGEL,
a/k/a SANDY DEBELLA,

for the purpose of falsely identifying herself, and with intent to deceive, did falsely represent that her social security account number was 213-32-4979, whereas, as the defendant then and there well knew and believed, such number was not assigned to her by the Secretary of Health and Human Services.

All in violation of Title 42, United States Code, Section 408(g)(2) and Title 18, United States Code, Section 2.

COUNT THIRTY-SEVEN

On or about January 25, 1990, in the Southern District of Florida and elsewhere, defendant,

SANDRA A. SIEGEL,
a/k/a SANDY DEBELLA,

for the purpose of falsely identifying herself, and with intent to deceive, did falsely represent that her social security account number was 312-32-4979, whereas, as the defendant then

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and there well knew and believed, such number was not assigned to her by the Secretary of Health and Human Services.

All in violation of Title 42, United States Code, Section 408(g)(2) and Title 18, United States Code, Section 2.

COUNT THIRTY-EIGHT

1. At all times relevant to this Count, A. J. Craddock was a British Subject operating a consulting business doing business, inter alia, in Nigeria.

2. On or about April 8, 1993, for the purpose of executing a scheme to defraud, the defendants,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,
and
SANDRA A. SIEGEL,
a/k/a SANDY DEBELLA

did transmit and cause to be transmitted in interstate commerce by means of wire communications, signs, signals and sounds, that is, a facsimile transmission of a letter from Atlantic Capital Corporation, Ltd., St. Johns, Antigua, West Indies to Microlite World Trade Company in Ft. Lauderdale, in the Southern District of Florida, purporting to confirm an oral representation that approximately $120,000,000.00 (US) had been received from the Nigerian Ministry of Finance and requiring the disbursement of a fee of $600,000.00 (US) as a condition precedent to the release of such $120,000,000.00 (US); which fee was wire transferred by Craddock on April 13, 1993.

All in violation of Title 18, United States Code, Sections 1343 and 2.

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FORFEITURES

1. Paragraphs 1 through 6 of the Introduction to this Indictment are hereby realleged and incorporated as if fully set forth herein.

2. The allegations contained in Paragraphs 1 through 113 of Count 1 are hereby realleged and incorporated as if fully set forth herein.

3. The allegations contained in Counts 2 through 28 are hereby realleged and incorporated as if fully set forth herein.

4. Upon conviction of the felony offenses alleged in the Counts 1 through 28 of this indictment, the United States is entitled, pursuant to Title 18, United States Code, Section 982 to forfeiture of, and defendants,

MICHAEL A. DEBELLA, JR.,
a/k/a MICHAEL JORDAN,
SANDRA A. SIEGEL,
a/k/a SANDY DEBELLA,
JOSEPH MACALUSO,

shall forfeit to the United States any and all property constituting or derived from any proceeds obtained directly or indirectly as a result of the said violation, and any and all of said property used or intended to be used in any manner or part to commit and to facilitate the commission of the aforementioned violation of this Count, including but not limited to the following:

A. That certain real property located at and known as **2226 N.W. 52nd Street, Boca Raton, Florida,** more particularly

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described as Lot 38, Cedar Cay, according to the Plat thereof recorded in Plat Book 56, Page 47, Public Records of Palm Beach County, Florida.

B. $280,000, in United States currency and all interest and proceeds traceable thereto, in that such sum in aggregate is property which was involved in the aforestated offenses or is traceable to such property, in violation of Title 18, United States Code, Sections 1956, 2 and 982.

C. Property used or intended to be used in any manner or part to commit and to facilitate the commission of the aforesaid violations of these Counts; including but not limited to:

1. All funds in Account No. 07-12248-04, Commonwealth, Boca Raton, Florida.

2. All funds in Account No. 52-00073724-06, AmeriFirst, Boca Raton, Florida.

The Grand Jury alleges the forfeiture of all of the above items pursuant to Title 18, United States Code, Section 982(b), the substitute assets forfeiture provision, to the extent necessary to effect full divestiture from the defendants of all

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profits, interest, property, proceeds, etc. as set forth above in detail.

All pursuant to Title 18, United States Code, Section 982.

A TRUE BILL.

FOREPERSON

KENDALL BRIDLEY COFFEY
UNITED STATES ATTORNEY

GREGORY E. TORTELLA
Special Attorney
U.S. Department of Justice

DAVID FARNHAM
Senior Trial Attorney
U.S. Department of Justice

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UNITED S. . DISTRICT COURT
SOUTHERN DI ICT OF FLORIDA

CASE NO. 93-6081-CR-MORENO(s)

UNITED STATES OF AMERICA

v.

MICHAEL A. DEBELLA, JR., et al /

CERTIFICATE OF TRIAL ATTORNEY

I do hereby certify:

1. I have carefully considered the allegations of the indictment, the number of defendants, the number of probable witnesses and the legal complexities of the Indictment/Information attached hereto.

2. I am aware that the information supplied on this statement will be relied upon by the Judges of this Court in setting their calendars and scheduling criminal trials under the mandate of the Speedy Trial Act, Title 28 U.S.C. Section 3161.

3. This case will take 15 days for the parties to try.

4. Please check appropriate category and type of offense listed below:

	(Check only one)		(Check only one)	
I	0 to 5 days	____	Petty	____
II	6 to 10 days	____	Minor	____
III	11 to 20 days	X	Misdem.	____
IV	21 to 60 days	____	Felony	X
V	61 days and over	____		

5. Has this case been previously filed in this Court? Yes (Yes or No)
If yes, Judge: Moreno Case No. 93-6081-Cr-Moreno
(Attach copy of dispositive order)

6. This case originated in the U.S. Attorney's office prior to August 16, 1985 No (Yes or No).

Gregory E. Tortella

GREGORY E. TORTELLA
ASSISTANT UNITED STATES ATTORNEY
Florida Bar No.

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET *

Defendant Name MICHAEL A. DEBELLA, JR. Case No. 93-6081-CR-MORENO

Count # 1

Max. Penalty:
$10,000/5 YEARS IMPRISONMENT

Count # 2-3;38

Max. Penalty:
$1,000/5 YEARS IMPRISONMENT

Count # 5-22

Max. Penalty:
$500,000/20 YEARS IMPRISONMENT

Count # 23-29

Max. Penalty:
$500,000/20 YEARS IMPRISONMENT

Count # 30

Max. Penalty:
$1,000,000/30 YEARS IMPRISONMENT

Count # 31-33

Max. Penalty:
$250,000/5 YEARS IMPRISONMENT

* This is merely a preliminary estimate of the maximum possible incarceration. It does not include any other possible consequence including but not limited to fine, special assessment, restitution, special parole, probation, supervised release, etc.

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET *

Defendant Name JOSEPH MACALUSO Case No. 93-6081-CR-MORENO

Count # I

Max. Penalty:
$10,000/5 YEARS IMPRISONMENT

Count #

Max. Penalty:

Count #

Max. Penalty:

Count #

Max. Penalty:

Count #

Max. Penalty:

Count #

Max. Penalty:

Count #

Max. Penalty:

* This is merely a preliminary estimate of the maximum possible incarceration. It does not include any other possible consequence including but not limited to fine, special assessment, restitution, special parole, probation, supervised release, etc.

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET *

Defendant Name SANDRA A. SIEGEL Case No. 93-6081-CR-MORENO

Count # 1

Max. Penalty:
$10,000/5 YEARS IMPRISONMENT

Count # 4;38

Max. Penalty:
$1,000/5 YEARS IMPRISONMENT

Count # 5-22

Max. Penalty:
$500,000/20 YEARS IMPRISONMENT

Count # 23-29

Max. Penalty:
$500,000/20 YEARS IMPRISONMENT

Count # 36-37

Max. Penalty:
$5,000/5 YEARS IMPRISONMENT

Count #

Max. Penalty:

* This is merely a preliminary estimate of the maximum possible incarceration. It does not include any other possible consequence including but not limited to fine, special assessment, restitution, special parole, probation, supervised release, etc.

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET *

Defendant Name MICHAEL A. DEBELLA, JR. Case No. 93-6081-CR-MORENO

Count # 34-35

Max. Penalty:
$5,000/5 YEARS IMPRISONMENT

* This is merely a preliminary estimate of the maximum possible incarceration. It does not include any other possible consequence including but not limited to fine, special assessment, restitution, special parole, probation, supervised release, etc.

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No. 02637

UNITED STATES DISTRICT COURT

SOUTHERN *District of* FLORIDA

CENTRAL *Division*

THE UNITED STATES OF AMERICA

vs.

MICHAEL A. DEBELLA, JR. a/k/a Michael Jordan
SANDRA SIEGEL, a/k/a SANDY DEBELLA
JOSEPH MACALUSO

INDICTMENT

18 USC 2
18 USC 371
18 USC 1341
18 USC 1343
18 USC 1344
18 USC 1956
26 USC 7201
42 USC 408

A true bill.

Foreman

Filed in open court this _____ *day,*

of _____ *A.D. 19* _____

Clerk

Bail, $ _____

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
NORTHERN DIVISION

UNITED STATES OF AMERICA,	)	Docket No.
	)	93-6081-Cr-HURLEY
Plaintiff,	)	
	)	West Palm Beach, Fl.
v.	)	December 18, 1995
	)	1:30 p.m.
SANDRA SIEGEL,	)	
	)	
Defendant.	)	
	)	

----------x

TRANSCRIPT OF SENTENCE HEARING
BEFORE THE HONORABLE DANIEL T.K. HURLEY

APPEARANCES:

For the Government: DAVID FARNHAM and GREGG TORTELLA, Department of Justice.

For Defendant Siegel: DAVID BOGENSCHUTZ, ESQ.

Court Reporter: Pauline A. Stipes C.S.R, C.M.
United States Courthouse
West Palm Beach, FL 33401

MR. BOGENSCHUTZ: I have.

THE COURT: The very filing of those cast the burden on the Government to come forth with competent evidence to establish those facts.

So, let me turn to counsel for the Government.

MR. TORTELLA: Your Honor, with respect to the first objection, paragraph 8, essentially -- I am not sure whether you would like a proffer or prefer to hear from the agent.

THE COURT: As I understand the case law, it is incumbent upon you to produce competent evidence.

MR. TORTELLA: The Government would call Special Agent John Wilkinson to the stand.

THE COURT: I will ask you to hold on a second. Agent, you may be seated.

JOHN WILKINSON, GOVERNMENT WITNESS SWORN.

THE COURT: Would you state your full name for the record, please, and would you spell your last name.

THE WITNESS: John Wilkinson, W-i-l-k-i-n-s-o-n.

THE COURT: Give me just a moment, if you would, please. All right. Counsel, please proceed.

DIRECT EXAMINATION

BY MR. TORTELLA:

Q. Where do you work?

A. Special Agent with the Internal Revenue Service.

Q. How long have you been employed with the Internal Revenue

Service?
A. Approximately 21 years.
Q. Were you involved in an investigation of Sandra Siegel?
A. Yes, I was.
Q. Were you also involved in an investigation with Michael DeBella?
A. Yes.
Q. Who is Sandra Siegel?
A. She is the girlfriend and lives with Michael DeBella.
Q. And were Miss Siegel and Mr. DeBella involved in a business?
A. Yes, United Bank International.
Q. Where was United Bank International located?
A. Island of Anguilla, West Indies.
Q. When was United Bank International formed?
A. 1986.
Q. June 23, 1986?
A. I believe so.
Q. And what did Mr. DeBella and Miss Siegel do with United Bank International?
A. Offered to produce financing for individuals in terms of letters of credit, lines of credit, loans.
Q. What was Mr. DeBella's position at the bank?
A. I believe he was chairman, president, director.
Q. And Miss Seigel's position?

A. I saw on one document where she signed as secretary of United Bank International, and she signed as a free agent of United Bank International.

THE COURT: She signed as what?

THE WITNESS: Secretary.

MR. TORTELLA: May I approach?

THE COURT: Yes. I would ask that you mark any document you show the witness for identification, beforehand.

THE COURT: You said she signed as secretary of the corporation, and how else?

THE WITNESS: Agent of the corporation.

THE COURT: All right.

BY MR. TORTELLA:

Q. Agent, I am handing you Government Exhibits Siegel 1 and 2. I ask you to look at Siegel 1 and ask if you can identify that?

A. Yes. This is an affidavit filed in Palm Beach County signed by Sandra Siegel.

Q. And in paragraph one, in what capacity does she represent herself in that affidavit?

A. I am an agent of United Bank International, W.I. Ltd..

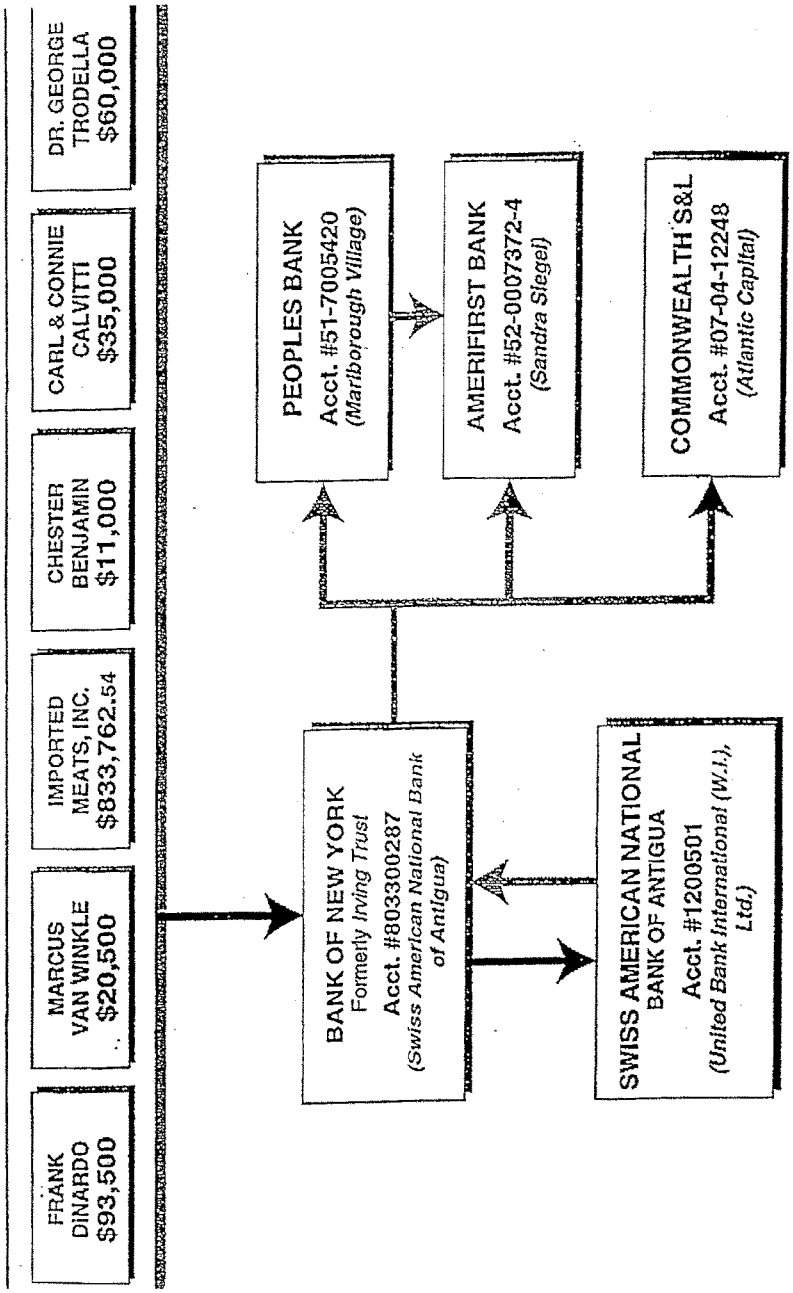
Q. I would like to direct your attention to Government Siegel 2 and I ask you to identify that document.

A. This is an application for an account of United Bank International at Credit Bank.

Q. I would ask you to turn to Bate stamp number 645, and if you can identify this document within Ex. No. 2?
A. It is the annual return of United Bank International West Indies, Ltd., made on the 25th of January, 1988.
Q. And whose names appear at the bottom, Mr. Wilkinson?
A. Michael DeBella, Sandra Siegel as secretary.
Q. Thank you. With respect to the financing that you mentioned earlier, how was the letters of credit, lines of credit, or whatever type of financing, how was that going to be provided to the victims?
A. I don't understand the question, I am sorry.
Q. How was UBI going to issue a letter of credit, or any type of financing? Would you explain the mechanics?
A. They would meet with the prospective borrower, they required some type of advance fee be paid to the bank. If they met the requirements, letter of credit would be issued.
Q. When you say they, who are you referring to?
A. Excuse me?
Q. When you say they?
A. The bank, Mr. DeBella, usually.
Q. How about Miss Siegel?
A. I don't recall any specifics for her.
Q. What was Miss Seigel's position at United Bank International?
A. She signed as secretary and agent.

account?
A. I don't remember the specific number. I believe like $70,000. I don't know the exact number.
Q. And --
THE COURT: Let me stop you for a second. I want to make sure I understand this.
When a borrower would wish to purchase a letter of credit, the borrower would provide an advance fee. This fee would go to a bank in New York?
THE WITNESS: Yes --
THE COURT: Which would then wire the money to its bank in Antigua, and then it would go from the -- into an account for United, whatever the name of this bank is, United Bank International, and go back to New York, and put into an account, either Mr. DeBella's or Miss Seigel's account?
THE WITNESS: Yes.
THE COURT: These are moneys come from borrowers, made that route to Antigua, and went back to New York, and $70,000 ended up in Miss Seigel's personal account?
THE WITNESS: Yes, that is correct.
THE COURT: All right. Mr. Wilkinson, did you conduct an analysis of Sandra Seigel's bank account at AmeriFirst Bank?
THE WITNESS: Yes, I did.
THE COURT: Where is AmeriFirst Bank located?

THE WITNESS: In Boca Raton.
BY MR. TORTELLA:
Q. If you would, I will address my attention --
There is a short holder in the back of the room.
MR. TORTELLA: Your Honor, this exhibit will be marked Siegel No. 3.
THE COURT: Marked for identification, Siegel 3.
BY MR. TORTELLA:
Q. Agent Wilkinson, would you explain to the judge exactly how the moneys, the flow of the money went from the victims and into the defendants' bank account, just so it is clear how the flow of the money worked.
THE WITNESS: May I step down, Your Honor?
THE COURT: Yes, you may. There is a pointer on the other stand if you need that.
MR. TORTELLA: This is referred to in the PSI, page 9.
THE COURT: All right.
THE WITNESS: This top line here is the amount of fees that the victims paid to United Bank International. What they would do is wire transfer the funds into the Bank of New York account. Swiss American had an account in Bank of New York.
THE COURT: I will ask you to hold on a second.
Money would come from?
THE WITNESS: These are the victims.
THE COURT: Where did it go?


FRANK DINARDO $93,500
MARCUS VAN WINKLE $20,500
IMPORTED MEATS, INC. $833,762.54
CHESTER BENJAMIN $11,000
CARL & CONNIE CALVITTI $35,000
DR. GEORGE TRODELLA $60,000
BANK OF NEW YORK
Formerly Irving Trust
Acct. #803300287
(Swiss American National Bank of Antigua)
SWISS AMERICAN NATIONAL BANK OF ANTIGUA
Acct. #1200501
(United Bank International (W.I.), Ltd.)
PEOPLES BANK
Acct. #51-7005420
(Marlborough Village)
AMERIFIRST BANK
Acct. #52-0007372-4
(Sandra Siegel)
COMMONWEALTH S&L
Acct. #07-04-12248
(Atlantic Capital)

THE WITNESS: Into the bank account where there was an account in the name of Swiss American National Bank of Antigua.

THE COURT: Now, what is Swiss American National Bank of Antigua?

THE WITNESS: A local bank.

THE COURT: Bank of New York, used to be Irving Trust, a regular bank.

THE WITNESS: Yes, they are a major bank. Wire transfers go through the major banks.

THE COURT: All right.

THE WITNESS: It would be wired from this account into Swiss American National Bank. United Bank International had an account at Swiss American National Bank of Antigua. The funds would end up in that account.

THE COURT: All right.

THE WITNESS: They would be taken back out of the account, wired back to the Bank of New York.

THE COURT: Does any of the activity indicate that Miss Siegel had any role in taking the money out of the United Bank International account in Antigua, and sending that money back to the Bank of New York?

MR. TORTELLA: Your Honor, I am sorry to interrupt, we will be putting on another witness with respect to that specific question.

THE COURT: All right. Agent, you may go ahead.

THE WITNESS: Once the money is in the Bank of New York, it would be distributed to the accounts controlled by Mr. DeBella or Miss Seigel's, People's Bank in Connecticut, in the name of Marlboro Village, which is a trailer park operated by Mr. DeBella, and AmeriFirst in the name of Sandra Siegel, and some of the funds would go into the Commonwealth Savings & Loan in the name of Atlantic Capital.

THE COURT: Did this appear to be a pattern that all of the moneys followed this general trail?

THE WITNESS: Yes.

THE COURT: And I think the question that started this off dealing with the year 1970, $70,000 of this money ended up in the AmeriFirst account. $70,000 traveled the route that you have just discussed and actually ended up into Miss Seigel's AmeriFirst account?

THE WITNESS: That was in 1990.

MR. TORTELLA: I am going to show the witness Siegel number 4 marked for identification. Would you tell the judge what this document is.

THE COURT: For purposes of this hearing, that is being marked Government's Ex. No. 4.

THE WITNESS: Siegel 4.

This is wired from United Bank International to accounts in United States.

BY MR. TORTELLA:
Q. What did you base this on?
A. Bank records in AmeriFirst, Commonwealth, People's Bank, and Bank of New York.
Q. What records are we talking about?
A. Wire transfer records.
Q. And, specifically, for the year 1990, with respect to the AmeriFirst account, how much money was wire transferred into that account?
A. 89,000 wire transferred in, 12,000 of that went into people's bank, approximately 77,000 was wired into AmeriFirst account.
Q. Whose the signator on this account?
A. Sandra Siegel.
Q. Anyone else?
A. No.
Q. Is this the account that used a false Social Security number?
A. Yes, it was.
Q. All right. You may take the stand.
Was the transfer of the 77,000, were you able to determine where those moneys came from?
A. Yes. They all came through the Bank of New York, originally from United Bank International.
Q. Were these the moneys that were wired by the victims

originally?
A. I believe so.
Q. With respect to Miss Seigel's role at United Bank International in addition to receiving telephone calls and faxing documents, with respect to dealing with the customers, what, exactly, did she do if they requested either their letter of credit, or their refund of their advance fee? What would she usually tell them in a typical situation?
A. She would usually defer it to Michael DeBella. You have to talk to Mike about that.
Q. How would she defer the victim, if you will ?
A. She basically put them off, and say I will have Mike call you back. I will take a message. I don't know that much about it.
Q. Did that occur in every transaction that you investigated?
A. No. Not every, some instances, not in every one.
THE COURT: What is the time frame over which this activity occurred?
THE WITNESS: The bank opened in 1986, and continued right up until the time it was closed, and actually several transactions occurred after the bank lost its license
BY MR. TORTELLA:
Q. When did the bank lose its license, Mr. Wilkinson?
A. May 1990.
Q. After the victims --

THE COURT: Could I stop you for a second?

In studying the operations of the bank in Antigua, talking about United International Bank, does your investigation disclose, or did your investigation disclose whether that was a legitimate bank?

In other words, did they engage in any legitimate activities, or was it simply a front for a fraudulent enterprise?

THE WITNESS: I believe it was a front for a fraudulent enterprise. I am not aware of any successful transaction.

THE COURT: Is that all it did is engage in the effort to solicit people who wanted letters of credit, take their fees and keep the fees?

THE WITNESS: Yes.

THE COURT: This is not a bank that did legitimate business. You are suggesting that the whole thing was a sham or scheme?

THE WITNESS: I am not aware of any legitimate business.

THE COURT: All right.

MR. TORTELLA: Your Honor, may I approach the witness?

THE COURT:. Yes, you may.

BY MR. TORTELLA:

Q. I hand you Government Ex. No. 5. Would you identify that

To - Phebe Miller

Craddock Engineering Inc
151 La Jolla Drive
Santa Barbara CA 93109
USA

CRADDOCK

Tel:
(805) 897-1866
Fax:
(805) 897-1863

FAX

On May 3rd of this year, Michael DeBella pleaded guilty to stealing $600,000 from our Company and laundering it through the Bank of New York, NY.

On December 18th, he was sentenced to 51 months in Federal custody for this crime, and the Federal Judge ordered restitution of the $600,000 to us.

Attached please find relevant documents.

You are requested therefore to immdiately return the $600,000 to Craddock's account at the originating bank, Barclays Bank PLC,
a/c # 68125199 Craddock UK Ltd.,
London International Banking Centre
Clifton House
83/117 Euston Road
London NW1 2RA Sort code 20-30-19

Should you have any questions, please give me a call.

A.J. Craddock
President

Anthony 1134
Mancuso

RECEIVED
JAN 2 2 1996
D. A. [illegible]METZ
Sr. Vice President

RECEIVED
DEC 2 7 1995
LEGAL
DEPARTMENT

DEC 2 8 1995

Attach:

Sent 1/25/96
cc: CJV
D. MONKS
CAROL T.
FD FILE
S. BOORMAN

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

6023 AIRPORT ROAD
ORISKANY, N. Y. 13424

January 24, 1996

Mr. A. J. Craddock
President
Craddock Engineering Inc.
151 La Jolla Drive
Santa Barbara, CA 93109

Dear Mr. Craddock:

I am a Vice President of The Bank of New York ("BNY"). Your December 26, 1995 correspondence with attachments, addressed to Mr. Thomas Renyi, has been referred to me for investigation and response.

In your letter, you request that BNY return $600,000.00 that one Michael DeBella allegedly laundered through BNY. You enclosed with your letter an excerpt from a transcript of a hearing at which Mr. DeBella plead guilty to wire fraud. You also enclosed a copy of purported instructions to wire the $600,000.00 to BNY for further credit to Swiss American National Bank of Antigua for further credit to Commonwealth Investment Corporation.

After an intensive investigation, we have determined that BNY was not involved in the alleged funds transfer and that we have no allegedly laundered funds to return.

In fact, Barclays Bank, PLC, London has confirmed that BNY was not involved in this transaction. Barclays Bank, PLC, London advised us that they paid the funds to Barclays Bank, PLC, New York who in turn paid Morgan Guaranty for account of Midland Bank, London favor Swiss American National Bank of Antigua for credit to the Commonwealth Investment Corporation.

We hope that the above information is of assistance to you in this matter.

Very truly yours,

Frank DiLorenzo, VP
Funds Transfer Division
Tel: (315) 765-4098
Fax: (315) 765-4305

Page 1 of 1

Victor - File

Craddock Engineering Inc.
151 La Jolla Drive
Santa Barbara CA 93109
USA

CRADDOCK

Tel:
(805) 897-1866
Fax:
(805) 897-1863

FAX

Thank you for your letter dated January 24th on the above subject ($600,000 Michael Debella).

We will follow up on the information that you have given us.

1/96

IN THE HIGH COURT OF JUSTICE

ANTIGUA AND BARBUDA

(CIVIL)

SUIT NO: 213/1996

BETWEEN:

ANTHONY J. CRADDOCK
CRADDOCK (UK) LIMITED
Judgment Creditors

and

MICHAEL A. DEBELLA, JR.
ATLANTIC CAPITAL CORPORATION LIMITED
COMMONWEALTH INVESTMENT CORPORATION
Judgment Debtors

and

SWISS AMERICAN BANK LTD. Garnishee

AFFIDAVIT

I, **BRIAN STUART YOUNG** Banker of Swiss American Bank Limited make oath and say as follows:-

1. That I am the Manager of the Swiss American Bank Limited, the Garnishee herein and I make this affidavit with the knowledge and consent of the said Bank.
2. That I have held the position of Manager of Swiss American Bank Limited since June 1996.
3. By virtue of my position with Swiss American Bank Limited, I am familiar with the facts and circumstances of this case by reference to bank records and correspondence related to the relevant accounts and based on my personal knowledge of the current status of the relevant accounts.
4. An account in the name of Commonwealth Investment Corporation, Account No. 1215601 was established by Michael A. Debella on 3rd September, 1992 at Swiss American Bank Limited.
5. To the best of my knowledge and belief the usual procedures for establishing a bank account were followed.
6. On the 13th April, 1993 the sum of US$600,000.00 was wire transferred by

Barclays Bank Plc, England at the request of Craddock (UK) Limited, to Swiss American National Bank of Antigua for the credit of Commonwealth Investment Corporation, Account No. 1215601.

7. In view of the fact that the said Account No. 1215601 was not held at Swiss American National Bank of Antigua but at Swiss American Bank Limited, the funds amounting to US$599,993.00 (that is US$600,000.00, less Bank charges) were subsequently credited to Account No. 1215601 at Swiss American Bank Limited on the 14th April, 1993. (See Exhibit No. 1)

8. As per usual banking practice, funds which are credited to an account by wire transfer are immediately cleared to the account.

9. At the time the funds were received by Swiss American Bank Limited, Account No. 1215601 had a credit balance of US$55,792.65. The balance on the Commonwealth Investment Corporation account after receipt of the said funds by wire transfer, stood at US$654,810.65 on 14th April, 1993. (See Exhibit No. 1).

10. Between the 15th April, 1993 and the 20th April, 1993 a total sum of US$642,977.97 was debited from Commonwealth Investment Corporation Account No. 1215601 by the payment of cheques drawn on the account by the proper signatory to the account which cheques were numbered as follows:-

Cheque No. 14652 on 15th April 1993 for US$15,000.00

Cheque No. 14653 on 15th April, 1993 for US$101,030.00

Cheque No. 14651 on 15th April, 1993 for US$265,067.97

Cheque No. 14654 on 19th April, 1993 for US$25,000.00

Cheque No. 14655 on 19th April, 1993 for US$224,180.00

Cheque No. 14656 on 20th April, 1993 for US$12,700.00

(See Exhibit No. 1)

11. At the close of business on 20th April 1993, the balance on Account No. 1215601 stood at US$11,832.68.

12. At no time after the above withdrawals did the balance on the account exceed US$15,660.98. The account was finally zero balanced and closed on the 10th August, 1993. (See Exhibit No. 1)

13. Our files and records do not reflect any correspondence regarding the account

or transactions thereon or any queries raised by the Judgment Creditor or any other party up to and including the time that the account was closed on the 10th August, 1993.

14. In December 1994, Gregory E. Tortella of the Tax Division, US Department of Justice sought, by Court Order, the co-operation of Swiss American Bank Limited, in providing information on accounts held by Mr. Debella including Account No. 1215601 in the name of Commonwealth Investment Corporation.

15. Records and documentation in respect of the said account were provided accordingly by Swiss American Bank Limited in compliance with the Court Order.

16. On the 27th October, 1995, Swiss American Bank Limited received correspondence from the Judgment Creditor's attorney John C. Mattes Esq requesting that Swiss American Bank Limited refund to the Judgment Creditor the sum of US$600,000.00 transferred to Account No. 1215601 on the 13th April, 1993, whereupon the attorney for Swiss American Bank Limited advised Mr. Mattes in response, on the 3rd November, 1995, the proper procedure for disclosure of information relating to bank accounts. (See Exhibit No. 2)

17. Two further accounts in the name of Atlantic Capital Corporation Limited, Accounts No. 1001401 and 1001431 were opened in Swiss American Bank Limited in 1992 and 1993 respectively, with Michael A. Debella and Sandra A. Seigal as signatories.

18. Account No. 1001401 was subsequently closed on the 29th July, 1993 (See Exhibit No. 3) and account No. 1001431 was closed on the 8th September, 1993. (See Exhibit No. 4)

19. Since 1993 when all relevant accounts were closed Swiss American Bank Limited has ceased to hold any funds or accounts in the name of Michael A. Debella Jr., Atlantic Capital Corporation, or Commonwealth Investment Corporation, and I do not know of any account relationship which presently exists with Michael Debella Jr., Sandra A. Seigal or companies controlled by Michael A. Debella Jr. or Sandra A. Seigal.

SWORN at the Court House)
this 18th day of March)
199 7.)
Before me:)
)

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____61g_____

Exhibit 61g.

Fortuna Alliance fraud documents

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

FORTUNA ALLIANCE, L.L.C.,

AUGUSTINE DELGADO,

LIBBY GUSTINE WELCH,

DONALD R. GRANT, and

MONIQUE DELGADO,

Defendants.

Civ. No. **C96-799M**

PLAINTIFF'S MEMORANDUM IN SUPPORT OF CONTEMPT APPLICATION

Hearing Date:

Time:

Place:

I. SUMMARY

On February 24, 1996, this Court entered a Stipulated Final Judgment and Order as to Certain Defendants ("Order").(1) The Order settled FTC charges that defendants were operating an illegal pyramid scheme. The Order contained a permanent injunction prohibiting further operation of any pyramid or chain letter scheme and prohibiting material misrepresentations about any marketing or investment program. It required defendants to pay $2.8 million initially, plus any additional amounts necessary to pay all refund claims made during a program administered by a Redress Contractor employed by the FTC. It also required defendants to provide various contractual and promotional documents to the FTC so the FTC could monitor defendants' compliance with the Order.

Defendants began violating the Order the same day it was entered. To convince members not to seek refunds (*i.e.*, to retain their memberships), they and their attorney, Robert Sailer, misrepresented that the settlement was a dismissal of all charges against Fortuna and a determination that Fortuna had been running a legitimate, multi-level marketing operation.(2) Concurrent with its efforts to convince consumers it had been fully vindicated, Fortuna was promoting its revised program, called "Fortuna Alliance II", which appears to differ little from the original program and which is being marketed heavily to participants in the original program. Over time, defendants and Mr. Sailer continued and enhanced these false claims of vindication with other related misrepresentations, including a direct attack on the integrity and fairness of this Court.

Defendants have refused to provide compliance materials that might reveal further misrepresentations about Fortuna Alliance II. They failed to assist the Redress Contractor in identifying members eligible for refund notices, necessitating significant extra work by the FTC and delaying the refund program. Most significantly, they have failed to provide the additional funds necessary to pay refund claims in excess of the amount available in the original redress fund, a deficiency of over $2 million. Had Fortuna complied with the Order, consumers could have received their refunds by the end of July 1997. **Instead, more than 9,000 consumers with over $5 million in claims have received nothing because of defendants' delays and failure to pay the deficiency.**(3)

The FTC has repeatedly asked defendants to comply with the Order, with no success. The FTC now seeks this Court's assistance to obtain compliance with the Order. The proposed civil contempt sanctions would require defendants immediately to pay the $2 million deficiency. If defendants do not do so, the FTC and the Redress Contractor would be authorized to make *pro rata* payments while collection efforts proceeded. Defendants would be required to publish and mail to all current and past members a statement retracting their misrepresentations and providing additional time to request refunds. They would have to provide to the FTC copies of various documents related to their activities since entry of the Order. Finally, defendants would be charged with attorney fees and costs for this contempt action.

II. BACKGROUND AND PRIOR CONTEMPT

Fortuna Alliance was another in a long line of pyramid schemes that have caused financial losses to consumers and occupied local, state, and federal law enforcement officials for decades. What distinguished Fortuna was its success in using the Internet to achieve rapid growth on an international scale. Fortuna itself claimed over 50,000 memberships worldwide.

The lowest level of membership was "Elite". Each Elite membership cost $250 and promised a $5,000 per month return without any product sales. Two higher levels of membership, Premier (at $600) and Ambassador (at $1,250), promised greater profits and other benefits. Members could purchase up to seven memberships at each level, with a total potential investment of $14,700. [p. 162, Ex. 5][4]

The FTC filed its complaint against the defendants on May 23, 1996, along with an ex parte motion for a Temporary Restraining Order ("TRO"). This Court issued the TRO on May 24 and, after a hearing where defendants were represented by counsel, the Court entered a Preliminary Injunction ("PI") on June 12. The TRO and PI both prohibited further marketing of the Fortuna Alliance pyramid scheme or any related program, froze Fortuna's assets, placed a receiver in charge of Fortuna, and required repatriation of millions of dollars that Fortuna had transferred to a bank in Antigua, West Indies. This Court also entered an Order of Contempt on June 12, citing defendants for failing to repatriate foreign funds and provide an accounting.

When Fortuna still failed to repatriate any money after the Order of Contempt, this Court issued civil arrest warrants against defendants Delgado, Welch, and Grant on June 27, 1996. The defendants avoided arrest only by staying out of the United States. They never complied with the repatriation order. The arrest warrants for Delgado and Welch were not lifted until the settlement was entered on February 24, 1997. Pursuant to the settlement, defendants repatriated $2.8 million from Antigua.

III. VIOLATIONS OF THE ORDER

Since entry of the Order, the defendants have been busy promoting their revised program, Fortuna Alliance II ("FA2"), and trying to convince members not to seek refunds. Their World Wide Web sites are filled with promotions for FA2. [pp. 25-42, 46-55 , Ex. 2] They have sent multiple and lengthy letters to individual members. [pp. 38-46, Ex. 2] They have held a "leadership conference" at a resort in Aruba. [pp. 166-67, Ex. 5] What they have not done is comply with the Order.

A court's authority to impose sanctions for contempt of its orders is an inherent and integral element of its powers. *See, e.g., Gunn v. University Comm. to End War*, 399 U.S. 383, 389 (1970); *Davies v. Grossman*, 930 F.2d 1390, 1393 (9th Cir. 1991). This Court has already imposed civil contempt sanctions for violations of its PI in this matter. The Court's continuing jurisdiction to enforce its decree is also made explicit in the Order (§ XVI). The standard of proof for a finding of civil contempt is clear and convincing

evidence. *Balla v. Idaho State Board of Corrections*, 869 F.2d 461, 466 (9th Cir. 1989); *U.S. v. Powers*, 629 F.2d 619, 626 n.6 (9th Cir. 1980).

A. Failure to Pay the Deficiency in the Redress Fund

Order § III entitles Fortuna members to full refunds of all membership fees, under a program to be administered by a Redress Contractor employed by the FTC.(5) On July 17, 1997, the Redress Contractor delivered to defendants the first list of eligible claims. There were 9,158 claims totaling $4.81 million. [p. 128, Ex. 5] Since there was only $3.1 million in the redress fund,(6) defendants were then liable under the Order for the $1.7 million deficiency. Fortuna paid none of it.

The Order left to the Redress Contractor the job of administering the program in accordance with its standard procedures. In response to a request from defendants, the FTC agreed to allow them an opportunity to question claims, and directed the Redress Contractor to give defendants five days to challenge any approved refunds. Defendants reaffirmed their satisfaction with that schedule as recently as July 16, 1997. [p. 125, Ex. 5] Our mutual expectation was that defendants would document their challenges and the parties would attempt to resolve any differences without involving this Court.

Defendants "challenged" 674 of the claims. [pp. 131-32 , Ex. 5] However, a whole category of defendants' "challenges" appeared to be inapplicable. Defendants had earlier insisted that Premier and Ambassador membership fees were not subject to refunds, an exclusion that doesn't exist in the Order. Defendants argued that higher level members had made more "well thought out decision[s]" about their memberships and were therefore disqualified from refunds. [pp. 107-8 , Ex.5] However, the Order's restrictions on eligibility are very narrowly drawn.(7) They include no distinction based on the supposed thoughtfulness of the consumer.

Another problem with defendants' challenges was that the employee who prepared the 674 challenge figure stated in writing that

the number of "challenged" requests are much higher than they could be. If we could be allowed to continue the review, I feel that in another week we could have that number reduced considerably. [p. 133, Ex. 5]

We have never seen the results of the employee review that would have "reduced considerably" the number of challenges. Finally, the computer printout defendants supplied in supposed support of the challenges was indecipherable. We asked for further documentation of the challenges but defendants never provided it. [pp. 134-35, Ex. 5] The Redress Contractor made a similar request, also ignored by defendants. [pp. 1-3, Bennett Decl. ¶ 13, Ex. 1] As a result, we cannot tell how many of defendants 674 challenges were for Premier and Ambassador membership fees or even how much of the claims defendants challenged.

We waited over a month for defendants to document their challenges. Finally, on August 29, 1997 we requested that defendants pay the $1.7 million deficiency to the Redress Contractor. [pp. 134-35, Ex. 5] We offered to allow some of that money to be placed into escrow pending resolution of the few disputed claims. Defendants paid nothing. On September 9, they said they could not respond because they wanted more time to review the claims they had **not** challenged and their records were in too much disarray to give us any other reply. [pp. 136-37, Ex. 5]

This was not defendants' first major delay. Order § IV obliged Fortuna to provide membership information to the Redress Contractor,(8) who would then notify members of their right to a refund. All Fortuna did, however, was insist that the FTC provide most of the membership information. It provided barely 10% of the names, and even that list

was so late that the Redress Contractor had to do two separate mailings to Fortuna members and delay completion of the claims program.(9)

While Fortuna was delaying Order compliance because of supposed problems with its files, its records were not in too much disarray to make repeated promotional mailings to members,(10) including individualized calculations of hypothetical profits members might have received if Fortuna had continued the pyramid scheme. [pp. 122, 159, Ex. 5]

On October 20, 1997, the Redress Contractor forwarded its update of the earlier tally of eligible claims to Fortuna. This report (with a database in computer-readable form) included all the new refund claims processed since the July 17, 1997 report, together with a small number of changes in the original list due to rescinded refund requests and technical revisions. Even taking into account all the rescissions and changes, Fortuna's deficiency still increased by approximately $300,000, to a total of $2,024,411, including projected administrative costs. [pp. 1-3, Bennett Decl. ¶ 14, Ex. 1]

The Redress Contractor followed its standard procedures for administering redress funds in FTC cases. It verified that any documentation submitted with a claim form conformed with the claim. It verified that each refund claim was signed under penalty of perjury. [p. 3, Bennett Decl. ¶ 16, Ex. 1] The contractor also provided documentation, both printed and electronic, to defendants whenever they requested it. [*Id.*, ¶ 15] The FTC waited to file this motion until the challenge period for the new claims expired on October 27. Any longer would have been unfair to the consumers who have been waiting for months to receive their refunds. It is time for Fortuna to pay the ordered redress in full.

B. Failure to Provide Any Compliance Monitoring Materials

The Order requires that defendants provide to the FTC, upon request, copies of "each type of contract or agreement used with members or participants in the program" (§ X.A.1); "all printed advertisements or promotional materials relating to the program" (§ X.A.2); "all advertising or other promotional or commercial material made available through any fax-back service" (§ X.A.4); and "records for every consumer complaint or refund request and responses thereto" (§ X.B). Other provisions of § X require similar production of information and documents. The FTC has made repeated, written requests for these materials. [pp. 109,110, 118-19, 120-21, 127, Ex. 5] Defendants have expressly refused to provide them. [pp. 113-14, 129-30, Ex. 5#]

Defendants only gave reasons for refusing to provide certain categories of documents.(11) For example, defendants appear to contend that every document they have disseminated, except for a single, small brochure they did provide [p. 115, Ex. 5], is an "internal membership communication", subject to a supposed Constitutional protection applicable to "exchanges between members of a private company or organization." [pp. 113-14, Ex. 5] Defendants did not cite, and the FTC has not found, any legal basis for this argument. In addition, had there been such a protection, defendants would have waived it when they agreed to the settlement.

Defendants also contend that Order references to "promotional materials" mean only materials "used to solicit new members." [pp. 113-14, 129-30, Ex. 5] This restriction does not appear anywhere in the Order.(12) Nor does it make sense in the context of any program where members recruit other members. The essence of pyramid schemes and multi-level or network marketing is that members recruit other members. Program descriptions, training materials, and the like are all part of this ongoing promotional system.

It is obvious that Fortuna has engaged in ongoing promotions to its existing membership. It has exhorted them not to seek refunds, extolled at great length upon the virtues of its upcoming programs, and even solicited new investments. Some of the materials

defendants refused to provide are available publicly, via paid newspaper ads and published press releases, the World Wide Web, and Fortuna's "fax-back" service. Fortuna itself calls many of the documents it has refused to provide "marketing materials."(13) Still, defendants have repeatedly failed or refused to provide copies to the FTC, in violation of Order § X. This has delayed and interfered with plaintiff's right to monitor defendants' new programs to protect the public interest.

There is good reason to be suspicious of Fortuna's motives in withholding the documents. A document [p. 153, Ex.5] Fortuna has sent to consumers says:

The new Fortuna Alliance II will be similar to the "original" Fortuna Alliance in most ways. It was very good as it was and the primary reasons to change any part of it are:

1. to protect it from interference by governmental agencies of any country . . .

This suggests that FA2 may be no more than a repackaged pyramid scheme, now offered in a manner (or from an offshore location) designed to evade scrutiny by law enforcement officials. If FA2 really is similar to the original Fortuna, it will certainly violate the Order. But without full documentation of the program, it would be a waste of the Court's time to examine FA2 now. The first step is to order production of the compliance monitoring documents.

C. Misrepresentations Concerning the Settlement and State Enforcement Actions

Since we do not have most of defendants' promotional materials, we are not yet prepared to say whether Fortuna's new program violates Order § I, which prohibits running pyramid or chain letter schemes. However, their false claims about the settlement and state enforcement actions do violate Order § II, which prohibits making material misrepresentations in connection with promoting Fortuna's programs.(14) Mr. Sailer, the author of many of those false claims, is liable for his own conduct both as an attorney and as a publicity agent for Fortuna.(15)

Defendants' initial promotional goal appears to have been to convince members not to seek refunds. One of the ways they have approached this is to repeatedly issue statements stating or implying that they won the case and that the Court ruled that Fortuna was not running an illegal pyramid scheme. Their press releases, mailings, and World Wide Web postings have contained numerous misrepresentations about the settlement. They have ignored our requests to correct the misrepresentations.

Within days of the settlement being issued, Fortuna issued a press release and a "Member Communication" document containing claims like:

"Fortuna Alliance Cleared of All Charges by Federal Trade Commission."

"The Federal Trade Commission today dropped all charges against Fortuna Alliance."

"But now we have been cleared of all charges . . ."

"The consent order acknowledges that Fortuna Alliance is a bona fide multi-level marketing program. The FTC withdrew it's [*sic*] charges that claimed Fortuna is a pyramid scheme."

". . . the complete vindication achieved by Fortuna."(16)

We immediately asked Fortuna's counsel and advertising agency to cease making claims that falsely state or imply an actual finding of innocence or legitimacy of its past practices.(17) To the extent that these statements may affect a consumer's decision of

whether to maintain membership in or join Fortuna, they are materially misleading. The reply we received was from attorney Robert Sailer, whom we understood was the author of the press release. The reply did not contend that the quoted statements were true. It simply stated that the FTC's press releases contained misleading statements (which is untrue), implying that that justified his and his clients' Order violations. [p. 106, Ex. 5]

Subsequent press releases and "Latest Legal Report[s] by Bob Sailer" showed Mr. Sailer continuing to claim that Fortuna had been vindicated in court.(18) Many claims echoed the ones quoted above. For example, two May 1, 1997 documents included phrases like "full dismissal of the FTC case" and "the FTC dropped its case." [pp. 57, 70, Ex. 5] Fortuna's South Pacific regional office claimed on March 11, 1997 that "the company . . . can now carry on its business unrestrained." [p. 112, Ex. 5] Since the Order contains stringent restraints on how Fortuna does business, that claim was also false. We gave another, again unheeded warning to Fortuna in response to the regional office claim. [p. 109, Ex. 5]

Defendants and Mr. Sailer did not stop with falsely claiming dismissal of the FTC case. A "legal report" by Mr. Sailer distributed at defendants' recent conference in Aruba and posted on the World Wide Web added a claim implying that all state cases involving Fortuna had been dropped. [pp. 38-39, Ex. 2] In fact, the State of Washington issued a cease and desist order against Fortuna and Florida is pursuing its case against Fortuna distributors in that state.(19) Since Fortuna's marketing is through members, it is highly material that individual members may find themselves liable under state law for promoting Fortuna's schemes.

Fortuna made these claims a feature of its promotional campaign to convince members not to seek refunds. Mr. Sailer also made the claims in attempting to counteract unfavorable publicity.(20) Since much of the Fortuna Alliance II program appears to be a continuation of the original Fortuna, and since defendant Augustine Delgado continues to run Fortuna, a claim representing that the business had been proven legitimate would be highly material.(21) Therefore, these claims violate Order § II.

As this Court is aware, this is not the first time Mr. Sailer, acting directly and through publicity agencies, has misrepresented this Court's decisions in order to further Fortuna's business aims. A July 31, 1996 press release made numerous misleading claims, including that Fortuna "won another round in their battle to overturn a preliminary injunction" when the opposite was true. [p. 98, Ex. 5] No provision of the referenced July 26, 1996 order of this Court (nor any previous order) supported the claim. This release appeared on the Internet in conjunction with a solicitation for funds Mr. Sailer was collecting to pay Fortuna's legal bills. [pp. 99-100, Ex. 5] The complete file of claims and correspondence between the parties was submitted to the Court for review on August 14, 1996, in preparation for a conference held in chambers on August 16 to discuss the matter.

Most recently, defendants' promotional materials have included a document blaming all Fortuna's past troubles on the purported misdeeds of the FTC, US Department of Justice, and state enforcement officials, as well as this Court:

Early in our efforts to prevent the TRO from becoming a preliminary injunction, and efforts to get the offices back for Fortuna Alliance, Judge McGovern evidenced his dislike for what he could not understand. He admitted in open court during the first court hearing on the TRO that he had not fully read the FTC request and legal documents for the injunctive action. He admitted that he did not fully understand how network marketing worked. He gave full credibility to statements made by the FTC because they were a government agency, and clearly did not perceive Fortuna Alliance innocent until proven guilty.

In a hearing to seek a trial date, the judge granted a request by the FTC to issue civil arrest warrants for the individual defendants. He took it as a personal affront to him that the defendants would not return to the U.S. to face jail time in order to state their case to him. There was no compassion or attempt to understand that the defendants, who were willing to return and present their case, simply wanted to do so without facing arrest for something they had not even been convicted of doing. It almost seemed that in a burst of personal anger he decided to help defeat their case by forcing them to stay out of the country. There was no balanced attempt to provide a forum of justice for the defendants.

[p. 66, Ex. 2]

This 15-page document, on Judd & Sailer letterhead and called "Contempt Prior to Investigation," is available to any member of the public worldwide, via the Internet and through Fortuna's "fax-back" service. This document contains numerous other misstatements of fact, false claims, and baseless personal attacks on government attorneys.

Mr. Sailer has willingly and repeatedly acted as a publicist, furthering his client's business through misrepresentations about court actions. Defendants have repeatedly publicized Mr. Sailer's misrepresentations through their World Wide Web sites and fax-back services. These actions violate Order § II, which prohibits making material misrepresentations in connection with promoting Fortuna's programs.

IV. REMEDIES

A court may impose sanctions for civil contempt to coerce obedience to a court order or to compensate the party pursuing the contempt action for injuries resulting from the contemptuous behavior, or both. *United States v. United Mine Workers*, 330 U.S. 258, 303-04 (1947). Courts have broad discretion in fashioning coercive civil contempt remedies. *Perfect Fit Industries, Inc. v. Acme Quilting Co.*, 673 F.2d 53, 57 (2nd Cir. 1982); *see also United Mine Workers of Am.*, 330 U.S. at 304. In exercising its remedial powers, a court may require a contemnor to perform various affirmative acts, even though those actions were not mandated by the underlying decree. *In re Arthur Treacher's Franchisee Litigation*, 689 F.2d 1150, 1159 (3d Cir. 1982). The circuit court in *Arthur Treacher's* discussed with approval *Franklin Mint Corp. v. Franklin Mint, Ltd.*, 360 F.Supp. 478 (E.D. Pa. 1973), which required the contemnor to publish corrective statements. *Id.*

Plaintiff also seeks compensatory payment of the fees and costs incurred by the Commission in pursuing this action. This relief is generally available where the violations were made willfully, as in this case. *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 258-59 (1975). In this Circuit, there is also clear precedent for the award of attorney fees even where the contempt is not willful. *Perry v. O'Donell*, 759 F.2d 702, 704 (9th Cir. 1985). Finally, Order § III provides for defendants paying attorney fees and costs of collection for non-payment of the redress deficiency without regard to any finding of contempt.

The proposed Contempt Order includes the following relief:

1. Directing immediate payment of the redress deficiency.

2. Directing defendants to immediately turn over to the FTC copies of all promotional materials. Since defendants have shown a willingness to reinterpret general order language to avoid compliance, we have included a detailed list of documents to be provided.

3. Requiring defendants and Mr. Sailer to cease making false claims that any federal or state cases were dismissed or charges dropped, and to mail and publish

materials correcting the misrepresentations concerning the FTC settlement and the state cases.

4. Extending the period during which consumers can request refunds until 60 days after defendants complete publishing and mailing the corrective information. This would not delay refund payments to the original claimant group. Defendants must promptly pay all requests mailed within the 60 day extension, and must fully document to the FTC their compliance with this provision.

5. Allowing the Redress Contractor to make pro rata payments to eligible consumers if the deficiency amounts are not received within 10 days. All costs of processing these payments will come from the existing redress fund but will be added to the amount owing by the defendants to the Redress Contractor.

6. Ordering payment of plaintiff's attorney fees and costs of collection. If the Court grants the FTC's request for attorneys' fees and costs, we will submit a separate motion for specific fees and costs incurred in connection with these contempt proceedings.

V. CONCLUSION

The defendants' and Mr. Sailer's conduct demonstrates flagrant disregard of the Order. The failure to pay the redress deficiency has caused hardship for thousands of consumers waiting for their refunds. Defendants have used their delay - and consumers' money - to engage in a massive promotional campaign for Fortuna Alliance II while at the same time concealing from the FTC the documents that would explain how this new program will work. This Court should find defendants and Mr. Sailer in contempt, and order sanctions to coerce compliance with the Order and remedy the damage done, including compensating the FTC for the costs of bringing this action.

Date: October 30, 1997

Respectfully submitted,

RANDALL H. BROOK, WSBA #4860
ELEANOR DURHAM
MAXINE STANSELL
Federal Trade Commission
915 Second Avenue, Ste. 2896
Seattle, WA 98174
(206) 220-6350

Attorneys for Plaintiff

By:

Randall H. Brook

Endnotes:

1. The "certain defendants" subject to the Order and this motion are Fortuna Alliance, L.L.C., Augustine Delgado, Libby Gustine Welch, and Donald R. Grant. Pursuant to FRCP Rule 65(d), one of Fortuna's counsel, Robert O. Sailer, is subject to this motion for his actions in promoting Fortuna's business.

2. Mr. Sailer's earlier misrepresentations about supposed successes in preliminary court actions were the subject of a court conference in chambers on August 16, 1996.

3. The Redress Contractor has been unable to make *any* payments because the Order requires payments *in full*. Had the Redress Contractor started making payments, some consumers would have received full

payments and, when the money ran out, the rest would have gotten nothing.

4. All exhibits are page numbered consecutively in a single exhibit volume. The page number in brackets refers to that page numbering, not any page number internal to an individual exhibit.

5. Order § III provides:

> IT IS FURTHER ORDERED that **refunds of membership fees shall be offered to all eligible members of Fortuna Alliance by an independent Redress Contractor** [who] shall use a notice and claim form containing the text of Attachment A to this order, and follow its standard procedures for administering redress funds in FTC cases. . . .
>
> . . . The balance of the Redress Fund shall be used to pay refunds. **If requests for refunds exceed this initial Redress Fund, the Fortuna Defendants shall make sufficient additional funds available to the Redress Contractor to pay all refunds in full.** The Fortuna Defendants shall secure this obligation with an irrevocable letter of credit confirmed by a U.S. bank, delivered and payable to the Redress Contractor as beneficiary, in an amount of $2.8 million. [emphasis supplied]

6. $2.8 million from Fortuna's Antiguan bank accounts and $300,000 from the Receiver's frozen funds.

7. Order § III provides:

> For purposes of this section, an "eligible member" is one (1) whose membership fee(s) were actually paid to Fortuna, that is, not gifted or otherwise provided without payment; (2) who did not receive payments from Fortuna equal to or exceeding the membership fee(s) paid; and (3) who returns a properly filled out claim form. . . . If a member has received payments from Fortuna but those payments were less than the membership fees paid, then any refund will be reduced by the amount of payments received.

8. Order § IV provides:

> IT IS FURTHER ORDERED that the Fortuna Defendants shall aid and assist the Commission, or the designated Redress Contractor, without compensation from the Redress Fund or the FTC and in any manner reasonably requested by the Redress Contractor, in determining which Fortuna members may be eligible for refunds and in obtaining information from Fortuna's records to locate those members.

9. Fortuna told the contractor it would only provide a list of members for April 15, 1996 to the end of May. It insisted that the FTC provide names for November, 1995 to April 15. It then delayed until April 14, 1997, when it provided a list containing only 2,600 names. Information the FTC obtained easily from Fortuna's databases showed 10,893 names for April and May, 1996. The history of these delays and the resulting bifurcation of refund notice mailings is described by Redress Contractor [pp. 1-3 , Bennett Decl. Ex. 1] and in extensive correspondence among the parties [not attached]. The first mailing, to 14,314 members, went out on April 14. The second, to 11,540 members, went out on May 9.

10. These mailings included an announcement and eight page newsletter [pp. 138-47, Ex. 5], a nine page packet including an offer of "profit sharing certificates" and an "Overview of Fortuna Alliance II [pp. 148-58, Ex. 5], and an invitation to rescind any previous refund request. [p. 161, Ex.5]

11. For example, when we requested copies of all refund *correspondence*, as required under Order § X.B, defendants replied that they would provide a *list* of consumers who sought refunds. There was no further explanation.

12. Defendants have not even tried to explain why they have withheld documents covered by Order provisions expressly calling for materials sent to and received from members, *e.g.*, § X.A.1 (contracts with member) and § X.B (refunds requests from members and Fortuna's replies) .

13. A Fortuna document posted on the World Wide Web offers "marketing materials", including "video and audio marketing presentations" and tape recordings of conference calls, to members. [p. 32, Ex. 2] A newspaper ad referred to "new marketing literature." [p. 167, Ex. 5] We have seen *some* of these documents because consumers sent them to us or because they appeared on the World Wide Web. These illustrate the breadth of promotional materials defendants have withheld. They include: mailings describing the potential benefits of remaining a member [pp. 122-24 , Ex. 5]; mailings describing some of the operations and benefits of the newly re-constituted Fortuna program and investments old and new members are encouraged to make [pp. 138-58, Ex. 5]; mailings encouraging members not to leave the program by seeking a refund or to rescind their refund requests [pp. 122-24, Ex. 5]; newspaper advertising and promotions [pp. 163-67, Ex. 5]; lists of "fax-back" documents [p. 123, Ex. 5, listing 12 documents available in May 1997], and [pp. 48-49, Ex. 2, listing 22 documents currently available]; and programs

teaching marketing techniques for members to use in finding new members. [p. 167, Ex. 5]

14. "[T]he Fortuna Defendants, . . . in connection with the advertising, promoting, offering for sale; or sale of any marketing or investment program, . . . are hereby permanently restrained and enjoined from making, or assisting another in making, directly or by implication, orally or in writing, any misrepresentation about any material fact . . . ."

15. "Every order granting an injunction . . . is binding only upon the parties to the action, their officers, agents, servants, employees, and attorneys . . . " FRCP Rule 65(d).

16. In printed form [p. 102, Ex. 5] and as viewed on the Internet. [p. 46, Ex. 2]

17. The FTC wrote on Feb. 25, 1997:

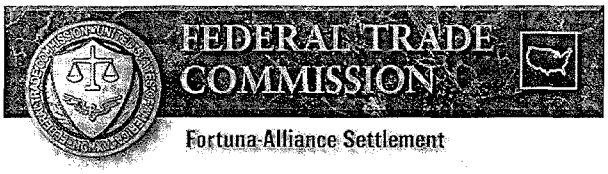
> We recognize that Fortuna may wish to place a favorable "spin" on the outcome of this case. But this does not mean it may use statements that falsely state or imply an actual finding of innocence or legitimacy of its past practices. To the extent that these statements may affect a consumer's decision of whether to maintain membership in or join Fortuna, they are materially misleading. We request that you immediately cease making statements of this nature, and direct any members who are using similar statements to cease using them. [pp. 102-3, Ex. 5]

18. Some documents contain Mr. Sailer's name [*e.g.*, p. 38, Ex. 2] and some are on his firm's (Judd & Sailer) letterhead [*e.g.*, p. 58, Ex. 2] We have no reason to believe that Mr. Judd was involved in the preparation of any of the Fortuna press releases and similar documents.

19. See declarations from the Washington Div. of Securities [p. 73, Ex. 3] and Florida State Attorney [pp. 83-84, Ex. 4] Florida's complaint included Fortuna and the Fortuna principals, who were in Antigua or Belize at the time. However, Florida has pursued the case only against Fortuna agents, because of an inability to get service on the principals and a belief that the FTC case would suffice against them. [*Id.* ¶¶ 5-6]

20. Mr. Sailer's letter to an Australian TV station appears on a Fortuna Internet site. [pp. 43-44, Ex. 2]

21. Similar misrepresentations of victory when all the court had done was deny one part of the plaintiff's sought relief were held to be a "blatant attempt to mislead defendants' investors" and a basis, in part, for appointment of a receiver. *SEC v. Heritage Trust Co.*, 402 F.Supp 744, 753 (D. Ariz. 1975).



Update: July 22, 1998

Final Refund Checks Mailed

The **contempt citation** against Fortuna and Augustine Delgado cleared the way for the final mailing of refund checks this week. This mailing brings to 15, 625 the total number of consumers receiving refunds. The FTC's case against Fortuna returned approximately $5.5 million to investors in the U.S. and 70 foreign countries (*see* **List of Refunds by Countries**). The contempt citation could provide an additional $2.2 million in consumer redress that will go to consumers who received partial refunds. There will be no further payments (above the 60% shares) unless we can collect additional monies from defendants. We cannot accept any new refund claims against Fortuna or Fortuna Allaince II.

On June 5, 1998, Federal Judge Walter T. McGovern found Augustine Delgado and Fortuna Alliance in civil contempt. They wilfully failed to make sufficient payments for consumers to receive full refunds. The Court found that the Fortuna's "challenges" to refund claims had made no significant difference in the end result except to substantially harm consumers, who had to wait months for their refunds. The Court also found that defendants had benefitted by their delay because they had use of the funds properly due consumers.

The **contempt order** prohibits defendants from promoting any marketing or investment program until the $2 million deficiency, plus interest, is paid in full. Any person who promotes a Fortuna or Delgado scheme with knowledge of this prohibition may be subject to contempt proceedings as well.

Update: May 19, 1998

FTC Files Second Contempt Action

On May 8, 1998, the FTC charged Fortuna Alliance, Augustine Delgado, Libby Gustine Welch, and Donald Grant with failing to pay a $2 million deficiency due for consumer refunds. The FTC called the refund claims "challenge" process bogus, noting that out of 4,000 "challenges" by Fortuna, fewer than 100 were even partially substantiated by Fortuna. The FTC has asked the federal court to find the defendants in contempt for failing to pay the deficiency. The court has set a hearing date of June 5, 1998.

- **Application for Issuance of Contempt Order and Final Monetary Judgment**

Please do not call the Federal Trade Commission about your refund claim. We will post

new information here as it becomes available.

For more information, choose from the selections below:

- **Press Release - Final Payments**
- **List of Number and Amount of Refunds, by Country**
- **Contempt Order**
- **Compliance Order**
- **Background on Contempt**
- **Contempt Action**
- **Refund Delays**
- **News Release** - Settlement
- **Refund Notice**
- **Stipulated Final Judgment** - Applies to Fortuna-Alliance, Augustine Delgado, Libby Gustine Welsh, and Donald Grant.
- **Stipulated Final Judgment** - Applies to Monique Delgado.
- **Original Complaint**

Last Updated: Thursday, June 24, 1999

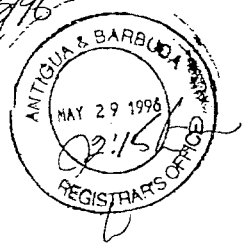
IN THE HIGH COURT OF JUSTICE

ANTIGUA AND BARBUDA

In the Matter of an Intended Action

No. 152/96

BETWEEN:



(1)THE UNITED STATES OF AMERICA
(2)MICHAEL A GRASSMUECK INC.
(3) FORTUNA ALLIANCE LLC
(4)THE FEDERAL TRADE COMMISSION

Intended Plaintiffs

-and-

(1) SWISS AMERICAN BANK LTD
(2) AUGUSTINE DELGADO
(3) LIBBY GUSTINE WELCH
(4) DONALD R GRANT
(5) MONIQUE DELGADO
(6) GAIL OLIVER

Intended Defendants

BEFORE THE HONOURABLE MR. JUSTICE KENNETH BENJAMIN (In Chambers)

DATE THE 29TH DAY OF MAY 1996 (First Order)

ENTERED THE 29th DAY OF May 1996

UPON THE APPLICATION of the Intended Plaintiffs herein

AND UPON READING a copy of the affidavit of Randall H. Brook dated 28th May 1996 and copies of the exhibits thereto

AND UPON READING the Affidavit of Harold E. E. Lovell dated 29th May 1996

AND UPON READING a copy of the Intended Writ of Summons

AND UPON THE PLAINTIFFS by their Counsel undertaking to the Court:-

(a) Forthwith to issue and serve a Writ of Summons upon the Intended Defendant Swiss American Bank Limited within the jurisdiction.

(b) To file the original of the said affidavit of Randall H. Brook as soon as reasonably practicable together with the exhibits thereto.

(c) To file the said affidavit of Harold E. E. Lovell forthwith.

(d) To abide by any Order the Court may make as to damages should the Defendants or any third party having or claiming to have an interest in any relevant account (as hereafter defined) suffer any by reason of this Order, which in the opinion of the Court the Plaintiffs ought to pay.

IT IS ORDERED THAT:-

(1) The Intended First Defendant be restrained until after judgment in this intended action or further order in the meantime and whether by itself, its Directors, servants, agents or otherwise however from operating or permitting to be operated any relevant account as hereafter defined otherwise than (a) by transferring the sums standing to the credit of such account to the bank account of the Intended Third Plaintiff Fortuna Alliance L.L.C. at Whatcom State Bank Number 2927007126 or (b) as the Intended Second Plaintiff as receiver of the Intended Third Plaintiff shall direct.

(2). The Intended Defendants and each of them and any third party having or claiming to have an interest (as trustee, beneficiary or otherwise) in any relevant account shall have liberty to apply to vary or discharge this Order upon 48 hours written notice to the Plaintiffs' solicitors.

(3) That the costs of this Application be costin the cause.

For the purposes of this Order, the expression "relevant account" shall mean any one or more of the following:

i. Accounts numbered 15103 - 11 and 15390 -11;

ii. Accounts held by or in the name or on behalf of one or more of FFC The Prosper Trust, The Fortuna Alliance Trust, or any other trust or entity having a name substantially the same as either of the 2 foregoing names or having a name including the words or names "Fortuna Alliance" "The Prosper Trust" or "FFC";

iii. Any other account which has received sums either from the Intended Third Plaintiff or upon the instructions of any of the Second to Sixth Defendants inclusive.

iv. Any account to which sums previously paid into one or more of the accounts mentioned in (i) to (iii) above have been transferred (whether by one transfer or by a series of transfers through intermediate accounts).

Registrar

IN THE HIGH COURT OF JUSTICE

ANTIGUA AND BARBUDA

SUIT NO. 153 OF 1996

B E T W E E N:

(1) THE UNITED STATES OF AMERICA
(2) MICHAEL A GRASSMUECK INC
(3) FORTUNA ALLIANCE LLC
(4) THE FEDERAL TRADE COMMISSION

Plaintiffs

-and-

(1) SWISS AMERICAN BANK LTD
(2) AUGUSTINE DELGADO
(3) LIBBY GUSTINE WELCH
(4) DONALD R GRANT
(5) MONIQUE DELGADO
(6) GAIL OLIVER

Defendants

AFFIDAVIT OF SERVICE

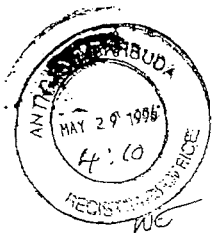
I LEANDRA JAMES of Desouza Road in the Parish of Saint John in the island of Antigua in the State of Antigua and Barbuda, make oath and say as follows:-

1. That I am a Clerk in the Chambers of Sydney P. Christian and Associates of Chambers 29 Redcliffe Street in the parish of Saint John in the Island of Antigua in the State of Antigua and Barbuda.

2. That on Wednesday the 29th day of May1996 at 3:05 pm I did serve MR. GASTON BROWNE Deputy Manager of the Swiss American Bank, at their Registered Office on High Street, St John's, Antigua, with a copy of the Writ and a copy of the Order made by this Honourable Court on the 29th day of May 1996 .

Sworn at the Court House]
St John's, Antigua, this 29th]
day of May 1996, before]
me:]

COMMISSIONER FOR OATHS
ANTIGUA & BARBUDA



IN THE HIGH COURT OF JUSTICE

ANTIGUA AND BARBUDA

Suit No. 153 of 1996

BETWEEN:

(1)THE UNITED STATES OF AMERICA
(2)MICHAEL A GRASSMUECK INC.
(3) FORTUNA ALLIANCE LLC
(4)THE FEDERAL TRADE COMMISSION

Plaintiffs

-and-

(1) SWISS AMERICAN BANK LTD
(2) AUGUSTINE DELGADO
(3) LIBBY GUSTINE WELCH
(4) DONALD R GRANT
(5) MONIQUE DELGADO
(6) GAIL OLIVER

Defendants

BEFORE THE HONOURABLE MR. JUSTICE KENNETH BENJAMIN (In Chambers)

DATE THE 29TH DAY OF MAY 1996 (Second Order)

ENTERED THE 29th DAY OF May 1996

UPON THE APPLICATION of the Plaintiffs herein AND UPON READING a copy of the Affidavit of Randall H. Brook and of the exhibits thereto sworn in the matter of an Intended Action and the Affidavit of Harold E. E. Lovell sworn on the 29th day of May, 1996.

AND UPON the Plaintiffs by their Counsel undertaking to the Court:-

a. Not to perfect this Order until after the Writ shall have been served upon the First Defendant within the jurisdiction and an affidavit of service of the Writ upon the First Defendant shall have been filed.

b. To serve Notice of Writ upon the other Defendants as soon as practicable after this Order shall have been perfected;

c. To give notice to the Defendants as soon as practicable of the contents of this Order and of the First Order made this day in the matter of an Intended Action between the same intended parties (hereinafter called "the First Order") and (if and so far as not already served) to serve this Order and the First Order and copies of the said Affidavits and exhibits thereto upon the Defendants as soon as practicable after this Order shall have been perfected.

d. To inform the Defendants as soon as practicable of their right to apply to discharge or vary paragraph 2 or 3 of this Order and the First Order upon notice to the Plaintiffs' solicitors;

e. To abide by any order that the Court may make as to damages should the Defendants (or any third party having or claiming to have an interest in any relevant account) suffer any by reason of paragraphs 2 and 3 of this Order which, in the opinion of the Court, the Plaintiffs ought to pay.

IT IS ORDERED THAT:-

(1) The Plaintiffs be granted leave to issue concurrent Writs of Summons and to serve Notice thereof together with this Order and the First Order out of the jurisdiction upon the Second to Sixth Defendants inclusive in the State of Washington U.S.A. or at such other place outside the jurisdiction as such Defendants or any of them may be found and that the time within which each such Defendant is to enter an appearance shall be within 28 days of service of the said notice on that Defendant;

(2) The Second to Sixth Defendants and each of them be restrained until after judgment in this action or further order in the meantime whether by themselves their servants, agents or otherwise from transferring, disposing of or otherwise dealing with the sums standing to the credit of any relevant account (as that expression is defined in the First Order) or any other sums derived from the Third Plaintiff (directly or indirectly and whether by a transfer or series of transfers) save by the transfer of such sums to the Third Plaintiff's bank account at Whatcom State Bank Number 2927007126 or otherwise as the Second Plaintiff as receiver of the Third Plaintiff shall direct.

(3) The Second to Sixth Defendants and each of them shall upon service upon each of them respectively of this Order :

a. (Within 24 hours of such service) give to the Plaintiffs' solicitors a written authority signed by that Defendant in the following form " I hereby authorise and require Swiss American Bank Limited of Antigua to disclose to the Plaintiffs' solicitors in Suit No: 153 of 1996 now pending in the High Court of Antigua such information and documents that they may request relating to all accounts in which I may be interested (as trustee, beneficiary or otherwise) or into which

I may have transferred monies (whether alone or with others); or upon which I am authorised to draw (alone or with others), including any relevant account as that expression is defined in an Order in an Intended Action dated 29th May 1996 between The United States of America and others as Intended Plaintiffs and Swiss American Bank Ltd and others as Intended Defendants";

b. (Within 24 hours of such service) disclose to the Plaintiffs' solicitors in writing the name(s) and address(es) of

i. The trustees of FFC The Prosper Trust;

ii. The trustees of The Fortuna Alliance Trust;

iii. The person or persons entitled to give instructions in relation to each relevant account as that expression is used in the First Order;

and shall accompany such disclosure with copies of all documents available to them relating to the payment of monies to or from any relevant account.

c. (within 7 days of such service) make and serve on the Plaintiffs' solicitors an affidavit confirming the accuracy of the foregoing disclosures and confirming that full disclosure has been made of all relevant and available documents.

(4) The Defendants and each of them and any third party having or claiming to have an interest in any relevant account shall have liberty to apply to vary or discharge paragraphs 2 and 3 of this Order upon 48 hours written notice to the Plaintiffs' solicitors.

Registrar

IN THE HIGH COURT OF JUSTICE

ANTIGUA AND BARBUDA

(CIVIL)

SUIT NO: 153/1996

BETWEEN:

(1) THE UNITED STATES OF AMERICA
(2) MICHAEL A. GRASSMUEK INC
(3) FORTUNA ALLIANCE LLC
(4) THE FEDERAL TRADE COMMISSION

Plaintiffs

and

(1) SWISS AMERICAN BANK LTD
(2) AUGUSTINE DELGADO
(3) LIBBY GUSTINE WELCH
(4) DONALD R. GRANT
(5) MONIQUE DELGADO
(6) GAIL OLIVER

Defendants

SUMMONS TO DISCHARGE

LET ALL PARTIES CONCERNED attend the Judge in Chambers on the day of . 1996 on the hearing of an application by the first named defendant for the following orders:-

(i) That the First Order made by the Honourable Justice Benjamin on the 29th day of May, 1996 restraining the First Defendant until after judgment in this intended action or further order, in the meantime and whether by itself, its Directors, servants, agents or otherwise however from operating or permitting to be operated any relevant account as hereafter defined otherwise than (a) by transferring the sums standing to the credit of such account to the bank account of the Intended Third Plaintiff Fortuna Alliance L.L.C. at Whatcom State Bank Number 2927007126 or (b) as the Intended Second Plaintiff as receiver of the Intended Third Plaintiff shall direct, be discharged and/or in the alternative.

(ii) That the said order be varied.

(iii) Such further or other relief as may be just

(iv) Costs

IN THE HIGH COURT OF JUSTICE

ANTIGUA AND BARBUDA

(CIVIL)

SUIT NO: 153/1996

BETWEEN:

(1) THE UNITED STATES OF AMERICA
(2) MICHAEL A. GRASSMUEK INC.
(3) FORTUNA ALLIANCE LLC
(4) THE FEDERAL TRADE COMMISSION

Plaintiffs

and

(1) SWISS AMERICAN BANK LTD
(2) AUGUSTINE DELGADO
(3) LIBBY GUSTINE WELCH
(4) DONALD R. GRANT
(5) MONIQUE DELGADO
(6) GAIL OLIVER

Defendants

AFFIDAVIT IN SUPPORT OF SUMMONS

I, BRIAN STUART YOUNG, Banker of Swiss American Bank Limited in Antigua make oath and say as follows:-

1. That I am the Manager of the Swiss American Bank Limited, the First Defendant herein and I make this Affidavit with the knowledge and consent of the First Defendant.

2. By virtue of my position with the First Defendant I am familiar with the facts and circumstances of this case.

3. In so far as the content of the affidavit is within my personal knowledge, it is true and in so far as it is not within my personal knowledge it is true to the best of my knowledge, information and belief.

4. I have been advised by my Attorney-at-Law, Nicolette M. Doherty and I verily believe that the First Order made by the Honourable Justice Kenneth Benjamin on the 29th May, 1996 restraining the First Defendant from operating Bank Account Nos. 15103-11 and 15390-11 or accounts held or in the name of FFC, the Prosper Trust or the Fortuna Alliance other than by transferring funds to the account of the Third Plaintiff herein, ought to be discharged for the following reasons:-

   (1) That neither the affidavits of Harold E. Lovell or Randall Brooks have

disclosed any cause of action against the First Defendant.

(2) That the Plaintiffs have failed to disclose any right or claim in relation to the First Defendant which the First Defendant has threatened to infringe.

(3) That the First Defendant holds the assets in Accounts Nos. 15103-11 and 15390-11 as 'Banker' and as such, is merely carrying on the business of banking.

(4) That the effect of the first part of the order made against the First Defendant is to 'freeze' the assets in Account Nos. 15103-11 and 15390-11.

(5) That the effect of the second part of the order made against the First Defendant to transfer the funds in Account Nos. 15103-11 and 15390-11 to the account of the Third Plaintiff on the instructions of the Second Plaintiff, is to order the First Defendant to take steps contrary to preserving the status quo.

(6) That if the injunction shall be allowed to continue, the injunction will affect the normal course of the First Defendant's business.

(7) That the First Defendant's business is based on the trust of its customers and that its reputation as a credible Off-shore Bank will be prejudiced if the injunction shall be allowed to continue.

(8) That the Plaintiffs have not adduced any evidence that the assets in Account Nos. 15103-11 and 15390-11 are in fact those of the Second to Sixth Defendants or that any of them are signatories to the said accounts or that the said assets are at the disposal of the Defendants.

(9) That the Plaintiffs have failed to adduce any evidence that the First Defendant could by themselves remove from jurisdiction or dissipate the assets held in Accounts Nos. 15103-11 and 15390-11.

(10) That a Receiver has been appointed over the assets of Fortuna Alliance Trust.

(11) That any assets of Fortuna Alliance Trust would not be in any danger of dissipation.

(12) That the First Defendant who holds the assets as 'Banker' is an innocent third party.

Before me:

.....

COMMISSIONER FOR OATHS
ANTIGUA & BARBUDA

Dated this 29th day of August 1996

.....

HILL & HILL

Solicitors for the First named Defendant

Augustine Delgado
Box 265W, Woods Center
St. John's, Antigua

October 22, 1996

RECEIVED 2 3 OCT 1996

Mr. Brian Stuart-Young
Swiss American Bank
St. John's, Antigua

Dear Brian:

As per your request, I am following up on my previous letter to you regarding the current legal situation of Fortuna Alliance.

The ex-parte injunction granted by the High Court of Antigua on May 29th to the FTC has remained in effect for 5 months. We both have agreed, as have other highly respected and knowledgeable individuals in Antigua, this is unprecedented for a case of this magnitude and significance to the struggling offshore sector of Antigua.

Historically, ex-parte injunctions are granted temporarily (usually for 14 days) to allow the parties to present evidence and reach remedy promptly. This is intended to prevent unjust manipulation of the laws to create financial chaos or total destruction of an individual or organization by a continuing freeze on assets. It is mind boggling how a landmark case like Fortuna's, involving other parties like Prosper International, could be allowed to drag on for 5 months with a total freeze on millions of Fortuna dollars.

The lame excuses about an overworked judge don't stand up to the scrutiny of outsiders looking to see what will be the outcome here in Antigua. But, it appears that everyone (especially the offshore practitioners and their savvy clients) is getting tired of waiting, and that with not one - but four - separate postponements on a decision, with the last being an "indefinite" postponement, the damage has not been only to Fortuna, but to the reputation of Antigua.

Antigua right now has suffered a huge black eye from the FTC's action out-of-jurisdiction. But due to Antigua's own mishandling of this whole case, it is now hemorrhaging and bleeding to death. Antigua, in its immature approach to its offshore financial sector, has in effect killed one of its two gooses that lay golden eggs, i.e. tourism and offshore financial industry.

Brian, I have exhausted every means possible to complete this trial and decision. I have now also exhausted our limited funds from abroad. At this point, as I told you, I and Fortuna Alliance have nothing more to lose in Antigua. I am preparing to launch a major campaign to inform the world about Antigua's handling of this case – blow-by-blow, date-by-date, fact-by-fact and name-by-name of all parties connected to this debacle. I will start with a major press release (which is ready to go) to The Observer and to all the leading offshore magazines and newsletters. This will be followed by interviews and conference calls to our key leaders, representing 50,000 memberships in 62 countries. We are also very active on the Internet and will literally have several web sites carrying my story about Antigua and its joke of an offshore industry world-wide to 50 million people. Antigua will not survive the fallout from such a campaign and Swiss American will see an immediate out-flow of millions of dollars exiting Antigua.

Brian, I told you I am a man of my word, and that you never want to enrage a man that has nothing more to lose. I am watching 12 years of my life and my $15 million company destroyed right before my eyes – not by the FTC, but by the nation that I now call home. This is very sad. I do not want to do this to Antigua; I have been silent for 5 months waiting. No more waiting; no more silence. Brian, we are all about to lose big if something isn't done to help our cause right now.

As you are aware, I am a beneficial party for certain funds held in Fortuna Alliance trust and in other accounts for which David Jenkins is the trustee and signator. In addition to these, there are other funds held in suspense that have come to your bank after the injunction (August 9th, from the Netherlands).

I am formally requesting that you arrange a loan to me collateralized by these funds held by you that does not violate your bank's policies or the injunction. I am sure that if we get our minds together we can create a solution that works for everyone – right now! Whatever requirement you have to get this done ASAP, please let me know so that we may expedite this matter.

I will wait until Friday noon. If I have not heard something positive by then, please know that I will not call you anymore. You will hear the cascading thunder from afar coming toward Antigua like one of its hurricanes.

I humbly remain your friend.

Augustine Delgado

FAX MESSAGE

TO : Augustine Delgado

FAX : 460-8879

FROM : Brian Stuart-Young

****

We refer to your request for a facility to be granted to you, secured by funds held to and for the account of a Trust account.

Management has given serious review to the circumstances related to your request, and guided by fiduciary responsibilities and relevant legalities, we are unable to register as security for a credit facility the funds held either in the Trust account or for the Trust account.

We appreciate the grave concerns raised in your letter to us, and have sought to identify legal means by which we could respond to your request. On the one part, we are bound by order of the Court and, on the other part, the fact that funds are held for a trust account carry further responsibility for the bank to ensure that there is no breach of trust. The only authority for the cusdody of the funds is the stated Trustee, and a Trustee has no implied power to borrow.

At this time, we have no means to respond to your request, we will however, continue to press for the legal resolution of this matter. We share your concerns over the length of time taken to address the matter, and the adverse impact it has on your business. We are powerless to influence these events of the court, and can only act in compliance with its orders.

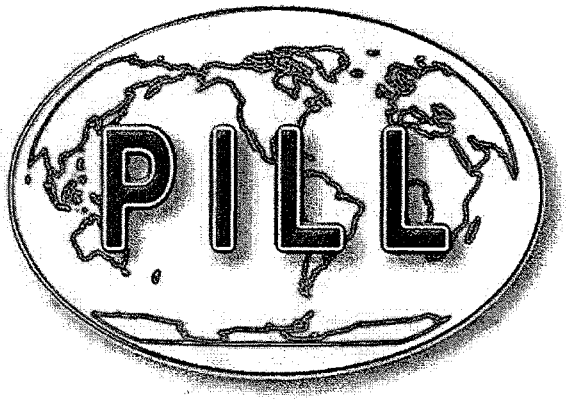
Please contact us if you wish to meet further on these matters.

Yours truly,

10/25/96.

Brian Stuart-Young
Manager

BSY.md



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- No overhead - No reporting - No accounting - No 1099s No deductions - No paperwork - No forms
- Completely private - Entirely confidential - No equipment
- Unlimited market - Operate from home anywhere in the world...
- Very little competition - Instant access to income anywhere in the world
- Unlimited income potential; income duplication as many times a year as you wish

PROSPER INTERNATIONAL LEAGUE Ltd.

THE "PILL" TO FINANCIAL HEALTH, WEALTH AND INDEPENDENCE, ALONG WITH AN INDIVIDUAL TRUST AND INTERNATIONAL CREDIT CARD.

HAVE YOU LOST YOUR FINANCIAL FREEDOM?? DO YOU WANT IT BACK?? PROSPER INTERNATIONAL LEAGUE Ltd. (PILL). AN INTERNATIONAL BUSINESS CORPORATION BASED IN BELIZE, CENTRAL AMERICA, HAS THE KEY.

PILL WILL HELP YOU DEVELOP A SECONDARY OFFSHORE INCOME, SHELTERED AND UNENCUMBERED. PILL WILL ALSO HELP YOU LEARN ABOUT OFFSHORE BANKING, INVESTING, & TAX SAVINGS. THE RICH HAVE BEEN DOING THIS FOR YEARS, ISN'T IT ABOUT TIME WE STARTED?

You may now enjoy the advantages of a totally confidential individual trust without the complex documentation, legal fees or transferring of funds. A trust can be activated and accumulate a substantial balance within the first six weeks. You will also enjoy the benefits of a secured international credit card, with no credit inquiry or paper trail.

PILL - THE ORIGINAL

The original PILL program consists of payment of a $200

membership fee. This fee is credited to the sponsor's trust.

Your first paid referral of $200 is distributed upline four levels at $40 per level starting with your sponsor.

You second paid referral of $200 pay all the setup costs of the trust.

Your third paid referral of $200 is deposited to the trust and the trust is activated.

With an activated trust each additional paid referral pays $200 to the trust.

The trust also receives $40 for each FIRST paid referral from everyone you sponsored and the first paid referral they sponsor four levels down.

Once the trust has accumulated or you have deposited $1000 in the trust you may request a Freedom Card (an International credit card). The funds will be held in trust as a security deposit for the Freedom Card and will be released to the trust when you return the card.

PIL+ - A GREAT PROGRAM MADE EVEN BETTER!

The updated PIL+, a $1000 membership program is a straight referral program. The sponsor receives $900 of the fee.

Upon payment you will receive a starter kit plus Reports # 1000 and 2000. Your first paid referral at $1000 or first five (5) paid referrals at $200 each provides:

Setup and activating the trust.
Freedom Card.
Freedom/Prosperity Report # 5000.

Report # 5000 - a comprehensive educational course offering practical information on using the trust, international business corporations, and other offshore services.

PIL+ members may promote and will be paid for referrals form both the PILL and PIL+ programs. Referral fees will be paid into the trust at $200 and $900 respectively.

QUICK START

Offered for those who desire to obtain a trust but are not interested in immediately recruiting new members into the PILL programs.

The cost is $800 under the PILL program or $2000 under the PIL+ program.

You will also receive 3 additional ID #s for joining the PILL program. You can resell these for $200 each. If you join the PIL+ Quick Start program, you will receive one additional PIL+ ID #

which you can resell for $1000.

NOTE: The PIL+ QUICK START program includes the Freedom Card and other benefits.

SOME OTHER REASONS TO CONSIDER A PROSPER TRUST

P assing your wealth on to heirs
R educing and controlling debt
O pen education and retirement funds
S urviving financially after a divorce
P lanning your investment portfolio
E liminating probate and estate taxes
R etaining all you've worked so hard for

T ax avoidance, legal and simple
R eal judgment proofing, no liability
U ltimate asset protection
S helter from creditors and bankruptcy
T rue financial freedom

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Click here for printable form

P.I.L.L.
4270 Aloma Ave Suite 124-66K
WINTER PARK FL 32792 USA
Phone: 407-679-2959 Fax: 407-679-5039 Email: pill@pill.net

"SETTLOR" (SINGLE INDIVIDUAL NAME ONLY)

FIRST NAME: _____ LAST NAME: _____

ADDRESS: _____

CITY: _____ ST: _____ CODE (ZIP): _____

COUNTRY: _____ EMAIL: _____

PHONE: _____ FAX: _____

Please Select Only One:

_____$200 **PILL**-Trust activated by 3rd PILL referral. $200 commission 3rd and after.

_____$800 **PILL QUICK START**-Trust activated at once.

_____$1000 **PIL PLUS**-Trust activated **&** FREEDOM CARD issued **by** 1st PIL PLUS referral.

_____$2000 **PIL PLUS QUICK START**-Trust activated **&** FREEDOM CARD issued at once.

METHOD OF PAYMENT (Circle One) MONEY ORDER - BANK DRAFT - TRAVELERS CHECK - VISA - MASTER CARD

Card Number: _____ Exp. Date: _____

Cardholders Signature _____(5% PROCESSING FEE FOR CREDIT CARD PAYMENTS. Charge will appear on your credit card statement as "ICABS"(Jerusalem))

TERMS AND CONDITIONS - POLICIES AND PROCEDURES

All applications and payments for membership fees must be sent to PILL and be made payable to PILL. Fax a copy of application & payment to PILL at 407-679-5039. Mail the application and payment to PILL. Your ID # will then be faxed or called back to you. PILL only endorses & is affiliated with programs specifically mentioned in this application or found on the official PILL web site at www.pill.net. PILL and/or PIL PLUS earnings may only be transferred into activated trusts.

I hereby agree to the Terms and Conditions and authorize the appointed Trustee to sign the settlement document.

SIGNATURE SETTLOR: _____ DATE: _____

SPONSOR ID # : _____ YOUR ID # : _____

_____ Please PROVIDE A FOREIGN GRANTOR FOR THE $300 ADDITIONAL FEE ENCLOSED.

_____ Please PROVIDE AN INTERNATIONAL BUSINESS CORPORATION (IBC) FOR A $1000

ADDITIONAL FEE.

2/00

PILL - THE ORIGINAL

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Your first paid referral (PIL PLUS) at $1000 or first five (5) paid referrals (PILL) at $200 each provid
· Setup and activating the trust.
· FREEDOM CARD.
· Freedom/Prosperity Report # 5000.
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NOTE: The PIL PLUS QUICK START program includes the FREEDOM CARD and other benefits.

FOREIGN GRANTOR TRUSTS *

Foreign Grantor Trusts (FGT) are trusts established by a Settlor in a foreign jurisdiction. For purpos U.S. taxation, the Settlor cannot be an U.S. citizen, resident or taxpayer. The FGT is created and a under the laws of the foreign jurisdiction and the Trustees are not located in the U.S. or its possessi For purposes of U.S. taxation, the assets and profits of the FGT are treated as if owned by and tax Foreign Settlor, and as such should not be subject to U.S. taxation, unless the assets are situated i United States. In the case where the assets are situated in the U.S., there may be tax consequenc

Benefits:

U.S. citizens or residents may transfer money directly to a FGT. There are income tax benefits to th that non-U.S. citizens and residents are taxed in the U.S. only on income derived from the U.S. that or determinable such as interest, dividends, rents etc. Non-U.S. citizens are not taxed on capital ga the capital gains relates to conduct of a U.S. business or trade or relates to U.S. real property inter There is no U.S. gift tax applied to gifts of intangible property by non-U.S. citizens or residents.

Costs:

A Foreign Grantor Trust can be established through PIL for the cost of $300. The trust documents issued naming the foreign Settlor, and a Power Of Attorney will be provided to the member in order that the member may carry out activities in the name of the trust.

*Materials condensed from "Offshore Asset Protection & Tax Planning Strategies" by Alan R. Eber,
** Disclaimer: PIL arranges foreign Settlor services. The member is responsible for and encourage

** Disclaimer: PIL arranges foreign Settlor services. The member is responsible for and encourage advice of Tax Planning professionals to determine whether this service meets his needs.

The Prosper Times
Volume 1, Issue 1 October 24, 1994

PROSPER LEAGUE MEMBERS A VERY EXCLUSIVE CLUB

Congratulations and Welcome to the "Premier Issue" of The PROSPER TIMES, Your Newsletter and Your source to "WHAT IS HAPPENING OFFSHORE". By joining PILL you have made a statement.. You have categorically declared that it is Time to move out from under "big brothers umbrella". The umbrella that is costing us all our freedom, our privacy our financial independence, not to mention how much it is costing us in real hard US $$ dollars.

Well done! You have made a great decision! Now, you are well on your way to getting all these things back. Freedom, privacy and financial independence. The information in these Newsletters will give you the "inside edge" on making money, the first step to personal freedom.

We are committed to creating the MOST PROFESSIONAL, MOST PERMANENT, AND MOST PROFITABLE, OFFSHORE ORGANIZATION, dedicated to providing you with the most current and most useful information about the OFFSHORE SCENE. We wish to help you with all aspects of your long term financial planning, your offshore banking and help you achieve offshore investment success.

OUR COMPANY PHILOSOPHY:

- To treat you with utmost respect.
- To treat you honestly and ethically.
- To not to take you for granted.
- To continually feed you with the latest information available.
- To practice what we preach, and be our own best customer.

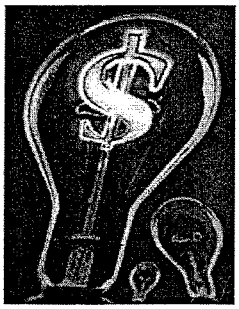
- To provide you with all the latest proven tips and techniques.
- To provide you with as many services as possible.

NOW IS THE TIME TO BE OFF-SHORE 'PILL' IS A PROGRAM WHO'S TIME HAS COME

Progress always involves risk. You can't make second base and keep your foot on first.

WHAT'S AHEAD FOR YOU AND YOUR MONEY??

If you've been following the news, you should be aware that we are headed for HARD ECONOMIC times, in the form of inflation, higher taxes, bigger and bigger government, more welfare, more American jobs moving overseas, a bigger deficit, a higher public debt, larger federal and state budgets and more government involvement in our private lives. It's bad enough that we have tens of millions of people in our country feeding off the taxpayers, but now we have millions of uninvited illegal aliens pouring into our country, who also want the U.S. Taxpayer to pay their way through life and getting it.



The situation is out of control folks, and we had better start thinking about how we are going to survive economically, because it's only going to get worse. We are headed for a collision with reality, and when that finally happens, you better have something put away in the form of cash or gold to get through a few years of economic hell. If you think the depression of the 1930s was bad, wait until you see what's coming!

THE PILL PROGRAM AND THE MLM INDUSTRY

Strictly speaking, we at PILL do not consider ourselves an MLM. We would like to call it a referral program. However, given the climate we live in, we realize that in this world full of "Protectors of the publics best interest "Regulatory bodies, government agencies, and Attorney generals, all trying to "justify their existence", someone is bound to challenge us and call us an illegal MLM one of these days. That is one of the reasons we insisted on having our one and only office OFFSHORE in a jurisdiction with little or no regulations.

Here are some of the other reasons: did you know that 98% of all multi-level programs fail within the first two years?? In fact, the programs that appear to be "the most popular" have a life expectancy of one year or less. A small percentage of these failures are due to unscrupulous or inept operators of the programs. The 'lion's share of failures are due to government intervention in one form or another. This is the matter of 'legality or non-legality'. How is this determined? Very whimsically, by various state and federal regulatory agencies, and attorneys general. The laws governing MLM programs are usually very ambiguous, as well as being downright unconstitutional.

Any competent MLM attorney will tell you:

1. There are no clear and concise laws determining 'legality'.
2. Consent and formal approval is never given by any state or federal regulatory agency.
3. It is very common to find inconsistencies in the rulings between individual states as well as between the individual regulatory agencies themselves.

In summary, 98% of the MLM's operating openly in the U.S. will go out of business within two years through no fault of their own but by intervention of regulatory agencies; supposedly "PROTECTING YOUR INTERESTS".

In fact trying to justify their own existence. Any MLM program is constitutionally LEGAL as long as it is run HONESTLY. No state or federal law can supersede the authority of the constitution. You will often hear that an MLM program involving a 'reasonable' product is OK and that all others are illegal pyramids. THAT IS SIMPLY NOT TRUE.

Product or no product, all MLM's involve the referral of people and the distribution of goods, services, and funds between its members, based on each person's abilities and commitment, and this is what creates the problem.

MLM requires individual effort on the part of its members. There will always be a small percentage of people who will complain that they have been 'cheated' when in reality they're complaining because they did not get 'a free ride', 'something for nothing'. Authorities will then usually target these programs (product or no product) and harass them until they shut down. Nothing to do with legality.

The problem with some people is that they believe the government and its many agencies are there to solve all their problems, including the ones they create themselves. It's time people in this country begin to realize that government is out of control and out of touch with it's citizens. They are not there to serve you and solve your problems. They are there to serve themselves and to solve their problems. In other words, our overgrown government is not there to solve problems, they are the problem.

We are providing a service to a specific segment of the consenting adult population and we have taken steps to insure the uninterrupted operation of our program by placing ourselves and you out of the jurisdiction of these so called 'guardians of the best public interest'.

DO YOU KNOW WHAT A "PARADIGM" IS?

A PARADIGM is the "way we look at and think about things around us". Before 1492 everyone had a "paradigm" that the world was flat. Columbus came along and changed that "paradigm".

WE WANT TO CHANGE A PARADIGM FOR YOU TODAY

The way you look at and think about government! Who needs them? in the 50's 60's 70' and 80's everytime something went wrong the PARADIGM seemed to be "let's get the government to fix it", "let's get the government to protect us from it", "let's seek a government GUARANTEE" (whenever there's a GUARANTEE there's always a cost, a sacrifice of some kind).

Where did this PARADIGM lead us? Bigger and bigger government, more and more regulatory agencies, more and more taxes, a bureaucracy OUT OF CONTROL that just can't be turned off.

Government's answer to all problems is 'let's create a new agency to look into this', or 'let's throw money at it'. Did you ever notice that as soon as government touches anything, it immediately starts costing a lot more?

WHAT'S THE SOLUTION?? CHANGE THE PARADIGM!!

IN THE MEANTIME SHELTER YOUR ASSETS OFFSHORE!!

MORE INFORMATION ON COMMON LAW TRUSTS:

IRREVOCABLE & DISCRETIONARY those are the two key words. If you wish maximum benefits as pertaining to taxation, confidentiality, judgments, and claims, the trust must be IRREVOCABLE AND DISCRETIONARY, any compromise in these two conditions compromises the benefits. Technically speaking "deposits" are not accepted. The trustee accepts property, added to the original trust property. When you add property (cash, real estate, business, vehicles, boats, coins, gold, jewels etc.) you are divesting yourself of interest in this property.

ADVANTAGES AND DISADVANTAGES OF PROBATE

If you do not have what is referred to as a "Living Trust" when you die, the court will appoint someone to tax you, pay your bills, distribute your property, and charge you, regardless of whether you have a will or not.

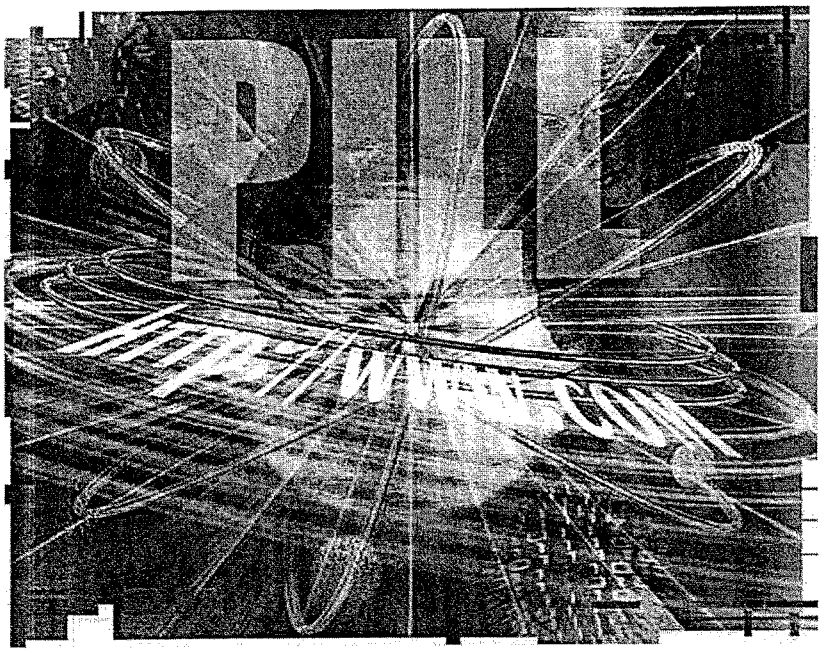
This person will have no idea that you are and what you want. This is called "probate" and the average time for it is two years.

Curiously, if you have a will, then you must go to probate. More curious yet, even if you haven't made a will, you already have one: the states'. Every state has it's own version of a will, just in case you don't. Of course, you could try giving away everything while your alive.

This means the property may be subject to gift tax. It also leaves open the possibility that whomever you give your property to while your alive may not do with it what you want. Or, you could try a power of attorney to avoid probate, the only problem with that is that it is automatically revoked upon death. The alternative, of course, is the TRUST, preferably an OFFSHORE TRUST. If a trust sounds preferable to Probate consult your tax advisor or contact us.

TAXATION AND YOUR TRUST

The trust in Belize, does not require a Social Security number and has no reporting requirement whatsoever. You can keep your financial affairs in complete confidentiality and your property safe from claims, judgments, or bankruptcy proceedings. U.S. taxes cannot be imposed upon earnings or assets of non-domestic irrevocable discretionary trusts that retain the earnings.



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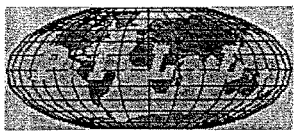

PROSPER INTERNATIONAL LEAGUE LTD.

PROSPER INTERNATIONAL LEAGUE LTD. (P.I.L.L.), an international business corporation based in Belize, Central America, has the key. P.I.L.L. will help you develop a secondary offshore income, sheltered and unencumbered. P.I.L.L. Will also help you learn about offshore banking, investing, & tax savings.

You may now enjoy the advantages of a totally confidential trust without the complex documentation, legal fees or transferring of funds. Your trust can be activated and accumulate a substantial balance within tins first six weeks. You will also enjoy the benefits of a Major International secured credit card, with no credit inquiry or paper trail.

SUCH A TRUST WOULD NORMALLY COST YOU $1,500 OR MORE. YOUR ACTUAL COST IS $0.00. IT COMES TO YOU WITH $200 IN IT.

The benefits of controlling a PILL Belize trust include complete confidentiality and anonymity (free of all regulation outside Belize), sheltering of your assets, access to a Major International secured credit card with no paper trails, and much more.

With Prosper International Leaugue Ltd (P.I.L.L.), you send a one-time $200, and refer three new members. No need to "sell" them; just refer them and the P.I.L.L. marketing system will sell them. Then a sovereign Trust is established for you in Belize, with your original $200 deposited in the trust. You get your original $200 deposit back!

For each additional new member you refer on your first level, $200 is deposited in your account. When the balance in your account reaches $1,600, a Major International secured credit card is applied for, which you can use anywhere in the world--with no paper trail in your country's tax jurisdiction. Thus if you reach a good-faith conclusion that you are a Sovereign Individual, this allows you to receive money that is 100% legally outside any tax laws that don't apply to you.

If you refer only one new member a day, five days a week, $4,000 a month will be deposited in your private trust account, from which you can withdraw cash, using your Major International Credit Card, at ATM machines anywhere in the world, or at any merchant's point of purchase.

In addition, you receive $40 for each new trust activated by new members referred by your downline, four levels deep. This can quickly multiply out to thousands more every month!

Belize is one of the strongest countries in the world for trust privacy laws. No outside entity can legally get any information about a private trust in Belize. Once it is set up for your benefit, no one anywhere can find out about it.

HOW IT WORKS

1. You contribute $200
2. Choose which marketing plan you prefer, and implement it. Plans range from Time-Full to Time-Free. All are powerful.
3. As soon as three new customers have joined the first level of your downline and paid their $200, a Belize Trust is activated for your use, with $200, a Belize Trust is activated for your use, with $200m in it - so you have your money back.
4. For each additional new member who comes in on your first level, $200 is deposited to your

account.

5. When the balance in your account reaches $1600, a Major International secured credit card is issued to you, which you can use anywhere in the world.
6. If only one new member a day joins your first level, five days a week (20 members a month), $4000 a month will be deposited in your private trust account (20 X $200). You can withdraw this cash using your Major International secured credit card at automated teller machines anywhere in the world, or at any merchant's point of purchase. If 100 new members a month join your first level, $20,000 a month will be deposited to your account. If 500 new members a month join your first level, $100,000 a month will be deposited to your account as you can see.
7. In addition, you receive $40 for each new trust activated by new members referred by your downline, four levels deep. This can quickly multiply out to thousands more every month!

Effectively, what's happening is that memberships are being marketed for only $800, with each sponsoring trust receiving a $200 commission (25%) on each one. But the GENIUS of the marketing plan is such that each member only has to pay $200. Downline members pay the rest, and after $800, your trust receives all the first level $200 installments forever!

You on access the income through your Major International secured credit credit card, or write a "letter of wishes" to the trustee requesting checks be sent to you. Other ways are forthcoming, also.

MARKETING PLANS

There are at least eight easy ways to choose from for generating income with the P.I.L.L. program. These are not all necessary to implement; choose as few or as many as you like:

TIME-FREE PLANS

- Join Satellite 2000. Basically, for an extra $200 every 13 weeks, the company will market the program for you, using radio announcements, fax-on-demand, and a computerized sign-ups apportionment system.
- This AUTOMATIC TURN-KEY system could be sufficient to earn the income you want, so the following plans are not necessary in addition to Satellite 2000, unless you simply wish to maximize your income with the potential of all these plans.
- Set up your own fax-on-demand service, with your own sponsor number on the application page. Advertise the service in your choice of media. Once it is setup and you've got the advertising going, your time is mostly free.
- Set up a PILL Home Page on the World Wide Web of the Internet. like this, or on other computer networks. Or, set up a BBS (Bulletin Board Service) on a computer network, with the PILL program featured. Once set up, it should not take very much time to maintain it.

PART-TIME TO FULL-TIME PLANS

For those who like a more "hands-on" approach, instead of he above mentioned plans, or in addition to them, you can utilize the following methods. In all case, provide your prospects with copies of these pages, the application membership with your sponsor number on it.

- Contact prospects and have them call the conference call described on the Home Page. THESE CONFERENCE CALLS HAVE AVERAGED AN 80% SUCCESS RATE in listener sign-ups.
- Have prospects call the 24 hour recorded message in the USA at (407) 679-5039, extension 1.
- Lend them a copy of the audio tape P.I.L.L. will send you as a new member.
- Hold meetings and explain the program to whole groups at a time. If you can time them to coincide with the conference calls, you can tune in the whole audience to the conference calls by using a speaker phone. Pass out literature and tapes at the meetings. Some members have signed up dozens of people in a single evening this way, earn $200 on each one.
- Send out mass mailings with copies of these pages to opportunity seekers.

MARKETING ASSISTANCE

Click here for a few of the top marketing teachers and mentors in the world. Show them the PILL product and they will guide you in the secrets to the most major success with minimum time and money.

Comments by Frederick Mann, Founder, Terra Libra (Cyberspace country and global freedom education organization in your PILL upline):

"So far we're tremendously impressed with the people running the Belize Trust Program. They've done everything they said they would do and have delivered what they promised. From the time we faxed in our application form and $200 money order, it took only about three hours to get our ID#.

I spoke to Don Shaw and Earl Savoy at (407) 679-2959. They answered all my questions satisfactorily. They also gave me the name and number of the trustee in Belize who handles that end of the business.

His name is David Jenkins-phone 501-8-22990; fax 501-8-22989. (From USA dial 011-501-8-22990.) I called him and he answered all my questions satisfactorily. You're welcome to call Don Shaw or Earl Savoy at (407) 679-2959 or David Jenkins in Belize, before making up your mind about joining the program.

We've received 'our' trust documents and credit card applications forms as well as proper downline reports.

We've received our credit cards (three per trust) and used them successfully. Our total capital outlay for all of this was only $200! All the rest came from accumulated commissions. The benefits are significant: accumulating offshore funds, asset protection, privacy and credit cards that leave no paper trails for U.S. and other bureaucrats foreign to Belize."

TAXES

First of all, understand that by not reporting funds received from the PILL program, nor paying income taxes on it, we're not challenging any laws or going against any governments. We're doing just what the law allows.

Likewise, if you enjoy reporting and paying income taxes on your PILL benefits, or if you feel you have to, then by all means do so. And, the following text about taxes is not to be taken as legal advice. It is for information purposes only. PILL is held harmless; you are solely responsible for your own actions and what you do with the information.

There are no income taxes on trusts in Belize, Central America, where the trust is established, as long as they aren't selling products in Belize. Since you are not the one earning the income, the trust is, you can honestly say you're receiving no income at all from this. That is why you don't have to report it-there's nothing to report. The trust is earning all the income, and the trust is tax-exempt.

The monies you 're receiving from the Major International secured credit are loans, which are not taxable. The fact that the loans are PAID OFF IN FULL each month by your trust commission account, is a matter only subject to the jurisdiction of Belize, not your own country. This is the GENIUS of the tax-free status.

If you have the trust send you checks, then it is up to you how to report it or not.

PRIVACY

Belize is one of the strongest countries in the world for trust privacy laws. No outside entity can legally get any information from a private trust in Belize. Once it is set up for your benefit, no one anywhere else can find out about it.

Read the following article published on this topic.

Belize Court Makes Landmark Decision Protecting Privacy Belize City, Friday, January 20, 1995

In a landmark decision asserting Belize's sovereignty as an offshore financial jurisdiction, the Supreme Court of Belize upheld the country's confidentiality laws by revoking a previous court order set in motion by the Securities and Exchange Commission of the United States requesting that confidential documents, belonging to Swiss Trade and Commerce Trust, Ltd. be handed over to them.

In the case, Securities and Exchange Commission (SEC) vs. Swiss Trade and Commerce Trust, Ltd., Banner Fund International, Lloyd Winburn et al, Supreme Court Justice Troadio Gonzalez ruled that documents held by the Belize court belonging to Swiss Trade and sought by the SEC, be immediately returned to Swiss Trade and Commerce Trust, Ltd.

Lawyers for Swiss Trade said that what this means for Belize is that this aspect of confidentiality, which is an important feature oft the offshore industry, has been upheld. "What this means is that any party who seeks to destroy the concept of confidentiality would have to contend with our system, which has demonstrated its ability to uphold the relevant laws," Attorney Oscar Sabido said.

The decision is expected to have major international repercussions as the worlds financial community looks to Belize and its new offshore services industry. "It is certainly a shot in the arm of the off shore industry because of the fact that it is an industry which is just beginning," Sabido said. A country's ability to assert its sovereignty without the interference of outside forces is a major deciding factor in choosing a place to invest and protect personal property.

When asked for his comment related to the decision, Lloyd Winburn, Director of Swiss Trade & Commerce Trust, Ltd., in Belize, stated "The Court's decision confirms our company in Belize originally. The Law related to confidentiality has been tested and found to be not lacking clarity and strength. Any other ruling by the Court would have sent a signal throughout the financial world that Belize could not be trusted to protect assets, provide confidentiality of transactions or otherwise serve the needs of those who seek to do business away from their home jurisdiction."

The decision clearly shows that the SEC stepped out of bounds in trying to obtain confidential information, the matter having been urged on both sides by learned Queen's Council.

The case arose aster the SEC (bureaucrats) appeared at Swiss Trade's office on March 3, 1994 with the exception that they would be able to just take the files and leave the country with them, with no regard whatever to Belizean law. The quick reaction of company employees prevented any further disregard for the law on the part of the SEC (terrocrats) and their Belizean lawyer, Eamon Courtenay, who previously had been the lawyer for Swiss Trade.

DISCLAIMER

All individuals should obey all laws they are subject to. Any taxes on individual is liable for, should be paid by that individual. Of course, each individual should make specific personal determinations as to which jurisdictions(s) he or she is subject to, and which may cause various tax liabilities applicable to him or her to occur.

In general, if you are subject to regulations, you should obey those regulations. This includes reporting and disclosure regulations. In particular, when using trusts, some countries have regulations concerning hidden ownership and attempts to conceal sources and uses of funds. If you are subject to such regulations, you should obey and follow them.

Regardless of what regulations you are subject to, all your affairs should be conducted in good faith and in a lawful manner.

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1. Why & How to sign up TODAY!

2. Membership Application
3. Frequently Asked Questions (FAQ)
4. Homepage
5. To leave a message

A link to

- International Multilevel Marketing Consultant
- Country of Belize : Government - Economic Data - GDP Growth - University - Travel & Tourism - Legal Passport & Second Citizenship, etc.

How to Make INTERNET CASH! From ANY Country!
NO Social Security Number, 1099's, Business License, Bureacratic Forms!
TOTAL Financial Privacy, Legal Offshore Income: Invest $200, Get $1,000's!

Here is the complete program on obtaining a "No Questions Asked" "VISA" Card, an Unlimited Tax Free Income and an Offshore Trust. It is rather long, yet, very valuable so I suggest you print it out for detailed review.

Receive a **MAJOR INTERNATIONAL CREDIT CARD**
("VISA") - without any credit checks !...

Earn a substantial **TAX-FREE INCOME** !... and

Own your own **PRIVATE OFFSHORE TRUST** !...
through Prosper International League Limited! (P.I.L.L.)
Simply introduce others who want to do the same anywhere in the World!
Copy these pages as your own Sponsor pages! Let the INTERNET work for YOU!

★No selling - No buying - No inventory
★No reporting - No accounting - No 1099s
★No deductions - No paperwork - No forms
★No office rent - No set office hours - No overhead
★Completely private - Entirely confidential - No equipment
★Unlimited market - Operate from home anywhere in the world...
★Very little competition - Instant access to income anywhere in the world
★Unlimited income potential; income duplicatable as many times a year as you wish.

With Prosper International Leaugue Ltd (P.I.L.L.), you send a one-time $200, and refer three new members. No need to "sell" them; just refer them and the P.I.L.L. marketing system will sell them. Then a sovereign Trust is established for you in Belize, with your original $200 deposited in the trust. You get your original $200 deposit back!

For each additional new member you refer on your first level, $200 is deposited in your account. When the balance in your account reaches $1,000, a VISA card is applied for, which you can use anywhere in the world--with no paper trail in your country's tax jurisdiction. Thus if you reach a good-faith conclusion that you are a Sovereign Individual, this allows you to receive money that is 100% legally outside any tax laws that don't apply to you.

If you refer only one new member a day, five days a week, $4,000 a month will be deposited in your private trust account, from which you can withdraw cash, using your "VISA" Card, at ATM machines anywhere in the world, or at any merchant's point of purchase.

In addition, you receive $40 for each **first** member enrolled by your downline, four levels deep. This can quickly multiply out to thousands more every month!

Belize is one of the strongest countries in the world for trust privacy laws. No outside entity can legally get any information about a private trust in Belize. Once it is set up for your benefit, no one anywhere can find out about it.

YOUR "VISA" will be issued with a $500 CREDIT LIMIT as soon as $1000 may be transferred from your trust account to an interest-bearing collateral account. The credit limit may be increased at your discretion by transferring additional funds into the collateral account. The credit card may be used anywhere in the world.

It is completely confidential, no social security number or credit information is required. There is no reporting, and your bill can go to and be paid by your trust. Therefore no interest is charged and there is no paper trail.

You can "work smart" and quickly build a glittering tax free income for yourself and your family - yet still have long hours of leisure time to live life to the fullest!

Have you noticed that change now affects all our lives to en ever-increasing extent? Becoming a Prosper International Member enables you to take complete charge of your own life over the months and years ahead. Being able to do this comes down to the degree of financial independence you decide to achieve.

Read every word of the Prosper International message very carefully...and remember,

P.I.L.L. makes no reports to anyone!

THREE Incredible Benefits:

1. You are able to offer a Major International Credit Card, "VISA" to anyone, anywhere in the World, regardless of negative credit history, current financial status or lack of credit reporting systems, as in former communist countries or 3rd world nations. Simply by investing $200, any applicant can enter this unique program. An Offshore "VISA" is a an appealing benefit to millions of people worldwide currently "black listed" by the networks of credit rating computers !

2. Each and every time you introduce a new associate to the Program, you will earn a massive $200 Tax Free income paid directly into your Offshore Trust. When your new associates themselves introduce others, who open a trust, to this program, your trust account is automatically credited with a further $40 on the first new member they sign up, down four levels !

3. The cash steadily amassing in your private Offshore Trust can be accessed at any time, and from literally anywhere in the World by using your "VISA" in any cash dispensing machine ! No paper trails !

Remember, **P.I.L.L. makes no reports to anyone!**

Why You Need A Trust:

Key Benefits of an Offshore Trust with P.I.L.L.

Complete privacy, confidentiality and complete anonymity in ALL personal and business transactions! Free of all regulations!

Shelter yourself from financial setbacks, unscrupulous creditors, bankruptcies, costly divorce settlements and legal actions!

Shelter for your secondary personal income!

Judgment-proof your assets!

Minimize, postpone or avoid taxes, including property and probate!

Facilitate passing on wealth to heirs!

Arrange children's education funds and your own retirement!

Facilitate insurance and investment planning without tax liability!

Access, direct and immediate to your Trust Fund,
via your "VISA" - including drawing CASH
from your trust with the card at any ATM accepting
"VISA" , ANYWHERE IN THE WORLD!

FREEDOM to spend your money literally anywhere in the World with
NO PAPER TRAIL using the "VISA" .

Remember, **P.I.L.L. makes no reports to anyone!**

Think about it and IMAGINE the possibilities!!!
4 Easy Ways to Get YOUR "VISA"

The Low Cost Way	The Quick Way	The Quicker Way	The Quickest Way

I encourage you now to take your first step to True Freedom: Join ONLINE Now!

Or, print the **APPLICATION** form now. If you have problems printing this application, let me know and I will fax or snail mail one to you. Or you can use the fax on demand line at +1-407-679-5039, push **ext. 1,** then after the message push **ext. 9** to receive an application instantly by fax.
Be sure to use my **Member #5139 On Your Application!**
on the application that you fax back, join online, or send by mail.

Once you receive YOUR ID#, email it to me at E-Mail: ikos@earthling.net

Don't be afraid to send me your questions by e-mail! Be specific as possible.

Get Your FREE Osffhore Newsletter By E-Mail!
Enter your email address below,
then click the 'Join List' button:

Join List LISTBOT

Powered by ListBot

I will help you get started right away.

Remember, P.I.L.L. makes no reports to anyone!

How to Enroll Yourself and Others Now, Using The Latest High-Tech Services:

If you have a touch tone phone, you can hear about P.I.L.L. Dial the Florida call center , +1-407-679-5039, push ext. 1. To get a fax sent on demand for an application and P.I.L.L. information, call the P.I.L.L. fax center in Florida, +1-407-679-5039 push ext. 1, then after the new menu is read, push ext 9.

To talk to the founders, Don Shaw or Jay Savoy personally, call them at +1-407-679-2959 (in Florida)

Belize Court Makes Landmark Decision Protecting Privacy

DISCLAIMER

Your Questions Answered

By "working smart" as a Prosper International League Associate you can look towards the future with immense confidence. Why?
...because you are able to use the Prosper International Program to enjoy a sizable Tax Free Income that is decided by you! Doesn't this thrill you and inspire you? Act at once, become a Prosper International Associate now!

This "no questions asked" Major International Credit Card, ("VISA") **can also be your "magic" key to a secret tax free income.** Just how large that income becomes is your decision. Earnings of $200 - $2000+ a week can be achieved You choose the amount you want to earn!

This "VISA" is yours without any credit checks at all. Take the first step now! Open the door wide to freedom that comes with thrilling financial independence. Less than 5% of the population actually attain a financial situation that keeps them in carefree comfort, even at the age of 65. **Retired?** You can make a lot more than your pension with this and no reporting!

Your $200 investment entitles you to your own personal Offshore Trust Account located in a millionaire's tax haven, Belize, Central America, a highly respected member of the British Commonwealth of Nations. Your tax free Trust funds are held by Swiss American Bank in Antigua.

Your next step - Introduce just 3 others to this fantastic "VISA" offer! Once three others invest in an Offshore Trust, your new Trust Account is at once credited with $200. At this point, your trust account will have received back your initial P.I.L.L. membership fee!

Now every single person you introduce earns you a further $200! When you have introduced just 4 more members to the program, you will have "recruited" 7 people in total. At this stage your own Offshore Trust Account will hold the first $200 you earned plus a further $800 (5 introductions @ $200 each), making a balance of $1000 in your account!

Your personal "VISA" is now issued to you with $500 to your credit. The $500 Credit Card is secured by your trust funds placed in an interest bearing savings account in your name. Of course, as your Trust grows, you can transfer as much funds as needed to be available for your Major International Credit Card, ("VISA") .

Now your"Secret" Trust Account continues to grow! You will naturally continue to introduce new account holders. As a valued Prosper International Associate - these new members are each worth $200 to you. This sum is automatically credited to your personal Trust Account as each Associate makes their initial investment.

When each Associate under you introduces just 3 people themselves, and they in turn introduce just 3 people, a 3 wide 4 deep group will develop and potentially activate 120 trusts, at $40 from each first person sponsored, totaling $4,800 plus the direct $200 membership fee, for an even $5,000. There is no limit to your income and it's paid tax free DIRECTLY into your personal Offshore Trust.

Huge earnings are achievable if working smart is an appealing idea! Conventional jobs may get you nowhere except trapped. However, "smart work" is different. It is an entrepreneurial activity that will NEVER be limited in any way. Becoming a Prosper International Associate is a perfect example of working smart. How rich you become is of course, your decision. The only limit is the drive and ambition you possess.

Use the P.I.L.L. Program and you will be unstoppable

More Questions FAQ, Technical Questions FAQ, Marketing Consultants

Read what current Associates are saying about the Prosper International League Program:

Comments by Frederick Mann (Founder, Terra Libra)

"So far we're tremendously impressed with the people running the Belize Trust Program. They've done everything theysaid they would do and have delivered what they promised. We've received "our" trust and credit card application form as well as proper downline reports. People are going for this program like gangbusters!

We've received our credit cards (three per trust) and used them successfully. Our total capital outlay for all of this was only $200! All the rest came from accumulated commissions. The benefits are significant: accumulating offshore funds, asset protection, privacy, and credit cards that leave no paper trails for U.S. and other bureaucrats foreign to Belize."

"I've been searching for something this simple and secure since 1984. I enrolled 9 new members within one month in the business! (May 1995) The VISA card is a brilliant product." - T.B.

"So far we're tremendously impressed with the people running the Belize Trust program. They have done everything they said they would do, and delivered what they have promised. We've now received 3 credit cards and full detailed downline reports. People are signing up in the droves!" - C.H.K.

"The benefits are significant; accumulating offshore funds; asset protection; complete privacy and a credit card that leaves no paper trails for bureaucrats." - T.Y.

"A truly superb worldwide business!" - D.A.

"I introduced 10 new members in my first three weeks - all thanks to a small classified advertisement in my local paper!" - M.G.

"We decided to join the Prosper International last month because we couldn't think of a reason why anyone would decide not to! The initial results have proved us right. A small advertisement has brought us in over 12 new members. We are now looking forward to earning a very good income from the program over the months and years ahead!" - E.M.

This program is super simple and in huge demand. You're in on the ground floor of a major trend in personal finance and all you have to do is refer people to this easy marketing system. There are so many ways to market this program, it's incredible. I will personally help you succeed in achieving financial freedom and peace of mind. Please understand, if you don't succeed, neither do I. I can't wait to see your offshore trust account grow to huge balances!

Remember, P.I.L.L. makes no reports to anyone!

Return to the 1st PILL PAGE

Senate Permanent Subcommittee
On Investigations
EXHIBIT #____61h____

Exhibit 61h.

Documents related to other frauds or questionable accounts

SWISS AMERICAN BANK LTD.

ACCOUNT OPENING CARD - COMPANY/TRUST/CLUB

Please complete in capital letters. Signitories must be 18 years and over.
All information provided will be held in strict confidence.

of Account: RIGHT HAND INVESTMENTS

e of Business: TRUST

ry of Registration: NEVIS, W.I.

CORPORATE ADDRESS	POSTAL ADDRESS
ADMINISTRATIVE SERVICE P.O. BOX 395 11A CAYON STREET BASSITERRE, ST. KITTS WEST INDIES	9650 STRICKLAND ROAD SUITE 103-250 RALEIGH, NORTH CAROLINA 27615-USA

one: +919-554-6905 Facsimile: +919-554-6906

nt Signatory (State How To Sign Singly, Jointly or.....)

(Use Black Ball Point Pen for Signatures)

Surname: BURR
st Name: ROBERT H.
fice Held: ADMINISTRATOR

Signature - Keep Inside Box

rname:
st Name:
fice Held:

Signature - Keep Inside Box

rname:
st Name:
fice Held:

Signature - Keep Inside Box

dditional Signatures, use copy and affix seal.

& Address of Bankers: FIRST UNION NATIONAL BANK
1122 KILDAIRE FARM ROAD, CARY, N.C. 27511 USA

duced By: ADMINISTRATIVE SERVICE, LTD.

Please Turn Over

SWISS AMERICAN BANK LTD. page 4

Type of Account: CURRENT Savings
State whether Current/Savings or other.

Authorisation for Bank to accept instructions sent by mail, facsimile or computer.

I/We agree to and accept any damages arising from the utilisation of instructions sent by mail, facsimile or computer. We acknowledge that any transfer of funds may only be instructed under signature as given by me/us. I/We confirm that the Bank shall not be held responsible for any loss, liability, expense, mutilation, delay or double sending that may result from such instructions. The same applies to incomplete and ambiguous instructions given by me/us. I/we hereby undertake to indemnify the bank from and against any actions, proceedings, damages, costs, claims, demands, expenses and losses which the bank may suffer, incur or sustain by reason of your following my/our instructions sent by mail, facsimile or computer. This authorisation is deemed to be pursuant to a resolution of the Board of Directors and Company.

Authorised Signatures: Robert H. Rau

Notary Public for the State of Montana
Residing at Clancy, Montana
My Commission Expires June 5, 2001

FOR BANK USE ONLY

	ACCOUNT TYPE	ACCOUNT NO.	DATE OPENED	CURRENCY
1				
2				
3				

Prepared By:

Other Instructions:

SWISS AMERICAN BANK LTD.

REQUEST FOR BANK REFERENCE AND VERIFICATION OF CUSTOMER IDENTITY

In accordance with our "Know Your Customer" Policy, we request the account applicant to have his/her/their current bank or financial institution provide the information as detailed below:

To be completed by the customer

Name : ROBERT H. BURR

Address: 9650 STRICKLAND RD- STE #103-250 - RALEIGH, NC 27615

Signature(s): Robert H Burr

To be completed by the Financial Institution

1. We confirm that the above customer(s) is/are - is/are not known to us and has been a customer since 01/2/96 (mm/dd/yy)
2. We (confirm) / cannot confirm the address given by the customer.
3. We (confirm) / cannot confirm that the signature(s) shown above appears to be that of the above customer(s).

We believe that he/she/they may be considered respectable, trustworthy and good for operating an account.

Name of Confirming Institution: First Union National Bank

Address: 1122 Kildaire Farm Rd.
Cary NC 27511

Telephone/Fax: 919-851-6057 / 919-571-3803

Name of Confirming Officer: Marguerite V. Denton

Signature: Marguerite V Denton

Institution Stamp :

Signature Guaranteed by FIRST UNION NATIONAL BANK
Marguerite V Denton
Authorized Signature

We appreciate your cooperation and confirm the above information will be treated in strict confidence. We acknowledge that information may only be provided to the best of available knowledge and is given without responsibility on the part of the confirming institution and its officers. This response may either be returned to the requesting customer(s), or sent directly to Swiss American Bank.

Manager

Appointment of Bankers - Companies

At a meeting of the Board of Directors of

RIGHT HAND INVESTMENTS

Limited

whose registered office is at P.O. BOX 395 - 11A CAYON STREET

BASSETTERRE, ST. KITTS, W.I.

held the 6 day of April 19 98

It was resolved:-

That SWISS AMERICAN BANK LTD be appointed / continue as the Bankers of the Company.

That regarding the Company's ONE account(s) the said Bank are hereby authorised and requested-

1. To honour and comply with all cheques drafts bills of exchange promissory notes acceptances negotiable instruments and orders expressed to be drawn accepted made or given on behalf of this Company at any time or times whether the banking account or accounts of this Company are overdrawn or any overdraft is increased by any payment thereof or in relation thereto or are in credit or otherwise but without prejudice to the Bank's right to refuse to allow any overdraft or increase of overdraft.

2. In the event of the said account becoming overdrawn at any time we hereby agree that you shall be entitled to charge compound interest on the sum by which the said account is overdrawn calculated on daily balances with monthly rate and that the rate of interest charged from time to time shall be at your sole discretion. You shall not be bound to notify us in advance of any change in the rate of interest but on receipt of a written request from us you shall be obliged to specify the rate of interest being charged at the time of such request.

3. To honour and comply with all instructions to deliver or dispose of any securities or documents or property held by the Bank on behalf of the Company; to hold the Company liable on all agreements and indemnities in connection with the issue of letters of credit, drafts and telegraphic transfers and with all banking transactions.

Provided any such cheques, drafts, bills of exchange, promissory notes, acceptances negotiable instruments orders, ructions agreements and indemnities are signed by the persons holding the undermentioned offices for the time being." (state whether signing singly or otherwise.)

ROBERT H. BURR, ADMINISTRATOR

and countersigned by* (if applicable)

4. To treat all cheques, drafts, bills of exchange, promissory notes, acceptances negotiable instruments and orders, as being endorsed on behalf of the Company and to discount or otherwise deal with them provided such endorsements purport to be signed by*

ROBERT H. BURR, ADMINISTRATOR

5. To cancel all existing mandates (if any) in force at the date hereof with regard to the Company's said Account(s) which Mandates are hereby terminated.

Provided that all authorities, instructions, instruments and transaction authenticated in accordance with any existing Mandate and purporting to have been given, made issued or entered into prior to receipt by SWISS AMERICAN BANK LTD of notice of this resolution shall have effect as between the Company and as though this resolution had never been passed.

That a list of the names and specimen signatures of the persons at present authorised to sign under this resolution be furnished to the Bank.

That the foregoing mandate and list of names remain in force until receipt by the said Bank of a duly certified copy of a resolution rescinding or amending the same.

We hereby certify the above to be a true copy from the Minutes.

ANY
EAL

Bill Hagnon Chairman

4-6-98

Terence J. Murphy Corporate Secretary

SPECIMEN SIGNATURES

(The position occupied by each signatory, i.e. Director, Secretary, etc., should be stated after each name)

PRINT NAME(S)	SIGNATURE(S)
ROBERT H. BURR ....will	sign Robert H. Burr
Position: ADMINISTRATOR	
....will	sign....
Position:....	
....will	sign....
Position:....	
....will	sign....
Position:....	
....will	sign....
Position:....	
....will	sign....
Position:....	

Terence O. Murphy
Notary Public for the State of Montana
Residing at Conrad, Montana
My Commission Expires June 5, 2001

The Secretary has pleasure in enclosing:-

1. Certificate of Incorporation of the Company.
2. Certificate of Good Standing that the Company is entitled to continue business.
3. Copy of the Memorandum and Articles of Association.
4. Any related Corporate Resolutions regarding banking arrangements.

To *SWISS AMERICAN BANK LTD*
Antigua, West Indies.

ADMINISTRATIVE SERVICE, LTD.
34 Cloverview
Helena, Montana 59634
1-406-449-3975
fax 1-406-449-4030

To: Swiss American Bank:

Upon receipt of funds into account RIGHT HAND INVESTMENTS
name of first foreign trust

please immediately transfer to acount SILVER SEARCH INTERNATIONAL
name of second foreign trust

and debit my account the appropriate transfer fee.

Robert H. Ross
Administrator

Terence J. Murphy
Notary Public for the State of Montana
Residing at Clancy, Montana
My Commission Expires June 5, 2001
Administrator

ADMINISTRATIVE SERVICE, LTD.
34 Cloverview
Helena, Montana 59634
1-406-449-3975
fax 1-406-449-4030

To: Swiss American Bank

This letter gives our authorization for ROBERT H. BURR,
names of Administrators

Administrators of RIGHT HAND INVESTMENTS, and
name of first foreign Trust

SILVER SEARCH INTERNATIONAL, to open and close the
name of second foreign Trust

corresponding bank accounts.

Bill Gagnon
Bill Gagnon
Agent, Administrative Service, Ltd.

Terence J. Murphy
Terence J. Murphy
Agent, Administrative Service, Ltd.

The Secretary of State
of the United States of America
hereby requests all whom it may concern to permit the citizen/
national of the United States named herein to pass
without delay or hindrance and in case of need to
give all lawful aid and protection.

Le Secrétaire d'Etat
des Etats-Unis d'Amérique
prie par les présentes toutes autorités compétentes de laisser passer
le citoyen ou ressortissant des Etats-Unis titulaire du présent passeport,
sans délai ni difficulté et, en cas de besoin, de lui accorder
toute aide et protection légitimes.

Robert H. Burr
SIGNATURE OF BEARER/SIGNATURE DU TITULAIRE

NOT VALID UNTIL SIGNED

UNITED STATES OF AMERICA

PASSPORT / PASSEPORT

Type/Catégorie: P
Code of issuing State/Code du pays émetteur: USA
PASSPORT NO./NO. DU PASSEPORT: 101212688

Surname / Nom: BURR
Given names / Prénoms: ROBERT HENRY
Nationality / Nationalité: UNITED STATES OF AMERICA
Date of birth / Date de naissance: 22 NOV/NOV 62
Sex / Sexe: M
Place of birth / Lieu de naissance: MASSACHUSETTS, U.S.A.
Date of issue / Date de délivrance: 17 FEB/FEV 93
Date of expiration / Date d'expiration: 17 FEB/FEV 03
Authority / Autorité: PASSPORT AGENCY BOSTON
Amendments/Modifications: SEE PAGE 24

P<USABURR<<ROBERT<HENRY<<<<<<<<<<<<<<<<<<<<<<
1012126881USA6211246M0302173<<<<<<<<<<<<<<<0

E NC
Y WARE

Robert H. Burr

OBERT H. BURR PERSONALLY APPEARED BEFORE ME, L. RAY HALL, JR.
SIGNED THIS DOCUMENT.

NOTARY PUBLIC — L. Ray Hall

SWISS AMERICAN BANK LTD.

June 10, 1998

The Director
Silver Search International
9650 Strickland Road
Suite#103-250, Raleigh NC
U.S.A. 27615

REF: Robert H. Burr
Tricia M. Burr

Dear Sir/Madam;

We are pleased to enclose your new preferred SwissAmericard Visa corporate cards (2) and welcome you as a new card holder. We believe that Visa card's world wide acceptance combined with Swiss American's dedication to high quality and confidential personal service, will make this an especially useful and flexible credit card for you.

We hope that you will use the card actively, but please treat it with as much care as you would treat cash. If the card is lost or stolen, please call Swiss American or any of the emergency numbers that we have given you immediately so that we can cancel the card and minimize the potential for loss.

We are delighted that you have chosen SwissAmericard and trust that you will call us if you have any questions about the card and related services. Please sign and return the attached copy of this letter to confirm receipt of your card(s).

Sincerely,

Brian Stuart-Young
Manager

BSY/vj

Encl.

Receipt ..... Date :.....

our Personal Identification Number identifies you to the computer
hen you use your Card. For your protection DO NOT write this
umber on your Card, and DO NOT keep it with your card! If you
arry the number disguise it so it cannot be identified as your
ersonal Identification Number.

OUR CARD HAS RECENTLY BEEN MAILED TO YOU.
: YOU HAVE NOT RECEIVED IT, PLEASE CALL US IMMEDIATELY.

THIS IS YOUR PERSONAL IDENTIFICATION NUMBER

SILVER SEARCH INTERNATIONAL
7650 STRICKLAND ROAD
SUITE#103-230, RALEIGH, NC.
U. S. A.
27615

ATM CODE:
6 3 7 6

ROBERT H. BURR

SWISS AMERICAN BANK LIMITED

)EAR CARDHOLDER,

(INDLY ACKNOWLEDGE RECEIPT OF YOUR VISA GOLD BY SIGNING BELOW

* ACCOUNT *	* CARDS *
4551-3701-2208-8539	(2)

PRINCIPAL CARDHOLDER SILVER SEARCH INTERNATIONAL

CUSTOMER SIGNATURE Robert H. Burr DATE 7-2-98

WITNESSED BY

For Customer Service or to report a lost or stolen card, call immediately or write:

SWISS AMERICAN BANK LIMITED
HIGH STREET
P. O. BOX 1302
ST. JOHN'S ANTIGUA W. I.

Account Number: 4551-3701-2208-8539

Total Credit Line: $10,000
Cards Enclosed: (2)
Valid Through: 06/99

SILVER SEARCH INTERNATIONAL
9650 STRICKLAND ROAD
SUITE#103-250, RALEIGH, NC.
U. S. A.
27615

Please Sign Your Card Immediately.

Your card(s) is valid until the date shown on the front of your card.

To order additional cards for yourself or other members of your household call the number provided below.

Cut Out And Keep This Card With You.

WE ARE PLEASED TO ENCLOSE YOUR NEW SWISS AMERICAN CREDIT CARD PLEASE SIGN THE BACK OF IT RIGHT AWAY. YOU WILL RECEIVE CONFIRMATION OF YOUR PERSONAL IN NUMBER SHORTLY WHICH WILL ALLOW YOU TO OBTAIN CASH ADVANCES THROUGH A WORLDWIDE NETWORK OF AUTOMATED TELLER MACHINES.

FOR CUSTOMER SERVICE OR TO REPORT A LOST OR STOLEN CARD CONTACT:

4551-3701-2208-8539 06/99

SWISS AMERICAN BANK LIMITED
462-6109
IN U. S. A. (305) 372 3000
V. R. S. (305) 372 3027

SWISS AMERICAN BANK LTD.

Dear Customer;

Please be advised that payments to your credit card account(s) must be made by the following methods:-

- **Cashiers Check/Certified Check**
- **Money Order (International)**
- **Postal Order**
- **Wire Transfer**
- **Signed Faxed Instructions**

Any personal cheques will be sent on collection and payment made after proceeds are received from respective banks. This process takes approximately 21 working days. Our wire transfer instructions are as follows:-

Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, NY 10081
USA

SWIFT CODE: C H A S U S 3 3

ABA #021000021 for credit to A/C #001-1-879293 in the name of Swiss American Bank Ltd., (Antigua) for further credit to your Credit Card Number.....or in the name of .....

Please be sure to clearly indicate the correct name and card number of the account when sending payments by the above mentioned methods.

Thank you for your kind co-operation. Any inconvenience caused is deeply regretted.

Management

SWISS AMERICAN BANK LTD.

June 10, 1998

The Director
Silver Search International
9650 Strickland Road
Suite#103-250, Raleigh NC
U.S.A. 27615

REF: Robert H. Burr
Tricia M. Burr

Dear Sir/Madam;

Enclosed is your new PIN issued on your SwissAmericard Visa card account no. 4551-3701-2208-8539.

Kindly sign and return the attached copy of this letter to acknowledge receipt of same.

Sincerely yours,

Jean Thomas
Credit Card Administrator

JT/vj

Encl.

Receipt :..... Date :.....

Transactions through Berney Accounts at Swiss American Bank

Date	Transaction	To	From	Amount
July 29, 1999	Debit	BMIDLGB22 27-32 Poultry	Cambro Investment Group (ORG.)	$200,000.00
June 21, 1999	Debit	Fidelity Holdings International (ORG.)	Cambro Investment Group (ben)	$450,000.00
June 9, 1999	Credit	Fidelity Holdings International (bnf.)	Cambro Investment Group (b/o)	$450,000.00
June 7, 1999	Credit	Fidelity Holdings International (bnf.)	Peter E. Berney (b/o)	$1,000,000.00
May 3, 1999	Credit	Fidelity Holdings International (bnf.)	Peter E. Berney (b/o)	$500,000.00
March 2, 1999	Credit	Fidelity Holdings International (bnf.)	PBA Energy Associates	$100,000.00
January 21, 1999	Credit	Fidelity Holdings International (bnf.)	PBA Energy Associates	$250,000.00
December 22, 1998	Credit	Fidelity Holdings International (bnf.)	PBA Energy Associates	$250,000.00
December 15, 1998	Credit	Fidelity Holdings International (bnf.)	PBA Energy Associates	$250,000.00

Prepared by the Minority Staff of the United States Senate Permanent Subcommittee on Investigations

RECEIVED
U.S. ATTORNEY'S
CR-S-99-0327-HDM-LRL
AUG 17 4 57 PM '99
LAS VEGAS, NEV.

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FILED
AUG 17 1999
CLERK, U.S. DISTRICT COURT
DISTRICT OF NEVADA
BY _____ DEPUTY

UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

-o0o-

UNITED STATES OF AMERICA, Plaintiff, vs. PETER BERNEY and REBECCA BERNEY, Defendants.	INDICTMENT CR-S-99-327-HDM-(LRL) VIOLATION: 18 U.S.C. § 1956(h)-Conspiracy to Launder Monetary Instruments; 18 U.S.C. § 982(a)(1)-Criminal Forfeiture

THE GRAND JURY CHARGES THAT:

COUNT ONE

(Conspiracy to Launder Monetary Instruments)

DEFINITIONS

The "open market" in the securities industry consists of all free trading stock that may be purchased and sold through stock exchanges and stock brokers.

"Stock brokers" are professionals who specialize in purchasing and selling stocks and

other securities on behalf of their clients.

"Privately held" stocks are securities of corporations that are not tradeable on any securities exchange or public stock trading venue.

"Free trading" stocks are securities that an investor may purchase through a stock exchange or through a brokerage office by simply offering to pay the publicly listed price of the stock.

"Restricted stocks" are securities that pursuant to securities law may not be traded in the open market.

"Shell companies" are validly established corporations that exist on paper only. They have no business and usually no value. Shell companies are either public or private companies.

A "private company" is one that does not have stock trading freely on the open market.

A "public company" is one that has stock that is freely trading in the open market.

The "over-the-counter" market effects trades through brokerage houses that sell specific securities without resort to a securities exchange. This is referred to as "making a market" in those securities. Stocks sold in the "over-the-counter" market are typically lower priced shares of small companies, which are traded through brokers who handle the particular company's shares.

A "market maker" in a particular security is a brokerage house that handles trades in that particular "over-the-counter" security.

A "transfer agent" in the securities industry is a business entity that changes the title and ownership of a security when that security changes hands.

A "clearing firm" in the securities industry is a brokerage firm that undertakes administrative and support services for another firm that actually handles the trades. Typically, larger firms will offer clearing capabilities to smaller firms to save the smaller entities the costs associated with "clearing" securities transactions.

///

INTRODUCTION

At all times material to this Indictment:

National Health and Safety, Inc. (National Health), Terra West Venture, Inc. (Terra West), Health and Wealth, Inc. (Health and Wealth), and Mosaic Multisoft, Inc. (Mosaic), were companies whose securities traded in the over-the-counter market. National Health, Terra West, Health and Wealth, and Mosaic were shell companies, doing no business and generating no income.

Barrett-Day Securities, Equitrade, M.H. Meyerson & Co., Inc., and other securities firms were brokerage houses that sold National Health, Terra West, Health and Wealth, Mosaic, and other securities for the purported owners of those stocks.

Watkins Glen Development, PBA Energy Associates, and Cambro Investment Group were the names on bank accounts opened and used by the defendants at banks, which included Continental National Bank and Bank of America.

THE CONSPIRACY

From as early as January 1993 and continuing through the date of this Indictment, in the District of Nevada and elsewhere, defendants

PETER BERNEY and
REBECCA BERNEY

and others known and unknown to the Grand Jury did knowingly conspire and agree to commit the following offenses against the United States: 1) Laundering of a Monetary Instrument in violation of Title 18, United States Code, Section 1956(a)(1)(A)(i) by knowingly and unlawfully conducting financial transactions involving property known to represent the proceeds of some form of unlawful activity, to wit: mail fraud and wire fraud, violations of 18 U.S.C. §§ 1341 and 1343, knowing that the transactions were designed in whole and in part to promote the continuation of such mail and wire fraud violations; and 2) Laundering of a Monetary Instrument

in violation of Title 18, United States Code Section 1956(a)(1)(B)(i) by knowingly and unlawfully conducting financial transactions involving property known to represent the proceeds of some form of unlawful activity, to wit: mail and wire fraud, violations of 18 U.S.C. §§ 1341 and 1343, knowing that the transactions were designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity.

PURPOSE OF THE CONSPIRACY

It was the purpose of the conspiracy for the defendants, **PETER BERNEY** and **REBECCA BERNEY**, using personal, corporate, and trust bank accounts to do the following: 1) hide and retain some proceeds from the fraudulent sales of National Health, Terra West, Health and Wealth, Mosaic, and other securities to the public by their coconspirators, and 2) to utilize some of the proceeds of these fraudulent sales to fund the further fraudulent sales to the public of other worthless securities.

MANNER AND MEANS

It was a part of the conspiracy that the defendant **PETER BERNEY** and other coconspirators would merge privately held corporations with virtually worthless shell corporations, which were tradable on the over-the-counter market, thereby creating freely tradable securities for companies, which included National Health, Terra West, Health and Wealth, and Mosaic. The privately held corporations would have balance sheets that would make the new merged entities appear to be valuable.

It was a further part of the conspiracy that at any given time the defendant **PETER BERNEY** maintained an inventory of between 35 and 50 shell corporations available for merging with privately held corporations.

It was a further part of the conspiracy that the defendant **PETER BERNEY** and other coconspirators would install new boards of directors for the newly merged corporate entities.

The new boards of directors would not be independent, but instead the defendant **PETER BERNEY** would exercise control over the new boards of directors.

It was a further part of the conspiracy that the new boards of directors, which defendant **PETER BERNEY** controlled, would appoint officers for the newly merged companies.

It was a further part of the conspiracy that the defendant **PETER BERNEY** would cause the new boards of directors to issue stock that was to be freely tradable in the over-the-counter market. The defendant **PETER BERNEY** and his coconspirators would gain control of all the new freely tradable shares. This would make any outstanding shareholders of the pre-merger shell corporations powerless to control the affairs of the newly merged companies.

It was a further part of the conspiracy that, when the boards of directors issued the new stocks, they would also issue restricted stock to the former owners of the privately held entities that had merged with the shells.

It was a further part of the conspiracy that the new boards of directors would issue the new free trading stock at very low prices. The defendant **PETER BERNEY** or nominees cooperating with him would purchase all of the new freely tradable shares, thus, consolidating virtual complete ownership of the company in his hands.

It was a further part of the conspiracy that the defendant **PETER BERNEY** or coconspirators would instruct the transfer agent to issue the new free trading stock, which he had purchased, in the names of various coconspirators or fictitious entities. He would instruct the transfer agent to issue stock in the names of defendant **REBECCA BERNEY**, Watkins Glen Development Trust, PBA Energy Associates, and Cambro Investment Group.

It was a further part of the conspiracy that the defendants **PETER BERNEY** and **REBECCA BERNEY** would use corporate and trust names as the sellers of the securities to hide the identities of the true owners and sellers of these and other securities.

It was a further part of the conspiracy that the defendant **PETER BERNEY** would cause

National Health, Terra West, Health and Wealth, Mosaic, and other newly merged companies to send false filings to the United States Securities and Exchange Commission (SEC) and the National Association of Securities Dealers (NASD) via the United States Postal Service and private and commercial interstate couriers. Such filings would be false in that they would fail to notify the SEC and NASD of the true control of the stock by the defendants **PETER BERNEY** and **REBECCA BERNEY** and their coconspirators.

It was a further part of the conspiracy that coconspirators of the defendants would set up trading accounts at Equitrade, M.H. Meyerson & Co., Inc., and other securities brokerage firms in the names of the purported owners of National Health, Terra West, Health and Wealth, Mosaic, and other securities.

It was a further part of the conspiracy that some coconspirators would subvert the legitimate operation of certain brokerage firms, including Barrett-Day Securities, in that coconspirators employed at these firms as brokers would call potential customers, at times using interstate wire communications, and would do the following: 1) knowingly make false representations about the values and futures of National Health, Terra West, Health and Wealth, Mosaic, and other worthless securities; 2) fail to disclose the true worth of the companies; and 3) fail to disclose that the defendants **PETER BERNEY** and **REBECCA BERNEY** control the vast majority of the companies' shares. By means of these material omissions and false representations, these coconspirators would sell on the over-the-counter market shares of National Health, Terra West, Health and Wealth, Mosaic, and other valueless securities, held by the defendants.

It was a further part of the conspiracy that the defendant **PETER BERNEY** would pay these corrupt brokers cash for selling National Health, Terra West, Health and Wealth, Mosaic, and the other securities by sending a coconspirator to deliver the payments to the corrupt brokers.

It was a further part of the conspiracy that the defendant **PETER BERNEY** would cause

the defendant **REBECCA BERNEY** and others to sign third party releases for the sales of the stock that they purportedly owned. Additionally, defendant **REBECCA BERNEY** would provide nominee stock certificates and stock powers to the brokerage houses involved.

It was a further part of the conspiracy that the defendant **PETER BERNEY** and his coconspirators, rather than the open market, would set the price, at which the securities would trade. In reality, the securities would be virtually worthless.

It was a further part of the conspiracy that the defendant **REBECCA BERNEY** set up a bank account in her own name at Bank of America for the receipt of funds from the fraudulent sale of stock shares she owned and defendants **PETER BERNEY** and **REBECCA BERNEY** would set up bank accounts at Continental National Bank, Bank of America, and First Interstate Bank of California in the names of business and trust entities that corresponded to the purported sellers of the fraudulently sold shares of National Health, Terra West, Health and Wealth, Mosaic and other corporations. The defendants would set up bank account in the names of Watkins Glenn Development Trust, PBA Energy Associates, and Cambro Investment Group.

It was a further part of the conspiracy that the defendant **REBECCA BERNEY** would be named as an officer and trustee of Watkins Glenn Development Trust and PBA Energy Associates.

It was a further part of the conspiracy that coconspirators who purported to own some of the fraudulently sold securities would also set up bank accounts for the receipt of monies from the stock sales.

It was a further part of the conspiracy that the defendant **PETER BERNEY** would receive a portion of the proceeds from the fraudulent stock sales by the coconspirators in whose names the sales were made.

It was a further part of the conspiracy that the defendants **PETER BERNEY** and **REBECCA BERNEY** would convert to their own use or to the continuation of the scheme the

proceeds of the fraudulent stock sales. In some instances they would take or expend funds directly from the bank accounts, which they controlled. In other instances, they or their coconspirators would pass the fraudulently obtained funds through other accounts before the defendants **PETER BERNEY** and **REBECCA BERNEY** would take cash or make expenditures.

It was a further part of the conspiracy that the defendant **PETER BERNEY** would make frequent and substantial payments to and expenditures for his codefendant **REBECCA BERNEY**. The defendant **REBECCA BERNEY** would receive checks from the defendant **PETER BERNEY** totaling approximately $1.1 million.

It was a further part of the conspiracy that the defendants **PETER BERNEY** and **REBECCA BERNEY** would hide the receipt and control of the proceeds from the fraudulent sales of National Health, Terra West, Health and Wealth, Mosaic, and other companies by purchasing, in the names of trusts, vehicles, real property, and other assets.

It was a further part of the conspiracy that the defendants **PETER BERNEY** and **REBECCA BERNEY** received in excess of $10 million in proceeds from the fraudulent sales of National Health, Terra West, Health and Wealth, Mosaic, and other companies, and the defendants would conceal, through conduct in violation of 18 U.S.C. section 1956, these monies and would use the monies in further fraudulent stock sales schemes.

OVERT ACTS

In furtherance of the conspiracy, and to effect the objects of the conspiracy, the defendants committed, or caused to be committed, among others, the following overt acts within the State and District of Nevada and elsewhere:

a. On or about December 2, 1993, defendant **REBECCA BERNEY** wrote check number 1157 for $100,000 on a Watkins Glenn account payable to a company controlled by coconspirator Michael Haynes as part of the Mosaic distribution.

b. On or about December 7, 1993, coconspirators returned the $100,000 Mosaic distribution to defendant **PETER BERNEY** in a cash payment.

c. On April 12, 1994, defendant **PETER BERNEY** sold 120,000 shares of National Health through Watkins Glenn Development for $935,550 using the Equitrade brokerage house and their clearing firm.

d. On April 13, 1994, defendant **PETER BERNEY** caused Equitrade's clearing firm to wire $935,550 to Watkins Glenn Development's account at the Continental National Bank in Nevada.

e. On April 14, 1994, defendant **PETER BERNEY** wrote check number 1287 for $30,000 on the Watkins Glenn account payable to defendant **REBECCA BERNEY**.

f. On April 18, 1994, defendant **PETER BERNEY** wrote check number 1289 for $85,000 on the Watkins Glenn account payable to Fletcher Jones Import Center for the purchase of a Mercedes Benz automobile.

g. On April 19, 1994, defendant **PETER BERNEY** wrote check number 1297 for $678,000 on the Watkins Glenn account payable to a business entity owned by a coconspirator, Michael Haynes.

h. On or about May 5, 1994, Michael Haynes returned approximately $500,000 in cash to defendant **PETER BERNEY** in Las Vegas, Nevada.

i. On or about June 10, 1994, defendant **PETER BERNEY** sold 2500 shares of Terra West through Watkins Glenn Development for $21,232 using the M.H. Meyerson & Co., Inc., brokerage house and their clearing firm.

j. On or about June 10, 1994, defendant **PETER BERNEY** caused M.H. Meyerson's clearing firm to issue check number MH141926 in the amount of $21,218.05 to Watkins Glenn.

k. On or about June 20, 1994, defendant **PETER BERNEY** sold 2500 shares of Terra West through Watkins Glenn Development for $21,700 using the M.H. Meyerson & Co., Inc.,

brokerage house and their clearing firm.

l. On or about June 20, 1994, defendant **PETER BERNEY** caused M.H. Meyerson's clearing firm to issue check number MH144318 in the amount of $21,686.80 to Watkins Glenn.

m. On or about June 27, 1994, defendant **PETER BERNEY** sold 2500 shares of Terra West through Watkins Glenn Development for $21,857 using the M.H. Meyerson & Co., Inc., brokerage house and their clearing firm.

n. On or about June 30, 1994, defendant **PETER BERNEY** caused M.H. Meyerson's clearing firm to issue check number MH147250 in the amount of $13,093.05 to Watkins Glenn.

o. On August 8, 1994, defendant **REBECCA BERNEY** received a check for $65,000 from defendant **PETER BERNEY** through PBA Energy Associates (PBA).

p. On August 17, 1994, defendant **REBECCA BERNEY** received a check for $15,000 from defendant **PETER BERNEY** through PBA.

q. On or about August 29, 1994, defendant **PETER BERNEY** sold 50,000 shares of Health and Wealth through PBA for $222,982 using the M.H. Meyerson & Co., Inc., firm.

r. On or about August 30, 1994, defendant **PETER BERNEY** caused M.H. Meyerson & Co., Inc.'s clearing firm to wire $241,714 to PBA's account at Bank of America in Nevada.

s. On or about August 31, 1994, defendant **PETER BERNEY** sold 25,000 shares of Health and Wealth through PBA for $117,732 using the M.H. Meyerson & Co., Inc., brokerage house and their clearing firm.

t. On September 1, 1994, defendant **PETER BERNEY** caused M.H. Meyerson & Co., Inc.'s clearing firm to wire $117,732 to PBA's account at Bank of America in Nevada.

u. On or about September 2, 1994, defendant **PETER BERNEY** wrote check number 228 for $10,000 on the PBA account to defendant **REBECCA BERNEY**.

v. On or about September 9, 1994, defendant **PETER BERNEY** wrote check number 242 for $146,727.30 on the PBA account to purchase Health and Wealth.

w. On October 5, 1994, defendant **REBECCA BERNEY** received a check for $10,000 from defendant **PETER BERNEY** through Cambro Investment Group (Cambro).

x. On October 12, 1994, defendant **REBECCA BERNEY** received a check for $5000 from defendant **PETER BERNEY** through Watkins Glenn Development Trust.

y. On October 26, 1994, defendant **REBECCA BERNEY** received a check for $20,000 from defendant **PETER BERNEY** through PBA.

z. On January 30, 1995, defendant **REBECCA BERNEY** received a check for $20,000 from defendant **PETER BERNEY** through PBA.

aa. On May 31, 1995, defendant **REBECCA BERNEY** received a check for $20,000 from defendant **PETER BERNEY** through PBA.

All in violation of Title 18, United States Code Section 1956(h).

COUNT TWO

(Criminal Forfeiture)

Plaintiff incorporates by reference Count One as though fully set forth herein.

Upon a conviction of the felony offense of Conspiracy to Launder Monetary Instruments as charged in Count One, the defendants **PETER BERNEY** and **REBECCA BERNEY**, or either of them, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(1), any property, real and personal, involved in the offense and any property traceable to that property, including but not limited to the following:

a. United States Currency

1. All United States currency identified in Count One of the Indictment;

2. Additional United States currency representing the total amount of United States currency involved in the offense described in Count One above, which sum shall be imposed in a forfeiture judgment against each defendant, jointly and severally;

3. $536,645.43 seized from account #974048548 and account #622019181 at Bank of America, Branch 50155, in Las Vegas, Nevada;

4. $89,354.76 seized from account #974022550 at Bank of America, Branch 7013, in Las Vegas, Nevada;

5. $156,074.51 seized from account #974008906 at Bank of America, Branch 7088, in Las Vegas, Nevada;

6. $12,552.15 seized from account #974008914 at Bank of America, Branch 7013 in Las Vegas, Nevada;

7. $1,091,000 seized from account #974018145 at Bank of America, Branch 7013 in Las Vegas, Nevada;

8. $180,104.67 seized from account #068524-611 at West America Securities Corp., Salt Lake City, Utah;

9. $27,200.00 seized from account #17500166 at Travis Morgan Securities, Inc., Irvine, California;

10. $350,146.62 seized from account #137 073366 at Morgan Stanley Dean Witter, Las Vegas, Nevada;

11. $10.26 seized from account #137 073880 at Morgan Stanley Dean Witter, Las Vegas, Nevada;

12. $10.26 seized from account #137 073881 at Morgan Stanley Dean Witter, Las Vegas, Nevada;

13. $10.26 seized from account #137 073882 at Morgan Stanley Dean Witter, Las Vegas, Nevada;

14. $137,902.52 seized from account #54U-46330 at Stock USA, Inc., San Diego, California

b. Real Property

1. 1901 Corta Bella Drive, Las Vegas, Nev.
Parcel # 138-20-314-002

2. 14 Sardana Court (vacant lot), Henderson, NV
Parcel # 160-23-711-003

3. A vacant lot situated in Clark County, Nevada
near the intersection of Whispering Sands Drive and Desperado
Parcel # 125-15-602-007

4. A vacant lot situated in Clark County, Nevada
near the intersection of Whispering Sands Drive and Desperado
Parcel # 125-15-602-005

5. A vacant lot situated in Clark County, Nevada
near the intersection of Whispering Sands Drive and Desperado
Parcel # 125-15-602-004

6. A vacant lot situated in Clark County, Nevada
near the intersection of Whispering Sands Drive and Desperado
Parcel # 125-15-602-003

c. Automobiles

1. 1998 Volkswagen, VIN 3VWBB61C5WM032766, license NV 643 JKL

2. 1996 Chevrolet Suburban, VIN 3GNFK16R8TG109989, license NV 217 GVR

3. 1997 Chevrolet Tahoe, VIN 1GNEK13R9VJ390282, license NV 939 HRN

4. 1994 Chevrolet Suburban, VIN 1GNFK16KXRJ409303, license NV 316 FUW

5. 1995 Mercedes Benz SL 600, VIN WDBFA76EXSF111916, license NV 428 FPR

6. 1997 Mercedes Benz, VIN WDGGA5765VA344614, license NV 303 EXW

7. 1999 Bentley, VIN SCBLB51E3XCX02601, license NV 844 JYC

d. Securities

1. 10,000 shares of Cel-Sci Corp., frozen in account #54U-46330 at Stock USA, Inc., San Diego, California;

2. 5000 shares of Crystallex International Corp. (KYR), frozen in account #54U-46330 at Stock USA, Inc., San Diego, California;

3. 6000 shares of Industrial Data Systems Corp. (IDS), frozen in account #54U-46330 at Stock USA, Inc., San Diego, California;

4. 3000 shares of Kent Financial Services, Inc. (KENT), frozen in account #54U-46330 at Stock USA, Inc., San Diego, California;

5. 10,000 shares of Recovery Network, Inc. (RNET), frozen in account #54U-46330 at Stock USA, Inc., San Diego, California;

6. 1000 shares of Nextel Communications, Inc. (NXTL), frozen in account #54U-46330 at Stock USA, Inc., San Diego, California;

7. 1000 shares of Warp 10 Technologies, Inc. (WARP), frozen in account #54U-46330 at Stock USA, Inc., San Diego, California;

8. 40,000 shares of Agriceuticals Techs, Inc. (ATTI), frozen in account #27A-03970 at Travis Morgan Securities, Inc., Irvine, California;

9. 10,000 shares of Healthcom Evaluation Services (HCEV), frozen in account #27A-03970 at Travis Morgan Securities, Inc., Irvine, California;

10. 27,400 shares of McBride Temporary & Staffing (MTSS), frozen in account #27A-03046 at Travis Morgan Securities, Inc., Irvine, California;

11. 13,300 shares of Miracom Corporation (MIRM), frozen in account #27A-03046 at Travis Morgan Securities, Inc., Irvine, California;

12. 3000 shares of Nostalgia Motorcars, Inc. (CRRZ), frozen in account #27A-03046 at Travis Morgan Securities, Inc, Irvine, California;

13. 10,750 shares of Premier Mortgage Resources (PMTED), frozen in account #27A-03046 at Travis Morgan Securities, Inc., Irvine, California;

14. 70,000 shares of Ricex Co. (FODOX), frozen in account #27A-03046 at Travis Morgan Securities, Inc., Irvine, California;

15. 16,000 shares of Spectre Industries, Inc.(STND), frozen in account #27A-03046 at Travis Morgan Securities, Inc., Irvine, California;

16. 350 shares of Microsoft Corp. (MSFT), frozen in account #54U-46120 at Stock USA, Inc., San Diego, California;

17. 500 shares of Microvision, Inc. (MVIS), frozen in account #54U-46120 at Stock USA, Inc., San Diego, California;

18. 2700 shares of Cross Lake Mineral, frozen in account #137 073366 at Morgan Stanley Dean Witter, Las Vegas, Nevada;

19. 17,000 shares of Telesciences, Inc., frozen in account #137 073366 at Morgan Stanley Dean Witter, Las Vegas, Nevada;

20. 2000 shares if Zitel Corp., frozen in account #137 073366 at Morgan Stanley Dean Witter, Las Vegas, Nevada;

21. 2982 units of VK Focus Port Internet, frozen in account #137 073880 at Morgan Stanley Dean Witter, Las Vegas, Nevada;

22. 2982 units of VK Focus Port Internet, frozen in account #137 073881 at Morgan Stanley Dean Witter, Las Vegas, Nevada;

23. 2982 units of VK Focus Port Internet, frozen in account #137 073882 at Morgan Stanley Dean Witter, Las Vegas, Nevada;

24. 2000 shares of Ricex Co., frozen in account #17500166 at Travis Morgan

Securities, Inc., Irvine, California;

25. 66,000 shares of Entmnt Internet, frozen in account #068524-611 at West America Securities Corp., Salt Lake City, Utah;

26. 7850 shares of Healthcom Evalu, frozen in account #068524-611 at West America Securities Corp., Salt Lake City, Utah;

27. 82,800 shares of JG Gear.Com, frozen in account #068524-611 at West America Securities Corp., Salt Lake City, Utah;

28. 10,230 shares of Miracom Corp., frozen in account #068524-611 at West America Securities Corp., Salt Lake City, Utah;

29. 20,000 shares of Netamer Intl Corp., frozen in account #068524-611 at West America Securities Corp., Salt Lake City, Utah;

30. 50,000 shares of Page Active Held, frozen in account #068524-611 at West America Securities Corp., Salt Lake City, Utah;

31. 50,000 shares of Saleout.Com, frozen in account #068524-611 at West America Securities Corp., Salt Lake City, Utah;

32. 5855 shares of Tangible Asset, frozen in account #068524-611 at West America Securities Corp., Salt Lake City, Utah.

If any property being subject to forfeiture pursuant to Title 18, United States Code, Section 982(a)(1), as a result of any act or omission of the defendant –

a. cannot be located upon the exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third party;

c. has been placed beyond the jurisdiction of the court;

d. has been substantially diminished in value; or

e. has been commingled with other property that cannot be divided without difficulty;

it is the intent of the United States of America, pursuant to Title 18, United States Code, Sections 982(a)(1) and (b)(1)(A) and Title 21, United States Code, Section 853(p), to seek forfeiture of substitute properties of the defendants up to the value of those properties determined to be unavailable.

All pursuant to Title 18, United States Code, Sections 1956(h) and 982(a)(1) and Title 21, United States Code, Section 853(p).

DATED this 17th day of August, 1999.

A TRUE BILL:

FOREPERSON OF THE GRAND JURY
GROVER C. MENDENHALL

KATHRYN E. LANDRETH
United States Attorney

KURT P. SCHULKE
Chief, Criminal Division

JANE H. SHOEMAKER
Assistant U.S. Attorney

RICHARD A. SERAFINI
Trial Attorney, U.S. Dept. of Justice

6-4-99 JAG

UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

-oOo-

UNITED STATES OF AMERICA Plaintiff, vs. PETER BERNEY and REBECCA BERNEY, Defendants.	Mag 99-136-M-LRL ~~CR-S-99-~~ _____ CRIMINAL COMPLAINT Violation: 18 U.S.C. 1956(h) (Money Laundering Conspiracy); Forfeiture- 18 U.S.C. 982(a)(1)

Before the United States Magistrate Judge, Las Vegas, Nevada, the undersigned complainant, being first duly sworn, states:

COUNT ONE
(Money Laundering Conspiracy)

From in or about the summer of 1992 through in or about June 1995, in the State and Federal District of Nevada and elsewhere,

PETER BERNEY
and
REBECCA BERNEY

defendants herein, and others known and unknown, did knowingly conspire and agree to commit an offense against the United States, to wit: to knowingly, willfully and unlawfully conduct and attempt to conduct financial transactions involving property known to represent the proceeds of some form of unlawful activity, which in

fact constituted proceeds of wire fraud in violation of Title 18, United States Code, section 1343, to wit: in excess of $10,000,000.00 (ten million dollars), knowing that the transactions were designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity, in violation of Title 18, United States Code, section 1956(a)(1)(B)(i).

All in violation of Title 18, United States Code, section 1956(h).

COUNT TWO
(Forfeiture)

The allegations in Count One are realleged and incorporated by reference herein for the purpose of alleging forfeiture to the United States of America pursuant to the provisions of Title 18, United States Code, section 982(a)(1).

As a result of the offense alleged in Count One the defendants shall forfeit to the United States all property real or personal involved in the aforestated offense and all property traceable to such property, as to which property the said defendants are jointly and severally liable, including but not limited to $10,000,000.00 (ten million dollars) in United States currency and all interest and proceeds traceable thereto, in that sum, in aggregate, which property was involved in the aforestated offense and traceable to such property in violation of Title 18, United States Code, section 1956.

Complainant, as a Special Agent of the Criminal Investigation Division of the Internal Revenue Service, states the following as probable cause in support of this complaint:

1. Complainant has been a Special Agent of the Criminal Investigation Division of the Internal Revenue Service for approximately eight years. Complainant is a licensed CPA in the State of Nevada and has been the case agent in the investigation of Peter Berney, Rebecca Berney and others, which commenced during approximately 1994.

2. Based on my investigation, there is probable cause to believe the Defendants herein, and numerous others known and unknown, agreed to engage in and did engage in a scheme from approximately the summer of 1992 through June of 1995 which included (1) bribing stockbrokers with millions of dollars of cash; (2) manipulating and attempting to manipulate the volume and price of stocks for fraudulent sale to the public; and (3) concealing and laundering the illegal proceeds generated from the scheme. Among the purposes of the scheme, which was conducted in Nevada, California, New York, and elsewhere, were to obtain money and other things of value for the defendants Peter Berney and Rebecca Berney and others.

3. Two cooperating witnesses (hereafter CW1 and CW2) began cooperating with the government in late 1997. CW1 and CW2 have been debriefed extensively. CW1 and CW2 have admitted their criminal involvement in the instant scheme and others and have

provided the information set forth below in exchange for and in hopes of leniency from the government. Over 100 bank accounts and brokerage accounts have been obtained via grand jury subpoenas. The information received from CW1 and CW2 has been extensively corroborated with the records obtained and by the statements of others. Furthermore, CW1 and CW2 have allowed the Government to monitor their meetings and conversations with other individuals under investigation for stock fraud and money laundering schemes. CW1 and CW2 have never been found to be untruthful while cooperating with the government. CW1 and CW2 provided the following information concerning stock fraud and money laundering schemes they were involved in with defendants Peter Berney and Rebecca Berney prior to CW1 and CW2 cooperating with the government:

A. CW1 and CW2 stated Peter Berney employed CW1 between the summer of 1992 and June of 1995 to help set up publicly traded shell corporations to be used for the fraudulent sale of stock to the public. CW2 assisted CW1 for this purpose, with Peter Berney's knowledge. Specifically, CW1 and CW2 provided shell corporations including but not limited to Nevtah Capital Management Corp., Top Dollar Realty, Inc., and Terra West Ventures, Inc., to Peter Berney and his co-conspirators. CW1 and CW2 also provided nominees to act as shareholders when in reality the vast majority of stock was under the control of Peter Berney. The fact was not disclosed to the public that Peter Berney controlled almost the entire float of

free trading stock. It was also undisclosed to the public that Peter Berney and his co-conspirators set the prices at which the stock was sold, both initially and during trading. A Registration packet which was required by law to be filed was filed with the National Association of Securities Dealers for each of the shell companies provided by CW1 and CW2. The law requires disclosure of any person or persons holding more than 5% of the total issued and outstanding shares. Peter Berney controlled the majority of the issued and outstanding shares and willfully failed to disclose that material fact.

B. CW1 and CW2 said Peter Berney opened brokerage accounts and bank accounts in the names of corporations which he controlled. The names of some of the controlled corporations were Watkins Glenn Development, Cambro Investment Group, and PBA Energy Associates, Inc. The vast majority of the funds deposited into the controlled corporate accounts was derived from the fraudulent scheme described above. The stock controlled by Peter Berney held in the names of nominees was transferred into the names of the controlled corporations. As the stock was sold the proceeds were received into the controlled corporate brokerage accounts. The funds were then transferred into the controlled corporate bank accounts. As the funds were received into the controlled corporate bank accounts, defendant Peter Berney disbursed funds to CW1 and CW2 by various means including interstate wire transfers for CW1 and CW2 to convert the funds into cash. The cash was then brought

to Peter Berney. On two or more occasions Rebecca Berney was present when the cash was delivered to Peter Berney and Rebecca Berney received several thousands of dollars from Peter Berney on each occasion. The following cash deliveries to Peter Berney are a sample of the funds laundered for him by CW1 and CW2:

09-02-93	$157,462
10-26-93	$100,000
02-07-94	$100,000
04-21-94	$278,000
05-11-94	$245,000
06-29-94	$169,000
07-11-94	$ 65,000

On other occasions, defendant Peter Berney issued checks from the controlled corporate bank accounts directly to defendant Rebecca Berney, including the following:

DATE	PAYOR	PAYEE	AMOUNT
08-17-94	PBA Energy Associates	Rebecca Berney	$15,000
09-01-94	PBA Energy Associates	Rebecca Berney	$10,000
08-08-94	PBA Energy Associates	Rebecca Berney	$65,000
10-05-94	Cambro Investment Group	Rebecca Berney	$10,000
10-12-94	Watkins Glenn Dev. Trust	Rebecca Berney	$ 5,000
10-26-94	PBA Energy Associates	Rebecca Berney	$20,000
01-30-95	PBA Energy Associates	Rebecca Berney	$20,000
05-31-95	PBA Energy Associates	Rebecca Berney	$20,000
04-25-95	Cambro Investment Group	Rebecca Berney	$20,000

Peter Berney kept 38% of the cash he received. The other 62% was packaged in Federal Express envelopes and was hand delivered to brokers in New York by CW1 and CW2.

C. CW1 and CW2 indicated they worked closely with Peter Berney from approximately 1992 through June of 1995. During approximately February of 1994 though January of 1995 Rebecca Berney worked at the offices of her husband, Peter Berney. She had various duties including delivery of nominee stock certificates and stock powers to brokerage houses.

D. CW1 and CW2 told your complainant that, during approximately late 1994 Peter Berney left his wife Rebecca Berney for Patty Linson. At that time Rebecca Berney copied many of the records located at Peter Berney's office. She stated she wanted the records so Peter Berney could not leave her "high and dry". Rebecca Berney stated she would take the records to the FBI if Peter Berney attempted to "fuck her".

E. CW1 also stated that shortly before he began cooperating with the government he brought additional incriminating records of Peter Berney's to Rebecca Berney's residence. Again she stated the records were her insurance policy against Peter Berney leaving her high and dry.

F. CW1 stated he prepared the 1991, 1992, 1993, and 1994 Federal Individual Income Tax returns for Peter and Rebecca Berney in the presence of Peter Berney. CW1 stated the returns were falsified at Peter Berney's request to only report the minimum

amount of income necessary to support their lifestyle. The majority of the cash the Berneys received from this scheme was not reported as income. Rebecca Berney stated to CW1 that she hoped she would not go to jail for signing the false tax returns.

G. Furthermore, CW1 prepared Corporate Federal Income Tax returns that helped conceal and disguise the nature, location, source, ownership, and control of the proceeds generated by the scheme. These returns were prepared at the direction of Peter Berney.

H. CW1 stated that there were in excess of ten million dollars in proceeds from the above-referenced scheme.

James A. Olson, Special Agent
Criminal Investigation Division
Internal Revenue Service

Sworn to before me this
7th day of June, 1999.

LAWRENCE R. LEAVITT
U.S. Magistrate Judge

Senate Permanent Subcommittee
On Investigations
EXHIBIT #____61i____

Exhibit 61i.

Bank of New York documents

MEMO

SWISS AMERICAN [redacted] NATIONAL BANK ST. JOHN'S, ANTIGUA

December 22, 1981
D. M. Logan

I. Contact/Occasion

Telephoned McAlister Abbot, Asst. Manager. Eustace S. Francis our courier agent in Antigua is the brother-in-law of Mr. Abbot and provided the introduction to the subject.

II. Topics Discussed

1. Background

Subject was established in May of this year with a commercial banking licence but has not solicited any local business because they are awaiting offshore banking legislation to pass the assembly (expected in March 1982). Once the subject obtains an offshore banking license they will be active in a variety of international business transactions in all major currencies. When this offshore activity begins capital will be increased to U.S. $2,000,000.

2. Ownership

Subject is 50% owned by Inter-Maritime Bank based in Geneva, Switzerland and 50% by Great American Bank Inc. of Miami Florida. Inter-Maritime Bank is solely owned by Bruce Rappaport. Rappaport is a highly successful individual in the shipping business. Inter-Maritime Bank is the house bank for Rappaport's world wide shipping operations. In addition to being Chairman of Inter-Maritime, he is also Chairman of the West Indies Oil Corporation.

Marvin Warner is Chairman of Great American Bank. He was formerly U.S. Ambassador of Switzerland during the late 1970's.

3. Correspondents

Subject has already established a relationship with Chase, New York by virtue of the fact that Chase is Inter-Maritime's leading U.S. correspondent. Subject also has an account with Great American Bank in Miami. Subject is very interested in utilizing our courier services for cash letters. Subject learned through our agent in Antigua and other banks on the island about our courier. Volume would be initially small; however, when they would begin offshore banking operations we could expect to see large and frequent use of the service. They would like to establish the account and begin to use courier as soon as possible. Writer explained that checkings would have to be obtained first.

December 22, 1981
D. M. Logan

III. A) Comments B) Action C) Distribution

B) Action

1. Discuss subject's desire to use us with W. Ronald Nock.

2. Credit Department obtain checkings from Chase and Great American.

3. DML to contact our correspondents in Antigua regarding the subject.

4. DML to contact Western European Division FIBD and Southern with regard to ownership.

C) Distribution

W. R. Nock, V.P.
J. L. Fernandez, A.V.P.
Y. R. Montalvo, A.S.
D. M. Logan, A.A.
Credit File
Circulation

DML

722/3C (12-77)

Swiss American National Bank — Saint John's, Antigua, W.I.

Louis Acevedo
Int'l. Credit Center
January 6, 1982

Bank Checkings

Great American Bank in Florida, Barry Randman - (305) 756-4112 "We know the principals of the bank. We have the highest regard for them; high calibre. At present we have no account with subject. We expect to do business with subject and have some sort of relationship with subject in the near future".

Chase Manhattan, New York, Ann Flack 552-3304 "We just opened an account with them on 10/81. This account is on a routine non-borrowing basis. Very new account, not much background involved and we have no experience with them yet".

SWIFT 999 UNAUTHENTICATED MESSAGE COPY
MESSAGE SEQUENCE IS 91665
TIME SENT 16:49:10 880127 JA-9

INTERNATIONAL BANKING GROUP
INTL ADMIN SUPPORT
1-7-85

BANK OF CREDIT & COMMERCE INT'L SA
100 LEADENHALL STREET
LONDON EC3A 3AD, ENGLAND

RE YOURS 1/4

ATTN: M.R. GATTUM, SENIOR MANAGER INT'L DIVISON.
SWISS AMERICAN NATIONAL BANK OF ANTIGUA.
ST. JOHN'S ANTIGUA, WEST INDIES.
ESTABLISHED 1981. ENGAGES IN COMMERCIAL BANKING ACTIVITIES. OWNED BY INTER MARITIME BANK, GENEVA, SWITZERLAND-50 PERCENT, GREAT AMERICAN BANK INC., MIAMI, FLORIDA-50 PERCENT.
OUR PROPERLY CONDUCTED ACCOUNT SINCE DECEMBER, 1981, FACILITIES EXTENDED FOR THE USUAL FOREIGN DEPARTMENT TRANSACTIONS, PROPERLY UTILIZED. WE CONSIDER SUBJECT GOOD FOR ITS NORMAL BUSINESS ENGAGEMENTS.
PLEASED TO ASSIST. WITHOUT OUR RESPONSIBILITY.
INTERNATIONAL CREDIT SUPPORT.

BNYSEN05480

Swiss American National Bank St. John's, Antigua

Donna Alexander
October 5, 1987-(05800:GP/f1)

I Contact/Occasion

Dinner with Belgrove Gregory. Andrew Barnes, the new General Manager had to cancel because of an unexpected engagement.

II Topics Discussed

1. Comfort Letter:

Finally Swiss American has received the comfort letter from Intermaritime Bank. Belgrove will forward same to Irving as soon as he has it in his possession. I told him that the comfort letter (depending on what it says) will go a long way towards making Irving more comfortable with credit to SA. Belgrove explained that with or without a comfort letter, Intermaritime was bound by Swiss law to support its subsidiary in times of trouble. SA is 100% owned by Intermaritime Bank.

2. Credit:

Management of SA hopes that with the comfort letter Irving will be prepared to be more lenient with credit approval for SA. He will forward the financials of Intermaritime to Irving as soon as possible for us to evaluate the parent.

3. Financial Results:

He explained their poor performance in 1986. One of their major customers, a garment factory has been going through some rough times because of the failure of the CBI under whose program the factory hoped to benefit. It was nucessary therefore to make substantial provision for loan loss for this client in the event that a loss occured. This had a serious negative impact on SA's net earnings. Belgrove believes that there is still hope that the factory will pull itself together. Belgrove has Sept. 1987's interim figures available and will send them as soon as possible.

4. Micro Cash:

Belgrove has installed S.A. on the L/C module and has begun to send L/C payments via micro cash. I jokingly told him I'll have him go around the Caribbean on my behalf and install and train other customers to use micro.

Swiss American National Bank — St. John's, Antigua

Donna Alexander
October 5, 1987-(0580O:GP/f1)

II Topics Discussed - (Cont'd)

5. **Shell Payments:**

He mentioned the importance of the Shell Payments which we make once a month for SA. I assured him that we would facilitate him as much as possible but on the other hand he must be sure that there were sufficient funds in the account to cover these large payments. He admitted to a temporary funding problem. SA is not nearly as liquid as many of the other banks in the OECS.

6. **Proposal:**

We discussed the proposal sent to Irving regarding the idea of partial collateral for L/Cs, i.e., depositing 20% of collateral up front and the balance of the collateral 15 days before expiry of the letter of credit. However, as he pointed out there would be no need for this proposal if we were willing to give them clean credit based on the comfort letter from Intermaritime.

7. **Bruce Rappoport**

He gave me a brief background on Mr. Rapport founder and owner of Intermaritime Bank. Intermaritime which owns S.A. 100% is a confederation of companies active in banking, shipping and petroleum industries.

8. **Credit Card Business:**

Scotia Bank and Royal Bank of Canada are the two banks processing credit card receipts in Antigua. Belgrove did not anticipate S.A. entering this business.

9. **Management Changes:**

Peter Harrington has left and Andrew Barnes is the new G.M. (apparently Mr. Harrington did not leave on very amiable terms). Also heard from Belgrove that Michael Callendar of Caribbean Banking Corporation in St. Vincent has returned to Royal Bank of Trinidad and Tobago. Frances Bowman from NCB St. Vincent is now acting Manager at CBC.

Swiss American National Bank St. John's, Antigua

Donna Alexander
October 5, 1987-(0580O:GP/fl)

III (A) Comments (B) Action (C) Distribution

A. We continue to be S.A.'s major correspondent bank. He understands, however, that we are not very happy with the way the account has been operating in the last few months. He expects this illiquid position to improve soon.

C W. R. Nock, VP
B. S. Marsh, AVP
Caribbean Team
Credit Files

BNYSEN05390

INTEROFFICE MEMORANDUM

THE BANK OF NEW YORK — DATE: September 29, 1992

TO: Linda Guliani, Credit Division — LOCATION: One Wall St., FLOOR: 20

FROM: Joanne Eichorn, Latin America Division — LOCATION: One Wall St., FLOOR: 8

RE: Swiss American National Bank of Antigua
CID 945772
Facility Number 9716467

The subject has a $1.4 million stand-by letter of credit from The Bank of Bermuda guaranteeing Swiss American National Bank of Antigua's letters of credit, overdrafts, and stand-by letters of credit. This guarantee has been allocated on our books as a $700,000 UFDT for letters of credit and a $700,000 facility for stand-by letters of credit.

In order to accommodate an increase from $100,000 to $500,000 in the subject's stand-by letter of credit reference number 0024942 in favor of Visa International guaranteeing Swiss American National Bank of Antigua's membership dues, we are reallocating the $1.4 million as follows: the facility for stand-by letters of credit will be increased to $1.2 million and the facility for letters of credit will be reduced to $200,000.

Pricing on this transaction will be 2% per annum, which will generate total revenue of $10,000.

Swiss American, established March 23, 1981, is 100% owned by Swiss American Holding Corporation in Panama, which is 100% owned by Carlsberg in Bermuda. The holding company is 100% held by a charitable trust owned by Mr. Bruce Rappeport. Swiss American is the top revenue generator in Antigua at $67,045 for 1991.

As of December 31, 1991, Swiss American had assets of $25,686,000, total equity of $2,839,000, and net income of $431,000.

Should you have any questions, please do not hesitate to contact me at 635-8396.

In Accordance: _____
Monty L. Murphrey, VP

In Accordance: _____
Dorothy A. Kmetz, SVP

cc: D. Gilmore, VP
M. Sahnart, VP

SWISS AMERICAN NATIONAL BANK OF ANTIGUA
P.O. Box 1302
High Street
St. John's, Antigua

Tel. (809) 462-4460
Fax (809) 462-0274

(95-)

Account no. 803-3002-875
Cid no. 945772-003-0

Credit Facilities

ADV/SLC -1.2MM (cash collateralized)
ADV/SLC -1.6MM (cash collateralized)

General Manager Mr. John Greaves.

Swiss American is the top revenue generator in Antigua at $110,300 for 1993. Subject is using very actively their cash collateralized credit lines for issuance of standby letters of credit. Outstandings as of March 31, 1994 were $1,200,000. Swiss American has also a significant volume in International Cash Letters and checks, The Bank of New York processed about 125,000 items for 1993. F.T. payments volume was around 3,600 for the year.

Swiss American, established March 23, 1981, is 100% owned by Swiss American Holding Corporation in Panama, which is 100% owned by Carlsberg in Bermuda. The holding company is 100% held by a charitable trust owned by Mr. Bruce Rappaport. For more informations concerning this Gentleman, please talk to Dorothy.

Client had assets of $25.6MM, total equity of $2.8MM and net income of $431M as of December 31, 1992.

APR 22 '94 02:36PM BNY STANDBY SECTION P.2

PROCESSED BY NAYA ON 940422 AT 145513
COMPLETED BY ARTL ON 940422 AT 153547
MESSAGE TYPE: 799 TESTED

SENDER: 6747300LF L/C SPECIAL TRANSACTIONS
TO BE SENT VIA: BEST METHOD

RECIPIENT CID: 9457720014
CHARGE TO: SENDER

SEQ NUM: 38536

SWISS AMERICAN NATIONAL BANK OF
ANTIGUA
P.O. BOX 1302 HIGH STREET
ST. JOHNS ANTIGUA B.W.I.

ATTN. MR JOHN GREAVES
TESTED FOR NO AMOUNT.
OUR REF DCL9404229649200.
REYOUR L/C NO 12/93. OUR STANDBY L/C NO S00028694
DOCUMENTS PRESENTED FOR USD 60,000.00 WITH
FOLLOWING DISCREPANCY :- LETTER FROM SWISS
AMERICAN BANK LTD TO BENEFICIARY SIGNED BY TWO
MEMBERS OF THE BOARD OF SWISS AMERICAN BANK LTD
AND NOTARIZED IN ANTIGUA NOT PRESENTED.STOP.PLEASE
ADVISE US MAY WE PAY REGARDS NAYYAR ACHA STANDBY
L/C DEPT.
L/C SPECIAL TRANSACTIONS

Authorized Signature

***** END OF FILE COPY *****

BNYSEN06200

APR 22 '94 02:36PM BNY STANDBY SECTION P.3

THE BANK OF NEW YORK

The Bank of New York
48 Wall Street
New York, NY 10286

9[redacted]22

PROCESSED BY NAYA ON 940422 AT 152552
COMPLETED BY ARTL ON 940422 AT 153639
MESSAGE TYPE: 799 TESTED

Our Ref. (TRN) No.
DCL9404229650206

Please mention our reference no. (TRN) in any correspondence

SENDER: 6747300LF L/C SPECIAL TRANSACTIONS
TO BE SENT VIA: BEST METHOD

NO WIRE KNOWN

RECIPIENT CID: NOT ON CIF
CHARGE TO: SENDER

SEQ NUM: 38537

BANCO DE LA UNION S.A.
CALLE 5, AVENIDA 1-3
CASA 140, SAN JOSE
COSTA, RICA

ATTN: ATTN. MR. RONALD SEALE, PRESIDENT
TESTED FOR NO AMOUNT.
OUR REF DCL9404229650200.
ATTN. RONALD SEALE, PRESIDENT. OUR STANDBY L/C NO S00028694 SWISS AMERICAN NATIONAL BANK OF ST. JOHNS L/C NO 12/93 DOCUMENTS PRESENTED TO US FOR USD 60,000.00 UPPAID DUE TO THE FOLLOWING DISCREPANCY:- I- LETTER FROM SWISS AMERICAN BANK LTD TO BENEFICIARY SIGNED BY TWO MEMBERS OF THE BOARD OF SWISS AMERICAN BANK LTD AND NOTARIZED IN ANTIGUA NOT PRESENTED. STOP. WE ARE HOLDING DOCUMENTS AT YOUR DISPOSAL STOP. HOWEVER, WE ARE CONTACTING OUR CUSTOMER FOR THEIR ACCEPTANCE STOP REGARDS NAYYAR AGHA STANDBY L/C DEPT.

Authorized Signature

***** END OF FILE COPY *****

BNYSEN06201

1-[illegible]

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

ONE WALL STREET, NEW YORK, N. Y. 10286

June 9, 1994

Mr. Romell Tiwari
Financial Controller
Swiss-American Banking Group
Friar's Hill Road
P.O. Box 1302
St. John's, Antigua W.I.

Dear Romell,

It was real pleasure meeting you and the rest of the staff during my first visit to Antigua. Ms. Nancy Goodwin and I, had an excellent and productive meeting with you . We are confident, we would be able to improve and expand the relationship between our two institutions.

Concerning your standby letter of credit for $225,000 in favor of Banco La Union, San Jose, Costa Rica , your reference : 1293. Please be advised , The Bank of New York has already informed the beneficiary that this SLC has expired and no payment would be made . No reply was received from them as of today. Collateral, in the form of a BONY IBF Time Deposit, will be credited to your account on June 20, 1994, the maturity date.

We received the affidavit of forgery for check no. 48652. Documents were sent to Mr. Steve Polido, AVP in charge of checks forgery at The Bank of New York . He will revert to Swiss-American National Bank as soon as possible.

The best system to fight against check forgery is to report them to The Bank of New York as early as you can. It is very important that Swiss-American National Bank reviews daily all the debit entries in your statement and report to us those your institution is unable to apply. If you can not apply a debit, please call or fax a copy to me or Ms. Elsa Torres-Kelly attention.

THE BANK OF NEW YORK

If you have questions, regarding these two cases, please call or write to us. Nice meeting you again and see you soon.

Sincerely,

Jean-Pierre St. Victor
Assistant Vice President
Latin America Division
(212)635-8396
(212)635-8395 (fax)

c.c : J. Greaves
N. Goodwin
L. Andall
K. Tonge
E. Torres-Kelly

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

101 BARCLAY STREET, NEW YORK, N. Y. 10286

June 14, 1994

John Greaves
General Manager
Swiss American Bank Ltd.
High Street
St. Johns, Antigua B.W.I.

Dear Mr. Greaves:

Re: Swiss American Bank Standby L/C 12/93
Our reference S00028694

We refer to our past correspondence regarding the beneficiary's unpaid drawing for $60,000.00 under the captioned standby letter of credit.

Attached is a copy of our letter dated today to Banco del Comercio, S.A. which is self explanatory.

Sincerely,

Elvis Montalvo
Assistant Vice President
Standby Letter of Credit Department

Telephone No. (212) 815-3380
Fax No. (212) 349-3955

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

101 BARCLAY STREET, NEW YORK, N. Y. 10286

June 14, 1994

Franklin Garcia Ch.
International Manager
Banco del Comercio, S.A.
Oficina Central
Apdo: 1106-1000
San Jose, Costa Rica

Dear Mr. Garcia:

Re: Swiss American Bank Standby L/C 12/93
Our reference S00028694

This refers to your telex of June 8, 1994.

Attached please find the beneficiary's unpaid drawing for $60,000.00, unpaid due to the following discrepancy:

- Letter from Swiss American Bank Ltd. to the beneficiary signed by two members of the board of Swiss American Bank Ltd. and notarized in Antigua not presented.

We telexed Swiss American Bank Ltd. on April 22, 1994 to waive the discrepancy and authorize payment, but they refused.

On April 26, 1994, we advised Banco de la Union our refusal via two cable messages relayed through yourselves and we faxed copies of these messages directly to Mr. Ronald Seale of Banco de la Union.

In view of the above, we are closing our file on this matter and suggest the beneficiary contact the opening bank directly regarding this matter.

Sincerely,

Elvis Montalvo
Assistant Vice President
Standby Letter of Credit Department

Telephone No. (212) 815-3380
Fax No. (212) 349-3955

SWISS — AMERICAN NATIONAL BANK OF ANTIGUA

5th July, 1994

Mr. Jean-Pierre St. Victor
Assistant Vice President
Latin America Division
The Bank of New York
One Wall Street
New York, New York 10286
U.S.A.

Dear Sir:

Thank you for your letter dated 9th June, copied to myself. I am pleased to see that the Letter of Credit in favour of Banco del a Union is now expired and the question of the claim has been cleared up. I would like to thank you for your assistance in this matter and also note your recommendations to Mr. Tiwari regarding safe-guard against forged cheques.

Yours sincerely,

John Greaves
General Manager

JG/jj

JG12108

HIGH STREET P.O. BOX 1302 - ST. JOHN'S, ANTIGUA, W.I. TEL: 24460/1/2/3 TELEX: 2161 AIT SAB. FAX (809) 462-0274

GOLOMB, SINDEL & DIBLE, P.C.
Counsellors at Law

BANK OF NEW YORK
TRADE SERVICES DIVISION
1994 OCT -6 P 1:2

IRVING L. GOLOMB
SANDRA B. SINDEL

185 Madison Avenue
Suite 1600
New York, NY 10016
(212) 686-4004
Telecopier: (212) 725-0410

October 4, 1994

Bank of New York
Letter of Credit Department
Church Street Station
P.O. Box 11238
New York, NY 10286-1238

Re: Your Reference No. S00028694

Gentlemen:

This office has been consulted by Banco de la Union S.A. of San Jose, Costa Rica with reference to its claim against you under two Irrevocable Standby Letters of Credit for the total sum of $450,000.00 expiring April 20, 1994.

The documents reviewed by us indicate that on April 13, 1993 you confirmed those letters of credit, which had been issued by Swiss American National Bank of St. John's, upon the express understanding that these letters of credit were for the purpose of complying with legal requirements for liquidity imposed upon private banks by the Banco Central De Costa Rica.

We understand that Banco de la Union S.A. proceeded to authorize Banco Del Comercio S.A. to effect collection of the sum of $60,000.00 against one of the confirmed irrevocable standby letters of credit but that you purported to amend those letters of credit by requiring that a letter be presented from the Swiss American National Bank Ltd. to the beneficiary signed by two members of the board of that bank and notarized in Antigua. When this was not done you apparently refused payment.

Your acts aforesaid appear to be without legal justification, contrary to law and, in our opinion, constitute an anticipatory breach of your contractual obligations.

Since the letters of credit recite that they are subject to the Uniform Codes and Practices for Documentary Credit (revised 1983), International Chamber of Commerce, Publication No. 400, I respectfully refer you to its provisions which prohibit the amendment of an irrevocable letter of credit without the agreement of the issuing bank, the confirming bank and the beneficiary.

This is consistent with the Uniform Commercial Code of the State of New York Section 5-106(2) which provides:

> Unless otherwise agreed once an irrevocable credit is established as regards the customer it can be modified or revoked only with the consent of the customer and once it is established as regards the beneficiary it can be modified or revoked only with his consent.

The legal authorities indicate that this subsection is a restatement of the generally accepted law and practice. Cases in point are:

> *Dulien Steel Products, Inc. v. Bankers Trust Company*, 189 F. Supp. 922;
>
> *Lamborn v. National Park Bank*, 240 N.Y. 520.

Your purported amendment of the confirmed irrevocable letters of credit was not consented to by our client, the beneficiary, and is therefore without force and effect, except that it has prevented our client from achieving liquidity as contemplated.

Accordingly, demand is hereby made upon you for the sum of $450,000.00, the amounts intended to be made available under the two letters of credits, which you have breached, together with pre-judgment interest at the rate of 9% per annum.

All of the foregoing is without prejudice to the rights of our client to seek special damages, punitive damages and attorneys fees in the event you do not comply with this demand.

Very truly yours,

Irving L. Golomb

ILG:ts

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

LEGAL DEPARTMENT

ONE WALL STREET, NEW YORK, N.Y. 10286

(212) 635-7399

October 11, 1994

Irving L. Golumb, Esq.
Golumb, Sindel & Dible, P.C.
185 Madison Avenue
Suite 1600
New York, NY 10016

Re: Standby Letter of Credit

Dear Mr. Golumb:

Contary to the claims made in your letter, L/C S00028694 was amended with your client's consent. Annexed herato is a copy of the consent signed by Ronald Seale, president of Banco de la Union, S.A.

Sincerely,

Jean A. Shedlock
Counsel

JAS/mbh

bcc: Elvis Montalvo

NOV 28 '94 03:54PM BANK OF N Y-LEGAL 212 635 1999 P.5/6

GOLOMB, SINDEL & DIBLE, P.C.
Counsellors at Law

185 Madison Avenue
Suite 1600
New York, NY 10016
(212) 686-4004
Telecopier: (212) 725-0410

November 10, 1994

Jean A. Shedlock, Esq.
The Bank of New York
One Wall Street
New York, NY 10286

Re: Standby Letter of Credit
No. S00028694

Dear Ms. Shedlock:

Upon receipt of your October 11 letter which encloses a copy of a purported consent signed by Ronald Seale, we have investigated the matter and have learned that Mr. Seale was not the president of Banco De La Union on May 13, 1993, the date of his purported letter. He was not elected until August 11, 1993 and his authority to act as president did not vest until the Act had been fully recorded in the Costa Rica Public Registry on August 27, 1993. Before that time he was only a minority shareholder and neither an officer nor a director.

This raises the question of how the Bank of New York justifies its reliance on what may be at best a self-serving declaration by Mr. Seale that he was the president. It is axiomatic, of course, that an agency cannot be proved by the declarations of its agents.

Moreover, had the "consent" letter which you have sent me existed at the date indicated, the original or a copy would have been sent in the ordinary course of business to the confirming bank (The Bank of New York) and would have become a part of your client's transactional records. Nor would the Swiss American Bank, if it had the letter in its own files, sit upon it for six months after being called upon to document a supposed amendment.

Why would this letter not have been produced sooner, during the course of the communications between our client and yours?

The foregoing considerations impart a sense of unreality to the document you have sent us.

Possibly if you could furnish us with a better copy of the "consent" letter, we may be in a better position to have it examined for authenticity.

In any event, we must ask you to go behind your own letter of October 11 and ascertain answers to the questions raised above.

While awaiting your responses we reserve all rights on the part of our client.

Very truly yours,

Irving L. Golomb

ILG:jg

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

ONE WALL STREET, NEW YORK, N. Y. 10286

December 2, 1994

Mr. John Greaves
General Manager
Swiss-American Banking Group
Friar's Hill Road
P.O. Box 1302
St. John's Antigua W.I.

Dear John,

The Bank of New York has currently two major cases outstanding with Swiss-American National Bank of Antigua (SANB). One is forged checks for a total amount of $53,665.00 and the other relate to two standby letters of credit in favor of Banco de la Union, San Jose, Costa Rica.

I. Forged Checks for $53,665.00

This case was referred to The Bank of New York's Protective Control Department and a claim was forwarded to Great Western Bank in Florida. However, since forgery is a criminal offense and must be reported to the U.S. police authorities, we would like to request clarification on the following points, as they differ with our files :

a) The system of advice of drawings for amounts $5,000 and over mentioned in your letter dated October 7, 1994 was apparently never instituted. In a letter dated July 16, 1993 and as a result of four forged checks debited to your account in May, 1993, SANB requested more information about the advice of drawing for checks in amounts $5,000 and over. These materials were sent to your Institution via fax by BNY's Deposit Services Division on July 22, 1993.

SANB then proceeded to send to The Bank of New York advice of checks via fax which we could not accept for security reasons. An urgent telex was sent to Swiss American National Bank on July 29, 1993 indicating, checks issue information must be sent to BNY via tested telex or SWIFT, and to confirm accordingly. We never received a response and the procedure was never established in our system.

We are currently receiving from time to time telexes from Swiss American National Bank, but we are not sure if it is for every check issued for $5,000 and over. Please clarify in writing as soon as possible in order to avoid checks being returned.

b) Deposit Services Division at The Bank of New York confirmed to the investigators the original forged checks for $3,000, $19,110.00, $18,330.00, and $16,225.00 all dated February 1994 were returned to Swiss-American National Bank via courier. Apparently, all the good canceled checks were received for that period, excepted theses forged drafts. We would like you to understand that these forged checks were not mailed separately, but were included in the same envelope with your statements and the other checks. We would appreciate if you can start an investigation at your end.

c) When Ms. Nancy Goodwin and I came to Antigua in May 1994, your staff told us during our discussion that the $3,000 forged check was the only one they had in their books. Swiss American should have notified us of the others or of an ongoing audit. Timely notification is important under the UCC regulations, and a customer is obligated to exercise reasonable care and promptness in examining bank statements. This subject was also underlined in my letter dated June 9, 1994.

d) The Bank of New York has already written off $53,000 since May 1993, including the $3,000 refunded to SANB on August 30, 1994. We definitely would like to locate the source of these forgeries and find a solution to this problem. It would be beneficial for both Institutions.

e) The investigators are also requesting a local police report. Did Swiss American National Bank reported these cases to the authorities in Antigua ? if yes, we would appreciate sending us a copy. If no report was filled, please contact your local police department as soon as possible.

II. Standby Letters of Credit in favor of Banco de la Union

The Bank of New York's Legal Department has been contacted by Golomb, Sindel and Dible, PC Counsellors at Law located in New York City on behalf of Banco de La Union, San Jose Costa Rica. $ 450,000 are being claimed from BNY, representing the amount two irrevocable standby letters of credit opened by The Bank of New York., under instructions from Swiss American National Bank and in favor of Banco de La Union.

As we discussed with Mr. Lester Andall, enclosed is the recent correspondence between Irving Golumb, the attorney for Banco de la Union SA and Mrs. Jean Shedlock, The Bank of New York's counsel, with regards to Banco de la Union's claim under the two Irrevocable Standby Letters of Credit No. 1193 and 1293.

In the November 10, 1994 letter, Mr. Golumb states that Mr. Ronald Seale was not authorized to consent on behalf of the beneficiary to the May 13, 1993 amendment. He argues that since the beneficiary did not consent to the amendment, Banco de la Union should recover for not only the $60,000 drawing actually made, but also for the face amount ($450,000) of the two l/c's.

At this stage, we would like to have your comments and if possible arrange a conference call with you, Jean Shedlock and myself at a mutually convenient time.

Sincerely,

Jean-Pierre St. Victor
Assistant Vice President
Latin America Division

c.c : J. Shedlock
S. Polito
M. Mirkin
N. Goodwin

MEMORANDUM

To : Dorothy A. Kmetz

From : Jean-Pierre St. Victor

Date : December 6, 1994

Re : Swiss American National Bank of Antigua

We would like to inform you about the case of two standby letters of credit issued and confirmed by The Bank of New York by order Swiss American National Bank of Antigua (SANB). These l/c's, secured by IBF time deposits, were issued for $ 225,000 each in April, 1993 in favor of Banco de La Union, San Jose, Costa Rica with a maturity date extended to April 20, 1994.

These letters of credit were opened for the purpose of complying with legal requirements for liquidity imposed upon private banks by Banco Central de Costa Rica.

No claims, under these standby letters of credit, were received by The Bank of New York until April 20, 1994, the maturity date. The beneficiary flew someone in from Costa Rica and presented documents for $60,000 against one of the standby letters of credit.

When Latin America Division was informed about this claim, on April 22, 1994, we automatically debited SANB's account for $225,000 and created an IBF time deposit for 60 days, since the previous collateral had already been released the previous day. The Bank of New York's Standby Letter of credit Department refused payment because Banco de la Union did not include a letter from Swiss American National Bank, signed by two board members and notarized in Antigua. This amendment was apparently agreed upon and signed by SANB and Banco de la Union.

Letter of credit Department informed both parties about the discrepancy and requested a waiver and authorization for payment from the opening bank on April 22, 1994. Having received a negative response from Swiss American, they proceeded to inform the beneficiary. With no reply neither from the beneficiary or Banco del Comercio (Banco de la Union's correspondent in Costa Rica), we closed our files on June 14, 1994. Collateral was released on June 20, 1994.

This case has currently been reactivated as a result of a letter dated October 4, 1994 received by The Bank of New York from Golomb, Sindel and Dible, PC Counsellors at Law in New York City on behalf of Banco de la Union, Costa Rica. BNY's actions in April 1994 are perceived as an anticipatory breach in our contract by the beneficiary and is now requesting payment for the full amount of the two standby letters of credit ($450,000).

When Mrs. Jean Shedlock, Counsel for The Bank of New York's Legal Department, presented a copy of the amendment signed by Mr.Ronald Seale, president of Banco de la Union to Mr.Golomb, she was informed that Mr. Seale was not the president of Banco de la Union on May 13, 1993 (amendment date) and was only elected to this position only on August 11, 1993.

All of these informations have already been related to Mr. John Greaves, Manager of Swiss American National Bank in Antigua and the case is currently being reviewed by BNY's Legal Department. We have not yet received a reply from Mr. Greaves.

As stated previously, collateral for these l/c's were released on June 20, 1994 and we are recommending we take the full amount from SANB's current account, in case of any legal actions by Banco de la Union against The Bank of New York. The account is currently on " refer debit " in our system.

Attached, please find all the correspondence received on this matter. We will provide you with an update on this case as soon as it is available.

c.c : N. Goodwin
J. Shedlock
E. Montalvo
E. Torres-Kelly

THE BANK OF NEW YORK

CALL REPORT

Swiss American National Bank
St. John's, Antigua W.I.

April 20, 1995

BNY	Client
Jean-Pierre St. Victor	. Mr. John Greaves General Manager
Elsa Torres-Kelly	. Mr. Lester Andall Operations Manager
	. Mr. Romell Tiwari Financial Controller
	. Mr. Kem Tonge F.T. Clerk

Topics of Discussion:

Elsa and I had a very interesting and important meeting with Swiss-American National Bank of Antigua. This institution is currently going through a major restructuring program, as both the General and Operations Managers resigned from the bank. The resignation of Mr. John Greaves and Mr. Lester Andall, respectively was effective as of Friday April 21, 1995. Mr. Greaves told us these resignations were not the result of any abnormalities within the institution, but only reflect a change in management in view that their contracts expired in 1995. Mr. Greaves told us also, he will stay as a consultant to the Board of Director of the bank. The new General Manager of Swiss-American National Bank is Mr. Ken Fisher. We were unable to meet him as he was in the process of moving to Antigua and his nomination was going to be effective on May 1, 1995. No replacement has been selected yet for Mr. Andall's position.

Our discussion focused on two outstanding issues. The first one is a possible lawsuit against The Bank of New York by Banco de la Union in Costa Rica. This institution is claiming $450,000, representing the amount of two irrevocable standby letters of credit opened by The Bank of New York under instructions from Swiss-American. Having been briefed by Mrs. Jean Shedlock from BNY's Legal Division before the trip, we told Mr. Greaves that the lawyers representing Banco de la Union in New York have already taken all the steps for an actual lawsuit, and despite many requests by BNY's Legal Division, we were still waiting for the following information from Swiss-American:

1) A letter from Swiss-American's lawyer in Antigua explaining its position regarding this case.

2) and the name and address of Swiss-American's lawyers in New York, since BNY's senior management had decided that all-legal expense should be for the account of Swiss-American Bank.

Mr. John Greaves acknowledged that they have already legal representation in New York and told us he will pass these requests to his lawyers with instruction to contact Mrs. Shedlock as soon as possible.

The second case involves a number of forged checks for a total of $53.665.00 apparently originated in Antigua. Not only did Swiss-American National Bank never send us a police report as requested in our letter dated December 2, 1994 but BNY was advised nine months after these items were returned to SANB.

We told Mr. Romell Tiwari, Comptroller at Swiss American, The Bank of New York will decide on the check issue only after the lawsuit has been settled.

c.c : D. Kmetz
D. Gilmore
S. Polito
Credit Files
N. Goodwin
J. Shedlock
E. Torres- Kelly

2nd May, 1995

Irving Golomb, Esq.
Golomb, Sindel & Dible, P.C.
185 Madison Avenue
Suite 1600
New York, N.Y, 10016

Dear Mr. Golomb:

I am the attorney for Swiss American Bank Ltd ("Swiss American") and am writing to you with respect to Banco de la Union's claims on Standby Letters of Credit Nos.11/93 and 12/93. These Letters of Credit were issued by Swiss American on May 12, 1993 with instructions to the Bank of New York to pay Banco de la Union upon receipt of proper documentation. All negotiations were conducted by Ronald Seale, President, on behalf of Banco de la Union. All correspondence relative to the Letters of Credit was addressed to Ronald Seale, President of Banco de la Union at the Bank's address in Costa Rica.

When it became apparent that Banco de la Union could not collateralize the Letters of Credit as agreed, Swiss American became concerned about its exposure and insisted that an amendment to the original Letters of Credit be done in order to give it control of the drawings.

The amendment was accepted by Ronald Seale on Banco de la Union's stationery on May 13, 1993 by fax of that date to John Greaves. Even if, as Banco de la Union maintains, Mr. Seale was not its President in May of 1993 he was nonetheless an authorized agent and his actions viz-a-viz the amendment were binding on Banco de la Union.

Since Banco de la Union failed to submit documents which conformed to the amendment, its eleventh hour drawing on April 20, 1994 was properly rejected.

Sincerely,

Cordell B. Sheppard

cc: Jean Shedlock, Counsel
Bank of New York

CORDELL B. SHEPPARD
BARRISTER-AT-LAW & SOLICITOR
P O BOX 291
MARKET & LONG STREETS
ST. JOHNS ANTIGUA

CABLE ADDRESS
BUREAU ANTIGUA

TEL: (809) 462-4660
TELEFAX (809) 462-1335

9th May, 1995

Mr. Ken Fisher
General Manager
Swiss American National Bank of Antigua
High Street
St. John's
Antigua

Dear Sir,

Re: Swiss American Bank Limited v Banco De La Union
Suit No. 237 of 1994

The above-captioned suit was filed on June 15, 1994. Leave to serve out of the jurisdiction was granted by the Court and a copy of the proceedings sent to the defendant by pre-paid registered post.

The registered letter was returned. From information I have gleaned in the course of advising the bank on another matter, it appears that the defendant in this matter has gone out of business.

I now propose sending writ to the banking authorities in Costa Rica.

All for your information and guidance.

Yours truly,

Cordell B. Sheppard

THE LATIN AMERICA DIVISION

CALL REPORT

BNY:	CLIENT:
Nancy S. Goodwin, VP J.P. St. Victor, AVP	K.E.D. (Ken) Fisher, General Manager Romell Tiwari, Financial Controller William E. McDavid, Operations Mgr. Brian Stuart-Young, Bus. Dev. Mgr.
SWISS AMERICAN BANK OF ANTIGUA ST. JOHN'S ANTIGUA	February 27, 1996

TOPICS OF DISCUSSION

1. Re: $53,000 plus in fraudulent checks paid in 2/94 that they claimed on in October. Romell says they were on advise of drawing and contrary to what Steve Polito said, had been sending tested telexes not faxes prior to 2/94. Kem Tonge had all the data and when he returns from a two day seminar, he will send us proof. He says, in addition, they had started calling our operations area for information about the checks in 4/94 since the items themselves were missing from their package. Later, he admitted the person reconciling the checks was in on the fraud. Finally, he says there had been an investigation involving the FBI and J. Greave should have informed us.

2. Romell claims he knows nothing about $90M in forged checks that we had repaid to them in 5/93 which lead to BNY losing $49,000. He asked for check numbers and more data. (We had pointed out we had paid them back in the past despite late claims, but we had reached a limit.)

3. Told them that this $53M claim was on top of a lot of other legal problems that Swiss American was causing BNY. In the Banco de la Union case, Ken says the whole thing was a scam and their lawyer is about to sue. He thinks their lawyer in this case is
   We told them that we had heard nothing from the stand-by's beneficiary since we explained to them in 4/95 that we could not pay since Swiss American would not waive the discrepancies. No one could quite explain why the Central Bank of Costa Rica would have accepted Banco de la Union's choosing an Antiguan bank to guarantee their reserve requirement anyway.

4. We told Ken that the Royal Bank of Scotland had informed us they had canceled a payment to a client of Swiss American's for £120,000 because fraud was involved and they asked us to investigate. We forwarded the information to Protective Control and sent a fax to J. Greave explaining what had happened. Ken asked for a copy of the fax. Apparently, the original holder of this account is now in prison. They did due diligence on the present holder who appears to be in the clear.

5. Re: Bryton Capital management. J.P. asked them to confirm to us that they no longer have the account and when it was closed, Ken was mystified that we had been subpoenaed since B of A was the one really involved.

swamant

6. Re: Craddock. No one can understand why this fellow actually believed another one of those Nigerian get rich quick schemes, but he has become such a pest, that they will probably have to hire a lawyer to have a "cease and desist order" issued. (BNY already informed the courts anyway that money did not go through us - it went via Barclays.)

7. They want to make certain that they are informed every time a T/D is renewed, citing the rate and tenor. They say this is not happening now.

8. Romell said his volumes have gone up so his pricing should go down. I told him, actually, his volumes had gone down which Ken attributed to the problems after the hurricanes. They also need multi-part forms for checks. (Need to see how much Deluxe would charge.)

ACTION

A. Send information on the $90M in forged checks from 5/93. J.P. St. Victor.
B. Send a copy of the fax sent to J. Greave re: Royal Bank of Scotland. J.P. St. Victor.
C. Make certain N. King is told to inform them when T/D's are rolled. J.P. St. Victor.
D. Find out what Deluxe charges for multi-part forms. J.P. St. Victor.

J.P. —
1) Was all this done?

2) Are they still claiming they were on "Advice of Drawing" + ∴ want the $53m? or did we ever get proof of Advice of drawing (i.e. copies of [illegible]) from them?

cc: D. Kmetz
J.P. St. Victor
D. Gilmore/M. Sehnert/J. Koch
File

swamant

SWISS AMERICAN NATIONAL BANK OF ANTIGUA

28th February, 1996

Mr. Jean Pierre St. Victor
Assistant Vice President
Bank of New York
One Wall Street
New York, New York 10286
U.S.A.

Dear Sir:

It was certainly a pleasure for us to meet with Nancy Goodwin and yourself yesterday and to discuss various issues of mutual concern.

For the record, a brief outline of those issues follow:-

1. **Bank of Scotland Telex - 16th January, 1995 - Account #1369701**

   As advised, the principal of the company to which this account number was originally assigned is incarcerated in the USA. The same number was subsequently assigned to another company with different ownership and we know of nothing untoward regarding the new principal. The account in question carries a small credit balance and is inactive.

2. **Bryton Management Inc. - SEC Subpoena**

   As you were advised, we have no account nor have we ever had an account in the name. Another US correspondent of ours has been asked to provide transaction reports pertaining to our account and it has already done so. (BOFA)

3. **Mr. A.J. Craddock**

   Michael DeBella, a US citizen, has been jailed in the US for, among other things, defrauding Craddock of $600,000. It would appear that in a Nigerian-type scam DeBella promised Craddock a handsome share of $120 million from the Nigerian Ministry of Finance if he participated in whatever the deal was. This in itself does not speak well for Craddock.

SANBANK

28th February, 1996

Mr. Jean Pierre St. Victor

In any event, Mr. Craddock has been bombarding our board members and management officers with numerous letters requesting the return of his funds (which we do not have) and, only yesterday, we sent copies of his correspondence to an attorney in the USA for him to examine and determine whether there is sufficient cause for a cease and desist letter.

Unfortunately, because of local offshore banking legislation, we are not in a position to advise Mr. Craddock whether or not any part of the funds he is trying to trace is on deposit with us as that would probably put an end to the matter.

4. **Banco de la Union**

Our attorney, Mr. Cordell Sheppard, has today advised us that to the best of his knowledge, this entity no longer exists. We were trying to sue them for monies due to us and, in this connection, we are attaching copy of a letter dated 9th May, 1995 from Mr. Sheppard which speaks for itself.

We will shortly be writing to you on the question of the forged cheques about which we also spoke yesterday,

With kind regards,

Yours truly,

Ken Fisher
General Manager

KF/phc

attach.

5/14/96
Meeting w/ R. Mueller
to discuss current status
Agreed to receive review
progress at year end.

MEMORANDUM

To : Dorothy A. Kmetz

From : Jean-Pierre St. Victor

Date : May 13, 1996

Re: Swiss American National Bank of Antigua
St. John's Antigua & Barbuda W.I.

F.L

Pursuant to our conversation, the Caribbean District is providing you with a complete summary of all the cases involving Swiss American and The Bank of New York. This information is being submitted to you as background materials for your meeting with Mr. Mueller.

Although officials at BONY have been under the impression that the relationship with Swiss American has been very problematic; all the subpoenas and the check forgeries are really concentrated between 1993 and 1995. Account has been opened with The Bank of New York since 1981.

All subpoenas related to Swiss American, received by The Bank of New York were reviewed by our Legal Division and replies were sent to the proper parties. As no other correspondences were received by BONY since the beginning of 1996, all files are currently closed at BONY's Legal Division.

As a result, the only active case is the check forgeries for $53,665 which we have already sent a letter dated May 3, 1996 to the new General Manager, Mr. Kenneth Fisher with a copy to your attention. We are waiting for his reply.

In addition, we have also attached to this memorandum a copy of Mr. Fisher's letter dated February 28, 1996, after our visit to Antigua, exposing his perspectives and the current status of these problems with Swiss American National Bank.

1) Bryton Management Inc. - SEC Subpoena

Subpoena received on August 22, 1995 requiring BONY to provide records of payments which went through Swiss American's account during a specific period of time (January 1, 1993 to July 1994). The SEC wanted to know as usual in these cases, if BONY had a relationship with Bryton, a customer of Swiss American and what type of relationship we had with the Antiguan bank. All the information were submitted to the SEC. Bank of America also received the same subpoena.

2) Banco de la Union - Costa Rica

The Bank of New York confirmed two $225,000 standby letters of credit issued by Swiss American for the benefit of Banco de la Union, San Jose, Costa Rica. In April 1994, Banco de

la Union presented documents, which BONY rejected as discrepant at the request of Swiss American. Banco de la Union threatened to sue BONY for at least $450,000 on a theory of anticipatory repudiation.

Since our reply dated December 1994 was sent to Banco de la Union's lawyers in New York , no other correspondences were received on this case.

3) Craddock UK Ltd

On December 26, 1995 a letter was received from Mr. A .J Craddock, the President of this company, requesting that The Bank of New York to return $ 600,000 that were supposedly stolen by Mr. Michael de Bella and wire to Swiss American through BONY. After investigation, we found that these funds never came to BONY and were sent to Antigua via Lloyds Bank, London. This information was communicated to Mr. Craddock.

4) Royal Bank of Scotland Telex dated January 16, 1995

The Bank of New York was informed via tested SWIFT by Royal Bank of Scotland on January 16, 1995 that a payment for GBP 120,000 in favor of account No. 1369701 at Swiss American will be forthcoming as the remitter believed that this transaction to be fraudulent. The Royal Bank of Scotland was inquiring about the ultimate beneficiary . After BONY informed the remitting bank that we had no information on beneficiary, no other correspondence was received.

Clearly, all these cases at Swiss American occurred during the administration of Mr. John Greaves the former General Manager, who resigned last September and still resided on the island. Mr. Fisher, the new GM, has been brought by the Board of Directors to clean the records of the institution.

Even though this relationship has been very frustrating during the past three years, we should try to extend a grace period to Mr. Fisher and his new team.

c.c: N. Goodwin

THE LATIN AMERICA DIVISION

CALL REPORT

BNY:

Dorothy A. Kmetz, SVP
Jean-Pierre St. Victor, AVP

CLIENT:

K.E.D. (Ken) Fisher, General Manager

SWISS AMERICAN NATIONAL BANK OF ANTIGUA
ST. JOHN'S ANTIGUA W.I.

November 20, 1996

TOPICS OF DISCUSSION

We met with Mr. Ken Fisher, the new General Manager at Swiss American National Bank. Ken was appointed General Manager by the Board of Directors in October 1995, replacing Mr. John Greaves. Taking in consideration all the problems The Bank of New York has been experiencing with this relationship, our meeting went very well. Ken was very open and our discussion centered on his new mandate at Swiss American, the state of the institution and the country, in general.

Ken told us that his priority was to review and clear the institution of all of its problems and finally bring back Swiss American to profitability. He mentioned that most of the problems were due to the mismanagement of the previous administration. Problems ranged from, as he said to " under-reported or mis-reported " non performing assets to the Board of Directors and the Eastern Caribbean Central Bank to suspicious offshore accounts at Swiss American National Bank.

Mr. Fisher told us he has been successful in eliminating suspicious accounts during the past nine months and is working closely with The Eastern Caribbean Central Bank to bring Swiss American to standard, concerning the non performing assets. The Central Bank is currently conducting a review of the bank and has required primarily a re-capitalization of the institution. This demand has been forwarded to the Board of Directors, which has already approved the request.

Even though Swiss American National Bank is a Eastern Caribbean financial entity ultimately owned by Mr. Bruce Rappaport, Ken told us he has never met Mr. Rappaport. He reports to three directors, one in Chicago, one lives in Bermuda and the last director is in London. Ken did not name these directors and told us also that Mr. Rappaport rarely comes to Antigua. Difficult situation to understand, when you realize that Mr. Rappaport not only owned Swiss American National Bank but also 70% of The West Indies Oil Company which is the sole importer and seller of petroleum products on the island. The other 30% is owned by the government of Antigua & Barbuda. For more information on the country, please see our "country report".

We also confirmed with Ken that The Bank of New York credited Swiss American's account for $16,099, representing 30% of the checks fraudulent case from 1994. Ms. Kmetz, expressed clearly to our host that The Bank of New York refunded part of these funds to them in order to help the new management team and also to show our goodwill in keeping this relationship. However, she strongly reinstated to Mr. Fisher that we would close the account if there was no improvement in the way Swiss American conducts its businesses. The Bank of New York received five subpoenas regarding Swiss American from various US agencies, during the past sixteen months.

With the re-capitalization of the bank and the restructuration currently being implemented, we believe there is good chance that Swiss American National Bank will be able to re-capture some market shares lost during the past four years and also create a new and positive image for the institution in Antigua & Barbuda and most importantly with foreign bankers.

Mr. Ken Fisher, a former Royal Bank of Canada banker throughout the Caribbean for over twenty five years, has the capabilities and apparently the will to change this institution. His task is not going to be easy, especially in Antigua, which is a very difficult environment.

We will keep monitor the account very closely . Please note that all letters of credit from Swiss American are being processed on a cash collatetilized basis and client is actively using Micro Cash Register.

Anticipated PIM revenues for 1996 $83,948.

Action:

1) Closely monitor account and stay in touch with Ken Fisher

2) Arrange for Micro Cash Register training after Swiss American's Head Office on High Street is moved to another building.

c.c: D.A. Kmetz
M. Bluman
J. Koch
L. Timmins
D.D. Gilmore
M. Sehnert
N. Goodwin
Files

Swiss American
Hand deliver to
Dorothy Kmetz

KIRKPATRICK & LOCKHART LLP

ONE INTERNATIONAL PLACE
BOSTON, MASSACHUSETTS 02110-2600
TELEPHONE: (617) 261-3100
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FAX: (617) 261-3176

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SENDER: PLEASE COMPLETE ALL BLANKS—SEND ALL COPIES TO FACSIMILE OPERATOR—ONE WILL BE RETURNED TO YOU AFTER TRANSMISSION

DATE: February 11, 1998 **NO. PAGES** (Include cover): 19 **TIME:** 4:00 p.m.

TRANSMIT TO:

NAME	COMPANY/FIRM	TELEPHONE NO.	FAX NO.
Jean A. Shedlock, Esq.	The Bank of New York	212-635-7399	212-635-1098

FROM:

Attorney: R. Bruce Allensworth No.: 5009 Phone: 617-261-3119
Secretary: Christine Melchin Phone: 617-261-3248

COMMENTS: Jean. I enclose a copy of the Complaint and docket sheet in United States v. Swiss American. We are currently representing a Bank of New York affiliate in this action called "Bank of New York - Inter Maritime Bank, Geneva." Please let me know if you need anything further. Bruce.

80-75609.01

THE BANK OF NEW YORK CALL REPORT

Company Name:	Swiss American National Bank (SANB)
Company Address:	St. John's, Antigua
Customer/Prospect:	Customer
Call Date:	02/16/98
Call Method:	Meeting
Author | Division:	Dorothy A. Kmetz Latin America Division
Bank of NY Attendees:	Dorothy A. Kmetz, SVP-Div. Head, Jean-Pierre St. Victor, V.P.-Country Manager
Company Attendees:	Mr. Michael Lovett-General Manager

Call Objective:

Synopsis of Call:

1. Mr. Michael Lovett, General Manager, has been newly appointed by the Board and has been on the job for three months since November 1997.

2. **Background:** Michael Lovett worked as a Vice President for The Bank of Nova Scotia, head office in Toronto, in the Risk Management Unit. Prior to Scotia, he worked for Citibank - Real Estate Division.

3. Concerning the article which appeared in "Money Laundering Alert" in January 1998 and the suit currently being brought by the US Attorney in Boston, Michael did not loose time, he acted quickly and introduced the subject during the first few minutes of the meeting. The US District Attorney in Boston, Mass is suing Swiss American National Bank for the return of illegal funds sent to SANB by a US citizen from the Boston area, Mr. Fistzgerald who was convicted for money laundering in 1990. Lovett said he was aware of the case and his bank has hired a law firm in the US to represent their interest. From Michael's perspective, SANB is not at fault and provided us with the following historical background :

a) This case is an old case, dated between 1988 and 1989.
b) The time deposits opened at SANB totaling close to $60 million were for a business partner of Fitzgerald. Once the bank became suspicious of these funds, they were seized and placed voluntary with the Antiguan authorities, as required by local laws.
c) A court case and a verdict already existed in Antigua. After review the local Department of Justice concluded that these funds did not belong to Fitzgerald named by the U.S. District Attorney in Boston.
d) As a result, the court in Antigua has already dismissed the U.S. case.
e) SANB and the government does not understand the U.S. position, as the US authorities

seems not to take the local verdict in consideration.

f) Due to the insistence of the US District Attorney in Boston, the Antiguan government has already protested to the U.S. Ambassador in Antigua and to the State Department.

g) Michael also admitted to us that currently nobody knows where these funds are !!. The Antiguan government claims they do not have them anymore!!!

4) As a result of this case, the local press reported that SANB was involved in money laundering and reported the US suit. Local depositors came in right away to claim their deposits and there was a run on Swiss American National Bank which lasted two to three days during January 1998. Close to $5 million were withdrawn and the run only stopped after the government released a statement reaffirming its commitment to SANB.

5) Inter-Maritime Bank in Geneva was named in the lawsuit , because at that time Michael told us , there was not a Panama base holding company for SANB.

6) Michael like his predecessor, reports to a Board, which has a member in Chicago, one in Barbados, one in London and one in New York. In New York, he reports to Alan Rhodes.

7) Michael's view of Antigua's commercial banking market is pessimistic. He told us that lending is difficult, credit risk very high, and the total market is close to $400 million for 10 banks. Competition is very strong between the commercial banks, which include two foreign entities, Barclays Bank and Scotia Bank.

8) As a result of negative results and legal problems during the past three years, SANB's owners have recapitalized the bank injecting $3.5 million in new capital. Most of these new funds are kept in Canada at Toronto Dominion Bank. Part of Michael's new mandate is to restructure SANB. In this context, he stopped overdraft lending and is trying to increase its deposit base.

9) SANB is still lending to the Antiguan government, financing its deficit. However, Michael told us confidentially, all of these loans to the government are guaranteed by West Indies Oil Co. the local oil company owned 50% by the government and the rest by SANB's principal shareholder. A percentage of the taxes paid by consumers on each gallon is allocated to SANB. [Confidential].

10) Michael see future growth in Antigua is in Internet Gambling. This new industry in Antigua works as follows:

1. When there is a sport event - boxing, football, soccer, etc especially in the US.
2. People will place their bet through the Internet to a offshore company in Antigua.
3. Wire funds to Antigua via a remittance company, Western Union for example.
4. The company will mail checks to the winners - These checks issue by local banks are usually drawn on U.S. banks (BNY, Nations Bank etc)

Another offshore activity which will generate a lot of questions on the part of US authorities.

Details & Conclusion:

Action: Swiss American National Bank remains an unstable institution and should be monitor very closely by CAD during 1998.

Paper Distribution:

E-Mail Distribution:

DAK
FYI

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

fax

To: **James T. Marigliano, AT**
Corporate Deposit Accounting

FROM: JEAN-PIERRE SAINT VICTOR, V.P.
LATIN AMERICA & THE CARIBBEAN DIVISION PH 212-635-8396
ONE WALL STREET - 8TH FLOOR FX 212-635-8639
NEW YORK, NY 100286 212-635-1865

DECEMBER 3, 1998 YOU SHOULD RECEIVE THIS COVER PAGE PLUS 1 PAGE

SWISS AMERICAN NATIONAL BANK OF ANTIGUA, ACCOUNT NO.803-3002-875 HAS ISSUED THE FOLLOWING SIX (6) CHECKS DRAWN ON THE BANK OF NEW YORK:

- TWO (2) DRAFTS FOR $9,900 EACH. CHECK NO. 72931 AND 72870 PAID ON 11/27/98

  FOUR (4) DRAFTS FOR $9,000 EACH. CHECK NO. 72983, 72984, 72985 AND 72986. THESE CHECKS WILL BE PRESENTED VERY SOON.

  PLEASE PROVIDE US WITH COPIES OF THESE CHECKS, AS WE NEED TO REPORT THEM TO PROTECTIVE CONTROL. THEY WERE ALL MADE TO ONE BENEFICIARY, AND THE AMOUNTS LOOK SUSPICIOUS.

  THANK YOU FOR YOUR HELP.

JPS

Swiss-American National Bank of Antigua

Michael D. Lovett
General Manager

St. John's
Antigua, B. W. I.

Tel.: (268) 480-2201
Fax: (268) 462-4476

12/8/98 Telephone call
Michael Lovett left the bank.
Joe DaSilva is the new G.M.
Took over the end of October
Formerly worked for Royal Bank in all the islands
as well as in Canada.
this operations person told him he received a call
from the Bank about a possible problem.
No one around right now. After 5:00
Will call me first thing in the morning
Asked J.P. to see if signature control has a
new set of authorized signers - when it was
received. Called Phoebe - left a message.
12/9/98 Discussed w/ ARL.

MEMORANDUM

To: William M. Jenks
Compliance Department

From: Jean-Pierre St.Victor
Latin America Division

Date: December 9, 1998

Re: Swiss American National Bank of Antigua
A/C No. 803-3002-875

Swiss American National Bank of Antigua issued six (6) checks in series two for $9,900 and the remaining four for $9,000 each and payable to Irvin Dixon. These drafts, all of them drawn on The Bank of New York, were paid on November 27 and December 3, 1998.

Irvin Dixon is apparently in California, has opened an account with California Bank and Trust and deposited these checks. As a result of their nature, in series, amount close to $10,000 and same beneficiary; the Californian bank became suspicious of these drafts and called BNY.

Contacted on the same day by Latin America Division, Swiss American National Bank confirmed to us that these checks were valid and authorized payment to beneficiary.

Even though, Swiss American authorized the payment, we believe, like California Bank and Trust, that these drafts are highly suspicious and must be reported to the proper authorities. We are almost sure the negotiating bank will do the same very soon.

Please find attached copies of the checks.

Thank you for your usual help on these matters.

jps

c.c: D.A. Kmetz,SVP
M. Bluman, VP
M. Alvarez-Santiago, VP

Mark Bluman
12/15/98 03:52 PM

To: Jean-Pierre St Victor@BNY
cc: Dorothy A Kmetz@BNY, Geoffrey W. Bennett@BNY
Subject: Re: Swiss American National Bank (SANB)

PRIVILEGED MATERIAL REDACTED

PRIVILEGED MATERIAL REDACTED

The SLC's may be more difficult to wind down prior to their respective maturities. If it comes down to a worst case scenario with regard to the SLC's, we will fall back to the postion of not renewing at maturity.

Jean-Pierre St. Victor

Jean-Pierre St. Victor
12/09/98 06:15 PM

To: Dorothy A. Kmetz@BNY
cc: Mark Bluman@BNY
Subject: Swiss American National Bank (SANB)

Dorothy,

I conducted a preliminary survey of SANB relationship with The Bank of New York, and I have to admit to you the relationship has been more extensive than we taught. BNY is subject primarily clearing bank in the USA. It is going to take more than 60 days to close it down, especially SANB has currently two standby letters for $500,000 and $300,000 assigned to Visa and Mastercard.

These slc's guaranteed SANB's credit cards operation in the Eastern Caribbean region. In addition, SANB has an average of 300 checks issued and drawn on BNY floating around the market, a monthly average of 250 payments going through the account and finally they send 3,000 cash letters every month.

A practical solution is to keep the slc's and times deposits and close the rest of the business. What do you think?

jps

F.b Swiss American

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

ONE WALL STREET, NEW YORK, N.Y. 10286

January 6, 1999

Mr. Joseph da Silva
General Manager
Swiss American National Bank of Antigua
High Street P.O. Box 1302
St. John's Antigua, WI

Dear Mr. da Silva:

The Bank of New York would like to inform you and the Board of Directors of Swiss American National Bank of Antigua that as a result of a change in our business strategy for the Caribbean region for 1999, we will be unable to continue our correspondent banking relationship with your institution.

In order to provide you and your staff with sufficient time for an orderly transition, The Bank of New York will close Swiss American National Bank's account effective March 31, 1999. Please take all the necessary steps to reduce the number of payments and checks being made through the account. In addition, Swiss American should also look for another U.S. commercial bank to confirm your standby letters of credit to Visa and MasterCard expiring 9/28/99 and 11/8/99, respectively. Please let us know when you find a replacement bank, if possible by March 31, 1999. Once notified, The Bank of New York will release the collateral time deposits.

It has been a pleasure working with you and your staff. We wish your institution continued success in the future.

Sincerely,

Jean-Pierre St. Victor
Vice President
Latin America & the Caribbean Division
(212) 635-8396

F.U. Swiss American

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

fax

To: **Mr. Joseph da Silva**
General Manager
Swiss American National Bank of Antigua
St. John's Antigua W.I.

FROM: JEAN-PIERRE SAINT VICTOR, V.P.
LATIN AMERICA & THE CARIBBEAN DIVISION PH 212-635-8396
ONE WALL STREET - 8TH FLOOR FX 212-635-8395
NEW YORK, NY 100286 212-635-1865

APRIL 8, 1999 YOU SHOULD RECEIVE THIS COVER PAGE PLUS 1 PAGE

DEAR MR. DA SILVA:

WE REFERRED TO OUR LETTER DATED JANUARY 6, 1999 INFORMING YOU AND THE BOARD OF DIRECTORS OF SWISS AMERICAN NATIONAL BANK OF THE DECISION OF THE BANK OF NEW YORK, TO DISCONTINUE THE CORRESPONDENT BANKING RELATIONSHIP WITH YOUR INSTITUTION, DUE TO A CHANGE IN OUR BUSINESS STRATEGY.

EVEN THOUGH A THREE (3) MONTH DEADLINE TO MARCH 31, 1999 WAS EXTENDED FOR AN ORDERLY TRANSITION TO ANOTHER US COMMERCIAL BANK, TO DATE NO ACTIONS HAVE BEEN TAKEN BY YOUR STAFF TO REDUCE THE NUMBER OF PAYMENTS AND CHECKS IN YOUR ACCOUNT AND THE TRANSFER OF THE VISA AND MASTER CARD STANDBY LETTERS OF CREDIT.

WE BELIEVE THAT THE THREE-MONTH PERIOD WAS MORE THAN ADEQUATE AND FAIR. AS A RESULT, WE WOULD LIKE TO INFORM YOU AND YOUR BOARD THAT BEGINNING MONDAY APRIL 19, 1999:

1) ALL CHECKS ISSUED BY SWISS AMERICAN NATIONAL BANK AND DRAWN ON THE BANK OF NEW YORK WILL NOT BE PAID AND WILL BE RETURNED TO BENEFICIARIES.
2) ALL PAYMENT INSTRUCTIONS VIA MICRO CASH OR TELEXES WILL NOT BE PROCESSED.
3) BNY WILL NOTIFY VISA AND MASTER CARD THAT WE WILL NOT RENEW THE STANDBY LETTERS AT THEIR EXPIRATION DATE, SEPTEMBER 28 AND NOVEMBER 8 1999, RESPECTIVELY.

PLEASE INFORM YOUR STAFF ABOUT THESE STEPS AND TAKE ALL APPROPRIATE MEASURES TO TRANSFER THE BALANCE OF YOUR ACCOUNT BY FRIDAY APRIL 23, 1999.

SINCERELY,

C.C: D.A. KMETZ, SVP
M. BLUMAN, VP

BANK OF NEW YORK

INTERNATIONAL BANKING SECTOR

CUSTOMER PROFILE

NAME: Swiss American National Bank of Antigua (SANB)
ADDRESS: High Street P.O. Box 1302
CITY: St. John's COUNTRY: Antigua W.I.
CID: 945772-001-4 BNY RATING: 6

PRODUCTS / SERVICES OFFERED:

Credit Score: 6

Credit Facilities:	Cash Coll.SLC's	PIM Rev:	$ 18.88-
Cash Processing:	F.T. & Deposit Services	PIM Rev:	$ 40.233
Investor Services:	None	PIM Rev:	
Issuer Services:	None	PIM Rev:	
Other:	Excess Bal	PIM Rev:	$ 9.218
Total			$ 68.335

Customer Since: **December 30, 1981**

Note: The background information required below may be waived for credit customers by a Division Head, provided there is a recent (i.e., within the last six months) presentation to the International Credit Committee referenced and attached. In such instances, the Division Head should make a reference to such documentation when signing off on this form.

Years in Business:	19 years.
Lines of Business:	Commercial & Offshore bank
Organizational Structure:	Swiss American Bank was the first offshore bank created in Antigua, under the government 1982 international business corporation act. It has grown impressively over the last 15 years and became also a domestic commercial bank. The bank has currently 6 branches including one, which only serves offshore clients.
Ownership:	Swiss American National Bank of Antigua, established on March 23, 1981, is 100% owned by Swiss American Holding Corporation in Panama, which is 100% owned by Calsberg in Bermuda. The holding company is 100% held by a charitable trust owned by Mr. Bruce Rappaport. Rappaport, who lives in Switzerland, jointly owns with BNY the BNY-Intermaritime Bank, Geneva. He is also Antigua & Barbuda's Ambassador to Russia.
Major Affiliations:	None
Management:	After Mr. John Greaves, who stayed as G.M for 5 years, the institution has 3 GM's in the past 4 years. These changes were the result of legal problems due to suspicious activities at the bank. Mr. Da Silva is the current G.M. (268) 462-4460
Regulatory Oversight/Auditors:	The Eastern Caribbean Central Bank-Pannell Kerr Forster – Chartered Accountants, St. John's Antigua
Total Assets:	US$ (equiv.) 30 million Asset Yr: 12 97
Capital/Shareholders Equity:	US$ (equiv.) 5 million Cap Eq. Yr: 12 97
Ratings:	N/A

Nature of Relationship and Businesses Conducted:

F.T. and Deposit Services. Volume: 500 payments monthly
1,000 checks issuance per month

$1 million of Standby letter of credit to Visa, Master Card and to various trading companies. 100% cash collateral.

After we closed the accounts in June 1999, Swiss American went to Chase Manhattan Bank, New York.

Swiss American National Bank opened two (2) cash collateralized standby letters of credit with BNY. These slc's for $500,000 and $300,000 respectively, were assigned to Visa and Mastercard as guaranty for Swiss American's credit card operations.

After closing the CAS account in June 1999, BNY did not renew the standby letters of credit, which mature on September 28 and November 19, 1999.

The collateral time deposits are being returned to Swiss American at the maturity date of each slc.

Other Relevant Information:

Latin America & The Caribbean Division closed the accounts of Swiss American National Banks as a result of a series of suspicious transactions and payments during 1997, 1998 and 1999. The Division actually received 5 subpoenas during this period from the US government concerning different cases of money laundering and other illegal activities.

The Caribbean Desk decided to close the account at the end of 1998, when 50 checks were issued for $9,900 each in favor of one individual.

Recommended Follow-up:

Accounts were finally closed on June 1, 1999.

Prepared by: _____ Country Manager Date: 12/10/99

Reviewed by: _____ District Head Date: 12/15/99

Reviewed by: _____ Division Head Date: 12/17/99

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK · FOUNDED 1784 BY ALEXANDER HAMILTON

DOROTHY A. KMETZ
SENIOR VICE PRESIDENT

ONE WALL STREET, NEW YORK 10286

October 13, 2000

By Federal Express

Robert L. Roach, Esq.
Counsel to the Minority
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
193 Russell Senate Office Building
Washington, D.C. 20510

Re: The Bank of New York

Dear Mr. Roach:

This letter responds to your fax of September 6, 2000 posing follow-up questions and requesting additional documents arising from our meeting on August 30, 2000.

These responses and attached documents contain confidential information regarding the customers of The Bank of New York ("BNY" or the "Bank") and confidential activities and internal procedures of the Bank in connection with banking services provided to its customers. The Bank requests that the Subcommittee treat this information as confidential.

QUESTION 3:

Swiss American National Bank of Antigua is owned by:

a) Swiss American Holding Company, Panama which in turn is 100% owned by
b) Carlsberg, Bermuda which is in turn 100% owned by
c) A charitable trust owned by Mr. Bruce Rappaport

What is the name of the charitable trust owned by Mr. Bruce Rappaport? In what jurisdiction was it formed?

With respect to Swiss American Holding Company, Carlsberg and the charitable trust, does BoNY have documentation to establish that it knew the structure of each entity, the nature of its business and the identity of the real beneficial owner and who had real control of its correspondent - Swiss American National Bank?

Ms. Kmetz suggested that there was a BoNY document that might answer many of these issues.

RESPONSE:

The Bank believes that the charitable trust owned by Mr. Bruce Rappaport is named The Inter Maritime Foundation. The Bank understands that the trust was formed in the Bahamas. The Bank has not been able to locate documentation that would establish that the Bank knew the structure of each entity or the nature of its business. The Bank understands that Mr. Rappaport's trust was the ultimate beneficial owner that controlled each entity directly or indirectly.

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____61j_____

Exhibit 61j.

Bank of America documents

SWISS-AMERICAN NATIONAL BANK OF ANTIGUA

March 20, 1987

Mr. Leroy H. J. King
Vice President
Bank of America
335 Madison Avenue
New York, N.Y. 10017

Dear Mr. King:

As a result of our discussions with you yesterday and on previous occasions, we are pleased to request the opening of a Demand Deposit Account U. S. with yourselves.

Listed below are the relevant details for the account:

Account Name	:	Swiss American National Bank of Antigua.
Initial Deposit	:	US$25,000.00. (TWENTY FIVE THOUSAND DOLLARS UNITED STATES).
Certificate of Incorporation	:	Copy attached.
Signatories	:	Enclosed.
Bank Reference	:	Irving Trust Company One Wall Street New York, N.Y. 10015
		* Bank of Bermuda International Ltd 350 Park Avenue New York, N.Y. 10022
Financial Statements	:	Audited F/Y '86 Financials to follow.
Cheque Book Type	:	500 - 3 part cheque.

Kindly send us your Test Key to the attention of our manager, Mr. Mc Alister Abbott.

We feel confident that our new relationship will prove to be of mutual benefit.

Yours sincerely,

Belgrove Gregory
Assistant Manager, Operations

BG:jden
Encls:

000839

CALL MEMO

FROM: T. WULFF (w/ L. KING)

TO: R. ANGUIZOLA

CC:
R. CAPWELL
K. PARKER
H. BRAUTIGAM
R. ULLOA
U. MERTEN
W. DAFOE
G. CUYAR
A. CRESPO

DATE: 8-7-90

SUBJECT:

SWISS AMERICAN NATIONAL BANK, ANTIGUA
(David McManus, Manager)

DATE OF CALL: 7-31-90

This is a privately owned bank with poor financials and obvious operating problems. They offered cash to secure a facility which we declined. Bamtrac and Microwire are installed but inoperative as operators have been lost to turnover- management wants retraining for which they understand they will pay. Trade volumes are low via Irving. The bank does some cash FX purchases through FCS, Miami.

Followup:
1) Retrain on payments if feasible (GPS).
2) Nothing more until financials improve measurably.

- Keith?
- Leon, Martinez help us this?

000022

MEMORANDUM

TO: JoAnn Caputo, AC
Credit, Commitment & Reporting

FROM: Avil Allen, AVP
Account Administration

DATE: May 15th, 1991

SUBJECT: Establishment - Auto Invest Account for:
Swiss American National Bank of
Antigua, West Indies
A/C #52205
Call A/C 52206

Please establish an Auto Invest Account for subject bank as follows:

a)	Peg Amount	$100,000.00	
b)	Investment Multiples	$ 10,000.00	
c)	Spread	100 basis points below average FF Rate.	1%

Thank you.

AUTHORIZED

AS PER TOM WULFF
WATCH THIS BANK
VERY CAREFULLY

A/C 52209

ID -254337

000015

SWISS — AMERICAN NATIONAL BANK OF ANTIGUA

June 10, 1991

Mr. Avil Allen
Bank of America
335 Madison Ave.
New York, New York
10017

Dear Avil:

Confirming our recent conversation, we wish to close out the account of Swiss American National Bank of Antigua and initiate a new account in name of Swiss American Bank Ltd.

As discussed, Swiss American National Bank of Antigua is a domestic commercial - retail bank whereas Swiss American Bank Ltd operates under the Antigua IBC Act and caters exclusively to non residents. Both entities are wholly owned by Swiss American Holdings Ltd., which in turn is a member of the Inter-Maritime Group based in Geneva.

We are making this change because the time has come to better divide the activities of the two entities and as the transactions that have been handled through Bank of America traditionally have been more oriented towards Swiss American Bank Ltd., we feel that we should have the account in that name.

We enclose copies of our Articles of Association and Financial Statements for both entities, as well as a list of approved signatories.

Please advise what additional information you will require.

Sincerely,

David A. McManus
Deputy General Manager

DAM/md

c.c. Thomas Wulff

DMMD105

SWISS AMERICAN BANK LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 1989

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O. A. E. Gardner W. A. Harrigan

PANNELL
KERR
FORSTER

Chartered Accountants

P.O. Box 159
Radcliffe Street
St. John's, Antigua
West Indies
Tel: (809) 462-0827/0828
Cables: PANKERFOR Antigua
Fax: (809) 462-4747

REPORT OF THE AUDITORS TO THE MEMBERS OF

SWISS AMERICAN BANK

We have examined the annexed Balance Sheet at 31st December, 1989 and the Statements of Income, Retained Earnings and Changes in Financial Position for the year then ended and have obtained all the information and explanations which we have required except for the following:

A number of the Bank's depositors have given written instructions that correspondence should not be sent by the Bank. Consequently, we did not attempt to obtain confirmation of customer accounts totalling $1,931,627 credit and $71,972 debit.

In our opinion, subject to the effect, if any, had we been able to obtain direct confirmation of customer accounts as mentioned above, the financial statements set out on pages 2 to 8 which are in agreement with the books of the Bank are properly drawn up so as to present fairly the state of affairs of the Bank at 31st December, 1989 and the results of its operations and changes in its financial position for the year then ended applied on a basis consistent with that of the preceding year.

PANNELL KERR FORSTER

ANTIGUA:
31st July, 1990

Chartered Accountants

SWISS AMERICAN BANK LIMITED

000554

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 1990

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O. A. E. Gardner W. A. Harrigan

PANNELL
KERR
FORSTER

Chartered Accountants

P.O. Box 139
Redcliffe Street
St. John's, Antigua
West Indies
Tel: (809) 462-0827/0828
Cables: PANKERFOR Antigua
Fax: (809) 462-4747

REPORT OF THE AUDITORS TO THE MEMBERS OF

SWISS AMERICAN BANK

We have examined the annexed Balance Sheet at 31st December, 1990 and the Statements of Income, Retained Earnings and Changes in Financial Position for the year then ended and have obtained all the information and explanations which we have required except for the following:

A number of the Bank's depositors have given written instructions that correspondence should not be sent by the Bank. Consequently, we did not attempt to obtain confirmation of customer accounts totalling $1,287,302 credit and $44,176 debit.

In our opinion, subject to the effect, if any, had we been able to obtain direct confirmation of customer accounts as mentioned above, the financial statements set out on pages 2 to 8 which are in agreement with the books of the Bank are properly drawn up so as to present fairly the state of affairs of the Bank at 31st December, 1990 and the results of its operations and changes in its financial position for the year then ended applied on a basis consistent with that of the preceding year.

Pannell Kerr Forster

Chartered Accountants

ANTIGUA:
30th April, 1991

000620

CALL MEMO

FROM: T. WULFF, W/ L. KING

TO: R. ANGUIZOLA
CC: R. CAPWELL
K. PARKER
L. KING
H. BRAUTIGAM
A. CRESPO

DATE: 7-18-91

SUBJECT: SWISS AMERICAN BANK

John Greaves, General Manager
David McMannus, General Manager

DATE OF CALL: 7-15-91 LAST VISIT: 7-31-90

Swiss American keeps a small account with BINY, places an occasional deposit and recently provided somewhat improved but still weak financials reflecting a $10MM bank. They clear 200/300 checks daily through Bk of NY and are dissatisfied with the service, also have Bamtrac Microwire although little used because of operator inefficiencies and despite a recent re-training by GPS. Swiss American remains interested in a trade facility but have yet to provide adequate financials and collateral, they would like some help with trust business on behalf of their clients and are looking for risk capital and offshore investors for local development projects. The private ownership of this bank is known to be legitimate altho General Manager David McMannus was recently linked to a minor bank scandal in Anguilla when he made calls there with clients of the bank later found to be of questionable reputation.

As followup, I subsequently met with Gen'l Mgr. McMannus here in Miami. He confirmed that although Swiss American's involvment was perifial as above, there is an ongoing investigation by the Gov. Generals office in Anguilla concerning alleged questionable banking practices by their client. Reportedly, the issue relates to the unauthorized solicitation of funds. David understood and agreed that until these issues are oficially resolved, it would not be prudent to explore further business opportunities between our banks.

FROM: TWULFF --ABACIS2 TO: BINYLAD --ABACIS 07/19/91 06:35:44
To: BINYLAD --ABACIS

From: Tom Wulff
Vice President
Central America/Caribbean Region #5415
Subject: Swiss American Bank, Antigua

Avil - I am sending you a separate copy of my 7-18-91 call memo on this bank. We need to keep an eye on the activity in this account.

2 TWULFF --ABACIS2 BINYLAD --ABACIS Note 07/19/91 06:35
OLD Swiss American Bank, Antigua
V, FI(fn), K, DEL, F, R, PR, RES, A, NO, N, P, NO., ?, or RET
.

WATCH CAREFULLY

C00740

PRIMARY CREDIT TAKER: SWISS AMERICAN BANK LTD DATE: 3-11-93

RELATIONSHIP SUMMARY

RELATIONSHIP

Swiss American Bank has long maintained an excellent deposit relationship with BINY, with both a DDA account and a good volume of short term CDs. Bamtrac/Microwire has also been installed for several years although volumes are low and beginning last year, they also began using our cashletter service. Also beginning last year, the bank began utilizing the very lucrative banknote clearings service offered by FCS Miami and most recently, placed two cash secured SBLC transactions with us on a specific transaction basis. Because of earlier disorganization and weak financials, both issues now rectified, we had not previously considered a trade line for the organization.

RELATIONSHIP PROFITABILITY:

Due to the above referenced deposits, payments volumes and cashletter services, CCP earnings for 1992 were $22M, certainly good for a relationship of this nature. FCS reports and additional $21M business partner earnings from their Banknote service.

RELATIONSHIP STRATEGY:

For a relatively small operation, Swiss American provides us with an excellent volume of business, which seems sure to increase. We are now their primary bank and assuming a continued good volume of trade transactions via the facilities herein recommended, we feel that profitability could easily reach $75MM annually. In addition to the myriad services noted, they also maintain a small USD investment portfolio for which we intend to bid via our BISD business partner.

CREDIT DECISION NARRATIVE

EXPLANATION OF TRANSACTION:

1a) This is a Standard Instrument facility, to a maximum amount of $ 500M, for the opening/confirmation Commercial Letters of Credit, combined with within-line facilities to allow borrower to draw back funds for short term (TOD) liquidity needs to a maximum of $250M.

1b) Our recommendation also includes a facility, to a maximum of $700M, for Standby Letters of credit. These transactions will be opened on behalf of Swiss American private banking customers to support those customer's credit obligation to third party creditors (beneficiaries). The private banking customer's obligation to Swiss American will in turn be secured by a cash deposit with Swiss American. These standbys are restricted to a maximum of one year, and are operable upon the beneficiary's statement that the Swiss American customer has defaulted on his obligation.

1c) This is a specific transaction, a SBLC to the order of Mastercard International Inc., for account of Swiss American Bank Ltd., supporting that bank's obligation as a franchisee with Mastercard. We expect this will be on-going and thereby request approval of that renewal when and if applied for at current expiry of 12-14-93.

000741

PRIMARY CREDIT TAKER: SWISS AMERICAN BANK LTD.	DATE: 3-11-93

PRIMARY SOURCE OF REPAYMENT: Self liquidating via normal market activities.

DOWNSIDE BREAKEVEN: No term loan facilities have been requested; therefore no downside or breakeven projections have been prepared.

SECONDARY SOURCE OF REPAYMENT: Underlying pledged CDs.

GUARANTORS: N/A

KEY CREDIT RISKS AND MITIGATING FACTORS:

Swiss American Bank Ltd. is incorporated as an International Business Corporation and is thereby prohibited from doing business locally. As such, the bank is essentially insulated from the local environment while catering exclusively to European and North American private banking customers. Loans are to these customers, in US dollars or major European currencies, and are secured by matching deposits from these same clients. The risk of illiquidity or credit exposure is thereby essentially mitigated as is concern relative to the bank's local environment.

FINANCIAL SUMMARY (USD MILLIONS)

A. SWISS AMERICAN BANK LTD.		BACRR: 1		TREND: Growing	
Total Assets	37.2	Allow./Loans	* 3.37	Net Income	.5
Total Loans	32.9	NPL/Loans	* 6.9	OP. Efficiency	57.6
Total Dep.	33.3	Allow./NPLs	* 48.8	Provision	.5
Equity	2.5	Net Chg Offs		ROA	1.6
Equity/Assets	6.73	BIS I + II Capital		Liq. Ratio	12.0

* See Credit Quality. The bank has one major non-performing loan for which reserves are specifically placed.

	SIGNATURE	DATE	TYPED NAME	AUTHORITY	PHONE
1.		3-11-93	T. Wulff	Recommend	527-4062
2.		3-11-93	R. Anguizola	Concur	527-4059
3.			T. Kirk	Approve	

Conditions for Approval/Reasons for Declination

000742

PRIMARY CREDIT TAKER: SWISS AMERICAN BANK LTD. DATE: 3-11-93

STANDARD CREDIT MEMORANDUM MODULE B

CONDITIONS:

To remain fully secured by client's CDs, placed via BINY with IBF New York., Documentation includes deposit confirmation advice and borrower's pledge agreement covering all deposits, providing for automatic renewal of deposits and automatic extension of the underlying pledge agreement.

1) Satisfactory loan documentation on bank standard forms:
   - Commercial Letter of Credit-Continuing Agreement
   - Overdraft Account Agreement
   - Standby Letters of Credit - Continuing Agreement

2) All expenses, including legal fees and any other fees, are for the account of the borrower.

3) All taxes, reserves and insurance as applicable or as may become applicable, shall be for account of borrower.

4) Applicable withholding taxes to be for account of borrower and separate from interest. Subject to J. Leak memo of 6-1-90 on withholding taxes.

5) Annual audited financial statements to be submitted.

PRICING:

TODs at 2% over floating reference rate or 2 1/2% over Libor. Commercial L/Cs, BINY prevailing as amended for the Caribbean to include $150 minimum for opening/confirmation. SBLCs, 1% P.A., payable quarterly in advance.

TERM FACILITY REVIEW:

N/A.

RISK RATING SUMMARY:

N/A. As recommended facilities are fully cash secured, a BACRR 1 is thereby applicable.

000743

PRIMARY CREDIT TAKER: SWISS AMERICAN BANK LTD. DATE: 3-11-93

BUSINESS EVALUATION:

HISTORY, TYPE AND SIZE:

The Swiss American Banking Group in Antigua consists of a parent, Swiss American Holdings SA, a Panamanian Co., which in turn owns 100% of three complimentary local subsidiaries; Swiss American Bank Ltd (our customer), Swiss American National Bank of Antigua Ltd, and Antigua International Trust Ltd. Swiss American Holdings SA is wholly owned by the Intermaritime Grou in Geneva, which has significant interests in oil refining, transportation, banking and real estate development. The net worth of the group is reportedly in excess on USD one billion, an is owned by the Rappaport family, a group very involved in the activities of Antigua at many levels. In practice, the three entities share both quarters and management, with each providing financial services in a different sector. Total staff is 62, with combined total assets of $66.0MM, equity of $5.5MM and a combined capital ratio of 8.35%.

Swiss American Bank Ltd. was actually established in Antigua in 1983 as the first international offshore bank on the island. It provides general banking services to non-residents in six major currencies, emphasizing US dollar private baning services to a clientele consisting principally of high net worth individuals residing in the US and Europe. Now with 7000 accounts including an increasing volume of trust and portfolio management services, the bank is also a primary issuer of Visa and Mastercard.

Swiss American National Bank is a domestic retail bank offering a full range of commercial banking services in Antigua. It operates principally in EC Dollars and its clientele consists of local merchants and individuals. The bank has five branches and an approximate 14% market share of deposits.

Antigua International Trust Ltd. provides trust services, corporate formation and secretarial services to the group's international clients. AIT administers approximately 1000 Trust and IBC Corporations

MARKET:

While the island of Antigua is notoriously over banked and suffering from continuing liquidit problems, Swiss American Bank Ltd. is, as noted, prohibited from sourcing business in this market. Any local business leads are referred to the sister corporation, Swiss American National Bank. The bank is, however, under the regulatory supervision of the Ministry of Finance.

II. MANAGEMENT EVALUATION

As noted, Swiss American Bank Ltd. shares management with the other entities, via a manageme contract lodged with the National Bank and through which expenses are shared. Key managers include:

David McManus, Deputy General Manager - held senior positions with Lloyds Bank International for ten years prior to joining Swiss American in 1986. He holds a Masters Degree in economic from the University of Miami and is well known to BofA officers.

John Greaves, General Manager - was a senior manager with Barclays International for sixteen years before joining Swiss American in 1986. He completed graduate work at the London School of Economics.

000744

PRIMARY CREDIT TAKER: SWISS AMERICAN BANK LTD. DATE: 3-11-93

IV. FINANCIAL ANALYSIS

(Amounts in USD)

EARNINGS ASSESMENT

After an uneven start, Swiss American Bank now shows solid profitability, with an ROA of 1.6% and an ROE of 23.5%. It reports a spread of 2% to 5% on loans to it's own captive cash secured clients and thereby faces very little risk. The bank's customers are generally high net worth, averaging $100M-$300M per relationship and now total some 7000 international accounts.

The bank is somewhat unique in that it's ultimate owners are reputedly very wealthy and can bring real leverage to bear when necessary. As an example, Swiss American is a primary issuer of Visa and Mastercards, both locally and internationally and in both foreign currencies and EC dollars, the latter a first in the Caribbean. This further gives them the also unique capacity to provide local credit card merchant services 24 hours daily and seven days a week, plus merchant draft clearing facilities, giving them a virtual exclusive on this very lucrative market. The bank also plans to promote a stock market in the foreseeable future, and plans to expand also to other islands in the Caribbean.

ASSET QUALITY

The bank generally makes loans only to accommodate the needs of it's private banking customers and as a result, virtually all loans are cash secured. One exception is the bank's single non-performing loan to a local hotel. This loan is in the amount of $2.2M, and is supported by a mortgage of equal appraised value, however, will be a protracted pay out and as a result, is currently 50% reserved. An additional 25% will be reserved in the current fiscal period, as was done in the last. This transaction represents all of the NPLs for the bank.

LIQUIDITY ASSESSMENT

Loans are reportedly fully matched to their supporting deposits, with tenors generally under one year, averaging six months. The bank keeps its excess liquidity in accounts managed by Dean Witter, consisting of a Core Investment account comprised of US Treasury bills, a Managed account consisting of prime US Equities, and a Money Manager account which invests in prime international bonds. Liquidity is not high at 12.0%, however, all transactions are matched.

CAPITAL ADEQUACY

The bank is reasonably well capitalized at 6.73%, although earnings are retained and management reports a goal of 8.0% by the end of the 1993 fiscal period.

SWISS AMERICAN BANK LTD.

001013

FAX TRANSMISSION

TO : BANK OF AMERICA

ATTN. : Thomas Wulff FAX NO. (305) 530-4150

FROM : David A. McManus

DATE : April 05, 1993

****

Dear Tom:

Attached, please find the proposed text of a Standby Letter of Credit that we are being asked to issue. Our client will prefer to have it issued in Spanish. Please advise if this is possible and if the text whether in English or Spanish will be accepted to Bank of America.

Best regards,

David A. McManus
Deputy General Manager

DAM/md

attached.

DMD2102

From: Tom Wulff
Vice President
Central America/Caribbean Region #5415
Subject: Swiss American Bank Ltd.

Further to our telephone conversation, the bank has offered us a $440M standby L/C to the order of the Central Bank of Costa Rica, cash secured, one year, to support the application of one of their clients for a private bank in Costa Rica. The text, faxed separately, refers to a regulation requiring that as part of the establishment of a bank in CR, the bank must provide a "contingency credit" equal to 20% of its Capital. This is routine, we had the same document from NT&SA backing our old BASA subsidiary in Costa Rica.
This credit would be available to the Cenbank beneficiary upon the submission of a statement that the funds were required to supplment the liquidity of the account party bank, to be returned to that bank when no longer needed.
We will price this at .50BPs, and expect they will ask for a renewal each year.
As discussed, Bobby and I both view this as a very straightforwad transaction, avoiding the private banking concerns relative to unknown/uncontrolled transact ions, etc. and would like policy approval at this point so that we may come in for verbal approval of the actual transaction when it comes in next week.
As indicated, we have audited statements for the borrower, the organizational grouping of mutually supportive subsidiaries is very common for these markets and certainly not an issue for us, I have been calling on this bank for several years and know local management well, they are long time depositors at BINY with Bamtrac/Microwire, etc. The overall group is privately held and they do not release financials.
Again, we would like approval to look at this from a policy perspective, with the intention to deal with the credit aspect via a verbal approval request as usual.

****

001011

From: TKIRK --ABACIS
To: TWULFF --ABACIS2

Yik

Date and time 04/08/93 17:01:56

From: THOMAS E. KIRK
CREDIT ADMIN #4108
Subject: SWISS AMERICAN - YOUR MESSAGE 4/5
TOM, I AM NOT IN FAVOR OF OUR ISSUING THIS SBLC IN SUPPORT OF A CLIENT ESTABLISHING A BANK IN COSTA RICA FOR THE FOLLOWING REASONS;

- WE DONT KNOW THE CLIENT OR THE TYPE OF BANK WE ARE GUARANTEEING.
- THIS IS NON TRADE RELATED.
- THIS IS NOT A SPECIFIC TRANSACTION IN SENSE THAT CLIENT IS GOING TO HAVE TO HAVE THIS SBLC AS LONG AS IT CONTINUES BUSINESS IN COSTA RICA AND WE ARE GOING TO BE ASKED TO CONTINUALLY RENEW.
- THE PRICING OF 50BPS IS NOT ATTRACTIVE.

THE PRINCIPAL REASON OF THOSE ABOVE IS THAT WE WOULD BE GUARANTEEING AND SUPPORT LIQUIDITY NEEDS OF A BANK WE DONT EVEN KNOW AND DONT KNOW THAT WE WOULD WANT OUR NAME ASSOCIATED WITH THAT ENTITY OR ITS PRINCIPALS. THEREFORE, FROM A POLICY PERSPECTIVE THIS IS TURNED DOWN. I HAVE DISCUSSED THIS WITH DICK WHO CONCURS.

I HAVE YOUR SCM HERE WHICH I AM RETURNING FOR REVISION. THE 700 THOUSAND FACILTY HAS ALREADY BEEN DISCUSSED AND IS NOT APPROPRIATE NOR WOULD I WANT TO GIVE APPROVAL NOW FOR RENEWAL OF THE SBLC IN FAVOR OF MASTERCARD.

SWISS — AMERICAN NATIONAL BANK OF ANTIGUA

March 11, 1993

Mr. Joseph A. Tubio
Vice President & Trust City Manager
NationsBank
150 S.E. Third Avenue
Miami, Florida 331312

Ref: Mr. Jack Cheldin/Imperial Insurance Company -

Dear Mr. Tubio:

I understand that yesterday you verbally advised Mr. Cheldin that "David McManus is un-trustworthy" and cautioned him against doing business with us. Mr. Cheldin and his companies are valued clients of the Bank and I am astounded that an officer of NationsBank would make such a statement to one of our clients. Not only do you have no basis for making such a slanderous statement, you have no right to do so and I demand a written apology.

We have an excellent, long standing relationship with NationsBank and we do not wish to cloud this relationship with this single unprofessional incident. However, we will not tolerate any repetition of this type of behaviour.

Sincerely,

David A. McManus
Deputy General Manager

DAM/md

DMDM2068

NationsBank
Trust Department, D. .1A2-4
P. O. Box 407090
Ft. Lauderdale, FL 33340-7090

NationsBank

Please fill
S American Bank

274

March 15, 1993

Mr. David A. McManus
Deputy General Manager
Swiss American National Bank of Antigua
High Street P.O. Box 1302
St. John's, Antigua, W.I.

Dear Mr. McManus:

It is with great surprise that I acknowledge receipt of your letter of March 11, 1993. I am appalled that you would make any such charges without having first hand knowledge of my conversations with Mr. Cheldin.

I categorically deny any of the allegations represented by Mr. Cheldin to you and further dismiss your conclusions as unfounded. I am sufficiently well trained in the law to know what I can and cannot say under the circumstances present.

Nevertheless, I wish to set the record straight:

- Upon the advice of Ms. Donna Alexander, we gave you a confidential call to reveal our due diligence findings about the prospects you were introducing to us. If you recall the conversation, Mr. Steele present and participating, we were very careful to repeat only and exactly what the regulatory authorities conveyed to us. No conclusions, allegations or other representations were made on our part, except for the fact that we were terminating the proposed transaction.

- During our first conversation with Mr. Cheldin, he immediately distanced himself from Aegis and the Aegis principals, whom you were introducing to us as well, and he sent us a fax to that effect. He also stated that he was not aware of Mr. Seale's prior involvement with Mr. Fournier of Aegis.

- Upon request, we revealed the same due diligence findings to Mr. Cheldin, again Mr. Steele present and a witness to the conversation, and no conclusions nor representations were made on our part.

003513

- However, we did discuss the following: you represented to us that Aegis was a legitimate insurance company chartered in the Turks and Caicos and that you had no reason to question its principals. Our research proved otherwise. This is a statement of fact and if Mr. Cheldin drew other conclusions, I suggest you address them with him.

NationsBank has an untarnished, impeccable reputation in the market place and will not be associated with anyone that cannot offer the same.

Sincerely,

Joseph A. Tubio
Vice President and
Trust City Manager

cc: Ms. Donna Alexander, Vice President
Mr. Adolfo Henriques, Executive Vice President
Mr. Herb Hoover, Assistant General Counsel

Trust Administration
March 29, 1993
Miami

To: File

Due diligence record - Imperial International Insurance Company
Aegis Insurance Company

In late February of 1993, David A. McManus, Deputy General Manager of Swiss American Bank Ltd., existing client of NationsBank International, Miami, contacted Mr. Tom Steele, Business Development Officer in Miami introducing the two above-named entities.

Mr. McManus claimed to represent existing clients of his looking for a U.S. trustee so that these foreign insurance companies may underwrite insurance in the United States.

He indicated to us that the principals of Aegis Insurance Company are Jean Fournier and Brad Lawrence, Canadian nationals; and that the company was duly chartered and licensed in the Turks and Caicos.

Mr. Steele sent a fax to Mr. Fournier in Antigua confirming our interest subject to our review and approval of documentation and satisfactory due diligence. (We never actually spoke with Mr. Fournier nor Mr. Lawrence.)

On March 2, 1993, Mr. McManus faxed to us a standard National Association of Insurance Commissioners (NAIC) trust agreement for alien surplus lines. In essence, the agreement requires that a foreign insurance company must deposit certain funds with a U.S. trustee before it can underwrite insurance in the U.S. The funds will then be used by the trustee to pay claims by U.S. policyholders.

We telephonically requested from Mr. McManus the following documentation about both companies and their principals:

- Evidence of incorporation and licensing in their corresponding jurisdiction.
- Current Certificates of Good Standing issued by their local regulatory agencies.
- Audited financial statements, including a balance sheet and evidence of capitalization.
- Resumés of the principals.
- At least three U.S. references, to include banks, attorneys and U.S. insurance industry organizations.

009675

We were assured that this documentation would be forthcoming very shortly. (It never arrived.)

The following day Tom Steele received a phone call from one Ron Seale, introducing himself as the financial advisor to the proposed transactions, and inquiring about 2,000,000 shares of stock of Greenway Environmental Services that were supposedly shipped to us by McManus for the funding of the Imperial International Trust.

Not having any prior knowledge of Mr. Seale's involvement and no knowledge that any stock was being sent to us, we called Mr. McManus. He confirmed Seale's statements, and we expressed concern that any shipment of stock was premature since we had not yet agreed to serve as trustee.

The eagerness of the principals to do business with us, and the fact that it was all done through a third party appeared highly irregular for a $10 million transaction. So we started our own due diligence investigation on these prospects:

1.) State of Florida Department of Insurance - Tallahassee

Explained to us how alien surplus lines insurance works. Advised of the possibility of fraud when the principals disappear and the trustee is stuck with the claims. Indicated that the name Fournier had come up in a departmental internal watch list and referred us to Canadian authorities.

2.) Federal Department of Insurance - Ottawa, Canada

Took a couple of hours to research the names and told us that Jean Fournier was believed to be a front man for the St. Gelais family. Several family members were wanted for fraud in Canada and Texas. Provided us with a list of insurance companies tied to St. Gelais, including Aegis. Also noted Fournier companies in Ontario that had been underwriting insurance illegally. Referred us to Ontario Department of Insurance.

3.) Government of Ontario - Department of Insurance

Confirmed information received from Ottawa, and that Fournier was "run-out" of Ontario and was believed to be operating out of Quebec.

At this time we received 2 million shares of stock of Greenway Environmental Services via Federal Express from Mr. McManus. Greenway is a Nevada corporation. The certificates show Banco de la Union, S.A. as the owner/recordholder.

The stock trades on the NASDAQ, listed on the pink sheets at $3 3/8, per share, 25 million shares outstanding.

4.) Nevada - Secretary of State's Office - Carson City: 702-687-5105

Informed that Greenway had its charter terminated on 8-10-92, and has been in delinquent status ever since.

President - Kenneth Ewing
Secretary - Ferring Dean
Treasurer - A.A. McCollum

Transfer Agent for stock, Interwest, Salt Lake City, confirmed recordholder as Banco de la Union, but noted that stock was restricted under Reg. S and must be held outside of the U.S. by a foreign party.

5.) Comptroller of the Currency - Washington, D.C. [redacted]

On Fournier: Complaint by Credit Swisse in November of 1992, that Fournier was illegally using C.S.'s name representing backing on a $30 million transaction, without C.S.'s knowledge.

On Seale: Eight separate complaints against Ron Seale of Fort Walton, Florida for selling discounted letters of credit, and related to losses suffered on oil related business ventures.

On McCollum: Questionable off-shore activities I/N/O Pacific Overseas Financial offering "credit enhancement" services.

On Banco de Union: Costa Rican bank, primarily owned by U.S. principals, in process of licensing and not yet open to the public.

6.) Turks and Caicos - Office of Insurance Superintendent [redacted]

Fournier's company, Aegis, was denied a license to operate out of Turks & Caicos due to unsatisfactory due diligence.

7.) State of Texas - Department of Insurance - Austin

[redacted]

Sent me via fax 28 pages of arrest warrants and criminal indictments against Jean Marie and Denis St. Gelais. Indicated that California Department of Insurance was "hot after Fournier". Gave my name and number to California authorities, and said he would be contacting the FBI in Florida.

8.) State of California - Department of Insurance

[redacted]

Indicated they were investigating Fournier and would get back to me to lawfully obtain copies of my documentation.

At this time, after talking with Donna Alexander, relationship manager for Swiss American, we contacted David McManus to apprise him of our findings and asked him for strict confidentiality. We also informed him that we would not be proceeding with the proposal.

Within the hour Ron Seale called that McManus had apprised him of our decision, and indicated that his partner in Imperial International was one Jack Cheldin of California, and not Fournier, although he had been an advisor to Fournier in the past and claimed not to know Fournier's history.

Shortly thereafter, Jack Cheldin called asking why we were terminating the proposal. He immediately distanced himself from Fournier and Aegis, acknowledged that California was investigating them; and claimed not to know that Seale had worked with Fournier in the past. He also stated that the Greenway stock belonged to Seale and did not know that the corporate charter had been revoked.

At the same time, Seale had stated that the stock belonged to Cheldin, and that he as a shareholder of Banco de la Union, was allowing him to use the name of the bank to hold title. Although Cheldin might have been a legitimate investor, his association with Seale, and the latter's involvement with Fournier was enough to raise our suspicions.

We also told him that McManus had introduced Fournier and Aegis as legitimate and that we had reason to believe that they were not. Cheldin was upset that McManus had placed him on the same level with Fournier when recommended to us.

Memo To File
March 29, 1993
Page 5

Within a couple of days the stock was returned to McManus. He also sent me the attached letter accusing me of slander. My reply is also attached.

Additional inquiries on this matter from regulatory authorities may follow.

J. A. Tubio
Vice President and
Trust City Manager
FL7-950-02-01; 305/577-5677

attachments

CALL MEMO

000968

FROM: T. WULFF (W/ A. ALLEN, BINY)

TO: R. ANGUIZOLA L. KING
CC: K. PARKER H. BRAUTIGAM
K. BOYD E. SALLES

DATE: 5-17-93

SUBJECT: SWISS AMERICAN BANK LIMITED, ANTIGUA

David McMannus, General Manager
John Greaves, General Manager

DATE OF CALL: 5-11-93 LAST VISIT: 8-18-92

Swiss American seems to have finally turned the financial corner with assets of EC37MM, EC25MM in Capital and profits of EC.5MM after heavy provisions. They keep extremely good cash balances with BINY although they recently had a rash of returned deposit items as the result of a bogus check operation. We have done some nice cash secured specific transactions with the bank in the past, our CPP earnings last year were $22M and they still want a line, although McMannus is now leaving for personal reasons and we should probably leave well enough alone.

. Blas - call on deposits
. BISD follow on Pacific Horizon Fund

CALL MEMO

FROM: T. WULFF

006967

TO: R. ANGUIZOLA
CC: K. PARKER

L. KING
H. BRAUTIGAM
E. SALLES

DATE: 5-24-94

[redacted]

SUBJECT: SWISS AMERICAN BANK LTD, ANTIGUA - Closed Credit file

Lester Andall, Mgr. Operations

This is an offshore bank integrated with a five office domestic bank, a trust bank and a large offshore credit card operation. The local bank has assets of EC30MM, loans of EC17MM for which provisions are 50%, breakeven profitability, and outwardly remains a mess. The international bank has assets of USD 37MM, also breakeven, but apparently reasonable loan quality. Nevertheless, Swiss American continues to keep excellent balances with BINY, good CDs and 250 microwire payments monthly for $5M monthly CPP earnings. There is not much more to be done here as a line would not be worthwhile.

MEMO TO FILE

SUBJECT: SWISS AMERICAN BANK LTD
ANTIGUA, W. I.
VAR Dtd. 12-12-94

A review of the account relationship was requested as part of the approval of the above VAR covering the renewal of a $123M cash secured SBLC;

This transaction covers the liability of a trading company customer of Swiss American bank who imports to Antigua from St. Lucia., using an overdraft facility with Royal Bank of St. Lucia to facilitate these transactons. Presumably, Swiss American's support for their overall relationship with this customer includes the St. Lucia transaction.

Swiss American's 12-93 fiscal statements reflect assets grown from $37MM to 42MM, with profitability up and reflecting an ROA of 2.0%, ROE of 27.5%. The bank's capital ratio is 7.3% after the capitalization of all of '92s $500M earnings. Overall, and although the banks operations outwardly fail to impress, financials appear to be most adequate.

CPP profitabilty through 9-94 is $52M, based on a volume of 250 monthly payments through Microwire, with approximately $100M in ADBS and including an occasional cash secured L/C. In the past, the bank has also maintained up to $4MM in CDs with BINY.

T. Wulff
Vice President

CC T. Kirk

3/23/95 [illegible]
Discussed closure of Acct w/ John Greaves.
IE: ~~[illegible]~~ Cessing of ck writing and
cashiers. He agreeable - will give
progress ck tomorrow.

Bank America International

Fax Transmittal Cover Sheet

000099

PLEASE DELIVER TO:

DATE: 3/22/95

NAME: TOM WOLFE

BRANCH/DEPT.: BOFA, MIAMI UNIT #:

PHONE #: 527 4062 FAX #: 527 4120

FROM:

NAME: ENRICO LOMONACO

BRANCH/DEPT. CONTROL & COMPLIANCE UNIT #: 7696

PHONE #: 390 2075 FAX #:

TOTAL NUMBER OF PAGES INCLUDING COVER SHEET:
If all pages are not received, please contact the sender.

COMMENTS: TOM, THIS AFTERNOON ADDITIONAL EVIDENCE OF ANOTHER SCAM WHERE SWISS AMERICAN BANK NAME IS USED IN CONJUNCTION WITH THEIR ACCOUNT AT BINY. SEE ATTACHED -

Enrico

INFORMATION SECURITY CLASSIFICATION: CONFIDENTIAL

TEL - 1049 7-90

DANE CO. DA MDSN WI 608 267 ..45 Page

Bank of America Fax Transmittal Memo | # of pages

To Swiss American Bk	From Tom Wulff
Co. John Graves	Unit BJB
Dept.	Phone #
Fax # 809-462-0274	Fax #

MISC-4585 5-92

Dream* Holiday *

000988

= You earn it ! =

Let your dream holiday come true. Fly to the most dreamlike holiday places of this world and let yourself enchant by the most beautiful beaches of the Caribic or by the exiting mountains of this world. Visit the mysterious burial- places of the old Egyptians ore make a trip through the beauty, diversity and color of the Asiatic metropolisses. Enjoy an unforgettable cruise around the world on one of the most luxurious ships. Get to know the magic of already forgotten cultures. Grant yourself with sun, beach, palm- trees and the ocean. Spoil yourself with exotic drinks under the wonderful blue sky or discover the inexhaustible diversity of the life under the water in an marvellous diving holiday on one of the best diving places of the world. Discover the vegetable and animal kingdom of Africa or fly with the Concorde to Europe and take your chance to see the most beautiful cities of Europe like Paris, London, Berlin, Vienna, Budapest, Amsterdam, Rom, Venetia or Athens. Stay at the best hotels and let your dream of the great freedom that was before only reserved to the upper 10.000 come true.

Take the chance with only $ 150,-- !!!
You can earn your Dream holiday in just 3 to 4 weeks !!!
Get ready - holiday vacation will start soon ! Take your chance !!!

Attention: The following system is no lottery and no game of hazard ! It's not centrally managed and for that reason can't get manipulated !

Accumulate wealth without any risk! It rests with you if you are successful !
This now following system is a winning system which increases your winning chances from system level to system level and this way your private profit is increasing, too !
And you alone decide with how much you want to play- and this way how much and how fast you will win !!!
You might win in a lottery ! But with this system you will be a winner for sure ! *

You will win depending on the money you invest in this system - up to $ 81.000,– ! With a stake of only $ 150,– you can make a profit of $ 12.150,–! You see it's worth to play! You decide with the amount of your stake how much your profit will be. The higher your stake is the higher is your private profit!

Attention: Now the instructions of this system and one system list !

possible stake	guaranteed profit
US-$ 150,–	US-$ 12.150,–
US-$ 300,–	US-$ 24.300,–
US-$ 500,–	US-$ 40.500,–
US-$ 800,–	US-$ 64.800,–
US-$ 1.000,–	US-$ 81.000,–

000089

You can choose between five different stakes !
You dont have any risk !
You rule everything yourself ! You can calculate yourself !
No way that another person can intervene !

You have got one systemlist. This systemlist is the key to your success !!!

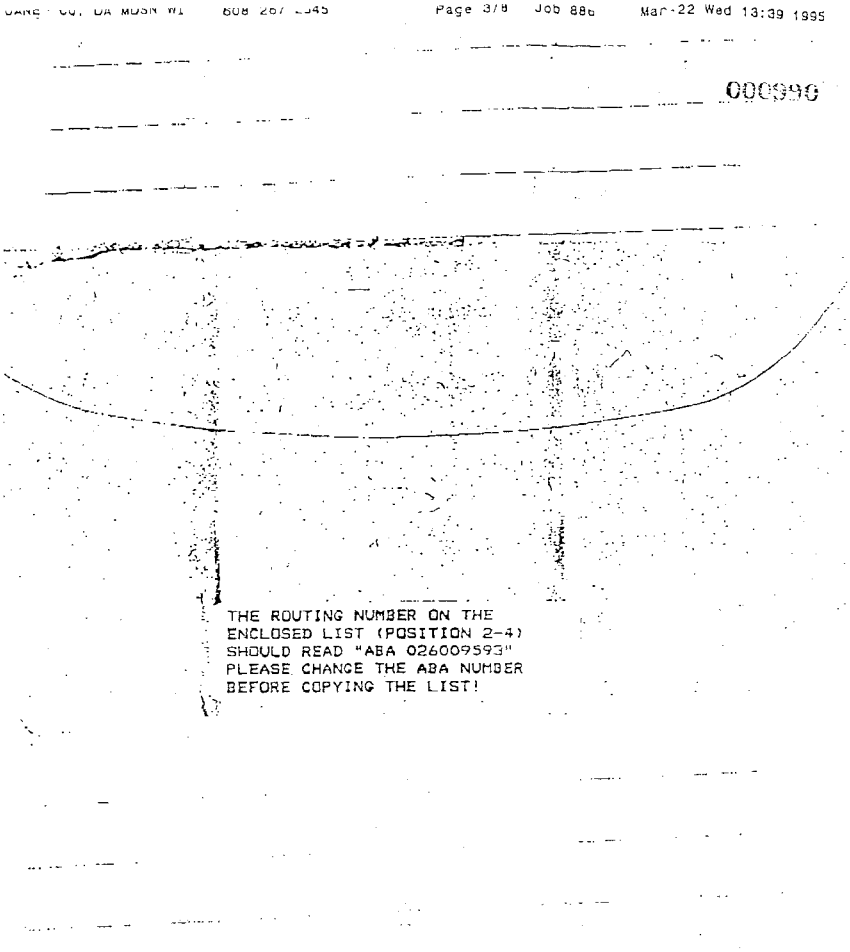
01. Take the systemlist ! On this list you can see already participants in the first four winning classes. The other winning levels are still free !
02. Write down your name, the place and the bank connection with the banking account number into the winning level under the last participant !
03. Choose the stake you want to play with ! Use the schedule above !
04. If you have done this, transfer the stake you have choosen to the banking account of the participant who is on the system list in the upper winning level ! Do that within the next 2 days !!!
05. If you have done this, take a scissor and cut the participant to who you transfered your stake to from the system list !
06. You are now already in the fourth winning level. Congratulations !
07. Please copy the system list and this system instruction three times !!!
08. Now you only need to find three new participants and you can fulfil your dream holiday for sure ! !
09. Give the system instruction and system list to three new participants ! Each one gets one instruction and one system list ! Ask friends, colleagues or people you know ! It`s not hard - just try !
10. Each of the three new participants should in your own interest invest the same stake as you did !
11. Each of the three new participants has to transfer his stake to the participant who is in the system list (which he got from you) on top !!!
12. After each new participant has done this he has to write down his name, the place, the bank connection with the banking account number under your name - that means in the fifth (5th) position of the system list !
13. Now he cuts the participant, to who he transfered his stake to, from the system list and copies the system instruction and the system list three times !!!
14. Now he gives the system instruction and the system list three friends, colleagues or to people he knows !
15. Now you are already in the third (3rd) winning class. *Congratulations !!!*

Only two more times and you will be in the highes winning class. If you are in this place all participants who enter the system will transfer their stake on your banking account !!! You are a WINNER !!! Congratulations !!! Depending on your stake you have won now up to $ 81.000,– !

The whole process of this system doesn`t take more than four weeks !!!

You see - it`s easy ! You couldn`t win faster this high amount of money !
When you copy the system list a free line developes automatically ! Just take a pen and draw a new line !!! This way you have a new line for additional participants.

Congratulations ! Have fun with your dream holiday and take a good rest !


Page 3/8 Job 886 Mar-22 Wed 13:39 1995
000990
THE ROUTING NUMBER ON THE
ENCLOSED LIST (POSITION 2-4)
SHOULD READ "ABA 026009593"
PLEASE CHANGE THE ABA NUMBER
BEFORE COPYING THE LIST!

Bank of America

006954

Thomas Wulff
Vice President

Central America/Caribbean Region

May 15, 1995

Joe Mirabella, VP (FAX 390-2133
Richard Tompkins, VP (FAX 390-2281)
Avil Allen, AVP (FAX 390-2560)

Subject: Swiss American Bank, Antigua

I met with this bank last week. They are well underway to replacing all of our facilities with Chase, and agreed that May 31 would be the deadline for the discontinuance of drafts drawn on us, cashletters to us, and Microwire and telex transfers outgoing. We need to understand that with their draft volumes, we may well see checks coming in for some time, but at least the account balances and activity should initially wind down quickly. Also, they are having some difficulty in notifying all of their customers on incoming cable transfers, and this also will probably go on for a while.

On a related issue, there are three checks totalling $329,340.98 and drawn to the order of [redacted] which I understand were cleared through this account. As it is apparent these checks will eventually be coming back unpaid, we should be certain we have a hold on Swiss American's account for this amount. Copies of the checks are attached.

T. Wulff, VP

CALL MEMO

FROM: T. WULFF (W/J. Hernandez, GPS)

000965

TO: R. ANGUIZOLA
CC: K. PARKER
X. FIGUEROLA
A. ALLEN (Biny)
H. BRAUTIGAM
E. SALLES

DATE: 5-21-95

[redacted]

SUBJECT: SWISS AMERICAN BANK, LTD, ANTIGUA

Ken Fisher, General Manager Brian Stuart-Young, Bus Mgr.

Since our decision a month ago to ask Swiss American to find another correspondent bank, their operation appears, if anything, to have worsened. Their former general manager has left for what was rumored to be frustration, the former O/O has also departed and the new general manager really did not seem to be up to speed on what we expected. Nevertheless, they had apparently taken steps to go with Chase and it was agreed during the meeting that draft drawings, clearings and electronic transfers would conclude as of May 31, 1995. Their draft drawings had been several thousand monthly so there will be float for some time, incoming electronic transfers may also take some time to curtail totally, but at least volumes should immediately drop very quickly.

This poorly managed bank which seemed to be especially lacking in controls on new relationships, was constantly preyed upon by con artists and during the visit, it was noted that their account balance was inflated by approx $250M in checks apparently being returned unpaid, and this was rectified with BINY. CPP last year, now lost was $$70M.

CALL MEMO

FROM: T. WULFF (W/J. Hernandez, GPS)

TO: R. ANGUIZOLA
CC: K. PARKER
X. FIGUEROLA
A. ALLEN (Biny)
H. BRAUTIGAM
E. SALLES

DATE: 5-21-95
SUBJECT: [redacted]

John Benjamin, General Manager
Irma A. Lloyd, OO

DATE OF VISIT: 5-10-95 LAST VISIT: 5-18-94

[redacted]

EUROPEAN UNION BANK, ANTIGUA

Ian Benn, President Ambrose Byron, VP
This bank had written asking for an account relationship and during the visit, provided extensive documentation attesting to their status as a duly authorized offshore bank in Antigua. Ownership, however, was referred to as a group in the Bahamas on which they had no readily available information, quarters were new, unfinished and occupied mostly by computers and their customers are mostly "European investors" who they reach thru "International publications" and the internet. This appears to be an example of what we do not want to get near.

EUROPEAN UNION BANK

May 10, 1995

Mr. Thomas Wolf
Vice President
Latin America/Caribbean
Bank of America
201 S. Biscayne Blvd
Miami, FL
33131

Dear Mr. Wolf,

Thank you for visiting our offices.

European Union Bank, a private off-shore bank, duly incorporated and licensed under the laws of Antigua and Barbuda, West Indies, would like to establish a correspondent banking relationship with your bank.

The European Union Bank provides a wide range of banking services to various groups of clients, both individual and corporate. Because all of our clients are from various parts of the world and are engaged in international business, we are very interested in expanding the range of our international banking services, particularly in providing international money transfer services and foreign exchange services either in a given country's national currency or in other currencies.

Taking into consideration the outstanding reputation of your bank both in your country and throughout the international banking community, we would like to establish a correspondent relationship beginning with the opening of a correspondent account in US Dollars. We have enclosed some general information about ourselves.

Please send us the necessary documentation for opening a correspondent account along with a schedule of fees and charges, current interest rates, a price list of your services, and account management procedures including computer access to the account if offered by your institution.

We expect that our business relationship will be mutually advantageous and will serve to support development of long-term mutual cooperation between our banks. We are certain that these connections will be expanded and be strengthened over time. Further communication may be addressed to Mr. Ian Benn, the President of the bank, or myself.

We would welcome your visiting our bank in Antigua and are always ready to respond to inquiries and questions of interest to you.

Sincerely,

C. Ambrose Byron
Assistant Manager
Correspondent and International Banking

P.O. Box 1043 ▲ St. John's, Antigua ▲ West Indies

EUROPEAN UNION BANK

LIST OF CORRESPONDENT BANKS

COUNTRY	CORRESPONDENT	SWIFT CODE/TLX/ABA#	ACCOUNT NUMBER
ANTIGUA	SWISS AMERICAN BANK ST. JOHN'S	TLX: 2181 AST SAB	USD 1409791
AUSTRIA	CENTRAL WECHSEL AND CREDITBANK, VIENNA	SWIFT: CWAG AT WW TLX: (61) 322 1602 CWAG	ATS 201 62868 00 00 USD 201 62868 01 00 DEM 201 62868 09 00
CZECH REPUBLIC	INTERBANKA PRAHA	SWIFT: INPA CZ PP TLX: 121937 INTBC	USD 1000046740
ENGLAND	CO-OPERATIVE BANK PLC LONDON	SWIFT: CPBK GB 22 SORT CODE: 08 02 11	GBP 0257069968 USD 2111806701
GERMANY	COMMERZBANK FRANKFURT	SWIFT: COBA DE FF TLX: 415 2530 CBD	DEM/USD 400 87 12 606 00
LATVIA	RIETUMU BANKA RIGA	TLX: 161234 RIETS LV	UNRESTRICTED M/CURR 011070930 USD, DEM, CHF, GBP, SEK, ATS, FIM RESTRICTED M/CURR 001603757
LITHUANIA	VILNIAUS BANKAS VILNIUS	SWIFT: CBVI LT 2X TLX: 261601 VILBK LT	LITHUANIAN LITAS (LTL) 073276 USD 07300046
SPAIN	BANKINTER S.A. MADRID	SWIFT: BKBK ES MM TLX: BANKI E	ESP: 17.000177.4
SWITZERLAND	SWISS VOLKSBANK ZURICH	SWIFT: VOLK CH 22 SWO TLX: 813183 SVB CH	CHF: 0208-310322-13 USD: 0208-310322-14-1 DEM: 0208-310322-14
U.S.A.	BANK OF THE WEST SAN FRANCISCO	SWIFT: BWST US 66 ABA# 1211 00782	USD 184 004562

001077

CALL MEMO

FROM: T. WULFF

TO: R. ANGUIZOLA
CC: K. PARKER
X. FIGUEROLA
A. ALLEN
H. BRAUTIGAM
E. SALLES

DATE: 7-26-96

SUBJECT: SWISS AMERICAN BANK

DATE OF CALL: 7-25-96 LAST CALL: 5-10-95

Ken Fisher, General Manager

It has been a year since we requested Swiss American to find another correspondent as the result of their continued operational problems, and they have at least finally managed to redirect their cashletter and payments business, although they still maintain a sizeable demand balance an are the recipients of a considerable volume of in-transfers. We agreed to 90 days for them to notify remitters and close the account totally as we clearly did the right thing in getting rid of this relationship although again, we cannot move too abruptly lest we be accused of damaging their business without apparent cause.

While details were not made available, they also admitted to problems with their ECCB audit which resulted in their petitioning that bank for some relief, citing their previous management problems and steps to clean up in the meantime. Problems apparently included mis-classification and hidden loans, complicated by inadequate followup.

On a related subject, and although I did not call on American International Bank for obvious reasons, exiting that relationship (the account is now totally closed) also seems to have been prudent since although no proof is of course available, their reputation in the local market is abysmal. Rumors include money laundering, Russian mafia, etc., while management of that bank also now includes the former manager of Swiss American Bank, again not a reassuring situation.

CALL MEMO

: 000962

FROM: T. WULFF

TO: J. MCCABE
CC: K. PARKER
H. BRAUTIGAM

E. SALLES
A. ALLEN

DATE: 8-19-97

[redacted]

SUBJECT: Swiss American Bank Limited, Antigua

Bryan Stewart-Young, Manager

Swiss American seems to have made great strides in getting their house in order with this, their offshore bank, now physically seperated from the local bank and with previous management now long departed. At our insistence as the result of some past dublous transactions which passed through their account, they also long ago discontinued their cashletter and electronic payments business with us and have since maintained just a deposit account through which they receive approximately 50 incoming payments monthly, and for which they are very appreciative. This seems to be a reasonable compromise as I had been hesitant to force them to totally close their account as we really had no defensible grounds. With assets of $80MM, Swiss American is unique in this market in that it is now 15 years old. The balance sheet appears to be relatively straight forward and they have eliminated intercompany accounts with their local bank, Swiss American NB. CPP earnings are $8MM to date.

c/o 500 credit file

000059

CALL MEMO

SWISS AMERICAN BANK LTD (ANTIGUA) Feb. 9, 1998

Bryan Stewart-Young, Manager

I today discussed at length with Stewart-Young an article in the Feb. 1998 Caribbean UPDATE concerning a UPI report that the US Government had filed suit to recover more than $7MM in drug money laundered through that bank. This is an old issue going back to the 1980's, and also includes the Antiguan Government. As we have done in other cases, it was my intention to tell him to go find another correspondent bank, explaining that it would be in our mutual interest to avoid the possibility of later embarassments should compliance issues, etc. arise. Also as before, it is difficult to be more forceful as no guilt has been proven, etc.

Stewart-Young was totally cooperative while describing this situation as something which occurred long ago before the bank purged its management, includes heavy involvment of the local government which largely initiated the problem and is an issue in which the current bank is cooperating fully and is hopeful will be shortly resolved.

→ "Due From" deposit acct

The bank has totally changed management and has managed its DF account with us in an entirely satisfactory manner for the past 2-3 years. It uses us only for limited transactions not including cashletter or funds transfers and has been totally cooperative with respect to the clean up of earlier processing problems. I therefore agreed to table this issue for now, while making it a matter of record.

cc: file
Avil Allen, AVP, BA NY

. A second KFC was to open in Paramaribo in early January. In March 1998, Tricon will open the largest KFC restaurant in the Caribbean (200 seats) in Montego Bay, Jamaica. A new KFC store (6,000 square feet) will open in Costa Rica's Plaza del Sol;

. **Taco Bell** recently opened its first restaurant in Kingston, Jamaica (70 seats) and will open a second Jamaican unit in late 1998. **Details: Sally Schick/Antonio Ellek, Tricon, 800 Fairway Drive, Suite 400, Deerfield Beach FL 33441. Tel: 954-725-7416. Fax: 954-421-5061.**

***

APPAREL/TEXTILE EXPORTS UP 26%. Caribbean Basin exports of apparel/textile products to the U.S. for the first 10 months of 1997 rose by 26.4% to US$6.37 billion, according to the U.S. Department of Commerce. Mexico (not part of the Caribbean Basin) has emerged as a serious competitor to the region, with exports to the U.S. of US$4.91 billion, up 41%...**In the sub-category** of Item 807, 807-A and GAL (Guaranteed Access Levels), the Caribbean Basin recorded apparel exports to the U.S. of US$5.3 billion, up 29% from January-October 1996. Leading nations in the region were: the Dominican Republic (up 30% to US$1.7 billion) and Honduras (up 42% to US$1.1 billion). *(See statistical table, page 23, for details by country.)*

***

AA PULLS UP STAKES FROM EASTERN CARIBBEAN. The region's vital tourism sector seems set for some turbulence with a planned withdrawal of American Airline services from the Eastern Caribbean by April 1998. Industry officials say the airline's will withdraw its wide-bodied jet service out of San Juan, Puerto Rico and will instead introduce more flights by the smaller American Eagle which already serves most Eastern Caribbean islands. Tourism officials quote the airline as saying that the larger planes are to be used on the more lucrative routes in the U.S. such as Chicago and Dallas. The decision is expected to affect St. Lucia, Grenada, St. Kitts & Nevis, Antigua & Barbuda and St. Maarten, and other Caribbean territories which are serviced out of the San Juan hub.

VIDEOCONFERENCING NETWORK. The University of the West Indies (UWI) invites sealed bids for the supply and installation of a V-SAT Based Videoconferencing Network and for commissioning and training of staff in maintenance procedures, to be funded by Caribbean Development Bank Loan No. I/SFR/OR/R. Bids are due March 1, 1998. **Details: University Project Implementation Unit, Mik-Arl Bldg., 143 Eastern Main Rd., St. Augustine, Trinidad. Tel: 868-663-2208. Fax: 868-645-7258.** E-mail:

ANTIGUA AND BARBUDA

U.S. SEEKS DRUG FUNDS HELD IN ANTIGUA. The U.S. Government has filed suit to recover more than $7 million in drug and money-laundering proceeds from Swiss American Bank of Antigua, UPI reported December 31, 1997:

. **The U.S. Attorney's office in Boston** says the money represents proceeds from a large-scale marijuana smuggling ring that operated in New England in the mid-1980s. Prosecutors say that between 1985 and 1987, John E. Fitzgerald deposited more than US$7 million in drug proceeds, run by brothers Joseph and Michael Murray, in several accounts at the bank in Antigua. In 1993, Fitzgerald pleaded guilty to money laundering and other charges in a federal court in Boston. The following year, the court ordered the money in the bank's accounts forfeited to the U.S.;

. **The current lawsuit** claims that the bank, on its own and without the knowledge or consent of the U.S., transferred US$5 million of the funds to the Antiguan Government, and also transferred more than US$2 million to itself. Prosecutors say the bank and the Antiguan Government have since refused all requests to return any of the forfeited funds.

***

BASIC EDUCATION PROJECT. Government has obtained a US$10.64 million loan from the Caribbean Development Bank (CDB) to help finance a project to enhance the learning environment at the secondary level. Works include repairs to and expansion of eight secondary schools, replacement of one secondary school, fencing of several schools, the provision of furniture, equipment and educational materials, consultancy services, and 53 fellowships. **Details: CDB, PO Box 408, Wildey, St. Michael,** Barbados. Tel: 246-431-1600. Fax: 246-426-7269.

BARBADOS

SHARP RISE IN ARRIVALS. Long-stay visitor arrivals to Barbados rose by 11.4% to 40,515 in November 1997 vs. the same period in 1996, fueled by a strong performance in the United Kingdom market, the Barbados Tourism Authority (BTA) said January 10. Total visitor arrivals for January-November 1997 rose by 4.8% to 422,337. Cruiseship arrivals for 10 months (January-October 1997) rose slightly, from 398,996 in 1996 to 400,958 this year.

CALL MEMO

FROM: T. WULFF

TO: J. MCCABE
CC: K. PARKER

E. SALLES
A. ALLEN

DATE: 3-17-98

[redacted]

SUBJECT: SWISS AMERICAN BANK LTD. — Closed CR. file

Bryan Stewart-Young, Mgr.

DATE OF CALL: 3-17-98 (by telephone)

I had long ago required Swiss American to discontinue their cashletter (clearings) and wire transfer (Microwire) activities with us as some transactions appeared suspect, although seemingly as the result of simple poor management. With a complete change of management and a cessation of those activities, their DF account had remained open to facilitate in-transfers. We now have the 1/98 issue of Money Laundering Alert describing a possible precedent setting civil lawsuit by the US authorities against Swiss American Bank and others, involving the Antiguan Government, and accusing collaboration with money launderers. As above, Mr. Stewart-Young has today been asked to close their BA New York branch DF account, and Avil Allen will monitor accordingly.

From: Thomas Wulff on 03/17/98 12:11 PM CST

To: Avil V. Allen@BOFA

cc:

Subject: Swiss American Bank Ltd., Antigua, #6550-8-52209
Antigua Overseas Bank Ltd. #6550-6-52039

close on file

000958

I have copied you on call memos noting that I today asked each of the banks above to close their accounts with us at their earliest convenience. Please monitor these balances accordingly and let me know if they do not close within 30 days. As per the memos, this is the result of continued money laundering related inquries.

CALL MEMO

FROM: T. WULFF

TO: J. MCCABE
CC: K. PARKER

E. SALLES
A. ALLEN

000957

DATE: 7-20-98

closed credit file.

SUBJECT: Swiss American Bank Limited (Antigua)

The last of our overseas bank relationships in Antigua, Swiss American will now be transferring the remainder of their deposit balances with us to their existing Chase account, as per my earlier request. Although a very bland US$73MM balance sheet reflecting little more than the arbitrage of local deposits to offshore and a relationship otherwise satisfactory, the bank had been involved in some litigation between the US government and the local authorities concerning the ownership of funds in a situation which although not necessarily wrong, was typical of the offshore industry in Antigua and we had elected to terminate this account relationship. Stewart-Young was understanding and admitted he had been slow to move as he had enjoyed the benefits of reciprocity.

[redacted]

[redacted]

Bank of America
New York Branch

Avil V. Allen
Assistant Vice President

July 1, 1999

Swiss American Bank
St. John's, Antigua, West Indies

Attn: Mr. Vene Hill

Re: A/C #6550-5-52209

Dear Mr. Hill:

Relative to our telephone conversation this morning, we hereby confirm the following:

Value 6/24/99, we complied with your request of 6/16/99 to close subject account and transferred the balance of $2,366,680.30 to your account at Chase.

Unfortunately, we failed to deduct our service charges of $244.62. Therefore in order to close the account, please remit the amount of $244.62 today (7/1/99) for credit to subject account in order to zero out same and subsequently close it.

Thanks for your cooperation.

A.V. Allen, AVP

Senate Permanent Subcommittee
On Investigations
EXHIBIT #__61k__

Exhibit 61k.

Chase Manhattan Bank documents

SWISS AMERICAN BANK LTD.

April 11, 1995

Mr Ante Kljuce
Vice President
Chase Manhattan Bank Ltd
Financial Services Inc
Columbus Centre, 5 Alhambra Plaza
Coral Gables, Florida 33134

Dear Mr Kljuce,

With reference to your discussions with our Mr Tiwari, we confirm that we wish to establish a correspondent bank relationship with Chase Manhattan Bank Ltd. Please note that we would need this account to provide the following services:

- In-coming wire transfers
- Out-going wire transfers
- Cheques drawn on this account
- Deposit of Cash Letters (BN items)

We would appreciate an early installation of your Micro-Station Electronic Banking System to enable us to have access on a daily basis to our account balances and to effect transfers to and from this account. We understand that we would have to provide a Personal Computer with the following minimum characteristics:

- the PC must be IBM compatible;
- there must be 640k random access memory;
- the PC must have a minimum of 20 megabytes free hard disc space.

We shall also need your instructions regarding the establishment of test keys to use in validating telex instructions.

We are enclosing a copy of our Annual Report for 1993 for your records and will submit a copy of our Annual Report for 1994 when the Audited Financial Statements are finalised. Also enclosed is a list of the specimen signatures for officers authorised to sign cheques on behalf of Swiss American Bank Ltd with other specific signature requirements.

../2

April 24, 1995

TO: Lola Raveneau

FROM: Ante Kljuce

RE: SWISS AMERICAN BANK LIMITED

Attached are the following documents in connection with the opening of a new account relationship for the referenced bank.

1. Letter dated 4/11/95 on customer's letterhead requesting that an account be opened, and listing the products and services they will be needing.

2. List of authorized signatories for the new SWISS AMERICAN BANK LIMITED DDA. I have acknowledged receipt as requested.

3. 1993 Annual Report of the Swiss American Banking Group. A 1994 version will follow when 12/31/94 statements are ready for publishing. As per page 26 of the report, Swiss American Bank Ltd. is the group's offshore banking arm. Given that there is a DDA already opened in our books in n/o Swiss American National Bank of Antigua (DDA # 001-1-879285), no further account justification comments are included.

4. ACBS billing profile containing pricing terms negotiated with, and accepted by, the customer.

5. Microstation legal agreement, dated as of 4/20/95. **Equipment checklist form to follow.** Please insure completeness (ie. that all spaces that need to be filled in fact are filled), and return copy of agreement to customer duly signed on behalf of Chase Manhattan Bank, N.A. (I work for a CHASE affiliate and therefore cannot sign.)

   Please note that the customer will want CHART as well as FUNDS TRANSFER (kindly help with the required CCAP set up forms.)

   PLEASE SCHEDULE CUSTOMER INSTALLATION WITH MICROSTATION SUPPORT FOR THE EARLIEST POSSIBLE DATE.

6. Enhanced Nassau Capped AIP agreement and set up form. Please have someone sign the agreement for Chase and forward copy to the customer. Please advise customer and the undersigned of the AIP effective date.

7. Acknowledgement of Pre-Advising procedures, with a $ 10M threshold. **Customer will revert with checkbook order specifics.**

8. Chase Global Inbound Courier Service Agreement and relevant set up forms. Again, please implement cash letter and coordinate effective date with customer. Forward to customer signed copy of the agreement.

Please exchange test keys with customer. The corresponding package should be sent by courier to:

Mr. Romell Tiwari
Financial Controller
SWISS AMERICAN BANK LIMITED
High Street
P.O. Box 1302
St. John's, Antigua

Tel. (809) 462-1806

The fact that there is a related account with a similar name will almost surely present problems. PLEASE EDUCATE CUSTOMER ON HOW TO MINIMIZE POSSIBILITY OF ERROR, AND PICK A SHORT NAME THAT SUFFICIENTLY DIFFERENTIATES BOTH.

Please let me know if you need additional clarification or details.

Many Thanks.

CC: Pat Blake
Ken Brown
Juan de la Cruz

This WIN is remarkable in many ways:

- It stems from a 10/92 proposal by Juan de la Cruz, proving the sales cycle is ageless.
- It covers a wide range of products, ie. DDA, CHART AIP, Micro Funds Transfer, Check Disbursement, Cash
- It typifies the non-credit driven type of opportunity we ought to pursue
- Projected revenue = $71M per annum

5 Alhambra Plaza, Columbus Center
Miami, Florida 33134

CHASE

April 26, 1995

Mr. Kenneth Fischer
General Manager (AG)
SWISS AMERICAN BANK LIMITED
High Street
P.O. Box 1302
St. John's, Antigua

Post-it® Fax Note 7671	Date 4/27/95	# of pages ▶ 2
To Lola Raveneau	From Ante Kljuce	
Co./Dept.	Co.	
Phone #	Phone #	
Fax #	Fax #	

Dear Mr. Fischer:

I am pleased to acknowledge receipt of your letter dated April 11, 1995, wherein you request that CHASE establish a correspondent banking relationship with SWISS AMERICAN BANK LIMITED. I also acknowledge receipt of the accompanying signature authorizations, and of the completed service agreements that you subsequently forwarded.

We at CHASE are delighted to accommodate your request, and welcome the opportunity to enhance our existing relationship with the SWISS AMERICAN BANKING GROUP.

This opportunity presents itself at time when CHASE has lent increased focus to its Caribbean correspondent bank business, by staffing a relationship contact point here in Miami. I am happy to introduce myself as your Account Officer, to be joined shortly by a Relationship Associate, Ms. Aida Strub. Along with our New York-based, Customer Service Center staff headed by Lola Raveneau, we stand ready to support the SWISS AMERICAN BANK relationship in any way possible.

Romell Tiwari will be hearing form us regularly as we open the new account, and procure a smooth overall start-up of all services.

Thanks again for your confidence in CHASE. I look forward to the opportunity of meeting you personally in the near future.

Sincerely,

Ante Kljuce
Vice President

To: Lola M. Raveneau
cc: Ante Kljuce
Patrick B. Blake
From: **Kenneth M. Brown** InfoServ - Internat'l Institutional 212-552-6743 Fax Number: 212-552-1623
Date: Thursday September 21, 1995 10:21 AM
Subject: SWISS AMERICAN BANK GROUP

Confirming our discussion, please initiate a daily item-by-item review of all debits/credits to their accounts, including contents of all cash letters.

I understand you're in a seminar all this week, so I suggest we commence this exercise on Monday 9/25.

Ken Brown

To: Christopher D. Carlin
Patrick B. Blake
Ante Kljuce
cc:
From: Kenneth M. Brown InfoServ - Internat'l Institutional 212-552-6743 Fax Number: 212-552-1623
Date: Thursday October 5, 1995 01:55 PM
Subject: SWISS AMERICAN BANK, Antigua

FOR YOUR INFO

K B

To: Roger Lyster
cc: Ronald J. Tankiewicz
From: Kenneth M. Brown InfoServ - Internat'l Institutional 212-552-6743 Fax Number: 212-552-1623
Date: Thursday October 5, 1995 01:43 PM
Subject: SWISS AMERICAN BANK, Antigua

As discussed, I am messengering to you copies of subject's cash letter items randomly picked from the period 9/22-26.

Items include numerous $700 Postal Money Orders, TC's, and checks payable to domestic U.S. businesses (National Record Mart, Pittsburgh; Intrex Corporation, Maine) which appear to be of a normal commercial nature and thus more appropriately deposited in the payee's "local" bank account.

Let's discuss/review further at your convenience.

Ken Brown
GPTS - Western Hemisphere
1 CMP-18
CN 352-6743

GPTS Institutional Client Tracking
Call Report

Company: 5000347699 - SWISS AMERICAN BANK LTD.
Current Relationship:
Call Date: 01/22/96 Monday
Client Attendees: Brian Stuart-Young; Romell Tiwari
Chase Attendees: Ante Kljuce
Other Chase Attendees:
Location of Meeting: Client Location

Memo By: Ante Kljuce - CN -379-9346

Team: E Carib Svc Prod (H93)
Area: Western Hemisphere
Purpose: Enhance Relationship Outcome:
Summary: Relationship enhancement call / Bene D, Chase Premier and Investment Management leads resulted
Cross-Sell Effort: No
With:

Met with Brian Stuart-Young, Business Development Manager (No. 2 in the management chain), and with Romell Tiwari, Financial Controller (my day-to-day contact). Following our office meeting, these gentlemen, plus Director Alan Thompson, treated me to dinner.

SAB has 3 franchises in Antigua: an onshore bank, an offshore bank and a trust company. The onshore bank dates back to 1981 whereas the other two entities were created in 1983, upon passage of Antigua's offshore banking legislation.

Both onshore and offshore banks keep DDA's with Chase, but the latter is the one with significant activity and the one which resulted from a negotiated business proposal.

My main goal was to press subjects for full delivery of anticipated transactional / revenue stream. We negotiated a piece of business worth $70M per annum nearly 1 year ago and are only seeing a run rate of $48M. Tiwari promised further growth, blaming the underplan position on: (1) the fact that their (offshore) customers continue to wire-in funds through Bof A, and (2) the hurricane hitting the island last September, which cut down service, set back growth objectives, etc. He promised to broadcast Chase as the preferred pay-thru bank in customer statements and undertake other efforts to grow our IMT volume.

I believe SAB has been cautious not to fully convert to Chase until giving our systems / service a fair trail. The fact that there have been no major dissatisfiers, coupled with assurances I gave them about our commitment to the market, should move them to flush out at least another $12M worth of annualized IMT business over the next 6 mos., without considering new product initiatives.

The following new product initiatives were in fact discussed and drew strong preliminary interest:

- Beneficiary Deductions - SAB would convert their non-sensitive IMT traffic to Beni D.
- Premier Collections - A natural candidate, given that SAB is an existing cash letter customer.

They liked the fact that they could cease to demand cashier checks on some of their transactions calling for up-front funds availability commitments.
- CMIS Referring Institutions Program - They liked this scheme very much, and said they were about to ask if we had a comparable product had I not brought it up first. This program would enable them to outsource to Chase's CMIS provision of individualized brokerage services to their retail client base.
- Investment Management - When I asked them to tender some of their own institutional liquidity for investment management, they came up with the following criteria: 8% return net after taxes, 3 to 12 month average maturities and an AAA rating. The tendered funds pool is currently $5MM but could grow to $30MM given scheduled implementation of new products and services. It is currently invested in Bermuda.

It is premature to estimate volume / revenue payoff from some of these product initiatives. Yet SAB management conceptually thought each of them could help them. I will follow up to insure progression of the sales cycle.

During our meeting, I raised the subject of money laundering and asked what procedures SAB had in place to deter it. They said this matter was of utmost concern to them, and cited requirements embedded in account conditions delivered to every new customer (in fact , they provided me with a copy). They also said this subject is covered in internal guidelines to marketing officers. In general, I found that the threat of money laundering is explicitly recognized and guarded against by Antiguan bankers. They tend to put it in the context that it is not worth risking the legitimate offshore business: tax avoidance and asset protection, for the huge downside of taking on the illegitimate offshore business: drug- related.

Follow-up:

Date: Completed:
Action:
Comments:

To: Ante Kljuce
cc:
From: **Kenneth M. Brown** InfoServ - Internat'l Institutional 212-552-6743 Fax Number: 212-552-1623
Date: Friday March 15, 1996 04:53 PM
Subject: **SWISS AMERICAN BANK**

My sources tell me that "international financier" Bruce Rappapport, the alleged owner of Swiss American, is an Israeli shipowner who established Maritime Bank in Switzerland, now BONY-Maritime with Rappaport still the Chairman. We once had credit lines to Maritime, but we became "uncomfortable" and cancelled them (this all happened before BONY bought into the operation).

Rappaport is a controversial figure - his supporters would probably characterize him as aggressive, innovative and entrepreneurial. His detractors would probably choose far less kind words to describe him. As best as I can tell, however, he could be called a "Donald Trump type", but not a "Robert Vesco type", i.e, he's a wheeler-dealer but has no known involvement with any truly nefarious activities (e.g., drugs). Obviously, our colleagues at BONY seem to consider him a respectable partner.

K B

To: Wayne Bennett
cc:
From: **Kenneth M. Brown/CHASE** GPTS-Transac Appvl Gp 718-242-7844 Fax Number: 718-242-5427
Date: Friday October 3, 1997 12:20 PM
Subject: **Re: Swiss American National Bank A/C#001-1-879285**

No, I don't know the nature of the request.

K B

---- Previous E-Mail ----
To: Kenneth M. Brown/Chase
cc: Christopher D. Carlin
Ronald C Ferraris
Ana M. Garcia
From: **Wayne Bennett** Global Payment & Treasury Services CN 321-3060 Fax Number: CN 321-6821
Date: Friday October 3, 1997 11:52 AM
Subject: **Re: Swiss American National Bank A/C#001-1-879285**

Ken,

Not to my knowledge, however, I have asked Lynnette Taitt, who montitors this on my staff, to verify. Do we know why Legal has requested the info. on the account?

Wayne

---- Previous E-Mail ----
To: Wayne Bennett
cc: Christopher D. Carlin
Ronald C Ferraris
Ana M. Garcia
From: **Kenneth M. Brown/CHASE** GPTS-Transac Appvl Gp 718-242-7844 Fax Number: 718-242-5427
Date: Friday October 3, 1997 11:25 AM
Subject: **Swiss American National Bank A/C#001-1-879285**

FYI - this just came to my attention.

You may remember that we recently closed the DDA of American International Bank, Antigua, and I was surprised that there was no concurrent government investigation of Swiss American (which was the inspiration for American Int'l).

Looks like somebody is interested.

Do you know if Swiss American ever comes up in your meetings with Legal re suspicious transactions?

Ken

---- Previous E-Mail: ----
To: Deanna L. Spearin
cc:
From: **Isabel Alonso** Global Customer Service - L.A. 242-9009 Fax Number: 242-6434
Date: Wednesday June 18, 1997 09:42 AM

Subject: Urgent/Swiss American Bank Limited A/C#001-1-879293
Swiss American National Bank A/C#001-1-879285

Deanna:

Linda Lewis/legal Dept have informed that we have received **Subpoenas** on the above accounts. They are requesting copies of documentation from our files and account statements from 6/1/94 to 1/1/95.

Please attend the above request rightaway and have Lupe make the copies of our files

Thank you and regards,

Isabel

GTM Client Tracking
Call Report

Company: 0037581808 - SWISS AMERICAN BANK LTD.
Current Relationship: Yes
Call Date: 11/10/98 Tuesday

Client Attendees: Brian Stuart- Young, Managing Director
Vere Hill, Manager
Chase Attendees: Gerardo L. Cahn
Josefita L. Robinson
Other Chase Attendees: Team Leader
Location of Meeting: Client Location

Memo By: Josefita Robinson - 212-552-4913

Team: Central America
Area: Western Hemisphere
Purpose: Follow-up on CPS-Check Print proposal, FT/PC Documentation, obtain update info on customer Outcome: Closed Deal
Summary: Updated information on subject provided by Brian Stuart-Young regarding the positive court ruling handed to them by the U.S. District Court of Massachusetts. Customer is very excited about CPS-Check Print and the primary benefits given them in a letter offering. Agreement received on 11/13/98. Will use FT/PC (conversion from microstation). Chase Insight discussed as part of the integration and automation efforts for them to consider; proposal requested. Looking into the internet (E-Commerce) and how to develop this market (find a niche). Possibilities explored such as digitizing ACH, ID Certification. They would like to be informed once pilot starts on the latter. Intermediate term, will look into the Euro as its importance grows and might consider a multicurrency account with Chase which they now have with Midland Bank PLC.
Cross-Sell Effort: No
With:

Topics covered during the meeting:

- U.S. Court Ruling in Boston, Massachusetts favored Swiss American Bank Ltd. the second time around after the U.S. Government appealed its case to collect $7 million from subject. Mr. Stuart-Young gave the background on this case whereby the U.S. government insisted collecting the above amount from them after it tried to collect this amount from the Minister of Finance in Antigua which refused to turn it in. At the time this occurred, there was no treaty between the U.S. and Antigua on handling suspected money laundering assets. Presently, a Mutual Legal Assistance Treaty is in place. Swiss American Bank is under the jurisdiction of the latter and at their request submitted the funds to them; funds belonging to a reputed money launderer. A recent article from the WSJ published the outcome of the decision, etc. Documentation of this case was provided to us by Mr. Stuart-Young for our review and reference ; copy to be forwarded to Chase risk management for discussion.

Customer account base is only 2% South American, 20% European and the rest is North America (primarily.Canadians). Less than twenty accounts have deposits of more than $500K, three or four accounts have $1 million and up. Trust and private banking business derived primarily by word of mouth.

International Portfolio Report is a promotion publication which gives the fax flavor for each Caribbean island.

- CPS - Check Print - Proposal was sent prior to the visit and Vere Hill indicated that they were excited with the product, seemed better than Gold. Check issued is now closed to 2,000 per month and likely to double in 1999. Part of the volume is coming from checks issued to winners of the virtual casino players on the internet; their customers instruct payee to be paid via fax and an indemnification is provided. Virtual casino is licensed in Antigua. An article from the Interactive Gaming Council titled " Congress Strips Internet Gaming Prohibition From Final Budget Bill " dated October 21, 1998 was given to us (dated October 21, 1998). Original contract of CPS-Check Print was handed to subject along with the authorized signature form for digital purposes for their completion. Agreement was received on 11/13/98.

Mr. Hill inquired if technical assistance could be given as to the direction, software, structure, protocol, administrations , security for their customers to interface (import) information to Swiss American Bank.

- Chase Insight - with the use of CPS-Check Print and subject wanting to further automate their transactions, a proposal will be sent out.

- FT/PC Updated Authorized Security Individuals Documentation provided for execution. This is needed prior to Andy Benjamin (FT/PC technical support) visit for implementation and training. Subject needs to be converted from microstation. We also recommended using FT/PC as an interim while they evaluate the merits of Chase Insight. Updated documentation received and forwarded to FT/PC technical support.

- Future interest looking into: 1) They are looking into the internet (E-Commerce) as to how they can develop this market to find a niche, taking into consideration the "free zone" to license and that they have good communications with Cables and Wireless. Gerardo spoke on digitizing payment via clearing house (ACH) due to lower costs but slower processing (next day basis) on CPS. Writer spoke about the project on ID Certification, a multilateral function to be offered by Chase and other participating banks. Mr. Stuart-Young requested to be posted on this project.
2) Euro - volume minimal presently but recognizes importance in the future.
3) Has a multicurrency account with Midland Bank PLC - may think of moving this to Chase since real-time account information is important. Swiss American Bank assets are now $95 million, financial statements requested for evaluation of our Chase London to see if subject meets criteria.

Follow-up:

Date: 12/28/98 Monday Completed: No

Action: Send Chase Insight (IM, CPS.General Ledger, Cash Decision Worksheet) proposal.

Comments:
Power User Section

CHASE

The Chase Manhattan Bank
Chase Treasury Solutions
One Chase Manhattan Plaza
7th Floor
New York, NY 10081
Tel 212-552-4913
Fax 212-552-1623

Josefita L. Robinson
Vice President
Sales

11/16/98

To: Ken Brown

Pls. find attached ruling and decision made by the U.S. District Court of Massachusetts for Swiss American Bank Ltd. ~~The~~ after an appeal was made by the U.S. Gov't. Also, plans of Antigua to bar undocumented cash deposits.

JO (R)

To: Ante Kljuce/Chase
cc:
From: Gerardo L. Cahn/CHASE Chase Treasury Solutions Public (954) 349-3429 Fax Number: Public (954) 349-3521
Date: Thursday February 18, 1999 07:52 AM
Subject: Re: Varios

Ante,

1)

2) SAB - ok. te adjunto al final mis apuntes hechos duarnte el viaje de noviembre en que los conocí. Te sugiero que no gastes demasiado tiempo en esto: si te robas alguna propuesta que ya tengas (o si no, yo te mando una 'de las mías') y se las envías, tal vez después gastes el mismo tiempo en hablarles y ver qué necsitan para aceptarla. No es gran cuenta, pero si aceptan, pocemos considerar cualquier aumento de revenue desde la instalación en adelante como parte de ese mismo win.

3)

4.

5.

Gerardo

Notes on SAB (from my personal PIM):
Swiss American Bank
call 2/5/99 /proposal
Jo 'reminds' me of my committment to send them a popcsal for Insight --I don;t recall ever hearing about it, but must be my age ...--
I call Vere and Brian. Again, Brian is very cooperative. They want IM, CPS and "all functions, to know what you have"
He will call me the next time he comes to Miami, to get together (this time I was out when he came).
call 11/15/98 Ken Brown
his boss is furious about the news published in the Wall Street J. on the US Gov't losing the case against SAB for lack of merit. (Jo has all the paper clips).
He wants to close the account. I tell him no unless we have a universal policy in the region, but it is up to them.
A couple of days later, the boss reluctantly relented. For the time, at least, they are OK.
The pressure from the USGov't is likely to keep incresing, so these kind of accounts are very likely to die any time soon, anyway, because of the cost of complying with rules, if for nothing else.
visit 11/10/98 /USA Gov't sues them

part: Brian Stuart-Young, Vere Hill, Lilrose Camacho; Jo Robinson, GIC .

I came with Jo for a call

The issue of a sue by the US Gov't against them just hit the Wall Street Journal.

Brian S-Y was very dedicated to showing us the clarity of their position. he showed copies of the resolution by a Boston (twice) turning down the US Gov't case; alsc, copies of their promotion and operational material showing starture and honesty. brian himself is a well known public figure in the island, involving in giving stature to the legislation and the banking community, as a survival mechanism. For details of the case itself, see copies of the docs that Jo has.

Antigua became independent in '91, and they were established in '93 - they are the oldest international bank (offshore).

They have a local bank, with 4 branches, a Trust company, established in '83. The funds in the trust are 83MM plus 7MM in equity base.

There are articles about them in several international publications: OFC of 98/99, and "Portfolio Int'l" of Nov98.

The reason behind the increase in transactions with us, mainly paper checks, is because they are conductting the payments for the casinos in the island, especially those that use the internet. They are very careful to send winners' checks immediately, via mail, directly from the island to the beneficiar, as soon as they are so requested, to avoid damaging the casino's image. The way this works is that the gaming occurs by debiting a credit card. and winners get a refund if wining the same tday as the original debit; any positive banalance, or wins over current account, are sent via check.

Brian was extremely interested in the possibility of using ACH to replace credit card processing for this business. We also talked about Chase's "pay button". he wants to keep abreast of what goes on.

action item:They feel they need training in payments basics. I promised a commercial payments manual.

11/18/98

Jim Nicholas

generally bad rep but
not on anybody's
Hit List
Rappaport & Marc Rich
Gary Glick
No known business
w/ Rappaport

From: James A. Nicholas on 11/18/98 11:27 AM
Fraud Prevention and Investigations 212 701 5323

To: Kenneth M. Brown/CHASE@CHASE
cc:
Subject: Swiss American Bank

Ken,

Set out below are the instances in which Swiss American Bank has come to the attention of our department under circumstances which cause concern:

6/96 - $23,000 in PMO's were in one deposit and bore the name of the same payee

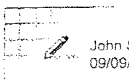
2/98 - We received a phony telex from a German bank instructing us to credit the amount of $45,000 to the account of Swiss American Bank for further benefit of another party. It was similar to messages which had originated in Nigeria. The ultimate beneficiary of this transaction had come to our attention in connection with a prime bank-standby letter of credit scam in 1993.

8/98- Another US bank informed us that two of their customers were victims of unauthorized funds transfers totalling $64,786 which were sent via Chase to Swiss American bank for further credit to a third party. Attempts to recall the funds were unsuccessful.

9/98- A German national under investigation in Germany for criminal activity is suspected of transferring $20,400 from his wife's account there to Swiss American Bank for further benefit to a third party.

Hope this sufficient for your purposes.

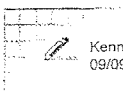
Jim



John Stevens
09/09/99 04:18 PM

To: Kenneth M. Brown/CHASE@CHASE
cc: Joseph Martin/CHASE@CHASE, David A. Weisbrod/CHASE@CHASE, Christopher D. Carlin/CHASE@CHASE, Ronald C Ferraris/CHASE, Edward M. Scherling/CHASE, Wayne Bennett/CHASE@CHASE
Subject: Re: Caribbean Bank DDAs

Obviously, "know your customer" policies presumably have been covered off, and someone looks after them.. Also, I believe that the SCO's should be aware of corporate and institutional names in their respective countries.
Kenneth M. Brown



Kenneth M. Brown
09/09/99 03:29 PM

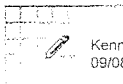
To: Joseph Martin/CHASE@CHASE, John Stevens/CHASE@CHASE
cc: David A. Weisbrod/CHASE@CHASE, Christopher D. Carlin/CHASE@CHASE, Ronald C Ferraris/CHASE, Edward M. Scherling/CHASE, Wayne Bennett/CHASE@CHASE
Subject: Caribbean Bank DDAs

For Info Only - the subject came up in casual conversation with Vince.

Just wanted everyone to be aware that there **are** DDAs residing elsewhere in CMB which are outside of my Team's "jurisdiction" and thus not subject to our screening or monitoring.

Ken Brown

---------- Forwarded by Kenneth M. Brown/CHASE on 09/08/99 03:25 PM ----------



Kenneth M. Brown
09/08/99 03:33 PM

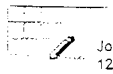
To: Vincent J. Pisano/CHASE@CHASE
cc:
Subject: Caribbean Bank DDAs

As mentioned, there are numerous accounts of Caribbean and other non-US banks **not** opened through Global Bank or Chase Treasury Solutions. I have often "stumbled upon" such accounts which appear to

have been accepted by PBI or the retail branch system.

FYI, the following Antigua bank DDAs are under the jurisdiction of the United Nations Branch:

Ken Brown



John Lanza
12/01/99 07:47 PM

To: (see below)
Subject: Antigua

Our minutes indicate that Ken Brown will follow up to confirm that C.M.S. International is a gambling establishment or the like, and the following indicates that this is the case. He got the appropriate person and we followed up and learned that it is so related. These involved the the instruments provided when a gambler takes a credit card advance.

Regards,

John

---------- Forwarded by John Lanza/CHASE on 12/01/99 07:30 PM ----------

Ante Kljuce 12/01/99 04:07 PM

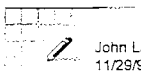
Chase Treasury Solutions (305) 386-4888 Fax Number (305) 386-6986

To: John Lanza/CHASE@CHASE
cc:
Subject: Antigua

John,

Swiss American (Brian Stuart Young and Vere Hill) confirmed that C.M.S. International operates Kings Casino, which is a name you apparently know. They also confirmed that Kings is a land-based (i.e. brick and mortar) gaming establishment, not an internet-based one.

Ante



John Lanza
11/29/99 04:24 PM

To: Ante Kljuce/CHASE@CHASE
cc:
Subject: Antigua

Yes, I think it would be a good idea to ask Swiss American Bank about C.M.S. International because this string was identified in their deposit. As the Coral Reef string was identified in the deposit of Antiqua Overseas Bank Ltd., it may not be a good idea to bring this up with Swiss American Bank.

Thanks,

John

Ante Kljuce 11/29/99 08:36 AM

Chase Treasury Solutions (305) 386-4888 Fax Number (305) 386-6986

To: John Lanza/CHASE@CHASE
cc:
Subject: Antigua

John,

Do you want me to ask Swiss American Bank directly about C.M.S. and Coral Reef, at this time ?

John Lanza
11/24/99 03:18 PM

To: Ante Kljuce/CHASE@CHASE
cc: Kenneth M. Brown/CHASE@CHASE
Subject: Antigua

Hi Ante,

FYI, we have an understanding of the items used at gambling establishments. Integrated Payment Systems Inc. (IPS) has some sort of an arrangement with credit card companies whereby gamblers are able to get a cash advance on their credit cards at gambling establishments and get in return what looks like a check but is a money order. We see saw this instrument being used in NYC Off Track Betting establishments before we saw them being used in like manner in gambling establishments in Aruba and Antigua. Our understanding is that the purchaser is not exchanging cash for these instruments, but is simply taking out a credit card advance, presumably so that he or she can keep on gambling.

Whereas we know that NYC OTB is a gambling establishment and that Keno Palace and Kings Casino are gambling establishments, we don't know what C.M.S. International and Coral Reef are. I would guess they are gambling establishments, but we are doing our due diligence to find out for sure so that we can explain the transactions.

In one instance, Swiss American Bank made a deposit with us in July of a string of these instruments issued by IPS. Each instrument has a different purchaser (or recipient of a credit card advance), with the purchaser idenfication information, but they are all made payable to C.M.S. International, and the instrument shows the number of the credit card used for the cash advance.

In the other instance, Antigua Overseas Bank Ltd. made a deposit with us in August of a string of these same instruments, purchased by different persons but all made payable to Coral Reef.

We were wondering if C.M.S. International and Coral Reef are gambling establishments, and if not, what type of businesses they are and if the explanation is any different from our understanding of what these transactions represent.

Say hello to Carlos for me. Hope you have a good holiday!

Regards,

John

To: Sharon Best/Chase @Chase
Kenneth M. Brown/Chase @Chase
Sharmistha Chaudhuri/Chase @Chase
Peter Flattery/Chase @Chase
Keith Millar/Chase @Chase
John Mcgrath/Chase @Chase
Lynnette Taitt/Chase @Chase

cc: Gregory S. Meredith/Chase @Chase
Christine Arrata/Chase @Chase
Wayne Bennett/Chase @Chase
Kevin Finley/Chase @Chase

John Lanza
11/29/99 04:25 PM

To: Kenneth M. Brown/CHASE@CHASE
cc:
Subject: Antigua

FY!

---------- Forwarded by John Lanza/CHASE on 11/29/99 04:24 PM ----------

John Lanza
11/29/99 04:24 PM

To: Ante Kljuce/CHASE@CHASE
cc:
Subject: Antigua

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Thanks,

John

---------- Forwarded by John Lanza/CHASE on 11/29/99 04:00 PM ----------

John Lanza
11/24/99 03:18 PM

To: Ante Kljuce/CHASE@CHASE
cc: Kenneth M. Brown/CHASE@CHASE
Subject: Antigua

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Say hello to Carlos for me. Hope you have a good holiday!

Regards,

John

---------- Forwarded by John Lanza/CHASE on 11/24/99 02:55 PM ----------

Kenneth M. Brown
11/24/99 02:56 PM

To: John Lanza/CHASE@CHASE
cc:
Subject: Antigua

Ante Kljuce (CTS Sales Officer who covers the Caribbean) had no knowledge.

Ken

---------- Forwarded by Kenneth M. Brown/CHASE on 11/24/99 02:42 PM ----------

Kenneth M. Brown
11/24/99 02:11 PM

To: Ante Kljuce/CHASE@CHASE
cc:
Subject: Antigua

We've seen items deposited by several Antigua Banks payable to C.M.S. International and Coral Reef -

any idea **what** these payees are??

Also, there are items payable to Keno Palace and Kings Casino, which are presumably licensed gaming establishments??

DO NOT CALL ANY CUSTOMERS AT THIS TIME - THIS IS NOT A WITCHHUNT - JUST SHARE WITH ME ANY KNOWLEDGE THAT YOU HAVE

Ken

Ante Kljuce 12/06/99 11:50 AM

Chase Treasury Solutions (305) 386-4888 Fax Number: (305) 386-6986

To: Kenneth M. Brown/CHASE@CHASE
cc:
Subject: Bank of NY - Intermaritime

As per a conversation with Swiss American's Brian Stuart-Young this morning:

1. Swiss American Bank Ltd. and Swiss American National Bank of Antigua, both of which are incorporated in Antigua, are 100% owned by Swiss American Holdings, S.A., a Panamanian corporation.

2. Swiss American Holdings S.A. is 100% owned by Carlsburg, S.A. (or Carlsberg, S.A.), another Panamanian company which is essentially fully owned by Bruce Rappaport.

3. Internaritime has no present ownership nor business affiliation with Swiss American Bank Ltd. nor Swiss American National Bank of Antigua. A correspondent relationship used to exist.

4. Bruce Rappaport used to be a prominent shareholder in Intermaritime. Approximately 5 years ago, Bank of New York bought into Intermaritime, which resulted in the latter changing its name to Intermaritime-Bank of NY, and which positioned Bank of New York as at least another (if not THE) most prominent shareholder in Intermaritime.

5. Bruce Rapapport is believed to have direct stock ownership in Bank of New York.

My conclusion here is that we MAY have some indirect, common ownership by Rappaport in Swiss American and in Intermaritime. However, whereas his ownership of Swiss American is full and unquestionable, it is unclear whether he even has principal or controlling interest in Intermaritime- Bank of New York. Brian Stuart-Young can address the Swiss American ownership details, but it would be unreasonable for me to press him for details on the Intermaritime side of the ledger.

Qué Mas Quiere ?

Ante

---------- Forwarded by Ante Kljuce/CHASE on 12/06/99 11:28 AM ----------

Kenneth M. Brown
12/02/99 03:36 PM

To: Philip Reynolds/CHASE@CHASE
cc: Josiane Fleming/CHASE@CHASE (bcc: Ante Kljuce/CHASE)
Subject: Bank of NY - Intermaritime

Josianne left me a VoiceMail saying this DDA was really driven by custody-related business and she expected the account to be closed. I now recall having seen seen earlier E-mails to that effect. (I think

your name was on them??)

Any idea where things stand?

Ken

---------- Forwarded by Kenneth M. Brown/CHASE on 12/02/99 03:22 PM ----------

Kenneth M. Brown
12/02/99 11:18 AM

To: Josiane Fleming/CHASE@CHASE
cc: Ante Kljuce/CHASE@CHASE, Sherry B. Selman/CHASE@CHASE
Subject: Bank of NY - Intermaritime

Issue is rather critical as Swiss American is seeking to open additional DDAs and expand business with CMB. We would obviously be "influenced" by CMB-Switzerland's perspective.

Ante - after further reflection, please approach them re specifics of their ownership and precise relationship with Intermaritime.

Ken Brown

---------- Forwarded by Kenneth M. Brown/CHASE on 12/02/99 10:59 AM ----------

Kenneth M. Brown
11/26/99 12:38 PM

To: Josiane Fleming/CHASE@CHASE
cc: Sherry B. Selman/CHASE@CHASE
Subject: Bank of NY - Intermaritime

As I believe you're aware, there's a "sister" bank in Antigua, Swiss American, which is believed to share common ownership with your customer (e.g., Bruce Rappaport) and which also has DDAs with CMB-NY. To the best of my knowledge (and this means essentially a **lack** of knowledge) these two institutions operate separately.

However, given the recent revalations about Intermaritime, I wondered what actions, if any, you were taking regarding continuation of their DDA with CMB. Swiss American is a CTS-only customer (Latin America: Caribbean) and we're reviewing that "relationship".

Ken Brown
Chase Treasury Solutions
Credit Risk Management

Gerardo L. Cahn 12/02/99 06:37 AM

Chase Treasury Solutions Public +1(954) 349-3429 Fax Number: Public +1(954) 349-3521

To: Ante Kljuce/CHASE
cc:
Subject: Re: Varios

Ante,

Habla con Ken Brown y plantéale la teoría que, en tanto Chase no decida otra cosa, son un "client in good standing" y no hay por qué negarles servicio. Yo hablaré con J.Martin el martes si la cosa se ve mal. Si Ken dijera que no (no veo por qué él habría de ponerse más papista que el papa) lo hablamos tú y yo el martes, ¿te parece?

G.

Ante Kljuce

Ante Kljuce 12/01/99 04:44 PM

Chase Treasury Solutions (305) 386-4888 Fax Number: (305) 386-6986

To: Gerardo L. Cahn/CHASE@CHASE
cc:
Subject: Varios

Gerardo,

Swiss American

Hablé con la filial *onshore*esta mañana, y me pidieron abrir cuentas FX en Londres. Me confesaron que el Midland se las había cerrado. Luego, ahora en la tarde, Vere Hill de la *offshore* también me pidio abrir lo mismo. Cuando le pregunté que si era que Midland los estaba echando a granel, me dijo que a la *onshore* aún no, pero que lo veían venir, que Midland estaba saliéndose de este negocio en el Caribe, etc.

Lo que yo veo venir en Chase, es una situación similar a Carlsen, donde nos manejamos sin eventualidad con lo existente, pero al momento de querer abrir una cuenta(s) nueva(s) se presentaron complicaciones, pues se requiere que *Risk Management* apruebe, etc. No sé que irá a pedir Joff Henley, el Ken Brown de Londres, pèro seguro va a querer algo del Client Manager (???), y a quién le pedimos que avale el nombre ?

Que hacemos ? Vere Hill va a estar toda la próxima semana en Miami Beach en un seminario de BAI, pero Brian no viene. Será hora de decirle francamente que abrir nuevas cuentas nos presentaría muchos problemas ? .....lo cual me pone a pensar.....les envié recién una propuesta de Syracuse Controlled Disbursement para resolver el espinoso problema del CPS Check Print que no es capáz de pre-avisar a Chase NY. Me pregunto ahora si Ken Brown autorizará esa nueva cuenta ? Que me recomiendas ?

(Justo en los últimos días han estado preguntando Brown y John Lanza sobre la naturaleza de un cliente de SAB, por una secuencia de MOs que habían visto trasegar la cuenta y cuyo nombre no reconocían)

Cargos de TSR

Cuál es la política actual referente a nuestra absorbción de cargos de TSR (tanto *fees* como *out of pocket*) ? Como sabes, tradicionalmente en Latino América nunca cobramos esto y últimamente se están presentando casos donde Al López y/o MZ están sugiriendo que ellos pasan los cargos igual, si no al cliente a nuestros respectivos *cost centers*.

Ante

Gerardo L. Cahn 12/02/99 6:37 a.m.

Chase treasury Solutions Public +1(954) 349-3429 Fax Number: Public +1 (954) 349-3521
To: Ante Kljuce/CHASE
cc:
Subject: Re: Various

Ante,

Talk with Ken Brown and suggest the theory that as long as Chase doesn't decide otherwise, they are a "client in good standing" and there's no reason to deny them service. I will speak with J. Martin on Tuesday if it's not going well. If Ken says no (I don't see why he would be more Papist than the Pope), you and I will talk to him together on Tuesday, what do you think?

G.

Ante Kljuce

Ante Kljuce 12/01/99 04:44 PM

Chase Treasury Solutions (305) 386-4888 Fax Number: (305) 386-6986

To: Gerardo L. Cahn/CHASE@CHASE
cc:
Subject: Various

Gerardo,

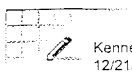
Swiss American

I spoke with the on-shore affiliate [in the] morning, and they asked me to open FX accounts in London. They told me that Midland had closed them. Then, now in the afternoon, Vere Hill of the offshore also asked me to open the same. When I asked him if Midland was doing it in large quantities, he told me that the onshore wasn't doing it yet, but they saw it coming, that Midland was getting out of this business in the Caribbean, etc.

What I see coming at Chase is a situation similar to Carlsen, where we operate with no eventuality [sic] with what exists, but when it comes to opening a new account[s], there are complications, since they require that Risk Management approve, etc. I don't know what Joff Henley, the Ken Brown of London, will ask, but he will certainly want something from the Client Manager (???), and whom will we ask to guarantee the name?

What should we do? Vere Hill is going to be in Miami Beach at a BAI seminar all next week, but Brian isn't going. Is it time to tell him frankly that opening new accounts would give us a lot of problems? ..... which makes me think .... I just sent them a proposal from Syracuse Controlled Disbursement to resolve the thorny problem of CPS Check Print which cannot pre-notify Chase NY. I'm now asking myself if Ken Brown will authorize that new account? What do you recommend?

(Just recently, Brown and John Lanza have been asking about the nature of a client of SAB, because of a series of MO's that had passed through [?] the account and whose name they did not recognize.



Kenneth M. Brown
12/21/99 12:27 PM

To: Ante Kljuce/CHASE@CHASE
cc: Gerardo L. Cahn/CHASE@CHASE
Subject: Swiss American Bk

PRIVATE / CONFIDENTIAL / OFF THE RECORD

SAB is getting too much bad press - it's even used as a Case Study in our Money Laundering Training. It **must** be rigorously examined without further delay. If Credit raises the issue, they're "under attack" from the outset. If **you** raise the issue ("the best defense is a good offense"), you may still have a shot . [And if we all do nothing, we will all look like idiots, plus **any** request for new accounts/services will most probably be denied.]

Here's what I suggest:

A) Lay out the background on SAB
B) Describe what you want to do, and
C) Describe how you propose to "police" them.

D) Get Skea's support (since Ken Lay is lame duck at this point)

E) Seek concurrence of John Stevens & Chris Carlin

By "background", I mean a succinct but honest listing of the pluses and minuses, such as (not necessarily complete):

PLUSES:
We solicited them, not them/us.
DDA has been conducted properly - no issues whatsoever.
Good revenue generator
I've reviewed their Cash Letters - nothing suspicious.
To best of our knowledge, their strategy (soliciting PBI types via Frequent Flyer magazines and Website) is completely legal - probably no different from our own PBI activities.
Per their statement, customer base is about 80% US/Canadian; 20% European; only 2% Latin American (i.e., not the Medellin Cartel).
Only 15 customers have accounts > $500M; only 4-5 > $1MM (again, not exactly major drug dealer profile).
Management completely open with us.
They themselves have been quick to pull the plug on suspicious customers.

MINUSES:
Not a "strategic" customer.
Their domicile (Antigua) lax.

They've been drawn into several frauds/money laundering incidents but were cleared.
Their strategy undoubtedly attracts individuals evading taxes in their home countries.
Ownership (Bruce Rappaport) is contoversial.

By "what you want to do" I mean:
Absolutely no credit facilities (I presume)
Maintain existing business plus accept new accounts (I presume)

By "how to police them" I mean:
CMB visits
Other conditions, controls, informational requirements, etc (for example, continuing to review Cash Letters, getting info on customer base, etc on a periodic basis)

K B

Isabel Alonso
01/05/2000 09:29 AM

1/11/00 - Vera Hill will speak to Frances & advise her that we will not move to open FX accts. for them in US. until we are able to re-position SAB internally as regards risk management

Global Customer Service - L.A. 552-3091 Fax Number: 383-6066

To: Ante Kljuce/CHASE@CHASE
cc:
Subject: Swiss American National Bank

Ante:

"Feliz Ano Nuevo"

Received a call yesterday from Frances-Ann Melleson-Miller in reference to the new account that they would like to open. Could you please call her.

Best regards,

Isabel

---------- Forwarded by Isabel Alonso/CHASE on 01/05/2000 09:23 AM ----------

Isabel Alonso
12/10/99 03:09 PM

Global Customer Service - L.A. 552-3091 Fax Number: 383-6066

To: Ante Kljuce/CHASE@CHASE
cc: (bcc: Isabel Alonso/CHASE)
Subject: Swiss American National Bank

Ante:

I received a call today from Frances Melleson-Miller Tel. (268) 480-2250 or 2201. She was calling in regards to the Euro account which they want to open with Chase. I indicated to her that your were currently on a business trip. However, I agreed to relate the message to you.

PS. During my visit this customer mentioned that they were interested on FT/PC, AIP Investments and Chaselink service, maybe you could follow up on this with her.

Regards,

Isabel

Kenneth M. Brown
03/28/2000 01:59 PM

To: Wayne Bennett/CHASE@CHASE
cc:
Subject: Swiss American BankControlled Disbursement A/C

---------- Forwarded by Kenneth M. Brown/CHASE on 03/28/2000 01:58 PM ----------

Christopher S. Felice
03/27/2000 09:39 AM

Global Client Services 718 242-7100 Fax Number: 718 242-6388 or 3782

To: Kenneth M. Brown/CHASE@CHASE
cc: Edward M. Scherling/CHASE@CHASE
Subject: Re: New Controlled Disbursement A/C

Gents,
I quick search of APS showed the CSO on this account as Isabel Alonso. However, I think Ken was more concerned with the process, which was answered by Ed, then determining who opened the account. Also, I believe this is an established CTS relationship as evidenced by their main DDA number (it's a 001).

Chris

Kenneth M. Brown

Kenneth M. Brown
03/10/2000 11:50 AM

To: Edward M. Scherling/CHASE@CHASE
cc: Christopher S. Felice/CHASE@CHASE
Subject: New Controlled Disbursement A/C

I should clarify that "of couse - with no signoff from my area" was **not** meant as a sarcastic remark (although I am prone to sarcasm). We **never** see Syracuse openings - I presumed the logic to be: whatever is OK for CMB-NY is OK for Syracuse. I really **don't** know what the formal procedures dictate - it was an honest question from one who is in the dark.

Ken

Edward M. Scherling

[redacted]

Edward M. Scherling

03/10/2000 11:40 AM

Chase Treasury Solutions/Credit & Risk Mgmt CN 352-2575 Fax Number: (212) 552-1154

To: Kenneth M. Brown/CHASE@CHASE
cc: Christopher S. Felice/CHASE@CHASE
Subject: Re: New Controlled Disbursement A/C

As I am sure you are aware, all unshared names, require the approval of Credit & Risk.

Chris ... Who opened the account?

Ed

Kenneth M. Brown

Kenneth M. Brown
03/10/2000 09:54 AM

To: Edward M. Scherling/CHASE@CHASE
cc: Christopher S. Felice/CHASE@CHASE
Subject: New Controlled Disbursement A/C

The account below was opened on 3/3/00:

ACCT: 000601833056 01
NAME: SWISS AMERICAN BANK LIMITED
ADDR: UNIT # 4 WOOD CENTER
VERE HILL
ST. JOHN'S ANTIGUA & BARBUDA

Besides being an Antigua bank, the DDA was opened under the wrong UCN, under an RBAC which is in the DEFAULT QUEUE, and - of course - with no signoff from my area.

Can you enlighten me as to what the administrative process is for authorizing/coding new Controlled Disbursement accounts?

Ken

Christopher D. Carlin
03/28/2000 01:45 PM

Treasury Solutions Credit 718-242-7588 Fax Number: 718-242-8836

To: Kenneth M. Brown/CHASE@CHASE
cc:
Subject: Misc.

---------------------- Forwarded by Christopher D. Carlin/CHASE on 03/28/2000 01:42 PM ---------------------------

Wayne Bennett
03/28/2000 12:56 PM

Chase Treasury Solutions (718) 242-3060 Fax Number: (718) 242-6821

To: Lynnette Taitt/CHASE@CHASE
cc: Christopher D. Carlin/CHASE@CHASE
Subject: Misc.

Lynnette,

This is the projected volume on the controlled disbursement account that was just opened for Swiss American Bank. John is faxing the docs he has. We certainly need to find out what they are using this account for that will entail issuing 10,000 checks per month.

Wayne

---------------------- Forwarded by Wayne Bennett/CHASE on 03/28/2000 12:55 PM ---------------------------

John Bowen
03/28/2000 12:49 PM

To: Wayne Bennett/CHASE@CHASE
cc:
Subject: Misc.

Wayne,

FYI. I will fax the docs to you this afternoon. I took a peak at the spec sheet which indicated a projected monthly volume of 10,000 checks.!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!

John

Gerardo L. Cahn 05/30/2000 08:56 PM

Chase Treasury Solutions Public +1(954) 349-3429 Fax Number: Public +1(954) 349-3521

To: "Brian Stuart-Young" <bsysab@candw.ag>
cc: (bcc: Ante Kljuce/CHASE)
Subject: May 30 2000

Per our conversation, please find attached facsimile of the letter we discussed on the phone. The original is being sent via pouch to your attention.

Thanks and regards,

Gerardo L. Cahn

sab000530.D

CHASE

Mr. Brian Stuart-Young
Managing Director
Swiss American Bank LTD
4, Woods Centre
St. John's,
Antigua, WI

May 30, 2000

Dear Mr. Stuart-Young,

I am in receipt of your letter of April 29, which was sent to me via e-mail. This letter shall serve to address the various issues you raise in your letter.

First, in response to your request that Chase review your banking relationship and reconsider its decision to terminate that relationship, please be advised that Chase will not conduct any further review of your relationship and, instead, will proceed to terminate your relationship as we informed you on April 28, 2000. Chase does agree, however, to extend the date of the termination by two weeks. This should allow you adequate time to orderly move your balances and services to another banking institution. The new due date for closing of your account and services is June 15, 2000.

Second, in response to your request that we terminate only the correspondent accounts and not your corporate account, Chase denies your request. On June 15, 2000 Chase will terminate all of your banking relationships as Chase is entitled to do pursuant to the agreements entered into by you with Chase. In this regard, your relationship with Chase pursuant to the Chase Insight Software License Agreement will also be terminated. Pursuant to the terms of the Software License Agreements, Chase expects that you will return the software to Chase promptly.

I hope that the extension of time we have given you will allow you to transfer your accounts to another banking institution in a smooth fashion.

I remain truly yours,

Gerardo L. Cahn
Vice President

Ante Kljuce 04/28/2000 05:32 PM

Chase Treasury Solutions (305) 386-4888 Fax Number: (305) 386-6986

To: bsysab@candw.ag, veresab@candw.ag
cc: Gerardo L. Cahn/CHASE@CHASE, Isabel Alonso/CHASE@CHASE
Subject:

As per Gerardo's telephone conversation of today with Vere Hill, attached is text of letters we are now sending to Brian's attention via DHL (in formal Chase letterhead.)

SwissAmLTRS.d

Chase Treasury Solutions
P.O. Box 960460
Miami, FL 33296-0460
Tel. 305-386-4888
Fax 305-386-6986

Ante Kljuce
Vice President

April 28, 2000

Swiss American National Bank of Antigua
Independence Drive and High Street, P.O.B. 1302
St. John's, Antigua, W.I.

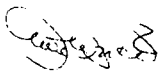
Gentlemen:

As you might expect, The Chase Manhattan Bank periodically reviews its deposit account customer base to assess profitability, strategic fit and other factors. After having conducted such a review of the Swiss American National Bank of Antigua account, account no. 011-879285, ("the Account"), we have concluded that your institution does not meet our criteria.

Accordingly, this letter will serve as notice to you that unless sooner closed by you, we intend to close the Account thirty (30) calendar days from the date of this letter. At that time, all contracts between us for cash management or other services (including Chase Electronic Banking Softward License, Funds Transfer Agreement for Personal Computer and Chase Global Inbound Courier Service Agreement will also terminate. We suggest that you discontinue drawing checks against any of the Account two weeks prior to the close date. Upon closure of the Account, we will mail to your address of record our official check in the amount of your remaining collected balances, less fees and charges to the date of closing. You may, of course, withdraw collected balances before that time at your convenience.

The thirty days notice period is intended to give you time to arrange for an orderly transition to another service provider.

Very truly yours,



Ante Kljuce

250391 v01

Chase Treasury Solutions
P.O. Box 960460
Miami, FL 33296-0460
Tel. 305-386-4888
Fax 305-386-6986

Ante Kljuce
Vice President

April 28, 2000

Swiss American Bank Limited
High Street. P.O.B. 1302
St. John's, Antigua, W.I.

Gentlemen:

As you might expect, The Chase Manhattan Bank periodically reviews its deposit account customer base to assess profitability, strategic fit and other factors. After having conducted such a review of the Swiss American Bank Limited accounts, account nos. 011-879293, 011-879483, 011-479891, 400-920549 and 601-833-056, (the "Accounts"), we have concluded that your institution does not meet our criteria.

Accordingly, this letter will serve as notice to you that unless sooner closed by you, we intend to close the Accounts thirty (30) calendar days from the date of this letter. At that time, all contracts between us for cash management or other services (including Chase Electronic Banking Software License, Funds Transfer Agreement for Personal Computer, Chase Global Inbound Courier Service Agreement, Enhanced Nassau Capped AIP Agreement and Controlled Disbursement Services Agreement) will also terminate. We suggest that you discontinue drawing checks against any of the Accounts two weeks prior to the close date. Upon closure of the Accounts, we will mail to your address of record our official check in the amount of your remaining collected balances, less fees and charges to the date of closing. You may, of course, withdraw collected balances before that time at your convenience.

The thirty days notice period is intended to give you time to arrange for an orderly transition to another service provider.

Very truly yours,

Ante Kljuce

250391.v01

CHASE

Chase Manhattan
One Biscayne Tower
2 South Biscayne Boulevard, Suite 2200
Miami, FL 33131

August 14, 2000

Swiss American Bank Limited
High Street, P.O.B. 1302
St. John's, Antigua, W.I.

Gentlemen:

As per our several communications on the matter, The Chase Manhattan Bank has reviewed its relationship with Swiss American Bank Limited in its account nos. 011-879293, 011-879483, 011-479891, 400-920549 and 601-833-056, (the "Accounts"), and concluded that we will close said accounts by September 14, 2000, unless sooner closed by you. Please understand that this date is absolute and will not be subject to extension under any circumstances.

Between our original communication of April 28, 2000 to September 14, you will have had four and one-half months, time enough to find adequate alternatives through other service providers. For that reason, come September 14, 2000, or sooner upon the closing of your Accounts, all contracts between us for cash management or other services (including Chase Electronic Banking Software License, Funds Transfer Agreement for Personal Computer, Chase Global Inbound Courier Service Agreement, Enhanced Nassau Capped AIP Agreement and Controlled Disbursement Services Agreement) will also terminate. We suggest that you discontinue drawing checks against any of the Accounts as soon as possible, to avoid the risk of leaving unpaid checks after the close date. Following closure of the Accounts, we will mail to your address of record our official check in the amount of your remaining collected balances, less fees and charges to the date of closing. You may, of course, withdraw collected balances before that time at your convenience.

Very truly yours,

Gerardo L. Cahn

253577:v01

Chase Manhattan
One Biscayne Tower
2 South Biscayne Boulevard, Suite 2200
Miami, FL 33131

August 14, 2000

Swiss American National Bank of Antigua
Independence Drive and High Street, P.O.B. 1302
St. John's, Antigua, W.I.

Gentlemen:

As per our several communications on the matter, The Chase Manhattan Bank has reviewed its relationship with Swiss American National Bank of Antigua in its account no. 011-879285, (the "Account"), and concluded that we will close said account by September 14, 2000, unless sooner closed by you. Please understand that this date is absolute and will not be subject to extension under any circumstances.

Between our original communication of April 28, 2000 to September 14, you will have had four and one-half months, time enough to find adequate alternatives through other service providers. For that reason, come September 14, 2000, or sooner upon the closing of your Account, all contracts between us for cash management or other services (including Chase Electronic Banking Software License, Funds Transfer Agreement for Personal Computer and Chase Global Inbound Courier Service Agreement) will also terminate. We suggest that you discontinue drawing checks against any of the Accounts as soon as possible, to avoid the risk of leaving unpaid checks after the close date. Following closure of the Accounts, we will mail to your address of record our official check in the amount of your remaining collected balances, less fees and charges to the date of closing. You may, of course, withdraw collected balances before that time at your convenience.

Very truly yours,

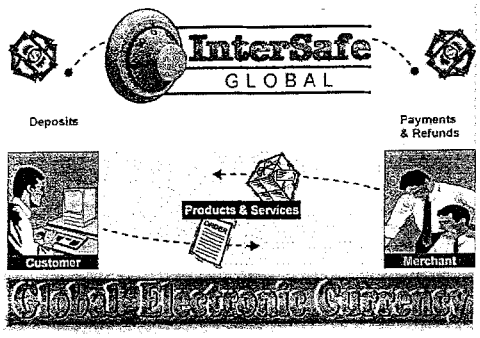
Gerardo L. Cahn

253577.v01

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____611_____

Exhibit 61 l.

InterSafe Global documents



■ ■ ■

InterSafe Global specializes in secure Internet transaction processing. We provide a vital link between Internet customers and merchants facilitating a fully confidential process of money transfer by offering a Global Electronic Currency (GEC) Account.

■ ■ ■

Introducing the GEC Account:

THE BENEFITS:

- Secured credit card transactions.
- Complete security and confidentiality.
- Personal 24-hour service.

HOW THE GEC ACCOUNT WORKS:

- Deposits made are loaded into your GEC account.
- You may use your account to purchase products and services supplied by any merchant approved by InterSafe.
- You have access to your account 24-hours a day, seven days a week.
- To prevent unauthorized access all transfers of GEC data between customer and merchant are completely secured by advanced encryption/decryption software and hardware.

■ ■ ■

E-MAIL: support@intersafeglobal.com

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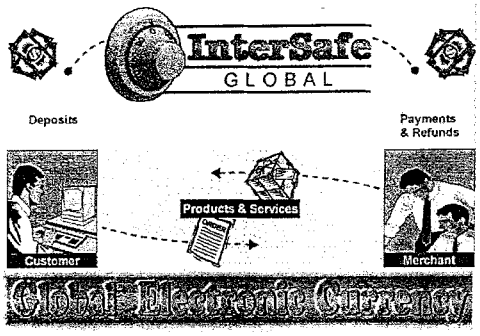

■ ■ ■

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■ ■ ■

Introducing the GEC Account:

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- Secured credit card transactions.
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HOW THE GEC ACCOUNT WORKS:

- Deposits made are loaded into your GEC account.
- You may use your account to purchase products and services supplied by any merchant approved by InterSafe.
- You have access to your account 24-hours a day, seven days a week.
- To prevent unauthorized access all transfers of GEC data between customer and merchant are completely secured by advanced encryption/decryption software and hardware.

SECURE FINANCIAL SERVICES VIA THE INTERNET

In the growing market of on-line Internet commerce, a secure and confidential means of transferring sensitive data is essential. Responding to this need, InterSafe Global LLC specializes in offering secure Internet transaction processing to provide a vital link between customers and merchants.

Many Internet based businesses depend on efficient and secure credit card transactions. However, they lack the financial base and infrastructure to support the required processing system. InterSafe offers these businesses and their customers an opportunity to take advantage of the highly specialized transaction process, which it has established.

THE TECHNOLOGY

Combining sophisticated hardware, software and cutting edge encryption/decryption techniques we have developed a Global Electronic Currency (GEC) account. If you wish to sell or purchase goods or services via the Internet you simply open a GEC Account with InterSafe.

HOW IT WORKS

Purchases
The entire transaction process is controlled and carried out by InterSafe servers. When you submit the on-line form from your PC, our server immediately generates a unique encryption code, which it sends to your PC. The server then retrieves the encrypted data from your PC via the Internet. This ensures confidentiality of the data and protects it from unauthorized access through the Internet media.

Deposits and Withdrawals
Funds deposited into your GEC Account are available for transfer to InterSafe's approved merchants.These merchants may also use our services for processing refunds at your request.

THE BENEFITS

Flexibility
As the holder of a GEC Account you have as much control of your funds as you would with a regular bank account. Funds are held in your name, and are available for withdrawal 24-hours a day, seven days a week.

Security
A problematic link in the Internet commerce chain has been that of security. Using state-of-the art technology, InterSafe has developed enhanced financial services to offer solutions to these security issues. Adding another dimension to the built-in security of our GEC account, we have obtained the rights to use 'Smart Card" technology. InterSafe has strengthened the "Smart Card's" capability in an innovative way, integrating unique software to protect sensitive data from unauthorized access or usage. Merchants and customers can now feel confident to undertake any type of transaction via the Internet, particularly the use of credit cards.

■ ■ ■

ABOUT "SMART CARD"

■ ■ ■

E-MAIL: support@intersafeglobal.com

© Copyright InterSafe Global . All Rights Reserved.

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TEL: +1 (869) 465-9947

FAX: +1 (869) 466-8236

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MONEY FAQ

1. How do I make a deposit to my account?
2. How long does it take to process my deposit?
3. How do I cash out my winnings?
4. What are the deposit limits?
5. What are the gambling limits?
6. How do I make a credit card deposit? Is it secure?
7. How do I send money through Western Union?
8. How do I send a Wire Transfer?
9. Who is "Intersafe Global LLC"?
10. What should I do if I submitted a deposit but I do not see the amount in my bankroll?
11. What is the Address Verification System (AVS)?

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1. How do I make a deposit to my account?

In order to make a deposit you must first download our software by clicking FREE DOWNLOAD anywhere throughout our web site. Then you need to open your real money account.

If you have done this and received your user name and password for real money, you are ready to make a deposit to your Casino on Net bankroll:

- Start Casino on Net program
- Enter your real user name and password in the "connect" screen
- Select "Cashier" and then select the "Deposit" screen
- Select the desired deposit method

We strongly recommend using your credit card for making a deposit. We use the latest encryption and protection technologies to assure your credit card data is fully protected. There is nothing to worry about – submitting your credit card information on our secure form is probably safer than using your card at your local gas station. Learn here more about making a **credit card deposit.**

For further information about the different deposit methods click here:

- Credit Cards - Online or by Fax
- Western Union
- Wire Transfer

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2. How long does it take to process my deposit?

Credit card deposit: your account will be credited within 2-5 minutes.
Western Union deposit: once we receive your e-mail message informing us of the transfer it will take up to 5 minutes to credit your account.
Wire transfer: a wire transfer will take 2 business days to arrive at our bank. Your account will be credited as soon as our bank receives the transfer.
Check: a check may take over a month to process due to slow mail service and clearing time.

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3. How do I cash out my winnings?

In order to cash out money from your account go to the Cashier and select the "cash out" screen.
The money you cash out will be refunded to your credit card account.

All cash out requests are automatically refunded to your credit card account. This policy protects our clients from credit card fraud, and eliminates the unauthorized use of credit cards. It is also the quickest way to pay winnings, and most convenient to our clients. There are no charges for credit card refund, and the full amount will be refunded to your card.

The refund will be made to your credit card only up to the total amount that was deposited with that credit card. If you have cashed out more than your total deposits, the balance of your cash out request (which was not refunded to your credit card) will be sent as a bank draft or wire transfer, according to your selection (company checks are not available). This limitation on the amount that can be refunded to your credit card is imposed by the credit card companies, and is not in our control.

Bank drafts will be sent by registered mail to the address you have submitted. The charge for a bank draft cash out is 0.25%, with a minimum charge of $5 (which means that any cash out up to $2,000 will be charged only $5). Please allow up to two weeks for delivery due to slow mail service.

If you select Wire transfer as the preferred method for receiving the balance of your cash out, you will be asked to send us further information such as account number, bank name etc. The charge for a wire transfer cash out is 0.5% with a minimum charge $5 (which means that any cash out up to $1,000 will be charged only $5).

Cash out requests are processed within 3 business days. You will be notified by e-mail when a cash out request is processed, so you can follow up and make sure the money was received.

You can track the status of your cash out requests on your PC, by entering the Cashier in our casino and selecting the "cashout" screen.

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4. What are the deposit limits?

The limits are as follows:

- Credit Cards
  Minimum single deposit $50
  Maximum single deposit $1000

  Western Union
  Minimum single deposit $100
  No maximum limit

  Wire Transfer
  Minimum single deposit $100
  No maximum limit

Casino on Net and **Intersafe Global LLC** (our E-Cash operator) reserve the right to change these limits and set different limits for individual players according to credit history.

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5. What are the gambling limits?

The table limits are as follows:

- Roulette:
  the minimum bet is $1 and the maximum bet is $50 (you may place a maximum total of $50 on the table, in any combination of $1, $5 and $50 chips).

  Blackjack:
  the minimum bet is $1 and the maximum initial bet is $50. You can increase the initial bet by doubling down or taking insurance (if you are not familiar with these terms, go to our Help file by selecting "help" or pressing F1 in our casino).

  Slots:
  the minimum bet is $0.25 and the maximum bet is $3.

  Video poker:
  the minimum bet is $1 and the maximum bet is $5.

  Baccarat:
  the minimum bet is $1 and the maximum bet is $150.

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6. How do I make a credit card deposit? Is it secure?

We strongly recommend using our secure on-line credit card system. It is quick, user friendly, and completely secure. We use SSL technology for securing our transaction server and MD5 encryption technology for the data transfer. It is probably safer than using a credit card at your local gas station.

If you are still not convinced, we do offer the option of printing out the deposit form and faxing it to us.

Before you make a deposit you must first download our software and have

your real account opened.

Credit card deposit by on-line secure form:

1. Start the Casino on Net program
2. Enter your real money user name and password in the "Login" screen
3. Go to the "Cashier"
4. Select "Credit cards". You will see a form with the logo of **Intersafe Global LLC**, which is the company we use for E-Cash services.
5. Enter all the information in the on-line form carefully and click SUBMIT.
6. You will receive a serial number for your deposit. We recommend that you make a note of this number for future reference.

Credit card deposit by fax:

1. Start the Casino on Net program
2. Enter your real money user name and password in the "Login" screen
3. Go to the "Cashier"
4. Select "Credit cards by Fax". You will see a form on your Notepad with the logo of **Intersafe Global LLC**, which is the company we use for E-Cash services.
5. In your Notepad, go to File/Print. This will print out the form.
6. Enter all the information and fax the form to 1-268-460-8425.

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7. How do I make a deposit through Western Union?

To deposit money to your account go to the nearest Western Union location (you can **locate the agent closest to you** at their World Wide Web **Internet site** or call toll- free 24-hours a day 1-800-325-6000), and fill out the blue "**To Send a Quick Pay**" form .

IMPORTANT! In the **Quick Pay** form fill in the following:

- Pay to:
  Locale/Code City:
  Name of account:
  Account number:
  Reference number:
  This information will help us identify the transfer and forward the funds to your account.

VERY IMPORTANT! After sending the money, stating the amount, the transfer reference number (MTCN) and your telephone number so we can verify the transfer and credit your account.

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8. How do I make a deposit by Wire Transfer?

To make a deposit to your account by means of wire transfer, instruct your bank to forward the transfer to:

InterSafe Global LLC
Account number 1641101
Swiss American Bank
St. John's, Antigua

The transfer can be carried out from any bank in the world, through one of the corresponding banks listed below. We suggest that you print out this page and take it to your bank, they'll know what to do with it.

IMPORTANT: In details of payment indicate your username. This information will help us identify the transfer and forward the funds to your account.

List of corresponding banks:

Chase Manhattan Bank
1 Chase Manhattan Plaza, New York, NY 10081, USA
Swift Code: C H A S U S 3 3
ABA #021000021 for credit to Account #001-1-879293 in the name of Swiss American Bank Ltd.,(Antigua) for further credit to **InterSafe Global LLC**. A/C #1641101.

Bank of New York - Inter Maritime Bank, Geneva
5, Quai du Mont-Blanc, P.O.Box 5325
1211 Geneva 11, SWITZERLAND
Swift Code: B N Y I C H J J
For credit to Account in the name of Swiss American Bank Ltd., (Antigua) for further credit to **InterSafe Global LLC**. A/C #1641101. .

Bank of Bermuda - Hamilton
Head Office, 6 Front Street, City of Hamilton 5-31, BERMUDA
Credit Account in the name of Swiss American Bank Ltd., (Antigua) to the attention of Pamela Francis for further credit to **InterSafe Global LLC**. A/C #1641101.

Bank of Bermuda International, New York
350 Park Avenue, New York, N.Y. 10022, USA
SWIFT CODE: B B D A U S 3 3
Credit Account in the name of Swiss American Bank Ltd., (Antigua) for further credit to **InterSafe Global LLC**. A/C #1641101.

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9. Who is "Intersafe Global LLC"?

InterSafe Global LLC is a Nevada based company that operates the E-Cash service for Casino on Net. InterSafe specializes in secure internet transaction processing. They provide a vital link between Internet customers and merchants. When our clients want to make a deposit to their casino bankroll, this is done through InterSafe. The credit card is charged to InterSafe Global LLC, and this is the name that will appear on your credit card statement.
For more information please go to **www.intersafeglobal.com**

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10. What should I do if I submitted a deposit but I do not see the amount in my bankroll?

When you submit a credit card deposit it should be credited into your

account within 2-5 minutes. If the deposit was rejected, we will notify you immediately by e-mail. If you do not see the money in your casino bankroll, check your e-mail box. If there is no message from Casino on Net, **contact** our support team.

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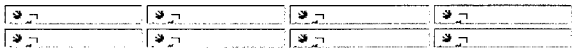
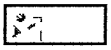
11. What is the Address Verification System (AVS)?

AVS is one of the security measures we use to prevent credit card fraud. When you submit a credit card deposit we compare your address with the address registered for this card in the bank.
If your deposit was rejected by the AVS system (you will be notified by e-mail of this) you must check the address you have entered and make sure your bank has the correct address.





Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____61m_____

Exhibit 61m.

Documents related to Peter Herrington

PETER F. HERRINGTON
P.O.Box 492, Sullivan, MO 63080
Tel: (573) 468 5356

Robert L. Roach, Esq.,
Minority Counsel,
Permanent Subcommittee on Investigations,
United States Senate,
Committee on Governmental Affairs,
Washington, DC 20510-6250.

4th June, 2001.

Fax: 202 224 3721, and by mail

Dear Mr. Roach,

I enclose my sworn Statement, with 3 attached Exhibits, for attention of the Subcommittee.

Yours truly,

THE SENATE PERMANENT SUBCOMMITTEE
ON INVESTIGATIONS OF THE
COMMITTEE ON GOVERNMENTAL AFFAIRS

I, PETER FREDERICK HERRINGTON of P.O.Box 492, Sullivan, MO 63080, make the following Statement pursuant to the Rules of Procedure of the Senate Permanent Subcommittee:-

1. This Statement is made pursuant to the publication of the Subcommittee's Report on the role of U.S.correspondent banking in international money laundering, and, specifically, to pages 8-12 of that Report entitled "(b) The Fitzgerald Case – Drugs and Terrorist money", attached hereto as Exhibit "A".
2. At all times I would have been willing and able to be called as a witness by the Subcommittee, being a permanent resident of the United States, and anxious to assist the United States Government in its investigations of the "Fitzgerald case". It appears that no attempt was made to obtain first-hand testimony, of which the most important during the period 1985-7 would have been mine.
3. I understand the Subcommittee sat between 1st-6th March, 2001, and my first notice of such hearing was receipt of copies of newspaper articles which appeared in the Bermuda Press on 12th and 16th March, 2001, of which copies, and my response to the Reporter, are annexed as Exhibit "B".
4. Rule 15 of the Subcommittee's Rules of Procedure allow any person who has been defamed, or whose reputation has been adversely affected by mention in a Subcommittee Report to request a personal appearance to testify before the Subcommittee, or to file a sworn Statement of facts. Having been refused the opportunity of a personal appearance, this Statement is respectfully submitted.
5. Exhibit "A" contains many references and statements, unsupported by direct testimony, which are defamatory and injurious, of which the underlined extracts, numbered 1 – 5, will serve as specific examples:-
   a) Extract 1 refers to a money laundering case from "1985 to 1997. Between 1985 and 1987, when I dealt with Fitzgerald, there were no anti-money laundering laws in the USA or Antigua. There was nothing improper or unusual in my dealings with Fitzgerald, and subsequent laws, and knowledge of his associations (unknown to me at the time) cannot make them so.

      Extract 1 also refers to Fitzgerald as a money launderer for "the Murray Brothers". This was unknown to myself, or the Bank, at the time and, as sole signatory and dealer on his accounts, we were entitled to regard him as sole beneficial owner of the funds he deposited. At no time did we receive any third party requests or instructions concerning any of the Fitzgerald accounts. Furthermore, the only withdrawals during my tenure were at his instruction, and for such amounts, as were reasonable for living expenses. We had therefore no reason or opportunity to suspect the source of funds (which arrived through normal and respectable banking channels), or any improper use thereof.

b) Extract 2 refers to funds deposited by Fitzgerald "and other members of the drug organization" which, as already stated, is incorrect. He was the only depositor, and we had no reason or information to suspect the source of the funds.

c) Extract 3 refers to my refusal to disclose to Rappaport the identity of the owner of the funds, and implies that it was from improper motives. As a non-executive shareholder of the parent company of the Bank, Rappaport had no legal right to this information, and I would have been in breach of my fiduciary duty to my customer, had I done so. In view of the reported subsequent misappropriation of the funds by the Bank, I consider my actions to have been fully justified in practice, as well as at law.

d) Extract 4 refers to "a number of irregularities" found by a hired auditor, when examining the documentary records of the Fitzgerald accounts. It would be speculation for me to wonder whether the records had been "doctored" after my departure, but they were regular and complete during my tenure, as evidenced by the annual Audit Reports of the Bank conducted by (as memory serves) Price Waterhouse.

e) Extract 5 confirms, in fact, that the funds arrived through normal banking channels, and bely the whole impression of improper banking practise by the Antigua Bank depicted by the Report. Conclusions appear to have been drawn without proper regard for the then subsisting law and practise, and with the benefit of subsequent knowledge and state of the law.

6. The establishment by me of the Fitzgerald accounts through bearer share companies, to avoid probate and proving of Wills by heirs and successors, was an entirely normal, and required, service, provided at that time by international trust and banking companies. Furthermore, all the "irregularities" complained of by use of cash transfers were internal transactions between accounts owned by one person, and on his instruction, and did not hide the source of incoming funds, or destination of outgoing funds, to or from his accounts.

7. Since my departure from Antigua, I have volunteered my assistance at all times to the US Authorities, from travel from Great Britain to attend the Grand Jury in Boston in 1991, to maintaining contact, and co-operating, in the prosecution of the case against the Antigua Bank in 1998. As Exhibit "C" shows, the defamatory material in the Subcommittee Report are, by and large, a repeat of similar erroneous statements and conclusions drawn during that case, and in similar circumstances of ignoring the opportunity of direct testimony from me. It is respectfully submitted that I should have been given an opportunity to testify on my own behalf.

8. The damage done to my reputation as the result of publication of the erroneous material contained in the Subcommittee Report is amply demonstrated by the newspaper articles contained in Exhibit "B"

9 I respectfully request that the Subcommittee issue a written retraction to me of all references in their Report tending to defame, or be injurious to my reputation, coupled with an acknowledgement that, on the information at its disposal, I acted entirely within the laws of the USA extant at the time of my dealings with Fitzgerald, and that it is reasonable to suppose that I had no knowledge, express or implied, of the source of the Fitgerald funds as either drug or IRA money.

I, Peter F. Herrington, solemnly swear, under threat of perjury, that the above Statement is true and correct to the best of my knowledge, this 4th day of June, 2001.

Peter F. Herrington

Notary Public

Mary Beth Stack, Notary Public
State of Missouri, Franklin County
My commission expires September 10, 2001

My commission expires _____

EXHIBIT "A"

PETER F. HERRINGTON

NOTARY

Antiguan governments because the accounts contained funds related to drug sales and the Irish Republican Army.

John Greaves, General Manger of Swiss American Banking Group from 1988 to 1995, was involved in a number of controversial matters during his tenure at Swiss American Banking Group and was in the leadership of two other banks and a management firm that were engaged in a number of controversial activities, described in other parts of this report.

(b) The Fitzgerald Case - Drugs and Terrorist Money

EXTRACT 1. From 1985 to 1997, SAB and SANB were significantly involved in a money laundering case involving a man named John Fitzgerald. The involvement began when Fitzgerald, a money launderer acting on behalf of the Murray brothers, leaders of a drug organization in Boston, deposited, between 1985 and 1987, approximately $7 million into accounts that had been established at SAB and SANB.[8] Four of the accounts were in the name of bearer share IBCs, that is, corporations whose ownership was vested in the individuals who controlled the certificates of the shares of the corporation. Two of the accounts (one at SAB and the other at SANB) were in the name of Guardian Bank, a bank licensed in Anguilla in 1986.

EXTRACT 2. Those two Guardian Bank accounts eventually became the repository for most of the funds deposited by Fitzgerald and other members of the drug organization. Three bearer share IBCs were listed as the owners of that bank.

The General Manager of the Swiss American Banking Group at the time was Peter Herrington who assisted Fitzgerald with the formation of all of the IBCs and the management of the accounts at SAB and SANB. The formation of the accounts was handled by Antigua International Trust. Herrington served as Director of all of the IBCs and Guardian Bank and performed transactions in the SAB and SANB accounts.

Most of the funds were initially deposited into accounts at SAB and then transferred into other accounts at SAB and SANB. By mid-1987, the $7 million Fitzgerald accounts in the name of Guardian Bank constituted approximately one third of all deposits at SAB.

EXTRACT 3 SAB owner Rappaport, concerned that an unknown party controlled one-third of Swiss American Banking Group's deposits, asked Herrington to identify the beneficial owner(s) of Guardian Bank. When Herrington refused to do so, he was immediately suspended and was dismissed from his position one month later (June 1987). Between the time of Herrington's suspension and his termination, he notified Fitzgerald of Rappaport's concerns.

At that time, Herrington resigned as the director of Guardian and the IBC. When efforts to resolve the matter failed, the attorney who claimed to be the new director of Guardian Bank

[8] It has been reported to the Subcommittee staff that the Murray brothers and Fitzgerald were also involved in the sale of weapons to IRA terrorists and that some, or even all, of the funds deposited into the accounts at SAB and SANB were associated with the IRA.

filed a lawsuit in Antigua and Barbuda requesting the court to recognize him as the director of Guardian and to authorize the withdrawal of funds in the Guardian Bank accounts at SAB and SANB which held Fitzgerald's money. At that same time, Swiss American Banking Group officials began to investigate the accounts opened by Herrington and hired an auditor to review the accounts. The review identified a number of irregularities. In addition, the Group learned from law enforcement officials that the funds may be tied to drug and arms trafficking. They contacted the Antiguan government and in June 1990 the Minister of Finance for the government of Antigua and Barbuda instructed Swiss American Banking Group to freeze the funds. In December 1990, the High Court of Antigua ruled that Guardian Bank's director did not have the proper corporate authority to file the suit, and the funds remained frozen at SAB/SANB.[9]

EXTRACT 4.

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[9] This description is drawn from pleadings filed by the Department of Justice in association with USA v. Swiss American Bank, LTD, et al. (op. cit.)and documents and correspondence related to that matter.

An October 1989 report by the Special Branch of the Royal Bermuda Police Force and the U.S. grand jury indictment issued against Fitzgerald provide a description of the trail of the funds that is instructive as to how the international banking system is used to move and launder illicit funds. In early 1985, Fitzgerald established a St. Lucian corporation by the name of "Halcyon Days Investments, Ltd." and opened an account in that corporation's name at the Canadian Imperial Bank of Commerce in St. Lucia. Between January and March 1985, Fitzgerald and other members of the drug organization deposited $3 million into the account. In May 1985, the account was closed and all of the funds (in excess of $3 million), were transferred to the Guinness Mann and Company Bank in the Cayman Islands through a bank check issued to the Guinness Bank. The total in the account subsequently grew to $5 million. In the fall of 1985, the $5 million in funds were wire transferred from the Guinness Bank account to Philadelphia to Manufacturers Hanover Bank in New York to the Bank of Bermuda and on to SAB. The wire transfer of $5 million was divided equally between two accounts at SAB (Rosebud Investments and White Rose investments). The funds were subsequently transferred into the accounts of Guardian Bank (one at SAB and one at SANB). According to the police report, "not only is this path murky, but subsequently Guinness Mann sold their subsidiary in Cayman because of their embarrassment at the management. Regrettably Guinness Mann have chosen not to reveal why they were embarrassed or the source of the money."

EXTRACT 5.

The Special Branch report also detailed the irregularities and lack of controls attendant to the accounts and the operations of SAB/SANB during Herrington's tenure:

> One of the accounts (Rosebud investments) received $450,000 in cash from the Bank of Bermuda. The funds appear to have come from a safety deposit box at the Bank of Butterfield. In October 1985 Herrington used Swiss American's relationship with the Bank of Bermuda to influence the staff there to accept the cash deposit. When the funds were transferred to the account at Swiss American, they were "held" until Herrington made the book entries.
>
> Another account (Jones Enterprises) was used as a "feeder" account for some of the other Fitzgerald accounts. According to the police report, "[l]arge cash deposits were made into the account and later diverted to others but as the clients' statements are missing it is not possible at this stage to say where the cash originated."
>
> Banks slips were written up as 'cash' and 'deposit' when money was being transferred from one account to another as a way to disguise its destination. Only by checking other banking records can the accountants identify whether true cash was handed over and frequently it was not.
>
> Many of the loans made by the banks are to companies c/o AIT and no other details are available.

In May 1993, Fitzgerald was indicted for racketeering conspiracy and money laundering, and in August 1993 he pleaded guilty to the charges. As part of the agreement, he forfeited all of the proceeds of those illicit activities that had been deposited in the accounts at SAB and SANB. A final order of forfeiture was issued in May 1994. In early 1994, U.S. authorities approached Antiguan officials to seek their assistance in freezing the funds, providing public notice of the forfeiture action and to facilitate the return of the funds once the forfeiture notice was final. Negotiations lasted for nearly two years.[10] Finally, in November 1995, Washington, D.C. counsel for the Antiguan government informed U.S. authorities that nearly one year before - sometime between December 1994 and January 1995 -- approximately $5 million of the Fitzgerald funds were transferred to the Antiguan government by officials from the Swiss American Banking Group. Counsel informed the U.S. officials that the funds in the Fitzgerald accounts had been transferred to the Antiguan government, which had spent the funds to pay pending debts and therefore the money was no longer available. At first, Antiguan officials maintained that the Swiss American Banking Group had unilaterally transferred the funds. In January 1998 Antigua wrote:

> In 1994, prior to the payment, but after the U.S. Court order, the Banks and the Government discussed the appropriate disposition of these funds. While the Banks initiated these discussions, the Government understood all of the facts and circumstances regarding this account and acting in the public interest of Antigua and Barbuda released the freeze order on the funds and approved the disposition of the funds in a manner agreed by the Banks and approved by the Government.

Swiss American Banking Group officials claim the $5 million were transferred on January 23, 1995. The Antiguan government claimed the transfer occurred on December 28, 1994. The U.S. government was later informed that the remaining $2 million of Fitzgerald funds

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Documents related to the companies associated with the accounts were missing.

The source of many deposits was unknown, as was the ownership of the companies.

Over $500,000 in cash was deposited directly into the accounts at Swiss American Bank. Another $500,000 came through a cash deposit at the Bank of Bermuda.

The police report also captures what appears to have been a general lack of concern about illicit activities on the part of bank officials. The report notes that the Assistant Manager of the Swiss American Banking Group, MacAllister Abbott, who with Peter Herrington was a signator on the corporate accounts set up for Fitzgerald "thought Guardian was established to hide the profits skimmed from casino operations. He thought Jack Fitzgerald had a controlling interest and also thought that Herrington maintained a second set of books on behalf of the company. Abbott has been described as a person who would turn a blind eye to tax evasion but appears to have no knowledge of drug involvement." Mr. Abbott is currently General Manager of Antigua Overseas Bank.

[10]Although the U.S. had been asking Antigua to freeze the funds since early 1994, it wasn't until November 1996 that Antigua informed the U.S. that the funds had been frozen on its (Antigua and Barbuda) order in June of 1990.

had been retained by the bank. It is unclear whether the funds were retained as a set off against outstanding Antiguan loans or whether they were retained to cover expenses incurred by the bank.

Moreover, the Minority Staff received a copy of a letter written in early 2000 that alleged that $880,000 of the Fitzgerald funds were "transferred between January 22-25, 1995, to Inter Continental Bulk Traders S.A. account #4763751 at Bank of Bermuda, Hamilton." The Minority Staff confirmed that the account does exist at Bank of Bermuda and that a transfer of $880,000 did occur in the January 22-25, 1995, time period. It has been reported to the Minority Staff that those funds were paid upon a resolution of the Swiss American Banking Group board as payment against a series of invoices submitted by a number of people who, at the request of Rappaport, had engaged in a review of SAB. One explanation offered to the Minority Staff regarding the transfer was that Inter Continental Bulk Traders was an account controlled by Rappaport and the funds were transferred to that account rather than directly paying those who submitted the invoices, because Rappaport engaged the services of those people to provide an independent review of the accounts at Swiss American Banking Group, which he controls. However, the ownership of the Inter Continental Bulk Traders account has not been confirmed, and that does not explain why the payments would be made through the Inter Continental Bulk Traders account rather than directly to those who performed the services. Moreover, it has been reported to the Minority Staff that the funds were transferred out of the account at the Bank of Bermuda in two tranches, which seems inconsistent with the contention that payments were made to a number of individuals. Without confirmation from the Bank of Bermuda on the ownership of the account and what happened to the funds in question, the fate of the $880,000 remains unclear.

For the next two years - November 1995 to December 1997- the U.S. government continued to press for a detailed explanation and accounting of the transfer of the funds, and records relating to each of the Fitzgerald accounts. Although the Antiguan government identified the source of the funds that were transferred from SAB and SANB, it informed the U.S. that the records of the accounts were not available because they had been destroyed in a hurricane.[11]

---

[11]It has been alleged that the funds transferred to the Antiguan government were returned to the Swiss American Banking Group as repayment for outstanding debts that the government of Antigua and Barbuda owed to SANB. This included millions of dollars of promissory notes that the Antiguan Government had issued to an enterprise called Roydan Ltd. Roydan Ltd. was the company that owned and operated a melon farm in Antigua called Roydan Farms, that used a high-technology tropical irrigation system. The operation was owned by an Israeli named Maurice Sarfati, and is discussed at length in a report, "Guns for Antigua" by the Commission of Inquiry established by the Governor-General of Antigua and Barbuda to look into the circumstances surrounding the shipment of arms from Israel to Antigua. The report was issued in 1990 by Louis Blom-Cooper QC, the appointed Commissioner. According to the report, Sarfati received governmental approval for his agricultural project in August 1984, and operation on the farm commenced in 1985. Throughout its inception and operation, the enterprise borrowed heavily for startup and operation costs. Sources of funds included the U.S. Overseas Private Investment Corporation and SANB and SAB. The Government of Antigua and Barbuda issued a series of promissory notes to Roydan Farms. In addition, SANB had extended an overdraft facility to Roydan Ltd., and has allowed it to escalate to over $1 million without any board resolution or any collateral agreement. In March of 1988, a receiver was placed in control of the venture at the insistence of OPIC and the two Swiss American banks. By July 1988, Roydan

In December 1997, the U.S. Department of Justice filed a civil complaint alleging that SAB, SANB, Swiss American Holdings S.A. and BNY-IMB intentionally seized and converted the $7 million in illicit proceeds located in accounts at SAB and SANB that had been forfeited to the U.S. Government.

In September 2000, the Federal District Court judge presiding over the case dismissed the U.S. Government's claim for lack of personal jurisdiction over the defendants. The government is going to appeal the matter.

(c) The Gherman Fraud

Henry Gherman served as a financial adviser to individuals and medical practice pension funds in the Miami area. Between 1982 and 1988, while claiming to make purchases of Certificates of Deposit for his clients, Gherman transferred client funds to his corporate accounts which he controlled. The funds were wired to other accounts or used for the benefit of Gherman and his family members.[12]

Ltd. was $8 million in debt. At the request of the Antiguan cabinet, the banks agreed to conditionally revoke the receivership for 90 days. By February 1989, Roydan Ltd. was no longer in existence.

However, its owner, Sarfati, was at the same time in the midst of brokering a deal for the shipment of Israeli arms through Antigua to the Medellin drug cartel. The linkage was discovered after a raid on the Columbian farm of Medellin Cartel leader Jose Ganzalo Rodriguez Gacha in December 1989. It was also discovered that one of the weapons included in the shipment was used to assassinate Colombian Presidential candidate Luis Carlos Galin.

The Commission of Inquiry was critical of Roydan's management and the influence Sarfati was able to exert within the Antiguan government:

> ..[A] lucrative market around the world was quickly jeopardised by the management structure of Roydan to enable it to service its loans, especially from an agency of the U.S. government, the Overseas Private Investment Corporation (OPIC). ... Throughout 1986 Roydan experienced continuous cash flow crises due to lack of management cost control systems and the use of antiquated accounting procedures. Financial statements were tardily produced and reflected a superficial financial picture.
>
> . . .[A] report in 1987 to a U.S. Congressman stated that 'because of its demonstrated helter-skelter system of spending, without any type of fixed controls, Roydan's credit history is devastating, both in the USA and in Antigua.'(p.51)
>
> . . . The story of the melon farm trail, and other incidental events, discloses a tale of insinuation and influence of a man with a remarkable talent for getting from a vulnerable administration in Antigua almost anything he desired. (p.121)
>
> One of Commissioner Blom-Cooper's recommendations was:
>
> "A judicial inquiry should be set up to investigate the dealings in 1985-1987 between Maurice Sarfati and the Government of Antigua. The enquiries currently being undertaken by a firm of U.S. Attorneys are welcome but do not meet the justifiable demands of an inquiring public in Antigua and abroad. This should include the administration of Roydan Ltd and the issue of promissory notes." (p.132)

[12] On August 8, 1988, Gherman left the country leaving notes to his clients apologizing for his actions. Shortly before his departure, Gherman withdrew $4.4 million in cash from his corporate accounts at Commerce bank in Miami. On August 10, 1988, 25 creditors (some of Gherman's victims) petitioned the Dade County Circuit Court and secured the appointment of a receiver and a freeze of Gherman's corporate assets and the assets of his family. On August 28, 1988, the federal government filed a criminal complaint against Gherman, charging him with wire fraud and the embezzlement of $9.8 million. A warrant for Gherman's arrest was issued on August 29, 1988. In

EXHIBIT "B"

PETER F. HERRINGTON NOTARY

PETER F. HERRINGTON
P.O.Box 492, Sullivan, MO 63080
Tel: (573) 468 5356
e-mail: pfh5debs@fidnet.com

Dear Ms. Mallon,

Copies of your articles in the Royal Gazette, of 12th and 16th March, have been forwarded to me.

I will be happy to respond to any enquiries, as the articles paint a false picture of my involvement in the affairs of Rappaport, and will cause concern to those who were my friends and co-workers at the Bank of Bermuda.

In the meantime, I attach a copy of correspondence with the U.S. Attorney's Office in 1998, the last time I was contacted, which will provide some enlightenment. Suffice it to say that, at no time during my tenure in Bermuda was I aware of the existence of Fitzgerald or the other named persons. As regards my dealings in Antigua, exhaustive internal and external banking enquiries and audits; lawsuits and judicial enquiries have never resulted in any action or pursuit of me in any jurisdiction, for the simple reason that I committed no wrong-doing.

Please also note, from the attached documentation, that the U.S. Government asserted the funds in question had been derived from drug dealing – nothing to do with the IRA.

It seems that the Bermuda Special Branch took it upon themselves to form judgments without proper investigation, and without seeking my testimony.

I am delighted to have this opportunity to set the record straight, particularly as no implication of impropriety should be raised against the Bank of Bermuda, or any of its Staff.

If there is a "disgraced banker" in the plot, he will not be found to have worked in Bermuda or Antigua!

Yours sincerely,

Disgraced banker held top post at Bank of Bermuda

By Mairi Mallon

Peter Herrington, who was named in a US Senate investigation into money laundering, is a former senior member of staff at the Bank of Bermuda, *The Royal Gazette* has learned.

Herrington is accused in the report of using "influence" on staff at the Bank of Bermuda to get them to accept bundles of cash believed to belong to criminals.

Herrington is also named as the disgraced General Manager of Swiss American Banking Group and is a central figure in the US Senate report on the laundering of $7 million, said to be linked to the Irish Republican Army (IRA) and the drugs trade.

Of that $7 million, the documents from the probe appear to indicate that 85 percent ($5.95 million) was laundered through the Bank of Bermuda. Documentary evidence also has information from Special Branch division of the Bermuda Police Service who looked into the matter.

Herrington worked at the Bank of Bermuda in Hamilton for several years in senior positions in the early 1980s before moving to the Cayman Islands to take up the top job with the Swiss American Banking Group.

He is closely linked with the central character in part of the Senate investigation, John Fitzgerald, who was convicted of racketeering conspiracy and money laundering in the United States in connection with the $7 million of mob money.

The Minority Staff of the US Senate Permanent Sub-committee on Investigations report on Correspondent Banking: A Gateway to Money Laundering revealed this week that: "In October 1995, Herrington used Swiss American's relationship with the Bank of Bermuda to influence staff there to accept the cash deposit."

The report also states: "The General Manager of the Swiss American Banking Group was at the time Peter Herrington who assisted Fitzgerald with the formation of all IBCs (a type of share-owned corporation) and management of the accounts at SAB (Swiss American Bank) and SANB (Swiss American National Bank). The formation of the accounts was handled by Antigua International Trust. Herrington served as director of all the IBCs and Guardian Bank and performed transactions in the SAB and SANB accounts."

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Disgraced banker has Island past

Continued from Page 1

Swiss American Banking Group is owned by financier Bruce Rappaport, a former Bermuda resident who is believed to have held millions of dollars in Bank of Bermuda accounts during the 1980s.

Herrington was suspended and then sacked from his job in Swiss American in 1987 when he refused to tell Rappaport who ran the accounts.

The report said: "Between the time of Herrington's suspension and his termination, he notified Fitzgerald of Rappaport's concerns."

According to a Bermuda Police Special Branch report extract in the published Senate report, the sum of $450,000 in cash was believed to have been taken out of a Bank of Butterfield safety deposit box, and taken in cash to the Bank of Bermuda, where it was deposited with Herrington using the "influence" of the Antiguan bank.

The report goes on to state: "When the funds were transferred to the account at Swiss American, they were 'held' until Herrington made the book entries."

There is a further mention in the Special Branch report of $5 million, which they say was put through a wire transfer to Bank of Bermuda and on to Swiss American Bank.

The Bermuda Police said it was a "murky trail". It said: "Between January and March 1985, Fitzgerald and other members of the drug organisation deposited $3 million into the account (in the Canadian Imperial Bank of Commerce, St. Lucia). In May 1995, the account was closed and all of the funds (in excess of $3 million), were transferred to Guinness Marn and Company Bank in the Cayman Islands through a bank cheque issued to the Guinness Bank.

"The total in the account subsequently grew to $5 million. In the fall of 1985, the $5 million in funds were wire transferred from the Guinness Bank account to Philadelphia to Manufacturers Hanover Bank in New York to the Bank of Bermuda and on to Swiss American Bank."

The Special Branch report also states: "Another $500,000 came through a cash deposit at the Bank of Bermuda". It is not clear if this is a separate amount to the $450,000 mentioned earlier in the same report.

The extracts are from the section of the report called The Fitzgerald Case — Drugs and Terrorist Money which 'repeatedly puts Herrington and Swiss American Banking Group at the centre of the scandal.

While living in Bermuda, Herrington is believed to have worked closely with Barry Shailer, now Chief Compliance Officer at the Bank of Bermuda, and the then chief executive officer Donald Lines, who helped set up Lines Overseas Management.

Herrington, who for some time held the position of assistant manager, corporate banking, legal and secretary was then given the additional responsibility in mid 1983 for the Bank of Bermuda's corporate loans and letters of credit facilities under the direction of Barry Shailer, who was at the time manager of corporate banking.

Mr. Shailer and Mr. Herrington have been described as "the best of friends" by colleagues who said Herrington "lived the life of Riley" while in Cayman with his own beach-front property, tennis courts and a chauffeur. It is not known where Herrington currently resides.

The Bank of Bermuda was contacted on Friday with a list of questions about Mr. Herrington. The questions included how long he worked at the Bank, what positions he held, how he came to be employed by the Bank and why he left.

They also included a question on whether Herrington had any connections with the Bank after leaving.

As of press time, the Bank of Bermuda had not responded to the questions. Anyone with knowledge or information on Mr. Herrington is asked to contact Mairi Mallon at 295-5881, extension 247.

Alleged money launderer worked for Island bank — claim

By Mairi Mallon

The man named in a US Senate investigation into money laundering started an account for money from mobsters involved with the IRA, drugs and gun-running while still working at the Bank of Bermuda, according to a Bermuda Special Branch investigation report.

And the same report states Peter Herrington was promoted three times while working at the Bank of Bermuda.

Herrington worked at the Bank of Bermuda between 1979 and 1985, at least part of the time as senior legal counsel, before he went on to work as the General Manager of Swiss American Banking Group.

Herrington is accused in a US Senate report, released last week, of using "influence" on staff at the Bank of Bermuda to get them to accept bundles of cash believed to belong to criminals while working at the Caribbean bank, Swiss American.

It is during his period at Swiss American in Antigua that he became a central figure in the money laundering process, according to the US Senate report on the laundering of $7 million said to be linked to the IRA and the drugs trade.

The Special Branch report, dated October 1989, states: "Herrington lived in Bermuda for five years and received three promotions at the Bank of Bermuda.

"He has been described as a difficult character, not easy to get along with and arrogant, but always maintaining a professional manner. He had a keen interest in rugby and played for Renegades RFC whilst residing on the Island."

And the Special Branch report, obtained by *The Royal Gazette* after the release of the Senate report, adds that some of the drugs money first appeared in the Bank of Bermuda while he worked there.

The report states that $252,156 was held in the Bank of Bermuda by Reinberg/Murray.

Joseph Paul Murray is an infamous mobster from Boston who served ten years for his part in organising the sale of arms to the IRA.

A web of accounts at Swiss American were used to launder the money and included one held by Murray's wife, Suzanne Jay Murray, who was said to be using the name Susan Jay Reinberg.

The Reinberg/Murray account in the Bank of Bermuda was originally held in an account normally used for residents and the Special Branch said: "Certain other irregularities could not be explained."

It added: "What they (the directors of Swiss American) did know was that Herrington was working at the Bank of Bermuda when the account was opened and when he went to Antigua the money later went with him.

"He even paid large penalty fees to transfer the money in October 1985."

The Special Branch report says that this money appears to be the first and the "suspect deposits" started with the transfer of the Reinberg/Murray money.

Murray and his gang hit the headlines when they were jailed in connection with events on the American registered trawler Valhalla, when it crossed the Atlantic in 1984 and transferred weapons to an Irish ship that was later detained by Security Forces. The Valhalla returned to Boston and was detained. Murray and two other men were convicted and jailed. One of the men involved, John McIntyre, disappeared and is believed to have been killed by the IRA.

Murray and others also pleaded guilty to importing about 30 tons of cannabis to the USA using a trawler carrying the drug buried beneath gravel and steel plates.

The Special Branch, which worked with the FBI on the investigation in the 1980s, said during Herrington's tenure at Swiss American, he had a long list of suspect actions.

"He travelled on business and charged the expense to more than one account, sometimes travelling with female companions.

"Bank slips were written as 'cash' and 'deposit' when money was being transferred from one account to another as a way to disguise its destination. Only by checking other banking records can the accountants identify whether true cash was handed over and frequently it was not.

"Herrington appears to have had total control of the funds and manipulated the charges and fees on accounts."

It also adds that many of the loans made out by Herrington are c/o Antigua National Trust Ltd — part of Swiss American which Herrington also managed — with no further details available.

It adds: "Funds transferred from Bermuda appear to have been 'held' until he returned to Antigua and made the appropriate book entries."

Of that $7 million investigated for money laundering, the documents from the Senate probe and the Special Branch appear to indicate that 85 percent ($5.95 million) was laundered through the Bank of Bermuda, and includes documents from Bermuda Police Special Branch investigations into the case.

Continued on Page 33

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Money laundering inquiry

Continued from Page 32

Herrington is closely linked with the central character in part of the Senate investigation, John Fitzgerald, who was convicted of racketeering conspiracy and money laundering in the United States in connection with the $7 million of mob money.

The Minority Staff of the US Senate Permanent Subcommittee on Investigations report on Correspondent Banking: A Gateway to Money Laundering revealed this week that: "The General Manager of the Swiss American Banking Group was at the time Peter Herrington who assisted Fitzgerald with the formation of all IBCs (a type of share-owned corporation) and management of the accounts at SAB (Swiss American Bank) and SANB (Swiss American National Bank). The formation of the accounts was handled by Antigua International Trust. Herrington served as director of all the IBCs and Guardian Bank and performed transactions in the SAB and SANB accounts."

Swiss American Banking Group is owned by financier Bruce Rappaport, a former Bermuda resident who is believed to have during the 1980s held millions of dollars in Bank of Bermuda accounts.

The report also states Herrington tried to buy the bank from Rappaport for $2 million in conjunction with one of Murray's gang. Rappaport instead fired him, the report states.

It adds: "After his dismissal Herrington was allowed to return to the bank for six weeks and during this time was seen by other staff to remove boxes of records.

"Herrington was detained in Geneva on May 26 1987 after a complaint of 'Damage to Property and Disloyal Management'. Local police decided they had no jurisdiction and he was released. This appears to be Rappaport reacting to events in Antigua."

The whereabouts of Herrington are not presently known.

RE MARCH 26/01

EXHIBIT C

PETER F.HERRINGTON, PETER F. HERRINGTON

P.O.Box 306, Healdton, OK 73438
Tel: (580) 229 0623; Fax (580) 229 0612

Mia Levine,
Trial Attorney,
U.S.Dept.of Justice,
Criminal Division,
Washington, D.C.20530.

17th February 1998

Fax: 202 514 5522

Dear Mia,

United States v. Swiss American Bank Ltd. et al
97 Civ. 12811RWZ

Thank you for your letter of the 10th instant, enclosing a copy of the Complaint.

As I hope you are now aware, paras 22 and 23 of the Complaint are inaccurate and misleading.

At no time during my dealings with Fitzgerald was I made aware of the identities of any partners he may have had, and I had no knowledge of the source of funds, illegal or otherwise.

As I informed you, I discussed with Lesley Ann Gerson, the U.S.Consul to Antigua at the relevant times, my dealings with Fitzgerald, and whether the U.S.Government had any concerns. At that time, no money laundering laws such as we enjoy today existed, and it was not unusual for sizable sums of money to be transferred from one Country's banking system to another. Only if large sums of cash were to be presented for credit of an account, would any alarm bells ring.

Para 23 is particularly repugnant, as the confidentiality laws of Antigua (as with most other Countries at that time), were designed to protect all customers - Fitzgerald was no different from the hundreds of other Customers we dealt with in that respect. It was the ownership of accounts that was protected - location, source and nature were not relevant.

Para 30 requires clarification. Fitzgerald was regarded by me, at all times, as the beneficial owner of the accounts, and it was on his instructions that the bearer shares were handed to him.

Paras 34, 35 & 36 are incorrect and misleading. The transfers mentioned were between accounts owned by the same person, and no attempt at concealment therefore applies. Any cash transfers out of those accounts (and not between accounts) would have been for moneys requested by Fitzgerald, and designated by him as living expenses. As he was regarded as the beneficial owner of those funds, there would have been nothing unusual in those transactions, particularly as Fitzgerald was living in Antigua.

As all these matters were given a full airing at the time of the Grand Jury I attended in Boston, and as I then offered my full co-operation in recovery of the funds to the U.S.Government, I am surprised and disappointed to find myself the target of accusations of improper behaviour. It was because I was not prepared to indulge in any dishonesty, either for the Owner of the Antigua Bank Group, or for Fitzgerald, that the U.S.Government has the opportunity to recover these funds.

My Wife tells me you warned that the Complaint would contain objectionable material. Can you please give me assurances that the inaccuracies will be corrected by amendment.

As always, I remain able and willing to assist in any way proper.

Yours sincerely,

U.S. Department of Justice

Criminal Division

Washington, D.C. 20530

FEB 10 1998

Peter Herrington
P.O. Box 306
Hilton, Oklahoma 73438

RE: United States v. Swiss American Bank, Ltd. et al.
97 Civ. 12811RWZ

Dear Mr. Herrington:

Thank you for speaking with Jack de Kluiver and me on January 26, 1998. Per our conversation, enclosed is a copy of the United States' lawsuit filed against Swiss American Bank, Ltd. et al. on December 23, 1997. Should you recall any other information from your tenure with Swiss American Bank, please call me at (202) 305-4223.

Sincerely,

GERALD E. McDOWELL
Chief
Asset Forfeiture and Money
Laundering Section

By: Mia Levine

MIA LEVINE
Trial Attorney

Enclosure

Permanent Subcommittee on Investigations documents related to the activities of Peter Herrington.

Excerpts from the Complaint, United States of America v. Swiss American Bank, LTD., Swiss American National Bank, Swiss American Holding Company S.A. of Panama, and Inter-Maritime Bank, Geneva (U.S. District Court for the District of Massachusetts, C.A. No. 97-CV-12811 (RWZ)), that relate to activities of Peter Herrington.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA, Plaintiff,	)	COPY
v.	)	97 CV 12811 RWZ C.A. NO.
SWISS AMERICAN BANK, LTD., SWISS AMERICAN NATIONAL BANK, SWISS AMERICAN HOLDING COMPANY S.A. OF PANAMA, AND INTER-MARITIME BANK, GENEVA, Defendants.	)	COMPLAINT FOR DAMAGES

FILED IN CLERK'S OFFICE DEC 23 2 10 PM '97 U.S. DISTRICT COURT DISTRICT OF MASS.

C O M P L A I N T

Plaintiff, the United States of America, by and through its undersigned attorneys, for its Complaint for damages, alleges, upon information and belief, as follows:

PARTIES

1. Plaintiff the United States of America is the sovereign.

2. Defendants Swiss American Bank Limited and Swiss American National Bank are foreign corporations with their principal place of business in St. Johns, Antigua, West Indies.

3. Defendants Swiss American Holding Company S.A. of Panama and Inter-Maritime Bank, Geneva are foreign corporations with their respective principal places of business in Panama and Geneva, Switzerland.

4. At all material times, defendants Swiss American Bank Limited and Swiss American National Bank were controlled by

and/or are the alter egos of defendants Swiss American Holding Company S.A. of Panama and Inter-Maritime Bank, Geneva.

JURISDICTION AND VENUE

5. The Court has subject matter jurisdiction over this case pursuant to Title 28 United States Code ("U.S.C."), Section 1345, because this case is a civil action commenced by the United States.

6. Venue is proper before this Court pursuant to Title 28 U.S.C. Sections 1391(b)(2)&(3).

STATEMENT OF FACTS

7. This action is commenced by the United States of America ("United States"), under applicable law, including federal common law, to recover debts owed the United States wrongfully and intentionally converted by defendants Swiss American Bank, Ltd., Swiss American National Bank, Swiss American Holding Company S.A. of Panama, and Inter-Maritime Bank, Geneva (hereinafter, collectively referred to as "SAB") in contravention of this Court's May 4, 1994, Final Order of Forfeiture in United States v. Fitzgerald, United States District Court for the District of Massachusetts Criminal Action No. 93-10149-Z.

8. Brothers Joseph and Michael Murray, along with other family members and associates, established one of the largest marijuana smuggling rings in the New England region of the United

States during the 1980s, smuggling over 200 tons of marijuana into the United States between 1979 and 1986.

9. Joseph Murray was primarily responsible for the smuggling aspects of the drug organization, while Michael Murray oversaw financial matters.

10. Michael Murray was assisted in the financial aspects of the Murray brothers' drug organization by John E. Fitzgerald ("Fitzgerald"), a United States citizen.

11. Fitzgerald served as the principal money launderer for the Murray brothers' drug organization.

12. SAB owned and operated Antiguan banks that accepted deposits from customers residing in the United States.

13. Between 1985 and 1987, in excess of seven million U.S. dollars of proceeds from the illegal drug activity of the Murray brothers' drug organization was deposited in accounts at SAB's Antiguan branches. Those accounts (collectively referred to hereafter as the "Fitzgerald accounts") were controlled by Fitzgerald for the Murray brothers' drug organization.

14. The deposit of funds into the Fitzgerald accounts created a debt owed by SAB to the depositor, which debt was a property interest of the depositor that SAB had no lawful right to extinguish, without the consent of the depositor, except by paying the sum evidenced by the balance in the account.

15. On or about January 13, 1994, following an eighteen-day jury trial held in the United States District Court for the

District of Massachusetts, Michael Murray was convicted of conspiracy to possess with intent to distribute a controlled substance (in violation of Title 21 U.S.C. Section 846) and several substantive violations of possession with intent to distribute a controlled substance (in violation of Title 21 U.S.C. Section 841).

16. On or about April 25, 1994, Michael Murray was sentenced to thirty years imprisonment and fined $10 million for his conviction on these charges.

17. During the course of the prosecution, Michael Murray admitted that the funds on deposit at SAB in the Fitzgerald accounts were the proceeds of his narcotics trafficking and that Fitzgerald had been responsible for seeing that the funds were deposited at SAB.

18. The Fitzgerald accounts were held in the names of a series of foreign shell corporations (identified in paragraphs 24 through 27) that had been established by Fitzgerald on the advice and under the supervision of Peter F. Herrington ("Herrington").

19. Herrington, at all material times, was the General Manager and/or lawful employee of SAB.

20. While employed at SAB, at all material times, Herrington was also the General Manager and lawful employee of Antiguan International Trust, Limited ("AIT"), a company wholly owned and controlled by defendants Swiss American Holding Company S.A. of Panama and Inter-Maritime Bank, Geneva.

21. AIT was authorized to register companies under the Antiguan International Business Corporations Act and provided corporate and trust services to the purchasers and shareholders of companies incorporated by AIT for the benefit of those third parties.

22. Herrington was aware of Fitzgerald's need to move large sums of money from the Murray brothers' drug organization in Massachusetts to bank accounts outside the United States. Herrington also knew of the need to disguise and conceal the ownership, location, source, and nature of these monies.

23. Herrington advised Fitzgerald to establish a series of offshore companies whose bank accounts at SAB would be used to move monies from Massachusetts to these accounts in order to disguise and conceal the ownership, location, source, and nature of these monies.

24. Between September and November 1985, Herrington and Fitzgerald, through AIT, supervised the incorporation of three Antiguan business entities: Rosebud Investments Ltd. ("Rosebud"), White Rose Investments Ltd. ("White Rose"), and Handel Investments, Ltd. ("Handel").

25. On or about May 1986, Herrington, through AIT, supervised the incorporation of three Antiguan business entities, named Harlequins Ltd., Hoylake Ltd., and Saracens Ltd. ("HHS"), to serve as holding companies for an Anguillan (another Carribean

island) business entity named Guardian Bank Limited ("Guardian Bank").

26. On or about June 1986, Herrington and Fitzgerald, through AIT, supervised the incorporation of Guardian Bank, of which the controlling shares were issued to HHS.

27. On or about June 1986, Herrington and Fitzgerald, through AIT, also supervised the incorporation of an additional Antiguan business entity named J&B Investments Corporation ("J&B").

28. Immediately after the incorporation of Rosebud, White Rose, Handel, J & B, and HHS, AIT, through Herrington, issued bearer shares for each individual company.

29. Initially, all bearer shares for Rosebud, White Rose, Handel, J & B, and HHS were held in trust by AIT through Herrington.

30. Herrington, in his capacity as General Manager of AIT, on the instructions of the true beneficial owners of Rosebud, White Rose, Handel, J & B, and HHS, lawfully transferred all bearer shares for Rosebud, White Rose, Handel, J & B, and HHS to Fitzgerald.

31. At all material times, Fitzgerald and/or Michael Murray held and were the rightful owners of all the lawfully issued bearer shares for Rosebud, White Rose, Handel, J & B, and HHS.

32. Between September of 1985 and June of 1987, Herrington opened accounts at SAB and purchased certificates of deposit from

SAB in the names of Rosebud, White Rose, Handel, J & B, and Guardian Bank. Those certificates of deposit constituted some, or all, of the Fitzgerald accounts, as defined in Paragraph 13 hereof.

33. Herrington was a signatory for the Fitzgerald accounts.

34. Herrington engaged in a series of transactions to move funds between and among the various Fitzgerald accounts. These transactions were designed to disguise and conceal the ownership, location, source, and nature of these monies.

35. On several occasions, Herrington prepared withdrawal vouchers for "cash" from certain Fitzgerald accounts, but actually used the "cash" notation to facilitate the transfer between and among Fitzgerald accounts without records showing the ultimate destination of the transfer.

36. The transfers by Herrington using the "cash" notation were designed to avoid detection and tracing of the movement of funds from and among the Fitzgerald accounts, and to further disguise and conceal the ownership, location, source, and nature of these monies.

37. On or about August 17, 1993, in Criminal Action Number 93-10149-Z, in the United States District Court for the District of Massachusetts, Fitzgerald pleaded guilty to conspiring to violate the RICO statute, Title 18 U.S.C. Section 1962(d), and attempting to engage in money laundering, in violation of Title 18 U.S.C. Section 1957, and agreed to forfeit the Fitzgerald

accounts to the United States, pursuant to the RICO forfeiture statute, Title 18 U.S.C. Section 1963.

38. On or about November 9, 1993, pursuant to Fitzgerald's guilty plea, the Court, in Criminal Action Number 93-10149-Z, entered a preliminary Order of Forfeiture against Fitzgerald, forfeiting to the United States:

> the property described in the forfeiture allegations of Count One, namely, funds which were deposited into the Swiss American Bank, Ltd., and the Swiss American National Bank in St. Johns, Antigua during the time period September 1985 through June 23, 1987, plus any interest which has accrued since that time, into any accounts (including, without limitation, certificates of deposit thereon) held in the name of Rosebud Investments, Ltd., White Rose Investments, Ltd., Handel Investments, Ltd., J & B Investments Corp., and Guardian Bank, Ltd. These funds have been identified as interests which the defendant acquired or maintained in violation of 18 U.S.C. § 1962 or constituted property which was derived from, or proceeds which the defendant obtained from, directly and indirectly, the pattern of racketeering alleged in the Indictment.

39. The effect of the Order of Forfeiture was to transfer Fitzgerald's interest in the Fitzgerald accounts -- i.e. his right to be paid the sum of money evidenced by the balances in all of those accounts -- to the United States, so that the debt SAB had previously owed to Fitzgerald was owed to the United States.

40. Notice of the District Court's November 9, 1993, Order of Forfeiture was published for three consecutive weeks in a newspaper of general circulation in Antigua in February and March

3. That the United States be awarded such other and further relief as the Court deems proper and just.

Respectfully submitted,

DONALD K. STERN
United States Attorney

By: _____
RICHARD L. HOFFMAN
Assistant U.S. Attorney
1003 J.W. McCormack, POCH
Boston, MA 02109
(617) 223-9402

GERALD E. McDOWELL
Chief
Asset Forfeiture & Money
Laundering Section

By: _____
STEFAN CASSELLA
Assistant Chief
MIA LEVINE
Trial Attorney
Asset Forfeiture and
Money Laundering Section
United States Department of Justice
1400 New York Avenue, N.W.
Washington, D.C. 20530
(202) 514-1263

Date: December 23, 1997

Excerpts from "United States' Opposition to Motion of Bank of New York-Inter Maritime Bank, Geneva to Dismiss for Failure to Adequately Plead Allegations of Alter Ego Liability," United States of America v. Swiss American Bank, LTD., Swiss American National Bank, Swiss American Holding Company S.A. of Panama, and Inter-Maritime Bank, Geneva (U.S. District Court for the District of Massachusetts, C.A. No. 97-CV-12811 (RWZ)), that relate to activities of Peter Herrington.

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA, Plaintiff,	)	
v.	)	CIVIL NO. 97-CV-12811 WGY
SWISS AMERICAN BANK, LTD., et al. Defendants.	)	

FILED IN CLERK'S OFFICE

UNITED STATES' OPPOSITION TO MOTION OF BANK OF NEW YORK-INTER MARITIME BANK, GENEVA TO DISMISS FOR FAILURE TO ADEQUATELY PLEAD ALLEGATIONS OF ALTER EGO LIABILITY

The government respectfully submits this Opposition to the Motion of Bank of New York-Inter Maritime Bank, Geneva to Dismiss for Failure to Adequately Plead Allegations of Alter Ego Liability.[1] In its Motion to Dismiss for Failure to Adequately Plead Allegations of Alter Ego Liability, filed pursuant to Federal Rules of Civil Procedure 12(b)(6) and 9(b), Inter-

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[1] Additionally, the government is simultaneously filing, two other oppositions in response to Inter Maritime Bank, Geneva, Swiss American Bank, Ltd. and Swiss American National Bank's (collectively "Defendants") other motions to dismiss - (1) United States' Opposition to Motion of Bank of New York-Inter Maritime Bank, Geneva and Motion of Swiss American Bank, Ltd. and Swiss American National Bank to Dismiss the Complaint for Lack of Personal Jurisdiction and (2) United States' Opposition to Motion of Swiss American Bank, Ltd. and Swiss American National Bank to Dismiss the Complaint for Improper Service, Failure to Join an Indispensable Party and on the Grounds of Forum Non Conveniens. The United States incorporates these other oppositions as if fully restated herein. The government has organized its responses in this manner for the Court's convenience in the event that the Court again chooses to address the issue of personal jurisdiction before any other preliminary issue.

Maritime Bank, Geneva ("Geneva")[2] claims it should be dismissed from this lawsuit for two reasons. First, Geneva asserts that the government's claims against Geneva do not meet the pleading requirements of Fed. R. Civ. P 8(a) or 9(b). Second, Geneva contends that the government has not stated a claim as to Geneva's alter ego basis for liability. Because the government has alleged its claims against Geneva with sufficient particularity to satisfy the requirements of Rules 8(a) and 9(b) and has stated a claim upon which relief can be granted, Geneva's motion should be denied. Moreover, the appropriate remedy for failing to sufficiently plead alter ego liability is not outright dismissal of Geneva. Instead, if the pleadings are deficient, the Court should afford the government an opportunity to amend the Complaint to remedy any alleged deficiency.

Finally, because Geneva's motion seeks to have the Court consider matters outside the pleadings, namely the March 12, 1998 Affidavit of Stephen Beekman, Geneva is actually requesting relief pursuant to Fed. R. Civ. P. 56. Because Geneva is requesting summary judgment, it is appropriate for the Court to exercise its discretion to grant the United States leave to conduct discovery to probe the relationship between and among the

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[2] Geneva has noted in its papers that in 1989, its name changed to Bank of New York-Inter Maritime Bank, Geneva. If Geneva were to provide appropriate documentation evidencing this name change, then the government would move the Court to amend the caption of the case.

Defendants[3] pursuant to Rule 56(f) before ruling on Geneva's motion.

FACTUAL BACKGROUND

From 1985 through 1987, John E. Fitzgerald ("Fitzgerald") arranged for the deposit of over $7 million in illegal drug proceeds into accounts ("forfeited funds") that he opened at Swiss American Bank, Ltd. and Swiss American National Bank ("SAB"). (Complaint at ¶ 13; see September 26, 1991 Sworn Statement of Peter Herrington at p. 33, attached hereto as Exhibit A). During this time, Fitzgerald's contact persons at SAB were its General Manager, Peter Herrington ("Herrington"), and Manager, McAlister Abbott ("Abbott"). (Complaint at ¶¶ 18-20; Exhibit A at pp. 37-39). None of the SAB accounts under Fitzgerald's control were opened in Fitzgerald's name, but, rather, in the name of shell-corporations incorporated by Herrington for Fitzgerald. (Complaint at ¶¶ 18-32; Exhibit A at pp. 5-6 & 10-11). Herrington created the Fitzgerald shell-corporations in his capacity as the General Manager of the Antigua International Trust Limited ("AIT"), a "trust" company

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[3] Geneva's contention that the government waived its right to move the Court for discovery because it did not renew its motion for discovery at the January 6, 2000 status conference is without merit. It would have been premature for the government to renew its request for discovery without first knowing the Defendants' bases upon which they would be renewing their motions. Therefore, the government has not waived its rights to discovery.

that incorporated shell-corporations for SAB's customers. (Complaint at ¶¶ 20-32; Exhibit A at pp. 10-11). For all practical purposes, although they performed different functions, AIT and SAB acted as one business entity. AIT and SAB had the same offices, used the same post office box, had common officers and employees, and, most importantly, were owned by, controlled by, and answered to the same principals, namely, Defendants Swiss American Holding Company S.A. of Panama ("SAHC"), Geneva, and their principal shareholder, Swiss-Israeli businessman Bruce Rappaport ("Rappaport"). (Compare Unauthorized Annual Return for Guardian filed by AIT and March 7, 1988 Letter from McAlister Abbott to Bruce Rappaport/IMB, attached hereto as Exhibits B and C, respectively; Exhibit A at pp. 5-7 & 42-43).[4]

By May 1987, most of Fitzgerald's deposits at SAB, which at that time accounted for almost one third of SAB's deposits, were held in the name of a shell-corporation called Guardian Bank Limited ("Guardian"). (October 19, 1989 Investigatory Report of Prospect Special Branch, attached hereto as Exhibit E at pp. 1-2). Guardian was actually owned by three holding companies, wholly controlled and owned by Fitzgerald. (Complaint at ¶ 25;

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[4] In 1987, SAB and AIT were owned and controlled by Defendant Swiss American Holding Company of Panama, S.A., which in turn was owned and controlled by Defendant Geneva, which in turn was owned and controlled by Bruce Rappaport. (See Excerpt of the December 6, 1989 Summary of Testimony by Marc Sturzenegger, attached hereto as Exhibit D at p. 8; Exhibit A at pp. 42-43).

see Exhibit A at pp. 39-40 & 45-46). The corporate documents for Guardian and these holding companies were held in trust by AIT for the benefit of Fitzgerald. (See Exhibit A at p. 46; Exhibit E at p. 8). From June 1986 to June 1987, Herrington was the sole director of Guardian and of the various holding companies that owned Guardian. (See Exhibit A at pp. 39-40, & 45-46).

Although most of the facts are in the control of the Defendants, the United States has learned that by the end of May 1987, Mr. Rappaport became concerned that an unknown depositor controlled one-third of SAB's deposits and ordered Herrington to travel to Geneva's Swiss offices for a face-to-face conference. (Affidavit of A. J. de Kluiver, previously filed on April 15, 1998 ("de Kluiver Aff."), attached hereto, at ¶ 4a). When Herrington arrived in Geneva, Mr. Rappaport asked Herrington to identify the beneficial owners of Guardian, but Herrington refused. (de Kluiver Aff. at ¶¶ 4b & 4c). As a result, Rappaport removed Herrington as the General Manager of AIT and SAB. (de Kluiver Aff. at ¶ 4c). Thus, Rappaport was apparently able to exert enough control over the corporate structure of the Defendants to remove Herrington.

Upon his return to Antigua, Herrington contacted Fitzgerald and informed the latter of Rappaport's inquiries about Guardian. (See Exhibit A at p. 45). Herrington and Abbott resigned as officers of Guardian and its holding companies and Herrington

transferred all corporate documents relating to the ownership of Guardian to Fitzgerald. (Exhibit A at p. 46). Fitzgerald, armed with Guardian's corporate documents, elected a new director for Guardian, who then attempted to withdraw funds from SAB. (Exhibit A at p. 46; Exhibit E at p. 2). SAB refused to honor the request made by Guardian's new director who attempted to negotiate a release of part of Guardian's SAB funds. (See Exhibit E at p. 2). Finally, after attempts at a negotiated settlement failed, Guardian's director filed a lawsuit in Antigua in 1989, asking the court to recognize him as the sole director of Guardian and for authority to withdraw approximately $4.15 million from Guardian's SAB accounts. (See Exhibit E at p. 2). In December 1990, the Antiguan court ruled that Guardian's director did not possess the proper corporate authority to file the lawsuit and dismissed the case for lack of standing.[5]

The United States possesses copies of most of the pleadings and exhibits filed in the aforementioned Antiguan litigation.[6] These documents show that immediately after Herrington's

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[5] As of October 1992, the case was still on appeal. (October 1, 1992 Letter from Marc Sturzenegger, attached hereto as Exhibit F). The United States is presently unaware of the final resolution of this appeal.

[6] The United States received copies of pleadings in the Antiguan lawsuit from Inter Maritime Services Company Limited, a company that provided legal and accounting services to various companies in the "Inter Maritime Group," including, AIT, SAB and Geneva. (See Exhibits D and F).

dismissal in 1987, SAB, through its agent AIT, appears to have engineered a takeover of Guardian.[7] On June 22, 1987, AIT issued proxies to Suzanne Wolf, a resident of Geneva, Switzerland, allegedly giving her the authority to operate the voting shares in Guardian held by the three holding companies owned by Fitzgerald, even though AIT did not hold the bearer shares to the holding companies, was not the named director of the holding companies, and did not have Fitzgerald's permission to operate the holding companies. (de Kluiver Aff. at ¶ 4d; see Documents from Unauthorized Guardian Bank Shareholder Meeting of June 23, 1987, attached hereto as Exhibit G; Exhibit A at pp. 45-46; Exhibit B; Exhibit E at p. 8). Then, on June 23, 1987, using the bogus proxies, Ms. Wolf appointed AIT as director of Guardian and passed a corporate resolution freezing Guardian's accounts at SAB "to protect the interests of the bank and its customers." (Exhibit G; Exhibit A at pp. 45-46). When Guardian was incorporated in June 1986, all 5,000 voting shares were issued to the three holding companies controlled and owned by Fitzgerald. (See Guardian Stock Certificates Issued to Harlequins Limited, Hoylake Limited, and Saracens Limited, attached hereto as Exhibit H; Exhibit A at pp. 10-11, 39-40 & 45-46). After Fitzgerald

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[7] Fitzgerald attempted to withdraw his deposits at SAB at a time when SAB was financially unstable. A cash withdrawal of almost one quarter of SAB's total deposits could have forced SAB into insolvency. (See Exhibit E at pp.1-2).

attempted to withdraw Guardian's funds from SAB in 1987, AIT mysteriously obtained 15,100 voting shares in Guardian, making AIT a 75% majority shareholder in Guardian. (See Exhibit B at p. 1).

ARGUMENT

I. **The Government has Pleaded its Claims Sufficiently Under Rules 8(a) and 9(b)**

Geneva argues that the Complaint does not meet the minimum pleading requirements of Rule 8(a) or the particularity requirements of Rule 9(b), and as such, the Complaint must be dismissed. The government has fulfilled its pleading obligations; however, if the Court finds that the Complaint is insufficiently pleaded, then the proper remedy for the Court is to allow the government to amend, rather than to dismiss, the Complaint.

Fed. R. Civ. P. 8(a) requires that a pleading set forth a short and plain statement of the claim, showing that the pleader is entitled to relief. The notice pleading standard eliminates the need in pleadings for a detailed statement of the facts upon which the claim is based, leaving development of the facts to the discovery phase of the litigation. J.D. Conley v. Gibson, 355 U.S. 41, 47 (1957). Federal Rule of Civil Procedure 9(b) requires that fraud be pleaded with particularity. In determining whether the requirement to plead fraud with particularity has been satisfied, the First Circuit has

Respectfully submitted,

GERALD E. McDOWELL, Chief
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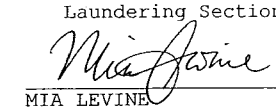
Laundering Section

By: 

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Date: February 24, 2000

Isle of Man

Registered No.

Sub-No.

SUBJECT

ISLE OF MAN CONSTABULARY

RECORD OF TAPE RECORDED INTERVIEW

Exhibit No: BJS1C

Interview of Peter Frederick HERRINGTON at Police Headquarters, Douglas, Isle of Man on Friday, 26th September, 1991.

Subcommittee Staff Note: This Exhibit (Government Exhibit A") included only the following excerpts of the Peter Herrington interview. The remaining pages of the interview have not been made public.

Isle of Man

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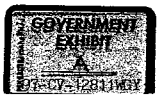
Interview of Peter Frederick HERRINGTON at Police Headquarters, Douglas, Isle of Man on Friday, 26th September, 1991.



SECUTIONS?

D OF TAPE RECORDED INTERVIEW

terviewed: Peter Frederick HERRINGTON (PFH) Exhibit No.: BJS1C

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nterview: Police Headquarters, Douglas, Isle of Man.

This record consisting of 51 pages, each signed by me is the exhibit referred to in the statement made and signed by me.

nterview: Friday, 26th September, 1991.

DC 163

mmenced: 5.46 p.m. Time concluded: 6.47 p.m.

present:
e Constable Barry John SMITH, Fraud Squad, Isle of Man Constabulary.
t United States Attorney Michael KENDALL, United States Department of Justice.
Agent Paul J. FOLEY, Federal Bureau of Investigation.
Agent Robert R. TURGISS, Federal Bureau of Investigation.

BY

MARY FILES

Person Speaking	Dialogue
BJS	This interview is being tape recorded, I am Detective Constable 163 Barry John Smith of the Isle of Man Constabulary. Other officers present are -
PJF	Special Agent Paul J. Foley of the F.B.I. in Boston, Mass
RT	Special Agent Robert Turgiss with the F.B.I. in Boston
MK	And Michael Kendall, Assistant United States Attorney with the Department of Justice in Boston Massachusetts
BJS	And you are?
PH	I'm Peter Herrington from the Savoy Hotel, The Promenade, Douglas, Isle of Man.

2 Exhibit No.: BJSIC Date: 26th September, 1991.

Re: Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
BJS	OK, we are in an interview room at Police Headquarters, Douglas. The date today is Thursday, 26th September, 1991 and the time by my watch is 5.46pm. Do you agree first of all Mr. Herrington that these two tapes were unsealed in your presence?
PH	I do
BJS	And placed in the machine, thank you. This interview is being conducted in accordance with an order which was issued under Section 24 of The Criminal Justice Act 1991, which is an Act of the Legislature in the Isle of Man. It concerns persons under investigation who are Joseph Paul MURRAY, Suzanne Jane MURRAY, Michael Francis MURRAY, James Joseph MURRAY, John F. FEENEY, John Edward FITZGERALD, Global Holdings Ltd, Irving Trust Company, Harlequins Ltd, Hoylake Ltd, Sarasins Ltd and Antigua International Trust Ltd. This order was duly served on Mr. Peter HERRINGTON who later petitioned the Deemster in the High Court of the Isle of Man as to whether he should answer to it; the Deemster did so order on the 10th day of September, 1991. Would you agree with

3 Exhibit No.: BJSIC Date: 26th September, 1991.

Name: Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	that Mr. HERRINGTON that that is a true summary of the legal proceedings to date?
PH	Yes, I just wish to add that eh, I sought clarification from the Court because I would be in breach of the laws of Antigua by volunteering to give this information without the benefit of an Isle of Man Court Order.
BJS	And are you satisfied now that you are covered by the Isle of Man Order?
PH	I am satisfied that I'm obliged to give the information, although I'm still technically in breach of the law of Antigua.
BJS	OK the interview from now will be conducted by Mr. Michael Kendall
MK	OK, thank you Mr. Herrington. If we could just get a few personal details on the record. Eh, you're a citizen of the United Kingdom, is that correct?
PH	That's correct.
MK	OK, and your date of birth?
PH	130144
MK	OK
PH	Or to put it in American 1-13-44
MK	And you are a member of the Bar in the United

END OF TAPE RECORDED INTERVIEW (CONTINUATION)

4 Exhibit No: BJSIC Date: 26th September 1991.

Re: Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	Kingdom, is that correct?
PH	No, I'm a Solicitor, and a Member of the Law Society.
MK	OK that means you're..
PH	We don't have a fused profession like you have in the States.
MK	But you're an Attorney, is that correct?
PH	Yes
MK	You've been practising since 1969?
PH	That's correct
MK	Could you just briefly tell us your educational background.
PH	Eh, I'm a product of an English Grammar School and the, I got my legal qualifications at the College of Law, in England
MK	Now em, also just to lay out some more formalities you also understand that under Section 24 of The Criminal Justice Act that em, your not em specifically under oath if you do make a false statement if that is considered a criminal offence
PH	I understand, yes.
MK	OK, now is it true at some point that you were an employee of the Bank of Bermuda?
PH	Yes

D OF TAPE RECORDED INTERVIEW (CONTINUATION)

5

Exhibit No.: BJS1C Date: 26th September, 1991.

e: Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
MK	OK ..
PH	1979 to 1984 end of March ?
MK	And what was your last position at the Bank of Bermuda?
PH	I was the Bank's in-house Counsel and also its corporate secretary. #
MK	Yep, and you were located actually on the island of Bermuda at that time?
PH	Yes, indeed
MK	OK, did you leave the Bank of Bermuda for another position?
PH	Yes, I did.
MK	OK, and what was that position?
PH	That was to be General Manager of Antigua International Trust Ltd, Swiss American National Bank of Antigua and Swiss American Bank Ltd in Antigua.
MK	Could you explain what those three Corporations were and how they related to each other?
PH	They are three sister companies and Antigua International Trust Ltd is a trust company and the other two are Banks, Swiss American Bank was an off shore Bank located in Antigua and under

OF TAPE RECORDED INTERVIEW (CONTINUATION)

6

Exhibit No.: BJS1C Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	National Bank of Antigua was a locally licensed Bank.
MK	OK Could you explain what you mean by an offshore Bank?
PH	The Bank which is licensed to do international business and cannot under its charter deal with citizens or individuals in the island in which it is situated
MK	When you say they were sister companies, what do you mean by that?
PH	I mean that they were all three subsidiaries of a Panamanian Company, which in turn is wholly owned by Inter Maritime Bank Geneva.
MK	Would it be fair to say that you were the top Managerial person on the island of Antigua for each of those three entities?
PH	That's correct
MK	You were the local Boss to put it in sort of colloquial terms
PH	In the vernacular yes,
MK	So you reported to a Board of Directors and they of course
PH	I was also a director of each of those three concerns, and I was the only executive director

7 Exhibit No.: BJSIC Date: 26th September, 1991.

e: Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
MK	Now, were there any other active off shore Banks in Antigua at the time that you were employed by those three banks?
PH	There were others registered but em, it would be fair to say that none of them were 'active' in the sense of dealing with the public in the manner that Swiss American Bank Ltd did.
MK	OK, now do you know a man by the name of Malcolm ABBOTT?
PH	No, I did know a man by the name of McAllister ABBOT who was the Manager of the three entities I've described
MK	When you were there?
PH	He was there when I got there, he'd been employed em in that position previously under my predecessor and he remained in that position throughout the time I was in Antigua
MK	and Belgrove Gregory was also a bank employee at the time you were there?
PH	Belgrove Gregory was employed by us as the Bank's Accountant and I have no recollection of when he was taken on, but it would be sometime during my term in Antigua, it may have been a year or eighteen months before I left

8 Exhibit No.: BJS1C Date: 26th September, 1994.

Peter Frederick BERRINGTON Signature:

Person Speaking	Dialogue
MK	At some point when you were on Antigua did you meet a man by the name of John FITZGERALD?
PH	Yes, I knew him as Jack Fitzgerald
MK	And roughly what time do you believe you first came in contact with Mr. Fitzgerald?
PH	I don't have any personal recollection or records to indicate except that I have seen an affidavit sworn by Mr. Fitzgerald in Antigua proceedings which suggested it was in February, I think 1985, I have no reason to dispute this
MK	OK. Well, putting aside that Affidavit would it be fair to say you probably met him sometime in early 85 would be your own memory of it?
PH	I'm so sorry I really don't have my own memory of when it may have been in 1985, em, but certainly I've no reason to doubt it was early in 1985
MK	If I were to show you this folder that has six pictures numbered 1 through 6, all of white males, Is it fair to say that you identified Mr. Fitzgerald's picture from that photo display?
PH	Yes, Mr. Fitzgerald is number 2 and I have signed and dated the back of the picture number 2 as my authentication of having identified him.
MK	When you were initially shown this photo display

9 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	was any reference made as to what person by name who might be on this?
PH	No, I was simply handed the sheet and asked if I recognised any of the people on it
MK	OK Did you receive any hints at all that, as to who would be on this photo display?
PH	None at all
MK	Now, when you met Mr. Fitzgerald, did you meet him in your capacity as a Banker?
PH	Yes, I did
MK	Would it be fair to say that over the beginning of your relationship with him, whether it was a few weeks or a few months, you had a series of discussions with him?
PH	I'm sure that we had a series of discussions over how long a period, or what regularity I couldn't now say
MK	And you had these discussions with him in the context of him becoming a customer of the Bank?
PH	That's correct
MK	Be fair to say that many of the things you said to him are fairly standard of what you would say to all new customers at the Bank, in explaining procedures and the way the Bank operates?

DPP TAPE RECORDED INTERVIEW (CONTINUATION)

10 Exhibit No.: BJSIC Date: 26th September, 1991.

Re: Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
PH	Yes, indeed.
MK	Could you tell us sort of the gist of your conversations with him and what he told you about himself and what you told him about the Bank?
PH	As I would say to all of my customers who came in, I would describe the various types of accounts we operated, I would have described how Bank confidentiality operated
MK	Why don't you explain to us what you mean by those things, - the types of accounts and how the Bank's confidentiality operated?
PH	Well, as in any banking operation there are a range of accounts between current accounts and chequing accounts going through to interest bearing deposits for various terms, that would be the normal context obviously there are certain borrowing customers as well, but that wouldn't be relevant in this case.
MK	And what did you explain about confidentiality?
PH	I explained that er, as I again said with all my customers who required confidentiality that they were able to open accounts in the name of Corporations which they would own, but the records of those Corporations would only indicate that

OF THE [illegible]

11 Exhibit No.:- BJSIC Date:- 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	they had issued bearer shares, that my organisation was established to provide Directors for such Corporations, and therefore in general terms there was er a complete confidence which I could assure and furthermore that this was enshrined under the laws of the, of Antigua and the International Business Corporations Act and any officer of the Bank who breached that confidentiality would be guilty of a criminal offence.
MK	What is a bearer share?
PH	A bearer share is literally a certificate which says that the owner of the number of shares in the Corporation is 'bearer' which means in effect that anybody who holds that certificate for the time being is the owner of those shares - much as a bearer bond that you're used to in the States
MK	Now, did Mr. Fitzgerald tell you where he came from?
PH	I can't remember at what point, but eh, Mr. Fitzgerald did tell me that he came from Boston
MK	And what did he say was his career or profession?
PH	He had indicated to me that he was involved in the management of Casinos

33 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	the three banks?
PH	I'm sorry, could you..
MK	He set up accounts in one of the three banks that you were supervising...
PH	No, only one bank..
MK	Yeah, and what was that bank?
PH	That was Swiss American Bank, the offshore bank
MK	OK
PH	He would not be entitled to have a US Dollar account in the local bank without consent from the monetary authority and Antigua International Trust Ltd was a trust company, not a bank
MK	OK. Now, at some point did he em, strike that. What was the total amount of money that he deposited into the banks when you were there?
PH	Something between seven and seven and a half million dollars
MK	And did the bulk of that come in from one particular transfer?
PH	To the best of my recollection, some five million dollars came in on a wire transfer from the bank in the Cayman Islands
MK	Do you recall which bank in the Caymans?
PH	I don't recall from my knowledge, but I have seen

36 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	relation to all his deposits always said that they were eventually going to be used for some development project, or purchase, em, investment purchase, but that there was not going to be any hurry and that the funds would be with us for some time.
MK	Now, was he looking at investment projects or did he say he was considering investment projects off of Antigua or only on Antigua?
PH	No, I think we always understood that Mr. Fitzgerald was open to making investment in the Caribbean area, not only in Antigua but I think my Manager and I em presented proposals to him over the period of time and I think Mr. Fitzgerald probably also discussed proposals which he had found himself over a certain period of time.
MK	They were off island?
PH	No, not all of them...
MK	Some aren't some are..
PH	Some are and some aren't
MK	Now after there was a total of seven or more million dollars deposited into accounts that he was controlling. Did you have a conversation with him on how those accounts should be handled or

TAPE RECORDED INTERVIEW (CONTINUATION)

37 Exhibit No.: BJS1C Date: 26th September, 1991

Peter Frederick HERRINGTON ..... Signature:

Person Speaking	Dialogue
	changed?
PH	Yes, certainly, when I knew that we were going to receive this amount of five million dollars, I'm assuming it would have been sometime probably em, before its actual receipt, I would have discussed with Mr. Fitzgerald how those deposits should be dealt with in our bank and how in fact, what type of accounts they should be held in.
MK	Did this conversation take place at the bank - or was it a series of conversations?
PH	I can't promise you that every one took place in the bank, some may have taken place wherever he was staying, and some may even have taken place at my home, but eh...
MK	Did they all take place in Antigua?
PH	Oh, Yes.
MK	And they all were face to face?
PH	I, to the best of my knowledge, er, I never met Mr. Fitzgerald anywhere else but Antigua.
MK	Good, and would anybody else have been present in your conversations other than you and Mr. Fitzgerald?
PH	Oh yes, Mr. Abbot would be privy to all our conversations and dealings [illegible]

38 Exhibit No.: BJSIC Date: 26th September, 1994.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	customer and not my own customer in that sense.
MK	When you say...
PH	I wouldn't of thought that anybody else would be present, not to my recollection
MK	Yeah, well, be fair to say that Mr. Abbot would have been present at some of your conversations with Fitzgerald but not all of them?
PH	If, If we were going to discuss the conduct of his account in any material form, then if both Abbot and I were on the island and in the bank we would have met with him almost certainly together. There will have been a number of occasions however when either Mac or myself would have discussed things with him separately.
MK	OK, would that also be true of your initial conversations when you first set up the White Rose and Rose Bud accounts?
PH	Oh I can't recollect whether, when he first came in, he saw just me or both of us, or even whether his initial contact may have been with Mac and me later.
MK	But as things developed over the initial period of time when you were having conversations with him, would it be accurate to say, sometimes you might

39 Exhibit No.: BJS1C Date: 26th September, 1991.

...ter Frederick HERRINGTON Signature:

...rson ...eaking	Dialogue
	have spoken with him alone and sometimes Mr. Abbot may have been present?
PH	Yes, or sometimes he may have spoken with Mr. Abbot alone.
MK	Abbot alone, OK...
PH	Oh yes.
MK	After you had this discussion with him about how to change the structuring or depositing of the seven million, did you in fact take certain steps with his approval?
PH	Yes I did. I recommended that in view of the size of the deposit as against the funds that were lodged in the bank, as its capital, by its owner that I didn't think it appropriate that he were just a deposit customer of the bank, I suggested that in view of the size of the funds and in view of the fact that they were going to be on-used at some point for development, that they should be used to form a bank, so that he would in fact be the owner of a bank in which all of these funds would be deposited, and then that bank would on-lend its funds to Swiss American Bank.
MK	OK, and did you in fact set up such a corporate structure?

40 Exhibit No.: BJS1C Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
PH	Yes, I did, it was called Guardian Bank Ltd, and and it set up in Anguilla
MK	And what was the reason for setting it up in Anguilla?
PH	Because that was the most flexible jurisdiction in order to set up a bank at that time.
MK	And what was flexible about it?
PH	In terms of its capital requirements, in terms of its management, in terms of its share holding, it represented the simplest and easiest jurisdiction in which to form a bank, which wasn't going to operate or be licensed to deal with the public.
MK	And what were the Corporations that owned the shares in Guardian Bank?
PH	Hoylake Ltd, Sarasins Ltd and Harlequins Ltd.
MK	And who picked the names for the three corporations in the Bank?
PH	I did.
MK	And what was the significance in the three names for the three corporations?
PH	They were all rugby clubs from the UK
MK	And you are a rugby fan?
PH	Yes
MK	OK. And Guardian Bank? - just because it

41 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	good?
PH	Guardian Bank again was my name, and yes, because it had an appropriate ring to it.
MK	Now, were there ever accounts set up in the name of JONES or HANDEL, H-A-N-D-E-L, for Mr. Fitzgerald's benefit?
PH	Yes, em, my recollections, both were set up for his benefit
MK	OK, at this time, without having the benefit of bank records which I know might be helpful, do you recall any other accounts that were set up for the benefit of Mr. Fitzgerald?
PH	Well, apart from Guardian, there was White Rose, Rose Bud, J&B, Handel, Jones Enterprises, I think thats it.
MK	Did Handel and Jones play any particular role, that they were set up for? or were they just holding accounts...
PH	I wasn't aware of any particular role, I think they were just company accounts in which he deposited funds.
MK	And do you know if Chelsea Ltd and Newington were affiliated at all with him?
PH	No, they were nothing to do with him

42 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person speaking	Dialogue
MK	Now, at some point you, would it be fair to say you had your differences with the management of the three banks?
PH	It would be a classic understatement
MK	OK, and when did you first learn that you were having some differences with the management, not the management, the ownership?
PH	That surfaced, I think towards the end of January when the owner of the parent bank in Geneva one Mr. Rappaport, instructed an Attorney from I think Washington, from one of the prime firms in Washington to come to the island to discuss the state of the Government of Antigua's accounts with the local bank
MK	OK, and at that point did you have some conversation with Mr. Fitzgerald?
PH	No, I wouldn't of said it was at that point, em, following the visit from the US Attorney....
MK	You mean the Attorney from the United States as opposed to someone of the title that you were describing...
PH	Yes, indeed, in private practise in the States, yes. It became obvious to me that Mr. Rappaport was about to enter into one of his fights with the

43 Exhibit No.: BJSJC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	Antigua Government, I had indicated that they shouldn't involve the bank because the Government's accounts with the bank were entirely satisfactory. Sometime in February, Rappaport sent two people from Geneva to make an internal inspection. One of those people told me quite openly when he came that he was designated as my successor. At that point I knew that my time was limited..
MK	What year was this?
PH	This was the beginning of '87.
MK	And at that point did you tell Mr. Fitzgerald anything, because of what you had learned?
PH	Er, as soon as I appreciated that this man had been sent to replace me, I warned certain of my customers that Mr. Rappaport was going to replace me, that it was inevitable, that I personally had no confidence or trust in Mr. Rappaport, and that although it was not for me to tell them what to do, I advised that they considered their continuing relationship with the bank, in view of the activities that Mr. Rappaport was embarked upon.
MK	And did Mr. Fitzgerald take ...

44 Exhibit No.: BJS1C Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	respect to em the advice you gave him or if not the advice, but the conversation you had concerning this?
PH	I think between, lets say the middle or end of February, lets say towards the end of May, during that period we will have had several conversations.
MK	This is what year?
PH	'87.
MK	OK
PH	And Mr. Fitzgerald chose to do nothing about the situation, which indeed was his entitlement.
MK	When did you terminate your relationship with the three banks?
PH	I was suspended from duty well, em, in terms of my signing power and ability to do things I think from around the end of February, during the time that the two internal inspectors were there, em, but my formal dismissal from the bank was probably around towards the middle or end of June, I can't be specific because I haven't got my files with me.
MK	Now when you were, after you left the bank or perhaps just before you left the bank, did you take any action with respect to the three Corporations that owned the shares in the Guardian

45 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
	Bank, or the Guardian Bank itself?
PH	Well yes, em at some point, I will have advised Mr. Fitzgerald that I was definitely not going to be with the bank any longer, that I was at war with Mr. Rappaport, and that therefore I should resign from the Guardian Bank, as indeed should my Manger, and that he should appoint new officers to run the bank because it would not be fair to him to have me as an officer in charge of the Bank, when I was at war with my employer and soon to be not able to assist him in banking terms any longer.
MK	And did you in fact carry out that transfer?
PH	Yes indeed, both Mr. Abbot and myself and I think Belgrove Gregory who is another officer at the bank, we all three resigned at the same time.
MK	Would you remember roughly what time that was?
PH	It would have been some time in May or at the beginning of June, I'm afraid I don't have any recollection of the date.
MK	What year?
PH	Oh, '87
MK	And, OK what happened to the various shares in the three rugby club Corporations at that time?

46 Exhibit No.: BJSIC Date: 26th September, 1991.

Peter Frederick HERRINGTON Signature:

Person Speaking	Dialogue
PH	I have seen again an Affidavit made by Mr. Fitzgerald in the course of Antigua proceedings concerning Guardian Bank, which indicate that I think on the 9th June he came into the bank premises with my successor, em, director and manager of Guardian Bank who was an Antiguan Attorney, Mr. Fuller, and they requested that the bearer shares for the three shareholder companies in the bank be handed to them and that this was done.. In the presence of Mr. Abbot also.
MK	OK, were you one of the people that handed over the shares?
PH	I imagine I probably physically handed them over myself, yes.
MK	Just to clarify a couple of things, the Affidavit you're referring to I have a three page document that I would like to show you, each, the top of it has a telefax imprinting showing its been sent by a telecopier, numbered pages 2, 3 and 4 on the telecopier imprint, and the heading is Antigua and Barbuda in the High Court of Justice Civil Suite No. 123/89 between the Guardian Bank Ltd and Swiss American National Bank of Antigua. Could you just look at that three page document and tell us if

Special Branch
Police Headquarters
Prospect

19th October, 1989

SWISS AMERICAN BANK OF ANTIGUA

INTRODUCTION

This report has been prepared following information received by the Deputy Commissioner about irregularities which have surfaced in the operation of the above bank and some of its other interests. Special Branch and the FBI are now investigating various aspects of the information and it seems likely that other agencies may be called upon to assist in unravelling the fraud and money laundering that has been identified.

BACKGROUND INFORMATION

2. Swiss American Bank of Antigua (SAB) was founded by an Israeli citizen, Bruce RAPPAPORT, who is a resident of Switzerland. During the oil embargo on Israel in the early 1970s, Arab nations would only sell oil to companies that had an existing refinery. At this time RAPPAPORT bought a small operation in Antigua to secure his financial interests. Being a wealthy man he later made other investments in Antigua and one of these was the establishment of the Swiss American Bank of Antigua. This is an offshore bank and to accommodate domestic business Swiss American National Bank of Antigua was incorporated. The American aspect in the titles refer to an American partner who helped establish the banks but withdrew a short time after their inception.

3. RAPPAPORT is described as being totally reputable and many of his interests are looked after by the Bank of Bermuda. Due to his wealth he paid little attention to SAB. The first manager was incompetent and he subsequently hired:

1. Peter Frederick HERRINGTON
Born 13.01.44 - U.K.

to be the General Manager of the two banks and a management company, Antigua International Trust Ltd. (AITT). HERRINGTON was at that time employed at the Bank of Bermuda as Secretary and Assistant Manager - Legal.

1989 INVESTIGATION

4. It is apparent that due to business links in Bermuda:

2. Alan THOMSON
Thomson Associates Ltd.
7 Reid Street
Hamilton

3. Susan WILSON
Masters Ltd.
Hamilton

were added to the Board of Directors. They learnt that SAB had assets of US$ 24 million and liabilities of US$ 22 million. Eighty-seven percent (87%) of the loan

GOVERNMENT EXHIBIT
CR-V-12811-WDF

[illegible] approximately $14 million is deliquent [illegible] directors privately admit to a liquidity [illegible] although they believe that they have returned [illegible] bank to a correct footing.

5. The directors also learnt that the major deposit [illegible] that was valued at US$ 7 million and was subject to a withdrawal attempt. ($5 million of the $7 million was deposited at one time and is at the centre of this investigation). Furthermore the circumstances surrounding the attempt to withdraw the money, which was held in the name of Guardian Bank of Anguilla, were strange. On 13/14th April, 1988 a woman calling herself:

4. Eileen DILLON
Antiques Dealer

presented herself at the company offices in Geneva, Switzerland together with the following persons and claimed ownership of the account

5. John FULLER
Lawyer
P.O. Box 1168
St. Johns
Antigua
Antiguan/American Nationality.

6. Subsequently FULLER produced bearer certificates in respect of three (3) companies which own the Guardian Bank. The companies are Saracens - 50%, Harlequins - 25% and Hoylake - 25%. The bank refused to accept the certificates and the matter will come before the Courts in Antigua on the 14th November, 1989. FULLER has been described as a 'Mr. Fixit' who has a dubious reputation tainted with political corruption.

7. The directors also came to suspect their own bank lawyer after he came to a private agreement with FULLER to return the $7 million over a period of five (5) years.

8. In September, 1989 the directors engaged local accountants, Coopers and Lybrand to perform some accounting and investigative enquiries. The basis for the investigation was to look at the accounts controlled by AIT where HERRINGTON, then General Manager of the bank was the sole signatory on bank accounts of these companies at SAB during the period 1985 - 1987. During the same month THOMSON and

6. Peter MITCHELL
Accountant
Coopers and Lybrand
Bermuda

visited Antigua and examined the transactions of SAB and the records of Guardian Bank. A number of major problems were highlighted which included:

(a) All of the documents for companies controlled by HERRINGTON were missing.

(b) HERRINGTON was the sole signatory on the accounts and had freedom to move funds at will.

(c) HERRINGTON had made some strange bank entries which indicated account 'skimming' at the very least. He also operated personal and company

accounts all within the same gambit.

(c) The source of many deposits was unknown as was the ownership of the companies/accounts being managed by AIT.

(d) As many loans were also arranged by HERRINGTON this is probably another way he has defrauded the company.

9. The companies primarily of interest because they were controlled exclusively by HERRINGTON are:

Rosebud Investments Ltd.
Jones Enterprises
Chelsea Ltd.
White Rose Investments Ltd.
J and B Investments Inc.
Guardian Bank Ltd.
Leonora Investments Inc.
Nelson Holdings Ltd.
Handel Investments Ltd.

10. A more detailed look at the transactions will follow later in the report.

11. The investigation did of course reveal the source of some funds and names and addresses or telephone numbers of HERRINGTON's contacts. The directors noted that a deposit totalling $250,000 was received from National Commercial Foreign Exchanges Corporation of Canada which they learnt to be a suspect bank named in the 'Pizza Connection' drug case where money was laundered through Bermuda. They also saw that one:

7. Susan Jay REINBERG
Susan Jay REINBERGS

had transferred $252,151 from the Bank of Bermuda, Peter HERRINGTON had transferred $454,430 from the Bank of Bermuda and they eventually tracked a $5 million deposit on a route which took it from the Cayman Islands through the Bank of Bermuda to Swiss American.

12. The directors attempted to trace some of the people and also called telephone numbers which had been used in 1986 by HERRINGTON on his private line at the bank. (An extensive listing is being made available). They found that some of the numbers were call boxes in the Boston area whilst others were in bars or unsavory parts of the city. At some stage

8. Paul FIELD
Safeguard Security Ltd.
Hamilton

was hired to assist. His contacts in the United States established that the numbers called were at locations considered to be very Irish with strong IRA links. It was also learnt that Suzanne J. REINBERG(S) was most likely

9. Suzanne Jay MURRAY (Nee SHAFER)
Born 26.12.51

[redacted]
c/ Abena Shores
Belgrade
Maine
Previously resided at
51 Allston Street
Charlestown
Maine
and
100 Nokomis Road
Bingham
Mass., USA
(REINBERG/MURRAY may also be
Eileen DILLON #4 of this report).

MURRAY is the wife of

10. Joseph Paul MURRAY Jr.
Born 18.03.46
Newspaper Compositor
51 Alleston Street
Charlestown
Maine

13. MURRAY is presently serving 10 years for his part in organising the sale of arms to the IRA in September 1984 when an American registered trawler, "Valhalla", crossed the Atlantic and transferred weapons to an Irish ship that was later detained by Security Forces. The "Valhalla" returned to Boston and was detained shortly after arrival. MURRAY and two other men

[redacted]

11. Robert ANDERSON
USC aged 49 years

[redacted]

12. William WINN
USC aged 55 years

were convicted and jailed. Others arrested at the time remain at large and include

13. Patrick NEE
USC aged 44 years

14. Michael NIGRO
USC aged 34 years

[redacted]

15. John McINTYRE
USC aged 36 years
Quincy, Mass.

14. McINTYRE disappeared in November, 1984 and has been the subject of much speculation and press coverage after it was alleged that he had been killed by the IRA. Both the British and American governments have been accused of allowing him to be killed.

15. MURRAY and others also pleaded guilty to importing about 50 tons of cannabis into the USA using a trawler carrying the drug buried beneath gravel and steel plates. He commenced his sentence in 1987 and could be released in about two (2) months.

16. At about this time the directors also established that the $252,156 in the account of REINBERG/MURRAY at the Bank of Bermuda was originally held in an account normally used by residents and certain other irregularities could not be explained. What they did know was that HERRINGTON was working at the Bank of Bermuda when the account was opened and when he went to Antigua the money later went with him. He even paid large penalty fees to transfer the money in October, 1985. They also established that the $454,000 deposited by HERRINGTON at the Bank of Bermuda in October, 1985 was in cash. SAB used the Bank of Bermuda as a clearing bank and this relationship seems to have influenced the staff to accept the money. As will be seen it now seems likely that the cash came from a safety deposit box at the Bank of Butterfield.

17. After a number of meetings between the directors and accountants it was decided to alert the Police. There was unanimous agreement that the money was the proceeds of crime and a fear that when it became known that the funds would not be returned the IRA would take revenge. The directors also believed that MURRAY was storing the profits from his IRA gun running and possibly other IRA funds as well. SB/FBI believe the funds to be proceeds of crime until other evidence surfaces.

HERRINGTON AND AIT COMPANIES

18. HERRINGTON lived in Bermuda for five (5) years and received three (3) promotions at the Bank of Bermuda. He has been described as having a difficult character, not easy to get along with and arrogant, but always maintaining a professional manner. He had a keen interest in Rugby and played for Renegrades RFC whilst residing on the island.

19. HERRINGTON was recruited for his new job whilst the founder was visiting Bermuda and former colleagues surmise that he was thought to be the man who could sort out the mess at SAB.

20. During his tenure:

i. The suspect deposits appear to have started with the transfer of the REINBERG money.

ii. He travelled on business and charged the expense to more than one account, sometimes travelling with female companions.

iii. Bank slips were written up as 'cash' and 'deposit' when money was being transferred from one account to another as a way to disguise its destination. Only by checking other banking records can the accountants identify whether true cash was handed over and frequently it was not.

iv. HERRINGTON appears to have had total control of the funds and manipulated the charges and fees on accounts.

v. Many of the loans are to companies c/o AIT and no other details are available.

vi. Funds transferred from Bermuda appear to have been 'held' until he returned to Antigua and made the appropriate book entries.

vii. In the early part of 1987 an attempt was made to withdraw money from Guardian and HERRINGTON appears to have already formed a link with FULLER. He later made an attempt to buy SAB from RAPPAPORT for $2 million and the directors surmise that this was in collusion with FULLER so that they could buy a 'shell' at a time when the founder was dismayed with events. RAPPAPORT reacted to the offer by dismissing HERRINGTON who has since commenced legal action for wrongful dismissal.

viii. HERRINGTON was named in an Antiguan newspaper as being of interest to the DEA because of the reputation of SAB.

ix. After his dismissal HERRINGTON was allowed to return to the bank for six (6) weeks and during this time was seen by other staff to remove boxes of records.

x. HERRINGTON was detained in Geneva on 26th May, 1987 after a complaint of Damage to Property and Disloyal Management. Local Police decided they had no jurisdiction and he was released. This appears to be RAPPAPORT reacting to events in Antigua.

21. A brief summary of suspect and fraudulent actions follows.

ROSEBUD INVESTMENTS

This account was opened in September, 1985 and was the subject of an earlier accounting report. During the next few weeks, $450,000 was deposited in cash and this was followed by two cheques from the suspect bank in Canada. Within three (3) weeks of being opened the Susan REINBERG/MURRAY $252,151 was transferred from Bermuda and the $450,000 cash that HERRINGTON had deposited in Bermuda also moved. On November 11th, $2.5 million which was the proceeds of the $5 million that had travelled from Cayman to Bermuda to Antigua was deposited. HERRINGTON made all of the decisions alone apart from the Canadian deposit.

The directors have since learnt that the $5 million was transferred by wire upon the instructions of Guinness Mahn and Co., London from their bank in Cayman to Philadelphia to Manufacturers Hanover, New York, to Bermuda, to Cayman. Not only is this path murky but subsequently Guinness Mahn sold their subsidiary in Cayman because of their embarrassment at the management. Regrettably Guinness Mahn have chosen not to reveal why they were embarrassed or the source of the money.

JONES ENTERPRISES

This account was used as a 'feeder' account for Rosebud, Handel and Chelsea. Large cash deposits were made into the account and later diverted

to others but as the clients' statements are missing it is not possible at this stage to say where the cash originated.

On 1st April, 1986 Jones received via the Bank of Bermuda International Ltd., $60,000 from Recovery Services Ltd., a Cayman corporation. Again no process is available.

CHELSEA LTD.

Chelsea was opened whep the $60,000 mentioned above was transferred from Jones on 3rd April, 1986 and the account was later used by HERRINGTON to obtain US cash and East Caribbean dollars.

The account was used extensively and most likely for his own use and to provide funds to buy real estate in Florida. He also used the account to move sterling from his own personal company account in the name of 'Nelson'.

WHITE ROSE INVESTMENTS

This account was the recipient of the other $2.5 million of the $5 million transfer from Cayman by Guinness Mann. The significant transactions occurred some months after the transfer and there is reference to transactions being authorised by telephone.

J AND B INVESTMENTS CORP.

This account was opened in June, 1986 with transfers from White Rose and a deposit from Rosebud/White Rose. It was used by HERRINGTON to obtain substantial cash amounts and in November 1986, $11,909 was moved to Ireland Holdings to buy a house. Funds were also paid to S and S Adams which may represent rental payments for accommodation used by

16. Jack FITZGERALD
USC aged about 50 years
15 Fairway Drive
McKee City ,'
New Jersey
609 645 7517

who has a long history of being a 'minder' for Joseph MURRAY. FITZGERALD visited SAB on occasions and is believed to have withdrawn money when he was gambling at the casino in Antigua. He now lives on a semi-permanent basis in Antigua and according to the FBI can always be found where MURRAY has his funds.

Guardian Bank lawyer/owner John FULLER is also claiming ownership of J and B Investments.

This account also illustrates that substantial amounts of cash were being manipulated by HERRINGTON on no known instructions and some of it ended up in his own companies.

GUARDIAN BANK OF ANGUILLA

This account was the recipient of all funds from the initial deposits made to Rosebud and White Rose. There were several withdrawals of cash by HERRINGTON for which no slips are available. However, the money eventually ended up in this account and as has been stated earlier, Guardian Bank is supposedly owned by three (3) bearer companies, Saracens, Hoylake and Harlequins. Whoever owns the bearer share certificates, as FULLER claims he does, has access to $7 million.

Assistant Manager of SAB

17. MacDonald ABBOTT
Antiguan National

has been interviewed by the directors and stated that he thought Guardian was established to hide the profits skimmed from casino operations.

He thought Jack FITZGERALD had a controlling interest and also thought that HERRINGTON maintained a second set of books on behalf of the Company. ABBOTT has been described as a person who would turn a blind eye to tax evasion but appears to have no knowledge of drug involvement.

HANUEL INVESTMENTS LTD.

This account was opened in January, 1986 and $92,000 transferred from Jones Enterprises. The money remains on deposit.

LEONORA INVESTMENTS LTD.

This account was opened in May, 1986 and appears to have been used to buy an unidentified house in Florida.

NELSON HOLDINGS LTD.

This account was opened in January, 1986 by HERRINGTON to be his own personal company. Once again HERRINGTON used this account to transfer money between different companies and hide true destinations. Some money appears to have been transferred from the Bank of Bermuda to the account.

It should be noted that Ireland was his first wife's maiden name and Leonora is a christian name of his present wife. The directors have been told that the other names refer to names used in Ireland for matters of secrecy and possibly have IRA connotations.

A number of other companies have yet to be investigated by the accountant but to facilitate this many of the bank records for the years under review have been flown to Bermuda for access and security.

BANK RECORDS IN BERMUDA

On Thursday 14th October, 1989:

18. Donald LINES
General Manager
Bank of Bermuda

agreed to meet with Mr. Larry NEAVES from the FBI and DCI SMITH together with Mrs. WILSON. It had initially been indicated that the $450,000 deposited by HERRINGTON had been cash which he was carrying on his person whilst on his way to Geneva. The bank only agreed to accept same as they knew HERRINGTON and SAB used them as a clearing house. However, LINES indicated that upon reflection his staff thought that HERRINGTON was accompanied by two other men and the money had been brought from a safety deposit box at the Bank of Butterfield. He also produced a copy bank draft for $9000 payable to:

19. Dr. Bernard MITTER
Florida.

This man may be associated with a health clinic telephoned a number of times by HERRINGTON.

Mr. LINES admitted that the first account opened by REINBERG/MURRAY was one for US dollars normally used by residents of Bermuda. He could not explain either why a second account had no mailing or home address.

On Friday 13th October, DCI SMITH visited the Bank of Butterfield and met with:

20. Mansfield BROCK
Manager
Bank of Butterfield

21. Peter Rogers
Bank Lawyer
Bank of Butterfield

22. John GRAHAM
Head of Security
Bank of Butterfield

to discuss the rental of safety deposit boxes and other related matters. The bank officers said that they could not release any information without production of a Search Warrant although they were sympathetic to the request. Mr. ROGERS indicated that the bank had been named in the "Pizza Connection" trial for accepting money in suitcases and they had no wish to be named again. Furthermore the involvement of the IRA could perhaps lead to reprisals if account matters were released and the bank had a responsibility to their employees to provide safe working conditions.

He did, however, reveal that an enquiry had been made previously by telephone from the United States about certain drafts obtained by MURRAY in June

1982 and August, 1983. He thought the person making the enquiry was:

23. Mr. DUBOIS
US Treasury Department

ROGERS told DUBOIS that such matters would have to be dealt with on an official level through British representatives in the US. According to ROGERS he conducted an enquiry at the time and the banking officers were satisfied that the cash deposits were from a legitimate customer. He refused to acknowledge the 'cat was out of the bag' and Mr. BROCK said a warrant must be produced.

It is suspected that the FBI did not follow up on their earlier enquiry because the Bank of Butterfield made it clear no cooperation would be forthcoming.

It was also established that REINBERG/MURRAY had deposited money at the Bank of Bermuda on the following dates:

7th August, 1983
8th November, 1983
14th November, 1983
10th January, 1983
3rd July, 1983
21st August, 1983

Enquiries are still continuing.

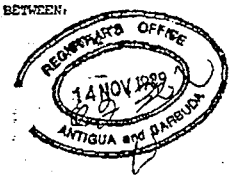
ANTIGUA AND BARBUDA

IN THE HIGH COURT OF JUSTICE

(CIVIL)

SUIT NO. 123 of 1989

BETWEEN:



GUARDIAN BANK LIMITED

Plaintiff

-and-

SWISS AMERICAN NATIONAL BANK OF ANTIGUA

Defendant

AFFIDAVIT

I, MARC STURZENEGGER , of 12 Grand' Rue, Geneva, Switzerland make oath and say as follows:

1. I am a solicitor of the Supreme Court of New South Wales, and I am, and have been, employed in the legal department of International Maritime Services Company Limited of Geneva Switzerland since December 1983. I have assisted the Defendant in relation to various matters since that date. I make this affidavit to the best of my knowledge, information and belief being derived from documents and information supplied to me from time to time in connection with this matter in particular by the directors of the Defendant and of Antigua International Trust Limited. I have also been provided with information by Mr. Peter Mitchell of Coopers & Lybrand, which is an international firm of accountants. Mr. Mitchell is a partner in the firm based in Bermuda who has carried out an investigation into the affairs of the Defendant, and transactions concerning Mr. Herrington.

three Antiguan shareholding companies. A copy of the minutes is at Exhibit "JG 12" to the supplemental affidavit of Mr. Greaves sworn herein. An annual return was made on 20 July 1987, a copy of which is exhibited as "JG 14" to the original affidavit of Mr. Greaves sworn herein. I believe that Mr. Fuller did not become a director of Guardian Bank Limited.

10. In this affidavit I have endeavoured to address certain of the legal issues which arise on the present application. However, it is appropriate that I should inform this Honourable Court of certain of the background to the present case. Mr. Herrington ceased to be General Manager of AIT in May 1987 following the discovery of various substantial irregularities which had come to light in relation to his conduct as General Manager and a director of the Defendant, Swiss American Bank Ltd. and AIT. Further inquiries have revealed (inter alia) that:-

(1) Mr. Herrington made a large number of cash withdrawals in particular from accounts at Swiss American Bank Ltd. without any apparent authority to do.

(2) Mr. Herrington made transfers from time to time in the books of account of the Banks to companies owned or controlled by him from other accounts maintained at the Banks, without any apparent authority to do so.

(3) Mr. Herrington failed to account to AIT for directors' fees arising from companies incorporated by AIT. He kept the fees for himself.

(4) Mr. Herrington made unauthorised loans to companies owned or controlled by himself, thus benefiting himself at the expense of his employers.

(5) Mr. Herrington was instrumental in causing loans to be made which were not prudent or proper as ordinary banking transactions and which exposed the Banks to substantial losses on loans which ought never to have been made and for which there was totally inadequate security.

(6) Mr. Herrington apparently took a secret commission on a loan authorised by him.

11. The Defendant has had an investigation carried out by the international firm of accountants and auditors, Coopers & Lybrand. I have been informed by Mr. Peter Mitchell, the audit partner of that firm responsible for the investigation that he identified a number of transactions in which funds were transferred by Mr. Herrington from the account of third party clients, namely individuals or companies not owned or controlled by Mr. Herrington, of the two banks to companies in which Mr. Herrington was personally interested. The instances identified are as follows:

(a) On 3 April 1986, Mr. Herrington transferred US$60,000.00 from the account of Jones Enterprises to that of Chelsea Limited, a company owned by Mr. Herrington. The debit notice issued to Jones Enterprises and the credit notice issued to Chelsea Limited are both made out to cash, although it is believed by Mr. Mitchell that cash was not disbursed or received for the transaction. Mr. Mitchell has pointed out that by documenting the transaction in this way, the recipient of

(4) Mr. Herrington made unauthorised loans to companies owned or controlled by himself, thus benefiting himself at the expense of his employers.

(5) Mr. Herrington was instrumental in causing loans to be made which were not prudent or proper as ordinary banking transactions and which exposed the Banks to substantial losses on loans which ought never to have been made and for which there was totally inadequate security.

(6) Mr. Herrington apparently took a secret commission on a loan authorised by him.

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the funds cannot be identified except after a detailed review of all transactions carried out on the date of the debit.

(b) Mr. Mitchell believes that US$10,000.00 was transferred by Mr. Herrington from the account of Whiterose Investments Limited to that of Leonora Investments Limited. Leonora Investments Limited was a company used to fund and transact personal business of Mr. Herrington, and from its accounts, a number of transfers were made to accounts of other companies of Mr. Herrington. The account of Whiterose Investments Limited was debited for this amount on 13 May 1986 and the account of Leonora Investments Limited was credited with the same amount on 14 May 1986. The respective debit and credit advices were both made out to "cash" and both bear the sole signature of Mr. Herrington.

(c) On 17 November 1986, Mr. Herrington transferred US$11,909.00 from the account of J & B Investments Corporation to the account of Ireland Holdings Limited, a company controlled by him. Ireland Holdings Limited was the company through which he purchased his residence at Crosbies and which obtained a finance facility of US$150,000.00 for that purpose. The loan was secured by a mortgage from the company. Following Mr. Herrington's departure from Antigua, the company defaulted on the loan and summary judgement has been entered in favour of the mortgagee. The proceeds of sale of the property are insufficient to satisfy the outstanding debt. There is nothing in the records of SAB identifying the nature of the payment made by Mr. Herrington from J & B Investments Corporation to Ireland Holdings Limited or disclosing the transaction to the Board of Directors of SAB.

12. A series of 22 cash withdrawals were made by Mr. Herrington over the period from June 1986 to June 1987 from accounts of J & B Investments Corporation. The total so drawn amounts to US$141,533.18. The debit advices issued to the company, which served as withdrawal instructions, were made out in manuscript by Mr. Herrington and were signed by him. The stamps and markings appearing on the debit advices show the payment of cash. No documentation was located disclosing the disposition of these cash drawings.

13. The documentation purporting to evidence a deposit with the Defendants by Guardian Bank Limited originated from Mr. Herrington whilst he was the General Manager of the Defendant. In fact Guardian Bank Limited has not itself deposited money with the Defendant. It was only formed as a company on 4 June 1986. Each of its shareholders were themselves incorporated on 22 May 1986. In the period up until 26 May 1987, Mr. Herrington was both the sole director of Guardian Bank Limited and the General Manager of the Defendants. The Defendant does not accept that any sums are owed by it to Guardian Bank Limited. The Statement of Claim does not seek to explain on what grounds it is said that the Defendant is indebted to Guardian Bank Limited. It simply refers to account numbers on documentation which originates from Mr. Herrington when he was also the sole director of Guardian Bank Limited, which he himself had been instrumental in incorporating. Despite persistent inquiries made by the Defendant's auditors and others acting for the Defendant, Mr. Herrington has refused to reveal the identity of any third party from whom funds have been received by the Defendant, which are said by Mr. Herrington to have given rise to indebtedness to Guardian Bank Limited.

Sworn at Antigua this 14th)
day of November 1989)
before me,)

COMMISSIONER FOR OATH
ANTIGUA AND BARBUDA

SWISS AMERICAN BANK LTD.

15th June, 1990

Hon. Mr. John E. St. Luce MP
Minister of Finance
Ministry of Finance
High Street
St. John's
ANTIGUA

Dear Hon. Minister:

We write to request that you exercise the authority vested in you as Minister of Finance, under the Laws of Antigua and Barbuda, to immediately freeze certain accounts now held in Swiss American Bank Ltd. for reasons which are set out hereunder.

It has been drawn to our attention by authorities in the United States of America and Bermuda that the funds in the aforementioned accounts are believed to have been the proceeds of drug trafficking and sale of firearms for terrorist purposes. In support of this, we attach the following correspondence on a confidential basis:-

a. Letter dated 13th June, 1990 from U.S. Department of Justice, Federal Bureau of Investigation; and

b. Letter dated 13th June, 1990 from Attorney-General's Chambers, Bermuda.

The accounts in question are the following:-

1.	Handel Investments	- US$ 92,000.00
2.	Chelsea	- US$ 20,000.00
3.	J & B	- US$ 228,000.00
4.	Guardian Bank	- EC$ 500,000.00
5.	Guardian Bank	- US$5,580,980.00

We also wish to point out that the Registrar of Companies in Anguilla has informed us that the Minister of Finance intends to revoke the licence issued to the Guardian Bank. Attached is the Notice of Intended Revocation signed by the Minister on 6th June, 1990.

Note should be taken that Guardian Bank Ltd. was incorporated in Anguilla in 1986 and its three shareholders are the three offshore companies - Harlequins Ltd., Saracens Ltd. and Hoylake Ltd. - which were incorporated under the International Business Corporations Act 1982 of Antigua and Barbuda. In view of the proposed revocation of the Guardian Bank's licence, it would seem both necessary and appropriate that an investigation be held in Antigua into the shareholder companies in order to determine the course of action which should be taken. In light of such an investigation, the freezing of these accounts would be absolutely necessary.

.../

S A B

15th June, 1990

Hon. Mr. John E. St. Luce MP

We have instructed our legal counsel, Mr. Cordell Sheppard, to prepare a memorandum of the Laws of Antigua and Barbuda under which you are entitled to act as Minister of Finance. This memorandum will be delivered to you on Monday, 18th June, 1990.

In view of the Inquiry, recently set up, we know that you would share our view that it would be unfortunate if Antigua and Barbuda were to be once more linked to dealings which raise questions that might lead to the conclusion that it is involved in facilitating the laundering of funds related to illegal trafficking in drugs and international terrorism.

It is in the circumstances of the above that we request that you urgently instruct us to freeze the accounts referred to herein.

Yours sincerely,

John Greaves
General Manager

JG/pc

Attorney Generals Chambers
Global House, 43 Church Street,
Hamilton HM 12, Bermuda

In reply please quote the date of this letter and the following reference:

13th June, 1990

The Directors
Swiss American Bank Ltd.
Redcliffe Street
St. John's
Antigua

Fraud Enquiry - Guardian Bank Ltd. of Anguilla

This letter will confirm that the Bermuda Police are continuing to investigate the activities of Peter Herrington, the former general manager of Swiss American, in connection with the use of a bank in Bermuda to transfer money on behalf of criminal elements.

The investigation has thus far identified Joseph Paul Murray Jr., presently serving 10 years imprisonment for drug and firearms offences, as having 'laundered' at least US$1.25 million through a Bermuda account.

This money is believed to have been the proceeds of drug trafficking and forms part of Swiss American's deposit into the account of Guardian Bank Ltd. of Anguilla. Murray has also been involved in the exportation of arms from the United States to the Irish Republican Army.

Enquiries are continuing in co-operation with the FBI.

Yours sincerely,

Andre M. Garneau, Q.C.
Acting Attorney General.

AMG/br

U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No.

Post Office Box 592418, AMF
Miami International Airport
Miami, Florida 33159

June 13, 1990

Directors
Swiss American Bank
St. Johns, Antigua

Gentlemen:

This is to advise you of an official investigation being conducted by the Federal Bureau of Investigation (FBI) concerning alleged money laundering of funds derived from illicit drug trafficking. The subjects of this investigation include Joseph Paul Murray and several of his family members and associates. It is believed that accounts opened at Swiss American Bank by your former Director Peter Harrington and the Guardian Bank were used to facilitate these illegal accounts. This investigation, in addition to the money laundering issue, is attempting to determine the source of funds used to purchase and transport weapons to the Irish Republican Army.

The goals of this investigation are to pursue criminal prosecution of individuals involved in drug trafficking, money laundering, or possible illegal sale of firearms and the civil forfeiture of any illicit funds derived from these illegal activities.

Your assistance and cooperation in this investigation to the fullest extent will be greatly appreciated.

Sincerely,

WILLIAM A. GAVIN
Special Agent in Charge

By:
WILLIAM L. NEAVES
Supervisory Special Agent
Caribbean Liaison Officer

CORDELL B. SHEPPARD
BARRISTER-AT-LAW & SOLICITOR
P.O. BOX 291
MARKET & LONG STREETS
ST. JOHNS ANTIGUA

CABLE ADDRESS
BUREAU ANTIGUA

TEL: (809) 462-4860
TELEFAX (809) 462-1335

PRIVILEGED & CONFIDENTIAL

June 18th 1990

TO: Board of Directors
SWISS AMERICAN NATIONAL BANK OF ANTIGUA

FROM: Cordell B. Sheppard

SUNJECT: GUARDIAN BANK LTD. - FREEZING OF FUNDS

I have been requested by the Board of Directors of Swiss American National Bank of Antigua to give an opinion as to whether or not the funds held by SANB & SAB can be frozen by the Minister of Finance if it can be determined that the said funds are linked to arms smuggling and terrorism.

I understand that the Minister has been supplied with investigative reports from Bermuda which establish such a link, and I base this opinion on the premise that the reports exist and that their contents are true.

Guardian Bank Limited is a company incorporated in June 1986 under the laws of Anguilla, to carry on the business of Banking. It is accepted, for the purposes of this opinion only, that the shareholders of Guardian Bank Ltd. are Sargens, Hoylake and Harlequins, companies incorporated under the International Business Corporation Act 1982.

Section 230 [1] of the Act states, inter alia, that the licence of any off shore Company must be issued on application, if the appropriate official has no reason to believe that it would be contrary to the public interest to do so.

I am informed that the information now in the hands of the Minister of Finance, who is responsible for administering and policing the Act, suggests that the whole object for setting up the three off shore companies was to hold the shares in Guardian Bank Ltd. and thereby control the funds deposited in the Swiss American Banks in the name of Guardian Bank Ltd.

All the threads of this illegal conspiracy were drawn together by Peter Herrington in Antigua, and Antigua became the financial pivot for the proposed arms smuggling activities of the persons investigated.

.../2

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If the "appropriate official" mentioned in section 230 [1] above had been aware of these circumstances he would indubitably have refused to licence the companies concerned under Section 230 [1].

The aforesaid Section 230 [1] speaks of the interest of the public as a pre-licensing requirement. It is this writer's view that the public interest would not cease to predominate on the issue of the licence, but must continue to subsist as an operative and positive requirement during the life of the company, the licence of which may be terminated in the interest of the public good.

The duty placed upon the licensing authority to ensure that the public interest is protected, does not dissipate or disappear or lose its virility when the licence is granted. The appropriate official has a continuing duty to ensure that a company operating under the International Business Corporation Act does so in the public interest in accordance with what the Minister perceives this to be.

The reports which have been submitted to the Minister must lead him to the conclusion that the continued existence of Sarcens, Hoylake and Harlequins are not in the public interest, since their very existence is based upon a criminal purpose. The Minister can therefore revoke the companies' charter under Section 236 [1] [b] of the IBC Act, on the ground that those companies are in breach of an implied condition not to act in a manner inimical to the best interests of the State and Citizens of Antigua & Barbuda.

If the Minister uses his powers under this Section, then Guardian Bank Ltd. would be without shareholders, and incapable of corporate existence; it is no longer a bank by virtue of the revocation of its banking licence by the Anguillan authorities, and, the funds held in its accounts by SAND & SAB may properly be declared frozen by Ministerial order, pending proper representation of the true beneficial owners. In the absence of evidence of such beneficial ownership, the funds would escheat to the Crown after a suitable period.

Cordell B. Sheppard

SCHEDULE 6

GOVERNMENT OF ANTIGUA AND BARBUDA

Ministry of Finance
HIGH STREET
ST. JOHN'S, ANTIGUA, W.I.
Telephone: 462 4860/462 4861
462 3438
Telex No: 2055 FINANCE AK

June 29, 1990

Manager
Swiss American Bank Limited
High Street
St. John's
Antigua

Dear Sir,

I refer to your letter of 15th June, 1990 concerning certain accounts which are held in your bank and which are believed to have been the proceeds of drug trafficking and sale of firearms for terrorist purposes.

The contents of your letter and supporting documents have been discussed by the Cabinet of Antigua and Barbuda. Having investigated this matter the Government considers that it would be in the public interest and a matter of security of state that you immediately freeze the accounts in question.

You will remember that the accounts in question are as follows:-

1.	Handel Investments	US$ 92,000.00
2.	Chelsea	US$ 20,000.00
3.	J & B	US$ 228,000.00
4.	Guardian Bank	EC$ 500,000.00
5.	Guardian Bank	US$5,581,400.00

I therefore authorize and direct you to put a hold on these funds until further notice.

Yours truly,

.....
Hon. John E. St. Luce
Minister of Finance

JESt.L/w1

SWISS-AMERICAN NATIONAL BANK OF ANTIGUA

June 23, 1987

Mr. Peter Herrington
Crosbies
St. John's
Antigua

Dear Mr. Herrington:

You are hereby advised that effective today, the 23rd day of June, 1987, your employment with The Swiss American Bank, The Swiss American Bank of Antigua and The Antigua International Trust Limited is terminated for cause.

Your attitude towards your Board of Directors indicates quite clearly that you are still not prepared to conduct the affairs of the company, according to the directions given to you by the Board. You have failed to divulge to the Board information vital to the operation of the Banks and Trust Company when requested so to do. Furthermore, you have conducted the internal affairs of the banks and Trust Company contrary to the rules and internal regulations and in total disregard for normal banking procedures and principles.

Your actions have caused us considerable damage for which we shall hold you personally responsible.

You are requested to:

1. Return, immediately, to Mr. Barnes, all papers, documents files and records the property of the above Banks and/or Trust Company which property you and/or your agents have removed from your employers premises.

2. Immediately turn in your keys and all other property belonging to the Banks and Trust Company to Mr. Barnes, this includes the Jaguar motor car which the bank has supplied to you.

3. Promptly pay off your loan and all other outstanding amounts due at the Banks. Mr. Barnes will furnish you with a statement covering the up-to-date amounts.

We are terminating your other fringe benefits including medical health and accident insurance as of today.

Yours sincerely,

Roger Fryer
Director

ca

Excerpts from Indictment of John E. Fitzgerald (United States of America v. Joseph Cardone and John E. Fitzgerald, U.S. District Court for the District of Massachusetts , CR. NO. 93-10149Z) and letter outlining plea agreement between John E. Fitzgerald and the United States of America.

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA	)	93-10149Z
	)	
V.	)	CR. NO.
	)	
JOSEPH CARDONE and JOHN E. FITZGERALD	)	VIOLATIONS: 18 U.S.C. § 1962(d) 18 U.S.C. § 1957

INDICTMENT

The Grand Jury charges that:

COUNT ONE

(18 U.S.C. § 1962(d))

1. From a date in or before 1983 through a date in or about 1992, the exact dates being unknown to the Grand Jury, in the District of Massachusetts and elsewhere, the defendants

JOSEPH CARDONE and JOHN E. FITZGERALD

along with Joseph P. Murray, Jr., and other persons known and unknown to the Grand Jury did constitute an Enterprise within the meaning of Title 18, United States Code, Section 1961(4), that is, a group of individuals associated in fact which engaged in various criminal activities, consisting of acts indictable under Title 18, United States Code, Section 1952 (relating to interstate travel in aid of racketeering), Section 1956 (relating to the laundering of monetary instruments), Section 1957 (relating to engaging in monetary transactions in property derived from specified unlawful activity), under Title 21, United States Code, Section 841 (relating to the possession with intent to distribute and the distribution of controlled substances), Section 846 (relating to conspiracy to violate controlled substances laws), and under Title

31, United States Code, Section 5324 (relating to evading currency reporting requirements), and Sections 5316 and 5322 (relating to the international transportation of currency or monetary instruments).

The Racketeering Conspiracy

2. From a date in or before 1983 through a date in or about 1992, the exact dates being unknown to the Grand Jury, in the District of Massachusetts and elsewhere, the defendants

JOSEPH CARDONE and JOHN E. FITZGERALD

along with Joseph P. Murray, Jr. and other persons known and unknown to the Grand Jury, being employed by and associated with the Enterprise described in paragraph 1 of this Count, did unlawfully, wilfully and knowingly combine, conspire, confederate and agree together with each other, with Joseph P. Murray, Jr. and with persons known and unknown to the Grand Jury, to conduct and participate, directly and indirectly, in the affairs of the Enterprise, which was engaged in and the activities of which affected interstate commerce, through a pattern of racketeering activity as set forth in paragraph 8 of this Count, in violation of Title 18, United States Code, Section 1962(d).

Purposes of the Conspiracy

3. It was part of the conspiracy that JOSEPH CARDONE and Joseph P. Murray, Jr., and others would engage in the possession with intent to distribute and distribution of narcotics.

4. It was further part of the conspiracy that JOSEPH CARDONE, JOHN E. FITZGERALD, Joseph P. Murray Jr. and others would

launder and attempt to launder proceeds from the importation and distribution of narcotics.

5. It was further part of the conspiracy that JOSEPH CARDONE, JOHN E. FITZGERALD, Joseph P. Murray, Jr. and others would evade and attempt to evade the currency transaction reporting requirements.

6. It was further part of the conspiracy that JOSEPH CARDONE, JOHN E. FITZGERALD, Joseph P. Murray, Jr. and others would engage in interstate and foreign travel in furtherance of the racketeering activities of the Enterprise.

The Acts of Racketeering

7. The pattern of racketeering activity, as defined by Title 18, United States Code, Section 1961(1), through which the defendants conducted and participated in the conduct of the affairs of the Enterprise, and conspired to do so, consisted of the following acts:

A.
Racketeering Acts Involving the
Possession with Intent to Distribute and
Distribution of Controlled Substances

Racketeering Act A-1

From in or before early 1984 through in or about late 1984, in the District of Massachusetts, JOSEPH CARDONE did knowingly and willfully combine, conspire, confederate and agree with Joseph P. Murray, Jr. and other persons known and unknown to the Grand Jury, to possess with intent to distribute and to distribute a quantity of cocaine, a Schedule II Controlled Substance, in violation of Title 21, United States Code, Section 841(a)(1).

b, or both, of sub-paragraph B-4, or of sub-paragraph D-9, constituting one act of racketeering.

Overt Acts of the Racketeering Conspiracy

9. In furtherance of the racketeering conspiracy and to effect the objects thereof, the defendants and their coconspirators committed the following overt acts, among others, in the District of Massachusetts and elsewhere:

(a) In approximately 1979, two individuals went into business with Joseph P. Murray, Jr. and another coconspirator, importing shiploads of marijuana into the Boston area from Columbia.

(b) From approximately 1979 through 1983, one individual purchased approximately 12 tons of marijuana from Joseph P. Murray, Jr. and his associates.

(c) Beginning in 1981 and continuing through early 1983, two other individuals purchased over $3,000,000 of marijuana from Joseph P. Murray, Jr. and his associates. One of these individuals was told by Joseph P. Murray, Jr. that the Murray organization smuggled ship loads of marijuana into the Boston area by off-loading ships at sea and transferring the loads onto trucks once the off-load ships docked.

(d) On April 6, 1983, Joseph P. Murray, Jr.'s brother, Michael F. Murray, and others were in possession of over 11 tons of marijuana secreted inside a warehouse in South Boston.

(e) During the summer of 1983, for the purpose of obtaining the assistance of JOSEPH CARDONE in the marijuana business, Joseph P. Murray, Jr. told CARDONE that he imported marijuana into the

Boston area by meeting ships at sea with approximately 20 individuals who would off-load marijuana from the mother ship and return with the marijuana to the coast where the marijuana would be loaded onto trucks. Joseph P. Murray, Jr. informed JOSEPH CARDONE that each "off-loader" would be paid approximately $20,000 per load. JOSEPH CARDONE told Joseph P. Murray, Jr. that he would be interested in such work.

(f) During 1984, Joseph P. Murray, Jr. sold approximately sixteen kilograms of cocaine to JOSEPH CARDONE for $50,000 per kilo.

(g) In 1984, Joseph P. Murray, Jr. told a coconspirator that during 1980-1984 his smuggling operation had brought in twenty-three shiploads of marijuana into Boston with only one lost load.

(h) In the late summer of 1984, JOSEPH CARDONE agreed to operate a marine salvage business, "Commercial Marine Exchange, Inc." as a front for Joseph P. Murray, Jr.'s smuggling of ships loaded with marijuana.

(i) On approximately November 16, 1984, the "Ramsland," a 200 foot freighter with over 36 tons of marijuana secreted under gravel ballast, and the first ship scheduled to utilize the cover of Commercial Marine Exchange, arrived in Boston harbor.

(j) Sometime in 1983 or 1984, one of Joseph P. Murray, Jr.'s coconspirators told JOSEPH CARDONE that Joseph P. Murray, Jr. had made approximately five to six million dollars through trafficking in narcotics.

(j) In early 1985, acting on the instructions of one of

Joseph P. Murray, Jr.'s coconspirators, JOHN E. FITZGERALD established a St. Lucian corporation named "Halcyon Days Investments, Ltd." and opened a bank account at the Canadian Imperial Bank of Commerce on St. Lucia in the corporation's name.

(k) In January or February of 1985, in Boston, Massachusetts, a coconspirator gave JOHN E. FITZGERALD $100,000 in cash to deposit into the Halcyon Days account at the Canadian Imperial Bank of Commerce on St. Lucia.

(l) Between approximately January and March of 1985, at one of Joseph P. Murray Jr.'s coconspirator's direction, JOHN E. FITZGERALD and others deposited approximately $3,000,000 into the Halcyon Days account at the Canadian Imperial Bank of Commerce on St. Lucia.

(m) In approximately May of 1985, acting at the direction of this same coconspirator, JOHN E. FITZGERALD closed the Halcyon Days account at the Canadian Imperial Bank of Commerce on St. Lucia and provided the proceeds of the account, which totalled $3,000,000 plus interest, in the form of a bank check issued to Guinness Bank to another individual, who informed JOHN E. FITZGERALD that the money was being taken to the Cayman Islands.

(n) On September 25, 1985, in Boston, Massachusetts, a coconspirator gave $50,000 in cash to JOHN E. FITZGERALD to take to Antigua.

(o) On September 27, 1985, JOHN E. FITZGERALD incorporated "Rosebud Investments Ltd." in Antigua and opened an account in the corporation's name at the Swiss American Bank in Antigua with the

$50,000 provided by one of Joseph P. Murray, Jr.'s coconspirators.

(p) At the direction of one of Joseph P. Murray, Jr.'s coconspirators, on October 7, 1985, JOHN E. FITZGERALD travelled from Massachusetts to Bermuda and met an man and a woman at a hotel who gave JOHN E. FITZGERALD approximately $460,000 in cash. FITZGERALD caused the cash, along with $252,000 in the form of time deposit slips issued to another individual, to be deposited into the Swiss American Bank in Antigua via the Bank of Bermuda.

(q) In October of 1985, in Boston, Massachusetts, one of Joseph P. Murray, Jr.'s coconspirators informed JOHN E. FITZGERALD that $5,000,000 would be wire transferred to the Swiss American Bank and that another corporation with an account at the Swiss American Bank should be formed and the money divided equally between the two accounts.

(r) On October 31, 1985, a wire transfer of $5,000,000 to the Swiss American Bank was initiated.

(s) In November of 1985, JOHN E. FITZGERALD met one of the coconspirators in Boston, Massachusetts. The individual gave two $125,000 checks made out to cash as well as $200,000 in cash to JOHN E. FITZGERALD to transport to Antigua and deposit into the Swiss American Bank account. The two $125,000 checks were deposited into the Rosebud account at the Swiss American Bank on November 5, 1985. The following day, the $200,000 in cash was deposited into the same account.

(t) On November 6, 1985, JOHN E. FITZGERALD incorporated "White Rose Investments Ltd." in Antigua and opened an account in

the corporation's name at the Swiss American Bank.

(u) On November 11, 1985, the funds from the wire transfer which originated on October 31, 1985 were deposited into the Swiss American Bank accounts as follows: $2,500,000 into the Rosebud account and $2,500,000 into the White Rose account.

(v) On November 17, 1985, after receiving an additional $200,000 in cash from a coconspirator in Boston, Massachusetts, JOHN E. FITZGERALD transported the money to Antigua and deposited it into the Rosebud account at the Swiss American Bank.

(w) On November 18, 1985, acting on the instructions of one of Joseph P. Murray's coconspirators, JOHN E. FITZGERALD incorporated "Handel Investments Ltd." in Antigua and opened an account in the corporation's name at the Swiss American Bank.

(x) On December 17, 1985, after receiving $300,000 in cash from Joseph P. Murray, Jr. in Boston, Massachusetts, JOHN E. FITZGERALD transported the money to Antigua and deposited it into the Rosebud account in the Swiss American Bank.

(y) On June 4, 1986, JOHN E. FITZGERALD caused the "Guardian Bank, Ltd." to be incorporated in Anguilla and an account opened in its name at both the Swiss American Bank and Swiss American National Bank.

(z) Between June and September of 1986, the money which was held in the Rosebud and White Rose accounts was gradually transferred to the Guardian Bank accounts at both the Swiss American Bank and Swiss American National Bank.

(aa) On June 9, 1986, "J & B Investments Corp." was

incorporated at JOHN E. FITZGERALD'S request in Antigua and a corporate account at the Swiss American Bank was opened in its name. A portion of the monies from the Rosebud and White Rose accounts was transferred into this account.

(bb) From June 1986 through June 1987, the bulk of the money held in the Swiss American Bank and Swiss American National Bank was continually reinvested in certificates of deposit upon the instruction of JOHN E. FITZGERALD.

(cc) In July of 1987, approximately one month after the Swiss American Bank and the Swiss American National Bank placed a hold on the money preventing their transfer or withdrawal, one of the coconspirators telephoned JOHN E. FITZGERALD and told him to leave the island of Antigua.

(dd) On March 28, 1989, Joseph P. Murray Jr. and his coconspirators, in the name of the Guardian Bank Ltd., filed suit against the Swiss American National Bank of Antigua in the High Court of Antigua and Barbuda, seeking the release of funds held in SANBANK accounts 132731 and 132732, held in the name of the Guardian Bank Ltd.

(ee) On the instruction of one of Joseph P. Murray, Jr.'s coconspirators, JOHN E. FITZGERALD travelled on approximately four occasions to Antigua in connection with the litigation pending between the Swiss American National Bank and the Guardian Bank Ltd. On one of these occasions, December 7, 1989, JOHN E. FITZGERALD executed an affidavit in Antigua to be filed on behalf of the plaintiff in the lawsuit, the Guardian Bank Ltd. for the purpose of

securing the release of the money to Joseph P. Murray, Jr. and his coconspirators.

(ff) In approximately January of 1990, Joseph P. Murray, Jr. gave approximately twenty-eight pounds of marijuana to JOSEPH CARDONE to sell.

(gg) In March of 1990, Joseph P. Murray, Jr. gave to JOSEPH CARDONE one hundred thousand dollars in cash ($100,000).

(hh) On March 25, 1991, in Warwick, Rhode Island, Thomas Murray, an associate of Joseph P. Murray, Jr., stated, during a narcotics transaction financed by Joseph P. Murray, Jr. and in order to assure the supplier of the marijuana to be purchased that the Murray organization had the necessary funds to complete future large scale purchases, that seven years earlier Joseph P. Murray had put eight million dollars in the Caribbean.

(ii) On March 26, 1991, Joseph P. Murray, Jr., along with other individuals, attempted to purchase over five hundred pounds of marijuana for over four hundred thousand dollars ($400,000) in Warwick, Rhode Island.

(jj) In March of 1991, Joseph P. Murray, Jr. purchased 23 Country Club Road, Melrose, Massachusetts for three hundred thousand dollars ($300,000). JOSEPH CARDONE converted twenty-five thousand dollars ($25,000) in cash which he obtained from Joseph P. Murray, Jr. into a treasurer's check to be used as part of the purchase price of the residence.

All in violation of Title 18, United States Code, Section 1962(d).

COUNT THREE

(18 U.S.C. §§ 1957 and 2)

On or about December 7, 1989, in the District of Massachusetts and Antigua, JOHN E. FITZGERALD, a United States person, with Joseph P. Murray, Jr., a United States person, and others known and unknown to the Grand Jury, did knowingly attempt to engage in a monetary transaction, affecting interstate and foreign commerce, in criminally derived property of a value greater than $10,000, that is the withdrawal of funds totalling in excess of six million dollars ($6,000,000), which had been deposited into the Rosebud Investments Ltd., White Rose Investments Ltd., Handel Investments Ltd., Guardian Bank, and J & B Investments Corp. accounts at the Swiss American Bank, Ltd. and Swiss American National Bank located at St. Johns, Antigua, such property having been derived from a specified unlawful activity, that is, an offense involving the manufacture, importation, sale and distribution of a controlled substance in violation of Title 21, United States Code, Sections 841 and 846.

All in violation of Title 18, United States Code, Sections 1957 and 2.

A TRUE BILL

Mary S. Kerr
FOREPERSON OF THE GRAND JURY

Assistant U.S. Attorney

5-11-93
Date

DISTRICT OF MASSACHUSETTS: May, 1993 MAY 11 1993,

Returned in the District Court by the Grand Jurors and filed.

Patricia J. MacDougall
DEPUTY CLERK

United States Attorney
District of Massachusetts

1003 J.W. McCormack Post Office and Courthouse
Boston, Massachusetts 02109

July 30, 1993

Annemarie Hassett, Esq.
Office of the Federal Defender
125 Pearl Street
3rd Floor
Boston, MA. 02110

Re: United States v. John E. Fitzgerald
Criminal Number: 93-10149 Z

Dear Ms. Hassett:

This letter sets forth the agreement entered into between the United States Attorney for the District of Massachusetts (the "U.S. Attorney") and your client, John E. Fitzgerald, ("Defendant") in the above-captioned case. This agreement specifically incorporates the letter of agreement executed by your client on December 3, 1992, which is attached hereto. The agreement is as follows:

1. Change of Plea

On or before August 17, 1993, John E. Fitzgerald will plead guilty to Counts One and Three of the above-captioned Indictment.

2. Penalties

The defendant faces a maximum penalty of 20 years' incarceration and a fine of up to $250,000 on Count One (18 U.S.C. §1962(d)) and a maximum penalty of 10 years' incarceration and a fine of up to $250,000 on Count Three (18 U.S.C. §1957).

3. Sentencing Guidelines

The parties will both take the following position at sentencing with regard to offense conduct, adjustments and criminal history under the United States Sentencing Guidelines:

The offense conduct is governed by U.S.S.G. §2E1.1 (RICO), which, in this case, is governed by the offense level applicable to the underlying racketeering activity - Laundering of Monetary

Instruments. The base offense level for this conduct is 23 (U.S.S.G. §2S1.1(a)(1)). Because the value of the funds exceeded $6 million, the offense level should be increased by 8 (U.S.S.G. §2S1.1(b)(2)). This results in an offense level 31.

The base offense level should be decreased by 2 levels due to the defendant's minor participation in the charged criminal activity. (U.S.S.G. §3B1.2(b)).

The base offense level should be further decreased by 3 levels due to the defendant's acceptance of responsibility. (U.S.S.G. §3E1.1(a) and (b)(1)).

Based upon presently available information, the defendant's criminal history category is I.

Based upon an offense level of 26 and a criminal history category I, the resulting guideline range is 63-78 months. The possible term of supervised release is at least 2 years but not more than 3 years (U.S.S.G. §5D1.2(b)(2)). For an offense level 26, the minimum fine is $12,500; the maximum fine is $125,000 (U.S.S.G. §5E1.2(c)(3)). The special assessment is $100 (U.S.S.G. §5E1.3).

Nothing herein shall be construed to limit the right of either party to appeal the sentence pursuant to 18 U.S.C. §3742.

4. Cooperation

a. Terms of Cooperation

The defendant will continue to cooperate fully with law enforcement agents and government attorneys as set forth in the letter of agreement, executed on December 3, 1992.

b. Substantial Assistance Motion

In the event that the defendant provides substantial assistance to the government, the U.S. Attorney agrees that, at or before the time of sentencing, the government will make or file a motion under 18 U.S.C §3553(e) and U.S.S.G §5K1.1, disclosing to the sentencing court the nature and extent of his assistance to the government so that the sentencing court will have the authority to impose a sentence below that which otherwise would be required under the Sentencing Guidelines and the relevant statutes. Pursuant to 18 U.S.C. §3553(e) and U.S.S.G. §5K1.1, a sentencing court may, but is not required to, impose a sentence below that which otherwise would be required, in order to recognize a defendant's substantial assistance to the government in the investigation and prosecution of another individual or individuals. The determination whether your client has provided substantial assistance to the government rests solely in the discretion of the U.S. Attorney and is not subject to appeal or review.

c. Sentence Recommendation with Substantial Assistance

In the event that the defendant provides substantial assistance to the government, subject to all the provisions of the letter of agreement executed on December 3, 1992 and paragraph 3(b) above, the U.S. Attorney will advise the sentencing judge of the full nature, extent and value of the cooperation provided to the government.

The U.S. Attorney will also recommend the following sentence:

A five year term of probation which includes a condition of probation requiring the defendant to continue to assist the United States in the recovery of the forfeited assets listed below in paragraph 6.

Waiver of the mandatory fine.

Imposition of the $100 special assessment.

d. Letter Immunity

In return for the defendant's full and truthful cooperation, the U.S. Attorney agrees not to use any information provided by the defendant after his plea of guilty and pursuant to this agreement (or any information directly or indirectly derived therefrom) against the defendant in any criminal case except in a prosecution for perjury or obstruction of justice, or for making a false statement after the date of this agreement.

If the U.S. Attorney determines that the defendant has made any false, incomplete or misleading statement to any law enforcement personnel, grand jury or court, the U.S. Attorney may terminate this agreement, and may also prosecute the defendant for any and all offenses that could be charged against him in the District of Massachusetts, including but not limited to false statements and perjury. Furthermore, the defendant fully understands that should he breach any provision of this agreement, the government will have the right to use against the defendant at any trial, hearing or for sentencing purposes, any statements made by him, and any information, materials, documents, or objects provided by him to the government pursuant to this agreement, without any limitation.

5. Court Not Bound by Agreement

The sentencing recommendations made by the parties and their respective calculations under the Sentencing Guidelines are not binding upon the United States Probation Department or the sentencing judge. Within the maximum sentence which the defendant faces under the applicable law, the sentence to be imposed is within the sole discretion of the sentencing judge. The defendant's plea will be tendered pursuant to Fed. R. Crim. P. 11(e)(1)(B). The defendant may not withdraw his plea of guilty

regardless of what sentence is imposed. Nor may the defendant withdraw his plea because the United States Probation Department or the sentencing judge declines to follow the Sentencing Guidelines calculations or recommendations of the parties.

6. Forfeiture

The defendant agrees to forfeit to the United States the following property:

> The proceeds [of the conduct charged in paragraph 8 of Count One of the indictment to which the defendant is agreeing to plead guilty in paragraph 1 of this agreement] and property, namely the funds which were deposited into the Swiss American Bank, Ltd. and Swiss American National Bank in St. Johns, Antigua during the period September 1985 through June 23, 1987, plus any interest which has accrued since that time, into any accounts (including, without limitation, certificates of deposit thereon) held in the name of Rosebud Investments, Ltd., White Rose Investments, Ltd., Handel Investments, Ltd., J & B Investments Corp., and Guardian Bank, Ltd.

The defendant agrees to facilitate the forfeiture and transfer to the United States of all forfeitable property by taking any and all steps deemed necessary by the U.S. Attorney or the U.S. Marshals Service to pass clear title in those assets to the United States as soon as requested by the U.S. Attorney or the United States Marshals Service. The defendant also agrees to fully assist the government in the recovery of any and all domestic and foreign assets which are subject to forfeiture to the United States.

7. Civil Liability

The U.S. Attorney by entering into this agreement does not compromise any civil liability the defendant may have incurred or may incur as a result of his conduct and his plea of guilty to the charges specified in paragraph One of this agreement, including but not limited to any tax liability.

8. Rejection of Plea by Court

Should the defendant's guilty plea not be accepted by the Court for whatever reason, or later be withdrawn on motion of the defendant, this agreement shall be null and void at the option of the United States. In this regard, the defendant hereby waives any defense to any charges which he might otherwise have under any statute of limitation or the Speedy Trial Act.

9. Breach of Agreement

If the U.S. Attorney determines that the defendant has failed to comply with any provision of this agreement, the U.S. Attorney

shall be released from his commitments under this agreement by notifying the defendant in writing. The defendant recognizes that no such breach by him of an obligation under this agreement shall give rise to grounds for withdrawal of his guilty plea.

10. Who is Bound by Agreement

This agreement is limited to the United States Attorney for the District of Massachusetts, and cannot bind the Attorney General of the United States or any other federal, state or local prosecutive authorities.

11. Complete Agreement

This agreement (as it incorporates the letter of agreement signed by your client on December 3, 1992) is the complete and only agreement between the parties. No promises, agreements or conditions have been entered into other than those set forth in this letter (except as incorporated by the December 3, 1992 letter of agreement). This agreement supersedes prior understandings, if any, of the parties whether written or oral. This agreement cannot be modified other than in a written memorandum signed by the parties or on the record in court.

If this letter accurately reflects the agreement entered into between the United States Attorney for the District of Massachusetts and the defendant, please have the defendant sign the Acknowledgment of Plea Agreement below. Please also sign below as witness. Return the original of this letter to Assistant U.S. Attorney Gregg L. Sullivan.

Very truly yours,

A. JOHN PAPPALARDO
United States Attorney

By: _____
ROBERT L. ULLMANN
First Assistant,
U.S. Attorney

GREGG L. SULLIVAN
Assistant U.S. Attorney

ACKNOWLEDGMENT OF PLEA AGREEMENT

I have read this plea agreement in its entirety and discussed it with my attorney. I hereby acknowledge that it fully sets forth my agreement with the United States Attorney's Office for the

District of Massachusetts. I further state that there have been no additional promises or representations made to me by any officials of the United States in connection with this matter.

John E. Fitzgerald

JOHN E. FITZGERALD

Date: 8-17-93

I certify that this plea agreement letter has been read by my client, John E. Fitzgerald, and that he understands its terms.

Annemarie Hassett

Witnessed by:
Annemarie Hassett, Esq.
Attorney for John E. Fitzgerald

EXHIBIT NO. 62
Documents related to
M.A. BANK
(Case Study No. 9):

62a. M.A. Bank general documents
62b. Permanent Subcommittee on Investigations correspondence with M.A. Bank representatives
62c. Permanent Subcommittee on Investigations correspondence with M.A. Bank agents in Uruguay
62d. Court filings and U. S. Department of Justice correspondence
62e. M.A. Bank documents related to Mr. DiTullio
62f. U. S. Customs records of interviews
62g. Permanent Subcommittee on Investigations correspondence with Citibank
62h. Citibank documents related to M.A. Bank

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____62a_____

Exhibit 62a.

M.A. Bank general documents

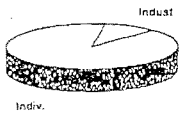
BASIC INFORMATION REPORT - FRONT PAGE

Name: Grupo Mercado Abierto S.A. -M.A. Valores -M.A. Casa de Cambio -M.A. Bank -Sigma	Group ORR: -- Largest ORR: -- Facility ORR: -- Callific. de Riesgo:	Facility Overview MM Direct Contingent PSI	Date: Diciembre de 1998

Line of Business: Agente de Mercado Abierto	Capital Mkts. (If Applicable) n.a.	SIC CODE 6211	Mkt. Share Loans n.a.	Mkt. Share Deposits n.a.	Mkt. Share NW n.a.

Auditing Company Deloitte& Touche.	Relationship Manager Amalia Iglesias	Nr. Employess 65	Branches 1

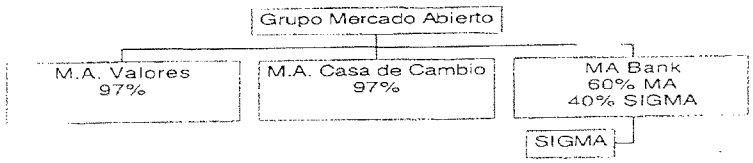
Portfolio Composition:



Individuos 90%
Industrias (Cias de Seg., Bancos Pciales y otros) 10%

Key Financ. & Stats.: En Miles	nDic-97	Dic-96
Activos	102,159	76,444
Pasivos	78,124	55,195
Depositos	48,517	12,510
Patrimonio	24,035	21,249

Ownership:



Shareholders of Mercado Abierto and SIGMA:
-Miguel Iribarne 33%
-Aldo Ducler 33%
-Hector Scaserra 33%

Market / Industry Issues:
Luego del Efecto Tequila, el sistema financiero local ha evidenciado una recuperacion que llevó al mercado financiero a experimentar cambios *radicales*. La cantidad de players cayó en aproximadamente un 20 % y los top players fueron claros ganadores mediante el denominado "fly to quality process". Todos los indicadores macroeconomicos nos facilitan muestras claras de esta recuperación entre Dic 95 y Dic 96: el PBI crecio en un 5.28%, los prestamos en un 10 % y la mora neta sobre estos disminuyó prácticamente en un 5%.
Durante 1997 estos índices han mantenido su tendencia creciente, y es por este motivo que se han fusionado banco locales, en la Argentina y en le región con bancos extranjeros como el Santander, Hong Kong Shangai, Bilbao Vizcaya y el Nova Scotia.
Se espera un crecimiento importante en la tasa de bancarización, atado a una mayor competitividad que generará menores spreads, pero que igualmente generan rentabilidad respecto al resto de otras regiones.

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Business Strategy:

Citibank mantiene una relacion comercial con esto cliente desde 1989. Hasta fines de 1994/ principios de 1995 se les habia otorgado lineas de credito vendiendoles servicios de cash management. Durante la crisis del Tequila se discontinuaron las lineas con este cliente, situacion que no ha variado hasta la actualidad. Actualmente MA utiliza solamente el servicio de Cash Management internacional del banco.
Mercado Abierto SA: es agente de Mercado Abierto y se especializa en la compra venta de titulos publicos, pero su estrategia en los ultimos años se ha localizado principalmente como empresa de **Asset Management manejando aprox. $400 MM.** Recientemente han creado tres fondos comunes de inversion:
1)Fondo Fondagro: Fondo de inversion directa cuyo objeto es la siembra, cosecha y venta de algodon, maiz y soja durante la campaña 97/98, esta compuesto por un monto aproximado de $2MM
2) Fondo Provincial y Municipal: es un fonde de inversion compuesto excusivamente por titulos provinciales y municipales, el patrimonio aprox es de $2.3MM
3) Fondo Mercosur: fondo de inversion de renta mixta, compuesto por titulos publicos, acciones, obligaciones negociables, opciones y futuros

Por otro lado estan creando un fideicomiso financiero con el objecto de financiar proyectos de construccion en diversos barrios de la Cap. Fed. Posee un importante private banking que participa en sus fondos comunes de inversion. Al mismo tiempo, mantiene una buena relacion comercial con Pymes a quienes los participa en los fondos comunes de inversion.
Por otro lado MA posee:
M.A. Casa de Cambio: es creada unicamente para fines internos de sus propias operaciones. No posee atencion al publico en general (no posee atencion por mostrador a la calle), solo es usado para operaciones de cambio de moneda con sus clientes.
M.A. Bank: es un banco off shore situado en las islas Cayman, lo utilizan para que los clientes del grupo tengan acceso directo al mercado financiero internacional. Asimismo ofrece a inversores extranjeros participacion en fondos de inversiones locales. Opra activamente en el NYSE y en CBT.
MA Capital Markets: es la rama del grupo que tiene a sucargo la banca de inversion. Ha asumido el rol de Lead Manager en la emision de ON bajo el regimen de Pymes para empresas de este tamaño.

La auditoria de todos estos vehiculos se encuentran a cargo de Deloitte & Touche SA.
La gestion de administracion y representacion de los Fondos Comunes de Inversion se encuentran a cargo de una sociedad " Morrolond Soc. Gerente de Fondos Comunes de Inversion SA", y han creado una una empresa para la custodia de estos fondos: " Custodia Soc. Depositaria de Fondos Comunes de Inversion SA".

History :
Mercado Abierto fue creado en 1980, es agente de mercado abierto y se ha especializado en la compra y venta de titulos publicos, siendo uno de los mas importantes brokers del mercados. Actualmente su actividad principal es como Asset Management, ha creado diversos fondos comunes de inversion. Anteriormente, ha sido colocador mayorista y minorista en la privatizacion de empresas telefonicas y en la de YPF.

Key Subs.:
M.A. Valores SA
M.A. Capital Markets
M.A. Bank Limited
M.A. Casa de Cambio
Fondo Mercosur

S.W.O.T. Analysis

Strengths:
-Muy buen conocimiento del mercado local
-Buen nivel de Management
-Muy buena distribucion primaria a nivel local
-Nichos de mercado a traves de distribucion y trading de fondos provinciales

Weaknesses:
-Llegada de grandes fondos extranjeros al mercado local

Opportunities:
Creacion de nichos a traves de su manejo del mercado local

Threats:
-Altos niveles de competencia, disminucion de spreads.

MANAGEMENT & DIRECTORS

Presidente:	Miguel Inbame
Vicepresidente	Hector Scasserra
Directores:	Aldo Ducler

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PRODUCT ACTIVITY INFORMATION

International Cash Management

Cuenta local de Mercado Abierto SA

N: 0801060-013
Saldo Promedio 30 dias: 61.635
Saldo Promedio 180 dias: 33.820

MA Casa de Cambio

DDA NY	Monthly
Nr. Debits	169
Nr. Credits	107
Volume of Debits	40 MM
Volume of Credits	40 MM

MA Bank

DDA NY	Monthly
Nr. Debits	127
Nr. Credits	167
Volume of Debits	60MM
Volume of Credits	60 MM

MA Valores Soc. de Bolsa

DDA NY	Monthly
Nr. Debits	27
Nr. Credits	28
Volume of Debits	20MM
Volume of Credits	20 MM

MA Mercado Abierto

DDA NY	Monthly
Nr. Debits	70
Nr. Credits	55
Volume of Debits	30 MM
Volume of Credits	30 MM

TECNOLOGIA

Los equipos que poseen satisfacen sus necesidades operativas. su mesa cuenta con teconologia de ultima generacion.

RELATIONSHIP PRESENT SITUATION / MARKETING PLAN

Financial Institution ha decidido no otorgar mas lineas de credito ha este tipo de customers desde la crisis del Tequila. igualmente se ha decidio no cerrar esta cuenta, dado el buen prestigio que posee en el mercado argentino los accionsitas y directivos de MA.

MONEY LAUNDERING

No tenemos evidencia ni informacion de terceros, acerca de que la empresa estuvo o esta desarrollando transacciones ilicitas ce lavado de dinero con conocimiento de managament o accionistas.

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MERCADO ABIERTO S.A.

¿Qué es Mercado Abierto?

Mercado Abierto S.A. comienza sus actividades en 1983.
La sociedad comprende:

- Mercado Abierto S.A. (holding)
- M.A. Valores Sociedad de Bolsa (2 acciones del Mercado de Valores de Buenos Aires)
- M.A. Casa de Cambio (operaciones de divisas)
- M.A. Bank (operaciones internacionales)
- M.A. Capital Markets (fusiones y adquisiciones)
- Compañía Fiduciaria Americana (fideicomisos financieros)
- Mercofond Sociedad Gerente de FCI
- Custodia Sociedad Depositaria de FCI

- Mercado Abierto se especializa en la administración de inversión, contando actualmente con una cartera de US$ 400 millones. Compite con notable éxito ante bancos nacionales y extranjeros, posicionándose con una participación superior al 2% del mercado.

- Cuenta con una dotación de 67 empleados, 20 de los cuales son profesionales con más de 10 años de experiencia en el mercado de capitales, trabajando dentro de la empresa. La oficina central se encuentra en Buenos Aires y posee una sucursal en Posadas, y en breve otra en San Miguel de Tucumán.

- Presenta una exposición permanente en los medios de comunicación especializados. El departamento de investigaciones emite diaria y semanalmente, informes en: Ambito Financiero , El Cronista , Buenos Aires Herald , El Día De La Plata , Reuters , Bloomberg y Nosis.

© 1997-1998 Mercado Abierto S.A.
Contactos: [illegible] Buenos Aires, Argentina
[illegible]
[illegible]

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CS001068

BASIC INFORMATION REPORT – FRONT PAGE

Name: Grupo Mercado Abierto S.A. - M.A. Valores [securities] - M.A. Casa de Cambio [foreign exchange firm] - M.A. Bank - Sigma	Group ORR: – Largest ORR: – Facility ORR: – Classification of Risk:	Facility Overview MM Direct Contingent PSI	Date: December 1998		
Line of Business: Open Market Agent	Capital Mkts. (if applicable) n/a	SIC CODE 6211	Mkt. share loans n.a.	Mkt. share de-posits n.a.	Mkt Share NW n.a.
Auditing Company Deloitte & Touche	Relationship manager Amalia Iglesias	Nr. employees 65	Branches 1		

Portfolio composition:	Key Financ. & Stats.:	Dec. 97	Dec. 96
[pie chart]	in thousands		
Individual 90%			
Industries (Insurance companies, provincial banks, and others) 10%	Assets	102,159	76,444
	Liabilities	78,124	66,195
	Deposits	46,517	12,510
	Net Worth	24,035	21,249

Ownership:

Grupo Mercado Abierto

M.A. Valores	M.A. Casa de Cambio	MA Bank
97%	97%	60% MA 40% SIGMA

SIGMA

Shareholders of Mercado Abierto and SIGMA:
- Miguel Iribarne 33%
- Aldo Ducler 33%
- Hector Seasorra 33%

Market / Industry Issues:
After the Tequila Effect, the local financial system showed a recovery that caused radical changes in the financial market. The number of players decreased by approximately 20% and the top players were clear winners through the so-called fly to quality process. All macroeconomic indicators show clear signs of this recovery between December '95 and December '96: the Gross Domestic Product increased by 5.28%, loans by 10%, and the net arrears on these decreased by nearly 5%.
During 1997 these indices maintained their growth trend, and it is for this reason that local banks have merged, in Argentina and in the region, with foreign banks such as Santander, Hong Kong Shanghai, Bilbao Vizcaya, and Nova Scotia.
Significant growth is expected in the rate of bank usage, tied to greater competitiveness which will generate smaller spreads, but which also generate[s] profitability with respect to the other regions.

Business Strategy:

Citibank has had a business relationship with this client since 1989. Until late 1994 / early 1995, they had granted them lines of credit, selling them cash management services. During the Tequila crisis, the lines with this client were discontinued, and the situation has not changed. At the current time, MA uses only the bank's International Cash Management service.
Mercado Abierto SA: Is an agent of Mercado Abierto and specializes in the purchase and sale of public securities, but its strategy in recent years has been principally as an Assets Management company handling approximately $400 million. They have recently created three common investment funds:
1) Fondo Fondagro: Direct investment fund whose objectives were the planting, harvesting, and sale of cotton, corn, and soy during the 97/98 season; approximately $2 million.
2) Fondo Provincial y Municipal: an investment fund comprised exclusively of provincial and municipal securities, with a net worth of approximately $2.3 million.
3) Fondo Mercosur: mixed payout investment fund consisting of public securities, shares, negotiable obligations, options, and futures.

Moreover, they are creating a financial trusteeship with the objective of financing construction projects in various areas of the Federal Capital. It has a significant private banking [component] that participates in its common investment funds. At the same time, it maintains good business relationships with PyMEs [TR.: an acronym for "small and medium-sized businesses"], which participate in the common investment funds.[1]
Moreover, MA owns:
M.A. Casa de Cambio: Created only for internal purposes of its own operations. It has no customer service in general (it does not have counter service on the street), it is only used for currency exchange transactions with its clients.
M.A. Bank: An offshore bank in the Cayman Islands. They use it to ensure that the group's clients will have direct access to the international financial market. It also offers foreign investors participation in local investment funds. It operates actively in the NYSE and in CBT [TR.: probably the Chicago Board of Trade].
M.A. Capital Markets: The branch of the group in charge of the investment bank. It has assumed the role of Lead Manager in the issuance of ON [TR.: probably "negotiable obligations"] under the PyMEs system for companies of this size.

Deloitte & Touche S.A. is in charge of auditing all these vehicles.
Administrative management and representation of the Common Investment Funds is the responsibility of a company known as "Mercofond Sociedad Gerente de Fondos Comunes de Inversión S.A.," and they have established a company to take care of these funds: "Custodia Sociedad Depositaria de Fondos Comunes de Inversión S.A."

History:
Mercado Abierto was established in 1983. It is an open market agent, specializes in the purchase and sale of public securities, and is one of the most important brokers in the market. At the current time its principal activity is Asset Management; it has created various common investment funds. It was previously the majority and minority underwriter in the privatization of telephone companies and YPF.

Key Subs:
M.A. Valores S.A.
M.A. Capital Markets
M.A. Bank Limited
M.A. Casa de Cambio
Fondo Mercosur

---

[1] TR.: One of several strangely-worded sentences. This literally reads, "...a good business relationship with PyMEs, which it participates in the common investment funds." Document may have been written in another language (perhaps English, given the large number of English words remaining in the text) and translated into Spanish. Please note that there are numerous errors. At one point, the Vice President's name is spelled with three "r's;" the word "a" [meaning "to"] is spelled "ha." There are also grammatical errors, such as "se han fusionado banco locales" instead of "se han fusionado bancos locales."

S.W.O.T. Analysis

Strengths:
- Very good knowledge of the local market
- Good level of management
- Very good primary distribution at the local level
- Market niches through distribution and trading of provincial funds

Weaknesses:
- Arrival of large foreign funds in the local market

Opportunities:
Creation of niches through its management of the local market

Threats:
High levels of competition, decrease of spreads.

MANAGEMENT & DIRECTORS

President:	Miguel Iribarne
Vice President:	Hector Scaserra
Directors:	Aldo Ducler

PRODUCT ACTIVITY INFORMATION

International Cash Management

MA Casa de Cambio DDA[2] NY	Monthly
No. debits	169
No. credits	107
Volume of debits	40 million
Volume of credits	40 million

Local Mercado Abierto S.A. account

N: 0801060-013
Average 30 day balance: 61,635
Average 180 day balance: 33,820

MA Bank DDA NY	Monthly
No. debits	127
No. credits	167
Volume of debits	60 million
Volume of credits	60 million

MA Valores Soc. de Bolsa DDA NY	Monthly
No. debits	27
No. credits	28
Volume of debits	20 million
Volume of credits	20 million

MA Mercado Abierto DDA NY	Monthly
No. debits	70
No. credits	55
Volume of debits	30 million
Volume of credits	30 million

TECHNOLOGY
The equipment they possess satisfies their operating needs; their counter has the latest generation technology.

RELATIONSHIP PRESENT SITUATION / MARKETING PLAN

Since the Tequila crisis, [the] financial institution has decided not to grant more lines of credit to this type of customer. It has also decided not to close this account, given the high level of prestige of MA's shareholders and directors in the Argentine market.

MONEY LAUNDERING
We have no evidence or information from third parties about whether the company was or is engaged in illegal money laundering transactions with [the] knowledge of management or shareholders.

[2] TR.: Possibly "Demand Deposit Account."

[logo]

Mercado Abierto S.A.

What is Mercado Abierto?

Mercado Abierto S.A. began operations in 1983.
The corporation includes:

- Mercado Abierto S.A. (holding)
- M.A. Valores Sociedad de Bolsa (2 shares of the Buenos Aires stock exchange)
- M.A. Casa de Cambio (foreign currency transactions)
- M.A. Bank (international transactions)
- M.A. Capital Markets (mergers and acquisitions)
- Compañía Fiduciaria Americana (financial trusts)
- Mercofond Sociedad Gerente de FCI
- Custodia Sociedad Depositaria de FCI

- Mercado Abierto specializes in investment management, with a portfolio of US$ 400,000,000. It competes against domestic and foreign banks with noteworthy success, with more than 2% of the market share.

- It has a staff of 67 employees, 20 of whom are professionals with more than 10 years of experience in the capital market, working within the company. The headquarters is in Buenos Aires. There is a branch office in Posadas, and another will open soon in San Miguel de Tucumán.

- It has constant exposure in the specialized communications media. Daily and weekly, the research department issues reports in: *Ambito Financiero, El Cronista, the Buenos Aires Herald, El Dia De La Plata, Reuters, Bloomberg, and Nosis.*

Translated by Wendy Griswold at the request of the Congressional Research Service, February 16, 2000.

Deloitte & Touche

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M.A. BANK LIMITED

Financial Statements
for the year ended December 31, 1998
and Independent Auditors' Report

Deloitte Touche Tohmatsu

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Deloitte & Touche

M. A. BANK LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1998
(Expressed in United States Dollars)

	Note	1998	1997
		$	$
ASSETS			
Cash and cash equivalents	9	3,054,236	3,934,066
Trading securities	3,9, & 11	23,646,362	31,587,462
Placements with banks	8 &9	1,279,123	4,027,696
Short term loans and advances	4,8,9 &11	7,201,742	7,524,926
Other assets	5,8 &9	1,933,861	7,548,317
TOTAL		37,115,324	54,622,467
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Demand deposits	8,9 & 11	17,535,839	23,124,423
Short term time deposits	7,8,9 & 11	9,218,919	16,113,616
Deposits from other banks	9	15,727	2,643,296
Bank loans	8 & 9	1,901,888	4,596,933
Other liabilities	6 & 8	409,545	602,263
Total liabilities		29,081,918	47,080,531
SHAREHOLDERS' EQUITY			
Share capital: Authorised - 500,000 shares of $10 par value each			
Issued and fully paid up - 500,000 shares		5,000,000	5,000,000
Retained earnings		3,033,406	2,541,936
Total shareholders' equity		8,033,406	7,541,936
TOTAL		37,115,324	54,622,467

Approved by the Board of Directors:

HECTOR LUIS SCASSERRA
Director

ALDO LUIS DUCLER
Director

See accompanying notes to financial statements.

PS000236

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Deloitte & Touche

M.A. BANK LIMITED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Expressed in United States dollars)

1. INCORPORATION AND ACTIVITY

M.A. Bank Limited (the "Bank"), which is owned by Mercado Abierto S.A. and Sigma Financial Corporation Ltd., was registered in the Cayman Islands as an exempt company on September 23, 1991. The Bank changed its name from Petra Investments Bank (Cayman) to M.A. Bank Limited on September 24, 1991 and commenced operations on October 14, 1991.

The Bank is licensed to carry on banking business and holds a Category "B" banking licence subject to provisions of the Banks and Trust Companies Law (1995 Revision) of the Cayman Islands. The Bank has received an undertaking from the Cayman Islands Government exempting it from all local income, profits and capital gains taxes until January 7, 2012. No such taxes exist in the Cayman Islands at the present time.

The Bank's main activities are those related to the trading of securities and the administration of investment portfolios, for its own account and on behalf of its customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards, and reflect the following policies:

Cash and cash equivalents. The Bank considers all cash at banks and in hand as cash and cash equivalents.

Trading securities. Securities held for the purposes of trading are carried in the balance sheet at market value. Gains and losses on sales and changes in market values are included in income currently.

Income and expenses. Income and expenses are recorded on an accrual basis.

Foreign currency translation. All amounts in the financial statements are expressed in United States dollars. Transactions in other currencies are translated at the prevailing rate at the time of the transaction. Assets and liabilities in other currencies are translated into U.S. dollars at rates prevailing at the balance sheet date. Exchange gains and losses are included in income currently.

PS000239

4405

MERCADO ABIERTO S.A.

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ANNUAL REPORT
AND
FINANCIAL STATEMENTS
AS OF
JUNE 30th, 1998

PS000175

MERCADO ABIERTO S.A.
Over-the-Counter Securities Broker No. 395
Registered with the Superintendency of Corporations under No. 93,444

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 1998 AND 1997
(In pesos)

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4. OWNERSHIP INTERESTS IN OTHER COMPANIES – LAW 19550, SECTION 33

The most important companies in which Mercado Abierto S.A. has a stake as of June 30, 1998 are as follows:

Name of Company	Ownership Interest
M.A. Bank Limited	60%
M.A. Valores S.A. Sociedad de Bolsa	97%
M.A. Casa de Cambio S.A.	97%
Custodia Sociedad Depositaria de Fondos Comunes de Inversión S.A.	99%
C.F.A. Cía Fiduciaria Americana S.A.	51%

5. NET RESULTS FROM INTERMEDIATION IN SECURITIES TRANSACTIONS

The net results from intermediation in securities transactions as of June 30, 1998 and 1997 are as follows:

	..... 1998	..... 1997 .....
Sales for account of third parties		
Federal Government Securities	1,470,062,251.54	3,221,129,216.00
Provincial Government Securities	75,291,355.95	16,934,694.82
Corporate Bonds	359,151.06	8,423,051.69
Shares of Stock	918,390.12	1,314,305.63
External Debt Securities	336,329,926.25	1,325,282,612.80
Certificates	268,590,415.33	127,116,768.47
Others	1,062,728.61	3,041,731.93
Total Sales	2,152,614,218.86	4,703,242,381.34

Our report dated September 4, 1998 has been issued as a separate document.
DELOITTE & Co

PS000195

Alberto Bande, C.P.A. (Partner)
Graduated from the University of Buenos Aires
Registered with the B.A. Association of Graduates in Economic Sciences
Volume XLIII Folio 114

Administrative Details

Legal Address:

c/o Coutts & Co.
Coutts House

P.O. Box 707G, West Bay Road
Grand Cayman, B.W.I.

Contact:	Mr. Richard Austin
Telephone:	[1345] 945-4777
Fax:	[1345] 945-4799

Administrative Address [Address for Notices]:

c/o Estudio Elenberg y Asociados
Juncal 1327 Piso 12 Esc. 1204
Montevideo
Republica Oriental del Uruguay

Contact:	Mr. Jorge Gutfraind
Telephone:	[5982] 916-3030 / 3031 / 3032 / 3033
Fax:	[5982] 916-3034

M.A. BANK LIMITED
West Bay Road, P.O. Box 707G
Grand Cayman, B.W.I.

Policies and procedures to prevent money laundering activities.

When opening new accounts or establishing new relationships with customers the following policies and procedures must be observed by all employees:

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1. Know the Customer
   a. The customer's true identity must be certainly known.
   b. If a potential customer is unwilling to provide the information required by the bank, the relationship should be submitted to the management for closer scrutiny.
   c. All suspicious transactions must be immediately reported to the management.
   d. Particular circumstances that should alert employees:
      - A business that is reluctant to provide complete information regarding: the purpose of the business, prior banking relationships, officers or directors, or its location.
      - A business that refuses to provide information to qualify customers for credit or other banking services.
      - A customer who is unwilling to provide personal background information when opening an account or purchasing monetary instruments above a specified threshold.
      - A customer who opens an account without any of the following: references, a local address, identification (passport, alien registration card, driver's license, or social security card), or who refuses to provide any other information the bank requires to open an account.
      - A customer who presents unusual or suspicious identification documents that cannot be readily verify.
      - A customer whose home phone is disconnected.
      - A customer who includes no record of past or present employment on a loan application.
      - A customer who has no record of past or present employment but makes frequent large transactions.
      - A business that is reluctant to reveal details about its activities or to provide financial statements.

M.A. BANK LIMITED
West Bay Road, P.O. Box 707C
Grand Cayman, B.W.I.

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- A business that presents financial statements noticeably different from those of similar businesses

2. Forbidden transactions

Cash deposits and withdrawals. Because of the offshore nature of the Bank, only payment orders, checks and money instruments shall be utilised to settle the transactions.

3. Transactions to be closely monitored and reported to the management

- Accounts with a large number of deposits in cashier's checks, money orders, and/or wire transfers, when the nature of the accountholder's business does not justify such activity.
- Sudden and inconsistent change in currency transactions or patterns.
- An account that sends and receives wire transfers (especially to / from banks in haven countries), without an apparent business reason or when inconsistent with the customer's business or history.
- An account that receives many small incoming wire transfers or makes deposits using checks and money orders, and almost immediately wire transfers all but a token amount to another city or country, when such activity is not consistent with the customer's business or history.
- Sending or receiving frequent or a large number of wire transfers to and from offshore institutions.
- Payment orders received for deposits into several accounts, usually in amounts below a reportable threshold, and then consolidating into a master account and transferring them to another country.
- Instructing the bank to transfer funds abroad and to expect an equal incoming wire transfer from other sources.
- Regularly depositing or withdrawing large amounts (over U.S. $500,000) by wire transfers to, from, or through countries that are known sources of narcotics or whose bank secrecy laws facilitate the laundering of money.
- Receiving wire transfers and immediately purchasing monetary instruments prepared for payment to a third party.
- An account opened in the name of a money exchange house that receives wire transfers and/or structured deposits.

M.A. BANK LIMITED
West Bay Road, P.O. Box 707G
Grand Cayman, B.W.I.

- A request for loans to an offshore company, especially one located in a heaven country, or for a loan secured by obligations of an offshore bank.
- A customer who purchases a number of cashier's checks, money orders, or traveller's checks for large amounts (over U.S. $100,000) just under a specified threshold or without apparent reason.
- Transactions that are inconsistent with the normal activity of a particular customer.

4. Considerations to be taken when analysing suspicious transactions

- Just because a transaction appears on the list does not mean that it involves illicit activities; it only means that the transaction requires closer scrutiny.
- Many of these activities are suspicious only because they are inconsistent with the normal customer behaviour.
- Many such transactions will be found, upon closer examination, to result from legitimate business activity.
- Reporting to the relevant authority is mandatory when, upon a closer scrutiny of the customer and its transactions, the managers and / or directors are not completely assured about its legality.

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Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____62b_____

Exhibit 62b.

Permanent Subcommittee on Investigations correspondence with M.A. Bank representatives

FRED THOMPSON, TENNESSEE, CHAIRMAN

WILLIAM V. ROTH, Jr., DELAWARE
TED STEVENS, ALASKA
SUSAN M. COLLINS, MAINE
GEORGE V. VOINOVICH, OHIO
PETE V. DOMENICI, NEW MEXICO
THAD COCHRAN, MISSISSIPPI
ARLEN SPECTER, PENNSYLVANIA
JUDD GREGG, NEW HAMPSHIRE

JOSEPH I. LIEBERMAN, CONNECTICUT
CARL LEVIN, MICHIGAN
DANIEL K. AKAKA, HAWAII
RICHARD J. DURBIN, ILLINOIS
ROBERT G. TORRICELLI, NEW JERSEY
MAX CLELAND, GEORGIA
JOHN EDWARDS, NORTH CAROLINA

HANNAH S. SISTARE, STAFF DIRECTOR AND COUNSEL
JOYCE A. RECHTSCHAFFEN, MINORITY STAFF DIRECTOR AND COUNSEL

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510–6250

March 31, 2000

Ms. Mariela Caravetta, Esquire
6325 Van Nuys Blvd., Suite 205
Van Nuys, CA 91401

via mail and facsimile: 818-902-9978

Dear Mr. Caravetta:

The U.S. Senate Permanent Subcommittee on Investigations is conducting an investigation, at my request, into money laundering activities which make use of services provided by financial institutions operating in the United States. The current phase of the investigation is an examination of correspondent banking services and anti-money laundering safeguards in the correspondent banking field.

Public pleadings in a civil forfeiture case, United States v. $1,830,708.57 in US Currency, indicate that the United States has frozen, as allegedly illegal narcotics proceeds, approximately $1.8 million located in two Citibank correspondent bank accounts belonging to your clients, M.A. Bank, Limited ("M.A. Bank") and M.A. Casa de Cambio, S.A. ("M.A. Casa de Cambio"). It would greatly assist the Subcommittee's understanding of this matter if the minority staff could interview representatives of M.A. Bank and M.A. Casa de Cambio and obtain some documents and information related to the operation of their organizations and the alleged money laundering that occurred through their Citibank accounts. This would also enable M.A. Bank and M.A. Casa de Cambio to present their perspectives on these matters. However, I recognize that such an interview would necessitate travel and other arrangements that could be burdensome to all parties. Therefore, as an alternative that will ensure the Subcommittee receives the information that it needs and that M.A. Bank and M.A. Casa de Cambio can present their perspectives on these matters in a convenient manner, I am submitting a list of written questions and requests for information. I request that your clients provide all of the materials and information that are responsive to the following inquiries no later than April 26, 2000.

(1) Please provide any brochures, annual reports, or similar material providing general descriptive information about M.A. Bank and M.A. Casa de Cambio.

(2) Please provide as of 12/31/99, using approximate numbers, the total assets, total number of employees, total number of clients, and total number of accounts at M.A. Bank and M.A. Casa de Cambio.

(3) Please provide a detailed description of the ownership history of M.A. Bank and M.A. Casa de Cambio, including copies of the articles of incorporation, the identification of the original and subsequent nominal and beneficial owners of M.A. Bank and M.A. Casa de Cambio from their date of inception to the present, and the total number of shares held by each owner over time. If any of the owners or directors of M.A. Bank or M.A. Casa de Cambio are companies or some other entity other than a single individual, for each such entity please provide copies of its articles of incorporation and identify the owners, directors and beneficial owners.

> (a) Was the institution that is now M.A. Bank formed and licensed under another name before it was renamed M.A. Bank? If so, please provide the name under which it was originally created and operated; the name and address of the entity from which M.A. purchased the bank; the names and addresses of the of the owners of the bank; the name of the entities/individuals who formed the bank; and the name and address of the agent/administrator of the bank (if one existed).

(4) Please provide the most recent audited financial statements for M.A. Bank and M.A. Casa de Cambio.

(5) Please describe M.A. Bank's and M.A. Casa de Cambio's anti-money laundering policies and programs, including how they screen new clients and monitor client transactions.

(6) Please identify each country which has issued a license to M.A. Bank and M.A. Casa de Cambio and for each license describe any restriction placed on activities or deposits within the licensing jurisdiction, such as a requirement to operate offshore.

> (a) If M.A. Bank is not licensed to do business in Argentina, please explain why, and identify what activities it is permitted to perform in Argentina.
>
> (b) Is M.A. Bank required to keep records of withdrawals that exceed $10,000 that are made from the bank in Argentina ?
>
> > (i) If not, why not?

(7) In each country in which M.A. Bank and M.A. Casa de Cambio have an office, please provide the street address and telephone number for the offices and the number of M.A. Bank employees that work at each office.

(8) What is the primary purpose of M.A. Bank?

(9) Please describe M.A. Bank's operation in the Cayman Islands.

(a) Does M.A. Bank have a physical presence in the Cayman Islands, with offices and M.A. Bank employees?

(b) If not, who administers or serves as the agent for M.A. Bank's business in the Cayman Islands?

(i) Are all of the records of M.A. Bank's client accounts and transactions maintained in the Cayman Islands?

(ii) If not, where are they kept and why are they not kept in the Cayman Islands, since M.A. Bank is a Cayman Islands bank?

(iii) If so, please provide the name and address of the entity that maintains those records.

(iv) Do the Cayman Islands authorities have the legal authority to gain access to the records?

(v) If not, why not?

(vi) Taking into consideration the jurisdictions in which M.A. Bank is licensed and operates, and where its records are stored, what jurisdictions have the legal authority to gain access to M.A. Bank's records?

(c) Please provide a copy of the most recent financial audit/annual report that was supplied to the Cayman Islands regulatory authorities by M.A. Bank in order to comply with Cayman Island banking requirements.

(10) Please indicate the dates on which M.A. Bank and M.A. Casa de Cambio opened correspondent accounts with Citibank, the location of those accounts, the primary purposes of those accounts, and the key Citibank employees with whom M.A. Bank and M.A. Casa de Cambio dealt.

(11) Please indicate the dates on which M.A. Bank and M.A. Casa de Cambio opened correspondent accounts with UBS, the location of those accounts, the primary purposes of those accounts, and the key UBS employees with whom M.A. Bank and M.A. Casa de Cambio dealt.

(12) Please identify the names and locations of all other banks where M.A. Bank and M.A. Casa de Cambio have or had US dollar correspondent accounts; the dates when those accounts were opened and the current status of those accounts.

(13) Did any correspondent bank ever ask M.A. Bank about activity in a M.A. Bank account?

(a) If so, what banks made inquiries?

(b) What questions were asked and what information did M.A. Bank provide?

(14) Did any bank auditor or regulator in the Caymans, the U.S., or elsewhere ever conduct a review of an M.A. Bank correspondent account or the correspondent account activity?

(a) If so, please provide a description of the review and the findings, and provide a copy of the review if it is available.

(15) Please describe M.A. Bank's and M.A. Casa de Cambio's understanding of how their accounts at Citibank in New York received a total of $ 7.768 million and $ 3.983 million, respectively, in drug proceeds; whether personnel of M.A. Bank or M.A. Casa de Cambio were aware of any suspicious activity involving these funds; and why M.A. Bank and M.A. Casa de Cambio are contesting the forfeiture action.

(16) According to court filings, only $1.56 million of the $7.768 million in drug proceeds transferred into M.A. Bank's Citibank account remain in the account, and only $.234 million of the $3.983 million in drug proceeds transferred into M.A. Casa de Cambio's Citibank account remain in the account. Please explain what happened to the rest of the drug proceeds that were transferred into those accounts.

(17) Records indicate that some of the wire transfers that deposited drug proceeds into M.A. Bank's Citibank account (36111386) listed the account holder as being an entity other than M.A. Bank. The entities identified as the holders of account number 36111386 included:

Junquera, S.A.
Del City Bank
Coper Finance, Ltd.
Financiera Estarey, S.A.
Financiera Piamontes, S.A.
Galamat, S.A.

(a) For all of the above-named entities that are not clients of M.A. Bank and are not account holders of account 36111386, did M.A. Bank attempt to return the funds that were sent to account number 36111386 for those entities?

(i) If so, please describe those efforts and the results.

(ii) If not, what is M.A. Bank's justification for accepting the funds?

(iii) To what account or accounts at M.A. Bank were the funds credited, and why were the funds credited to those accounts?

(18) In addition, some of the wire transfers forwarding drug proceeds into M.A. Bank's Citibank account listed the ultimate beneficiary as an individual other than Mr. Nicholas DiTullio. The ultimate beneficiaries named in the wire transfers included:

Alfredo Rodriguez
Roberto Trolfo
Miguel Lorente
Maria Alonso

(a) For all of the above-named individuals that are not clients of M.A. Bank, did M.A. Bank make an attempt to return the funds that were sent to account number 36111386 through wire transfers that listed them as the ultimate beneficiaries?

(i) If so, please describe those efforts and the results.

(ii) If not, on what basis did M.A. Bank accept the funds?

(iii) To what account or accounts at M.A. Bank were the funds credited, and why were the funds credited to those accounts?

(19) Other than the wire transfers addressed in Questions 20-21 above, are there any other instances in which M.A. Bank accepted and processed a wire transfer that directed funds to the name of an entity or individual that was not listed as an account holder or the beneficial owner of an account at M.A. Bank?

(a) If so, how often do such transfers occur?

(b) In such instances, how does M.A. Bank know which of its accounts should be credited with the funds?

(c) Why do clients use such processes for transfers of funds into their accounts?

(d) Why does M.A. Bank accept such transfers? Why doesn't M.A. Bank require that all transfers into its correspondent accounts accurately identify the holder of the correspondent account and the ultimate beneficiary of the transfer?

(20) Have there ever been instances where funds are deposited into M.A. Bank correspondent accounts through wire transfers that provide no information regarding which M.A. Bank client is to be credited with the funds?

(a) If so, how often do such transfers occur?

(b) In such instances, how does M.A. Bank know which of its accounts should be credited with the funds?

(c) Why do clients use such processes for transfers of funds into their accounts?

(d) Why does M.A. Bank accept such transfers? Why doesn't M.A. Bank require that all transfers into its correspondent accounts accurately identify the holder of the correspondent account and the ultimate beneficiary of the transfer?

(21) When did Mr. Nicholas DiTullio open his account at M.A. Bank?

(a) What due diligence was performed with respect to Mr. DiTullio and what was the basis for accepting him as a client of M.A. Bank?

(b) What is the current status of his account?

(22) How were the drug proceeds that were transferred to Mr. DiTullio's accounts withdrawn in Argentina?

(a) Were the funds withdrawn from M.A. Bank?

(i) If not, how were they withdrawn?

(ii) If the funds were withdrawn from M.A. Bank, how was M.A. Bank authorized to disburse the funds, since it is not licensed to do business in Argentina?

(b) Were the funds withdrawn in cash, checks, or transferred to other accounts?

(i) Please describe what type of withdrawals were employed and the aggregate amount of funds withdrawn via each type of withdrawal.

(c) If Mr. DiTullio made cash withdrawals, did all of the withdrawal receipts identify Mr. DiTullio as the entity making the withdrawal and identify Mr. DiTullio's account as the source of the funds?

(i) If not, please identify the entities listed as making the withdrawal on the withdrawal receipt and identify which account was identified as the account from which the funds were withdrawn.

(d) Did Mr. DiTullio ever authorize third party withdrawals from his account of any the drug proceeds that were wired into his account through M.A. Bank and M.A. Casa de Cambio?

(i) If so, how many third party withdrawals were made from Mr. DiTullio's account?

(ii) How many of the third party withdrawals were in cash?

(iii) Please describe how Mr. DiTullio notified the bank that a third party would make the withdrawal.

(23) What are the policies of M.A. Bank and M.A. Casa de Cambio regarding third party withdrawals from a client's account?

(a) May a client authorize third party withdrawals on a case by case basis?

(b) Must client authorization for third party withdrawals be made in writing or may such authorizations be given over the phone?

(c) May third parties make cash withdrawals from a client's account?

(d) Approximately how many account holders have ever authorized third party withdrawals from their accounts?

(24) Will M.A. Bank allow a client to designate whom should be listed on the withdrawal receipt as the recipient of a cash withdrawal, even if the designated individual or entity was not the one who withdrew the funds?

(25) Have M.A. Bank or M.A. Casa de Cambio discovered or been advised of any other efforts to use their correspondent accounts to launder funds?

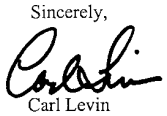
(a) If so, please describe the incidents.

(26) Do any of the M.A. Bank officers believe or know that any M.A. Bank customers are using M.A. Bank's offshore accounts in order to avoid reporting income?

(a) If so, how prevalent do they believe this practice to be?

Please send your client's response to the Subcommittee at 193 Russell Senate Office Building, Washington, D.C. 20510, and direct any questions to Robert L. Roach of my staff at (202) 224-9505. Please provide the Subcommittee with the material/information requested in this letter as it becomes available, rather than waiting to provide it all on the April 26 deadline. Thank you for your assistance in this matter.

Sincerely,



Carl Levin
Ranking Minority Member
Permanent Subcommittee on Investigations

CL/ejb
cc: The Honorable Susan M. Collins, Subcommittee Chairman

Law Offices of
MARIELA CARAVETTA
6320 Van Nuys Blvd. Suite 205 · Van Nuys, CA 91401
Tel: (818) 902-2111 - Fax: (818) 902-9978 - E-mail: lawofmc@gte.net

April 7, 2000

By U.S. Mail and Fax

United States Senate
Committee on Governmental Affairs
Permanent Subcommittee on Investigations
Attn.: Senator Carl Levin
193 Russell Senate Office Building
Washington, DC 20510

RE: Inquiries to M. A. Bank and M. A. Casa de Cambio S.A.

Dear Senator Carl Levin:

I am in receipt of your letter dated March 31, 2000 containing written inquiries to my clients. I have forwarded the questionnaire to their offices in order to obtain the materials and information requested.

I anticipate that the April 26-due date may result to brief to prepare the required answers and documents. In any case, by that date I will communicate with your office to let you know if we have all the information or when we will be able to complete it.

Should you have any questions, do not hesitate to contact me.

Yours,

Mariela Caravetta
Attorney At Law

ROGER J. ROSEN
ATTORNEY AT LAW
10000 SANTA MONICA BOULEVARD
SUITE 320
LOS ANGELES, CALIFORNIA 90067
(310) 557-1242 · 557-1243
FAX (310) 203-2150

April 20, 2000

The Honorable Susan M. Collins
Subcommittee Chairman
U.S. Senate
Committee on Government Affairs
Washington D.C. 20510-6250

RE: U.S. vs. $1,830,708.57 in U.S. Currency

Dear Honorable Susan Collins:

Please be advised that this office now represents M.A. Bank, Limited ("M.A. Bank") and M.A. Casa de Cambio, S.A. ("M.A. Casa de Cambio"). I am in receipt of your letter of March 31, 2000.

I am not in a position to address your inquiries at this time. I have just been retained on this case, which has been on going for several years. Obviously, I am just now learning about the facts, and as I am sure you are aware this is a complex case which cannot be mastered in a moment's time.

I will be meeting with my clients face to face in the very near future and I will continue in my efforts to review the extensive materials. I will write you again when I learned the facts of this case. Obviously I cannot comply with your April 26, 2000 deadline.

Very truly yours,

Roger J. Rosen

RJR/sp

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____62c_____

Exhibit 62c.

Permanent Subcommittee on Investigations correspondence with M.A. Bank agents in Uruguay

FRED THOMPSON, TENNESSEE, CHAIRMAN

WILLIAM V. ROTH, JR., DELAWARE
TED STEVENS, ALASKA
SUSAN M. COLLINS, MAINE
GEORGE V. VOINOVICH, OHIO
PETE V. DOMENICI, NEW MEXICO
THAD COCHRAN, MISSISSIPPI
ARLEN SPECTER, PENNSYLVANIA
JUDD GREGG, NEW HAMPSHIRE

JOSEPH I. LIEBERMAN, CONNECTICUT
CARL LEVIN, MICHIGAN
DANIEL K. AKAKA, HAWAII
RICHARD J. DURBIN, ILLINOIS
ROBERT G. TORRICELLI, NEW JERSEY
MAX CLELAND, GEORGIA
JOHN EDWARDS, NORTH CAROLINA

HANNAH S. SISTARE, STAFF DIRECTOR AND COUNSEL
JOYCE A. RECHTSCHAFFEN, MINORITY STAFF DIRECTOR AND COUNSEL

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

September 15, 2000

Sr. Jorge Gutfraind
Estudio Elenberg y Asociados **via mail and facsimile: 011-5982-916-3034**
Juncal 1327 Piso 12 Esc. 1204
Montevideo
Republica Oriental del Uruguay

Dear Sr. Gutfraind:

The U.S. Senate Governmental Affairs Permanent Subcommittee on Investigations is conducting an investigation at my request into correspondent banking by financial institutions operating in the United States. In the course of this investigation we have been reviewing a number of correspondent relationships Citibank has had with foreign and offshore banks. M. A. Bank has come to our attention as one such bank, and we have a few questions we hope you will be able to answer for us.

We understand from the work we have done thus far that M.A. Bank is licensed in the Cayman Islands but does not have a physical presence there. We have also been told that although M.A. Bank services Argentine clients, it does not have a license or physical presence in Argentina, either. Reference has been made to an administrative office of M.A. Bank in care of your office in Montevideo, and that is why we are writing to you at this address. To increase the Subcommittee's understanding of Elenberg y Asociados' relationship with M.A. Bank and M.A. Bank's correspondent relationship with Citibank, I would appreciate your providing the following information by October 6, 2000.

1. Please tell us what relationship M.A. Bank has with Elenberg y Asociados, including a description of the services Elenberg y Asociados performs or has performed and the time period of any such relationship.

2. Please list each location M.A. Bank or any of its legal representatives or subsidiaries has in Uruguay. For each location, please describe the activities that are conducted at such location and tell us whether the location is in an office or a house or apartment, whether customers can and do physically present themselves at the location and conduct their banking business there in person, how many employees work at the location, and whether M.A. Bank is licensed to do business in Uruguay.

3. If not addressed in response to questions 1 or 2 above, please identify any entity in Uruguay that performs "back office" functions such as managing, monitoring, or preparing reports or statements on client accounts for M.A. Bank. For any such entity, please provide its address, telephone number and number of employees.

This letter is intended to provide Elenberg y Asociados with the opportunity to present to the Subcommittee this and any other information that it believes would lead to a more accurate understanding of Elenberg y Asociados' relationship with M.A. Bank and M.A. Bank's correspondent relationship with Citibank. Please send your written response to Robert Roach, Counsel the Minority, Permanent Subcommittee on Investigations, 193 Russell Senate Office Building, Washington, D.C. 20510, or fax the response to the attention of Mr. Roach at (202) 224-1972. If you have any questions or would like to discuss this request by phone, Mr. Roach can be reached in Washington at (202) 224-9505.

Thank you for your assistance.

Sincerely,

Carl Levin
Ranking Minority Member
Permanent Subcommittee on Investigations

CL/ljg
cc: The Honorable Susan M. Collins, Subcommittee Chairman

FAX COVER SHEET

TO : Mr. Robert Roach
Permanent Subcommittee On Investigations
Counsel The Minority
193 Russell Senate Office Building – Washington D.C. 20510
Fax: (1 202) 224 1972

FROM : Elenberg – Gutfraind & Asoc.
Cr. Jorge Gutfraind
Fax: (598 2) 903 03 73

DATE : 02.10.2000

PAGES : 05 (including this)

REF. : YOUR FAX DATED 09/15/2000

COMMENTS:

We are sending the response in english and spanish.

We are also sending the originals by courier (FedEx No. 8204 3491 3865) tomorrow.

1/4

Elenberg - Gutfraind & Asoc.
Contadores Públicos – Auditores – Consultores

Plaza Cagancha 1145, 4° Piso
(11.100) Montevideo – Uruguay
Fax (598-2) 903 03 73

Montevideo, october 2nd. , 2000.

Mr. Robert Roach.
Counsel the Minority, Permanent Subcommittee on Investigations.
193 Russell Senate Office Building
Washington, D.C. 20510.

Dear Mr. Roach:

Complying with the requirements related to your fax of September 15, 2000 we say:

1. M.A. Bank Ltd. is a part of MERCADO ABIERTO GROUP which also includes Mercado Abierto S.A., M.A. Valores S.A. and M.A. Casa De Cambio S.A. ***All the mentioned firms are subject to compulsory permanent inspection, registration and supervision by the CENTRAL BANK of REPUBLIC of ARGENTINA, the NATIONAL SECURITIES COMMITTEE of REPUBLIC of ARGENTINA, and the MERCADO de VALORES de BUENOS AIRES (all of them Governmental Offices)*****

2. M.A. Bank (a subsidiary of Mercado Abierto S.A.) is an financial institution authorized licensed and granted to act by the monetary authority of CAYMAN ISLAND , with physical and legal presence and address in GEORGE TOWN , GRAND CAYMAN (Coutts & Co. Cayman Ltd.) whose economical results are automatically consolidated by the auditors in the general balance sheet of Mercado Abierto S.A.**

3. Mercado Abierto Group since the year 1983 (including M.A. Bank Ltd. since its inception) makes up a financial and economical joint with substantially strong presence in the region with their main office registered being located in Avenida Corrientes 415, floor 6th in the city of Buenos Aires, Republica Argentina, information arised from the properly consolidated financial information of the group.
(For additional information please see www.masa.com.ar)**

4. Our professional relationship with Mercado Abierto Group starts in the year 1985 with consulting advise and technical assistance to audit requirements performed by the international external auditors (at a leading world professional level) to accomplish the governmental authorities requirements.**

5. In the performance of those purposes we received and send documents and correspondence wich are essential for the fulfillment of the audit to be carried out.**

Elenberg - Gutfraind & Asoc.
Contadores Públicos – Auditores – Consultores

Plaza Cagancha 1145, 4° Piso
(11.100) Montevideo – Uruguay
Fax (598-2) 903 03 73

6. We have advised and conducted the incorporation of M.A. Investment (Uruguay) registration (already approved) before the Central Bank of Uruguay as a representative of M.A. Bank Ltd. in the Republic of Uruguay.**

Hoping to have satisfied your inquiries ,we remain very truly yours and inform you that :

OUR ADDRESS IS AS FOLLOW :

PLAZA CAGANCHA 1145 - Floor 4°.
FAX: (598-2) 903 03 73.
(11.100) - MONTEVIDEO
URUGUAY.

Jorge Elenberg

Jorge Gutfraind

For a better cooperation with that subcommittee we attach an English translation ,we wish to clarify that since English is not our native language, in the event of any difference in the interpretation of the terms of this reply the Spanish version shall prevail.

3/4.

Elenberg - Gutfraind & Asoc.
Contadores Públicos – Auditores – Consultores

Plaza Cagancha 1145, 4° Piso
(11.100) Montevideo – Uruguay
Fax (598-2) 903 03 73

Montevideo, 02 de octubre de 2000.

Sr.Robert Roach.
Senado de los Estados Unidos.
Sub-Comité Permanente de Investigaciones – Oficina de la Minoría.
Comité de Asuntos Gubernamentales.
193 Russel Senate Office Building, Washington, D.C. 20510

Estimado Señor.

Por la presente respondemos el requerimiento formulado por ese Sub-Comité mediante fax de fecha 15 de septiembre del corriente año.

A tales efectos manifestamos:

1. MA Bank Ltd. es parte del Grupo Mercado Abierto, integrado además por Mercado Abierto S.A., M.A. Valores S.A. y M.A. Casa de Cambio S.A. ***Firmas autorizadas, registradas y supervisadas por el BANCO CENTRAL de la REPÚBLICA ARGENTINA, COMISIÓN NACIONAL de VALORES de la REPÚBLICA ARGENTINA y MERCADO de VALORES de BUENOS AIRES S.A. (todas ellas oficinas gubernamentales) **.***

2. MA Bank Ltd. (subsidiaria de Mercado Abierto S.A.) es una institución financiera autorizada y con licencia para actuar otorgada por la autoridad monetaria de ISLAS CAYMAN, con domicilio físico y legal en GEORGE TOWN, GRAND CAYMAN (Coutts & Co. Cayman Limited), cuyos resultados económicos son consolidados por la auditoria en el balance general de Mercado Abierto S.A. **

3. El Grupo Mercado Abierto conforma desde 1983 (incluyendo M.A. Bank desde sus inicios) un conjunto económico-financiero con fuerte presencia en esta región físicamente asentadas sus oficinas principales en la Av. Corrientes 415 Piso 6° de la Ciudad de Buenos Aires, República Argentina, según se desprende de la información financiera de dicho grupo adecuadamente consolidada.
(Información adicional en: www.masa.com.ar)**

4. La relación profesional de nuestro estudio con el "Grupo Mercado Abierto" comienza en el año 1985, y comprende el asesoramiento en la asistencia técnica a los requerimientos de auditoria que realizan los auditores externos internacionales (de primer nivel profesional) de dicho Grupo, según requerimiento de las autoridades gubernamentales.**

5. Para la realización de dichas tareas recibimos y remitimos documentación y correspondencia imprescindible para el cumplimiento de la auditoria a realizarse.**

Elenberg - Gutfraind & Asoc.
Contadores Públicos – Auditores – Consultores

Plaza Cagancha 1145, 4° Piso
(11.100) Montevideo – Uruguay
Fax: (598-2) 903 03 73

6. Hemos asesorado y gestionado la constitución de M.A. Investment S.A. (Uruguay), y su registro (ya aprobado) ante el Banco Central del Uruguay, como representante de MA Bank Ltd. en la República O. del Uruguay.**

Esperando haber satisfecho vuestras inquietudes, nos reiteramos a vuestras gratas ordenes, no sin antes dejar constancia de que:

NUESTRO DOMICILIO SE AJUSTA AL SIGUIENTE DETALLE :

PLAZA CAGANCHA 1145 - Piso 4°
Fax (598 2) 903 03 73
(11.100) MONTEVIDEO
URUGUAY.

Jorge Elenberg

Jorge Gutfraind

Para la mejor colaboración con ese Sub-Comité, adjuntamos a Ud(s). la traducción al Inglés; pero deseamos aclarar que por no tratarse dicho idioma de nuestra lengua materna, cualquier diferencia en la interpretación de los términos de esta respuesta, deberá darse prevalencia al texto en Idioma Español.

FRED THOMPSON, TENNESSEE, CHAIRMAN

WILLIAM V. ROTH, Jr., DELAWARE
TED STEVENS, ALASKA
SUSAN M. COLLINS, MAINE
GEORGE V. VOINOVICH, OHIO
PETE V. DOMENICI, NEW MEXICO
THAD COCHRAN, MISSISSIPPI
ARLEN SPECTER, PENNSYLVANIA
JUDD GREGG, NEW HAMPSHIRE

JOSEPH I. LIEBERMAN, CONNECTICUT
CARL LEVIN, MICHIGAN
DANIEL K. AKAKA, HAWAII
RICHARD J. DURBIN, ILLINOIS
ROBERT G. TORRICELLI, NEW JERSEY
MAX CLELAND, GEORGIA
JOHN EDWARDS, NORTH CAROLINA

HANNAH S. SISTARE, STAFF DIRECTOR AND COUNSEL
JOYCE A. RECHTSCHAFFEN, MINORITY STAFF DIRECTOR AND COUNSEL

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510–6250

October 3, 2000

Cr. Jorge Gutfraind
Elenberg - Gutfraind & Asoc.
Plaza Cagancha 1145 - Floor 4
(11.00) Montevideo
Republica Oriental del Uruguay

via mail and facsimile: (011 598 2) 903 03 73

Dear Cr. Gutfraind:

Thank you for your response to the inquiries made to you by Senator Levin on September 15, 2000. The information contained in your letter is helpful to the Subcommittee's investigation. However, there are a few questions that have arisen as a result of your responses and I ask that you clarify the following points to make sure that the staff correctly understands your answers to the questions submitted by Senator Levin:

1. With respect to your answer #1, is it your understanding that M.A. Bank itself is subject to inspection, registration and supervision by the Central Bank of Argentina? It is the understanding of the Subcommittee staff that since M.A. Bank is not licensed in Argentina, it is not permitted to operate in Argentina and is not subject to inspection, registration or supervision by the Central Bank of Argentina.

2. Your answers to questions 4, 5 and 6 detail your firm's complete relationship with M.A. Bank and list all of the services that the firm performs for, and on behalf of, M.A. Bank. Is that correct?

3. Based on your answers, you are not aware of any location that M.A. Bank or any of its legal representatives or subsidiaries has in Uruguay, other than the office of Elenberg - Gutfraind & Asoc. Is that correct?

4. Based on your answers, you are not aware of any entity in Uruguay that performs "back office" functions such as managing, monitoring, or preparing reports or statements on client accounts for M.A. Bank. Is that correct?

Your response to these follow up questions will ensure that we correctly interpret the information you have submitted to us. It would be most helpful if you could provide responses to these questions by October 24, 2000. As with your previous communication, please send your

written response to me at the Permanent Subcommittee on Investigations, 193 Russell Senate Office Building, Washington, D.C. 20510, or fax the response to me at (202) 224-1972. If you have any questions or would like to discuss this request by phone, I can reached in Washington at (202) 224-9505.

Thank you, for your assistance on this matter.

Sincerely,

Robert L. Roach
Counsel to the Minority
Permanent Subcommittee on Investigations

CL/ljg
cc: The Honorable Susan M. Collins, Subcommittee Chairman

Elenberg - Gutfraind & Asoc.
Contadores Públicos – Auditores – Consultores

Plaza Cagancha 1145, 4° Piso
(11.100) Montevideo – Uruguay
Fax: (598-2) 903 03 73

Montevideo, 18 de octubre de 2000.

Sr. Robert Roach.
Senado de los Estados Unidos.
Sub-Comité Permanente de Investigaciones – Oficina de la Minoría.
Comité de Asuntos Gubernamentales.
193 Russel Senate Office Building
Washington, D.C. 20510

Estimado Mr. Roach.

Con referencia a su nota de fecha 3 de Octubre de 2000, cumplimos en ratificar nuestra respuesta del día 2 de Octubre de 2000 en la que contestamos con amplitud y buena fé a vuestro requerimiento.

Al mismo tiempo solicitamos que toda información adicional le sea requerida directamente a Mercado Abierto S.A.

Gracias por su atención.

Sinceramente.

Jorge Elenberg

Jorge Gutfraind

Translation – Spanish

Elenberg - Gutfraind & Assoc.
Public Accountants – Auditors – Consultants

Plaza Cagancha 1145, 4° Planta
(11.100) Montevideo – Uruguay
Fax: (598-2) 903 03 73

Montevideo, October 18, 2000

Mr. Robert Roach
United States Senate
Permanent Subcommittee on Investigations – Office of the Minority
Governmental Affairs Committee
193 Russell Senate Office Building
Washington, D.C. 20510

Dear Mr. Roach:

With reference to your note of October 3, 2000, we confirm our reply of October 2, 2000, in which we answered your request at length and in good faith.

At the same time, we request that any additional information you may require be directed to Mercado Abierto S.A.

Thank you for your attention.

Sincerely yours,

Jorge Elenberg	Jorge Gutfraind
[signature]	[signature]

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____62d_____

Exhibit 62d.

Court filings and U.S. Department of Justice correspondence

AFFIDAVIT OF STEPHEN M. PERINO

I, Stephen M. Perino, having been duly sworn, depose and say:

1. I am a Special Agent ("SA") with the United States Customs Service ("USCS"), Department of the Treasury, attached to the Special Agent in Charge Office, Los Angeles, California ("SAC Los Angeles"). I have been a Special Agent with the USCS since April 1989, and have received formal training in narcotics investigation and interdiction at the Federal Law Enforcement Training Center, Glynn County, Georgia. I have been granted authority ("cross-designation") by the Drug Enforcement Administration ("DEA") to conduct narcotics investigations relating to USCS seizures of controlled substances and have been engaged in narcotics investigations. In addition, I have conducted and participated in numerous investigations of individuals who have violated federal laws, particularly those laws found in United States Code Titles 18, 21 and 31, relating to smuggling, Customs fraud, and narcotics violations and the laundering of proceeds from these violations.

PURPOSE OF THIS AFFIDAVIT

2. This affidavit is made in support of a seizure warrant to seize the following monies from the following accounts (referred to collectively as the "Target Accounts"):

a. $125,922 from Bancomer account number 8000-408543-687 in the name of Porfirio Martinez ALCANTARA located at 444 South Flower, Plaza Level, Los Angeles, California.

b. $502,255 from Bancomer account number 8000-528377-687 in the name of Alonso Rincon ARANGO located at 444 South Flower, Plaza Level, Los Angeles, California.

c. $3,983,650 from Citibank New York account number 36137631, located at 1 Court Square, 43rd Floor, Long Island City, New York.

d. $7,768,649 from Citibank New York account number 36111386, located at 1 Court Square, 43rd Floor, Long Island City, New York.

e. $500,003 from Texas State Bank account number 94633 in the name of Casa De Cambio Tamibe, located at 3900 North 10th Street, McAllen, Texas.

f. $80,000 from Smith Barney (Miami) account number 395-19550-16-165 in the name of Newton Intertrade, located at 701 Brickell Avenue, Suite 1500, Miami, Florida.

g. $1,000,003 from Citibank of New York account number 7563 3013 in the name of Tamibe Exchange Office, located at 1 Court Square, 43rd Floor, Long Island City, New York.

h. $1,524,297 from Swiss Bank Corporation (Miami) account number 232548UW in the name of Exturisnal S.A., located at 701 Brickell Avenue, Suite 3250, Miami, Florida.

i. $200,000 from Bank United account number 0300059900326 in the name of Invertitulos, located

(5) $400,000
Bank : Citibank NY
Beneficiary : M.A. Casa de Cambio S.A.
Account : 36137631
For Benefit of : Nicolas Di Tullio
Date sent : 8/20/97

(6) $242,022
Bank : Citibank NY
Beneficiary : M.A. Casa de Cambio S.A.
Account : 36137631
For Benefit of : Nicolas Di Tullio
Date sent : 8/22/97

(7) $591,628
Bank : Citibank NY
Beneficiary : Cambio Garcia Navarro Ramaglio
Account : 36137631(same number as above)
For Benefit of : Nicolas Di Tullio
Date sent : 10/24/97

(8) $2,000,000
Bank : Citibank NY
Beneficiary : Cambio Garcia Navarro Ramaglio
Account : 36137631
For Benefit of : Nicolas Di Tullio
Date sent : 1/7/98

b. Citibank New York account number 36111386 (see paragraph 2(d)of this affidavit) received a total of $7,768,649 since August 1997. The following is a chronological listing of wire transfers of laundered funds sent to this account from the UC Operation[12]:

/ / /

[12] While the number of this account remained the same throughout the investigation, the name on the account did not. Originally "M.A. Bank LTD.," the name was changed to "Junquera S.A." sometime between August 22, 1997, and October 24, 1997. On February 20, 1998, CRI1 gave me a copy of a facsimile transmission that he had received from ALVAREZ-TOSTADO containing a listing of account holder names to use with this account number. After a money pick up, either ALCALA-NAVARRO or ALVAREZ-TOSTADO contacts CRI1 with instructions as to what name to use when sending the laundered funds. The UC Operation sent laundered funds to this account number on the listed dates and under the listed names.

(1) $150,000
Bank : Citibank NY
Beneficiary : M.A. Bank LTD.
Account : 36111386
For Benefit of : Nicolas Di Tullio
Date sent : 8/12/97

(2) $200,000
Bank : Citibank NY
Beneficiary : M.A. Bank LTD.
Account : 36111386
For Benefit of : Nicolas Di Tullio
Date sent : 8/14/97

(3) $200,000
Bank : Citibank NY
Beneficiary : M.A. Bank LTD.
Account : 36111386
For Benefit of : Nicolas Di Tullio
Date sent : 8/15/97

(4) $200,000
Bank : Citibank NY
Beneficiary : M.A. Bank LTD.
Account : 36111386
For Benefit of : Nicolas Di Tullio
Date sent : 8/18/97

(5) $400,000
Bank : Citibank NY
Beneficiary : M.A. Bank LTD.
Account : 36111386
For Benefit of : Nicolas Di Tullio
Date sent : 8/20/97

(6) $242,022
Bank : Citibank NY
Beneficiary : M.A. Bank LTD.
Account : 36111386
For Benefit of : Nicolas Di Tullio
Date sent : 8/22/97

(7) $591,628
Bank : Citibank NY
Beneficiary : Junquera S.A.
Account : 36111386
For Benefit of : Nicolas Di Tullio
Date sent : 10/24/97

/ / /

/ / /

(8) $1,000,000
Bank : Citibank NY
Beneficiary : Junquera S.A.
Account : **36111386**
For benefit of : Nicolas Di Tullio
Date sent : 12/30/97

(9) $500,000
Bank : Citibank NY
Beneficiary : Junquera S.A.
Account : **36111386**
For benefit of : Nicolas Di Tullio
Date sent : 1/7/98

(10) $500,000
Bank : Citibank NY
Beneficiary : Del City Bank
Account : **36111386**
Further Credit : Galamat S.A.
Attn : Alfredo Rodriguez
Date sent : 3/13/98

(11) $500,000
Bank : Citibank NY
Beneficiary : Coper Finance LTD.
Account : **36111386**
Attn : Roberto Trolfo
Date sent : 3/17/98

(12) $500,000
Bank : Citibank NY
Beneficiary : Financiera Estarey S.A.
Account : **36111386**
Attn : Miguel Lorente
Date sent : 3/20/98

(13) $500,000
Bank : Citibank NY
Beneficiary : Financiera Piamontese S.A.
Account : **36111386**
Attn : Maria Alonso
Date sent : 3/20/98

(14) $500,000
Bank : Citibank NY
Beneficiary : Financiera Piamontese S.A.
Account : **36111386**
Attn : Maria Alonso
Date sent : 3/25/98

/ / /

(15) $511,919
Bank : Citibank NY
Beneficiary : Coper Finance LTD. SA.
Account : **36111386**
Attn : Roberto Trolfo
Date sent : 3/25/98

(16) $500,000
Bank : Citibank NY
Beneficiary : Financiera Estarey S.A.
Account : **36111386**
Attn : Miguel Lorente
Date sent : 3/27/98

(17) $130,428
Bank : Citibank NY
Beneficiary : Financiera Estarey, S.A.
Account : **36111386**
Attn : Miguel Lorente
Date sent : 3/27/98

(18) $642,652
Bank : Citibank NY
Beneficiary : Galamat S.A.
Account : **36111386**
Attn : Alfredo Rodriguez
Date sent : 4/1/98

c. Texas State Bank **account number 94633** (see paragraph 2(e) of this affidavit) in the name of Casa De Cambio Tamibe received one transfer of $500,003 as follows:

$500,003
Bank : Texas Estate Bank, McCalen(sic), Texas
Beneficiary : Casa De Cambio Tamibe
Account : 94633
Attn : Eloisa Ramirez
Date sent : 4/7/98

d. Smith Barney (Miami) **account number 395-19550-16-165** (see paragraph 2(f) of this affidavit) in the name of Newton Intertrade received a transfer of $80,000 as follows:

forfeiture pursuant to 18 U.S.C. § 981 (a)(1)(A) and (b) and 18 U.S.C. §984.

For these reasons, it is requested that seizure warrants issue for each of the above-listed accounts for the amounts identified herein.

Stephen M. Perino
Special Agent U.S. Customs Service

Subscribed to before me this 14th day of May, 1998.

The Honorable James W. McMahon
United States Magistrate Judge

ALEJANDRO N. MAYORKAS
United States Attorney
LEON W. WEIDMAN
Assistant United States Attorney
Chief, Civil Division
JANET C. HUDSON
Assistant United States Attorney
Chief, Asset Forfeiture Section
STEVEN R. WELK
California Bar No. 149883
Assistant United States Attorney
Asset Forfeiture Section
Federal Building, Suite 7516
300 North Los Angeles Street
Los Angeles, California 90012
Telephone: (213) 894-6166

Attorneys for Plaintiff
United States of America

UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

WESTERN DIVISION

UNITED STATES OF AMERICA, Plaintiff, v. $1,830,708.57 IN U.S. CURRENCY, Defendant.	NO. CV **COMPLAINT FOR FORFEITURE** [U.S. Customs Service] [18 U.S.C. Sections 981 (a)(1)(A) and 984]

For its claim against the defendant U.S. currency in the sum of $1,830,708.57 (the "defendant currency"), plaintiff United States of America alleges as follows:

JURISDICTION AND VENUE

1. This is a civil forfeiture action brought pursuant to 18 U.S.C. §§ 981 (a)(1)(A) and 984.

2. This court has jurisdiction under 28 U.S.C. §§ 1345 and 1355.

3. Venue lies in this district pursuant to 28 U.S.C. § 1395.

PERSONS AND ENTITIES

4. The defendant consists of:

a. $1,596,110.34 seized on May 18, 1998 from Citibank account number 36111386 in the name of M.A. Bank Limited ("M.A. Bank"), a bank licensed in the Cayman Islands; and

b. $234,598.23 seized on May 18, 1998 from Citibank account number 36137631 in the name of M.A. Casa de Cambio, S.A. ("M.A. Casa de Cambio"), an Argentine entity.

5. The interests of M.A. Bank and M.A. Casa de Cambio may be adversely affected by these proceedings. According to representatives of these entities, M.A. Bank and M.A. Casa de Cambio are owned by an Argentine holding company known as "Mercado Abierto." The sole shareholders of Mercado Abierto are:

a. Aldo Luis Ducler ("Ducler"), who is also a Director and shareholder of M.A. Bank and M.A. Casa de Cambio;

b. Hector Scasserra ("Scasserra"), Vice President of Mercado Abierto and President of M.A. Casa de Cambio; and

c. Miguel Iribarne ("Iribarne"), President and shareholder of Mercado Abierto and M.A. Bank, and a shareholder in M.A. Casa de Cambio.

/ / /

6. The defendant currency was seized on the above-listed dates by federal law enforcement officers in connection with an ongoing money laundering investigation.

7. The defendant currency is presently in the custody of the United States Customs Service, and will remain subject to the court's jurisdiction during the pendency of this action.

PROBABLE CAUSE FOR FORFEITURE

The Investigation of the Juarez Cartel

8. In 1995, the United States Customs Service ("USCS") commenced an undercover investigation focusing on the large-scale laundering of illicit drug proceeds by, among others, a drug cartel in Mexico now known as the "Juarez Cartel." The Undercover Operation ("UC Operation") was established as a full-service money laundering operation conducted by the Organized Crime Drug Enforcement Task Force ("OCDETF Group"). The UC Operation was to conduct "money pick-ups" and then launder the currency.

9. A "money pick-up" occurs when undercover government agents posing as illicit money brokers agree, for a fee, to receive large amounts of U.S. currency from drug traffickers for the purpose of laundering the funds and returning them to the narcotics trafficker. The operation described herein included investigations into the organizational management of drug trafficking cartels and the corporate facilitators who support their illicit business.

10. A substantial portion of the investigation focused on the narcotics trafficking and money laundering activities of Victor Manuel Alcala-Navarro ("Alcala-Navarro").

11. In November 1995, a confidential reliable informant, "Martinez", acting in an undercover capacity as a money launderer, offered to launder narcotics trafficking proceeds by accepting currency and placing it into the banking system. Martinez was told by a Colombian money broker operating in Cali, Colombia, that Martinez should expect a page from someone in Chicago, Illinois using "code 26" as identification. The broker told Martinez that the person using "code 26" needed someone to launder approximately one million dollars derived from the sale of narcotics. Martinez did receive such a page and set up a meeting with the man using the code. The man was later identified as Alcala-Navarro.

12. OCDETF Task Force Officer Sergeant John Ortega ("Sergeant Ortega") attended a meeting with Martinez and Alcala-Navarro on November 28, 1995 in a hotel room in Aurora, Illinois. During the meeting, Alcala-Navarro gave Sergeant Ortega two suitcases containing approximately $1,100,299.00 in United States Currency. Alcala-Navarro told Sergeant Ortega that he worked with a narcotics smuggler in Ciudad Juarez, Mexico whom he referred to as "Senor Ford," and that he and Senor Ford worked for Amado Carrillo-Fuentes ("Carrillo-Fuentes"). Carrillo-Fuentes was a major narcotics kingpin and one of the most wanted men in the world. Carrillo-Fuentes reportedly died in 1996 during a botched plastic surgery operation. One of his

lieutenants, Jose Alvarez-Tostado, is believed to have taken over the money laundering functions. Alcala-Navarro also said that his organization was expecting a large shipment of cocaine into the Chicago area, and that his group was selling kilograms of cocaine in Chicago for $28,000 per kilogram. According to Alcala-Navarro, there were currently 50 tons of cocaine staged in Ciudad Juarez intended for future distribution in the United States. Alcala-Navarro also said that he was the person who arranged the export of the proceeds of cocaine sales out of the United States and into Mexico for the Juarez Cartel.

13. On July 15, 1996, Martinez met with Alcala-Navarro, who stated that his friends in Guadalajara, Mexico had sent 220 kilograms of cocaine to Chicago the prior week. Alcala-Navarro told Martinez that his organization operated and distributed cocaine in Los Angeles, Chicago, and Houston, Texas. Later on the 15th, Sergeant Ortega, acting in an undercover capacity, met with Alcala-Navarro and Martinez. During this meeting Martinez and Sergeant Ortega offered Alcala-Navarro money laundering and narcotics transportation services. Alcala-Navarro said that several weeks prior to the meeting he had received approximately 2.5 tons of cocaine in Los Angeles and that, after the Juarez Cartel sold the cocaine, he had arranged to launder approximately $24 million in currency in Mexico.

14. In a meeting of July 16, 1996 between Alcala-Navarro, Martinez, and Sergeant Ortega, Alcala-Navarro told Sergeant Ortega that the Juarez Cartel could guarantee narcotics shipments from Cancun, Mexico to the United States border. However, the

guarantee did not apply once the narcotics crossed into the United States.

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Chicago Pick-Ups

15. A substantial part of Alcala-Navarro's work for the Juarez Cartel was the laundering of drug proceeds in Chicago. Toward that end, Alcala-Navarro routinely contacted Martinez and requested that UC operatives pick up large amounts of narcotics proceeds in Chicago for laundering purposes. Alcala-Navarro represented himself to the UC Operation as the person responsible for the export of cash proceeds of the Juarez Cartel's cocaine sales from the United States to Mexico.

16. Alcala-Navarro contacted Martinez on numerous occasions between May 1997 and May 1988 to arrange for the UC Operation to pick up and launder large amounts of U.S. currency earned from the sale of narcotics in Chicago.[1] The following is a listing of the amount of narcotics proceeds picked up by USCS operatives for laundering purposes and the dates of the pick-ups:

1. $ 999,939 (5/6/97)

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[1] As described in the paragraphs above, Alcala-Navarro said that the money picked up by the UC Operation came from the sale of cocaine. On January 5, 1998, as a result of follow up investigations conducted from these pick ups, approximately 374 kilograms of cocaine were seized in a house in Chicago. In a separate incident (also related to follow up investigations conducted subsequent to Chicago pick ups), approximately 94 kilograms of cocaine were discovered in a residence in Berwyn, Illinois, on February 3, 1998.

2.	$2,949,715	(5/21/97)
3.	$1,000,094	(7/3/97)
4.	$ 900,001	(7/21/97)
5.	$4,996,103	(8/6/97)
6.	$3,425,668	(9/21/97)
7.	$2,270,939	(10/23/97)
8.	$1,988,574	(11/6/97)
9.	$ 499,080	(11/6/97)
10.	$ 549,082	(11/12/97)
11.	$ 498,590	(11/20/97)
12.	$2,543,466	(11/24/97)
13.	$ 529,573	(12/4/97)
14.	$ 258,456	(12/5/97)
15.	$ 799,262	(12/16/97)
16.	$1,699,874	(12/22/97)
17.	$ 300,045	(1/13/98)
18.	$1,969,276	(1/15/98)
19.	$3,461,222	(1/22/98)
20.	$ 735,993	(1/28/98)
21.	$1,336,554	(1/29/98)
22.	$1,574,623	(1/30/98)
23.	$ 544,775	(2/6/98)
24.	$3,878,010	(2/24/98)
25.	$2,099,626	(2/24/98)
26.	$ 677,883	(2/26/98)
27.	$ 694,060	(3/25/98)
TOTAL:	**$43,180,483**	

Transfers To The Subject Accounts

17. The following is a list of transactions in which the UC Operation transferred Juarez Cartel funds to the accounts from which the defendant funds were seized. The UC Operation received instructions as to where to send the funds from Martinez, who was given the instructions by either Alcala-Navarro or Alvarez-Tostado. Because these transactions involved known narcotics proceeds and were undertaken for the purpose of concealing or disguising the nature, source, location, ownership and control of said proceeds, the funds involved in those transactions were subject to forfeiture pursuant to 18 U.S.C. § 981(a)(1)(A) and (b). While the funds that were seized (the defendant funds) are not the actual funds initially wired, they are nevertheless subject to forfeiture pursuant to 18 U.S.C. § 984(b)(1)(B) as monies found in the same account as the property involved in the offense that is the basis for the forfeiture.

a. Citibank New York account number 36137631 in the name of M.A. Casa de Cambio S.A. received a total of $3,983,650.00. The following is a chronological listing of wire transfers of drug proceeds sent to this account from the UC Operation[2]:

[2] In the instructions given to the UC Operation concerning this account, the account number remained the same throughout the investigation. However, the instructions eventually changed with respect to the name in which the account was supposedly held (the instructions began referring the account as to "Cambio Garcia Navarro Ramaglio" sometime between August 22, 1997, and October 24, 1997). In fact, the actual account remained in the name of M.A. Casa de Cambio at all times.

(1) $150,000.00
Beneficiary : M.A. Casa De Cambio S.A.
For Benefit of : Nicolas Di Tullio
Date sent : 8/12/97

(2) $200,000.00
Beneficiary : M.A. Casa de Cambio, S.A.
For Benefit of : Nicolas Di Tullio
Date sent : 8/14/97

(3) $200,000.00
Beneficiary : M.A. Casa de Cambio S.A.
For Benefit of : Nicolas Di Tullio
Date sent : 8/15/97

(4) $200,000.00
Beneficiary : M.A. Casa de Cambio S.A.
For Benefit of : Nicolas Di Tullio
Date sent : 8/18/97

(5) $400,000.00
Beneficiary : M.A. Casa de Cambio S.A.
For Benefit of : Nicolas Di Tullio
Date sent : 8/20/97

(6) $242,022.00
Beneficiary : M.A. Casa de Cambio S.A.
For Benefit of : Nicolas Di Tullio
Date sent : 8/22/97

(7) $591,628.00
Beneficiary : Cambio Garcia Navarro Ramaglio
For Benefit of : Nicolas Di Tullio
Date sent : 10/24/97

(8) $2,000,000.00
Beneficiary : Cambio Garcia Navarro Ramaglio
For Benefit of : Nicolas Di Tullio
Date sent : 1/7/98

b. Citibank New York account number 36111386 in the name of M.A. Bank Limited received a total of $7,768,649.00. The following is a chronological

listing of wire transfers of drug proceeds sent to this account from the UC Operation[3]:

(1) $150,000.00
Beneficiary : M.A. Bank LTD.
For Benefit of : Nicolas Di Tullio
Date sent : 8/12/97

(2) $200,000.00
Beneficiary : M.A. Bank LTD.
For Benefit of : Nicolas Di Tullio
Date sent : 8/14/97

(3) $200,000.00
Beneficiary : M.A. Bank LTD.
For Benefit of : Nicolas Di Tullio
Date sent : 8/15/97

(4) $200,000.00
Beneficiary : M.A. Bank LTD.
For Benefit of : Nicolas Di Tullio
Date sent : 8/18/97

(5) $400,000.00
Beneficiary : M.A. Bank LTD.
For Benefit of : Nicolas Di Tullio
Date sent : 8/20/97

(6) $242,022.00
Beneficiary : M.A. Bank LTD.
For Benefit of : Nicolas Di Tullio
Date sent : 8/22/97

(7) $591,628.00
Beneficiary : Junquera S.A.
For Benefit of : Nicolas Di Tullio
Date sent : 10/24/97

(8) $1,000,000.00
Beneficiary : Junquera S.A.
For benefit of : Nicolas Di Tullio
Date sent : 12/30/97

(9) $500,000.00

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[3] As with the account described above, the instructions concerning the account number remained the same throughout the investigation, but several different names were eventually given as the account holder. As with the other account, the account in fact remained in the original name at all times.

Beneficiary : Junquera S.A.
For benefit of : Nicolas Di Tullio
Date sent : 1/7/98

(10) $500,000.00
Beneficiary : Del City Bank
Further Credit : Galamat S.A.
Attn : Alfredo Rodriguez
Date sent : 3/13/98

(11) $500,000.00
Beneficiary : Coper Finance LTD.
Attn : Roberto Trolfo
Date sent : 3/17/98

(12) $500,000.00
Beneficiary : Financiera Estarey S.A.
Attn : Miguel Lorente
Date sent : 3/20/98

(13) $500,000.00
Beneficiary : Financiera Piamontese S.A.
Attn : Maria Alonso
Date sent : 3/20/98

(14) $500,000.00
Beneficiary : Financiera Piamontese S.A.
Attn : Maria Alonso
Date sent : 3/25/98

(15) $511,919.00
Beneficiary : Coper Finance LTD. SA.
Attn : Roberto Trolfo
Date sent : 3/25/98

(16) $500,000.00
Beneficiary : Financiera Estarey S.A.
Attn : Miguel Lorente
Date sent : 3/27/98

(17) $130,428.00
Beneficiary : Financiera Estarey, S.A.
Attn : Miguel Lorente
Date sent : 3/27/98

(18) $642,652.00
Beneficiary : Galamat S.A.
Attn : Alfredo Rodriguez
Date sent : 4/1/98

18. During 1997, a real estate agent in Argentina named Nicolas Di Tullio became acquainted with Jorge Iniguez ("Iniguez") and Jaime Martinez-Ayon ("Martinez-Ayon") who, on information and belief, asked for Di Tullio's help in purchasing real estate in Argentina with drug proceeds earned in the United States by the Juarez Cartel.

19. Iniguez is a former Group Supervisor of the Mexican Federal Judicial Police ("MFJP"). While so employed, Iniguez became involved in the distribution of marijuana in Mexico. In 1991, Iniguez was arrested in California and eventually convicted on federal charges of conspiracy to import approximately 800 pounds of marijuana into the United States.

/ / /

20. Di Tullio had been friends with Ducler (one of the three individuals who own and control M.A. Bank and M.A. Casa de Cambio, *see* ¶5) for many years, although Di Tullio had never done business with either M.A. Bank or M.A. Casa de Cambio prior to 1997.

21. Di Tullio recommended that Iniguez open an account with M.A. Bank and/or M.A. Casa de Cambio in order to facilitate the laundering and transfer of American drug proceeds into Argentina. Di Tullio then arranged a meeting among Di Tullio, Ducler and Iniguez.

22. At the meeting arranged by Di Tullio, Ducler refused to allow Iniguez to open any accounts in his (Iniguez') own name because of the source of the funds to be laundered through the

account(s). Instead, Ducler suggested that one or more accounts be opened in Di Tullio's name and that such account(s) be used to transfer Iniguez' funds to Argentina.

23. As a result of this meeting, Ducler caused to be opened one or more accounts at M.A. Bank, M.A. Casa de Cambio and/or Mercado Abierto in the name of Di Tullio. It was understood by Ducler, Di Tullio and Iniguez that said accounts would be used to transfer drug proceeds from the United States to Argentina, and that said proceeds would then be paid out of the account(s) to Di Tullio for delivery to Iniguez. The government is informed and believes and thereon alleges that the opening of the account(s) in Di Tullio's name was designed to disguise the nature, source and ownership of the drug proceeds that were to be filtered through the account(s), and that Ducler was aware of the true nature and source of the funds, *i.e.*, drugs. In opening the account(s), Ducler intentionally dispensed with virtually all of the standard internal controls and processes generally required to open accounts with M.A. Bank and/or M.A. Casa de Cambio.

24. Drug proceeds belonging to the Juarez Cartel would be picked up in Chicago, as set forth in ¶16 above, and then wire transferred to the Citibank accounts of M.A. Casa de Cambio and M.A. Bank, as set forth in ¶17(a) and (b) above. The monies would then be credited and paid by M.A. Casa de Cambio and M. A. Bank to di Tullio.

25. Despite the various names given as the beneficiaries of the money transfers listed above, all of the transferred funds were in fact paid by M.A. Bank and M.A. Casa de Cambio to Nicolas

Di Tullio ("Di Tullio"), either in U.S. currency or by cashier's check. The government is informed and believes and thereon alleges that Di Tullio, Ducler, Iniguez, and Martinez-Ayon, among others, were participants in a money laundering conspiracy, the object of which was to convert drug proceeds from the Chicago pickups into currency and checks issued by M.A. Bank and M.A. Casa de Cambio in Argentina.

26. Based upon the above facts, there is probable cause to believe that M.A. Bank and M.A. Casa de Cambio knowingly used the Citibank accounts referred to in ¶17(a) and (B) to launder money in violation of 18 U.S.C. §§ 1956(a)(1), 1956(b), and 1957. Accordingly, there is further probable cause to believe that funds contained in the above-referenced accounts are subject to seizure and forfeiture to the United States pursuant to 18 U.S.C. § 981(a)(1). Additionally, to the extent that the specific funds contained in the accounts are not the same monies that were involved in the money laundering transactions, there is probable cause to believe that those funds have merely replaced identical property previously on deposit in the accounts (which identical property was in fact involved in money laundering) and are therefore subject to seizure and forfeiture to the United States pursuant to 18 U.S.C. § 984.

WHEREFORE, the United States prays that:

(1) due process issue to enforce the forfeiture of the defendant currency and that due notice be given to all interested parties to appear and show cause why forfeiture should not be decreed;

(2) judgment be entered declaring that the defendant currency is forfeited to the United States of America for disposition according to law;

(3) the United States of America be awarded all of its costs, expenses and disbursements; and

(4) the United States of America be awarded any other and further relief as the Court deems just and proper.

Dated: February 11, 2000

ALEJANDRO N. MAYORKAS
United States Attorney
LEON W. WEIDMAN
Assistant United States Attorney
Chief, Civil Division
JANET C. HUDSON
Assistant United States Attorney
Chief, Asset Forfeiture Section

_____

STEVEN R. WELK
Assistant United States Attorney

Attorneys for Plaintiff
United States of America

VERIFICATION

I, STEVEN R. WELK, declare and say that:

1. I am an Assistant United States Attorney for the Central District of California and am the attorney chiefly responsible for this litigation.

2. I have read the attached Complaint for Forfeiture and know the contents thereof.

3. The information contained in the Complaint has been furnished by official government sources and, based on information and belief, the allegations contained in the Complaint are true.

I declare under penalty of perjury that the foregoing is true and correct.

EXECUTED on February 11, 2000 at Los Angeles, California.

STEVEN R. WELK

ROGER J. ROSEN
ATTORNEY AT LAW - State Bar No. 48573
1801 Avenue of the Stars, Suite 900
Los Angeles, CA 90067

Telephone: (310) 557-1242
Fax: (310) 203-2150

COPY

Attorney for Claimants,
MERCADO ABIERTO S.A.,
M.A. BANK Limited,
M.A. CASA DE CAMBIO S.A.,
MESSRS ALDO DUCLER, MIGUEL IRIBARNE, AND HECTOR SCASSERRA

LODGED

2000 JUN -9

UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA WESTERN DIVISION

UNITED STATES OF AMERICA, Plaintiff, vs. $1,830,708.57 U.S. CURRENCY, Defendant.	Case No.: No. CV 00-1493 JSL (SHx) CONSENT JUDGEMENT
MESSRS. ALDO DUCLER, MIGUEL IRIBARNE, and HECTOR SCASSERRA, Claimants.	

IT IS HEREBY STIPULATED by and between Plaintiffs, United States of America, United States Department of Justice, and the Treasury Department, through its representative, Assistant

United States Attorney Steven R. Welk, and Claimants, Messrs. Aldo Ducler, Miguel Iribarne, and Hector Scasserra, through their representative, Mr. Roger J. Rosen, Esq., as follows:

1. This action shall be settled and this judgment entered pursuant to the following terms. In settlement of this action and without further limitation, Plaintiff, UNITED STATES OF AMERICA, agrees to dismiss the complaint in this action with prejudice and agrees to return to Claimants the sum of U.S. $605,000.00 (six hundred and five thousand dollars, U.S.), representing that portion of the defendant currency, U.S. $1,830,708.57. The remaining $1,225,708.57 is hereby judicially forfeited to Plaintiff by this consent judgment. The United States of America shall dispose of said funds in accordance with law. This settlement sum shall be paid in full and complete satisfaction of any and all claims, demands, rights, or causes of action of whatever kind and nature, foreseen and unforeseen, arising from or related to the subject matter of this action, which Claimants, their heirs, executors, administrators, assigns, and any of them, including without limitation, Aldo Ducler, Miguel Iribarne, and Hector Scasserra, now have or may hereafter acquire against the United States, its agencies, agents, officers, or employees. Upon the payment of the monies called for above, the parties shall forthwith execute and file a request for dismissal with prejudice of this action.

2. Claimants and their heirs, executors, administrators, and assigns, and all of them, hereby execute a general release in favor of the United States, its agencies, agents, officers, and employees, including the United States Department of Justice and the Treasury Department, named and unnamed, and agree to accept the settlement sum described in paragraph 1 (above) in full settlement and satisfaction of any and all claims, demands, rights, and causes of action of whatever kind and nature, arising from and related to any and all known and unknown, foreseen and unforeseen, claims for damages, including without limitation claims for damages or interest, which they may have or hereafter acquire against the United States, its agencies, agents, officers, or employees, on account of the same subject matter that gave rise to this action. By this stipulation, and upon Plaintiff's payment of the settlement sum by the payment date, Claimants expressly agree to waive any and all claims for interest in consideration of the settlement sum described heretofore in paragraph 1.

3. In addition, and notwithstanding anything to the contrary herein, Claimants expressly release any and all claims, demands, rights, and causes of action against the United States, its agencies, agents, officers, and employees, named and unnamed, which Claimants do not know or suspect to exist in their favor at the time of execution of this stipulation and

general release, and which, if known to Claimants, could have materially affected this settlement.

4. This stipulation of compromise settlement and dismissal of action shall not constitute ANY admission of liability or fault on the part of the Claimants, MERCADO ABIERTO S.A., M.A. BANK Limited, M.A. CASA DE CAMBIO S.A., MR. ALDO DUCLER, MR. MIGUEL IRIBARNE, and MR. HECTOR SCASSERRA or the Plaintiff, the UNITED STATES, its agencies, its agents, officers, or employees, and is entered into by all parties herein solely for the purpose of compromising disputed claims and avoiding the expenses and risks of further litigation of this action.

5. It is expressly agreed by and amongst the parties that the settlement sum described in paragraph 1 above represents the entire amount of the compromise settlement of the parties; that the parties will each bear their own fees, costs, interests, and expenses associated with this matter; and that any attorney's or other fees paid or owed by the Claimants will be paid out of the settlement sum, and not paid by the Plaintiff in addition thereto. Claimants expressly agree that no attorney's fees or costs will be sought under the Equal Access to Justice Act, 28 U.S.C. Sec. 2412, or any other provision, in connection with this action.

6. Payment of the amount set out in paragraph 1 shall be made to and received by the respective Claimants forthwith, but

no later than fifteen days from the entry of this judgment by the court. Plaintiff shall cause a check to be drawn on the Treasury of the United States in the respective settlement sum described in paragraph 1 above and made payable to: "Roger J. Rosen, Client's Trust Account." This check shall be forwarded to Claimant's attorney Roger J. Rosen, Esq., who shall have the sole responsibility of distributing the respective settlement sum to the Claimants, or at their direction. It is hereby further agreed between the parties that in lieu of the above described check being issued, Plaintiff, United States of America, through its representative, AUSA Steven R. Welk, will immediately or within fifteen calendar days, cause to be wire-transferred the settlement sum described in paragraph 1 to the following account: City National Bank (Century City Office 1800 Century Park East, Los Angeles, CA 90067) Routing #122016066, Roger J. Rosen Attorney at Law Clients Trust Account #019408701. In the event that the settlement sum is not received by Claimants' attorney on or before the payment date, and upon application of Claimants, the District Court shall enter an order in favor of Claimants and against Plaintiff for Claimants' respective attorney's fees at the Los Angeles market rates, costs of suit, and settlement sum, the latter amount being the reasonable estimate of the forfeiture judgment that would have been entered in Claimants' favor had this matter gone to trial.

7. In consideration of the payment of the settlement sum described in paragraph 1 above and upon receipt by Claimants of the full and complete settlement sum, Plaintiff agrees that a REQUEST FOR DISMISSAL of this action shall be filed with the U.S. District Court within one week and that thereafter the said action shall be dismissed with prejudice, and that no future civil proceedings of any sort whatsoever arising out of the facts and transactions described in the complaint shall ever be brought by Plaintiff against Defendant currency, Claimants, acting on behalf of MERCADO ABIERTO S.A., M.A. BANK LIMITED, M.A. CASA de CAMBIO S.A. or in their individual capacities, officers, directors, agents, or employees of these entities.

8. Provided payment of the settlement sum is made and received by the payment date, the parties hereby expressly agree that there was reasonable cause for the seizure of the funds at issue in this case. This stipulation of compromise settlement and dismissal shall be construed as a certificate of reasonable cause pursuant to 28 U.S.C. Sec. 2645.

9. As a part of this settlement agreement, and in Claimants' continued efforts since the initiation of the seizures to fully cooperate with Plaintiff and its agents in this investigation, Claimants state, and Plaintiff acknowledges, through the terms and conditions of this settlement and compromise agreement that it has always been M.A. Bank Limited's

contention that: (1.) the monies received in its account number 36111386 at Citibank were never deposited in such a manner that would, could, or did, raise any question(s) that the origin of said funds were either suspicious or illegal. (2.) The funds deposited in said account were wire-transferred in for the benefit of a well-known client of M.A. Bank Limited. Said Client always provided prior written notice to M.A. Bank Limited of the upcoming arrival of the monetary transfers in amounts and dates, which turned out to be consistent with each actual transfer. (3.) The transfers always originated from other first-rate banking institutions within the United States, causing M.A. Bank Limited to believe that said institutions had been satisfied through their own internal controls of the legitimate source of each transfer. (4.) M.A. Bank Limited, at all times, followed all applicable and required legal and internal regulations. Claimants further contend that: (5.) M.A. Casa De Cambio S.A. limited its business to the performance of currency-exchange operations, always informing the Argentine authorities of its transactions, which were correctly registered in M.A. Casa De Cambio S.A.'s ledgers subject to the supervision and inspection of Argentine banking and fiscal authorities. (6.) No inferences of wrongdoing could be drawn from M.A. Casa De Cambio S.A.'s business practices in this matter, as the monies received in its account number 36137631 in Citibank were sent to a known

client who always provided prior notice of the upcoming arrival of the transfers in amounts and dates consistent with every actual arrival. (7.) The transfers always originated in first-rate banking institutions within the United States, thereby causing M.A. Casa De Cambio S.A. to believe that said institutions had been satisfied through their own internal controls of the legitimate source of each transfer, and (8.) M.A. Casa De Cambio S.A. followed all applicable legal and internal regulations.

Mr. Aldo Ducler, Director of M.A. Bank Limited and M.A. Casa De Cambio S.A., has submitted a sworn statement to plaintiff affirming that he and the institutions he represents always acted in good faith, that he followed the laws of the jurisdictions in which each institution is registered, and that at no time was he aware of any facts or circumstances from which he could have concluded or suspected that the transfer of funds to the aforementioned accounts of M.A. Bank Limited and M.A. Casa De Cambio S.A. were of an illicit origin. Said statement was considered by Government counsel in reaching this settlement agreement. Finally, it is noted that on May 15, 2000, AUSA Steven R. Welk met in Buenos Aires Argentina with the directors of M.A. Bank Limited and M.A. Casa De Cambio S.A., Messrs. Ducler, Iribarne and Scasserra in the course of which he (Mr. Welk) was able to request additional information about the

business operations of all three entities, which information was openly provided by the said Directors, as they had been all along responding to each and every request that the United States agents had made of them since the beginning of the investigation, and to which M.A. Bank Limited and M.A. Casa De Cambio S.A. had consistently provided documentation, testimonies, interview statements, and tours of the entities, all of which contributed in an essential way to the development of the U.S. investigation of this matter.

These facts as stated by Mr. Aldo Ducler contained in this paragraph No. (9) have been considered, along with all other evidence received, and has been a relevant factor in concluding that it is in the best interest of Plaintiff, United States of America, to dismiss this case as a result of having entered into this settlement agreement with Claimants.

10. This written stipulation contains all of the agreements between the parties and is intended to be, and is, the final and sole agreement between them. The parties agree that any prior or contemporaneous representations or understandings not expressly contained in this written stipulation, whether written or oral, are of no further legal or equitable force or effect. Any subsequent modifications to this stipulation must be made in writing and must be signed and

executed by the parties through their respective representatives.

11. The undersigned represent that they have reviewed and understand this stipulation and agree to be bound by its terms.

DATED: June 9, 2000

ALEJANDRO N. MAYORKAS
United States Attorney
JOHN GORDON
Assistant United States Attorney
Chief, Criminal Division

STEVEN R. WELK
Assistant United States Attorney
Asset Forfeiture Section
Attorney for Plaintiffs
UNITED STATES OF AMERICA

DATED: 06.09, 2000

ROGER J. ROSEN, ESQ.
Attorney for CLAIMANTS, MERCADO ABIERTO S.A., M.A. BANK LIMITED, M.A. CASA DE CAMBIO S.A., and Messrs. ALDO DUCLER, MIGUEL IRIBARNE, AND HECTOR SCASSERRA

IT IS SO ORDERED.

DATED _____

UNITED STATES DISTRICT JUDGE

ORDER

It is hereby ordered

DATED: _____, 2000

J. SPENCER LETTS, JUDGE
UNITED STATES DISTRICT COURT

PROOF OF SERVICE BY MAILING

I am over the age of 18 and not a party to the within action. I am employed by the Office of the United States Attorney, Central District of California. My business address is 300 North Los Angeles Street, Suite 7516, Los Angeles, California 90012.

On June 9, 2000, I served a CONSENT JUDGMENT on each person or entity named below by enclosing a copy in an envelope addressed as shown below and placing the envelope for collection and mailing on the date and at the place shown below following our ordinary office practices. I am readily familiar with the practice of this office for collection and processing correspondence for mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service in a sealed envelope with postage fully prepaid.

Date of mailing: June 9, 2000. Place of mailing: Los Angeles, California.

TO: Roger J. Rosen, Esq.
1801 Avenue of the Stars, Suite 900
Los Angeles, CA 90067

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

Executed on: June 9, 2000 at Los Angeles, California.

Valerie Garzona

Valerie Garzona

LA VERDAD DE LOS HECHOS

1.- La publicación del Diario Clarín del día 28 de julio es sólo la reiteración de una falsa denuncia presentada por funcionarios mexicanos en noviembre de 1999. Después de 8 meses, y a falta de pruebas, están apelando a la fotocopia de su propia mentira.

2.- Los hechos, en lo que a nosotros respecta, se refieren a la transferencia de fondos por cuenta y orden de terceros entre julio de 1997 y mayo de 1998, provenientes de bancos americanos de primerísima línea y dentro del territorio de los EE.UU..

3.- Desde mayo de 1998 y habiéndosenos comunicado la presunción del origen ilícito de los fondos transferidos, hemos colaborado, como corresponde, con el gobierno de los EE.UU. en la investigación de los hechos, tal como lo seguimos haciendo con la Justicia argentina.

4.- Las conclusiones de esta exhaustiva investigación se plasmaron en la firma de un convenio bilateral entre los Estados Unidos de América, el Departamento de Justicia y el Departamento del Tesoro de los EE.UU. y nuestras entidades y directivos suscripto el 9 de junio de 2000 y homologado en sede Judicial del Distrito de California, el 13 de junio por el Juez Spencer Letts.

Por dicho convenio el Gobierno de los Estados Unidos desiste de toda acción judicial, dejándose aclarado expresamente que no existió culpa o falta de ninguna de las partes.

Más específicamente se elimina la posibilidad de cualquier nuevo reclamo legal recíproco sobre el caso. Además implica el reconocimiento y aceptación por parte de EE.UU. de:

- Que los directivos de Mercado Abierto siempre actuaron en cumplimiento de todas las normas legales aplicables y con absoluta buena fe,

- La inexistencia en todo momento de conocimiento o sospecha alguna por nuestra parte del supuesto origen ilícito de los fondos recibidos, provenientes en todos los casos de entidades bancarias estadounidenses de primerísimo nivel, operando dentro del territorio de los EE.UU.,

- La colaboración que brindamos junto con nuestros abogados desde el inicio de las investigaciones, colaboración que ha sido resaltada y debidamente agradecida por los EE.UU.. Esto se puso de manifiesto en una nota que el Fiscal General de los EE.UU. (Steven Wolk) envió a nuestro abogado, en la cual pidió (nombrándonos expresamente) que se nos transmita su agradecimiento por la atención recibida en Buenos Aires y nuestra cooperación en la investigación. Este lenguaje en una nota que existe en el membrete del Departamento de Justicia de los EE.UU. y con la firma de quien actúa en nombre del Fiscal Federal General de California (Alejandro Mayorkas), sería impensable si el Gobierno de los EE.UU. no tuviera la convicción de que lo tratado con personas de bien que nada tienen que ver con el lavado de dinero.

5.- Frente a la reiteración de la falsa denuncia, la nueva difamación pública y ante el insólito hecho que en estos 8 meses los funcionarios mexicanos no han presentado prueba alguna a la Justicia argentina (simplemente porque no existen), resulta sugestiva esta nueva insistencia mediática, con fábulas falaces y calumnias.

¿Será que los denunciantes están detrás de intereses económicos personales, con un desprecio total por la verdad y el honor de las personas?

¿Será que ahora quieren presionar a la Justicia argentina en su propio beneficio?

¿Será que tampoco creen en la Justicia de los EE.UU.?

¿Cuáles son los verdaderos intereses que tanto entusiasmo les provoca?. Seguramente ninguno que tenga que ver con la Justicia.

Sé que finalmente prevalecerá la verdad

Aldo L. Ducler

Buenos Aires, 28 de Julio de 2000.

U.S. Department of Justice

Criminal Division

Washington, D.C. 20530

JEH:GBS:MJB
182-10357 (Please repeat this number when responding)

DEC 26 2000

By FEDERAL EXPRESS

Dr. José Nicasio Dibur
Advisor - Commission Res. Min. 301/96
MINISTRY OF JUSTICE
Sarmiento 329, piso 6°
(1041) BUENOS AIRES
ARGENTINA

Re: Request from Argentina for Assistance in the Matter of Victor M. ALCALA NAVARRO, et al. (Your ref. "John Doe/Violation of Law 23.737)

Dear Dr. Dibur:

I refer to the requests in the above-captioned matter submitted on behalf of Dr. Rodolfo Canicoba Corral, Federal Court in Criminal and Correctional Matters No. 6, Buenos Aires; Case No. 14.032/99) pursuant to the Mutual Legal Assistance Treaty (MLAT) As a follow-up to the meeting in Buenos Aires in May 2000 between Dr. Canicoba and me, Assistant U.S. Attorney Steven Welk, FBI Legal Attache William Godoy, U.S. Customs Attache Larry Mulkearns, and U.S. Customs Special Agent Anne Littleton, we would like to provide to the following information for Dr. Canicoba concerning the resolution of the civil forfeiture action entitled *United States v. $1,830,708.57 in U.S. Currency*, Case No. CV 00-1493 JSL (Central District, California). The following information is provided by Mr. Welk, who prosecuted the civil forfeiture case. We are providing this information to you and to Mexican authorities of the Procuraduria General de la Republica (PGR), who have inquired about this matter, in order to clarify the steps taken by U.S. authorities in this civil forfeiture action and the legal effect of those actions under United States criminal and forfeiture law.

The civil forfeiture action arose as a direct result of the investigation known as "Operation Casablanca." The monies which the government sought to forfeit were seized from two interbank accounts at Citibank New York held in the names of M.A. Bank and M.A. Casa de Cambio (the

"M.A. entities"). The U.S. sought forfeiture on the ground that the seized funds, being identical in kind to the tainted funds actually wired into the accounts months earlier, were subject to forfeiture under a statute that allows the government to forfeit fungible property found in the same place as tainted property which has been removed.

The civil forfeiture complaint was filed after several months of additional investigation and settlement negotiations following the seizure. Following that filing, the parties entered into further settlement negotiations, which included a meeting between Assistant United States Attorney Steven R. Welk (the prosecutor of the action), the three principals of the M.A. entities (Aldo Ducler, Miguel Iribarne and Hector Scasserra), and their attorneys (American and Argentine) in Buenos Aires. That meeting eventually resulted in the settlement that was outlined in the consent judgment (a copy of which is enclosed).

The consent judgment called for the forfeiture to the United States of $1,225,708.57 of the defendant currency and resolved the civil case without having the matter judicially determined. According to the terms of the consent judgment, the settlement was entered into "solely for the purpose of compromising disputed claims and avoiding the expenses and risks of further litigation of the action." (Consent judgment, page 4, lines 10-12). **It was agreed that the consent judgment did not constitute an admission of liability or wrongdoing on the part of the claimants.** *Id.* **at lines 3-6. At the same time, however, the consent judgment did not constitute an agreement by the United States that the claimants committed no illegal acts, or that the claimants lacked guilty knowledge of the illegal acts described in the complaint.**

The essential purpose of the consent judgment was to divide the seized funds while leaving open the question of whether the claimants committed, or were knowledgeable of, the illegal acts described in the complaint. This is not particularly unusual. Under U.S. law, a civil forfeiture action seeks to determine whether the asset itself (in this case, the money) was involved in the illegal activity alleged. The guilt or innocence of the claimant, while often relevant, need not necessarily be determined. As a result, an asset may be forfeited on the ground that it was involved in money laundering even where the owner of the asset is never arrested for or charged with a crime. The issue is the "guilt" of the asset, not the individual owner or claimant. In this case, the parties agreed to divide the money as described in the consent judgment without a final judicial determination of the guilt or innocence of the defendant funds. The guilt or innocence of the M.A. entities and their principals was never directly at issue in the civil case, and no agreement was made by the parties concerning that guilt or innocence. In essence, the parties "agreed to disagree" concerning that question. That being said, it should be noted that this office would not have entered into the consent judgment unless it believed that there was a valid factual basis for the forfeiture of the funds.

The consent judgment applied only to the civil forfeiture case in which it was entered. It did not provide for immunity for any party (corporate or individual) with respect to potential criminal conduct. The United States made no representations whatsoever about further investigation or prosecution concerning the criminal conduct described in the complaint. The government did agree that it would take no further action against the funds returned to the M.A. entities as a result of the consent judgment, *i.e.* it would not attempt to forfeit the monies being returned. However, the consent judgment is not evidence that the United States exonerated the M.A. entities or their principals or that the government believed that the allegations of the complaint were not true.

Finally, AUSA Welk's letter to Mr. Rosen (the American attorney for the M.A. entities) (copy enclosed) was merely a courtesy letter to opposing counsel following the entry of the consent judgment. Nothing in that letter was intended or could reasonably be construed as an "apology." The consent judgment itself contains an explicit agreement that the government had reasonable cause for its seizure of the defendant funds.

We hope that the foregoing explanation is helpful to you. If you have any questions, feel free to contact me or U.S. Customs Attache Larry Mulkearns in Montevideo at 598-2-401-1835.

John E. Harris
Acting Director
Office of International Affairs

By:

Michael J. Burke
Trial Attorney

Enclosures

cc w/ enclosures:

Jorge Ricardo Garcia Villalobos Haddad
Regional Legal Attache
Procuraduria General de la Republica, Mexico
Los Angeles

Larry Mulkearns
U.S. Customs Attache
Montevideo

William D. Godoy
FBI Legal Attache
Buenos Aires

Steven Welk
Daniel Goodman
Assistant U.S. Attorneys
Los Angeles

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____62e_____

Exhibit 62e.

M.A. Bank documents related to Mr. DiTullio

M.A. BANK LIMITED
P.O. 707, Grand Cayman
Cayman Islands, B.W.I.

Att: Ce. Daniel Favisovich. —

ACCOUNT AGREEMENT

Between M.A. Bank Ltd. (the "Bank") and Di Tullio, Nicholas

(the "Depositor").

Account # 25913

The Depositor understands and agrees that, in consideration of the Bank establishing his account(s), the following terms and conditions shall apply in connection with the account(s). If more than one person sign this Agreement, the term "Depositor" shall mean and include all persons signing this Agreement and each of them, jointly and severally.

(1) Opening of the account(s), signing of the application or the signature card or acceptance of a copy hereof by the Depositor shall constitute the Depositor's agreement to these terms and conditions.

(2) Mail addressed and sent to the Depositor at his address of record with the Bank, shall be deemed to be properly mailed. The Depositor agrees to advise the Bank promptly in writing, of any change in his address.

The Bank will, unless the Depositor has given the Bank instruction to the contrary, send periodically to the Depositor, at his address of record, a statement of account(s).

The Depositor will exercise reasonable care and promptness in examining such statement to discover any irregularity and, if any exists, will notify the Bank in writing before the seventh calendar day subsequent to the date that such statement was mailed or available to the Depositor.

In those situations in which the Depositor has instructed the Bank to hold his correspondence, the date of the statement or any other communication from the Bank will be considered in all cases, as the date in which such statement or communication was available to the Depositor.

The statement of account(s) shall be, in the absence of manifest error, conclusive evidence of the transactions and other matters set forth therein.

(3) The application, the signature card, the mandate(s) or other authorization by the Depositor (in the form of an authorized signature book or otherwise) contains specimens of the signatures, which are hereby acknowledged by the Depositor as the authentic signatures of the persons authorized by the Depositor to enter into transactions between the Depositor and the Bank, and the Bank is entitled to rely thereon.

(4) All items deposited in any account or cashed for the Depositor are received by the Bank as agent for the Depositor and subject to collection. Any item not finally collected may be charged back to any account of the Depositor whether such item was obtained or deposited.

The Bank will use diligence in the selection of collection agents and correspondent banks (hereinafter collectively "Correspondents"), but will not be liable for the insolvency, neglect, misconduct, mistake or default of any such Correspondent or for the loss or destruction of any item in transit or in the possession of others.

The Bank is authorized to accept for the Depositor's account(s) all remittances or funds or other property from third parties.

The Bank or any Correspondent may waive presentment, notice and protest on all items received for deposit or collection for the Depositor's account(s).

(5) The Bank will not be responsible if it honors any check more than fifteen days after receipt of an oral order to stop payment on such check or more than six months after receipt of a written order to stop payment on such check or if, through inadvertence, accident or oversight, it prematurely honors any postdated check.

Within such times the Bank will endeavor to honor all such stop payment orders but will not be responsible if, with the exercise of ordinary care, it nevertheless honors such check.

The Depositor agrees to indemnify the Bank against any loss or cost resulting from the nonpayment of any check instructed by the Depositor.

(6) Delivery for deposit or collection of drafts, checks and other items to the Bank is at the Depositor's sole risk of loss and the Bank has no liability whatsoever for failure or lateness of any delivery thereof or for the loss, damage or mutilation of any thereof until actually received by the Bank at its office.

The Depositor is responsible for maintaining clear and legible photocopies of the front and back of all drafts, checks and other items delivered to the Bank for deposit or collection. In the event of any loss, damage or mutilation of any thereof, the Bank will use its best efforts to obtain collection based on such photocopies.

(7) If the Depositor gives an item, order or instruction of payment in excess of Depositor's available funds or line of credit, the Bank reserves the right to execute such payments only up to the amount covered, choosing the transactions and the order or priority thereof to be carried out, without reference to the date of the item or the time of arrival of Depositor's instructions or whether such insufficiency of funds resulted from the payment of other items, the debit of any item not finally collected or the debit of any payment to the Bank, including service or maintenance fees or charges.

(8) Notwithstanding the provisions of the precedent paragraph, the Bank is hereby authorized, at its sole discretion, to pay any check or other instruction or payment order even if there is not a sufficient balance in the account(s) and, in such case, to create an overdraft loan in such account.

Such overdraft loans shall be due and payable in full upon the Bank's demand together with interest accrued thereon, and the Bank shall have the right, at its sole discretion, to transfer funds from any other account of the Depositor to pay such amounts.

(9) The Bank is authorized to charge and set off against any credit balance in the account(s) of the Depositor, the amount of any liability or indebtedness due by the Depositor to the Bank, whether direct or indirect.

(10) Without limiting the generality of other provisions of this Agreement or any other agreement between the Bank and the Depositor, the Bank shall not be liable to the Depositor for any failure, omission, delay or error in the performance of the terms and conditions of this Agreement due to causes beyond the control of the Bank. The Bank's sole liability and obligation with respect to any account shall be to pay to the Depositor any credit balance in such account(s) after giving effect to the applications, transfers, reductions and deductions permitted under this Agreement.

(11) If the Bank believes, at its sole discretion, that any instruction which it agrees to accept might expose it to claims, suits, losses, expenses, liabilities or damages, whether directly or indirectly, it may require from the Depositor, before following such instructions, the establishment of a guarantee satisfactory to the Bank.

(12) The Bank may, at any time, terminate any account established under this Agreement by mailing notice of termination to the Depositor's address of record. At the time of such termination or within a reasonable time thereafter the Bank may, at the Depositor's risk, mail to the Depositor at such address a check for the balance of such terminated account, if any.

(13) The Bank reserves the right to change from time to time the terms and conditions of this Agreement. The mailing to the Depositor's address of record of such changes shall constitute due and sufficient notice to the Depositor. Such changes will become effective the sixteenth calendar day subsequent to the date on which such notice of change was mailed or available to the Depositor.

(14) The rights, duties and obligations hereunder of the Bank and the Depositor shall be governed by the laws of the Cayman Islands, B.W.I.

Date:

Grand Cayman, 10 of July, 1997

Name(s)

Giovanni A. Di Tullio

Signature(s)

by M.A. BANK Ltd.

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____62f_____

Exhibit 62f.

U. S. Customs records of interviews

DEPART
UNITED S
E P O R T O F
C O N
PAGE 2
12. CASE NUMBER [redacted]
13. REPORT NUMBER: 003

DETAILS OF INVESTIGATION:

On June 23, 1999, SSA interviewed officials of the Central Bank of the Argentinean Republic in Buenos Aires, Argentina. The Central Bank regulates all banking functions in Argentina. SSA interviewed these officials regarding M.A. BANK and M.A. CASA DE CAMBIO. These entities received approximately $11,752,229 in laundered narcotics proceeds during Operation Casablanca. On May 18, 1998, the SAIC/Los Angeles seized accounts belonging to M.A. BANK and M.A. CASA DE CAMBIO at Citibank, New York. Both M.A. BANK and M.A. CASA DE CAMBIO filed petitions for the return of the seized funds with Fines, Penalties, & Forfeitures, Los Angeles, California.

IN REFERENCE TO:

1. Information pertaining to M.A. BANK LIMITED.

2. Information pertaining to M.A. CASA DE CAMBIO S.A.

3. Banking regulations in Argentina.

DATE OF INTERVIEW:

June 23, 1999

TIME OF INTERVIEW:

From 1100 hours to 1200 hours.

LOCATION OF THE INTERVIEW:

Central Bank of Argentina, Reconquista 266, 1003 - Buenos Aires, Republic of Argentina.

PRESENT FOR THE INTERVIEW:

1. Manuel R. Domper, Director
Central Bank, Republic of Argentina
Telephone: 54-1-4348-3722

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE

REPORT OF INVESTIGATION
CONTINUATION

11. OF 3
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2. Alicia Beatrix Lopez, Superintendent of Cambios
Central Bank, Republic of Argentina
Telephone: 54-1-4348-3764/3912

3. Senior Special Examiner, United States Federal Reserve Board of Governors.

4. Acting Customs Attache and interpreter.

INTERVIEW CONDUCTED BY:

SSA

THE FOLLOWING IS PERTINENT INFORMATION FURNISHED BY THE ABOVE SUBJECTS:

1. Alicia Lopez, Superintendent of Cambios, answered most of the questions that SSA and asked. The Central Bank of Argentina provided the following information:

a. M.A. CASA DE CAMBIO has one location (one office) in Buenos Aires, Argentina. They are located at Corrientes 415, 6th Floor, 1043 - Buenos Aires, Argentina.

b. M.A. BANK LIMITED is not licensed to operate as a bank in Argentina. They have no information and no records regarding M.A. BANK.

c. The Central Bank, or any other Argentinean authority, would not regulate M.A. BANK because it is not a licensed institution. The "Limited" designation means that M.A. BANK is an offshore bank.

d. M.A. BANK can exist in Argentina, they can only exist as a client of a licensed bank (in other words, a regular account holder like anyone else). They are not allowed to conduct banking business. If they are taking in deposits and dispensing withdrawals, they must be licensed as a bank.

e. M.A. CASA DE CAMBIO should, by law, maintain a diskette in which they record all transactions of more than $10,000. This includes wire transfers. M.A. BANK, as a client, can obtain these reports for U.S. Customs, but they will have to get them from their bank.

f. In accordance with Argentinean law, M.A. BANK can only exist as a

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DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE

REPORT OF INVESTIGATION
CONTINUATION

11. .GE 4
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client of a licensed bank. As such, M.A. BANK cannot have clients of its own. M.A. BANK cannot receive money for further credit to a client. M.R. CASA DE CAMBIO can receive money for further credit to clients because they are licensed.

2. During the stay in Buenos Aires, SSE had another occasion to speak with Alicia Lopez, Superintendent of Cambios. As a result of this meeting and personal research, SSE learned additional information concerning the banking regulations in Argentina. SSE will include the pertinent factors of these regulations in a report she is generating for United States Customs.

INVESTIGATION CONTINUES.

UNDEVELOPED LEADS: TO BE DETERMINED BY THE SAIC/LOS ANGELES.

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE

1. GI 2

REPORT OF INVESTIGATION
CONTINUATION

2. CASE NUMBER [redacted]

3. REPORT NUMBER: 010

DETAILS OF INVESTIGATION:

On June 23, 1999, SSA interviewed representatives of M.A. BANK LTD. and M.A. CASA DE CAMBIO in Buenos Aires, Argentina. These entities received approximately $11,752,223 in laundered narcotics proceeds during Operation Casablanca. On May 18, 1998, the SAIC/Los Angeles seized accounts belonging to M.A. BANK and M.A. CASA DE CAMBIO at Citibank, New York. Both M.A. BANK and M.A. CASA DE CAMBIO filed petitions for the return of the seized funds with Fines, Penalties, & Forfeitures, Los Angeles, California.

IN REFERENCE TO:

1. Seizure of $1,536,110.34 from M.A. BANK's Citibank account 95111386 by SAIC/Los Angeles on May 18, 1998.

2. Seizure of $234,598.20 from M.A. CASA DE CAMBIO's Citibank account 36107631 by SAIC/Los Angeles on May 18, 1998.

DATE OF INTERVIEW:

June 23, 1999.

TIME OF INTERVIEW:

From 1400 Hours to 2130 Hours.

LOCATION OF THE INTERVIEW:

Law Offices of Raul C. Sanguinetti, Reconquista 336, 8th Floor, Buenos Aires, Argentina. Telephone C11-54-11-4-394-0336.

PRESENT FOR THE INTERVIEW:

1. Raul C. Sanguinetti (in and out).

2. Maria Cel Sol Munoz, Attorney, Law Offices of Raul C. Sanguinetti, representing M.A. BANK and M.A. CASA DE CAMBIO in Argentina.

3. Maria Caravetta, Attorney, representing M.A. BANK and M.A. CASA DE CAMBIO in the United States.

4. Miguel E. IRIBARNE, President and Shareholder, MERCADO ABIERTO and M.A. BANK. Also, a shareholder in M.A. CASA DE CAMBIO.

DEPARTMENT OF THE TREASURY
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REPORT OF INVESTIGATION
CONTINUATION

5. Hector L. SCASSERRA, Vice President of MERCADO ABIERTO and President of M.A. CASA DE CAMBIO.

6. Aldo DUCLER Luis DUCLER, Director and shareholder for M.A. BANK, M.A. CASA DE CAMBIO, and MERCADO ABIERTO (left interview early).

7. Daniel FAIVISOVICH, M.A. BANK Officer and Accountant, MERCADO ABIERTO, M.A. CASA DE CAMBIO, and M.A. BANK.

8. Senior Special Examiner, United States Federal Reserve Board of Governors.

9. Acting Customs Attache and Interpreter.

INTERVIEW CONDUCTED BY:

SSA

THE FOLLOWING IS PERTINENT INFORMATION FURNISHED BY THE ABOVE SUBJECTS:

1. SSA interpreted throughout the interview. After SSA interviewed the subjects regarding the wire transfers sent to M.A. CASA DE CAMBIO, the interview addressed the transaction set to Nicolas DI TULLIO at the M.A. BANK account at Citibank New York. During the course of the questioning, SSA noted that Miguel IRIBARNE answered most of the questions regarding M.A. BANK. Miguel IRIBARNE told SSA the following:

2. Miguel IRIBARNE said he worked at the Argentinean Ministry of Economy for fourteen years. He finished at the Ministry as the Undersecretary of the Economy in about 1982. In 1983 he formed MERCADO ABIERTO. He is the President of MERCADO ABIERTO and M.A. BANK. SSA once again asked how many companies are involved with MERCADO ABIERTO. Miguel IRIBARNE said only the four discussed previously (reference previous ROI under this case number). MERCADO ABIERTO is the holding company and the three entities under MERCADO ABIERTO are M.A. BANK, M.A. CASA DE CAMBIO, and M.A. VALORES S.A. Previously, attorney Caravetta told SSA that the companies associated with MERCADO ABIERTO could be found at an Internet address, www.masa.com.ar, and were as follows:

(1) MERCADO ABIERTO S.A.
(2) M.A. VALORES S.A. SOCIEDAD DE BOLSA
(3) M.A. BANK LIMITED
(4) M.A. CAPITAL MARKETS S.A.
(5) MERCOFOND SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSION S.A.

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DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE

REPORT OF INVESTIGATION
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(6) CUSTODIA SOCIEDAD DEPOSITARIA DE FONDOS COMUNES DE INVERSION S.A.
(7) MERCOSUR FONDO COMUN DE INVERSION
(8) M.A. CASA DE CAMBIO S.A.
(9) CEREALOESTE S.A.

SSA asked about these other companies. Miguel IRIBARNE said that the only companies under MERCADO ABIERTO were the three already mentioned. Miguel IRIBARNE also said that Aldo DUCLER, Hector SCASSERRA, and he were partners in three other companies:

(1) CEREALOESTE S.A.
This company is a grain merchant since 1974 and owns four grain silos in the country.

(2) FUTURES AMERICANA
This is a trust company that makes products saleable to clients, mostly in the real estate field.

(3) CUSTODIA

3. SSA asked to see the articles of incorporation or the Argentine equivalent for MERCADO ABIERTO. On June 24, 1999, the officers provided SSA with a copy of these documents (exhibit MI-37 - translation is pending at the time of this ROI). The officers told SSA that the shareholders and directors of MERCADO ABIERTO are Miguel IRIBARNE, Hector SCASSERRA, and Aldo DUCLER.

4. M.A. BANK does not advertise; they pick up clients by word-of-mouth referrals. M.A. BANK's prime reason to exist is to provide offshore banking services to MERCADO ABIERTO's existing clients, whether that client is investing in stocks and bonds or someone using the services of M.A. CASA DE CAMBIO. M.A. BANK has no branches in Argentina. M.A. BANK has no account in Argentina (such as their account at Citibank in the United States - in fact it sounded to SSA as if the account in the United States may be the only account M.A. BANK maintains). M.A. BANK has no office in Argentina; the "bank" operates out of MERCADO ABIERTO's offices.

5. Miguel IRIBARNE said that M.A. BANK is an offshore bank registered in the Cayman Islands, and M.A. BANK has no records or physical offices in the Cayman Islands. When SSA asked what kind of license they possessed to operate in Argentina, Miguel IRIBARNE said they did not need a license because it is an offshore bank. Miguel IRIBARNE told SSA the administrative offices for M.A. BANK are located in Montevideo, Uruguay. SSA obtained the address for this office from M.A. BANK's Cayman Island Articles of Association (exhibit MI-24); records are located in the

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DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE

REPORT OF INVESTIGATION
CONTINUATION

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identifying data section at the end of this ROI). When SSA asked, why do they do this? Miguel IRIBARNE responded that M.A. BANK is an offshore bank, if they had offices in Argentina they would be subject to regulation by the Central Bank.

5. When SSA reviewed the Cayman Island Articles of Association for M.A. BANK (exhibit WI-24) he saw that MERCADO ABIERTO owned 60% of the stock in M.A. BANK, and a company called SIGMA FINANCIAL CORPORATION LIMITED owned the other 40%. SSA asked Miguel IRIBARNE, who is SIGMA FINANCIAL? After a pause, Miguel IRIBARNE said, they are. Miguel IRIBARNE said that he, Hector SCASSERRA, and Aldo DUCLER own 100% of SIGMA FINANCIAL. They did this for "tax purposes."

6. Miguel IRIBARNE explained that the Cayman Islands have rules about the amount of capital M.A. BANK must have in relation to deposits. Over the years M.A. BANK has increased their amount of capital. This makes the profits subject to taxation in Argentina. So, they received authorization from the Cayman authorities to establish another corporation that owns 40% of M.A. BANK. This reduces their taxes in Argentina by 40%. Miguel IRIBARNE stated that SIGMA FINANCIAL is only in the Caymans, the only function it has is to exist and own 40% of M.A. BANK, so they do not have to pay the taxes in Argentina.

NOTE:

a) SSA asked to see the SIGMA FINANCIAL Articles of Association or other documentation from the Caymans (in order to see who was listed as directors and shareholders). On June 24, 1999, the officers gave SSA a copy of SIGMA FINANCIAL CORPORATION LIMITED's minutes of the meeting of the board of directors held in the Caymans on December 14, 1998 (exhibit WI-39).

b) After reviewing the document, SSA asked, who is Rodolfo Jose MASCHWITZ, a name appearing in the minutes as Sole Director of SIGMA at the close of the meeting. (In fact, no name appearing in the minutes was familiar to SSA Miguel IRIBARNE told SSA that MASCHWITZ is a former employee of MERCADO ABIERTO's. They did this for "tax purposes" so none of their names would appear on the documents for SIGMA FINANCIAL. Miguel IRIBARNE and Hector SCASSERRA told SSA that the Articles of Association for a company like SIGMA were different from that required for a licensed bank such as M.A. BANK. Miguel IRIBARNE said there would be no designation of shareholders or first BE directors.

c) Miguel IRIBARNE and Hector SCASSERRA told SSA that a

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company called Coutts & Company Limited represents them (as SIGMA) in the Caymans and Hector SCASSERRA and he has the power of attorney. SSA said he wanted to see the power of attorney and documentation reflecting that Miguel IRISARNE, Aldo DUCLER, and Hector SCASSERRA are SIGMA FINANCIAL.

6) On July 20, 1998, SSA received a mailed copy of a Company Administration Agreement & Indemnity on Coutts & Company letterhead from MERCADO ABIERTO's attorney Mariella Caravetta (exhibit WI-40). This document is not familiar to SSA as a power of attorney. However, the body of the agreement clearly states that if requested to do so by the account holders, Coutts & Company will provide one or more persons to serve as the director/directors of the company. Miguel IRISARNE and Hector SCASSERRA are listed, and signed, as the account holders.

9. Miguel IRISARNE said he has known Nicolas DI TULLIO since 1997, a little longer than Hector SCASSERRA. Nicolas DI TULLIO has just the one account at M.A. BANK. Miguel IRIBARNE said they have "Know Your Client Rules" similar to those in the U.S. In order to start an account at M.A. BANK one must be referred from an existing client, already an investment client of MERCADO ABIERTO, or someone known to the officers of M.A. BANK. M.A. BANK does not take clients off the street.

9. To start an account with M.A. BANK one needs to be referred, fill out an application form, provide information on other accounts they may have, and provide references. M.A. BANK then checks the references and conducts credit checks on the prospective client. They only required Nicolas DI TULLIO to fill out the application form (a copy of which has already been provided to SSA listed as exhibit WI-6). When asked why, Miguel IRIBARNE said that Nicolas DI TULLIO is a friend of a friend of Aldo DUCLER's, and the DI TULLIO name is so well-known in the real estate field that references were not necessary. SSA asked if a separate application process existed for clients of M.A. CASA DE CAMBIO. Miguel IRIBARNE said no, only the one application is required.

10. SSA asked to see the signature card for Nicolas DI TULLIO. They said they could provide a copy of the card on the following day. SSA asked to see the original signature card. Miguel IRIBARNE told SSA that the original is kept at the administrative offices in Uruguay. Daniel BATISBOUICH said Nicolas DI TULLIO is the only signatory on the card. Miguel IRIBARNE said that the owner of an account can authorize someone else to withdraw money from that account "on a case by case basis" (at a later point in the interview, it is attempt to determine if any of these authorizations existed, SSA asked for the customer correspondence file for Nicolas DI

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TULLIO. Daniel FAIVISOVICH and Miguel IRIBARNE said they do keep a file, but they had already given SSA everything the file contained).

a) SSA received a copy of an M.A. BANK signature card on June 24, 1999, that was sent via facsimile transmission from Uruguay (exhibit WI-35).

b) Note: On June 24, 1999, SSA also received a blank example of an M.A. BANK signature card from M.A. BANK officials (exhibit WI-36). Upon looking at the back of the signature card, SSA discovered a place for other names authorized to use the account. The copy of the signature card given to SSA (exhibit WI-35) only showed the front of the signature card with Nicolas DI TULLIO's name as account holder and did not include the "Authorized Signatures" section.

SSA asked if M.A. BANK had monthly statements for Nicolas DI TULLIO. Miguel IRIBARNE said that they had given SSA the only statement they had. Miguel IRIBARNE said that Nicolas DI TULLIO could request a printout of any portion of his account and they would provide that, but they do not provide monthly statements.

11. Senior Special Examiner (SSE) asked how does Nicolas DI TULLIO get his money? Miguel IRIBARNE replied that Nicolas DI TULLIO received the money (cash) at the MERCADO ABIERTO offices at a teller type window.

12. SSE then asked the officers how a customer, such as Nicolas DI TULLIO, could receive money in Argentina if M.A. BANK did not have a branch or an account in Argentina? At this point SSA noticed that the officers, especially Miguel IRIBARNE, became agitated (talking fast and all at once). Miguel IRIBARNE began by explaining how the world banking system worked. After SSA refocused his attention on SSE question, Miguel IRIBARNE explained the process worked as follows:

1) For example, Nicolas DI TULLIO sends the M.A. BANK account at Citibank in the United States $100,000.

2) If MERCADO ABIERTO has the cash on hand in their vault in Argentina, Nicolas DI TULLIO comes into the MERCADO ABIERTO offices and they give him the $100,000 in cash at the teller window. Nicolas DI TULLIO signs the receipt and leaves.

3) If MERCADO ABIERTO does not have the cash, they contact a licensed bank or cambio in Argentina that has a branch in the U.S. (for example purposes, Bank Boston). They tell Bank

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Boston then they (M.A. BANK) are going to wire $100,000 to the Bank Boston Branch in the U.S. Bank Boston receives the wire in the U.S. and holds the funds in a temporary account for M.A. BANK. Then someone from M.A. BANK officer goes into Bank Boston in Argentina. Bank Boston, Argentina, checks to make sure they have received the wire in the U.S. and then releases the $100,000 in cash to the M.A. BANK officer. The officer takes the cash back to MERCADO ABIERTO and places the money in the vault until Nicolas DI TULLIO arrives to receive the $100,000.

18. Daniel FAIVISOVICH said there is no account for M.A. BANK in Argentina, they always use other institutions. SSA asked if they keep a record of the $10,000 transactions for M.A. BANK transactions as they do for M.A. CASA DE CAMBIO transactions (see paragraph 16 of previous ROI)? Miguel IRIBARNE said they do not have to report any of the M.A. BANK transactions to the Central Bank or keep a record. Miguel IRIBARNE said this is because the money does not come into Argentina. SSA asked him to explain this further. Miguel IRIBARNE said that if a bank is licensed in Argentina they would have to report the transaction and keep the log, but an offshore bank like M.A. BANK does not. This is because the wire transfer activity takes place offshore using "undeclared" funds. The report would be the responsibility of Bank Boston, if and when they transferred $100,000 to Argentina to cover the withdrawal (Note: at the time of this interview Argentina had no requirements to report cash transactions, only money transferred into or out of Argentina).

19. Daniel FAIVISOVICH took this opportunity to describe how the MERCADO ABIERTO Treasurer is constantly receiving orders and requests on behalf of all the clients. The Treasurer then buys and sells various instruments to satisfy these clients. Daniel FAIVISOVICH further explained that all the companies under MERCADO ABIERTO use one Treasurer. All transactions for all companies are conducted in bulk during the day, and at the end of the day, the Treasurer records the transactions under the proper set of books. The four companies use the one vault at MERCADO ABIERTO. Daniel FAIVISOVICH said that during the day, one company can lend another money as needed to meet commitments, the books are then balanced at the end of the day to reflect the various movements of monies between the companies.

20. SSA directed the next set of questions to Nicolas DI TULLIO's M.A. BANK account 25914. Using the account statement for Nicolas DI TULLIO that petitioner provided (exhibit 4L 25), SSA asked about a $1.85 MILLION wire transfer on January 12, 1998. SSA asked how could Nicolas DI TULLIO receive a wire transfer from the M.A. CASA DE CAMBIO - Citibank account to his M.A. BANK account for that amount if Nicolas DI TULLIO had withdrawn the money from M.A. CASA DE CAMBIO as they described (reference the previous

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ROI)? The officers appeared to become agitated at this question and all began to speak at once; Hector SCASSERRA looked and sounded angry. At first, Miguel IRIBARNE said that the cambio does not maintain a balance. If Nicolas DI TULLIO did not receive his funds right away, they would have put the funds in his account and very possibly the transfer was an investment in bonds. SSA then asked, why does the statement not show the $1.95 million leave the account and indicate the funds went back to the cambio so Nicolas DI TULLIO could withdraw them at a later date (in other words, it appeared that Nicolas DI TULLIO received $1.95 million twice)? Daniel FAIVISOVICH then said that Nicolas DI TULLIO used the $1.95 million transfer to cover an overdraft in his account (during this time period the statement shows a negative $1,845,697.82 balance in the account).

16. SSA again asked, how can almost two million dollars leave Nicolas DI TULLIO's account (to cover the overdraft), and how can he also receive the same amount in an operation from M.A. CASA DE CAMBIO. Once again the officers all began to speak at once. Finally, Daniel FAIVISOVICH said that SSA is missing a document showing Nicolas DI TULLIO received the funds from M.A. CASA DE CAMBIO and had the funds transferred to his account to cover his overdraft. Miguel IRIBARNE agreed and said he would provide SSA with the missing document. Miguel IRIBARNE said the operation would have to occur this way because a casa de cambio in Argentina, by law, must complete an exchange when someone sends them money. In order for Nicolas DI TULLIO to use these funds to cover his overdraft, he had to complete an exchange. On June 24, 1999, SSA received an M.A. CASA DE CAMBIO receipt (exhibit #142) showing that M.A. CASA DE CAMBIO exchanged $2,000,000 into pesos for Nicolas DI TULLIO, and Nicolas DI TULLIO then sold $1.95 million in dollars back to the cambio for a dollar transfer on January 9, 1998.

NOTE: When one examines the statement (exhibit #1-25) for January 12, 1998, one can see the $1.35 million is immediately withdrawn on the same day. Also, on the same day, sale of $4,500,000 sale of securities by Nicolas DI TULLIO covered the overdraft.

17. SSA then asked about the other overdrafts. While viewing the statement (exhibit #1-25) one can see that beginning in November 1997, Nicolas DI TULLIO carried an overdraft in his account of approximately $2,000,000 until January of 1997. Again, between April 1998 and April 1999, Nicolas DI TULLIO had an overdraft that varied between a zero balance and a negative $638,229.43. Daniel FAIVISOVICH said that is a decision they made. Daniel FAIVISOVICH said that SSA is correct they do let Nicolas DI TULLIO carry an overdraft. Daniel FAIVISOVICH said that Nicolas DI TULLIO bought a stock titled Ecom Ecy Ost (#41,000,000 face value) in November 1997 that they used as collateral on the overdraft at that time. Daniel FAIVISOVICH and Miguel IRIBARNE said Nicolas DI TULLIO has no other collateral than what is

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listed on the statement.

18. SSA asked them why they let Nicolas DI TULLIO overdraw his account in early 1998, again, when it looked like Nicolas DI TULLIO lost a lot of money on his investments. Daniel FAIVISOVICH said that yes, Nicolas DI TULLIO lost a lot of money on the investments. Miguel IRIBARNE said that SSA has not seen a breakdown of the actual value of Nicolas DI TULLIO's investments at the end of each month. Miguel IRIBARNE said he would provide this. Miguel IRIBARNE further said that in early 1998 Nicolas DI TULLIO had plenty of collateral to cover his overdraft. Miguel IRIBARNE said that a fund called Fondargo FOD Agracio that Nicolas DI TULLIO had invested in took a sudden down turn and lost a lot of money. They, M.A. BANK, did not know this until June 1998. By the time they knew, U.S. Customs had already effected the seizure of their account. This is why Nicolas DI TULLIO's statement shows a $815,666 overdraft. Until Fondargo took a dive, Nicolas DI TULLIO had money to cover his overdraft.

1) NOTE: On June 24, 1998, Miguel IRIBARNE provided SSA with a breakdown of Nicolas DI TULLIO's investments and values by month for the time period July 31, 1997, to May 30, 1998 (exhibit WI-43). It does appear that these investments cover the overdrafts however, the statements are confusing and will need more analysis and explanation from M.A. BANK.

19. SSA asked if it was a normal business practice for M.A. Bank to let clients overdraw their accounts in this manner. Miguel IRIBARNE said it is not a common practice at all. Both Hector SCASSERRA and Miguel IRIBARNE said that they rarely let an overdraft happen. When SSA asked, why did they let Nicolas DI TULLIO overdraw his account in this manner? Miguel IRIBARNE said it was a decision they made. They normally base that decision on:

1) Do they know the client well?

2) Do they know a transfer is on the way to cover the overdraft?

3) Does the client have collateral to cover the overdraft? In this case they knew that Nicolas DI TULLIO had the money to cover the overdrafts.

20. SSA also asked the officers why some of the amounts for the incoming wire register are separated into smaller increments on the statement that Nicolas DI TULLIO clearly told M.A. BANK through notification letters (exhibit WI-5) that he was expecting whole amounts? Miguel IRIBARNE said it is possible they received the wires, but they had no instructions on what to do

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with them and combined them. Miguel IRIBARNE could not explain this further. Daniel FAIVISOVICH said that as far as he could tell it is a mistake.

21. SSA then asked the officers, who signed the receipts for the cash? Miguel IRIBARNE said that Nicolas DI TULLIO did. Miguel IRIBARNE said that usually Nicolas DI TULLIO would call and tell them he would be coming in to withdraw some money, then he would show up and sign the receipt. SSA also asked why the receipts looked different as compared to the "official" appearance of M.A. CASA DE CAMBIO's receipts? Miguel IRIBARNE said that the M.A. BANK receipts are a private receipt. The transactions are not reportable to the government, so they can generate them any way they want. SSA asked, why is EURO-AMERICA FINANCE printed on the receipts (it looks like a receipt Nicolas DI TULLIO generated)? Miguel IRIBARNE said the form is in the computer; Nicolas DI TULLIO can ask to have anything put on the receipt and they would do it, they did not care. SSA asked about EURO-AMERICA FINANCE. Hector SCASSERRA said Nicolas DI TULLIO did not want the local tax authorities to know about, and tax him on, the money coming from the U.S. EURO-AMERICA is a company name Nicolas DI TULLIO uses to avoid the tax authorities.

22. When asked about the initial $5,000,000 Nicolas DI TULLIO used to open the account, Daniel FAIVISOVICH said the money came in the form of a wire transfer to their Citibank New York account from a Bank of New York account in New York City. SSA asked if they could provide the wire transmittal document showing the incoming wire transfer. Miguel IRIBARNE told SSA that M.A. BANK has an electronic connection with Citibank through the Internet. The records they receive from Citibank are all electronic. They can "screen print" the records, but Miguel IRIBARNE said they have not had hard copy records for years. They only have wire records that they receive on their computer screen from the Citibank interface. Miguel IRIBARNE offered to get a copy of this "screen print" to SSA. On June 24, 1999, Miguel IRIBARNE gave SSA a computer generated form showing that a Cayman Bank, BANK OF BUTTERFIELD INTERNATIONAL LIMITED, by order of ALEXANDRIA B. ANCORP LIMITED sent Nicolas DI TULLIO the initial $5 million used to open his M.A. BANK account(exhibit #1-44).

23. SSA asked, why did Nicolas DI TULLIO leave his money in losing stocks (the initial $5,000,000 transferred into Nicolas DI TULLIO's account was used to purchase securities that appeared to constantly lose value)? Miguel IRIBARNE said he did not know why Nicolas DI TULLIO would, but that no one knew the investment would perform that poorly.

24. SSA then asked about the notification letters Nicolas DI TULLIO sent to M.A. BANK (exhibit #1-5); these letters were sent days ahead of the actual wire transfers. Miguel IRIBARNE confirmed that Nicolas DI TULLIO sent

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the letters. Miguel IRIBARNE said that one person at MERCADO ABIERTO watches for wire transfers. This person, a female, watches about 20 to 30 wire transfers a day arrive. When Nicolas DI TULLIO's wire transfer arrived she would tell one of the officers. Miguel IRIBARNE said clients do not have to send letters, they can call by telephone. Miguel IRIBARNE said that sometimes people do not call at all and some wait for as much as thirty days after the wire transfer arrives. SSA asked, how do they keep organized and make sure that the proper client receives the right amount of money? Miguel IRIBARNE said they check a client's claim that money had been sent, 20 days ago for example, by looking for the amount sent and the date. He said they always are able to match amounts with the client in this manner. If they cannot find the wire on the computer system or in the statements that Citibank New York sends them, they do not credit the client. Miguel IRIBARNE said they have never had a problem or been unable to match a client's claimed amount with an actual wire transfer.

25. SSA then asked, how did they match Nicolas DI TULLIO as the recipient of the approximately $4,284,999 in wire transfers that came into M.A. BANK for further credit to a third party name (Note: Nicolas DI TULLIO still sent the notification letters for these wire transfers to M.A. BANK with only his name listed as the recipient, he never mentioned the third party names in the letters - see ROI 4 under this case number). Miguel IRIBARNE said they knew these wire transfers belonged to Nicolas DI TULLIO because Nicolas DI TULLIO advised them of the amounts before the wires were sent. Miguel IRIBARNE said it is their responsibility to credit the client and, if there is no match, to send the money back; he stated that they had sent money back in the past that had been sent to M.A. BANK in error.

26. SSA once again asked Miguel IRIBARNE, how did they know to match these transfers to Nicolas DI TULLIO and not send them back; the names were different? Miguel IRIBARNE said they used the amount and date to match them to Nicolas DI TULLIO (Note: the letters were sent several days before the UC Operation sent the wire transfers and listed no dates to expect the wire transfer). Miguel IRIBARNE went on to explain that they (M.A. BANK) normally receive many "fantasy names" on the wire transfers they receive, so they just use the amount and date to match them to the proper client. When SSA asked about these "fantasy names," Miguel IRIBARNE said clients do this so the funds are not "regulated." Miguel IRIBARNE also explained that it is also normal for clients to wire transfer money to M.A. BANK and leave the beneficiary information completely off the wire transfer instructions, and M.A. BANK still matches the money to the client. SSA asked, what if two clients claim the same amount of money, or some client claims that money had been sent and M.A. BANK could not find the transfer amid all the similar transfers? Miguel IRIBARNE said they have never had this problem. Miguel IRIBARNE stressed that their clients trust the bank, especially the non-

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declared funds." SSA inquired if the funds were non-declared for tax purposes, and Miguel IRIBARNE said yes.

27. SSA next asked about sub-account 26051 that Nicolas DI TULLIO maintains at M.A. BANK. Specifically, why did they let Nicolas DI TULLIO withdraw the money when he had an overdraft situation in the main account. Miguel IRIBARNE said that Nicolas DI TULLIO told them he wanted a sub-account attached to his main account for "very minimal" wire transfers that he (Nicolas DI TULLIO) would be receiving (this sub-account received approximately $5,100,000 - all monies sent to this sub-account were further credited to third party names other than Nicolas DI TULLIO). Miguel IRIBARNE explained that there is no difference between the sub-account and the main account. Miguel IRIBARNE said M.A. BANK treats them as one account. Miguel IRIBARNE said that no signature card or new account application is needed. Nicolas DI TULLIO only had to send a letter requesting the sub-account (this letter can be found as part of exhibit MI-3). They do not know why he set up the sub-account. Also, at the time Nicolas DI TULLIO had other collateral in securities and bonds to cover the overdraft.

28. At this time SSA agreed to meet the next day at the MERCADO ABIERTO offices to view the operation and to obtain the documentation promised at this interview.

INVESTIGATION CONTINUES.

IDENTIFYING DATA SECTION:

1. M.A. BANK LEGAL ADDRESS:

C/O COUTTS HOUSE &CO.
COUTTS HOUSE
PO BOX 7070, WEST BAY ROAD
GRAND CAYMAN, B.W.I.
CONTACT: MR. RICHARD AUSTIN
TELEPHN: 1345 945-4727
FAX : 1345 945-4739

2. M.A. BANK ADMINISTRATIVE ADDRESS (EG: NOTICES):

C/O ESTUDIO ELZBERG Y ASOCIADOS
JUNCAL 1327 PISO 12 ESC. 1204
MONTEVIDEO, REPUBLIC ORIENTAL DEL URUGUAY
CONTACT: MR. JORGE GUTFREIND
TELEPHN: 5982 916-1030/1031/0332/1033
FAX : 5982 916-1034

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3. M.A. BANK BANKING CORRESPONDENTS:

FOR PAYMENTS/TRANSFERS IN UNITED STATES DOLLARS
SWISS BANK CORP. NEW YORK, NEW YORK
ABA: 0260-0799-3
ACCOUNT: 101-WA-030651-000 OF MERCADO ABIERTO S.A.
FURTHER CREDIT: A/C #2355 OF M.A. BANK LIMITED

FOR PAYMENTS/TRANSFERS IN EUROPEAN CURRENCIES & JAPANESE YEN
BANCO DE LA NACION ARGENTINA, LONDON

FOR DELIVERY/SETTLEMENTS OF EUROBONDS
EUROCLEAR OPERATIONS CENTRE
ACCOUNT 94319 - M.A. BANK LIMITED

FOR DELIVERY/SETTLEMENT OF ARGENTINE SECURITIES
CAJA DE VALORES S.A.
DEPOSITOR: 226 M.A. VALORES S.A. AS GLOBAL CUSTODIAN
FOR : 1627 M.A. BANK LIMITED

4. BANK OF BUTTERFIELD INTERNATIONAL LIMITED
A00/P.O. BOX 705 GEORGETOWN, CAYMAN ISLAND, BWI
POSSIBLE ACCOUNT NUMBER BANK OF NEW YORK 8033265086.

Wires sent by order of ALEXANDRIA B. ANCORP LIMITED(NFI)

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DETAILS OF INVESTIGATION:

On June 23, 1999, SSA interviewed representatives of M.A. BANK LTD. and M.A. CASA DE CAMBIO in Buenos Aires, Argentina. These entities received approximately $11,752,229 in laundered narcotics proceeds during Operation Casablanca. On June 24, 1999, SSA conducted a follow-up interview and collected documents at the Offices of MERCADO ABIERTO S.A. MERCADO ABIERTO is the physical location that both M.A. BANK and M.A. CASA DE CAMBIO occupy.

IN REFERENCE TO:

1. Seizure of $1,596,110.34 from M.A. BANK's Citibank account 36111336 by SAIC/Los Angeles on May 18, 1998.

2. Seizure of $134,598.23 from M.A. CASA DE CAMBIO's Citibank account 36137831 by SAIC/Los Angeles on May 18, 1998.

DATE OF INTERVIEW:

June 24, 1999

TIME OF INTERVIEW:

From 1300 hours to 1700 hours.

LOCATION OF THE INTERVIEW:

Offices of MERCADO ABIERTO S.A., Avenida Corrientes 415, 6th Floor, (1043) Buenos Aires, Argentina. Telephone 011-54-11-4-348-7494/7400.

PRESENT FOR THE INTERVIEW (at various times):

1. Maria del Sol Munoz, Attorney, Law Offices of Raul C. Sanguinetti, representing M.A. BANK and M.A. CASA DE CAMBIO in Argentina.

2. Mariela Caravetta, Attorney, representing M.A. BANK and M.A. CASA DE CAMBIO in the United States.

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2. Miguel E. IRIZARNE, President and shareholder, MERCADO ABIERTO and M.A. BANK. Also, a shareholder in M.A. CASA DE CAMBIO.

4. Hector L. SCARSERRA, Vice President of MERCADO ABIERTO and President of M.A. CASA DE CAMBIO.

5. Aldo DUCLER Luis DUCLER, Director and shareholder for M.A. BANK, M.A. CASA DE CAMBIO, and MERCADO ABIERTO (left interview early).

6. Daniel FAIVISOVICH, M.A. BANK Officer and Accountant, MERCADO ABIERTO, M.A. CASA DE CAMBIO, and M.A. BANK.

7. Senior Special Examiner, United States Federal Reserve Board of Governors.

8. Acting Customs Attache and interpreter.

INTERVIEW CONDUCTED BY:

SSA

THE FOLLOWING IS PERTINENT INFORMATION FURNISHED BY THE ABOVE SUBJECTS:

1. When SSA SSE and CA arrived at the offices of MERCADO ABIERTO, Av. Corrientes 415, 6th Floor, (1043) Buenos Aires, Miguel IRIZARNE gave them a tour of the MERCADO ABIERTO operations. During this tour SSA made the following observations:

1) Upon arrival, after exiting the elevators on the 6th floor, SSA saw a large sign with the MERCADO ABIERTO name and logo (a two-tone blue v-shape with a red crescent on top) displayed prominently in a reception area with a desk and secretary.

2) In a section of offices opposite the MERCADO ABIERTO reception area/room, SSA saw a sign for M.A. CASA DE CAMBIO with the MERCADO ABIERTO logo. Also, in this section of the office SSA saw some teller-type cages.

3) SSA observed a sign for M.A. VALORES S/A bearing the MERCADO ABIERTO logo.

4) SSA saw no signs or other indication of existence for M.A.

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BANK displayed in the public section of the offices.

5) SSA saw approximately thirty people working in various parts of the MERCADO ABIERTO offices. SSA saw the largest collection of individuals, about twenty, in a large, computer filled, room that Miguel IRIBARNE said was a trading room. In this room MERCADO ABIERTO receives instructions from clients to buy and sell securities and other investments.

6) Miguel IRIBARNE introduced SSA to a lady named Guillermina Fida, Transfer Supervisor, for MERCADO ABIERTO. She sits in a small office at a computer. Miguel IRIBARNE said that Fida is the person who reviews all incoming wire transfer information from Citibank. Fida's responsibility is to get the paperwork on the wire transfers to the proper department in MERCADO ABIERTO, I.E., MERCADO ABIERTO, M.A. BANK, M.A. CASA DE CAMBIO etc. If, for some reason Fida cannot figure out where a transfer is to go, she will approach Daniel FAIVISOVICH. Daniel FAIVISOVICH is responsible for crediting the proper clients. Miguel IRIBARNE also said that from here they can send back any money sent to them in error. Miguel IRIBARNE said that in the past Citibank sent them $1,000,000 by mistake, and they returned the funds. Miguel IRIBARNE let SSA look at the computer screen. SSA saw transfers listed that looked like the transfer provided in exhibit MI-44. Also, SSA saw that some of the wire transfers on the screen listed further credit information for clients, and some of the listings did not have further credit information.

7) Miguel IRIBARNE showed SSA the teller windows and the vault, located in the M.A. CASA DE CAMBIO section of the offices. All the offices are accessed from inside MERCADO ABIERTO. As SSA passed the teller window, Miguel IRIBARNE pointed out a man at one of the windows. Miguel IRIBARNE said that man just received $21,000.

8) Once past the windows, Miguel IRIBARNE showed SSA the vault. The bank in vault occupied a large portion of the room behind the teller windows. Immediately to the vault door, to the left, from [illegible] was a [illegible] that appeared to be safe deposit boxes, one with keys still in the locks. Miguel IRIBARNE told SSA that this is where the clients [illegible] the client puts in excess of their money. SSA saw numerous safe deposit boxes [illegible] on three of the majority of the vault. Miguel IRIBARNE told SSA that the [illegible] in fact stock certificates. They keep most of these certificates in safe deposit box at their

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DEPARTMENT OF THE TREASURY UNITED STATES CUSTOMS SERVICE	1. PAGE 5
REPORT OF INVESTIGATION CONTINUATION	2. CASE NUMBER [redacted]
	3. REPORT NUMBER: 011

bank; this was just the overflow.

9) SSA referring to the teller window and the vault, asked Miguel IRIBARNE if this is the place he would bring (for example) $100,000 as a customer of M.A. BANK, and have M.A. BANK wire transfer that money somewhere else? Miguel IRIBARNE said, yes that is correct. They, M.A. BANK, would keep the money in the vault until they could transport it to the bank, after which they would transfer the money. SSA also asked that if he received money from the United States as a customer of M.A. BANK, would someone from MERCADO ABIERTO pick up the cash at the bank in Argentina, bring it to MERCADO ABIERTO and place the money in the vault, and would he receive the money at the windows right here (see the previous report for details of this process)? Miguel IRIBARNE said that is correct. MERCADO ABIERTO operates just like a real bank; they have security on the vault, and they have armed guards in the vault room twenty-four hours inside MERCADO ABIERTO.

10) SSA mentioned the offshore, unregulated funds. Miguel IRIBARNE told SSA that he believes that all offshore accounts belonged to people avoiding taxes. Miguel IRIBARNE said maybe the money sometimes comes from other illegal activities as well. SSA asked him if he thought M.A. BANK's clients were hiding money to avoid taxes? Miguel IRIBARNE said sure, most of the customers have overseas account so they do not have to report income. Miguel IRIBARNE said he does not care. The customers are the ones not reporting, not him.

After the tour of the MERCADO ABIERTO offices, MERCADO ABIERTO officials gave SSA copies of documents he had requested the day before (see previous two reports for these exhibits). In addition, MERCADO ABIERTO officers provided the following documents:

MI-38 A facsimile copy of the front of the Citibank New York Signature card for M.A. BANK's account 36111386. Miguel IRIBARNE, Hector SCASSERRA, and Aldo DUCLER's names appear in the section listing authorized signers.

MI-39 M.A. BANK application form and requirements for opening a corporate account (blank).

MI-40 Selected pages from M.A. CASA DE CAMBIO's Banco Valores Account showing the checks that M.A. CASA DE CAMBIO wrote for Nicolas DI TULLIO. The pages were selected by M.A. CASA DE CAMBIO not to show the checks.

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UNITED STATES CUSTOMS SERVICE

PAGE 6

REPORT OF INVESTIGATION
CONTINUATION

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MI-47 Listing of overseas companies investing in Argentina, and their local (Argentinean) affiliates.

MI-48 An Argentinean government publication for the prevention of drug addiction and how to fight narcotics trafficking.

MI-49 Central Bank of Argentina regulations on how to prevent money laundering and identify suspicious transactions.

3. Miguel IRISARNE instructed the accountant for MERCADO ABIERTO, Juan Jose ROMANO, to show SSA the log for transactions of more than $10,000 that MERCADO ABIERTO keeps per Central Bank regulations. ROMANO showed SSA the log book of transactions, and SSA was able to locate all of Nicola DI TULLIO's M.A. CASA DE CAMBIO transactions. ROMANO told SSA that he informs the Central Bank, monthly, on the transactions (in and out) for M.A. CASA DE CAMBIO. He further advised SSA that they are only required to report the total transactions for the casmbio. They keep the log and a record of the transactions on a diskette, as they are required, in the event that the Central Bank sends in auditors to look at M.A. CASA DE CAMBIO. They do not keep a log or a diskette of transactions for M.A. BANK because, as described previously, and due to the way they structure the transactions, they are not the party that must report the transactions. ROMANO told SSA that he has held his position as MERCADO ABIERTO accountant and internal auditor for approximately fifteen years, and he is the only internal auditor for MERCADO ABIERTO.

4. SSA has asked, prior to the trip to Argentina and during the previous interview, for monthly statements for Nicolas DI TULLIO's account. Miguel IRISARNE told SSA that the statement they already provided are the only statements they keep. Miguel IRISARNE stated that if Nicolas DI TULLIO did not ask for a monthly statement (i.e., a breakdown) of his account, they would not provide one.

5. Hector SCASSERRA took the opportunity to tell SSA that they never let Nicolas DI TULLIO overdraw his account. Hector SCASSERRA said Nicolas DI TULLIO always had a credit with his investments. Only in May of 1998 did Nicolas DI TULLIO truly overdraw the account and only then because the lenders to fund lost so much money.

6. SSA asked the officers IRA kind of action and/or legal action they have taken against Nicolas DI TULLIO in the past years to recoup the overdraft. Miguel IRISARNE said they have not taken any legal actions against Nicolas DI TULLIO. Miguel IRISARNE stated they are waiting for the outcome of the U.S. Customs seizures. Miguel IRISARNE said they need to consider their

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UNITED STATES CUSTOMS SERVICE

11. AGE 7

12. CASE NUMBER [redacted]

REPORT OF INVESTIGATION
CONTINUATION

13. REPORT NUMBER: 011

actions because it is complicated. They have conducted a search and could find no assets that Nicolas DI TULLIO might have that they could go after. They do not know when they will institute action to get their funds back.

7. SSE then asked them if they had a collateral agreement with Nicolas DI TULLIO to use Nicolas DI TULLIO's investments as collateral for the overdrafts. At first the officers said they did not have one. Then they said they would send the agreement to SSA Finally, Miguel IRIBARNE said that the collateral agreement was part of the original application agreement. Miguel IRIBARNE said they would have to order this from the administrative offices in Uruguay, and they would send SSA a copy. SSE said this sounded as if they were issuing unauthorized credit. Miguel IRIBARNE said, no Hector SCABBERRA authorized the credit; the problem is that he authorized the credit before he found out about the Fondargo Fund. This was a mistake on their part, but Nicolas DI TULLIO had been a good client for a year up to that point.

8. After the conclusion of this interview, Mariela Caravetta asked to speak to SSA alone. SSA and CA met Caravetta at her tempory offices in Buenos Aires. During this meeting Mariela Caravetta stated that she wanted to sit in on the interview with Nicolas DI TULLIO. Not only did she want to sit in on the interview, so did Maria del Sol Munoz, Attorney, Law Offices of Raul C. Sanguinetti (the attorney representing MERCADO ABIERTO in Argentina).

9. SSA said he did not like that idea. Caravetta said the U.S. Customs Service owed it to her side since she found Nicolas DI TULLIO and was providing him for "testimony." SSA thanked her and said that was nice, but U.S. Customs could find him themselves. She said he would not talk to Customs if she was not present. SSA told her no less than five times that this appeared to be a conflict of interest since he supposedly still owed her clients money. SSA also said it appeared as if she and Maria del Sol Munoz wanted to influence, monitor, and control what Nicolas DI TULLIO would say at the interview. Caravetta kept threatening to make Nicolas DI TULLIO unavailable for interview regardless of how it may look. She said she and Munoz just wanted to protect their clients interests.

10. SSA told Caravetta he would get back to her on the subject.

REDACTED

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE

REPORT OF INVESTIGATION
CONTINUATION

PAGE 8

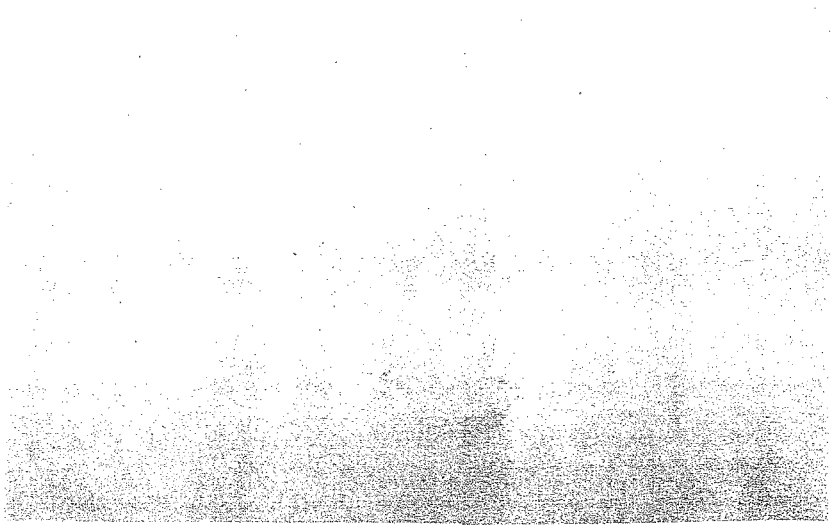
2. CASE NUMBER [redacted]

3. REPORT NUMBER: 011

to the interview.

INVESTIGATION CONTINUES

UNDEVELOPED LEADS: TO BE DETERMINED BY THE SAIC/LOS ANGELES.



Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____62g_____

Exhibit 62g.

Permanent Subcommittee on Investigations correspondence with Citibank

Citibank, N.A.

399 Park Avenue
New York, NY 10043

March 13, 2000

Honorable Carl Levin
Ranking Minority Member
Permanent Subcommittee on Investigations
United States Senate Committee on Governmental Affairs
Washington, DC 20510-6250

Dear Senator Levin:

Citicorp is pleased to respond to your letter dated on February 9, 2000, and the survey regarding correspondent banking services.

10. The GCIB does not establish relationships with customer banks that have no fixed physical presence in a particular location or with banks whose licenses require them to operate exclusively outside the jurisdiction in which they are licensed.

11. The GCIB does not open bank accounts for banks that have no fixed physical presence in a particular location or with banks whose licenses require them to operate exclusively outside the jurisdiction in which they are licensed. However, the GCIB may open a bank account for an existing customer bank's off-shore subsidiaries or affiliates.

Senate Permanent Subcommittee
On Investigations
EXHIBIT #____62h____

Exhibit 62h.

Citibank documents related to M.A. Bank

BASIC INFORMATION REPORT

0 1 6 3 2 5 0 0 7 /

Country/Division	Date	Date account opened
Buenos Aires, Argentina	Jul-94	Jul-94
Name	Line of business	How obtained
M. A. BANK LIMITED	6211 - Security broker and dealer	See "Corporate Relationship"
Address	Risk rating	
P.O. 707 C. ind Cayman Cayman Islands, B.W.I.	3R.6	

Owner's %

33%	Aldo Luis Ducler
33%	Hector Luis Scassera
33%	Miguel Eduardo Inberne

Management & Directors:

* President: Miguel Eduardo Inberne
Born in 1945. Undergraduated studies in Economics. Former Subsecretary of the Economy Ministry and active negotiator with the World Bank, Development Bank and the IMF.

* Vice president: Hector Luis Scassera
Born in 1944. Undergraduated studies. Accountant. Former Director of The National Development Bank.

* Directors: Aldo Luis Ducler
Born in 1942. Undergraduated studies in Economics. Graduate studies in Planning (Netherlands). Former Secretary of the Economy Ministry an negotiator of Argentina's external debt with the IMF.

Alcides Mira
He started operations in the firm in 1993. He is a former Senior Management in Citibank.

History

The Company is held by the Directors of Mercado Abierto as a service for their clients. This bank has been aloud to operate by the Cayman Isles government since 1991 and is also by the Comisión Nacional de Valores. The entity appears in Mercado Abierto balance sheet as a subsidiary so it is regulated also by Argentine Central Bank.

Banking & other financial information

We have no evidence or information about activities of the company regarding money laundering with the knowledge of its directors or shareholders.

APPROVAL

RM / Business manager: JUAN PABLO TRIGO

Division executive: FITS

Country compliance officer: EDUARDO FORTUNATO

Country corporate officer

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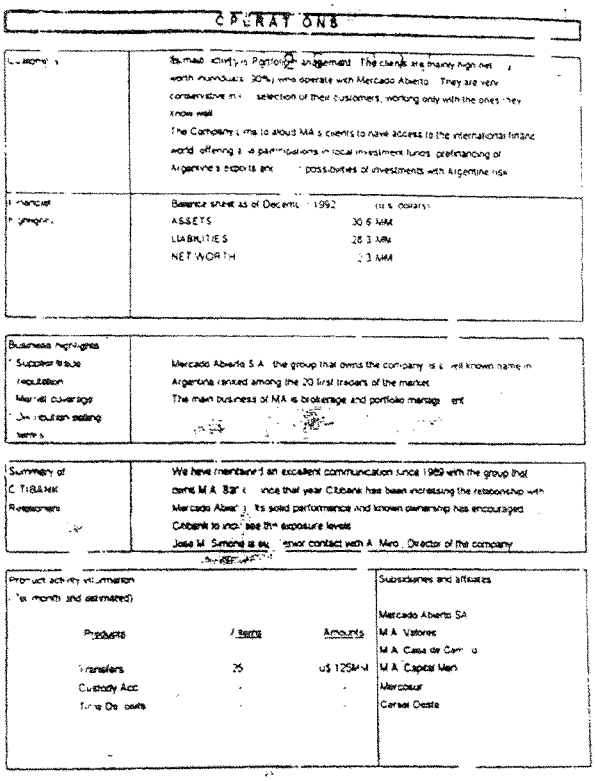
CS007656



C O N F I D E N T I A L

C u s t o m e r ' s	Its main activity is Portfolio arrangement. The clients are mainly high net worth individuals (80%) who operate with Mercado Abierto. They are very conservative in the selection of their customers, working only with the ones they know well. The Company aims to afford MA's clients to have access to the international financial world offering the participations in local investment funds, prefinancing of Argentine's exports and possibilities of investments with Argentine risk.
F i n a n c i a l p o s i t i o n	Balance sheet as of December 1992 (U.S. dollars) ASSETS 30.6 MM LIABILITIES 28.3 MM NET WORTH 2.3 MM
Business highlights * Supplier's true reputation Market coverage * Underwriting selling terms	Mercado Abierto S.A. the group that owns the company is a well known name in Argentina ranked among the 20 first brokers of the market. The main business of MA is brokerage and portfolio management
Summary of CITIBANK Relationship	We have maintained an excellent communication since 1989 with the group that owns M.A. Since that year Citibank has been increasing the relationship with Mercado Abierto by its solid performance and known ownership has encouraged Citibank to increase the exposure levels. Jose M. Simond is our senior contact with A. Mero, Director of the company.

Product activity information (6 months and estimated)			Subsidiaries and affiliates
Products	# Items	Amounts	Mercado Abierto SA
Transfers	25	u$ 125MM	M.A. Valores
Custody Acc.	-	-	M.A. Casa de Cambio
Time Deposits	-	-	M.A. Capital Mkt.
			Mercosur
			Cereal Oeste

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CS007654

[illegible] 02:14PM CITIBANK LEGAL DEPT. P.12
[illegible] FR LEHG/GCO CITIBANK 212 793 4402 TO NED P.01

CITIBANK
LEGAL AFFAIRS OFFICE
LITIGATION MANAGEMENT UNIT
425 PARK AVENUE, 3RD FLOOR, ZONE #3
NEW YORK, NEW YORK 10043

TO: Pat Fenton

FAX NUMBER:

PHONE NUMBER: 4-9036

DATE: 5/18/98 11:15 am

FROM: GAIL BURWA, PARALEGAL

PHONE NUMBER: (212) 559-2144

FAX NUMBER: (212) 793-4404

NUMBER OF PAGES SENT INCLUDING COVER PAGE: 3

COMMENTS: 2 Seizure Warrants Sent to Ben today -

- Gina Suarez is the rep. for these accts.
- Hector Novena is the RM.
- However both are out today. Roberto Barroso will coordinate payment with you. He has the copies of the warrants & will check with Jim Forde in terms of compliance.
- Roberto's #s are - 6-0676 (Fax) 6-0127 (Ph.)

CS007821

MEMORANDUM

Mayo 30, 1998

Ref.: GRUPO MERCADO ABIERTO

En la fecha me reuni con los Sres. Hector Scaserra y Miguel Iribarne –Presidente y vice del Grupo Mercado Abierto – para recabar datos referentes a los embargos que sufrieron las DDAs M.A.Bank y M.A.Casa de Cambio, por instruccion de Customs Service EEUU.

Hector Scasserra me comento que desconoce al ordenante de dichas transferencias, y dio instrucciones al estudio juridico del Dr.Sanguinetti, para que por su intermedio contrate un abogado americano para diligenciar las investigaciones .

Este abogado americano necesitara una carta autorizacion emitida por el presidente del Grupo M.A. a los efectos que Citibank N.Y. le brinde la informacion necesaria para iniciar los tramites judiciales pertinentes.

M.A. ejerce severos controles de anti Money Laundering, mediante acta de asamblea tiene documentado los procedimientos a seguir y su politica de KYC.

Amalia Iglesias

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MEMORANDUM

May 30, 1998

Ref.: GRUPO MERCADO ABIERTO

Today I met with Messrs. Hector Scaserra and Miguel Iribarne - President and Vice President of Grupo Mercado Abierto - to gather information about the attachments to which the M.A. Bank and M.A. Casa de Cambio DDA's [TR.: Possibly "Demand Deposit Accounts"] were subject on instructions from the US Customs Service.

Hector Scasserra told me he does not know who ordered said transfers, and he gave instructions to Dr. Sanguinetti's law offices that, through him, an American attorney should be hired to deal with the investigations.

This American attorney will need a Letter of Authority issued by the President of Grupo M.A. to the effect that Citibank NY should provide him the information required to initiate the appropriate legal proceedings.

M.A. exercises strict anti-money laundering controls. The procedures to be followed and its KYC policy are documented in Meeting minutes.

[illegible signature]
Amalia Iglesias

[stamp]
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CS 007658

CMLA 3-JUN-98 20:19:41 011148

To: Martin Lopez (CSBUE:LAGF)
CC: Cristina Tjarks (CSBUE:LAGF)
From: Amalia Iglesias (CSBUE:LAGF)
Date: WED 03-JUN-98 20:19 GMT
Subject: Mercado Abierto S.A. - Call Report

Participantes Miguel Iribarne - Presidente
Hector Scasserra _ Vice Presidente

Amalia Iglesias

El 15 de mayo me reuni con los Sres. Iribarne y Scasserra con la finalidad de realizar un seguimiento de su operatoria.

Mercado Abierto S.A. es agente de Mercado Abierto y se especializa en la compra-venta de titulos publicos, pero su estrategia en los ultimos anios ha focalizado principalmente como empresa de Asset Mgment. manejando aprox.USD 400MM en activos .

Recientemente han creado tres fondos comunes de inversion:
1.-FONDAGRO: fondo de inversion directa cuyo objeto es la siembra, cosecha y venta de algodon, maiz y soja durante la campania 97/98, compuesto por un monto aprox. de USD2MM.

2.-FONDO PROVINCIAL Y MUNICIPAL: fondo de inversion compuesto exclusivamente por titulos prov. y municipales; patrimonio de USD2,5MM

3.-FONDO MERCOSUR: renta mixta, compuesto por titulos publicos,acciones, ON, opciones y futuros.

Por otro lado, estan creando un fideicomiso financiero con el objeto de financiar proyectos de construccion en diversos barrios de la Capital, destinados al segmento medio/medio bajo de poblacion.

Tienen estrictas politicas money laundering y no aceptan clientes que no en referenciados por viejos clientes de la casa, que en este momento suman alrededor de 3000.

Los vehiculos de Mercado Abierto son:
M.A.Valores Soc.de Bolsa
M.A.Bank
M.A.Capital Markets
M.A.Casa de Cambio
Mercofond Soc.Gte.de fondos de inversion
Custodia Soc.dep.de fondos de inversion

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La auditoria de todos los vehiculos esta a cargo de Deloitte & Touche.

Saludos
Amalia

Delivered: WED 03-JUN-1998 20:19 GMT

CMLA 3-JUN-98 20:19:41 011148

To: Martin Lopez (CSBUE:LAGF)
CC: Cristina Tjarks (CSBUE:LAGF)
From: Amalia Iglesias (CSBUE:LAGF)
Date: WED 03-JUN-98 20:19 GMT
Subject: Mercado Abierto S.A. - Call Report

Participants Miguel Iribarne - President
Hector Scasserra - Vice President

Amalia Iglesias

On May 15 I met with Messrs. Iribarne and Scasserra to follow up on their operation.

Mercado Abierto S.A. is an agent of Mercado Abierto and specializes in the purchase and sale of public securities, but its strategy in recent years has been principally as an Assets Management company handling approximately US$ 400 million in assets.

They have recently created three common investment funds:
1) Fondagro: Direct investment fund whose objectives were the planting, harvesting, and sale of cotton, corn, and soy during the 97/98 season; approximately US$ 2 million.
2) Fondo Provincial y Municipal: an investment fund comprised exclusively of provincial and municipal securities, with assets of US$ 2.5 million.
3) Fondo Mercosur: mixed payout consisting of public securities, shares, ON [TR.: probably negotiable obligations], options, and futures.

Moreover, they are creating a financial trusteeship with the objective of financing construction projects in various areas of the Capital, intended for the middle/lower middle population segment.

They have strict money laundering policies and do not accept clients who do not have references from the house's old clients, which at this time number about 3000.

Mercado Abierto's vehicles are:
M.A. Valores Soc. de Bolsa
M.A. Bank
M.A. Capital Markets
M.A. Casa de Cambio
Mercofond Soc. Gte. de fondos de inversión
Custodia Soc. dep. de fondos de inversión

Deloitte & Touche is in charge of auditing all these vehicles.
Regards
Amalia
Delivered: WED 03-JUN-1998 20:19 GMT

[stamp]
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M.A. BANK LIMITED
P.O. 707, Grand Cayman
Cayman Islands, B.W.I.

Buenos Aires, 17 de Junio de 1998

Señores
CITIBANK N.A.
At. Sr. Franklin Mc Intyre
Presente

Estimado Sr. Mc Intyre:

Semanas atrás, nos transmitieron Uds. información acerca de la existencia de una orden emanada de una corte de justicia federal por la cuál se trabó un embargo sobre nuestra cuenta Nº 36111386 en ese Banco y se debitaron fondos de la misma para ser transferidos a la orden de dicha corte federal.

Tratándose, según Uds. nos anuncian, de una investigación que lleva a cabo una agencia gubernamental federal el tema reviste para nosotros gran importancia y razonable inquietud en tanto a través de la cuenta corriente afectada se realiza gran parte de las transacciones que resultan de nuestra actividad comercial y a la que concurren acreditaciones y débitos en favor de un número indeterminado de clientes.

Es por ello, que no habiendo recibido de Uds. otras noticias que las adelantadas en forma verbal, les requerimos nos brinden un informe sobre el origen, causa, autoridad actuante en la orden de embargo recibida, asi como todo acto por Uds. realizado que haya tenido por objeto disponer de fondos existentes en nuestra cuenta corriente Nº 36111386 en lo posible remitiéndonos copia fiel de las constancias documentales que certifiquen la existencia de tal orden judicial y de las transferencias u otros actos por Uds. realizados en virtud de la misma.

Este requerimiento tiene por objeto asumir una posición frente a la corte o autoridad gubernamental actuante, e, incluso frente a Uds.. Aclaramos que nuestra vocación es la de colaboración con cualquier investigación que emane de autoridad judicial competente, pero Uds. conocen los deberes de resguardo de privacidad y confidencialidad que emanan de nuestra relación con Uds. y con nuestros clientes que debemos respetar en tanto no sean legitimamente levantados por autoridad competente o por propia decisión de nuestros clientes que debemos requerir en cada caso en particular.

A la espera de la información requerida, les saludamos muy atentamente.

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MIGUEL E. [illegible]
PRESIDENTE

CS007638

M.A. BANK LIMITED [logo]
P.O. 707, Grand Cayman
Cayman Islands, B.W.I.

Buenos Aires, June 17, 1998

Messrs.
CITIBANK N.A.
Attn.: Mr. Franklin Mc Intyre
By Hand

Dear Mr. Mc Intyre:

Several weeks ago, you sent us information about the existence of an order issued by a Federal court levying an attachment on our account No. 36111386 in that Bank, and funds were debited therefrom to be transferred to the order of said Federal court.

As you advised us, this concerns an investigation being carried out by a Federal government agency. This is of great importance to us and causes us reasonable concern inasmuch as many transactions resulting from our commercial activity are carried out through the affected current account, and credits and debits in favor of an undetermined number of clients flow through this account.

Therefore, having received no notice from you other than that which was provided verbally, we request that you furnish us a report on the origin, cause, [and] authority acting on the attachment order received, as well as all actions taken by you whose objective was to make disposition of funds in our current account No. 36111386, as far as possible, providing us an exact copy of the documentary evidence attesting to the existence of such judicial order and of the transfers or other actions taken by you as a consequence thereof.

The purpose of this request is [to enable us to] take a position with respect to the court or acting governmental authority and even with respect to you. We would like to make it clear that we want to cooperate with any investigation emanating from competent legal authority, but you are aware of the duties with regard to protecting privacy and confidentiality that stem from our relationship with you and with our clients, which we must respect as long as they are not legitimately abolished by competent authority or by decision of our clients themselves, which we must request in each individual case.

Hoping to receive the requested information, sincerely yours,

[stamp]
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SUBCOMMITTEE
MEMBERS AND STAFF ONLY

[illegible signature]
MIGUEL S. IRIBARE
PRESIDENT
CS007638

CMNA 26-JUN-98 12:25:25 002695
To: Amalia Iglesias (CSBUE:LAGF)
From: Gina Suarez (USNYC:FIG-NA)
Date: FRI 26-JUN-98 12:25 GMT
Subject: M.A.Bank - M.A.Casa de Cambio*urgente

Amalia, disculpame por no haberte mandado respuesta. Lamentablemente, esto no es mi decision si no la de COMPLIANCE -JAMES FORBE. Me haces el favor y mandas este y todos tus citimail en ingles, asi los puedo copiar o mandar a otras personas.
PS: hoy me voy de vacaciones, por favor mandale el el mensaje atencion de Carlos Parra (le voy a dejar toda la info a el).
gracias
Gina Suarez
FYI
Forwarded message:

CMLA 24-JUN-98 19:40:07 011301
To: Gina Suarez (USNYC:FIG-NA)
CC: Martin Lopez (CSBUE:LAGF)
From: Amalia Iglesias (CSBUE:LAGF)
Date: WED 24-JUN-1998 03:40 PM EDT
Subject: M.A.Bank - M.A.Casa de Cambio

Gina:
Luego de recibir tu fax, consulte con la gente de Corporate Legal,que se requiere para que la carta autorizacion tenga validez legal en EEUU y solicitarlo a nuestro cliente y esto fue lo que me dijeron:

REDACTED REDACTED REDACTED

Le ofrecimos al Sr.Iribarne, que una vez cumplimentados estos tramites, nosotros te hariamos llegar la carta original via DHL.

Te agradecere me hagas saber si estas de acuerdo con el procedimiento.

Gracias por tu ayuda
Saludos
Amalia

Delivered: WED 24-JUN-1998 03:40 PM EDT

Delivered: FRI 26-JUN-1998 12:25 GMT

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REGULATION
SUBSTANTIVE MEMBERS AND STAFF
ONLY

CMNA 26-JUN-98 12:25:25 002695

To: Amalia Iglesias (CSBUE: LAGF)
From: Gina Suarez (USNYC: FIG-NA)
Date: FRI 26-JUN-98 12:25 GMT
Subject: M.A. Bank - M.A. Casa de Cambio * urgent

Amalia, excuse me for not having sent a response. Unfortunately, this is not my decision, but that of COMPLIANCE - JAMES FORBE. Do me a favor and send this and all your citimail[s] in English, so I can copy them or send [them] to other people.
P.S.: I'm going on vacation today; please send the message to the attention of Carlos Parra (I'll leave all the info for him).
Thanks,
Gina Suarez
FYI
Forwarded message:

CMLA 24-JUN-98 19:40:07 011301

To: Gina Suarez (USNYC: FIG-NA)
CC: Martin Lopez (CSBUE: LAGF)
From: Amalia Iglesias (CSBUE: LAGF)
Date: WED 24-JUN-1998 03:40 PM EDT
Subject: M.A. Bank - M.A. Casa de Cambio

Gina:
After receiving your fax, I asked the Corporate Legal people what is required for the letter of authority to be legally valid in the United States, and to ask our client for it and this was what they told me:

REDACTED REDACTED REDACTED

We proposed to Mr. Iribarne that once these steps were completed, we would send you the original letter via DHL.

Please let me know if you agree with the procedure.

Thanks for your help.
Regards
Amalia

Delivered: WED 24-JUN-1998 03:40 PM EDT

Delivered: FRI 26-JUN-1998 12:25 GMT

[stamp]
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CS 007820

Translated by Wendy Griswold at the request of the Congressional Research Service, March 9, 2000.

MEMORANDUM

Noviembre 4, 1998

Ref.: Grupo Mercado Abierto - fondos embargados por Corte Federal de California

Me reuni con Hector Scasserra con la finalidad de interiorizarme acerca de la investigacion de la ref. Scasserra me informo que Customs solicito el embargo de sus DDAs dado que en ellas se han recibido transferencias a favor de uno de sus clientes, que estan siendo investigadas

Si bien, a traves de su abogado en EEUU, M.A. ha colaborado con Customs poniendo a su disposicion toda la informacion a fin de facilitar la investigacion, aun la Corte no se ha expedido al respecto.

Amalia Iglesias

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CS007664

MEMORANDUM

November 4, 1998

Ref.: Grupo Mercado Abierto - Funds attached by the Federal Court of California

I met with Hector Scasserra to learn about the referenced investigation. Scasserra advised me that Customs requested the attachment of its DDA's [TR.: Possibly "Demand Deposit Accounts"] since transfers in favor of one of its clients, which are being investigated, have been deposited in them [TR.: Ambiguous. It seems to be the transfers that are being investigated].

However, through its attorney in the United States, M.A. has cooperated with Customs, making all the information available to it in order to facilitate the investigation. The Court has not yet issued [a decision] in this regard.

[illegible signature]
Amalia Iglesias

[stamp]
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CS 007664

MEMORANDUM

Marzo 1,1999

Ref.: GRUPO MERCADO ABIERTO – Investigacion

Hector Scasserra me informo que han pedido a su abogada en EEUU que solicite a Customs y a la Reserva Federal, una reunión en sus oficinas a los efectos de acelerar la investigacion con el proposito de quedar desafectados de la misma.
A tal efecto , M.A. y su cliente , beneficiario de las transferencias , desean poner a disposicion de ambos organismos toda la documentacion que avala el motivo de dichas transferencias.
Su abogada les informo que no hay causa judicial , el tramite es exclusivamente administrativo y confia que pronto recuperaran los fondos bloqueados.

Amalia Iglesias

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CS007663

MEMORANDUM

March 1, 1999

Ref.: Grupo Mercado Abierto - Investigation

Hector Scasserra advised me that they have asked their attorney in the United States to request a meeting with Customs and the Federal Reserve in their offices to expedite the investigation for the purpose of being released from it.

To this end, M.A. and its client, the beneficiary of the transfers, want to make available to both organizations all the documentation of the reasons for said transfers.
Their attorney has advised them that there is no lawsuit - the proceeding is exclusively administrative, and she is confident that the blocked funds will soon be recovered.

[illegible signature]
Amalia Iglesias

[stamp]
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Author: Amalia Iglesias at 53CSBUE
Date: 1/24/99 8:28 AM
Priority: Normal
TO: Martin Lopez at 53CSBUE
CC: Trinidad Quiroga-Prat at 53CSBUE
Subject: Mercado Abierto - Call Memo
---------- Message Contents ----------

Participantes Hector Scasserra - Presidente
Alejandro Ambrossi - Gte.Administrativo

Amalia Iglesias

Motivo de la reunion:
Visita mensual a los efectos de reveer la relacion y detectar nuevas necesidades.
En esta oportunidad, ofreci la migracion de CCM a Citibanking en virtud de los problemas de comunicacion que estan teniendo. Por otra parte, la conciliacion de saldos y movimientos de todas sus ctas. locales abiertas en varios bancos les esta ocasionando serios problemas administrativos. En consecuencia les ofreci Datanet, y les envie el contrato, requerimientos tecnicos y diseño de registro.

Ademas, y considerando la principal actividad de Mercado, chequeamos sus procesos de Anti Money Laundering.

Saludos
Amalia

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Author:	Amalia Iglesias at 53CSBUE
Date:	3/24/99 8:28 AM
Priority:	Normal
TO:	Martin Lopez at 53CSBUE
CC:	Trinidad Quiroga-Prat at 53CSBUE
Subject:	Mercado Abierto - Call Memo

--- Message Contents ---

Participants: Hector Scasserra - President
Alejandro Ambrossi - Administrative Manager

Amalia Iglesias

Reason for the meeting:
Monthly visit to review the relationship and learn about new needs.

At this time, I offered the move from CCM to Citibanking because of the communication problems they are having. Moreover, the reconciliation of balances and movements from all their local accounts [which are] open in various banks is causing them serious administrative problems. Therefore, I offered them Datanet, and I sent them the contract, technical requirements, and record layout.

Furthermore, and considering Mercado's principal activity, we checked their Anti-Money Laundering procedures.

Regards,
Amalia

[stamp]
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CS 007662

P.O. 707, Grand Cayman
Cayman Islands, B.W.I.

June 7th, 1999

Mr. Karlis Adamsons
Deputy Head
On-site Inspections
Cayman Islands Monetary Authority

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Re: Your letter dated June 4, 1999 [Ref.: KA/dml – License: 91057]

Dear Mr. Adamsons,

This is in reply to your most recent letter regarding information of proceedings in the United States.

We believe it may refer to the only legal matter in the United States which is an ongoing investigation from the U.S. Customs Service of funds deposited in M.A. Bank account in New York (Citibank, NA a/c # 36111386) for and in the benefit of third parties, namely one single customer of the Bank in Argentina.

Pursuant to a request made by the U.S. Customs Service to the Federal Court of the Central District of California, there was a seizure of USD 1,595,110.34 from such account. Aside from that event, the account has been unencumbered and fully operative to date.

The customer, who is a well known businessman in Argentina, connected with real estate development projects, has given his consent to disclose all the details of such transfers to the U.S. Customs Service.

The reimbursement to M.A. Bank, Ltd. of the funds withdrawn has been formally requested to the U.S. Customs Service and it is still an outstanding claim. Meanwhile, to the effect of protecting the depositors, the Bank's shareholders have made a pledge deposit for an equivalent amount.

PS000154

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M.A. BANK LIMITED
P.O. 707, Grand Cayman
Cayman Islands, B.W.I.

Much as this unexpected and most unfortunate event has affected us personally, we consider it shall not have any material impact on our clients, or on the operational capacity of the Bank, or on its creditworthiness in general.

This matter is being handled by our attorney-in-law Ms. Mariela Caravetta, 6320 Van Nuys Blvd. Suite 205, Van Nuys, CA 91401, U.S.A., Tel.: (818) 902-2111, Fax: (818) 902-9978, e-mail: lawofmc@gte.net. We have requested her a complete report and assessment be submitted to you within the next ten days.

Please contact direct our legal counsel in the United States of America if you deem it necessary.

Sincerely yours,

Miguel E. Iribarne
President

Aldo L. Ducler
Director

Enc.: Copy of letter from Attorney Ms. Caravetta, dated October 27th, 1998, referring to the funds withdrawn in particular.

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Law Offices of
MARIELA CARAVETTA
6320 Van Nuys Blvd. Suite 205 - Van Nuys, CA 91401
Tel: (818) 902-2111 - Fax: (818) 902-9978 - E-mail: lawofmc@gte.net

June 17, 1999

Coutts (Cayman) Limited
Attn.: Mr. Richard Austin
P O Box 707
Grand Cayman
Cayman Islands, B.W.I.

RE: M. A. Bank Ltd.

Dear Mr. Austin:

Please find enclosed letter directed to the Cayman Islands Monetary Authority in reply to their letter dated 06/03/99 and according to instructions received form M. A. Bank Ltd.

Please forward it to the Mr. Adamsons.

If you have any questions, do no hesitate to contact me.

Yours truly,

Mariela Caravetta
Attorney At Law

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PS000157

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Law Offices of
MARIELA CARAVETTA
6320 Van Nuys Blvd, Suite 205 - Van Nuys, CA 91401
Tel: (818) 902-2111 - Fax: (818) 902-9978 - E-mail: lawofmc@gte.net

June 17, 1999

Cayman Islands Monetary Authority
Deputy Head
On-site Inspections
Attn.: Mr. Karlis Adamsons
P O Box 10052 APO
Grand Cayman
Cayman Islands, B.W.I.

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RE: M.A. Bank Limited
Citibank NY Account No 36111386

Dear Mr. Adamsons:

My client, M. A. Bank Ltd., has requested me to report you the nature and status of the legal proceeding in connection with M. A Bank Ltd.'s (herein after referred as "the bank") account at Citibank New York, Account No 36111386.

The U.S. Customs Service ("Customs") is investigating financial and banking transactions within the United States that are supposedly related with money laundering activities. On May 14, 1998 the Customs requested the Federal Court of the Central District of California seizure of funds deemed connected with the investigation, deposited at several different banks within the United States. Customs submitted an affidavit in support of the Petition for Seizure where it was specifically indicated the transactions deemed connected to illegal activities. The Federal Court granted the petition and $1,596,110.34 where seized from account N° 36111386 of the Bank

From the date we received notice of these proceedings, we have been working with Customs in order to facilitate their investigation. Since the transactions investigated by Customs and laid down in the affidavit are all funds deposited for order and to the benefit of one client of Bank, with this client's consent we provided Customs with history and records of the customer relations with the Bank and his personal testimony as well. In addition, we have sent Customs not only the Bank's business profile and balances but also other relevant institutional documentation about other companies of the group.

Aside the preventive proceeding to preserve funds deemed connected with the ongoing investigation, Customs has not pursued any action at Court against either the Bank or its client.

L a w O f f i c e s o f
MARIELA CARAVETTA
6320 Van Nuys Blvd. Suite 205 - Van Nuys, CA 91401
Tel: (818) 902-2111 - Fax: (818) 902-9976 - E-mail: lawofmc@gte.net

In addition, we have submitted evidence in support of Bank's ownership of the funds in account N° 36111386 at the time of seizure and requested full restitution. We are confident that the U.S. Customs will favorably resolve this controversy without further action.

Should you have any questions, please do not hesitate to contact me.

Yours truly,

Mariela Caravetta, Esq.
Law Offices of Mariela Caravetta

Cc: M. A. Bank Ltd., Cayman Islands B.W.I.

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CAYMAN ISLANDS
MONETARY AUTHORITY

Ref: KA/tm

July 6th, 1999

Mr. Miguel E. Iribane
President
M.A. Bank Limited
c/o Coutts (Cayman) Limited
PO Box 707
Grand Cayman
Cayman Islands, BWI

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Attention: Mr. Richard Austin

Dear Mr. Iribane:

We refer your letter dated 7 June 1999 and further to a letter dated 17 June 1999 from your attorney, MARIELLA CARAVETTA, in connection with the seizure of bank funds in the USA allegedly connected with money laundering activities.

Please note that the content of the above letters did not provide sufficient details to enable the Monetary Authority to obtain a clear and complete understanding of the circumstances surrounding the alleged money laundering activities. Consequently, we would be grateful if you provided us with the following information/clarification:

1. In your letters you state that the seized funds were deposited with Citibank "for order and to the benefit of one client of Bank". You further state that the Bank has "ownership of the funds". Please clarify providing full details of the transactions involved, and obtain client's consent for the disclosure of such information as was done for the US Customs.

2. Please provide us with a copy of the US Customs affidavit, petition and any other relevant court documents, as well as the information and records provided to US Customs referred to in your attorney's letter dated 17 June 1999.

3. What are the offences connected with the alleged money laundering activities? How was the bank's customer involved?

4. Is the client involved a significant customer of the bank?

PS000164

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Elizabethan Square, P.O. Box 10052 APO, Grand Cayman, Cayman Islands, BWI
Tel: 345-949-7089 • Fax: 345-949-2532 • E-mail: CIMA@cimoney.com.ky • Web: www.cimoney.com.ky

5. Is the client affiliated with the bank or to any of its officers or principals other than as a customer?

6. Is any employee, official, director or controller for the bank directly involved in the alleged offence?

7. Has any other regulatory or legal action been initiated against the bank, its employees or officers in the USA, Argentina or elsewhere? If so, please provide full details.

8. Please provide us with a copy of the bank's anti-money laundering policies, procedures and controls.

We look forward to receiving the above information by July 20th, 1990.

Sincerely,

Karl Adamsons
Head – On-Site Inspections

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M.A. BANK LIMITED
West Bay Road, P.O. Box 707G
Grand Cayman, B.W.I.

July 22nd, 1999

Mr. Karlis Adamsons
Head - On-site Inspections
Cayman Islands Monetary Authority
Grand Cayman
Cayman Islands, B.W.I.

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Re: Your letter dated 6-July-99 (your ref.: KA/tm)

Dear Mr. Adamsons,

We have received your letter requesting additional information about the proceeding and investigation initiated by the U. S Customs Service.

As required, we are explaining the case further and attaching documentation as well; however, we would like to remark that while the Federal Court Case No. 98-1191 ordering the seizure is public, the whole administrative proceeding and investigation of the U. S. Customs is reserved and not open to public consultation, therefore, we kindly request the privacy of documents and information learned in this letter.

1. The U.S. Customs Service is investigating eighteen (18) wire transfers received in account No 36111386 of M. A. Bank, Ltd. at Citibank NA, New York from August 12, 1997 to April 1, 1998. All those transfers were received for the account of Mr. Nicolás A. Di Tullio, a very well known businessman in Argentina with a long established tradition in the real estate market. At the time of the seizure ordered in Federal Court, Mr. Di Tullio's account had a negative balance (overdraft) of U.S. $242,375.51 as a result of withdrawals made under an overdraft facility. Therefore, the balance in our account at Citibank, New York, at the time of the seizure had no relation with the transfers received for Mr. Di Tullio's account..

   We have obtained Mr. Di Tullio's consent to provide you with the statements and documentation reflecting all transactions and records with reference to his account that were attached as Exhibits to the Petition as explained at (2).

M.A. BANK LIMITED
West Bay Road, P.O. Box 707G
Grand Cayman, B.W.I.

5. Mr. Nicolás Di Tullio is not affiliated with the Bank or to any of its officers or principals other than as a customer.

6. No employee, official, director or controller for the Bank is involved in any offence referring this case.

7. No other regulatory or legal action has been initiated against the Bank, its employees or officers.

8. As requested, we are attaching herein a copy of the Bank's anti-money laundering policies, procedures and controls.

Should you need further information, please do not hesitate to contact us.

Sincerely,

Héctor L. Seassoria
Director

Aldo L. Ducler
Director

Miguel E. Iribarne
President

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PS000167

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M.A. BANK LIMITED
West Bay Road, P.O. Box 707C
Grand Cayman, B.W.I.

Policies and procedures to prevent money laundering activities.

When opening new accounts or establishing new relationships with customers the following policies and procedures must be observed by all employees:

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1. Know the Customer
   a. The customer's true identity must be certainly known.
   b. If a potential customer is unwilling to provide the information required by the bank, the relationship should be submitted to the management for closer scrutiny.
   c. All suspicious transactions must be immediately reported to the management.
   d. Particular circumstances that should alert employees:
      - A business that is reluctant to provide complete information regarding: the purpose of the business, prior banking relationships, officers or directors, or its location.
      - A business that refuses to provide information to qualify customers for credit or other banking services.
      - A customer who is unwilling to provide personal background information when opening an account or purchasing monetary instruments above a specified threshold.
      - A customer who opens an account without any of the following: references, a local address, identification (passport, alien registration card, driver's license, or social security card), or who refuses to provide any other information the bank requires to open an account.
      - A customer who presents unusual or suspicious identification documents that cannot be readily verify.
      - A customer whose home phone is disconnected.
      - A customer who includes no record of past or present employment on a loan application.
      - A customer who has no record of past or present employment but makes frequent large transactions.
      - A business that is reluctant to reveal details about its activities or to provide financial statements.

M.A. BANK LIMITED
West Bay Road, P.O. Box 707G
Grand Cayman, B.W.I.

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- A business that presents financial statements noticeably different from those of similar businesses

2. Forbidden transactions

Cash deposits and withdrawals. Because of the offshore nature of the Bank, only payment orders, checks and money instruments shall be utilised to settle the transactions.

3. Transactions to be closely monitored and reported to the management

- Accounts with a large number of deposits in cashier's checks, money orders, and/or wire transfers, when the nature of the accountholder's business does not justify such activity.
- Sudden and inconsistent change in currency transactions or patterns.
- An account that sends and receives wire transfers (especially to / from banks in haven countries), without an apparent business reason or when inconsistent with the customer's business or history.
- An account that receives many small incoming wire transfers or makes deposits using checks and money orders, and almost immediately wire transfers all but a token amount to another city or country, when such activity is not consistent with the customer's business or history.
- Sending or receiving frequent or a large number of wire transfers to and from offshore institutions.
- Payment orders received for deposits into several accounts, usually in amounts below a reportable threshold, and then consolidating into a master account and transferring them to another country.
- Instructing the bank to transfer funds abroad and to expect an equal incoming wire transfer from other sources.
- Regularly depositing or withdrawing large amounts (over U.S. $500,000) by wire transfers to, from, or through countries that are known sources of narcotics or whose bank secrecy laws facilitate the laundering of money.
- Receiving wire transfers and immediately purchasing monetary instruments prepared for payment to a third party.
- An account opened in the name of a money exchange house that receives wire transfers and/or structured deposits.

M.A. BANK LIMITED
West Bay Road, P.O. Box 707G
Grand Cayman, B.W.I.

- A request for loans to an offshore company, especially one located in a heaven country, or for a loan secured by obligations of an offshore bank.
- A customer who purchases a number of cashier's checks, money orders, or traveller's checks for large amounts (over U.S. $100,000) just under a specified threshold or without apparent reason.
- Transactions that are inconsistent with the normal activity of a particular customer.

4. **Considerations to be taken when analysing suspicious transactions**
   - Just because a transaction appears on the list does not mean that it involves illicit activities; it only means that the transaction requires closer scrutiny.
   - Many of these activities are suspicious only because they are inconsistent with the normal customer behaviour.
   - Many such transactions will be found, upon closer examination, to result from legitimate business activity.
   - Reporting to the relevant authority is mandatory when, upon a closer scrutiny of the customer and its transactions, the managers and / or directors are not completely assured about its legality.

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Autorizada por el Banco Central de la República Argentina

Buenos Aires, 12 de Julio de 1999.

Señores
Banco Central de la República Argentina.
Area Supervisión de Entidades Financieras
At.: Sr. Ardissone Carlos
Presente.

Ref.: Informe Fdos. Inmovilizados

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De nuestra consideración:

El presente informe tiene por objeto actualizar los datos ya enviados a esa entidad respecto de la investigación que la Aduana de los Estados Unidos ("La Aduana") se encuentra desarrollando y por la que se dispusiera, con fecha 14 de Mayo de 1998, el embargo de fondos correspondiente a la cuenta Nº 36137631 de M.A. Casa de Cambio S.A. en el banco Citibank N.A. de Nueva York, por un monto total de USD 234,598,23 (dólares estadounidenses doscientos treinta y cuatro mil quinientos noventa y ocho con veintitrés centavos).

Tal como se adelantara oportunamente, los fondos a los que se atribuyera origen ilícito fueron transferidos desde prestigiosas entidades financieras estadounidenses a un solo cliente de M.A. Casa de Cambio S.A. y en su propio beneficio. No se han visto afectadas por la medida ordenada las transferencias recibidas con posterioridad a la fecha del embargo, operando M.A. Casa de Cambio S.A. en forma normal y sin limitación alguna desde entonces con el banco de Estados Unidos (Citibank N.A.) y en la cuenta referida.

Nuestro cliente, que es un conocido comerciante argentino vinculado desde hace muchos años al negocio inmobiliario, ha autorizado expresamente a M.A. Casa de Cambio S.A. a brindar toda la información que pudiera ser requerida por autoridades competentes.

Por otra parte, se ha solicitado formalmente a la Aduana la devolución de los fondos embargados, con sustento en que al momento del embargo éstos no pertenecían a nuestro cliente sino que eran de exclusiva propiedad de M.A. Casa de Cambio

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S.A., quien no se encuentra involucrada en los hechos investigados. El pedido no ha sido aún resuelto por dicha autoridad.

Asimismo le informamos que se encuentra a cargo de este asunto en Los Angeles nuestra abogada, Dra. Mariela Caravetta (6320 Van Nuys Blvd., Suite 205, Van Nuys, CA 91401, U.S.A., Tel.: (818) 902-2111, Fax: (818) 902-9978, e-mail: lawofmc@gte.net), a quien hemos requerido un informe completo sobre la situación procesal administrativa de M.A. Casa de Cambio S.A. frente a la Aduana, el que se acompaña al presente a los fines de ampliar la información brindada.

Nos encontramos a su disposición para aclarar cualquier duda o brindar toda otra información que se estime necesaria.

Sin otro particular saludamos a Uds. atentamente

Dr. Héctor Luis Scasserra
Presidente

BANCO CENTRAL DE LA REPUBLICA ARGENTINA
FISCALIZACION CAMBIARIA Y CASAS, AGENCIAS Y CORREDORES DE CAMBIO
12 JUL. 1999
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PS000161

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PS000160

July 12, 1999
Letter to Banco Central Argentina
from Scasserra

Dear Sirs:

The purpose of this report is to update the data already sent to that entity with respect to the investigation that US Customs is carrying out for whatever purposes deemed appropriate, dated May 14, 1998 the embargo of funds, accounts 36137631 for MA Casa Di Cambio for US dollars 234,598. 23 and MA Bank 36111386 for an amount of US dollars 1,596,110.34.

As will become apparent in due course, the funds to which illegal origin is attributed were transferred from prestigious U.S. financial entities to a single client of M.A. Casa de Cambio SA and to his benefit. Transfers received after the date of the embargo have not been affected by the measure ordered, with MA Casa de Cambio SA operating normally and without any limitation whatsoever since then with the US bank (Citibank NA) and in the referenced account.

Our client, who is a well-known Argentinian merchant who has been invovled for many years in real estate has expressly authorized MA Casa de Cambio to provide all information that may be required by the competent authorities.

Moreover, Customs has formally been requested to return the embargoed funds based on the fact that at the time of the embargo they did not belong to our client but were the exclusive property of MA Casa de Cambio which was not involved in the activities under investigation. The request has not yet been resolved by said authority.

We would also like to report that our attorney in Los Angeles, Dr. Mariela Caravetta.... (address) ... is in charge of this matter. We have requested that she provide a full report of the administrative procedural status of MA Casa de Cambio with respect to Customs and this report is attached herewith in order to amplify the information provided.

M. A. CASA DE CAMBIO S.A.
Autorizada por el Banco Central de la República Argentina

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Buenos Aires, octubre 22 de 1999.

Citibank N.A.
Sucursal Buenos Aires
At: Sra. Amalia IGLESIAS
Presente

De nuestra consideración:

Nos ha solicitado Ud. un informe respecto de la naturaleza y situación de la investigación que la Aduana de los Estados Unidos ("la Aduana") se encuentra desarrollando y por la que se dispusiera, con fecha 14 de mayo de 1998, el embargo de fondos depositados en las cuentas nº 36137631 de M.A. Casa de Cambio S.A. por un monto total de U$S. 234.598,23 (dólares estadounidenses doscientos treinta y cuatro mil quinientos noventa y ocho con veintitrés centavos) y nº 36111386 de M.A. Bank Ltd. por un monto total de U$S.1,596,110.34 (dólares estadounideneses un millón quinientos noventa y seis mil ciento diez con treinta y cuatro centavos), ambas en Citibank N.A. de Nueva York.

Estimamos conveniente resaltar que, mientras las órdenes de embargo emanadas de la Corte Federal de los Estados Unidos son de carácter público, la totalidad del procedimiento administrativo e investigación de la Aduana es reservado y no se encuentra abierto a la consulta pública, por lo tanto, rogamos a ustedes la absoluta reserva y privacidad de la información contenida en este documento.

La Aduana se encuentra investigando transacciones financieras dentro de los Estados Unidos que estarían relacionadas con actividades ilícitas. En mayo de 1998

M. A. CASA DE CAMBIO S.A.
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requirió a la Corte Federal del Distrito Central de California el embargo de fondos aparentemente conectados con la investigación y que habían sido depositados en diferentes bancos de los Estados Unidos. La Corte Federal accedió a la solicitud, procediéndose al embargo, entre otros tantos pertenecientes a diversas entidades financieras, de los montos y en las cuentas señalados en el párrafo primero.

Desde el momento en que fuimos notificados de estos procedimientos, hemos cooperado con la Aduana a fin de facilitar su investigación. Como las transacciones investigadas correspondían a fondos depositados por orden y en beneficio de un cliente determinado, el Sr. Nicolás Di Tullio, con su consentimiento hemos provisto a la Aduana de información y hemos ofrecido asimismo su testimonio, como también los de los Directores de M.A. Bank Ltd. y M.A. Casa de Cambio S.A., testimonios que se han llevado a cabo en la Ciudad de Buenos Aires y que refuerzan la posición de ambas entidades en cuanto a que los fondos secuestrados eran de su exclusiva propiedad y que no existe vinculación alguna entre ellas y las maniobras supuestamente ilícitas investigadas.

En las entrevistas mencionadas hemos aportado toda la documentación relevante solicitada por los agentes investigadores, resaltando en todo momento la desvinculación total de nuestras entidades con las maniobras investigadas por la Aduana. Asimismo, nuestro cliente ha brindado información abundante sobre los destinos a los cuales ha aplicado los fondos recibidos, ha entregado documentación respaldatoria de sus dichos y ha brindado datos específicos sobre sus mandantes, insistiendo en el desconocimiento total propio y por parte de M.A. Bank Ltd. y M.A. Casa de Cambio del presunto origen ilícito de los fondos.

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Es importante destacar que, al momento de ordenarse los embargos, la cuenta de Nicolás Di Tullio en M.A. Bank tenía un balance negativo de U$S 242,375.51 como resultado de extracciones realizadas con facilidades otorgadas por el banco para girar en descubierto. Por lo tanto, los balances en las cuentas de M.A. Bank Ltd. y M.A. Casa de Cambio en Citibank New York al momento del embargo no tenían relación alguna con las transferencias recibidas en favor de la cuenta de Nicolás Di Tullio.

Asimismo, la Aduana no ha iniciado ninguna acción judicial contra M.A. Bank Ltd., M.A. Casa de Cambio S.A. o su cliente fuera del procedimiento preventivo para preservar los fondos que consideraron conectados con la investigación que se está llevando a cabo. Más allá de la información general contenida en el informe que el Agente investigador de la Aduana presentara a la Corte Federal con el objeto de obtener el embargo de los fondos, el gobierno americano no ha provisto pruebas específicas de hecho y de derecho para justificar el secuestro de los fondos.

Por otra parte, se ha acreditado ante la Aduana que nuestro cliente, que es un conocido comerciante argentino vinculado desde hace muchos años al negocio inmobiliario, no es un cliente significativo de M.A. Bank. En efecto, durante el período julio 1997 - mayo 1998, en el que la cuenta se encontraba operativa, el cliente recibió transferencias por U$S 16.2 millones, lo que representó un 1.3% de la actividad total (U$S 1,284.4 millones) de la cuenta del banco en Citibank New York. Más aún, las transferencias por 7.8 millones de dólares estadounidenses investigadas por la Aduana representan tan sólo un 0.6% de la actividad total mencionada "ut supra".

Habiendo presentado evidencia de la plena propiedad de los fondos por M.A. Casa de Cambio S.A. y M.A. Bank Ltd. al momento del embargo y requerido

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oportunamente su restitución, confiamos en que la Aduana resolverá favorablemente esta controversia sin otra acción.

Nos encontramos a su disposición para aclarar cualquier duda o brindar toda otra información que estime necesaria.

Atentamente,

Héctor L. Scasserra Miguel E. Iribarne Aldo L. Ducler

'/00 15:35 FAX 202 863 8300

[translation]

M.A. Casa de Cambio S.A.
Authorized by the Central Bank of the Argentine Republic

Buenos Aires, 22 October 1999

Citibank N.A.
Buenos Aires Branch
Attn. Mrs. Amalia IGLESIAS

Dear Mrs. Iglesias:

You requested from us a report concerning the nature and current status of the investigation being conducted by United States Customs ("Customs"), pursuant to which, on 14 May 1998, attachment [*embargo*] was ordered of the funds deposited in accounts no. 36137631 of M.A. Casa de Cambio S.A. in the amount of US$ 234,598.23 (two hundred and thirty four thousand five hundred ninety eight dollars and twenty-three cents) and no. 36111386 of M.A. Bank Ltd. in the amount of US$ 1,596,110.34 (one million five hundred ninety six thousand one hundred ten dollars and thirty-four cents), both with Citibank N.A. in New York.

We consider it advisable to stress that, although the attachment order issued by the United States Federal Court is a matter of public record, the whole administrative and investigative proceeding by Customs is confidential [*reservado*] and not open to public consultation; we therefore request from you the utmost discretion and privacy as regards the information contained herein.

Customs is investigating financial transactions within the United States which are thought to be related with illegal activities. In may of 1998 if asked the Federal Court of the Central District of California to order attachment of funds apparently connected with the investigation which had been deposited at various banks in the United States. The Federal Court granted the request and ordered attachment of the sums in the accounts referred to in the first paragraph above, among a number of others belonging to various financial entities.

From the moment when we were notified of these proceedings, we have cooperated with Customs in order to facilitate the investigation. Since the transactions being investigated corresponded to funds deposited by order of and for the benefit of a given client, Mr. Nicolas Di Tullio, we provided information to Customs, with his consent, and we have also provided his testimony, as well as that of the Directors of M.A. Bank Ltd. and M.A. Casa de Cambio S.A.; said testimony was taken in the city of Buenos Aires and it supports the position of the two financial entities to the effect that the frozen funds are exclusively their own property and that there does not exist any link between these financial entities and the allegedly illegal activities being investigated.

During the aforementioned meetings we have provided all the relevant documentation requested by the investigators, always emphasizing that our institutions are completely unrelated to the dealings under investigation by Customs. Likewise, our client has provided abundant information about the uses to which he has put the funds received, has provided documentary backing for his statements, and has come forward with specific information

about his principals, stressing that neither he nor M.A. Bank Ltd. And M.A. Casa de Cambio have any knowledge of the ostensible illegal origin of the funds.

It is important to stress that, at the time the attachment took effect, the account of Nicolas Di Tullio with M.A. Bank had a negative balance of US$ 242,375.51 as a result of withdrawals made through overdraft facilities granted by the bank. Therefore, the balances on the accounts of M.A. Bank Ltd. and M.A. Casa de Cambio at Citibank new York at the time of the attachment were completely unrelated with the transfers received in favor of the account of Nicolas Di Tullio.

Moreover, Customs has not initiated any judicial proceedings against M.A. Bank Ltd., M.A. Casa de Cambio S.A. or its client beyond the preventive proceeding to preserve funds which they considered connected with the investigation being conducted. Beyond the general information contained in the report which the Customs Investigator presented to the Federal Court in order to obtain the attachment of the funds, the U.S. Government has not provided specific factual or legal evidence in support of the attachment of the funds.

Further, it has been shown to Customs that our client, who is a well-known Argentine businessman involved for many years in the real estate business, is not a significant client of M.A. Bank. Indeed, during the period July 1997-May 1998, when the account was active, this client received transfers for US$ 16.2 million, which accounted for 1.3% of the total activity (US$ 1,284.4 million) on the bank's account with Citibank New York. And the transfers for US$ 7.8 million investigated by Customs account for only 0.6% of the total activity mentioned above.

Having presented evidence of full ownership of the funds by M.A. Casa de Cambio S.A. and M.A. Bank Ltd. at the time of the attachment and having requested their timely restitution, we trust that Customs will favorably resolve this matter without further action.

We are at your disposal to clarify any doubt or provide any further information you may consider necessary.

Yours sincerely,

(Signed)	(Signed)	(Signed)
Hector L. Scasserra	Miguel E. Iribarne	Aldo L. Ducler

Iglesias, Amalia

From: Iglesias, Amalia
Sent: Monday, October 25, 1999 6:20 PM
To: Norena, Hector
Cc: Lopez, Martin
Subject: M.A.Casa de Cambio - M.A.Bank Ltd.

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Hector:
Tal como te anticipara telefonicamente, en mayo de 1998 se embargaron las cuentas 36137631 de M.A.Casa de Cambio por USD 234,598.23 y M.A.Bank 36111386 por un monto de USD 1,596,110.34 a raiz de la investigacion llevada a cabo por Customs de EEUU..

Ambas empresas, que pertenecen al grupo Mercado Abierto, de amplia y prestigiosa trayectoria en el mercado,pusieron un abogado en EEUU y en junio 1999 invitaron a la Reserva Federal y Customs Service a visitar sus oficinas en BsAs y presentarles todos los antecedentes de las transferencias investigadas como asi tambien al cliente beneficiario de las mismas.

Este cliente de MA Bank y Casa de Cambio, es un conocido empresario del negocio inmobiliario y demostro que opero de buena fe, mostrando escrituras de los bienes comprados con los montos de las transferencias.

Segun me confirmo el abogado de Bs.As que se hizo cargo del tema a pedido de Mercado Abierto, en este momento no hay causa judicial – solo administrativa.
Y la Reserva Federal con todos los antecedentes recabados en Bs.As. se expedira en breve.

Te enviare por fax, la carta que me hizo llegar la empresa.

No obstante esto y aun conociendo que los accionistas son muy conocidos en el mercado y la empresa tiene estrictos controles de anti money laundering, estariamos dispuestos a cerrar sus DDA´s si lo consideras necesario.

Quedo a la espera de tus comentarios

Muchas gracias
Amalia

[translation]

Subject: M.A. Casa de Cambio - M.A. Bank Ltd.

Hector:

As I told you before by telephone, in May of 1998 attachment was ordered on accounts 36137631 of M.A. Casa de Cambio for US$ 234,598.23 and M.A. Bank 36111 for an amount of US$ 1,596,110.34 as a result of the investigation being conducted by US Customs.

Both companies, which belong to the Mercado Abierto group, which is very prominent in the market, put a lawyer in the US and in June 1999 invited the Federal Reserve and Customs Service to visit their offices in Buenos Aires and presented to them all the background of the transfers investigated as well as the client who was the beneficiary of the same.

This client of MA Bank and Casa de Cambio is a well-known businessman in the real estate business and showed that he had acted in good faith, showing the deeds for the properties bought with the amounts from the transfers.

As confirmed to me by the Buenos Aires lawyer who dealt with the matter at the request of Mercado Abierto, at this time there is no judicial proceeding —only an administrative one. And the Federal Reserve, with all the information received in Buenos Aires, will reach a decision soon.

I will send you by fax the letter I got from the company.

Notwithstanding this, and even knowing that the shareholders are very well known in the market and the company has strict anti-money-laundering controls, we would be prepared to close the DDAs if you consider it necessary.

I look forward to your comments.

Thank you,
Amalia

Author: Hector Norena at 11USNYC/o=AF1/c=US/a=MCI/p=CITICORP
Date: 10/26/1999 8:04 AM
Priority: Normal
TO: Jose Won at 11USNYC/o=AF1/c=US/a=MCI/p=CITICORP, John Llera at 00USNYC
Subject: M.A.Casa de Cambio - M.A.Bank Ltd.

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Forward Header
Subject: M.A.Casa de Cambio - M.A.Bank Ltd.
Author: Amalia Iglesias at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP
Date: 10/25/1999 5:17 PM

Hector:
Tal como te anticipara telefonicamente, en mayo de 1998 se embargaron las cuentas 36137631 de M.A.Casa de Cambio por USD 234,598.23 y M.A.Bank 3611138 por un monto de USD 1,596,110.34 a raiz de la investigacion llevada a cabo p Customs de EEUU..

Ambas empresas, que pertenecen al grupo Mercado Abierto, de amplia y prestigiosa trayectoria en el mercado,pusieron un abogado en EEUU y en junio 1999 invitaron a la Reserva Federal y Customs Service a visitar sus oficinas BAs y presentarles todos los antecedentes de las transferencias investigada como asi tambien al cliente beneficiario de las mismas.

Este cliente de MA Bank y Casa de Cambio, es un conocido empresario del nego inmobiliario y demostro que opero de buena fe, mostrando escrituras de los bienes comprados con los montos de las transferencias.

Segun me confirmo el abogado de Bs.As que se hizo cargo del tema a pedido de Mercado Abierto, en este momento no hay causa judicial - solo administrativa Y la Reserva Federal con todos los antecedentes recabados en Bs.As. se exped en breve.

Te enviare por fax, la carta que me hizo llegar la empresa.

No obstante esto y aun conociendo que los accionistas son muy conocidos en e mercado y la empresa tiene estrictos controles de anti money laundering, estariamos dispuestos a cerrar sus DDA's si lo consideras necesario.

Quedo a la espera de tus comentarios

Muchas gracias
Amalia

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Lopez, Martin

From: Lopez, Martin
Sent: Tuesday, November 16, 1999 10:55 AM
To: Stanley, Guillermo
Subject: FW: Mercado Abierto

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Como te dije las transferencias vienen en su mayoria del Bofa.
Si bien creemos que Mercado Abierto justifico bien su caso ante los reguladores (junio 99), le informatremos que queremos cerrar las cuentas a modo de precaucion.

Saludos

-----Original Message-----
From: Iglesias, Amalia
Sent: Tuesday, November 16, 1999 10:12 AM
To: Lopez, Martin
Subject: Mercado Abierto

M.A.Bank recibio entre agosto 97 y abril 98, 18 transferencias que estan siendo investigadas por la Aduana americana, por un monto promedio de USD 500M, segun detalle :

a) Ordenante: Income Properties
Bco.debito : Bank America
Total : 12 transferencias

b) Ordenante : integration Services
Bco.debito : Bank America
Total : 3 transferencias

c) Ordenante : Dorado Trading
Bco.debito : Bank United
Total : 2 transferencias

d) Ordenante : Southwest Capitol Investment
Bco.debito : NationsBank FL
Total : 1 transferencias

Los beneficiarios de estas transferencias fueron los siguientes :
Nicolas Di Tullio : 9 transfer.
Maria Alonso (esposa de Di Tullio) : 2
En las 7 restantes si bien el beneficiario es un tercero, fueron cobradas por Di Tullio, dado que segun informa M.A. respondian al pago de propiedades inmobiliarias adquiridas por estos y a cuyo nombre estan extendidas las escrituras.
M.A. controlaba la informacion que Di Tullio les proporcionaba acerca de los pagos a recibir con los boletos de compra-venta de las operaciones y de esta manera efectuaba el pago.
En la reunion concertada en Bs.As con representates de Customs Service y Reserva Federal, tanto M.A. como Di Tullio pusieron a disposicion de estos, toda la informacion que atestigua la genuinidad de las operaciones llevadas a cabo con los montos involucrados en dichas transferencias.

Amalia

[translation]

From: Lopez, Martin
Sent: Tuesday, November 16, 1999 10:55AM
To: Stanley, Guillermo
Subject: FW: Mercado Abierto

As I told you, most of the transactions come from Bofa. Although we think Mercado Abierto made out a good case for itself before the regulators (June 99), we will inform them that we want to close the account as a precaution.

Greetings
—Original Message—
From: Iglesias, Amalia
Sent: Tuesday, November 16 1999, 10:12 AM
To: Lopez, Martin
Subject: Mercado Abierto

Between August 97 and April 98 M.A. Bank received 18 transfers which are being investigated by US Customs, for an average amount of US$ 500,000, as per the following details:

A) From: Income Properties
Debit bank: Bank America
Total: 12 transfers

B) From: Integration Services
Debit bank: Bank America
Total: 3 transfers

C) From: Dorado Trading
Debit bank: Bank United
Total: 2 transfers

d) From: Southwest Capitol Investments
Debit bank: NationsBank FL
Total: 1 transfer

The beneficiaries of these transfers were as follows:
Nicolas Di Tullio: 9 transfers
Maria Alonso (wife of Di Tullio): 2
As for the 7 remaining ones, although the beneficiary is a third party, they were collected by Di Tullio, because according to report of M.A. they corresponded to payment for items of real property purchased by them and in whose name the deeds are made out. [sic]
M.A. controlled the information which Di Tullio provided them about the payments to be received with the purchase slips of the transactions and in that manner effected the payment.
In the meeting held in Buenos Aires with representatives of the Customs Service and Federal Reserve, both M.A. and Di Tullio put at their disposal all the information attesting to the authenticity of the transactions conducted with the amounts involved in said transfers.
Amalia

Iglesias, Amalia

From: Iglesias, Amalia
Sent: Wednesday, November 24, 1999 5:11 PM
To: Norena, Hector
Cc: Lopez, Martin; Quiroga-Prat, Trinidad
Subject: Mercado Abierto - Call memo

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Participantes

Hector Scasserra - Presidente
Miguel Iribarne - Vicepresidente
Aldo Ducler - Director
Raul Sanguinetti - Abogado
Sol Muñoz - Abogada

Martin Lopez
Amalia Iglesias

El viernes nos reunimos en las oficinas del Dr.Raul Sanguinetti – abogado de Mercado Abierto – a los efectos de analizar la situacion actual de la empresa con respecto a la investigacion de 18 transferencias que Customs Service esta llevando a cabo y la posibilidad de cancelar la relacion comercial que la empresa mantiene con el Banco desde 15 años.

M.A. y el Dr.Sanguinetti nos manifestaron que conocen al beneficiario de dichas transferencias desde hace mas de 20 años, que es un conocido agente inmobiliario y que sus operaciones representan solo 0.3% del volumen total de M.A.

En junio pasado, mantuvieron una reunion en Bs.As con representantes de Customs Service y Reserva Federal, donde mostraron todos sus registros, las politicas de KYC y AML establecidas mediante acta de Directorio, le presentaron a su cliente quien demostro que los fondos involucrados en las transferencias obedecian al pago de propiedades inmobiliarias y que las comisiones cobradas por dicha intermediacion estaban dentro del standard para ese mercado.

Sugerimos el cierre de las DDA's, proponiendo que abran cuentas en otros bancos, pero manifestaron que dado que estan en negociacion con un banco extranjero para vender parte de su Private Banking, la desvinculacion con Citibank podria ocasionarles un serio perjuicio debido a que dicho bco.esta en conocimiento de la situacion judicial de M.A.

Por tal razon, nos ofrecieron que sus abogados de EEUU mantengan una reunion con el Compliance Officer de Citibank N.Y.a los efectos de presentar todo lo diligenciado hasta el momento y demostrar que la empresa es totalmente ajena a las maniobras de lavado de dinero investigadas.

Hector : desearia que analizes este requerimiento de M.A. y si lo consideras viable me avises para coordinar la cita.
Por otra parte, te estare enviando por DHL, copia de la carpeta de antecedentes al respecto, que nos entregaron en esta reunion.

Saludos
Amalia

[translation]

From: Iglesias, Amalia
Sent: Wednesday, November 24 1999, 5:11 PM
To: Norena, Hector
Cc: Lopez, Martin; Quiroga-Prat, Trinidad
Subject: Mercado Abierto - Call memo

Participants Hector Scasserra - President
Miguel Iribarne - Vice President
Aldo Ducler - Director
Raul Sanguinetti - Attorney
Sol Munoz - Attorney

Martin Lopez
Amalia Iglesias

On Friday we met at the office of Dr. Raul Sanguinetti, attorney for Mercado Abierto, in order to examine the present situation of the company with respect to the investigation of 16 transfers that Customs is conducting and the possibility of canceling the commercial relationship that company has had with the Bank for 15 years.

M.A. and Dr. Sanguinetti told us that they have known the beneficiary of those transfers for more than 20 years, that he is a well known real estate businessman and that his operations account for only 0.3% of the total volume of M.A.

Last June they had a meeting in Buenos Aires with representatives of the Customs Service and Federal Reserve where they showed all their records, the KYC and AML policies established by decision of the Directorate, introduced their client, who showed that the funds involved in the transfers corresponded to payments for items of real estate and that the commissions charged for that brokerage were within the standard for that market.

We suggested the closing of the DDAs, proposing that they open accounts at other banks, but they indicated that they were in negotiation with a foreign bank to sell part of their Private Banking, and breaking the relationship to Citibank could be seriously prejudicial to them because said bank was aware of the judicial situation of M.A.

For this reason, they offered that their lawyers in the US should have a meeting with the Compliance Officer at Citibank NY in order to present all that had been done so far and to show that the company is entirely unrelated to the money laundering dealings under investigation.

Hector: I would like you to analyze this request from M.A. and if you consider it viable let me know so that I can arrange the meeting.
I will also be sending you by DHL the file of background materials in this respect, which were given to us at the meeting.

Greetings,
Amalia

Lopez, Martin

From: Lopez, Martin
Sent: Thursday, December 02, 1999 2:27 PM
To: Piantoni, Nestor
Cc: Andrade, Marcus; Stanley, Guillermo
Subject: Mercado Abierto - Action Plan

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Mercado Abierto es un cliente que tiene 12 años de actividad con Citibank sin presentar ningun problema. Sus accionistas Aldo Ducler, Miguel Iribarne y Hector Scasserra son personas de buena reputacion en el mercado local.
La actividad principal de Mercado Abierto es el manejo de fondos de personas (PBG) para lo cual tienen una extrabursatil dueña a su vez de un banco offshore y una casa de cambio que se usa exclusivamente con la clientela del private banking.

El resumen de los hechos fue la siguiente

1.- En 1998 la Aduana de EEUU ordena un embargo de u$ 1.7 MM en dos cuentas de entidad en Citi New York. El embargo no ordena congelamiento de las cuentas.
Como MA desconocia el motivo del embargo contrata abogados en New York y comienza a dialogar con la Aduana a traves de sus abogados.
Citi New York no nos notifico el motivo del embargo ni recomendo el cierre de las cuentas.
No se vieron afectadas por la medida ordenada, las transferencias recibidas con posterioridad a la fecha del embargo, operando ambas cuentas con normalidad.

2.- Recien en junio 99 MA se reune con funcionarios de la Aduana al cual le presentan al cliente beneficiario de los fondos de nombre Nicolas Di Tullio- el cual es un conocido agente inmobiliario, amigo personal de Aldo Ducler- quien es cliente desde 20 años atras- y merecedor de toda su confianza. Nicolas Di Tullio trabaja para Norheimer & Minola segun dicen los directivos de MA.
En esa reunion le muestran a la Aduana que a) las transacciones se hicieron con las comisiones que son practica de mercado, b) se encuentran en la contabilidad de la entidad y fueron reportadas a BCRA. Es importante aclarar que segun lo dicho por los directivos de MA: a) la Aduana no ha iniciado ninguna accion judicial contra M.A.Bank ,M.A,Casa de Cambio ni sus directores y accionistas y c) el expediente se encuentra en tramitre administrativo y c) Ellos conocian al cliente y recibieron los fondos desde el Bofa lo que les dio seguridades de que ya habian sido filtrados por el KYC de dicho banco.

Desde el punto de vista de Citibank Buenos Aires los pasos que seguimos fueron los siguientes:

a) Interiorizamos de la situacion y del feedback positivo que tenian de la Aduana de EEUU.
b) Consultar en octubre pasado a Citibank New York (Hector Noreña) si debiamos cerrar esta cuenta. El tema se hablo con abogados y creemos que Hector lo consulto con su compliance ya que nosotros pensabamos que de acuerdo a la trayectoria de los accionistas y a como estaba planteada la operacion estos no se encuentran involucrados en forma conciente en ninguna actividad ilicita.
c) Citi New York tiene en su poder el BIR del cliente y las politicas de control de lavado de dinero del mismo.
d) Pedirle copia de lo actuado hasta el momento.
e) Luego de hablar con Guillermo Stanley y Carlos Fedrigotti solicitamos el cierre de la cuenta por la alta exposicion que implicaria la divulgacion publica de la investigacion Al pedido de cierre nos respondieron pidiendonos tiempo para abrir cuentas en otros bancos y nos ofrecieron que sus abogados viajaran a EEUU para hablar con abogados o compliance.

Desde el punto de vista de proceso Citibank Bs As no puede hacer el control de

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cuentas en Citi New York. El seguimiento de las mismas esta a cargo de AML y nunca hemos recibido ninguna comunicacion al respecto. Los montos involucrados no llaman la atencion por tratarse de transferencias individuales de u$ 500 M insignificantes en los movimientos del cliente.

Conclusion / Action Plan:

Los cierres de cuenta ya estan decididos pero la situacion actual nos obliga a esperar algunos dias hasta que el tema deje de ser publico. El tema se hace publico ya que existe un exhorto de las autoridades de Mexico queriendo recuperar las propiedades compradas con estos fondos ya que los mismos provendrian de bancos Mexicanos.

Este caso puede ser utilizado politicamente para presionar sobre el Congreso por la pronta sancion de las leyes de lavado de dinero.

Aun creemos que MA actuo de buena fe en este caso pero el estado publico que tomo hara que la entidad sufra hasta el punto de tener que cerrar sus operaciones.

Nos comunicaremos con Citi New York para consultar si se puede tomar alguna otra medida preventiva con respecto a esta cuenta.

Agradecere sus comentarios o sugerencias respecto de este caso.

a esta cuenta.

Agradecere sus comentarios o sugerencias respecto de este caso.

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[translation]

From: Lopez, Martin
Sent: Thursday, December 02 1999, 2:27 PM
To: Piamoni, Nestor
Cc: Andrade, Marcus; Stanley, Guillermo
Subject: Mercado Abierto - Action Plan

Mercado Abierto is a client which has done business with Citibank for 12 years and has had no problems. Its shareholders, Aldo Ducler, Miguel Iribarne and Hector Scasserra are people of good reputation in the local market. The principal business of Mercado Abierto is handling funds for people (PBG) for which it has an unlisted company [*extrabursatil*] which in turn owns an offshore bank and an exchange house which is used exclusively with the private banking clientele.

The following is a summary of the facts:

1. In 1998US Customs ordered an attachment on US$ 1.7 million in two accounts of the company with Citi New York. The attachment does not order a freezing of the accounts. Since MA did not know the reason for it, it began talks with Customs through its lawyers. Citi New York did not advise us of the reason for the attachment nor did it recommend closing the accounts.
The measure ordered did not affect transfers received after the date of the attachment, and both accounts operated normally.

2. In June 99, MA met with officials of Customs and introduced the client who was the beneficiary of the funds, Nicolas Di Tullio, who is a well-known real estate agent, a personal friend of Aldo Ducler —who has been a client for 20 years— and enjoyed his full trust. Nicolas Di Tullio works for Norheimer & Minola, according to MA executives. At that meeting it was shown to Customs that a) the transactions were done with the commissions that are normal practice in the market, b) they are accounted for in the accounts of the entity and were reported to the Central Bank of Argentina. It is important to clarify that, according to what was said by the MA executives: a) Customs has not begun any judicial action against M.A. Bank, M.A. Casa de Cambio or its officers and shareholders, b) the case is going through administrative proceedings, and c) They knew the client and received the funds from Bofa, which made them feel assured that they had already been filtered through the KYC of that bank.

From the standpoint of Citibank Buenos Aires, the steps we took were as follows:

a) Analyzing the situation and the positive feedback from US Customs.
b) Consulting Citibank New York last October (Hector Norena) on whether we should close the account. This was discussed with lawyers and we think that Hector consulted about it with his compliance people, since we believed that in light of the record of the shareholders and given the posture of the transaction, they were not consciously involved in any illegal activity.
c) Citi New York has in its possession the client's BIR and the money laundering policies of the same.
d) Asking for a copy of what had been done so far.

c) After talking with Guillermo Stanley and Carlos Fedigoni, we requested the closing of the account due to the high exposure implied by the public disclosure of the investigation. The request for closure was answered by a request for time in order to open accounts at other banks and they offered to have their lawyers travel to the US to speak with lawyers or with compliance.

From the standpoint of process Citibank Buenos Aires cannot exercise control over accounts at Citi New York. The follow-up of that is the task of AML and we have never received any communication in that regard. The amounts involved are not very significant because these are individual transfers of US 500,000, insignificant in the movements of the client.

Conclusion / Action Plan:

The closing of the accounts is already decided but the present situation obliges us to wait a few days until the issue ceases to be public. The subject is being aired publicly because letters rogatory have come from the Mexican authorities seeking to recover properties purchased with these funds, since the funds apparently come from Mexican banks.

This case can be used politically to pressure the Congress for prompt passage of laws on money laundering.

We still believe that MA acted in good faith in this case, but the public character it has taken on will mean hardship for that entity to the extent of having to close its operations.

We will communicate with Citi new York to ask whether any preventive action can be taken with respect to this account.

We would be grateful for your comments or suggestions with regard to this case

to this account.

We would be grateful for your comments or suggestions with regard to this case

Author: Martin Lopez at 53CSBUE
Date: 03/12/1999 11:00 AM
Priority: Normal
TO: Martin Lopez at 53CSBUE, Nestor Piantoni at 53CSBUE
CC: Marcus Andrade at 53CSBUE, Guillermo Stanley at 53CSBUE
Subject: RE: Re: Mercado Abierto - Action Plan

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---------- Message Contents ----------

Nestor estoy de acuerdo en el cierre pero coordinemoslo con Willy que es el que maneja la prensa. Estas transferencias entraron en la cuenta de New York. La cuentas locales practicamente no se mueven.

Martin

-----Original Message-----
From: Piantoni, Nestor
Sent: Thursday, December 02, 1999 5:24 PM
To: Lopez, Martin
Cc: Andrade, Marcus; Stanley, Guillermo
Subject: Re: Mercado Abierto - Action Plan

Yo no seguiria con la relacion.

Si como me comentara Amalia Iglesias,ellos han realizado la denuncia del tema al BCRA, debemos lograr tener copia de esos tramites. En caso contrario deberiamos analizar si no lo tenemos que hacer nosotros.

Deberiamos tambien comenzar a armar un file con los comprobantes de la operatoria local (extracto de cuentas locales, comprobantes de transferencias, etc.) pues seguramente va a ser solicitado por la Gerencia de Requerimientos y Control del BCRA.

De acuerdo con las normas, deberia haber sido inmediatamente informado ante la primer noticia del hecho.

Nestor

PS00003

12/3/99 11:00 A.M.

Nestor I agree about the closing but we should coordinate it with Willy who handles the press. These transfers will go into the New York account. The local accounts practically do not move.

12/2/99 5:24 P.M.

I would not follow with the list.

If, as Amalia Iglesias told me, they have reported the matter to the BCRA, we should get a copy of those proceedings. Otherwise we would have to analyze if we don't have them what we should do.

We should also start to build a file with the documentation/receipts from the local way of doing things (extract of local accounts, receipts of transfers, etc.) since it will surely be requested by the BCRA's management of requests and control.

In accordance with the guidelines, this should have been reported immediately given the first news of the event/action.

Author: Amalia Iglesias at 53CSBUE
Date: 03/12/1999 4:58 PM
Priority: Normal
TO: Adriana Lado-Pose at 53CSBUE, Maria L. Tolosa at 53CSBUE
CC: Marcus Andrade at 53CSBUE, Martin Lopez at 53CSBUE, Nestor Piantoni at 53CSBUE
Subject: FW: Mercado Abierto - Bloqueo de ctas.

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---------- Message Contents ----------

Adriana - Maria Laura:
De acuerdo a lo informado por Graciela Acevedo (caja) para que los cheques sean pagados previa verificacion de FI, el bloqueo deberia ser # 4 . dado que el bloqueo 1 es "cuenta inactiva". En consecuencia agradecere su modificacion.
Muchas gracias
Amalia

-----Original Message-----
From: Tolosa, Maria L.
Sent: Friday, December 03, 1999 2:47 PM
To: Lado-Pose, Adriana; Tolosa, Maria L.
Cc: Stuart-Pennington, Alicia; Iglesias, Amalia
Subject: RE: Mercado Abierto - Bloqueo de ctas.

OK Procesado bloqueo 14:45 hs.
Saludos,

Maria Laura Tolosa
D. Base & Password Admin. EM
Citibank NA - Argentina
TE: (5411)4329-1361
Fax:(5411)4329-1044

-----Original Message-----
From: Lado-Pose, Adriana
Sent: Friday, 03 December, 1999 2:09 PM
To: Tolosa, Maria L.
Cc: Stuart-Pennington, Alicia; Iglesias, Amalia
Subject: Mercado Abierto - Bloqueo de ctas.
Importance: High

María Laura,
Necesitamos colocar bloqueo 1 con carácter de urgente a las siguientes cuentas:
0/801060/013 MERCADO ABIERTO S.A.
2/801060/016 MERCADO ABIERTO S.A.
Saludos
Adriana Lado Pose

_____ Forward Header _____

Subject: Mercado Abierto - Bloqueo de ctas.
Author: Amalia Iglesias at 53CSBUE
Date: 03/12/1999 1:20 PM

Solicito se instrumente Bloqueo # 1 en todas las cuentas que Mercado Abierto S.A. y M.A.Casa de Cambio mantenga abiertas en Citibank. Dicha instruccion debera ser gestionada con caracter de URGENTE.
Muchas gracias
amalia
<< File: MAPI-1 Distribution List.TXT >>

PS000011

December 3, 1999 4:58 P.M.

Adrianna Maria Laura: According to what was reported by Graciela Acevedo (cash) for the checks to be paid subject to verification of FI, the block should be #4, since block #1 "inactive account." Therefore I would appreciate the change being made. Thank you very much, Amalia.

December 3, 1999 2:47 P.M.

O.k block processed at 1445. Regards. Maria Laura Tolosa

December 3, 1999 2:09 P.M.

Maria Laura, we need to place block #1 urgently on the following accounts:

[Two MA. Accounts]

December 3, 1999 1:20 P.M.

I request that block #1 be implemented on all of the accounts that Mercado Abierto and MA Casa Di Cambio keep open in Citibank. This instruction should be carried out URGENTLY. Thank you very much. Amalia

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Iglesias, Amalia
From: Llera, John
Sent: Friday, December 03, 1999 6:49 PM
To: Parra, Carlos
Cc: Andrade, Marcus; Llera, John; Lopez, Martin; Penaloza, Ramiro; Piantoni, Nestor; Iglesias, Amalia
Subject: Re: M.A.Bank / M.A.casa de Cambio - DDAs

Importance: High

Carlos,

Per our conversation today, there is a great urgency for this information. Please do all that is necessary to accelerate obtaining and sending the documentation requested to Amalia's attention.

Thanks and regards,
John.

_____ Reply Separator _____

Subject: M.A.Bank / M.A.casa de Cambio - DDAs
Author: Amalia Iglesias at 53CSBUE/o=1/c=US/a=MCI/p=CITICORP
Date: 12/03/1999 12:51 PM

Ramiro; John:

Necesitamos con caracter de MUY URGENTE, los statements de las DDAs de ref. desde diciembre 1997 hasta agosto 1998.

Especialmente los movimientos de los siguientes dias en ambas DDAS, que agradeceremos sean enviados en la fecha via fax.:

08-12-97
08-14-97
08-15-97
08-18-97
08-20-97
08-22-97
10-24-97
12-30-97
01-07-98
03-13-98
03-17-98
03-20-98
03-20-98
03-25-98
03-27-98
04-01-98

Muchas gracias
Amalia

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08-20-97
08-22-97
10-24-97
12-30-97
01-07-98
03-13-98
03-17-98
03-20-98
03-20-98
03-25-98
03-27-98
04-01-98

Muchas gracias
Amalia

PS000001

We need very urgently the statements for the referenced DDA's from December 97 to August 98

Especially the movements for the following days in both DDA's which we would appreciate being sent by fax today.

Hector advised she is
Senate is investigating
this transactions based
on funding a Presidential
Campaign in the Chr. Fed
States, this is per
Citibank's Legal Lawyer (Tom
Lahiff).

Martin Lopez is asking for a
Chronological memo detailing
what actions have been taken.
Amalia is to write the memo.

Martin [illegible]
acc's open.
Martin mentioned that Karen
Kerchen advised closing the
account.

75633013 Tanibe Exch
office

Jim - ~~[illegible]~~
BA wants to close the
a/c.
Want to close the a/c check
w/ legal to confirm if we
should proceed or should legal

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PS000035

Will we run [illegible]

To: Check w/ the government — Location: [illegible] problems - [illegible] confirm

During Your Absence: M 1st? — Of: Terms & Conditions

Telephone Number: ( ) — Date/Time: CCH reserves right to close a/c within 30 days

☐ Telephoned	☐ Please Call	☐ Called To See You
☐ Will Call Again	☐ Returned Your Call	☐ Wishes To See You
☐ See/Phone Me	☐ For Your Comments	☐ Please Approve
☐ For Your Info./File	☐ Return With Reply	☐ Please Handle
☐ Delete Me From Distribution	☐ Note and Send To	

Remarks/Telephone Message: Do it effective ~~[illegible]~~ 1/1/00

Hector recommends giving ~~[illegible]~~ client 45 days to find another bank.

From (Name & Location)

Phone — Date

ITEM 172007 (SF 2027 Rev. 12-91)
PKG-1000

This form is printed on recycled paper.

CITIBANK

Author: Carlos Ayala at 04USTPA/o=AFl/c=US/a=MCI/p=CITICORP
Date: 12/06/1999 9:35 AM
Priority: Normal
TO: Ezequiel Weisstaub at 53CSBUE/o=afl/c=us/a=mci/p=citicorp
CC: Tara Avery at 04USTPA/o=afl/c=us/a=mci/p=citicorp,
Carlos Ayala at 04USTPA/o=afl/c=us/a=mci/p=citicorp,
Dorinda J. Bailey at 04USTPA/o=afl/c=us/a=mci/p=citicorp,
Anna Chang at 21USNYC/o=afl/c=us/a=mci/p=citicorp,
Darren P. Combs at 04USTPA/o=afl/c=us/a=mci/p=citicorp,
Amalia Iglesias at 53CSBUE/o=afl/c=us/a=mci/p=citicorp,
J Imbert at 14USNYC/o=afl/c=us/a=mci/p=citicorp,
Sharon Kehoe at 04USTPA/o=afl/c=us/a=mci/p=citicorp,
John Llera at 00USNYC,
James J. McCarthy-Jr at 07USTPA/o=afl/c=us/a=mci/p=citicorp,
Sue Mello at 04USTPA/o=afl/c=us/a=mci/p=citicorp,
Nancy K. Moore at 03USTPA,
April-Covell Salathe at 04USTPA/o=afl/c=us/a=mci/p=citicorp,
Cecilia Segundo at 05USTPA/o=AFl/c=US/a=MCI/p=CITICORP,
AML Unit at 14USTPA/o=afl/c=us/a=mci/p=citicorp,
Eduardo E. Villafane at 04USTPA/o=afl/c=us/a=mci/p=citicorp,
Austin Williams at 04USTPA/o=afl/c=us/a=mci/p=citicorp
Subject: Anti Money Laundering Unit Tampa, FL USA
---------- Message Contents ----------

Compliance Argentina

As requested, the following is a brief overview of the Tampa Anti Money Laundering Unit. The AML Unit performs a sample monitoring of whole sale products, which can be found mentioned below. Sets of parameters are utilized to categorize and/or help identify the vast amount of information being reviewed. Once an investigation is initiated, the appropriate AMLCO is contacted. The AML Unit's monitoring works in conjunction with and is not to be considered a replacement of the countries and/or products Know Your Customer policies. Therefore, it should not to be considered the end to all monitoring.

Found below are the monitored products and their respective analysts:

Funds Transfer:

Carlos R. Ayala, Jr.
Senior Investigation Analyst
Funds Transfer Product (Europe & Domestic)
(813) 604-7806

Darren Combs
Investigation Analyst
Funds Transfer Product (Domestic)
(813) 604-7809

Marcia Frith
Investigation Analyst
Funds Transfer Product (Europe)
(813) 604-7805

Othneil Alexandre
Investigation Analyst
Funds Transfer Product (SAMBA)
(813) 604-7813

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FI Citichecking:

Austin Williams
Senior Investigation Analyst
FI Citichecking
(813) 604-7814

Eduardo Villafane
Investigation Analyst
FI Citichecking
(813) 604-7816

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Worldlink / Pandesic / Cashletter / Lockbox:

Sue Mello
Senior Investigation Analyst
Worldlink
(813) 604-7817

James H. Gallagher
Investigation Analyst
Pandesic / Global Check Clearing
(813) 604-7804

April C. Salathe
Investigation Analyst
Cashletter / Lockbox
(813) 604-7811

Travellers Checks:

Sharon Kehoe
Senior Investigation Analyst
Travellers Checks
(813) 604-7818

Dorinda Bailey
Investigation Analyst
Travellers Checks
(813) 604-7810

Tara L. Avery
Investigation Analyst
Visa Travel Money /
(813) 604-7812

AML (Anti Money Laundering Unit) Managers

Jim McCarthy
Vice President
Director
(813) 604-7801

Nancy Moore
Assistant Vice President
Manager
(813) 604-7803

Cecilia Segundo
Compliance Officer
Manager
(813) 604-7802

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Regards,

Carlos R. Ayala, Jr.

Author: Amalia Iglesias at 53CSBUE
Date: 06/12/1999 11:53 AM
Priority: Urgent
TO: Guillermo Culaciati at 53CSBUE, Nina Liotta at 53CSBUE
CC: Marcus Andrade at 53CSBUE, Martin Lopez at 53CSBUE, Nestor Piantoni at 53CSBUE
Subject: Mercado Abierto - Ctas con bloqueo|
---------- Message Contents ----------

Las cuentas de Mercado Abierto, desde el viernes, tienen bloqueo # 4 .
Esta medida se instrumento con el proposito que los debitos que por cualquier concepto deban efectuarse (pago de cheques, MEP, transferencias entre cuentas, etc.) sean aprobados por FI.
Desde ya agradezco mucho la colaboracion.
Saludos
Amalia

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PS00006

Dec. 6, 1999 11:53 A.M.

The accounts of Mercado Abierto since Friday have block #4. This measure was taken so that the debits made for any reason (payment of checks, MEP, transfers between accoutns, etc.) will be approved by FI.

REDACTED

Author: Amalia Iglesias at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP
Date: 12/07/1999 8:40 AM
Priority: Urgent
TO: John Llera at 00USNYC,
Carlos Parra at 11USNYC/o=af1/c=us/a=mci/p=citicorp
CC: Marcus Andrade at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP,
Martin Lopez at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP,
Nestor Piantoni at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP
Subject: FW: M.A.Bank / M.A.casa de Cambio - DDAs
---------- Message Contents ----------

John , Carlos:
El motivo de este requerimiento es conocer el flujo de los fondos en los dia mencionados, poder determinar que debitos se efectuaron en ambas DDAs ,monto ,bancos y beneficiarios.
Los statements no deberan ser enviados a Bs.As. por lo que les agradecere si Uds. pueden realizar este analisis e informarnos a la mayor brevedad.
Quedo a disposicion de Uds. para toda consulta al respecto.
Desde ya agradezco mucho la colaboracion de ambos
Saludos
Amalia

REDACTED

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-----Original Message-----
From: Llera, John
Sent: Friday, December 03, 1999 6:49 PM
To: Parra, Carlos
Cc: Andrade, Marcus; Llera, John; Lopez, Martin; Penalcza, Ramiro; Piantoni, Nestor; Iglesias, Amalia
Subject: Re: M.A.Bank / M.A.casa de Cambio - DDAs
Importance: High

Carlos,

Per our conversation today, there is a great urgency for this information. Please do all that is necessary to accelerate obtaining and sending the documentation requested to Amalia's attention.
Thanks and regards,
John.

PS000032

12/7/99 8:40 A.M.

John, Carlos: The reason for this request is to know about the flow of funds on the mentioned days to be able to determine what debits were made in both DDA's, amount, banks, and beneficiaries. The statements should not be sent to Buenos Aires so I would be grateful if you could perform this analysis and advise us as soon as possible. I am available if you have any questions. Thank you very much for your cooperation. Regards, Amalia.

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Description of the event

On December 2, 1999 a front page article appeared in the newspaper La Nacion reporting money transfers from Bank of America to Mercado Abierto through accounts in Citibank NY that were being investigated by Argentina Courts. This information generated a search and seizure procedure in Mercado Abierto's offices in downtown Buenos Aires that same day.

This investigation started in May 1998, when the U.S. Custom Services issued a warrant to seize US1.8MM from Mercado Abierto Bank and Mercado Abierto Casa de Cambio accounts in Citibank NY (Account # 3611386 and 36137631). Citibank NY informed the customer of the legal order and delivered the money to the court.

The legal order did not include either the freezing or the closing of the aforementioned accounts. We talked with the customer and they were surprised by what was going on. Afterwards they explained to us that they knew their client very well and were sure that there would not be any problem in the future. The decision was taken to keep the accounts opened at that time because we believed our customer and we did not have any elements in the past that would indicate that Mercado Abierto could be involved in any illegal procedure.

These accounts are monitored by US Anti Money Laundering. We have not received any report on any suspicious transactions done through these accounts since the seizure was ordered.

During checks made with the customer in October 99, they told us that they held meetings with US Customs during June 1999. In the meeting US Customs told our client that the procedure was in an "administrative" status.

After this meeting, we kept close contacts with the client. This information is kept in our files and was sent today (December 3) to Compliance NY.

Our understanding of what happened

Mercado Abierto Casa de Cambio and M.A. Bank received $15 MM dollars from U.S. Banks (Bank of America, Nations Bank and United) in their correspondent bank accounts at Citibank NY. The final beneficiary of these transfers was Mr. Di Tullio and other companies represented by Mr. Di Tullio in Buenos Aires. This transaction did not attract the attention of Mercado Abierto as these were considered normal for the real estate business operations of Mr. Di Tullio with Mercado Abierto. The only condition Mercado Abierto required of Mr. Di Tullio was that the funds come from top tier American Banks.

Client Background

The customer is a very well respected Financial Institution in Argentina founded in 1983. It operates primarily in the asset management business as well as equity broker of the largest privatized companies in Argentina (YPF, Telefonica). It also has a large base of private banking customers. In order to perform the latter business, Mercado Abierto owns a brokerage house (M.A. Valores Sociedad de Bolsa), an offshore Bank in Cayman Islands (M.A. Bank), and FX house (M.A. Casa de Cambio) and an Over the Counter broker (M.A. Mercado Abierto). The company has hired Deloitte & Touche as their auditors for the whole group.
The ownership is distributed among: Miguel Iribarne (33%), Aldo Dueler (33%) and Hector Seaverra (33%). These three individuals are well known individuals in the local financial markets.

DEC. 7.1999 5:54PM SALOMON SMITH BARNEY NO.675 P.3/3
12-7-99; 4:25PM;Michael Contreras ;305 347 1484 # 4/ 4
2-03-99 19:45 CITIBANK PRESIDENCIA ID=5411 43291832 P.03

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December 3, 1999

Citibank Buenos Aires started operations with the customer in 1989. We only provide Cash Management services to this customer.
The company has an institutional web site at www.mesa.com.ar

Citibank's control procedures

With the information we currently have, we believe that Citibank has no responsibility in this affair, given that:

- We comply in Argentina with "know your customer policy", including the Basiuc Information Report and we also reviewed the customer's money laundering written policies.
- The US Anti Money Laundering Unit monitors account activity.
- The transfers under review by US Customs were not suspicious for our AML controls because they were similar to the amounts transferred by the customer in its everyday operations.
- All the transfers subject to this investigation have not been transferred to Mercado Abierto Citibank Buenos Aires bank accounts. Therefore, they transferred the funds to Argentina through other banks.

Involvement Team

The individuals that we included today in a conference call discussing this affair are:
Compliance Team NY
Karen J. Kirchen
Carol Baldwin
John Hannigan
John Imbert
Legal Department NY
John Emert
Local Team
Carlos Giovanelli
Marcus Andrade
Nestor Piantoni
Carlos Barrio
Martin Lopez

Iglesias, Amalia

From: Ubierna, Martin
Sent: Thursday, January 13, 2000 1:29 PM
To: Norena, Hector; Llera, John
Cc: Lopez, Martin; Iglesias, Amalia; Emert, John P.
Subject: RE: Mercado Abierto/Account Closing

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Hector,

De acuerdo a lo conversado la dirección en Buenos Aires de la compañía es la siguiente:

Av. Corrientes 415
(1043) Buenos Aires
Argentina

REDACTED REDACTED

Saludos,
Martín.

-----Original Message-----
From: Ubierna, Martin
Sent: Thursday, January 13, 2000 10:57 AM
To: Norena, Hector; Llera, John
Cc: Barrio, Carlos; Piantoni, Nestor; Lopez, Martin; Iglesias, Amalia; Emert, John P.
Subject: RE: Mercado Abierto/Account Closing

Hector / John,

REDACTED hemos decidido proceder a realizar el cierre de todas las cuentas de Mercado Abierto, para lo cual te pido que te encargues de la notificacion al cliente del pedido de cierre de las cuentas que tienen con Citi NY. Las mismas son:

36964952 Mercado Abierto S.A.
36111386 M.A. Bank Limited
36137631 M.A. Casa de Cambio
36964944 M.A. Valores S.A. Sociedad de Bolsa

REDACTED acordó darle al cliente un plazo de 30 días a partir de recibir la notificación para efectuar el cierre de las mismas, y se comunicará el motivo de la solicitud de cierre (de acuerdo a lo solicitado por el cliente) que de acuerdo a lo convenido con John debe decir: "for commercial reasons, based in part on the events of the past few months."

Las notificaciones deberán ser dirijidas a Héctor Scasserra (te pido que verifiques si también figura como funcionario de M.A. Bank Limited de acuerdo a la documentación en poder de Citi NY).

Po último, te pido que ante cualquier duda te comuniques con John Emert, quien está manejando este tema.

Gracias y Saludos,
Martin.

-----Original Message-----
From: Barrio, Carlos

Sent: Thursday, January 13, 2000 10:22 AM
To: Ubierna, Martin
Subject: FW: Mercado Abierto/Account Closing
Importance: High

REDACTED

-----Original Message-----
From: Emert, John P.
Sent: Wednesday, January 12, 2000 6:42 PM
To: Barrio, Carlos; Jordan, Richard D.
Cc: Kirchen, Karen J.; Hill, Daina SSB.; Imbert, J
Subject: Mercado Abierto/Account Closing
Importance: High

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Carlos:

REDACTED

REDACTED

Regards, John

PS017795

As per discussion, the company's address in Buenos Aires is:

[redacted] we have decided to close all the Mercado Abierto accounts, for which purpose I request that you notify the customer of the request to close the accounts they have with Citi NY. They are:

36964952 Mercado Abierto S.A.
36111386 M.A. Bank Ltd.
36137631 M.A. Casa de Cambio
36964944 M.A. Valores S.A.

[redacted] agreed to give the customer 30 days from receipt of the notification to close them, and the reason for the request to close will be provided (as per the customer's request). In accordance with the agreement with John, this should say: "for commercial reasons, based in part on the events of the past few months."

The notifications should be addressed to Héctor Scasserra (please check if he is also an officer of M.A. Bank Limited according to the documentation in the possession of Citi NY).

Finally, please contact John Emert, who is managing this issue, if there are any questions.

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Iglesias, Amalia

From: Iglesias, Amalia
Sent: Tuesday, December 14, 1999 6:15 PM
To: Piantoni, Nestor; Barrio, Carlos
Cc: Lopez, Martin
Subject: FW: MA -H. Norena call-

-----Original Message-----

From: Weisstaub, Ezequiel
Sent: Tuesday, December 14, 1999 1:05 PM
To: Iglesias, Amalia
Subject: MA -H. Norena call-

Amalia:

En el dia de hoy atendi una llamada para ti de Hector Noreña. Queria conversar contigo respecto del caso MA. En este sentido me comento que el esta relativamente tranquilo respecto de este tema REDACTED REDACTED

Segun Hector la responsabilidad respecto del manejo de este caso ante el embargo quedaba bajo el departamento legal ya que ellos estaban al tanto del origen del embargo y la unica comunicacion que a el le llego era la de requerir la informacion en Oct-99 que fue facilitada por Citi Arg en tiempo y forma.

Respecto del cierre de la cuenta, Hector me comento que Citi NY recibe diariamente gran cantidad de embargos sobre cuentas de clientes y que estos no originan de por si un cierre de estas cuentas. El normal procedimiento es derivarlo al departamento legal y que este lo analiza y decide las acciones a ser tomadas.

Saludos
Ezequiel

PD: la idea de este email era no olvidar nada de la conversacion mantenida debido a la importancia del tema.

PS017801

Today I took a call for you from Hector Noreña. He wanted to talk to you about the MA case. In this respect, he told me that he is relatively at ease about this issue [redacted]

According to Hector, responsibility for managing this case with regard to the embargo rested with the legal department, since they were fully informed about the origin of the embargo and the only communication he received was the one requesting information in October 99 which was provided by Citi Arg on a timely basis and in the appropriate manner.

Regarding closing the account, Hector told me that Citi NY receives many embargos on customer accounts every day and that in and of themselves they do not result in the closing of these accounts. The normal procedure is for it to be sent to the legal department, which studies it and decides what action will be taken.

Author: John LLera at 000SNYC
Date: 02/11/2000 2:43 PM
Priority: Normal
TO: James A. Forde at 11USNYC/o=afl/c=us/a=mci/p=citicorp
Subject: FW: FW: Mercado Abierto - Call memo
---------- Message Contents ----------

Jim,

FYI. I just received teh attached.

Regards,
John.

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---------- Forward Header ----------
Subject: FW: FW: Mercado Abierto - Call memo
Author: Amalia Iglesias at 53CSBUE/o=AFl/c=US/a=MCI/p=CITICORP
Date: 02/11/2000 2:23 PM

-----Original Message-----
From: Rivas, Pablo
Sent: Thursday, February 03, 2000 3:14 PM
To: Lopez, Martin; Iglesias, Amalia
Cc: Rivas, Pablo
Subject: RE: FW: Mercado Abierto - Call memo

Martin, me encargo de hablar con John Emert, no hay problema.
Saludos
Pablo
-----Original Message-----
From: Lopez, Martin
Sent: Thursday, February 03, 2000 1:34 PM
To: Iglesias, Amalia
Cc: Rivas, Pablo
Subject: FW: Mercado Abierto - Call memo
Importance: High

Maneja el tema tambien con John LLera para ver como se hace operativamente para seguir con el cierre de cuenta.
Pablo esto debe ser comunicado y coordinado con John Emert. Cuando yo hable con el cliente para comunicarle la decision del banco lo unico que pidio fue una carta con los motivos que fue redactada por Carlos Barrio y John Emert.
Se ve que ahora quieren hacer un caso del perjuicio que les provocaria la decision a nivel imagen en el mercado.
Saludos
Martin
-----Original Message-----
From: Iglesias, Amalia
Sent: Miércoles 2 de Febrero de 2000 04:01 PM
To: Rivas, Pablo
Cc: Andrade, Marcus; Lopez, Martin; Quiroga-Prat, Trinidad
Subject: Mercado Abierto - Call memo
Importance: High

PS000047

Pablo:
Creo que es importante que estes en conocimiento de este tema:
En la fecha llame a Hector Scasserra - Presidente de M.A. - porque el 14 y 16 de febrero se cumple el plazo para proceder al cierre de las DDAs y cuentas locales de acuerdo a las notificaciones enviadas oportunamente .A tal efecto le solicite que ,con anterioridad a las fechas mencionadas, envie carta de instruccion para la transferencias de los saldos que presenten dichas cuentas.(con el proposito de evitar dilatar el tramite).
Al respecto, H.Scasserra me manifesto que el directorio ésta totalmente

disconforme con esta decision de Citibank y asi lo han hecho saber a BCRA, a quién elevaron la consulta formal acerca de si un Banco puede disponer el cierre de una cuenta arbitrariamente y por un tema mediatico ,con el grave perjuicio que ello ocasiona a la empresa.
Agrego que fueron auditados por BCRA y CNV con resultados satisfactorios ,y ningun banco del mercado ha dejado de operar con ellos. Razon por la cual dicen, no justificar la decision de Citibank que les provoca " un daño irreparable ".
Con respecto a las DDAs, no aceptan la carta enviada por John Llera por considerarla escueta y sin fundamentos debido a que N.Y. desde el principio conocio el tema del embargo y no obstante ello les permitio continuar operando normalmente. Sus abogados tanto en Bs.As como en N.Y iniciaran acciones legales contra Citibank.
Dijo tomar nota del motivo de mi llamado y pasar el tema al estudio juridico que los asesora.
Saludos
Amalia

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PS000047

February 3, 2000 1:34 P.M.

TO: Amalia

Discussions are also being held with John Llera to see how to follow up operationally regarding the account closure. Pablo, this should be communicated and coordinated with John Emertz When I spoke to the client to advise him about the bank's decision the only thing he asked for was a letter with the reasons drawn up by Carlos Barrio and John Emertz. We see now that they want to make a case for the damage that the decision would cause them in terms of their image in the market. Regards. Martin

February 2, 2000 4:01 P.M.

Pablo, I think it is important for you to be aware of this: today I called Hector Scasserra President of MA because on February 14th and 16th the time period ends for proceeding to close the DDA's and local accounts in accordance with the notifications that were timely sent. For that purpose, I asked him, before the aforementioned dates, to send a letter of instruction for the transfers of the balances in those accounts (for the purpose of preventing delays). In this regard H. Scasserra told me that the Board of Directors is in total disagreement with this decision of Citibank and they have so advised BCRA which formally asked if a bank can arbitrarily order the closing of an account [manipulatively??] with the serious harm that causes the company. I add that they were audited by BCRA and CNV with satisfactory results and no bank in the market has stopped working with them. Therefore, they say, that Citibank's decision is not justified and is causing them "irreparable harm". With respect to the DDA's, they do not accept the letter sent by John Llera because they consider it [skeletal/inadequate] and baseless due to the fact that New York, from the outset, knew about the embargo and nevertheless allowed them to continue operating normally. Their attorneys both in Buenos Aires and New York will bring legal action against Citibank. He said that he took note of the reason for my call and will pass the matter on to the lawfirm that is advising them. Regards, Amalia.

Law Offices of
MARIELA CARAVETTA
6320 Van Nuys Blvd., Suite 205 - Van Nuys, CA 91401
Tel: (818) 902-2111 - Fax: (818) 902-9978 - E-mail: lawofmc@gte.net

February 11, 2000

By Fax and U.S. Mail

Citibank New York
Attn.: Assistant Vice President
Mr. John E. Llera
111 Wall St. 21/5
New York, NY 10049

STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION
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RE: Acc. 36964952 Mercado Abierto S.A.
Acc. 36111386 M. A. Bank Ltd.
Acc. 36137631 M. A. Casa De Cambio
Acc. 36964944 M.A. Valores, S.A. Sociedad de Bolsa.

Dear Mr. Llera:

It was a pleasure talking to you this morning. You have been advised that I represent Mercado Abierto S.A. and companies in the reference, with regards to matters in the United States.

We are in receipt of your letter dated January 14, 2000 where you indicated Citibank's intention to close the accounts of reference, "based in part on the events of the last few moths".

We believe, you are referring to the strong media campaign of which our companies have been victims during last December. As you may know, that campaign was motivated in political reasons to press the Congress to sanction the bill of anti-money laundering laws in Argentina.

In regards to the case of money laundering under investigation, we have not been charged nor convicted. Further, we have been actively cooperating with both Argentinean and U.S. governments to resolve the case.

Moreover, we found no reason in which you may base your closing of the accounts under the agreement and laws regulating our contractual relationship. We have acted with good faith and extreme diligence at all times during our long-time relationship. I believe we deserve your trust and confidence in our innocence, at least, until the Court rules otherwise.

l a w O f f i c e s o f
MARIELA CARAVETTA
6320 Van Nuys Blvd. Suite 205 - Van Nuys, CA 91401
Tel: (818) 902-2111 - Fax: (818) 902-9979 - E-mail: awolmc@gte.net

We are requesting that your premature determination of closing the accounts be deferred to a time when the Courts have either resolved the cases or pronounced against our companies. Alternatively, we request an opportunity to confer with the Directives, providing a full explanation to any issue causal of this decision.

We are confident that you will find our petition fair, and that we can avoid the grave consequences of a detrimental act that would taint our reputation and cause an interference with our businesses.

Should you have any questions, do not hesitate to contact me.

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Yours truly,

Mariela Caravetta
Attorney at Law
Cc.: Mercado Abierto S.A.

CITIBANK

Post-it® Fax Note 7671 | Date | # of pages ▶ 1
To Pablo Rivas | From
Co./Dept. John Emeri | Co.
Phone # Jim Forde | Phone #
Fax # John Llera – Please provide copy Jim Forde of the FAT

By Fax and U.P.S.
Fax: 818-902-9978

February 14, 2000

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Ms. Mariela Caravetta
Attorney at Law
6320 Van Nuys Blvd.
Van Nuys, California 91401

Re: A/C#	A/C Title
36964952	Mercado Abierto, S.A.
36111386	M.A. Bank Limited
36137631	M.A. Casa de Cambio
36964944	M.A. Valores, S.A. Sociedad de Bolsa

Dear Ms. Caravetta,

We are in receipt of your letter dated February 11, 2000, wherein your client, Mercado Abierto, S.A., requested that Citibank defer its decision to close the above accounts.

Again, as stated in our January 14 letter to your client (specifically, the letter from Mr. John Llera of Citibank to Mr. Hector Scassera of Mercado Abierto), we hereby advise you and your client that for the reasons provided in that letter Citibank has decided to close the above accounts. Our January 14 letter provided your client with 30 days' notice of termination. Accordingly, the accounts will be closed on and as of February 21, 2000.

We again request that your client provide us with instructions for the transfer of the remaining balances of these accounts. Please ask Mr. Scassera to contact Mr. Llera regarding same. If we do not receive any other instructions, we will prepare a check for the available balance in each account and will send them to the address of record for each account.

Sincerely yours,

Kyle Moran

Kyle A. Moran
Division Counsel

cc: Mr. John Llera
Mr. Hector Scassera

PS000058

Mercadolet1.doc
2/14/00

Author: John Llera at 00USNYC
Date: 02/28/2000 10:16 AM
Priority: Urgent
TO: Amalia Iglesias at 53CSBUE/o=afl/c=us/a=mci/p=citicorp
CC: James A. Forde at 11USNYC/o=afl/c=us/a=mci/p=citicorp
Subject: M.A. Acounts

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---------- Message Contents ----------

Amalia,

The four M.A. accounts [DDA's 36964952; 36111386; 36137631 and 36964944] were placed on debit/credit no post pending actual closures of the accounts,

Per the letter dated Feb. 14, 2000 sent by Kyle Moran [Division Counsel] to Ms. Mariela Caravetta, the clients attorney, checks would be issued by Citibank for the available balances in each account and sent to the address of record for those accounts.

As Citibank New York has received no disposal instructions to date, kindly send a tested telex authorizing Citibank New York to proceed with the check disbursements, less any fees where applicable, and the closures of the accounts.

Best regards,
John.

Author: Erika Galarza at 06USNYC/o=AF1/c=US/a=MCI/p=CITICORP
Date: 03/03/2000 5:38 PM
Priority: Normal
TO: John Llera at 00USNYC, Claudia Testa at 53CSBUE/o=af1/c=us/a=mci/p=citicorp,
James A. Forde at 11USNYC/o=af1/c=us/a=mci/p=citicorp
Subject: Closing a/c's

---------- Message Contents ----------

Please be advised that the accounts in the name of Mercado Abierto (36964952,36964944,36137631 and 36111386) have been closed today 03-March-00.
Thanks for your cooperation.
Erika

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Author: Martin Ubierna at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP
Date: 06/16/2000 4:17 PM
Priority: Normal
TO: James A. Forde at 11USNYC/o=af1/c=us/a=mci/p=citicorp, John Llera at 00USNYC
CC: Carlos Barrio at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP,
John P. Emert at 01USNYC/o=af1/c=us/a=mci/p=citicorp,
Ignacio Morello at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORE,
Nestor Piantoni at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP
Subject: Closing of Federal Bank and American Exchange DDAs / Closi
---------- Message Contents ----------

John/James,

Based on your request I am forwarding the mail where was documented our conversation with the client about the closing (dated May, 8, 2000) and where you can find references to prior conversations).

Additionally, I am attaching some mails about the commercial strategy to be implemented for all the FI-Argentina customers (without any exception) about the closings of DDA for off-shore vehicles that are not consolidating under a local bank, and consequently regulated by the Local Central Bank (BCRA: Banco Central de la Republica Argentina). As you can see, the first mail is dated April 06, 2000, but again you can find references to prior conversations and meetings. Moreover, as a proof of this strategy implementation, you should have mails about the closing of other accounts done during this year.

Finally, I will try to find any other document about the definition of this strategy (that has begun during the first months of this year) and previous meetings.

I hope this information is enough to cover your concern about the closing of these 2 DDAs. As I already mentioned yesterday in my request, it could be helpful for you discuss this with John Emert.

-----Original Message-----
From: Ubierna, Martin
Sent: Monday, May 08, 2000 8:04 PM
To: Lopez, Martin
Cc: Piantoni, Nestor; Giovanelli, Carlos
Subject: Federal Bank

Martin,

De acuerdo a lo que me pediste y en función de lo que ya le habías adelantado a Pablo Lucini, hoy me comuniqué con él y le dije que si no recibimos antes del 30-May-00 la solicitud del cierre de la DDA, en esa fecha le llegará una carta de Citi NY comunicándole que a los 30 días, es decir el 30-Jun-00, se cerrará la misma.

Saludos,

Martin Ubierna
Relationship Manager
Financial Institutions - Argentina
(5411) 4329-1703

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I will send the mails attached in other mails because memory problems with the delivery.

Best Regards,

Martin Ubierna

Relationship Manager
Financial Institutions - Argentina
(5411) 4329-1703

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CA001372

EXHIBIT NO. 63
Documents related to
FEDERAL BANK
(Case Study No. 10):

63a. Central Bank of the Bahamas documents
63b. CEI related documents
63c. Account opening and closing documents
63d. Resolution No. 395 of the Central Bank of Argentina
63e. Analyses of Banco Republica, Federal Bank and other Grupo Moneta entities in Citibank files
63f. Excerpts from the audits of Banco Republica by the Central Bank of Argentina

On Investigations
EXHIBIT #_____63a___

Exhibit 63a.

Central Bank of the Bahamas documents

THE CENTRAL BANK OF THE BAHAMAS

P. O. Box N-4868
Nassau, N.P. Bahamas
Tel: (242) 322-2193
Cable: CENTRAL BANK
Fax: (242) 322-4321
Telex: 20115/20542

Our Ref: 402.866

7th September, 2000

Via Facsimile: (202) 224-1972

United States Senate
Committee on Governmental Affairs
Washington, DC 20510-6250

Attention: Mr. Robert Slama
Investigator to the Minority
Permanent Subcommittee on Investigations

Dear Sirs,

Re: Federal Bank Limited (FBL)

We acknowledge receipt of your facsimile dated 31st August, 2000 seeking publicly available information pertaining to the captioned entity.

FBL was licensed on 1st July, 1992 to conduct unrestricted banking business from within The Commonwealth of The Bahamas in accordance with the Banks and Trust Companies Regulations Act, Chapter 287. The registered office and managing agents of the licensee are:

The Winterbotham Trust Company
Limited,
Bolam House,
King and George Streets, Post Office
Box N 3026, Nassau, Bahamas

Phone Number: (242) 356-5454
Facsimile Number: (242) 356-9432

We now enclose a copy of the latest available Audited Financial Statements and a copy of the Company's latest (1999) Annual Statement filed with the Bahamas Registrar of Companies.

Yours faithfully,

For Manager
Bank Supervision Department

PB/TM/iml

FEDERAL BANK LIMITED

Financial Statements For The
Year Ended December 31, 1999, and
Independent Auditor's Report

Deloitte & Touche

FEDERAL BANK LIMITED

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Deloitte & Touche

Chartered Accountants &
Management Consultants

Deloitte & Touche
2nd Terrace West
P.O. Box N-7120
Nassau, Bahamas
Telephone: (242) 302-4800
Facsimile: (242) 322-3101
Email: deloitte@bahamas.net.bs

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Federal Bank Limited:

We have audited the accompanying balance sheet of Federal Bank Limited (the "Bank") as of December 31, 1999 and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Deloitte & Touche

August 17, 2000

FEDERAL BANK LIMITED

BALANCE SHEET
AS OF DECEMBER 31, 1999
(Expressed in United States dollars)

	1999	1998
ASSETS		
Cash	$ 199,025	$ 676,774
Trading securities	951,054	2,247,682
Due from banks (Notes 3)	6,258,350	14,009,664
Other money market placements (Note 4)	9,249,143	9,302,392
Loans and advances to customers (Note 5)	103,688,321	96,228,226
Other assets	28,000	28,000
Debtors for sale of securities	8,137,190	78,908,320
Forward purchases of securities (Note 7)	3,990,875	50,134,214
TOTAL	$ 132,501,958	$ 251,535,272
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposits (Note 6)	$ 50,632,252	$ 54,912,176
Due to banks (Note 8)	42,264,573	44,840,708
Other liabilities	-	59,316
Creditors for purchases of securities	8,198,589	63,752,145
Forward sales of securities (Note 7)	3,930,085	65,972,160
Total liabilities	105,025,499	229,536,505
SHAREHOLDERS' EQUITY:		
Share capital - authorized, issued and fully paid:		
5,000,000 shares of $1 each	5,000,000	5,000,000
Retained earnings	22,476,459	16,998,767
Total shareholders' equity	27,476,459	21,998,767
TOTAL	$ 132,501,958	$ 251,535,272

See notes to financial statements.

Approved on behalf of the Board:

Enrique Ferreiro Camejo
Director

Jorge Alfredo Maschwitz
Director

FEDERAL BANK LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1999
(Expressed in United States dollars)

	1999	1998
INTEREST INCOME	$ 13,251,104	$ 20,583,642
INTEREST EXPENSE	10,425,028	12,620,392
Net interest income	2,826,076	7,963,250
OTHER OPERATING INCOME (EXPENSES):		
Net gains (losses) from trading securities	2,491,364	(7,821,534)
Commissions and premiums earned on options	650	1,317,680
Premiums paid on options	-	(1,466,701)
Dividend income	487,144	495,971
Other (expense) income	(122,329)	1,346,340
Total other operating income (expenses)	2,856,829	(6,128,244)
Net interest and other income	5,682,905	1,835,006
NON-INTEREST EXPENSES:		
Administrative and other expenses	(205,213)	(388,960)
NET INCOME	5,477,692	1,446,046
RETAINED EARNINGS, BEGINNING OF YEAR	16,998,767	15,552,721
RETAINED EARNINGS, END OF YEAR	$ 22,476,459	$ 16,998,767

See notes to financial statements.

FEDERAL BANK LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1999
(Expressed in United States dollars)

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 5,477,692	$ 1,446,046
Decrease (increase) in debtors for sale of securities	70,771,130	(55,108,334)
Decrease in forward purchases of securities	46,143,339	49,111,125
Decrease in other liabilities	(59,316)	(253,844)
Decrease in creditors for purchases of securities	(55,553,556)	(20,348,285)
(Decrease) increase in forward sales of securities	(62,042,075)	40,316,987
Decrease in trading securities	1,296,628	5,669,670
Decrease in due from banks	7,751,314	28,455,033
Decrease in other money market placements	53,249	22,444,275
(Increase) decrease in loans and advances to customers	(7,460,095)	140,677,738
Decrease in deposits	(4,279,924)	(180,475,737)
Decrease in due to banks	(2,576,135)	(33,015,608)
NET DECREASE IN CASH	(477,749)	(1,080,934)
CASH, BEGINNING OF YEAR	676,774	1,757,708
CASH, END OF YEAR	$ 199,025	$ 676,774

See notes to financial statements.

FEDERAL BANK LIMITED

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999

1. INCORPORATION AND ACTIVITY

Federal Bank Limited (the "Bank") is incorporated in the Commonwealth of The Bahamas. The Bank is licensed to conduct banking and trust business with non-residents. The Bank's present line of business deals mainly with placing short-term deposits with members of the international banking community, making loans to customers either in currencies or securities and trading in securities. The Bank commenced operations on March 10, 1992.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Securities* - Securities are carried at market value at December 31, 1999. Realized and unrealized gains and losses are shown in net gains from trading securities.

b. *Income and expenses* - Income and expenses are recorded on an accrual basis.

c. *Foreign currency translation* - All amounts in the financial statements are expressed in United States dollars. Transactions in currencies other than United States dollars are translated at the prevailing rate at the time of the transaction. Assets and liabilities in currencies other than United States dollars are translated at rates prevailing at the balance sheet date.

d. *Loans and advances to customers* – Loans and advances to customers are stated at the amount outstanding less any provision for losses.

Provision for losses is based upon management's evaluation of the loan portfolio, current economic conditions and other factors.

e. *Related parties* - The related parties consist of another bank and a brokerage firm with common shareholders.

f. *Forward contracts* - Forward contracts are recognized and recorded on the balance sheet. These contracts are recorded at inception date and further valued at forward rate. At each closing date forward purchases/sales accounts are adjusted to market while the respective contra accounts Creditors for forward purchases/Debtors for forward sales remain at the contract prices agreed upon. Differences arising between the amount of each contract at market and the respective forward rate are taken into income.

3. DUE FROM BANKS

Maturity analysis:

	1999	1998
Demand deposits	$ 96,161	$ 8,108,463
0 - 30 days	-	932,520
31 - 60 days	-	3,250,000
61 - 90 days	6,076,474	1,650,000
Interest receivable	85,715	68,681
	$ 6,258,350	$ 14,009,664

Concentration analysis:

	1999		1998	
	Number of Accounts	Amount	Number of Accounts	Amount
$0 - $100,000	1	$ 96,161	2	$ 57,039
$500,001 - $1,000,000	-	-	1	932,520
$1,000,001 - $1,500,000	1	1,019,310	-	-
$1,500,001 - $2,000,000	1	1,731,331	1	1,650,000
Over $2,000,001	1	3,325,833	3	11,301,424
Interest receivable		85,715		68,681
		$ 6,258,350		$ 14,009,664

4. OTHER MONEY MARKET PLACEMENTS

Other money market placements consist mainly of placements of money market instruments with financial institutions and other than banks.

	1999	1998
Maturity analysis:		
1 - 3 months	$ 697,908	$ 698,239
3 - 6 months	8,545,078	8,598,179
Interest receivable	6,157	5,974
	$ 9,249,143	$ 9,302,392

5. LOANS AND ADVANCES TO CUSTOMERS

The major categories under this caption are as follows:

	1999	1998
Secured	$ 81,885,517	$ 73,990,905
Unsecured	18,948,898	21,227,273
Interest receivable	2,935,475	1,010,048
Provision for loan losses	(81,569)	-
	$ 103,688,321	$ 96,228,226

Maturity analysis:	1999	1998
Advances	$ 40,660,884	$ 34,908,270
0 - 30 days	10,344,680	1,765,846
31 - 60 days	4,472,990	1,062,691
61 - 90 days	226,776	8,998,912
91 - 120 days	-	204,473
121 - 180 days	-	40,130,325
Over 180 days	45,129,085	8,147,661
Interest receivable	2,935,475	1,010,048
Provision for loan losses	(81,569)	-
	$ 103,688,321	$ 96,228,226

Concentration analysis:

	1999		1998	
	Number of Accounts	Amount	Number of Accounts	Amount
Advances		$ 40,660,884		$ 34,908,270
$0 - $100,000	6	247,794	12	147,780
$100,001 - $500,000	12	2,345,062	13	2,433,019
$500,001 - $1,000,000	2	1,314,482	3	2,206,702
$1,000,001 - $1,500,000	2	2,430,451	2	2,394,410
Over $2,000,001	3	53,835,742	3	53,127,997
Interest receivable		2,935,475		1,010,048
Provision for loan losses		(81,569)		-
		$ 103,688,321		$ 96,228,226

Interest rate analysis:

	1999	1998
Average interest rate	8.6%	10.5%

6. DEPOSITS

Maturity analysis:

	1999	1998
Demand deposits	$ 25,618,763	$ 22,006,494
0 - 30 days	13,569,494	20,755,618
31 - 60 days	2,326,938	7,991,009
61 - 90 days	332,640	1,687,298
91 - 120 days	-	2,109,991
121 - 180 days	-	136,031
Over 180 days	8,545,077	-
Interest payable	239,340	225,735
	$ 50,632,252	$ 54,912,176

Concentration analysis:

	1999		1998	
	Number of Accounts	Amount	Number of Accounts	Amount
Demand deposits		$ 25,618,763		$ 22,006,494
$0 - $100,000	9	358,160	53	1,945,438
$100,001 - $500,000	6	1,321,931	31	7,822,420
$500,001 - $1,000,000	-	-	3	1,937,879
$1,000,001 - $1,500,000	1	1,177,375	2	2,596,882
$1,500,001 - $2,000,000	-	-	2	3,565,146
Over $2,000,001	4	21,916,683	3	14,812,182
Interest payable		239,340		225,735
		$ 50,632,252		$ 54,912,176

Deposits are also categorized as follows:

	1999	1998
Currencies	$ 42,087,175	$ 54,912,176
Securities	8,545,077	-
	$ 50,632,252	$ 54,912,176

Interest rate analysis:

	1999	1998
Average interest rate	8.0%	8.0%

7. FORWARD PURCHASES AND SALES OF SECURITIES

	1999	1998
Maturity analysis:		
Purchases		
0 - 30 days	$ 2,327,343	$ 46,851,698
61 - 90 days	-	3,282,516
121-180 days	1,663,532	-
	$ 3,990,875	$ 50,134,214
Sales		
0 - 30 days	$ 3,930,085	$ 62,689,644
61 - 90 days	-	3,282,516
	$ 3,930,085	$ 65,972,160

8. DUE TO BANKS

Maturity analysis:	1999	1998
Demand deposits	$ -	$ 999,250
0 - 30 days	1,500,000	3,336,802
121 - 180 days	-	40,000,000
Over 181 days	40,000,000	-
Interest payable	764,573	504,656
	$ 42,264,573	$ 44,840,708

Concentration analysis:

	1999		1998	
	Number of Accounts	Amount	Number of Accounts	Amount
Demand deposits		$ -		$ 999,250
$0 - $100,000	-	-	1	6,338
$100,000 - $500,000	-	-	1	330,464
$1,000,001 - $1,500,000	1	1,500,000	-	-
Over $2,000,001	1	40,000,000	2	43,000,000
Interest payable		764,573		504,656
		$ 42,264,573		$ 44,840,708

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related party balances and transactions are as follows:

	1999	1998
Deposits	$ -	$ 34,034
Interest income	$ -	$ 1,179
Dividends	$ -	$ 24,163

10. CONCENTRATION OF ASSETS AND LIABILITIES

Geographical Analysis:

Assets	1999	1998
Argentina	$ 11,895,532	$ 13,000,000
British Virgin Islands	16,836,454	10,000,000
Cayman Islands	60,730,880	95,000,000
Panama	18,264,549	31,000,000
The Bahamas	24,774,543	17,000,000
United Kingdom	-	19,000,000
United States of America	-	66,535,272
TOTAL	$ 132,501,958	$ 251,535,272

Liabilities		
Argentina	$ 37,675,246	$ 52,000,000
British Virgin Islands	8,545,077	-
Cayman Islands	8,198,598	39,000,000
Panama	6,043,320	33,000,000
The Bahamas	4,011,654	-
United Kingdom	40,551,604	56,000,000
United States of America	-	49,536,505
TOTAL	$ 105,025,499	$ 229,536,505

11. FOREIGN EXCHANGE POSITION

The following is a list of assets and liabilities denominated in Argentinean pesos and converted to United States dollars at year-end exchange rate. All other assets and liabilities are denominated in United States dollars.

	1999	1998
Assets		
Trading securities	$ -	$ 2,247,682
Other money market placements	-	9,302,392
Loans and advances to customers	505,969	1,194,278
Debtors for sale of securities	-	78,908,319
Forward purchases of securities	-	50,134,214
	505,969	141,786,885
Liabilities		
Deposits	(490,391)	(1,184,514)
Creditors for purchases of securities	-	(63,752,145)
Forward sales of securities	-	(65,972,160)
	(490,391)	(130,908,819)
Net exposure	$ 15,578	$ 10,878,066

12. ASSETS UNDER ADMINISTRATION

The Bank holds securities in custody deposited by clients in the amounts of approximately $108,000,000 (1998 - $100,000,000).

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Trading securities, forward purchase of securities and forward sales of securities are valued at quoted market prices which are considered to be equal to their fair values. All other financial instruments are assumed to be equal to their carrying values due to their short-term nature.

14. RISK MANAGEMENT

Credit risk:
Credit risk arises from the failure of a counter party to perform according to the terms of the contract. From this perspective, the Bank's significant exposure to credit risk is primarily concentrated in cash due from banks, loans to customers, trading securities, money market instruments, debtors for sale of securities and forward purchases of securities. The deposits and investment transactions have been placed with high quality international institutions and corporations. The Bank limits the credit risk by dealing with customers that are credit worthy, and by the use of collateral and constant monitoring procedures.

Price risk:
Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk emanates from the possibility that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank minimizes this risk through various control policies and monitoring procedures.

Interest rate risk:
Interest rate risk is the risk that the value of a financial instrument may fluctuate significantly as a result of changes in market interest rates. The Bank's exposure to this is minimal as the relevant financial instruments are usually short term at fixed interest rates and are therefore re-priced on maturity.

Market risk:
Market risk is the risk that there will be a change in the value of a financial instrument due to changes in the market conditions. The Bank's significant exposure to market risk is primarily concentrated in trading securities and forward purchases and sales of securities. The Bank tends to minimize this risk through various control policies, monitoring procedures and hedging strategies.

* * * * * *

Reg. No.: 38,786

FEDERAL BANK LIMITED

STATEMENT

made up to the 29th of November 1999 being the 14th day succeeding the day of the Ordinary General Meeting in 1999 showing the following particulars:

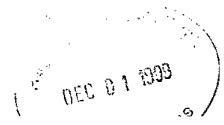
Surnames and Christian Names of Members of the Company	Addresses	Occupations	Shares held by each
Abraham Butler	Nassau, Bahamas	Banker	50,000
George Knowles	Nassau, Bahamas	Banker	1,650,000
Philip Beneby	Nassau, Bahamas	Banker	3,300,000

(1)	Amount of Capital	US$5,000,000.00
(2)	Number of shares into which capital is divided	5,000,000.00
(3)	Number of shares taken from commencement of company to date.	5,000,000.00
(4)	Amount of calls made on each share.	US$1.00
(5)	Total amount of calls received.	5,000,000.00
(6)	Total amount of calls upaid.	NIL
(7)	Total amount of shares forfeited.	NIL
(8)	Registered Number of the Company.	38,786

Persons who have ceased to be members since last return was made

Names	Addresses	Occupations	Shares held by each
Julian Brown	Nassau, Bahamas	Banker	3,300,000
Donald Campbell	Nassau, Bahamas	Banker	50,000

(Turn Over)



COPY OF REGISTER SHOWING THE NAMES, ADDRESSES AND OCCUPATIONS OF DIRECTORS OR MANAGERS

Enrique Ferreiro Camejo Montevideo, Uruguay Executive	Director / President
Jorge Alfredo Maschwitz Montevideo, Uruguay Executive	Director
Geoffrey Hooper Nassau, Bahamas Executive	Director
Brent Haines Nassau, Bahamas Executive	Secretary

Brent Haines

BRENT HAINES
Secretary

Registrar General's Dept.
DEC 01 1993
NASSAU, BAHAMAS

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THE CENTRAL BANK OF THE BAHAMAS

FORM BSD-1
[BALANCE SHEET]

THE BANKS AND TRUST COMPANIES REGULATION ACT
(CHAPTER 287)

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

Reporting Institution FEDERAL BANK LIMITED

Balance Sheet as at 31/03/00

We certify that this return is made up from the books of the bank and that the figures in the return present a true and fair view of the company's position as at the above reporting date.

Signature of Director or Senior Manager of Reporting Bank..... Federal Bank Limited

Signature of Authorized Official of Reporting Bank..... Fed... Bank Li...

15/04/00.....

GUIDANCE NOTES ON COMPLETION

1. Complete the form quarterly as at the last date of March, June, September and December, unless otherwise agreed with the Bank Supervision Department.
2. For definitions of the items refer to the separate guidance notes.
3. Where an asterisk (*) appears please specify details.
4. Enter amounts in US dollars to the nearest thousand, omitting $000s.
5. Return form within TWENTY-ONE calendar days of the reporting date to:

Manager
Bank Supervision Department
The Central Bank of The Bahamas
Frederick Street
P. O. Box N-4868
Nassau, N.P., Bahamas

Telephone: 242-322-2193
Telex: 20542 or 20115
Fax: 242-356-4324

PS017913

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Item No.	LIABILITIES		US$ 000s
1.	DEPOSIT LIABILITIES		94.972
	1.1 Deposits due to: banks	41.573	
	1.2 Deposits due to: other customers	53.399	
	1.3 Negotiable certificates of deposit issued		
	1.4 Promissory notes, bills and other short-term liabilities evidenced by paper		
2.	INTEREST PAYABLE		2.176
3.	LONG-TERM DEBT		
	3.1 Tier 2 capital		
	3.1.1 Hybrid debt/equity		
	3.1.2 Unsecured subordinated loanstock		
	3.2 Other *		
4.	PROVISIONS		91
	4.1 Specific		
	4.1.1 Loan Loss		
	4.1.2 Other *		
	4.2 General provisions/general loan loss reserves	91	
5.	OTHER LIABILITIES		14.493
	5.1 * Creditors for purchase of securities	4.889	
	5.2 * Forward sales of securtities	9.604	
6.	SHAREHOLDERS FUNDS		27.690
	6.1 Paid-up share capital	5.000	
	6.2 Reserves	22.476	
	6.3 Current year's profit (loss)	214	
6A.	MINORITY INTERESTS		
7.	TOTAL LIABILITIES		139.422

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Item No.	ASSETS			US$ 000s
8.	CASH: NOTES AND COINS			
9.	MARKET LOANS			10.080
9.1	Balances with, loans and advances to other banks		10.080	
9.2	Negotiable paper issued by other banks			
9.3	Loans to Zone B banks over 1 year maturity			
10.	BILLS (up to 1 year original maturity)			
10.1	Issued by Zone A Governments			
10.2	Issued by Zone A regional and local government			
10.3	Other			
11.	LOANS AND ADVANCES			111.122
11.1	Zone A Governments or Government guaranteed			
11.2	Zone A Public Sector			
11.3	Zone B Governments and public sector			
11.4.	Industrial & Commercial companies		108.999	
11.5	Mortgage Loans to persons for house purchase			
11.6	Other Loans to persons		2.123	
	(For countries included in Zone A and B, please see Annex I)			
12.	INTEREST RECEIVABLE			3.706
13.	INVESTMENTS (over 1 year original maturity)			14.493
13.1	Subsidiary and associated companies			
13.1.1	Banking & Other, financial			
13.1.2	Non-financial			
		Market Value		
13.2	Other *	19.207	14.493	
13.2.1	Zone A government securities maturing in up to 1 year			
13.2.2	Zone A government and bank securities maturing in over 1 year			
13.2.3	Other securities/Forward contracts	19.207	14.493	
14.	GOLD AND SILVER BULLION			-
15.	OTHER ASSETS			21
15.1	Premises			
15.2	Other land and property			
15.3	Plant and equipment			
15.4	Goodwill			
15.5	Other Intangibles			
15.6	Advances for expenses/Licences		21	
16.	TOTAL ASSETS			139.422

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Item No.			US$ 000s
17.	CONTINGENT LIABILITIES		
17.1	Acceptances		
17.2	Guarantees given on behalf of group companies		
17.3	Guarantees given on behalf of customers		
17.4	Other *		
	MEMORANDUM ITEMS		
18.	RELATED PARTY DEPOSITS		
18.1	Due to :other group companies		
18.2	:directors, controllers and their associates		
18.3	:non-group companies with which directors and controllers are associated		
18.4	Of which :due to banks		
19.	RELATED PARTY LOANS AND ADVANCES		
19.1	Due to :other group companies		
19.2	:directors, controllers and their associates		
19.3	:non-group companies with which directors and controllers are associated		
19.4	Of which :due to banks		
20.	LOANS COVERED BY COLLATERAL OR GUARANTEES		68.763
20.1	Loans covered by cash with legal right of set-off	28.763	
20.2	Loans collateralised by Zone A Government Securities maturing in up to 1 year		
20.3	Loans collateralised by Zone A Government Securities maturing in over 1 year		
20.4	Loans covered by bank guarantees	40.000	
20A.	LOANS, ADVANCES, ETC. ON WHICH:		
20A.1	Payment of interest or capital are overdue by more than 90 days		5.129
20A.2	Interest has been suspended or canceled		
20B.	FOREIGN CURRENCY EXPOSURE Uncovered positions in excess of US$100,000 total overall, or in any one currency (at any time during the reporting period).		
21.	ENCUMBERED ASSETS		
22.	FUTURE CONTRACTUAL COMMITMENTS		
22.1	Unmatured spot and forward foreign exchange contracts		
22.2	Other *		
23.	TRUST ASSETS UNDER ADMINISTRATION		
23.1	Approximate value of trust assets (in US$ millions)		
23.2	No. of trusts		

Item No.

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US$ 000s

24. TEN LARGEST MARKET LOANS

Bank	Amount	Related (Y/N)	Country of Office/Branch Where Loan Booked	Maturity Date
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
TOTAL				

25. TEN LARGEST DEPOSITORS

Customer	Amount	Related (Y/N)	Maturity Date
1. 90149 – BANK	40.000	N	31/07/00
2. 10721 - CORPORATION	14.691	N	
3. 10672 - CORPORATION	13.619	N	05/04/00
4. 90166 - CORPORATION	10.828	N	30/06/00
5. 10544 – CORPORATION	5.485		
6. 90176 - BANK	1.500	N	03/04/00
7. 10017 - CORPORATION	1.197	N	07/04/00
8. 10823 - INDIVIDUAL	1.110	N	
9. 10183 - CORPORATION	680	N	
10. 10782 - CORPORATION	589	N	
TOTAL	87.097		

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26. LARGE EXPOSURES TO INDIVIDUAL NON-BANK COUNTERPARTIES AND GROUPS OF CLOSELY RELATED NON-BANK COUNTERPARTIES

US$ 000s

Customer	Related Party (Y/N)	Exposure at Reporting Date	Max Exposure in Reporting Period	Longest Maturity Date	Amounts Overdue (Y/N)	Specific Provisions	Nature of Security Held
1. 10065 - CORPORATION	N	54.938	57.021	31/07/00	N		BACK TO BACK 90149 $40.000/SHARES $9.000
2. 10417 - CORPORATION	N	19.181	19.181		N		SHARES $14.500
3. 90166 - CORPORATION	N	17.100	17.100		N		SHARES
4. 10821 - CORPORATION	N	10.190	10.190	10/05/00	N		SHARES $5.000
5. 90032 - BANK	N	5.207	6.465	29/06/00	N		
6. 10765 - CORPORATION	N	5.129	5.129	01/10/00	N		
7. 10556 - CORPORATION	N	1.350	1.350	15/05/00	N		
8. 10538 - INDIVIDUAL	N	856	856	22/05/00	N	91	
9. 10736 - INDIVIDUAL	N	265	265		N		
10. 10080 - CORPORATION	N	234	234	17/04/00	N		BACK TO BACK 10062
11. 10769 - INDIVIDUAL	N	210	210		N	68	
12. 10819 - CORPORATION	N	202	202	17/04/00	N		
13. 10349 - INDIVIDUAL	N	374	374	03/04/00	N		
14. 10135 - INDIVIDUAL	N	183	183	07/04/00	N		$51 SHARES
15. 10822 - INDIVIDUAL	N	113	124	10/04/00	N		
16. 10104 - CORPORATION	N	100	100	17/04/00	N		
17. 10546 - CORPORATION	N	47	47		N		
18. 10034 - CORPORATION	N	45	60	07/04/00	N		
19. 10527 - CORPORATION	N	23	23		N		
20. 10727 - INDIVIDUAL	N	22	22		N		

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27. TEN LARGEST EXPOSURES TO CENTRAL GOVERNMENT **US$ 000s**

Country	Exposure at Reporting Date	Maximum Exposure in Reporting Period	Longest Maturity Date
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
TOTAL			

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CURRENT YEAR'S PROFIT AND LOSS

Item No.				US$ 000s
	INCOME:			
P1	Interest received and receivable	2.964		
P2	Interest paid and payable	2.187		
P3	Net Interest Income		777	
P4	Profit/(Loss) arising from foreign exchange dealing			
P5	Profit/(Loss) on investment securities		2	
P6	Profit/(Loss) arising from dealing securities		-534	
P7	Income from fees and commissions		1	
P8	Extraordinary income			
P9	Other income			
P10	**TOTAL INCOME**			246
	EXPENSES:			
P11	Operating expenses		19	
P12	Net charge/(Credit) for provisions: Capital			
P13	Net charge/(Credit) for provisions: Suspended Interest			
P14	Extraordinary losses			
P15	Provisions for dividends/taxation/other		10	
P16	Other expenses			
P17	**TOTAL EXPENSES**			29
P18	**CURRENT YEAR'S PROFIT/(LOSS)**			217

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ANNEX BSD-1

ZONE A: INCLUDES MEMBERS OF THE OECD AND THOSE COUNTRIES WHICH HAVE CONCLUDED SPECIAL LENDING ARRANGEMENTS WITH THE IMF ASSOCIATED WITH THE FUND'S GENERAL ARRANGEMENTS TO BORROW

Australia	Japan
Austria	Luxembourg
Bahamas	Netherlands
Belgium	New Zealand
Canada	Norway
Denmark	Portugal
Finland	Saudi Arabia
France	Spain
Germany	Sweden
Greece	Switzerland
Iceland	Turkey
Ireland	United Kingdom
Italy	United States

ZONE B: ALL COUNTRIES NOT INCLUDED IN ZONE A

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THE CENTRAL BANK OF THE BAHAMAS

FORM BSD-2
[MATURITY ANALYSIS]

THE BANKS AND TRUST COMPANIES REGULATION ACT
(CHAPTER 287)

Reporting Institution **Federal Bank Limited** .....

Maturity analysis of liabilities and assets as at **31/03/00**

Signature of Director or Senior Manager of Reporting Bank.....

Signature of Authorized Official of Reporting Bank..... Federal Bank Limited

Date 15/04/00.....

GUIDANCE NOTES ON COMPLETION

1. Complete the form quarterly as at the last date of March, June, September and December.
2. For definitions of the items refer to the separate guidance notes.
3. Where an asterisk (*) appears please specify details.
4. Enter amounts in US dollars to the nearest thousand, omitting $000s.
5. Return form within TWENTY-ONE calendar days of the reporting date to:

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

Manager
Bank Supervision Department
The Central Bank of The Bahamas
Frederick Street
P. O. Box N-4868
Nassau, N.P., Bahamas

Telephone: 242-322-2193
Telex: 20542 or 20115
Fax: 242-356-4324

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ANALYSIS OF LIABILITIES AND ASSETS
US$000s

Item No		Corresponding BSD-1 item Number*	Total	Overdue	Sight - less than 8 days	8 days - less than 1 month	1 month - less then 3 months	3 months - less than 6 months	6 months - less than 1 year	1 year - less than 3 years	3 years - less than 5 years	5 years and over (include undated)
LIABILITIES												
1.	**Deposit Liabilities**											
1.1	Deposits due to banks	1.1	41.573		1.573			40.000				
1.2	Deposits due to other customers	1.2	53.399		41.744	311	11.339	5				
1.3	Certificates of deposit and other short-term paper issued	1.3 + 1.4										
2.	**Long Term Debt**	3										
	SUB-TOTAL											
3.	**All Other Liabilities**	2 + 4 + 5 + 6 + 6A	44.450		38.442	5.591	417					
	TOTAL LIABILITIES	7	139.422		81.759	5.902	11.756	40.005				
4.	**Other Commitments**											
ASSETS												
5.	**Market Loans**											
5.1	Balances with loans and advances to other banks	9.1 + 9.3	10.080		4.810	63	5.207					
5.2	Negotiable paper issued by other banks	9.2										
6.	**Bills**											
6.1	Public Sector	10.1 + 10.2										
6.2	Other	10.3										
7.	**Loans and Advances**											
7.1	Public sector loans											
7.2	Public sector overdrafts	11.1 + 11.2 + 11.3										
7.3	Other loans											
7.4	Other overdrafts	11.4 + 11.5 + 11.6	111.122		42.814	557	22.522	45.129				
8.	**Investments**											
8.1	Public sector	13.2.1 + 13.2.2										
8.2	Other	13.1 + 13.2.3	14.493		8.914	5.579						
	SUBTOTAL											
9.	**All Other Assets**	8 + 12 + 14 + 15	3.727		1.653	19	685	1.370				
	TOTAL ASSETS	16	139.422		58.191	8.318	28.414	46.499				

* Figures in the "Total" column must agree with referenced items on Form BSD-1.

NOTE: Liabilities and assets should be classified on the basis of the earliest contractual call, repayment or maturity date. If overdue, they should be reported in the "Overdue" column.

Please turn to next page.

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Formal irrevocable standby credit facilities given to and received from other banks.

10 **Facilities received by reporting institution**

Name of Bank	Amount Drawn	Amount Undrawn

11 **Facilities given by reporting institution**

Name of Bank	Amount Drawn	Amount Undrawn

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____63b_____

Exhibit 63b.

CEI related documents

DEBT–EQUITY SWAPS

[¶ 83,551] A National Bank Was Able to Pool Its Argentine "Debt Previously Contracted" Assets Into a Corporate Vehicle and Later Divest Its Ownership of the Shares in the Corporate Vehicle to Dispose of the Assets and Recover the Original Loan Value.

Frank Maguire, Acting Senior Deputy Comptroller, Interpretive Letter No. 643, July 1, 1992.

Debt Previously Contracted—Debt–Equity Swaps.—A national bank was able to pool its Argentine "debt previously contracted" (DPC) assets into a corporate vehicle and later divest its ownership of the shares in the corporate vehicle to dispose of the assets and recover the original loan value. Where the bank could show reasonable business reasons for handling DPC assets in this manner to maximize recovery on its loans, reliance on DPC authority to acquire assets in satisfaction of DPCs was justified. The bank must have shown valid business reasons for divesting the subsidiary over time rather than more immediately and the bank's total divestiture period could not exceed the holding period for the DPC assets. Where the subsidiary's function was to hold and be the means of divestiture under prior OCC approval, it was more appropriate to treat the subsidiary and its shares as DPC property of the bank, than as an on-going operating subsidiary and subject to the 80 percent ownership requirement of 12 CFR 5.34(c). A limited amount of non-DPC investments could be included in the pool where it was shown to be necessary to enhancing the bank's recovery of its original loan amount by facilitating the divestiture and not merely for speculative purposes. This was similar to the approved spending of additional funds on a DPC asset to bring it to a salable condition.

Back references: ¶ 60,424; 60,513G.

This is in response to your letter of June 12, 1992, and earlier communications between Citibank, N.A. ("Citibank" or "the Bank") and the Office of the Comptroller of the Currency ("OCC") concerning Citibank's proposal to continue to engage in debt/equity swaps using its remaining Argentine public sector debt instruments and then to divest of its portfolio of Argentine equities held under its authority to acquire assets in satisfaction of debts previously contracted ("DPC" or "DPC authority"). This proposal would be accomplished through International Equity Investments, Inc. ("IEII" or "the Subsidiary"), an existing wholly-owned subsidiary of Citibank, and IEII's wholly-owned subsidiary, Citicorp Equity Investments S.A. ("CEI"). The proposal would involve the reduction of Citibank's interest in CEI over time through the issuance by CEI of stock to third parties as well as the sale by Citibank of CEI stock held by it. Subject to the representations, understandings, and conditions contained in your letter and set out below, the OCC agrees that Citibank's proposal is a legally permissible exercise of national banks' DPC authority and approves the proposed divestiture of the Subsidiary's ownership of CEI in the manner described.

I. The Bank's Proposal

A. Background

Citibank is a major lender to borrowers in Argentina and other Latin American countries. The Bank has been exploring and implementing a number of approaches designed to reduce its exposure and minimize its losses on such cross-border loans. Among these loans, the Bank has a portfolio of certain rescheduled loans to Argentine public sector companies guaranteed by the Republic of Argentina ("Argentine Debt Instruments" or "ADIs"). It is the Bank's view that it can significantly enhance the level of recovery of principal on its outstanding ADIs and/or the pace of that recovery by means of debt/equity swaps of ADIs held by the Bank for shares of Argentine companies made available through debt/equity swap programs of the Argentine Government.

The Bank has previously engaged in several such debt/equity swap transactions involving ADIs and currently holds equity interests in three Argentine companies acquired under the Bank's authority to acquire assets in satisfaction of debts previously contracted ("DPC"). The three companies are: Celulosa Argentina S.A. ("Celulosa"), a pulp and paper company; Celulosa Puerto Piray S.A. ("CPP"), another pulp and paper company; and Telefonica Argentina S.A. ("TASA"), a telephone company. The Bank holds these equity interests in Argentina through Citicorp Equity Investments S.A. ("CEI"), an Argentine corporation and a second-tier subsidiary of the Bank. CEI engages in no other business and simply serves to hold the Bank's equity interests in Argentine companies acquired DPC.

After the previous debt/equity swaps, the Bank continues to hold ADIs of approximately U.S. $ * * * (face value, principal and interest). The Bank believes that its recovery on these ADIs would be significantly enhanced by debt/equity swaps. Accordingly, the Bank has been exploring opportunities for debt/equity swaps involving its remaining ADIs. The Argentine Government has a high level of interest and commitment to the successful privatizations of public sector companies and has announced its

intention to privatize various state-owned companies. Based on statements by the Government of Argentina and the privatization experience to date, it is anticipated that, while some privatizations may be done on an all-ADI basis, the Argentine Government will continue to require a cash component, in addition to ADIs, as part of the purchase price of many assets to be privatized and that certain privatizations will be done on an all-cash basis. The Bank hopes to engage in additional debt/equity swap transactions in the Argentine Government's privatization program to convert its remaining ADIs.

In addition, the Bank also has been exploring methods by which it could improve the value and marketability of its existing DPC equity interests held in CEI and of any additional DPC assets acquired in further debt/equity swaps involving its remaining ADIs. By doing so, the Bank would enhance its ability to divest these DPC assets and recover all or part of its original loan exposure on its ADIs.

The Bank has determined that the most effective way to accomplish these goals (*i.e.*, converting its remaining ADIs into DPC equity interests and then selling its DPC assets), is, in essence, to treat these Argentine DPC holdings collectively under CEI, rather than trying to arrange each debt/equity swap separately and then trying to dispose of each separate DPC equity holding individually. The Bank proposes to conduct a series of related transactions involving CEI that are designed to: (1) facilitate the Bank's continued conversion of its remaining approximately U.S. $ * * * of ADIs (principal and interest) into equity DPC; (2) maximise the value of present and future DPC equity holdings; (3) facilitate the divestiture of the DPC properties; and (4) increase the Bank's capital.

B. Transaction Structure

The Bank proposes to accomplish these objectives through the following transactions:

1. CEI will continue to hold the existing Argentine DPC equity interest (CASA, CPP, and TASA).

2. The Bank will contribute its remaining ADIs to CEI which will thereafter exchange such ADIs in debt/equity swaps for Argentine assets being privatized by the Argentine Government.

3. CEI will raise cash through the issuance of new stock to new investors on a private and/or public basis in the Argentine market. The Bank will not be a cash investor; its capital contribution is limited to its ADIs and the existing DPC assets in CEI. In order to attract the new investors to CEI who will provide the cash component, it is necessary that CEI be able to make some investments using only cash, in addition to investments using all ADIs or cash and ADIs.

4. CEI will acquire additional investments through debt/equity swap transactions with the Argentine Government using the Argentine debt contributed by the Bank for this purpose and, in cases in which the Argentine Government requires a cash component, using cash raised by the issuance by CEI of shares discussed above, retained earnings, or future equity or debt issuances by CEI, if needed.

5. The Bank initially will continue as the manager and investment advisor for CEI.

6. The Bank may lend and have other banking relationships with companies in which CEI invests. Any such loans or other banking relationships will be on substantially the same terms as those prevailing at the same time for comparable transactions between the Bank and non-affiliated persons and will be approved by a separate part of the banking organization.

7. The Bank will divest its interest in the Argentine DPC assets through the public or private sale of the Bank's shares in CEI.

By June 30, 1992, the Bank will contribute its remaining ADIs to CEI and will sell privately or publicly shares of CEI held by it such that its ownership in CEI is reduced to approximately 90%. Thereafter, by year-end 1992, CEI will make a private and/or public issuance of stock in the Argentine market, and the Bank will sell at least an additional 14% of CEI on a public or private basis, with the result that Citibank's interest in CEI will be reduced to 52%. (The Bank may sell more than 14% to the extent needed to reduce the Bank's overall interest to 52%, taking into consideration the amount of new stock issued by CEI by year-end 1992.) The order of these transactions may vary depending on negotiations with potential investors.

These transactions in CEI stock will result in income to the Bank and an increase of Tier I capital from the income generated and the minority interest created. The initial sale by the Bank of its 10% interest in CEI is expected to produce income of * * * and to increase Tier I capital by * * *. The exact amount of such income and capital increase, as well as the impact of the transactions to be effected later this year, will depend on the price ultimately obtained for shares of CEI.

Citibank will continue to sell additional shares of CEI held by it so that it further reduces its interest in CEI to no more than 19.9% of the voting shares and 40% of the total equity by year-end 1997, at which time CEI will be managed by a third party. By * * * (or possibly before that date), any shares of CEI still held by Citibank will be transferred to a Ci-

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tibank affiliate and will be held pursuant to the portfolio investment provisions of Regulation K.

C. Understandings and Conditions

Citibank believes that the proposed CEI transaction is the most effective way, in the circumstances, for Citibank to recover the greatest amount of its original loan exposure on the ADIs and Citibank intends to use its participation in CEI to maximize its reduction of ADIs. In this regard, Citibank intends for CEI to engage in transactions that use ADIs to the maximum extent feasible. However, some transactions by CEI may have a significant cash component, and as discussed above, CEI must retain the capability to do some transactions that may be all cash. Nevertheless, Citibank undertakes that CEI will engage mainly in transactions that use ADIs, so as to reduce Citibank's ADI exposure, and to engage in all-cash deals or principally-cash deals only secondarily and only to a limited extent in furtherance of the overall goal of reducing ADI exposure.[1]

Citibank further agrees that its investment in CEI and CEI's activities will be subject to the conditions set forth below:

1. The total amount of all-cash deals in the aggregate will be limited to 5% of the aggregate face value of the ADIs converted already, those ADIs to be contributed, and the cash raised by CEI in its offerings in 1992. Citibank expects that CEI will raise in the range of * * * so that the total amount of CEI's assets for this purpose will be approximately * * * of which 5% is * * *. Citibank will provide the OCC with final figures.

2. Citibank shall notify and consult with the OCC prior to CEI's entering into any all-cash deal above $25 million or any principally-cash deal above $25 million in which the cash component exceeds 75% of the total; and Citibank shall not proceed with the transaction if the OCC objects.

3. Citibank shall provide regular (quarterly) notification and description to the OCC of all transactions, including all-cash, principally-cash, and ADI-deals, and of the resulting composition of CEI's holdings.

4. For any all-cash deals, whether above or below $25 million, and for any principally-cash deal, Citibank will be required to show what efforts it has made to do ADI-deals and what proportion of existing deals were ADI-deals, principally-cash deals, or all-cash deals; to demonstrate how the all-cash deal or principally-cash deal enhances the value of CEI; and to demonstrate why the proposed all-cash deal or principally-cash deal is necessary (including, where possible, a relationship between the all-cash deal or principally-cash deal and other ADI-deals) to assist Citibank overall in reducing its ADIs, in recovering the greatest amount of its original loan exposure, and in exiting from CEI. In cases requiring prior consultation with the OCC, these factors will be used in evaluating the proposed transaction. In cases not requiring prior consultation, documentation of these factors will be used during examinations to assess Citibank's compliance with DPC requirements.

5. All transactions are limited to entities located in Argentina.

6. No Citibank cash will be used as part of the purchase price in any of CEI's transactions. Citibank shall not purchase additional ADIs to do more investments in the CEI vehicle, but shall use only its existing ADIs.

7. Any all-cash investments will be limited to 19.9% of the voting interest, and 40% of the total equity, of the company invested in.

8. Citibank will sell additional shares of CEI and reduce its holding to 52% by December 31, 1992. Thereafter, Citibank shall advise the OCC of its efforts to divest its remaining CEI shares.

9. Citibank will sell additional shares of CEI and reduce its holding to a level no greater than 19.9% of the voting interest and 40% of the total equity by December 31, 1997.

10. Citibank will no longer hold any CEI shares under DPC authority by the end of the DPC holding period, computed to have begun on * * *, at the time of Citibank's first acquisition of DPC assets in CEI (*i.e.*, after extension, the DPC holding period will end on * * *. However, a Citibank affiliate may hold CEI shares after (or before) * * *, under the portfolio investment authority of Regulation K.

II. Discussion

Citibank asks the OCC to confirm Citibank's position that the activities contemplated in the proposal are consistent with the DPC powers of a national bank and to approve the proposed use of the Subsidiary in divesting of CEI.

A. Background: DPC Authority

The authority of national banks to acquire and hold equity securities in order to improve the prospects for recovery on loans that are in

[1] For purposes of this discussion the following definitions apply: "All-cash deals" means transactions in which cash is the only component and there are no ADIs. "Principally-cash deals" means transactions in which the cash component exceeds 50% and the face value of the ADI component is less than 50%. "ADI-deals" means transactions in which the face value of the ADI component equals or exceeds 50%.

default, are nonperforming, or otherwise have a documented history of poor performance has long been established. This authority has been recognized by the courts. *See, e.g., First National Bank of Charlotte v. National Exchange Bank of Baltimore,* 92 U.S. 122, 127 (1875) ("In the honest exercise of the power to compromise a doubtful debt owing to a bank, it can hardly be doubted that stock may be accepted in payment and satisfaction."); *Atherton v. Anderson,* 86 F.2d 518, 525 (6th Cir. 1936), *rev'd on other grounds,* 302 U.S. 643 (1937) ("It has generally been thought, however, and we think the view is nowhere seriously disputed, that a bank has implied power when faced with a loss growing out of a legitimate banking transaction to acquire stocks or other property when it is honestly believed at the time that under more favorable circumstances a loss which would otherwise accrue might be averted or diminished."). The OCC, other regulators, and general banking practice also recognize this authority. *See, e.g.,* 12 C.F.R. § 1.11 ("restrictions and limitations [on holding investment securities] do not apply to securities . . . acquired in good faith by way of compromise of a doubtful claim or to avoid a loss in connection with a debt previously contracted").

Moreover, in a DPC transaction, national banks may acquire assets that they are not otherwise authorized to purchase. With respect to real estate, 12 U.S.C. § 29 expressly provides authority for national banks to acquire real estate DPC. The incidental powers clause of 12 U.S.C. § 24(Seventh) is the source of authority for national banks to take other assets, including stock, in a workout arrangement as satisfaction for debts previously contracted. Drawing on the analogy to 12 U.S.C. § 29, the OCC has generally imposed certain restrictions on the holding of other DPC assets. These include requirements that national banks make a good faith effort to dispose of their DPC assets as soon as commercially reasonable and that they dispose of their DPC assets within time limits similar to those in 12 U.S.C. § 29.

In addition, the OCC previously has recognized that foreign public sector debt may be eligible for DPC treatment when, in the opinion of bank management, the acquisition of property in satisfaction of the debt is necessary to prevent anticipated loss. In this context, the rescheduled or nonperforming condition of the debt is viewed as sufficient evidence of adverse change in the financial capacity of the borrower to permit a bank to exercise its DPC authority. A series of OCC letters has addressed various proposals from banks proposing to exchange qualifying debt for equity in companies in the debtor country under various countries' debt/equity swap programs. *See* OCC Interpretive Letter No. 511 (June 20, 1990), *reprinted in* Fed. Banking L. Rep. (CCH) ¶ 83,213; OCC Interpretive Letter No. 502 (April 6, 1990), *reprinted in* Fed. Banking L. Rep. (CCH) ¶ 83,097; OCC No-Objection Letter No. 89-1 (January 25, 1989), *reprinted in* Fed. Banking L. Rep. (CCH) ¶ 83,009; OCC No-Objection Letter No. 88-7 (May 20, 1988), *reprinted in* Fed. Banking L. Rep. (CCH) ¶ 84,047; Letter from J. Michael Shepherd, Senior Deputy Comptroller for Corporate and Economic Programs (July 14, 1988) (unpublished) (approval letter for subsidiary needed for structure of proposal in Letter No. 88-7); OCC No-Objection Letter No. 87-10 (November 27, 1987), *reprinted in* Fed. Banking L. Rep. (CCH) ¶ 84,039.

Accordingly, the underlying components of the proposal, if done separately, would be within the scope of the OCC's earlier letters. That is, it would not be a significant expansion over the previous letters for Citibank (directly or through CEI) to: (1) continue separately to hold its existing DPC equity interests in Argentina, (2) hold its remaining ADIs; (3) exchange the remaining ADIs, and where necessary cash, in debt/equity swaps for additional DPC equity interests in Argentina; (4) hold such additional DPC equity interests; and (5) dispose of its existing and additional DPC equity interests separately company-by-company.

However, the Bank proposes to handle these DPC activities collectively through CEI, not separately. The change gives rise to several new issues with respect to national banks' DPC authority.

B. Application to Bank's Proposal

Citibank proposes to use CEI as a vehicle (1) to hold the Bank's existing DPC holdings in Argentina, (2) to acquire and hold additional DPC holdings in Argentina which CEI will obtain by exchanging the Bank's remaining ADIs and where necessary cash, (3) to raise any needed cash from investors other than the Bank, and (4) to accomplish the divesture of the Bank's Argentine DPC holdings by selling the Bank's shares in CEI. The Bank believes that use of the CEI vehicle in this manner is a more effective way of disposing of the Bank's DPC holdings in Argentina than if the Bank were to acquire, hold, and attempt to divest of each DPC investment separately. The Bank also believes it will substantially increase the likelihood that Citibank will recover its original loan amounts, the face amount of its ADIs plus accrued interest. The Bank expects these results because there is substantially more investor interest in a diversified pool of investments, and that greater interest will effectively enhance the value of, and facilitate the Bank's disposition of, the DPC investments compared to what would occur if the investments were considered separately.

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The Bank also believes that access to third-party investor capital and borrowings by CEI will allow Citibank to convert its remaining ADIs in Argentine governmental privatization programs without the need of providing any additional cash itself. In order to attract outside investors—both those investors who will buy shares from CEI, thereby providing the cash component for debt/equity swaps, and those investors who will buy CEI shares from Citibank, thereby accomplishing Citibank's divestiture of its DPC assets—the Bank believes CEI needs the ability to make a limited amount of all-cash investments in Argentina (*e.g.*, privatization transactions in which the Argentine Government requires all-cash terms and does not include an ADI component). This is to provide flexibility to invest CEI funds in the event that suitable transactions involving ADIs are not available. The funds for any such all-cash deals would come from CEI sources other than the Bank. Such all-cash deals would not in themselves be DPC holdings with respect to the Bank because they do not involve ADIs.

This proposal raises three new issues with respect to national banks' DPC authority: (1) whether national banks may pool a collection of DPC assets under a "DPC holding subsidiary," (2) whether a national bank may divest of such DPC assets by selling its shares in the "DPC holding subsidiary" over time, and (3) whether a limited amount of non-DPC assets may be included in the pool of assets to improve marketability and enhance the bank's recovery on its original loan amount.

With respect to the first issue, the OCC finds nothing objectionable in a national bank pooling a group of DPC assets into and under a bank subsidiary formed to hold, manage, and dispose of the assets. Such an arrangement can be administratively useful for the bank and may serve various business and legal purposes related to holding, managing, and transferring the DPC properties. Finally, by providing a separate collective vehicle that can itself be sold, it gives a bank an additional technique for disposing of its DPC assets. These purposes are fully consistent with DPC authority. Where a bank can show reasonable business reasons for handling DPC assets in this manner to maximize recovery on its loans, then reliance on DPC authority is justified.

With respect to the second issue, the OCC believes a national bank that has established a "DPC holding subsidiary" to hold and dispose of a group of DPC assets has the authority to sell that subsidiary over time, by selling its shares in the subsidiary. The bank is not required to sell the entire subsidiary corporation at once. The bank must show valid business reasons for divesting the subsidiary over time rather than more immediately, and the bank's total divestiture period must not exceed the holding period for DPC property. In essence, the OCC believes that when the sole function of a subsidiary is to hold, and be the vehicle for disposition of, DPC assets, then it is more appropriate to treat the subsidiary (and its shares) as DPC property of the bank, subject to the DPC holding and divestiture rules, than to treat the subsidiary as if it were intended to be a regular on-going operating subsidiary and subject to the 80% ownership requirement of 12 C.F.R. § 5.34(c).

Although the 80% ownership requirement of section 5.34 does not apply, national banks still require prior OCC approval to establish a new subsidiary, or to use an existing subsidiary, to become a holding and disposition vehicle for DPC assets in a manner similar to Citibank's proposal. Any bank making a request regarding such a subsidiary should (1) show the business reasons justifying use of such a corporate vehicle to maximize recovery on the DPC assets, (2) explain why other means of handling the DPC assets are not available or not effective, and (3) provide a plan for divestiture of the DPC subsidiary within the DPC holding periods.

With respect to the third issue, the OCC believes that a limited amount of non-DPC investments (that are otherwise not bank permissible) may be included in a DPC pool when that is shown to be necessary to enhancing the bank's recovery of its original loan amount by facilitating the success of the pool vehicle and the bank's divestiture, and when the non-DPC assets are clearly incidental and subordinate to the overall goal of the bank's divestiture of the DPC assets and recovery on its loan amounts. Although such non-DPC assets would not be permissible holdings for a national bank by themselves, their inclusion in the greater pool of DPC assets can be a permissible exercise of DPC authority if the non-DPC assets are needed for the bank to achieve the best recovery.

In this respect, the inclusion of non-DPC assets in a DPC pool vehicle is (for DPC pool vehicles) the parallel to the established practice of spending additional funds on an individual DPC asset to enhance the bank's recovery. Such funds may be spent to improve or complete an asset to bring it to a salable condition, to buy out other creditors on the asset, or even to buy an adjacent property (such as a parking lot or an easement) to protect the bank's interest in its DPC property. In such cases, the additional funds are being spent on something that is not a bank permissible investment in itself but becomes a permissible exercise of DPC authority because of the connection of the new investment to the bank's recovery on its DPC asset. Of course, such non-DPC investments (whether additional assets in a pool or additional expenditures on an asset) are limited to what is required by business necessity for the bank to recover on

its original loan and cannot be used merely for speculative purposes.

There are also analogies outside the DPC area for the concept that certain activities that are not bank permissible in themselves may be allowed when they have become an integral part of a larger whole and the whole is bank permissible. One example would be the provisions of the OCC's Interpretive Ruling on personal property leasing before the Competitive Equality Banking Act of 1987. *See* former Interpretive Ruling 7.3400, 12 C.F.R. §7.3400, now codified at 12 C.F.R. Part 23, Subpart C. That ruling was based on the authority to offer lease transactions that were the functional equivalent of an extension of credit. Nevertheless, it authorized banks to retain a residual value (in effect an ownership interest in the leased property) of up to 25%. Since national banks, before CEBA, did not otherwise have the authority to own the leased property and there is no analog for residual value in a lending transaction, the authority for permitting such residual value was that it was permissible as an incidental part of the overall lease.

Another example would be the inclusion of general purpose computer hardware in the provision of financial data processing services. The sale of general purpose computer hardware is not, in itself, an activity that is permissible for national banks or bank holding companies. Yet both the Federal Reserve Board (for bank holding companies) and the OCC (for national banks and their operating subsidiaries) have allowed the sale of such hardware when it is an incidental part of the provision of a package of othewise permissible financial data processing services. See 12 C.F.R. §225.25(b)(7) (Federal Reserve Board Regulation, allowing impermissible hardware to constitute up to 30% of the cost of a package of permissible services); OCC Interpretive Letter No. 345 (July 9, 1985), *reprinted in* Fed. Banking L. Rep. (CCH) ¶85,515 (sale of impermissible hardware as part of a permissible services package is permissible when inclusion of hardware is necessary, convenient, or useful to providing the permitted services in the package taken as a whole, and the hardware is subordinate within the total package). The Federal Reserve Board's ruling and reasoning were upheld in court. *See Association of Data Processing Service Organizations, Inc. v. Board of Governors of the Federal Reserve System*, 745 F.2d 677, 692-95 (D.C. Cir. 1984).

Finally, the fact that in Citibank's proposal the funds for the non-DPC assets do not come from Citibank but from the other investors in CEI provides a basis for an alternative approach. If Citibank were providing the funds for the non-DPC assets in the CEI DPC pool, as well as managing CEI, then all of the activitites in CEI should be attributed to Citibank and analyzed for bank permissibility. In that case, the inclusion *by a national bank* of otherwise impermissible non-DPC assets would have to depend on the rationale that it is incidental to the dispostion of the overall DPC pool (discussed above). But since the funds for non-DPC assets are being generated by CEI from other sources, then it may be more appropriate to view Citibank's role as an exchange of DPC assets (the various Argentine DPC holdings being exchanged for shares in CEI to be held by Citibank DPC) rather than attributing CEI's activities to Citibank.

In several earlier letters, the OCC has allowed national banks to exchange DPC assets already held by them for another asset to be held DPC. Typically, these situations involve the exchange of DPC real estate for a different piece of real estate or, more relevant here, for stock in a real estate company or shares in a fund set up to acquire, manage, and dispose of real estate from many sources. *See, e.g.*, Letter from Donald G. Coonley, Chief National Bank Examiner (July 2, 1990) (unpublished) (exchange of OREO for limited partnership interests in real estate limited partnership); Letter from Robert J. Herrmann, Senior Deputy Comptroller for Bank Supervision Policy (February 3, 1989) (unpublished) (same); OCC Interpretive Letter No. 395 (August 24, 1987), *reprinted in* Fed. Banking L. Rep (CCH) ¶85,619 (exchange of OREO for preferred stock in a publicly traded real estate company).

In these DPC exchanges, the OCC viewed the shares being received in the exchange as DPC property, and the banks' continued holding of the shares was subject to DPC limitations. In particular, the banks were required to have plans for how they would divest the exchanged DPC assets within the appropriate holding period. The OCC did not view the underlying company or limited partnership as subject to DPC or other banking law limits. The OCC expressed concerns about the activities of the partnership only when the planned method for divestiture of the banks' DPC partnership interests was liquidation of the real estate assets and distribution of cash to the partners, rather than the banks selling their partnership interests to other investors in the market. If Citibank's proposal is viewed as an instance of a DPC exchange, then Citibank wouuld treat its shares in CEI as its DPC property subject to DPC restrictions, and the other activities that CEI engages in would not be relevant, just as a bank may hold stock DPC in any type of company.[2]

[2] The Bank's proposal is more complex than a typical example of a DPC exchange, mainly because remaining ADIs are involved and Citibank initially owns most of CEI. But one can consider simpler versions of the proposal in

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Based upon the foregoing, the OCC believes Citibank's proposal is a legally permissible exercise of its DPC authority. Citibank has articulated the reasons why it believes the pooling of its Argentine DPC assets into a corporate vehicle and then divesting its ownership of the shares in the corporate vehicle is a more effective business method in the circumstances for handling these DPC assets and recovering the Bank's original loan amounts. In particular, the context of seeking recovery on rescheduled foreign public sector debt and disposing of DPC assets in a foreign country can reduce the availability of other options and place unique limitations on what a bank may do. In addition, the various understandings and conditions (set forth earlier) which Citibank has included in its proposal—such as the commitment to a specific divestiture schedule, the undertaking to engage mainly in transactions that use ADIs, the fact that no new Citibank funds are invested in CEI, and the overall 5% limitation on non-DPC assets—help to support a determination that the purpose of the proposed transaction is DPC recovery on Citibank's original loan amount and not speculation or any other impermissible purpose.

III. Conclusion

Accordingly, based on the Bank's description of and representations regarding the proposed transaction and based on the Bank's commitment and adherence to the understandings and conditions set forth earlier, the OCC has determined that the proposed transaction is legally permissible for the Bank and hereby approves the proposed use of the Bank's Subsidiary in carrying out the proposal. Please be advised that all conditions of this approval shall be deemed to be "condition[s] imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. 1818. This approval is effective on June 30, 1992. If you have further, questions regarding this matter, please contact James McDonald, National Bank Examiner, Multinational Banking Department, at (202) 874-4610 or Richard Cleva, Senior Counsel, Law Department, at (202) 874-5310.

AUDIT COMMITTEE REQUIREMENTS

[¶ 83,552] A Bank Holding Company's Audit Committee Was Able to Satisfy the Audit Committee Requirement for Its National Bank Subsidiary.

Eugene W. Green, Deputy Chief Accountant. Bank Accounting Letter No. 94-62. March 22, 1994.

Bank Holding Company—Subsidiaries—National Bank—Audit Committee Requirements.—A bank holding company was able to fulfill the audit committee requirements for its national bank subsidiary using the holding company's audit committee. Provision of "comparable services and functions" were required at the holding company level. Further required, was that each subsidiary bank had assets of less than $5 billion, or between $5 billion and $9 billion with a composite CAMEL (Capital, Assets, Management, Earnings and Liquidity) rating of "1" or "2." The holding company's audit committee must have met the membership requirements appropriate to the largest subsidiary. Finally, the duties of the holding company's audit committee had to be appropriate to the number, size and complexity of the subsidiaries overseen.

Back references: ¶ 47,325–47,325G; 47,999Z.

This is in reference to your letter of February 23, 1994 concerning the proposed use of ***'s audit committee to fulfill its subsidiary bank(s) (*** National Bank, *** Bank and Trust Company and *** Bank) audit committee responsibilities.

Audit committee requirements for financial institutions under Section 112 of FDICIA may be satisfied at the holding company level if certain conditions are met. First, the services and functions comparable to those required by the regulations must be provided at the holding company level. Second, each subsidiary bank must have assets of less than $5 billion, or of between $5 billion and $9 billion with a composite CAMEL rating of 1 or 2.

(Footnote Continued)

which the application of the DPC exchange approach would be more obvious. For example, if Citibank had already converted its remaining ADIs into a number of Argentine equities held DPC and simply exchanged those DPC assets for shares of CEI while other investors purchased 10-25% of shares from CEI for cash, then the proposal would be closer to the exchanges in the earlier letters. Or if, instead of placing its Argentine DPC assets in CEI, Citibank had exchanged them for shares of an unrelated and much larger "Argentine Investment Fund," then the proposal would be quite similar to the DPC real estate exchanges in the prior OCC letters. The fact that the Citibank proposal has additional complications should not obscure the fact that it is fundamentally an exchange of DPC assets (the Argentine debt/equity swap equities) into another DPC asset (CEI shares).

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

RECD S.E.C.
JUN 30 2000

FORM 20-F

☐ Registration Statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

OR

☑ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended: December 31, 1999

OR

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 333-8280

CEI CITICORP HOLDINGS SOCIEDAD ANONIMA

(Exact name of Registrant as specified in its charter)

CEI CITICORP HOLDINGS INC.

(Translation of Registrant's name into English)

Argentina
(Jurisdiction of incorporation or organization)

Tucumán 1 — Piso 20
(1049) Buenos Aires, Argentina
(011-5411) 4310-6900
(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:
None
(Title of Class)

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

8.50% Series A Notes due 2002
9.75% Series B Notes due 2007

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

30,427,328 Class A Ordinary Shares, par value Ps.1.00 per share
469,572,672 Class B Ordinary Shares, par value Ps.1.00 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:
Yes ☑ No ☐

Indicate by check mark which financial statement item the Registrant has elected to follow:
Item 17 ☐ Item 18 ☑

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F (the "Form 20-F") includes forward-looking statements, including statements regarding, among other items, the growth of CEI Citicorp Holdings Sociedad Anónima (the "Company" or "CEI"). These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, certain of which are beyond the Company's control. Actual results could differ materially from these forward-looking statements as a result of foreseen and unforeseen factors. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, there can be no assurance that the events described in the forward-looking statements contained herein will in fact transpire.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

CEI Important Notice

Reference is made to "CEI Important Notice" on page ii of this Form 20-F relating to the potential sale of CEI and other related transactions.

Introduction

CEI is a holding company primarily engaged through controlled companies and joint venture companies in the telecommunications business ("Telecommunications Business"), the cable television business ("Cable Television Business") and the media business (the "Media Business") in Argentina. CEI controls its joint venture companies, Cointel, Telefónica, Cablevisión, Atco and ACISA, jointly with TISA and, in the case of Cablevisión, Atco and ACISA, with other partners. CEI's unconsolidated Operating Cash Flow (as defined in Item 8: "Selected Financial Data—CEI Selected Consolidated Financial Information") for the year ended December 31, 1999 was Ps.70 million.

Telecommunications Business

CEI conducts its Telecommunications Business through its direct 50.0% joint venture interest in Cointel, which itself owns as a core asset 51.0% of the outstanding capital stock of Telefónica, Argentina's largest telephone company. Cointel is also entitled to certain rights with respect to approximately 1.9% of Telefónica's capital stock pursuant to certain repurchase transactions. TISA and Telefónica International Holding B.V. ("Telefónica International") own the remaining 50.0% of Cointel. TISA and Telefónica International are sometimes referred to herein as the "TISA Group".

Cointel's Operating Cash Flow (as defined in Item 8: "Selected Financial Data—Cointel Selected Unconsolidated Financial Information") for the fiscal year ended September 30, 1999 was Ps.157 million, while Telefónica's EBITDA for the fiscal year ended September 30, 1999 was Ps.1,763 million. CEI receives significant fees for financial advice and other services it renders to TESA as the technical operator (the "Operator") of Telefónica.

Telefónica is the largest communications company in Argentina based on net revenues. Until recently, Telefónica had been the only licensed supplier of fixed-link public telecommunications services and basic telephone services in the southern half of Argentina (the "Southern Region") and had owned virtually all public exchanges, the network of local telephone lines and the principal domestic long-distance telephone transmission facilities in the Southern Region. The Southern Region includes most of the province of Buenos Aires and more than half of the City of Buenos Aires (including most of the downtown business district). Recently, there has been a liberalization of the restrictions on competition in the market for telecommunications services in Argentina. New competitors are operating in the Southern Region and throughout Argentina and Telefónica is expanding its operations outside the Southern Region into the northern half of Argentina (the "Northern Region"). Currently, Telefónica's licenses permit it to provide local and domestic long-distance and international services, international data transmission and domestic and international telex services throughout Argentina.

Cable Television Business

CEI conducts its Cable Television Business through its indirect 35.9% joint venture interest in Cablevisión. CEI acquired a 33.3% interest in Cablevisión in October 1997 for US$380.6 million, a 2.4% interest in December 1998 for Ps.53.8 million (pursuant to a subscription of newly issued shares of Cablevisión) and the rights to an additional 0.2% of Cablevisión in December 1998 for US$31.5 million, which is currently held in trust pending payment of Ps.5.6 million in December 2000. The other direct and indirect shareholders of Cablevisión are TISA (35.9%) and Liberty Argentina Inc., ("Liberty", a wholly owned subsidiary of Liberty Media Corporation ("LMC"), the second largest owner and cable operator and one of the largest providers of satellite delivered programming services in the United States) (28.2%). On March 9, 1999, LMC became a wholly owned subsidiary of AT&T Corp. ("AT&T"). Cablevisión's EBITDA for the twelve-month period ended September 30, 1999 was Ps.212 million.

ITEM 4. CONTROL OF REGISTRANT

As of May 31, 2000, the principal shareholders of CEI were ATH, which owns 67.7% (27.3% of which is held in escrow by Citibank) of the capital stock of CEI, and Citibank, which owns 23.0% of the capital stock of CEI through its wholly owned subsidiary, IEI. Hicks Muse is the majority shareholder of ATH. Hicks Muse controls approximately 67.7% of the capital stock and 69.3% of the voting power of CEI through ATH. In addition, the Principal Shareholders as a group own approximately 91% of the capital stock of CEI.

The following table sets forth certain information regarding ownership of the Ordinary Class A and Class B shares of the Company as of May 31, 2000.

Shareholder	Class A Ordinary Shares (five votes)	Class B Ordinary Shares (one vote)	Total Shares	% of Capital	Votes	% of Votes
AMI TESA HOLDINGS LTD. (1)	23,082,406	178,995,012	202,077,418	40.42%	294,407,042	47.35%
Citibank, N.A. NY as Escrow Agent CEI (1)(2)	—	136,332,349	136,332,349	27.27%	136,332,349	21.93%
International Equity Investments, Inc..(1)	7,344,922	107,655,078	115,000,000	23.00%	144,379,688	23.22%
Consolidar Fondo	—	7,490,516	7,490,516	1.50%	7,490,516	1.20%
Origenes Fondo Titulos Negociables	—	5,370,218	5,370,218	1.07%	5,370,218	0.86%
Máxima S.A. AFJP	—	4,331,067	4,331,067	0.87%	4,331,067	0.70%
Previnter Fondo	—	2,462,482	2,462,482	0.49%	2,462,482	0.40%
ABN AMRO Bank	—	1,994,950	1,994,950	0.40%	1,994,950	0.32%
Other minority shareholders	—	24,941,000	24,941,000	4.98%	24,941,00	4.02%
Total	30,427,328	469,572,672	500,000,000	100.00%	621,709,312	100.00%

(1) Holdings of these entities constitute holdings of the Principal Shareholders.
(2) Owned by ATH.

According to the Stock Exchange Agreement, the HMTF Affiliates have made the following transfers of CEI shares: (i) on May 2, 2000, HMTF contributed to ATH its ownership interest in the Company, which, as of that date represented 40.4% of the capital stock and 47.4% of the voting power of CEI and (ii) on April 25, 2000, República Holdings and IIU contributed to ATH an amount of Class B shares of CEI which represents 27.3% of the capital stock and 21.9% of the voting power of CEI. On the same date, the shares contributed by República Holdings and IIU were transferred to Citibank, pursuant to an escrow agreement.

Reference is made to "CEI Important Notice" on page ii of this Form 20-F relating to the potential sale of CEI and other related transactions.

Option for the Purchase of Shares

IEI had granted to the República Group an option to be exercised until January 31, 2003 to buy shares of CEI representing 5.99% of CEI's capital stock (the "Option Shares"). The purchase price is US$4.40 per share plus an increase of 6% per annum from the closing date of the sale from IEI to HMTF and until the exercise date. República Holdings and IIU have assigned the option mentioned above to AMI LP, which has exercised such option as of the date of this Form 20-F. According to its terms, the execution of the option is subject to the payment and the consummation of the Stock Exchange Agreement before November 30, 2000 and after that date the option will be terminated. In addition, the parties to such option have agreed that the option will apply to shares of ATH and AMICH that IEI receives in exchange for the Option Shares.

Shareholders Agreement

IEI, HMTF and certain members of the República Group entered into a Shareholders Agreement that governs the exercise of some of their rights as shareholders of CEI. Among other things, it was established that as long as the current interests are kept as they are (i) HMTF shall have the right to designate six directors and the República Group and IEI shall have the right to designate two directors each and (ii) HMTF shall be entitled to designate two statutory auditors and IEI the remaining statutory auditor of the three that integrate the Statutory and Audit Committee. It also provides that in order to amend the By-Laws of the Company, 75.0% of the votes of the parties to the Shareholders Agreement would be necessary.

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____63c_____

Exhibit 63c.

Account opening and closing documents

INTERNATIONAL CITICASH MANAGER

Citibank New York Accounts

ID # 3341

INSTRUCTIONS ON REVERSE SIDE

Customer Name BANCO REPUBLICA S.A.

Date

Customer Address Sarmiento 336 - 9°

Capital Federal Buenos Aires, Argentina

STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF ONLY

CA001368

Please establish the following Citibank, New York bank accounts:

Citibank Account Number	Account Title and Mailing Address	Customer Contact and Telephone Number	Security Class	Internal Use Only: Billing Account	Internal Use Only: Work-station
36012804	BANCO REPUBLICA S.A.	331-8385			
36024594	" " "				
36965728	Amer. Exchange				

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

1. **Citibank Account Number** is the number assigned to your account with Citibank, New York. The currency will always be U.S. Dollars since current Federal Reserve Regulations do not permit the maintenance of foreign currency accounts.

2. **Account Title and Mailing Address** should be taken from your last statement of account. If a new account in the U.S. is to be opened for the purpose of using CitiCash Manager, the Account Manager at your local Citibank branch will provide assistance.

3. **Customer Contact and Telephone Number** refers to the individual responsible for this account at the customer's office.

4. **Security Class** provides a way of restricting information about an account or group of accounts to a person or group of people. Each account record should be assigned a security class from 1-32000. Correspondingly, each user of CitiCash Manager may be assigned a security class range. Users may only access accounts within their individual ranges.

Title of Account AMERICAN EXCHANGE CO. SEP 17 1990

Account No. 3696 5728 Account No.

Type of print names and titles	Signatures
Name / Title: Orge Videla	[signature]
Name / Title:	
Name / Title:	
Name / Title:	
Name / Title:	
Name / Title:	

I FURTHER CERTIFY to Citibank, N.A. that the _____ (insert number) signatures appearing on this card are authentic and that the resolutions appearing on the reverse of this card were duly adopted by the Board of Directors of the Corporation at a meeting of said Board duly held on _____ 19____ and not subsequently rescinded or modified WITNESS my hand and the seal of the Corporation this _____ day of _____ 19____

Secretary

SEAL [signature]

Please return this portion to

STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION SUBCOMMITTEE MEMBERS AND STAFF ONLY

CA001362

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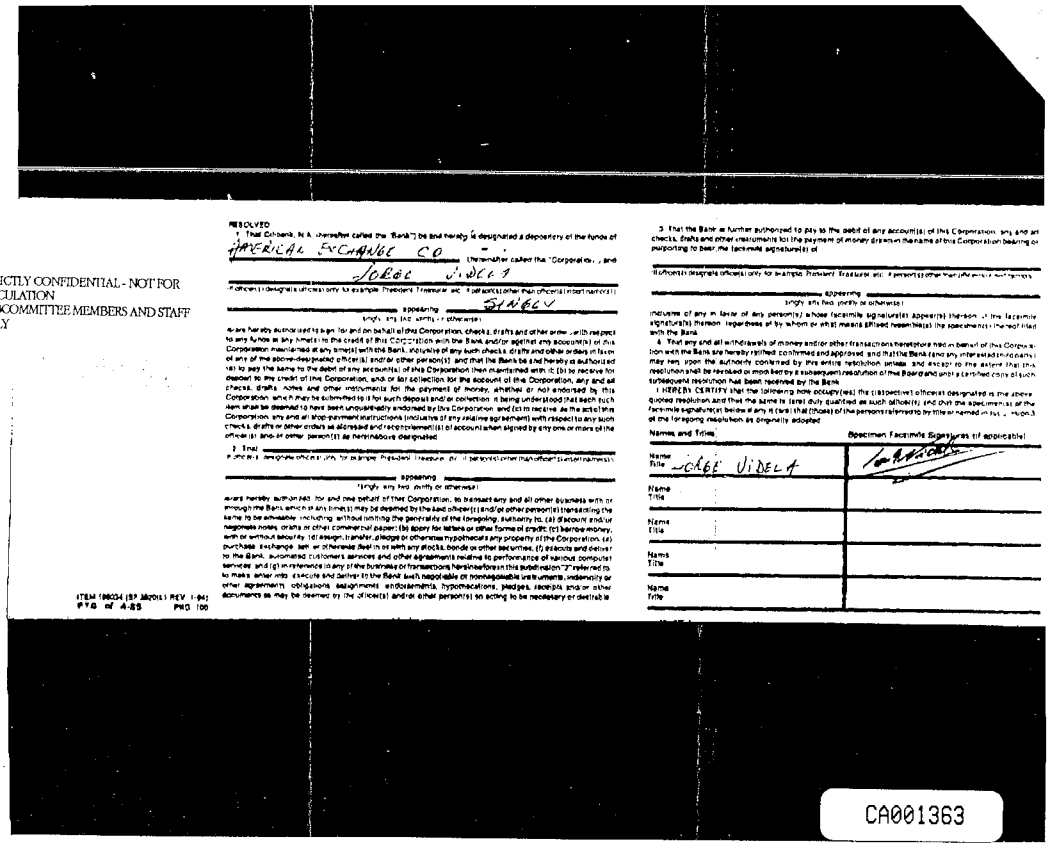
SUBCOMMITTEE MEMBERS AND STAFF ONLY



RESOLVED

1. That Citibank, N.A. (hereinafter called the "Bank") be and hereby is designated a depositary of the funds of AMERICAL EXCHANGE CO (hereinafter called the "Corporation"), and

JORGE VIDELA

(Officer(s) designate officer(s) only, for example: President, Treasurer, etc. If person(s) other than officer(s), insert name(s))

BANGKOK

appearing

(singly, any two jointly, or otherwise)

is are hereby authorized to sign for and on behalf of the Corporation, checks, drafts and other orders with respect to any funds at any time(s) to the credit of this Corporation with the Bank and/or against any account(s) of this Corporation maintained at any time(s) with the Bank, inclusive of any such checks, drafts and other orders in favor of any of the above-designated officer(s) and/or other person(s); and that the Bank be and hereby is authorized (a) to pay the same to the debit of any account(s) of this Corporation then maintained with it; (b) to receive for deposit to any credit of the Corporation, and/or for collection for the account of the Corporation, any and all checks, drafts, notes and other instruments for the payment of money, whether or not endorsed by this Corporation, which may be submitted to it for such deposit and/or collection, it being understood that each such item shall be deemed to have been unqualifiedly endorsed by the Corporation; and (c) to receive as the act of the Corporation any and all wire payment instructions (inclusive of any relative agreement) with respect to any such checks, drafts or other orders so addressed and receipt/settlement(s) of account(s) when signed by any one or more of the officer(s) and/or other person(s) as hereinabove designated.

2. That

(Officer(s) designate officer(s) only, for example: President, Treasurer, etc. If person(s) other than officer(s), insert name(s))

appearing

(singly, any two jointly, or otherwise)

is/are hereby authorized for and one behalf of the Corporation, to transact any and all other business with or through the Bank, which at any time(s) may be deemed by the said officer(s) and/or other person(s) transacting the same to be advisable, including, without limiting the generality of the foregoing, authority to: (a) discount and/or negotiate notes, drafts or other commercial paper; (b) apply for letters or other forms of credit; (c) borrow money, with or without security; (d) assign, transfer, pledge or otherwise hypothecate any property of the Corporation; (e) purchase, exchange, sell or otherwise deal in or with any stocks, bonds or other securities; (f) execute and deliver to the Bank automated customer's services and other agreements relative to performance of various computer services; and (g) in reference to any of the business or transactions hereinbefore in this subdivision "2" referred to, to make, enter into, execute and deliver to the Bank such negotiable or nonnegotiable instruments, indemnity or other agreements, obligations, assignments, entitlements, hypothecations, pledges, receipts and/or other documents as may be deemed by the officer(s) and/or other person(s) so acting to be necessary or desirable.

3. That the Bank is further authorized to pay to the debit of any account(s) of this Corporation any and all checks, drafts and other instruments for the payment of money drawn in the name of this Corporation bearing or purporting to bear the facsimile signature(s) of

(Officer(s) designate officer(s) only, for example: President, Treasurer, etc. If person(s) other than officer(s), insert name(s))

appearing

(singly, any two jointly, or otherwise)

irrespective of any in favor of any person(s) whose facsimile signature(s) appear(s) thereon, or how the facsimile signature(s) thereon, regardless of by whom or what means affixed, resemble(s) the specimen(s) thereof filed with the Bank.

4. That any and all withdrawals of money and/or other transactions heretofore had on behalf of this Corporation with the Bank are hereby ratified, confirmed and approved, and that the Bank (and any interested parties) may rely upon the authority conferred by this entire resolution, unless and except to the extent that this resolution shall be revoked or modified by a subsequent resolution of the Board and until a certified copy of such subsequent resolution has been received by the Bank.

I HEREBY CERTIFY that the following now occupy(ies) the (respective) office(s) designated in the above quoted resolution and that the same is (are) duly qualified as such officer(s), and that the specimen(s) of the facsimile signature(s) below if any, is (are) that (those) of the person(s) referred to by title or named in Sub. Item 3 of the foregoing resolution as originally adopted.

Names and Titles	Specimen Facsimile Signatures (if applicable)
Name JORGE VIDELA Title	
Name Title	
Name Title	
Name Title	
Name Title	

ITEM 196034 (EF 3820ILS) REV 1-94)
FTS of 4-89 PMS 186

CA001363

4633

Corporation – General Resolution

STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF ONLY

Citibank, N.A.

Exact Name of Corporation
~~FEDERAL~~ BANK LIMITED

Principal Place of Business
DUANES VIAJE 5910.
MONTEVIDEO. URUGUAY

Resolved:

1. That Citibank, N.A. (hereinafter called the "Bank") be and hereby is designated a depository of the funds of the above-named Corporation (hereinafter called the "Corporation"); and

DIRECTOR
SINDICO

is/are hereby authorized (i) to sign, for and on behalf of this Corporation, any and all checks, drafts or other orders with respect to any funds at any time(s) to the credit of this Corporation with the Bank and/or against any account(s) of this Corporation maintained at any time(s) with the Bank, inclusive of any such checks, drafts or other orders in favor of any of the above-designated officer(s) and/or other person(s), and/or (ii) to make withdrawals at any time(s) of any such funds or from any such account(s) by any other means authorized by the Bank, including (without limitation) a debit card, a credit card, a terminal or other device or facility providing access to any such funds or account(s), and that the Bank be and hereby is authorized (a) to pay such checks, drafts or orders, and/or to honor such withdrawals, by debiting any account(s) of this Corporation then maintained with it; (b) to receive for deposit to the credit of this Corporation, and/or for collection for the account of this Corporation, any and all checks, drafts, notes or other instruments for the payment of money, whether or not endorsed by this Corporation, which may be submitted to it for such deposit and/or collection, it being understood that each such item shall be deemed to have been unqualifiedly endorsed by this Corporation; and (c) to receive, as the act of this Corporation, any and all stop-payment instructions (inclusive of any relative agreement) with respect to any such checks, drafts or other orders as aforesaid and reconcilement(s) of account when signed by any one or more of the officer(s) and/or other person(s) as hereinbefore designated.

2. That

is/are hereby authorized, for and on behalf of this Corporation, to transact any and all other business with or through the Bank which at any time(s) may be deemed by the said officer(s) and/or other person(s) transacting the same to be advisable, including, without limiting the generality of the foregoing, authority to: (a) discount and/or negotiate notes, drafts and other commercial papers; (b) apply for letters of credit; (c) borrow money, with or without security; (d) assign, transfer, pledge or otherwise hypothecate any property of the Corporation; (e) purchase, exchange, sell, or otherwise deal in or with any stocks, bonds and other securities; (f) execute and deliver agreements for automated and computer services; (g) execute and deliver electronic account access agreements, which may establish special authorizations and limitations, pertaining to the accounts to be accessed pursuant thereto, different from the authorizations and limitations herein elsewhere contained, and to change such special authorizations and limitations from time to time; (h) enter into interest rate and foreign exchange transactions; and (i) in reference to any of the business or transactions hereinbefore in this subdivision 2 referred to, make, enter into, execute and deliver to the Bank such negotiable or non-negotiable instruments, indemnity and other agreements, obligations, assignments, endorsements, hypothecations, pledges, receipts and/or other documents as may be deemed by the officer(s) and/or other person(s) so acting to be necessary or desirable.

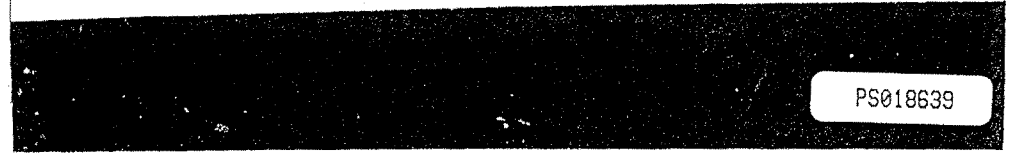
3. That any and all withdrawals of money and/or other transactions heretofore had on behalf of this Corporation with the Bank are hereby ratified, confirmed and approved, and that the Bank (and any interested third party) may rely upon the authority conferred by this entire resolution unless, and except to the extent that, this resolution shall be revoked or modified by a subsequent resolution of this Board, and until a certified copy of such subsequent resolution has been received by the Bank and the Bank has had a reasonable opportunity to act thereon.

4. That the Bank is further authorized to pay to the debit of any account(s) of this Corporation any and all checks, drafts and other instruments for the payment of money drawn in the name of this Corporation bearing or purporting to bear the facsimile signature(s) of

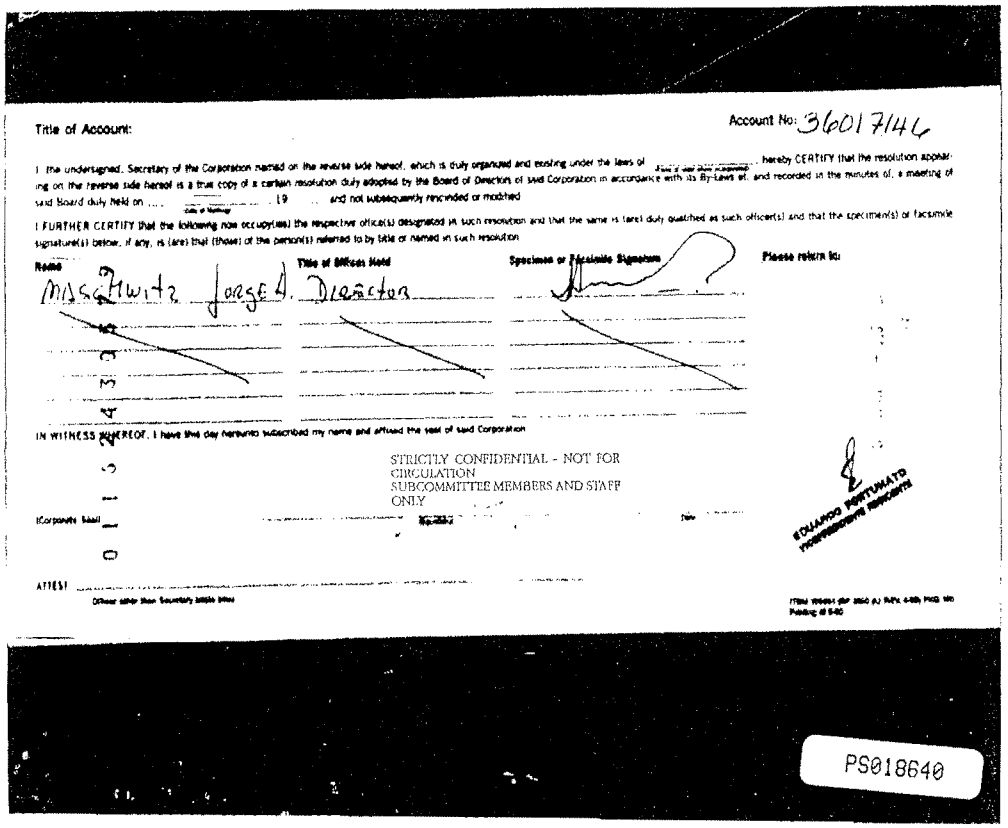
inclusive of any in favor of any person(s) whose facsimile signature(s) appear(s) thereon, if such facsimile signature(s) thereon regardless of by whom or what means affixed, resembles the specimen(s) filed with the Bank.

5. That this Corporation has filed a Certificate of Assumed Name with the Secretary of State of New York in accordance with Section 130 of the General Business Law and has received permission to use an assumed name or trade style which is

Please Complete Reverse Side.



PS018639



Title of Account:

Account No: 36017146

I, the undersigned, Secretary of the Corporation named on the reverse side hereof, which is duly organized and existing under the laws of _____ (Name of state where incorporated), hereby CERTIFY that the resolution appearing on the reverse side hereof is a true copy of a certain resolution duly adopted by the Board of Directors of said Corporation in accordance with its By-Laws at, and recorded in the minutes of, a meeting of said Board duly held on _____ (Date of Meeting), 19__ and not subsequently rescinded or modified.

I FURTHER CERTIFY that the following now occupy(ies) the respective office(s) designated in such resolution and that the same is (are) duly qualified as such officer(s) and that the specimen(s) of facsimile signature(s) below, if any, is (are) that (those) of the person(s) referred to by title or named in such resolution.

Name	Title of Officer Held	Specimen or Facsimile Signature	Please return to:
Mascowitz Jorge A.	Director	[signature]	

IN WITNESS WHEREOF, I have this day hereunto subscribed my name and affixed the seal of said Corporation.

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

(Corporate Seal) _____ Signature _____ Date _____

ATTEST _____
Officer other than Secretary attest here

EDUARDO FORTUNATO
VICEPRESIDENTE RESIDENTE

PS018640

STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF ONLY

1. **Citibank Account Number** is the number assigned to your account with Citibank, New York. The currency will always be U.S. Dollars since current Federal Reserve Regulations do not permit the maintenance of foreign currency accounts.

2. **Account Title and Mailing Address** should be taken from your last statement of account. If a new account in the U.S. is to be opened for the purpose of using CitiCash Manager, the Account Manager at your local Citibank branch will provide assistance.

3. **Customer Contact and Telephone Number** refers to the individual responsible for this account at the customer's office.

4. **Security Class** provides a way of restricting information about an account or group of accounts to a person or group of people. Each account record should be assigned a security class from 1-32000. Correspondingly, each user of CitiCash Manager may be assigned a security class range. Users may only access accounts within their individual ranges.

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ACCOUNT NAME :FEDERAL BANK LIMITED

ADDRESS :BLANES VIALE 5910

MONTEVIDEO - URUGUAY

MAILING ADDRESS : " " " "

CONTACT NAME :

TELEX NR. :

TELEPHONE NR. : -

SWIFT ADDRESS : -

FAX NR. :

ACCT. STATEMENT FREQUENCY :MONTHLY

STATEMENT TYPE : NO

CHECK BOOK ORDER : SI

GCS DEPOSIT TICKETS SERIALIZED: SI

TESTWORD PACKAGE REQUIRED : NO

OVERDRAFT INT. RATE : PRIME + 3

EXP. CODE RESPONSIBILITY : 00534

AVAILABILITY CASH LETTER : 48 HS.

ABRS :

I SEND YOU THE SIGNATURE CARDS BY POUCH
THE CLIENT RECEIVED THE LETTER EFFAA
I WILL APPRECCIATE TO OPEN THIS ACCT. VERY URGENT.

REGARDS
EDUARDO FORTUNATO
FITS ARGENTINA

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

0 1 0 1 2 4 3 0 1 8 3

INTEROFFICE MEMORANDUM

Date: 10-Jan-1991 03:47pm
From: Janett Feggans
FEGGANS JANETT
Dept: USNYC FIG-NY
Tel No: (212)657-5979

TO: Peter Reisfeld (REISFELD PETER AT CM AT CM0018)

CC: Miguel Serricchio (SERRICCHIO MIGUEL AT CM AT CM0018)
CC: Suzanne Wells (WELLS SUZANNE)

Subject: BCO REPUBLICA SA A/C 36014594

In response to your telex of January 8, we have added account 36014594 BCO Republica Sa to customer number 3361 as requested.

Regards,
Janett Feggans
CCM Support

PS018411

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Please enter selection: 2

Your Send No.: [illegible]2 4 3 0 1 9 3

ENTER FIELD NUMBER, [D] DISPLAY or [X] EXIT X

 1) CUSTOMER ID NUMBER:   3361          2) ACCOUNT # : 36014594
 3) SHORT NAME: BANCO REPUBLICA S.A.
 4) CUSTOMER LOCATION :   1             5) SIC : 357
 6) SEC-CLS :   100                     7) HISTORY : YES
 8) FTN-FLAG : YES                      9) GROUP-NUMBER :   1
10) PARENT #  : 36012804               11) GENERAL LEDGER # :  201
12) EXPENSE CODE : 366
13) CUSTOMER CONTACT NAME:
14) AREA CODE :     0   PHONE # : 0-0000
15) MORNING-CONTACT NUMBER :     1
16) BANK-CONTACT NUMBER : 20     NAME : FRANKLYN MCINTYRE
     AREA CODE :   212   PHONE # : 657-0066
17) CREDIT ADVICE : NO                  18) DEBIT ADVICE : NO
19) DETAILS : YES                       20) Region : LATIN AMERICA
21) Country : ARGENTINA
22) [PRIMARY ACCOUNT NAME]              [PRIMARY ADDRESS]
L1: BANCO REPUBLICA S.A.           A1: SARMIENTO 33[illegible]
L2:                                A2: CAPITAL FEDERAL BUENOS AIRES.
L3:                                A3: ARGENTINA
L4:
DATE BUILT: 09/08/89

IS INFORMATION CORRECT? [Y/N] Y
DO YOU WISH TO DELETE THE ACCOUNT 36012804 [Y/N] N
ACCOUNT # : 36014594 HAS BEEN CREATED

Enter cust no. or [A] for all or [X] to exit        : 3361

CUST #    ACCOUNT #    SECURITY CLASS     ACCOUNT TITLE
------    ---------    --------------     -------------
 3361     36012804          100           BANCO REPUBLICA S.A.
          36014594          100           BANCO REPUBLICA S.A.
          36965728          200           AMERICAN EXCHANGE
```

CITIBANK

Citibank, N.A.

111 Wall Street
New York, NY 10043

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June 16, 2000

Federal Bank Ltd.
Blanes Viale 5910
11500 – Montevideo, Uruguay

Attn.: Mr. Jorge A. Maschwitz

Dear Mr. Maschwitz

We refer to the following account maintained with Citibank, N.A.:

A/C#	A/C Title
36017146	Federal Bank Ltd.

We hereby advise you and confirm, per your agreement reached May 8,, 2000 between Federal Bank Ltd. and Citibank Buenos Aires, that for commercial reasons the above referenced account will be closed no later than June 30th, 2000.

We would appreciate it if you would give us tested instructions for the transfer of any remaining balances in this account, less billing and maintenance fees.

Sincerely yours,

John E. Llera
FI-Latam

JOHN E. LLERA
Assistant Vice President
EM - Latin America
111 Wall Street, 21/5
New York, NY 10043
(212) 657-0127

Received 6/19/00
ADRIANA SANCHEZ
Citibank NA
Ica Customer Service
Latin America Main Floor/Zone 1
111 Wall Street, NY 10043
New York, NY 10043
(212) 657-1939

CITIBANK

Citibank, N.A.
111 Wall Street
New York, NY 10043

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Memo To: Martin Ubierna
Citibank Argentina
Buenos Aires. Argentina

From: John Llera
Citibank NA
111 Wall Street 19/1
New York, N.Y. 10043

Re: Account Closing Letters

Martin,

Per your request, account closure letters have been sent to the following institutions with date of account closures as indicated:

Federal Bank Ltd.	June 30th, 2000	36017146
REDACTED	REDACTED	

The letters were sent via UPS on June19th, 2000.

Copies of the closure letters are enclosed for your records.

Regards,

John.

JOHN E. LLERA
Assistant Vice President
EM - Latin America
111 Wall Street, 21/5
New York, NY 10043
(212) 657-0127

6/19/00

Session airs Screen Snapshot 06/30/2000 2:09:48 PM

CLAIMS -- Message Attachment Display 2NYC SACOST 30-JUN-00 14:08:02

mid M000622-010729 current list status RATTACH type INT
attached iid 3165-20JUN00 memo ACCT CLOSING next 22-JUN-00

ISR1515 BUS8994
NYCRB
.BUEAACB 221520
TEST SECURED AMT X
0000 00GCNNYCRBAXXX00000
1121 22GCNBUEAAAXXX11191
399 02
:20:0000220600
:21:FEDERAL BANK
:79:ATT.: ADRIANA SANCHEZ
REF.: CLOSE ACCT
AS PER THE RM'S REQUEST, MR MARTIN UBIERNA,
PLEASE CLOSE ACCOUNT 36017146 FEDERAL BANK LTD.
THE RM HAS ARRANGED WITH THE CUSTOMER THAT THE
CLOSURE SHOULD BE WITH VALUE DATE 30-JUN-00.
IF THERE ARE ENOUGH FUNDS IN THE ACCOUNT TO DEBIT
FEES, PLEASE DO THE DEBIT. IF NOT, THE RM
AUTHORIZES TO VOID FEES.
AND IF AFTER DEBITING FEES, THERE ARE STILL FUNDS
IN THE ACCOUNT, PLEASE ISSUE A CHECK TO THE ORDER
OF THE CUSTOMER AND SEND IT TO THEM.
THANKS AND REGARDS,
CLAUDIA TESTA.-
-
-PDE
NNNN++
+ +
+ -- SECURED TRANSMISSION -- +
+ FOR AMOUNT = X +
+ +

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<more>

actn DATT p1 p2 p3 sn 22

PS018643

Session airs Screen Snapshot 06/30/2000 2:09:48 PM

Author: Martin Ubierna at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP
Date: 06/15/2000 2:59 PM
Priority: Normal
TO: John Llera at 00USNYC
CC: Carlos Barrio at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP,
John P. Emert at 01USNYC/o=af1/c=us/a=mci/p=citicorp,
Ignacio Morello at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP,
Ramiro Penaloza at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP,
Nestor Piantoni at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP
Subject: RE: Close of DDA accounts

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---------- Message Contents ----------

John

The date agreed with client was June 30th, 2000. So please send the letter some days before.

Thanks again and Regards,
Martin.

-----Original Message-----
From: Ubierna, Martin
Sent: Thursday, June 15, 2000 3:20 PM
To: Llera, John; Emert, John P.
Cc: Morello, Ignacio; Piantoni, Nestor; Barrio, Carlos; Giovanelli, Carlos; Gibbs, Timothy
Subject: Close of DDA accounts

John Llera:

Following our current commercial strategy, as a pro-active measure, we request you to send letters to close the following DDAs:

FEDERAL BANK LTD
DDA #36017146
Att: Jorge A. Maschwitz
Blanes Viale 5910
11500 - Montevideo - Uruguay

REDACTED

REDACTED

REDACTED

REDACTED

Thanks for your help and best regards,

Martin Ubierna
Relationship Manager
Financial Institutions - Argentina
(5411) 4329-1703

PS018246

Author: John Llera at 00USNYC
Date: 06/19/2000 1:39 PM
Priority: Urgent
TO: Martin Ubierna at 53CSBUE/o=afl/c=us/a=mci/p=citicorp,
Ezequiel Weisstaub at 53CSBUE/o=afl/c=us/a=mci/p=citicorp
CC: Adriana Sanchez at 07EXTNL/o=afl/c=us/a=mci/p=citicorp, John Llera at 00USNYC
Subject: Account Closings

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---------- Message Contents ----------

Martin,

This is to confirm the account closure letters are being sent to Federal Bank Ltd and American Exchange Co. today via UPS. The letters also request the clients send us tested disposal instructions for any remaining balances, less billing and maintenance fees, if any.

Copies are also being sent to you today for your records.

In the interim, in order to proceed with the account closings scheduled for June 30th, 2000, please send a tested authorization to the attention of Adriana Sanchez, Customer Service Department advising her accordingly and also providing disposal instructions.

REDACTED REDACTED

REDACTED REDACTED

REDACTED REDACTED

Thanks and regards,
John.

Author: Karen Kennedy at 15USBUF/o=AF1/c=US/a=MCI/p=CITICORP
Date: 06/20/2000 11:54 AM
Priority: Normal
TO: Adriana Sanchez at 07EXTNL/o=AF1/c=US/a=MCI/p=CITICORP
CC: Juanita Collins at 11USBUF/o=af1/c=us/a=mci/p=citicorp, John Llera at 00USNYC,
Carlos Parra at 11USNYC/o=af1/c=us/a=mci/p=citicorp,
Tricia Poniatowski at 06USBUF/o=af1/c=us/a=mci/p=citicorp,
Gina Suarez at 11USNYC/o=af1/c=us/a=mci/p=citicorp, Kathy Wellington at 00USNYC
Subject: RE: ACCOUNT CLOSED 36965728/AMERICAN EXCHANGE/
---------- Message Contents ----------

Hi Adriana,

Account 36965728 has outstanding fees of $298.45. I removed this account from direct debit . Please advise when fees are collected.

Thanks,
Karen Kennedy

-----Original Message-----
From: Sanchez, Adriana
Sent: Tuesday, June 20, 2000 12:19 PM
To: George, Michelle
Cc: Suarez, Gina; Parra, Carlos; Wellington, Kathy; Llera, John;
Kennedy, Karen
Subject: ACCOUNT CLOSED 36965728/AMERICAN EXCHANGE/

Michelle,

Please be advise above account is in process to be closed pls inform if there is any pending fees due.

Thank you
Adriana

Kathy,

Pls remove account from sweeps as account is in process to be closed.

Thank you
Adriana

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Author: Martin Ubierna at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP
Date: 06/16/2000 4:17 PM
Priority: Normal
TO: James A. Forde at 11USNYC/o=af1/c=us/a=mci/p=citicorp, John Llera at 00USNYC
CC: Carlos Barrio at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP,
John P. Emert at 01USNYC/o=af1/c=us/a=mci/p=citicorp,
Ignacio Morello at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP,
Nestor Piantoni at 53CSBUE/o=AF1/c=US/a=MCI/p=CITICORP
Subject: Closing of Federal Bank and American Exchange DDAs / Closi

---------- Message Contents ----------

John/James,

Based on your request I am forwarding the mail where was documented our conversation with the client about the closing (dated May, 8, 2000) and where you can find references to prior conversations).

Additionally, I am attaching some mails about the commercial strategy to be implemented for all the FI-Argentina customers (without any exception) about the closings of DDA for off-shore vehicles that are not consolidating under a local bank, and consequently regulated by the Local Central Bank (BCRA: Banco Central de la Republica Argentina). As you can see, the first mail is dated April 06, 2000, but again you can find references to prior conversations and meetings. Moreover, as a proof of this strategy implementation, you should have mails about the closing of other accounts done during this year.

Finally, I will try to find any other document about the definition of this strategy (that has begun during the first months of this year) and previous meetings.

I hope this information is enough to cover your concern about the closing of these 2 DDAs. As I already mentioned yesterday in my request, it could be helpful for you discuss this with John Emert.

-----Original Message-----
From: Ubierna, Martin
Sent: Monday, May 08, 2000 8:04 PM
To: Lopez, Martin
Cc: Piantoni, Nestor; Giovanelli, Carlos
Subject: Federal Bank

Martin,

De acuerdo a lo que me pediste y en función de lo que ya le habías adelantado a Pablo Lucini, hoy me comuniqué con él y le dije que si no recibimos antes del 30-May-00 la solicitud del cierre de la DDA, en esa fecha le llegará una carta de Citi NY comunicándole que a los 30 días, es decir el 30-Jun-00, se cerrará la misma.

Saludos,

Martin Ubierna
Relationship Manager
Financial Institutions - Argentina
(5411) 4329-1703

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I will send the mails attached in other mails because memory problems with the delivery.

Best Regards,

Martin Ubierna

Senate Permanent Subcommittee
On Investigations
EXHIBIT #____63d____

Exhibit 63d.

Resolution No. 395 of the Central Bank of Argentina

PS018321

Resolution No. 395
Buenos Aires, 28 AUG 1996

Whereas:

Banco República, by memo dated 8/31/94, requests exclusion of the stock in Citicorp Equity Investments S.A., which as of 7/31/94 represented 16.89% of its "RPC" [computable equity], from the limits established with regard to spreading credit risk.

The entity bases its request on the fact that the special characteristics of the contract entered into by the shareholders of that company mean that, if Banco República is obligated to transfer the shares, the sale will be made under conditions unfavorable to the entity, and [therefore believes] that the requested exception would be consistent with the spirit and objectives of the guideline in question since, given the financial/investment nature of CEI's corporate purpose, its assets consist of shares of various companies, thus avoiding concentration of risk.

The analysis carried out by [the] Supervision [TR.: other documents say "Superintendency"] of Finance Entities (Report 551/070/94) reveals that:

- The investment in shares of CEI occurred on June 26, 1992, and represents 61.40% of the finance entity's computable equity as of June 30, 1992.

- On June 29, 1992, the bank made an offer of irrevocable sale of some of said shares to "Burton and Golman Financial Corporation." Finalization of the transaction was conditioned on the company exercising the purchase option, expiring on June 30, 1993, granted it by the agreement.

- The document signed on July 30, 1993, indicates that United Finance Company Ltd. (UFCO) is the buyer of the shares of CEI, paying 10% of the transaction [amount] in cash and being issued a loan for the balance ($25,207,000), which was paid early, on March 30, 1994.

- Banco República believed that both the shareholdings and the financing granted would not come about because of the current guidelines on dividing credit risk, the option not being included among the covered transactions, while the Supervision of Finance Entities believes that the ownership of shares of CEI - until the sale to UFCO - should be counted in its totality as stake[s] in other companies.

PS018322

It is believed that it would be feasible to grant the entity's request to except the stake in CEI capital from the limit in item 3.1 of Appendix II, Document "A" 2140, in consideration of the diversity of companies that constitute the investments made, having fragmented assets, and that it is also necessary to consider extending that exception to the beginning of the transaction with CEI and to the financing granted to UFCO, accomplished on the same bases.

- The analysis performed regarding Guidelines for Finance Entities (Report 144/683/94) shows:

  - There is no basis for exempting transactions that, at the time the decision was made to acquire the stake in CEI (June 26, 1992), for the duration of the shareholding (until June 30, 1993), and during the [period] of assistance granted when divesting, were not in keeping with the current provisions.

  - In terms of the regulations, there are also no reasons that would support application of a general measure regarding current shareholding, which provides for excluding the stakes in investment companies from the relationships specified in item 3 of Appendix II, Document "A" 2140, since they are essentially intended to diversify the credit risk among the different activities in the economy and, in turn, within each of them among different agents belonging to each sector.

  - It is understood that it is the responsibility of the Superintendency to determine whether specific situations exist in terms of the bank that make it necessary to consider different treatment with respect to complying with the guidelines for diversifying risk vis-a-vis the aforementioned holdings in the capital of CEI.

– The conclusions set forth were made known to the entity verbally at meetings with entity officials. In this regard, Banco República S.A. submitted the memorandum of July 24, 1996, stating that "...given the arguments we have set forth, in an appropriate manner, at said meetings, we request that you kindly reconsider your position with respect to the classification of said situation...."

– As of May 31, 1996, Banco República S.A.'s non-liquid investments in fixed assets are principally:

  - Assets for use in the business, $7.1 million.
  - Various assets, $103.9 million. The principal asset that makes up this item is the Edificio Bouchard [Bouchard Building], $70.4 million.

– These items represent 115% of its Computable Equity ($ 96.6 million).

– In a memorandum dated June 11, 1995, Banco República states:

PS018323

- Together with the group Inversora Magna S.A., "... it presented itself as a bidder in the tender called by the Government of Mendoza for privatization of the official Banks - Banco de Prevision Social S.A. and Banco de Mendoza S.A. - ..." and that " ... the future operation associated with those Banks will require a capital contribution to Banco República on the order of (I) US$ 5 M, paying the balance pending in connection with the commitment to contribute a total of US$ 10 M, undertaken on December 29, 1994, and (II) an additional contribution of US$ 25 M...."

- Both contributions will be made with shares of Citicorp Equity Investments S.A. (CEI).

- In "...plan to decrease the lockup of assets, Banco República S.A. has decided to divest itself of the Edificio República by selling it to a company comprised of the same shareholders as the entity, at an approximate price of US$ 98 M, which would yield the bank a profit of around US$ 30 M. The price would be paid with a loan issued by the seller, with a life of 10 years, with quarterly interest and repayments by means of the French system, with a mortgage that will encumber the same property ...."

- "...the cash flow to pay the loan would be obtained with the funds from renting the floors to top-flight companies, since the location is the site for [sic] that Building erected at the triangle of calles [streets] Bouchard and Viamonte and Avenida Madero of this city...."

- In this respect, the entity requests that:

  - It be agreed that the payment of the balance of the capital contribution of $5 million and the additional contribution of $25 million be accomplished with shares of Citicorp Equity Investments S.A.

  - Its holdings of shares of CEI be permitted to exceed the 15% limit of the Computable equity established in item 3.1 of Appendix II, Document "A" 2140. In this regard, the entity declares that this request is justified because "... CEI is an Investment Company (Law of Business Associations, Article 31), whose objective is precisely to acquire stakes in manufacturing and service companies. Therefore, the shares of CEI represent the Capital of the companies in which it invests. So, in the context of the limitation on ownership of shares of CEI by Banco República, it is not the "ownership of shares of a single company," but of various companies of different sizes and corporate purposes, as occurs in any holding company. In that context, Banco República is prepared to accept that in no case will its stake in operating companies, measured individually or through their presence in holding companies, exceed 15% of said banking entity's computable equity.

  - The classification of the loan to be granted the purchasers of the building be accepted under the aforementioned conditions.

– Banco República declares, by memorandum dated July 1, 1996, that on June 28, 1996, it proceeded to:

  - Sell the aforementioned building for $98 million, having received US$ 5 million in cash and arranged for the difference with a mortgage in the amount of US$ 93 million, payable in forty quarterly, equal, consecutive installments, including principal and interest, of US$ 3,294,639.22 each.

  - Receive a capital contribution for the equivalent of $30 million in class "B," registered, non-endorsable shares issued by "Citicorp Equity Investments S.A.," carrying one vote per share and with a par value of $1, which were quoted at $3.95 each, at the close of operations on the Buenos Aires Stock Exchange.

CONSIDERING

– That the study of the steps taken by Banco República reveals the following pertinent facts:

  - Banco República's computable equity increases by 49% through payment of irrevocable contributions in the amount of $30 million and the profit generated by the sale of the property (approximately $16.9 million).

  - The percentage of non-liquid investment in fixed assets is reduced to 94.5% or 29.6%, depending on whether the $93 million loan issued to finance the sale of the property is considered a non-liquid investment.

  - Although the capital contributions were not carried out in the manner provided for in Document "A" 1858, there are certain bases for determining their value, since CEI is listed on the Buenos Aires Stock Exchange. Also, precautions will be taken to ensure that the contributed shares remain registered at the lower of their equity value or current share price, which assures a specific, conservative valuation.

  - The entity's shareholdings in CEI increase to 37.9%, since they come to $54.5 million, against computable equity that increases to $143.5 million. Despite that, it should be taken into consideration that:

    - CEI is listed on the Buenos Aires Stock Exchange, and is therefore subject to its controls and information system.

    - Banco República's total shareholdings come to 13.7 million shares, representing 4.3% of CEI's subscribed and paid-in capital.

    - CEI's balance sheets as of December 31, 1995, show that its assets are comprised of investments and shares in [illegible - possibly "companies"]. As

PS018325

an example, the principal stake ($422 million, 35% of its assets) is the ownership of 27.72% of the shares of Cointel S.A., which is the holding company for 55.96% of the shares of Telefónica de Argentina S.A.

- By memorandum dated June 11, 1996, the entity agreed that in no case will its stake in operating companies that are part of investments in CEI, measured individually or through their presence in holding companies, exceed 15% of said banking entity's Computable equity. This means that the entity will take steps to avoid assuming, in connection with its assets, positions that increase the risks taken through its stake in CEI.

- The purpose of this increased stake is to increase the capital of Banco República S.A.

– Within the context of encouraging this finance entity's increase in assets, it can be allowed to exceed the limit established in item 3.1 of Appendix II, Document "A" 2140, with the following conditions:

Comply with the commitment assumed in the memorandum of June 11, 1996, and find the means necessary to include this relationship in three years.

The shareholdings should be registered at the lower of their equity value or current share price.

The profits generated as a result of this stake, in excess of the value of these shares as of June 30, 1996, determined in accordance with the above item, shall be deducted from the entity's computable equity for purposes of all the technical regulations and the guidelines on minimum capital.

The requirement for minimum capital above the excess reflected in the book value of the shareholdings of CEI, compared to the limit established in item 3.1 of Appendix II, Document "A" 2140, shall be calculated using a coefficient of 0.5, a requirement 3.3 times higher than that established in the current guidelines (0.115).

- The entity shall refrain from carrying out any transaction that involves, even temporarily, directly or indirectly increasing the financing of CEI or assuming any risk connected with said company.

- The entity shall refrain from increasing its stake in other companies, except those that may eventually be associated with Banco Mendoza S. A. and Banco de Previsión Social S.A. or those that, on a temporary basis, originate in purchase transactions.

PS018326

- The purpose of the limitations set forth above is to prevent the entity from assuming inappropriate risks and to ensure that it values these holdings conservatively and does not increase its exposure to risks similar to those already assumed.

- With respect to the loan issued for the sale of the property at calle Bouchard, it is appropriate to permit it to be exceeded in the pertinent technical relationships to facilitate freeing up the assets of Banco República, with the following provisos:

  - The credit is maintained in normal status.

  - The entity shall refrain from granting new assistance to associated clients until it is included in the current technical relationships.

  - Banco República shall not increase its non-liquid investments, except for those that come about because of the needs of its business.

  - The entity shall proceed to increase the guarantees received because of this credit transaction, obtaining personal backing from the shareholders of República Compañía de Inversiones S.A. and reaching an agreement with this company regarding increasing the properly signed mortgage which gives Banco República S.A. the right, in the event of more than 30 days delay in payment of the credit, to have the mortgaged building transferred to it.

  - Banco República shall sell shares in the aforementioned credit, without liability, or take other steps to include it in all the technical relationships within five years.

  - The profit from the sale of the property shall be deducted (not shown on the books) from the computable equity, in proportion to the capital owing, for purposes of computing the minimum capital and all the relationships in which it is involved.

- Finally, the analysis of the entity's status up to May 1996, regarding spreading the credit risk, leads to the conclusion that:

  - Banco República declared these transactions in its memoranda of August 31, 1993 and August 31, 1994, although it misinterpreted the current guidelines.

  - Banco República has overreached itself with regard to this regulation in view of the recorded values [of] its shareholdings in CEI and the assistance afforded to UFCO Ltd. for the purchase of some of those shares.

The charges for application of the general provisions of Document "A" 2019 are disproportionate to the nature of the violation.

Therefore, there are mitigating circumstances that make it necessary to handle the situation in accordance with item 3.2.2 of Document "A" 2019,

PS018327

weighing the causes of the noncompliance. In this regard, all the steps taken by the entity to increase its assets and reduce its level of non-liquid investments are also taken into consideration.

The Directorate of Legal Studies and Reports has taken appropriate action, completely in accordance with the provisions of the National Law of Administrative Procedures No. 19549, article 7.

Therefore

THE BOARD OF DIRECTORS OF
BANCO CENTRAL DE LA REPUBLICA ARGENTINA
RESOLVES

1. To allow Banco República to pay the balance of [the] capital contribution in the amount of $5 million and make a new contribution of $25 million with shares of Citicorp Equity Investments S.A. and, because of its ownership of these securities, exceed the limit established in item 3.1 of Appendix II, Document "A" 2140, for three years starting with notification of this resolution, if and only if Banco República:

   - Complies with the commitment that in no case will its stake in operating companies that are part of CEI investments, measured individually or through their presence in holding companies, exceed the limits established in item 3.1 of Appendix II, Document "A" 2140.

   - Maintains the shareholdings in CEI registered at the lower of their equity value or current share price.

- Deducts from the entity's computable equity, for purposes of all the technical regulations and guidelines regarding minimum capital, the profits generated because of increases in the value of this stake, in excess of the value of these shares as of June 30, 1996, determined as set forth in the previous item.

- Calculates the requirement for minimum capital above the excess reflected in the book value of the shareholdings of CEI compared to the limit established in item 3.1 of Appendix II, Document "A" 2140, using a coefficient of 0.5.

- Refrains from carrying out any transaction that involves, even temporarily, directly or indirectly increasing the financing of CEI or assuming any risk connected with said company.

- Does not increase its stake in other companies, except those that may eventually be associated with Banco de Mendoza S.A.

PS018328

and Banco de Prevision Social S.A. or those of a temporary nature originating in purchase and sale transactions.

2.- To agree that the loan issued for the sale of the property located at calle Bouchard No. 685, Federal Capital, be maintained under the conditions already mentioned in the "considerations" section, as long as it is classified as situation normal and if and only if Banco Republica S.A.:

- Refrains from granting new assistance to associated clients until it is included in the current technical relationships.

- Refrains from increasing its non-liquid investments, except for those that come about because of the needs of its business.

- Proceeds, within 30 days of notification of this Resolution, to increase the guarantees received because of this credit transaction, obtaining personal backing from the shareholders of Republica Compania de Inversiones S.A., and to reach an agreement with this company regarding increasing the properly signed mortgage which gives Banco Republica S.A. the right, in the event of more than 30 days delay in payment of the credit, to have the mortgaged building transferred to it.

- Sells shares in the aforementioned credit, without liability, or takes other measures to include it all the technical relationships within five years.

- Deducts (not shown on the books) from the computable equity, the profit from the sale of the property, in proportion to the capital owing, for purposes of computing the minimum capital and all the relationships in which it is involved.

3.- To require that Banco Republica pay, as charges for noncompliance to date with regard to spreading the credit risk in connection with its share holdings in CEI and the loan issued to UFCO Ltd., the sum of $200,000, within five days of notification of this resolution.

4.- Notify Banco Republica S.A. of this resolution under the terms of Article 41 of Decree 1759/72 (amended text 1991).

[stamp] Approved by the Board of Directors
at a meeting held on 28 AUG 1996
RESOLUTION No. 395
[illegible signatures]
[stamp] COPY
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RESOLUCION Nº 395

Buenos Aires, 28 AGO 1996

VISTO

- Que el Banco República, por nota del 31.8.94, solicita la exclusión de la participación accionaria en la sociedad Citicorp Equity Investments S.A., que al 31.7.94 representaba el 16,89 % de su RPC, de los límites establecidos en materia de fraccionamiento del riesgo crediticio.

- Que la entidad basa su solicitud en que las características especiales del contrato celebrado entre los accionistas de dicha sociedad hacen que, de verse obligado el Banco República a enajenar las acciones, la venta se realizará en condiciones desfavorables para la entidad y que la excepción solicitada sería consistente con el espíritu y objetivos de la norma en cuestión dado que siendo el objeto social del C.E.I. financiero y de inversión, su activo se encuentra integrado por participaciones accionarias en varias sociedades, evitándose así la concentración del riesgo.

- Que del análisis efectuado por Supervisión de Entidades Financieras (Inf. 551/070/94) surge que:

  - La inversión realizada en acciones del C.E.I. se originó el 26.6.92, representando el 61,40 % de la RPC de la entidad financiera al 30.6.92.

  - El 29.6.92 el banco realizó una oferta de venta irrevocable de parte de dichas acciones a la firma "Burton and Golman Financial Corporation", cuya materialización estaba supeditada a que esa firma ejerciera la opción de compra que el convenio le adjudicaba, con vencimiento el 30.6.93.

  - De la escritura celebrada el 30.7.93 surge que la firma United Finance Company Ltd (UFCO) es la compradora de las acciones del C.E.I., abonando el 10% de la operación al contado y otorgándosele un préstamo por el saldo ($ 25.207 miles), financiación que fue cancelada anticipadamente el 30.3.94.

  - Banco República interpretó que tanto la tenencia accionaria como la financiación otorgada no estarían alcanzadas por las normas vigentes sobre fraccionamiento del riesgo crediticio, al no incluirse la opción entre las operaciones comprendidas mientras que Supervisión de Entidades Financieras entiende que la tenencia de acciones del C.E.I. -hasta la venta efectivizada a UFCO- debe computarse en su totalidad como participación en otras sociedades.

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- Se estima que resultaría viable acceder a lo solicitado por la entidad respecto de exceptuar del límite del punto 3.1 del Anexo II a la Comunicación "A" 2140 a la participación en el capital de C.E.I. atento la diversidad de empresas que conforman las inversiones realizadas y que cuenta con un activo atomizado, debiéndose contemplar asimismo extender dicha excepción al origen de la operación con el C.E.I. y a la financiación otorgada a UFCO, alcanzadas por iguales fundamentos.

- Que del análisis efectuado por Normas para Entidades Financieras (Inf. 144/683/94) surge que:

  - No se encuentran fundamentos para exceptuar operaciones que, tanto al momento de decidir la adquisición de la participación en el C.E.I. (26.6.92), durante el mantenimiento de la tenencia accionaria (hasta el 30.6.93) así como la asistencia otorgada al desvincularse de ella, no se hallaban encuadradas en las disposiciones vigentes.

  - Normativamente, tampoco se observan razones que meritúen la aplicación de una medida de carácter general sobre la tenencia actual, que contemple excluir las participaciones en sociedades de inversión, de las relaciones indicadas en el punto 3. del Anexo II a la Comunicación "A" 2140, dado que ellas fundamentalmente apuntan a diversificar el riesgo crediticio entre las diferentes actividades de la economía y, a su vez, dentro de cada una de ellas entre distintos agentes pertenecientes a cada sector.

  - Se entiende que corresponde al área de Superintendencia determinar si existen situaciones particulares del banco que hagan necesario contemplar un tratamiento diferencial en materia del cumplimiento de las normas sobre fraccionamiento del riesgo a las citadas tenencias en el capital del C.E.I..

- Que las conclusiones expuestas fueron puestas en conocimiento de la entidad en forma verbal en reuniones mantenidas con funcionarios de la entidad. Al respecto Banco República S.A. presentó la nota del 24.7.96 en la cual manifiesta que "...dado los argumentos que hemos expuesto oportunamente en dichas reuniones es que solicitamos tengan Uds. a bien reconsiderar su posición respecto del encuadramiento de dicha situación...".

- Que al 31.5.96 las inmovilizaciones de Banco República S.A. en activos fijos están conformadas principalmente por los siguientes conceptos:

  - Bienes de Uso por $ 7,1 millones.

  PS018322

  - Bienes diversos por $ 103,9 millones. El principal bien que integra este rubro es el Edificio Bouchard por $ 70,4 millones.

- Que estos conceptos representan el 115 % de su Responsabilidad Patrimonial Computable ($ 96,6 millones).

- Que por nota del 11.6.95 el Banco República manifiesta que:

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- Junto con el grupo Inversora Magna S.A., "... se presentó como oferente en la licitación convocada por el Gobierno de Mendoza para la privatización de los Bancos oficiales -Banco de Previsión Social S.A. y Banco de Mendoza S.A.- ..." y que "... la futura operatoria vinculada con esos Bancos requerirá un aporte de capital en Banco República, del orden de (I) U$S 5 M, cancelando el saldo pendiente de integración del compromiso de aporte por un total de U$S 10 M, asumido en fecha 29 de diciembre de 1994, y (II) un nuevo aporte de U$S 25 M...".

- Ambos aportes se realizarían con acciones de Citicorp Equity Investments S.A. (C.E.I.).

- En "... plan de disminuir la inmovilización de activos, Banco República S.A. está decidido a desprenderse del Edificio República mediante su venta a una sociedad constituida por los mismos accionistas de la entidad, a un precio aproximado de U$S 98 M, que reportaría al Banco una utilidad de alrededor de los U$S 30 M. el precio se cancelaría con un préstamo otorgado por la vendedora, a diez años de plazo, con intereses y amortizaciones trimestrales por el sistema francés, con garantía hipotecaria que gravará el mismo inmueble...".

- "...el flujo de fondos para cancelar el préstamo se obtendría con los recursos provenientes del alquiler de los pisos a empresas de primer nivel, pues la locación es el destino dispuesto para ese Edificio erigido en el triángulo de las calles Bouchard, Viamonte y Avda Madero de esta ciudad..."

- Que al respecto, la entidad solicita que: PS018323

  - Se admita que la integración del saldo de aporte de capital por $ 5 millones y el nuevo aporte por $ 25 millones se realice con acciones de Citicorp Equity Investments S.A.

  - Se permita que su tenencia en acciones de C.E.I. supere el límite del 15% de la RPC fijado en el punto 3.1. del Anexo II a la Com. "A" 2140 . Al respecto la entidad señala que este pedido se justifica porque "... C.E.I. es una Sociedad de Inversión (Ley de Sociedades Comerciales, art. 31), cuyo objeto precisamente es adquirir participación en sociedades productoras y de servicios. En consecuencia las acciones de C.E.I. son representativas del Capital de las sociedades en que se invierte, de manera que, en el contexto de la limitación la propiedad de acciones de C.E.I. por parte de Banco República, no es la "tenencia de acciones de una misma empresa", sino de varias sociedades de diferente magnitud y diverso objeto social , como ocurre en todo holding. En ese contexto, Banco República está dispuesto a asumir que, en ningún caso, su participación en compañías operativas, medidas individualmente o a través de su presencia en sociedades controlantes excederá el 15% de la R.P.C. de dicha entidad bancaria.

  - Se admita el encuadramiento del préstamo a otorgar a los compradores del edificio en las condiciones señaladas anteriormente.

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- Que el Banco República manifiesta por nota del 1.7.96 que el 28.6.96 ha procedido a:

  - Vender el edificio citado en la suma de $ 98 millones, habiendo percibido U$S 5 millones al contado e instrumentado la diferencia con un préstamo hipotecario por U$S 93 millones, pagadero en cuarenta cuotas trimestrales, iguales y consecutivas, comprensivas de capital e intereses, por U$S 3.294.639,22 cada una.

  - Recibir un aporte de capital por el equivalente a $ 30 millones en acciones emitidas por "Citicorp Equity Investments S.A.", de clase "B" nominativas, no endosables de 1 voto por acción y de $ 1 de valor nominal, que cotizaron a $ 3,95 cada una, al cierre de las operaciones de la Bolsa de Comercio de la ciudad de Buenos Aires.

CONSIDERANDO

PS018324

- Que del análisis de las medidas adoptadas por Banco República surgen como hechos relevantes que:

  - Se incrementa la R.P.C. de Banco República en un 49% a través de la integración de aportes irrevocables por $ 30 millones y la utilidad generada por la venta del inmueble (aproximadamente $ 16,9 millones).

  - El porcentaje de inmovilización de la entidad en activos fijos se reduce al 94,5% o al 29.6%, según se considere o no como una inmovilización al préstamo de $ 93 millones, otorgado para financiar la venta del inmueble.

  - Si bien los aportes de capital no se efectuaron en la forma prevista en la Com. "A" 1858, existen bases ciertas para determinar su valor atento a que C.E.I. cotiza en la Bolsa de Comercio de Buenos Aires. Además se adoptarán los recaudos para que las acciones aportadas se mantengan registradas a su valor patrimonial o de cotización, de ambos el menor, lo que asegura una valuación cierta y conservadora.

  - La posición de la entidad en acciones del C.E.I. se incrementa al 37,90%, ya que alcanza a $ 54,5 millones frente a una RPC que aumenta a $ 143,5 millones. No obstante ello cabe contemplar que:

    - C.E.I. cotiza en la Bolsa de Comercio de Buenos Aires, estando por lo tanto sujeta a sus controles y régimen de información.

    - La tenencia total de Banco República S.A. alcanza a 13,7 millones de acciones, representativas del 4,3 % del capital suscripto e integrado de C.E.I..

    - De los estados contables de C.E.I. al 31.12.95 surge que su activo esta conformado por inversiones y participaciones en empresas A

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título de ejemplo la principal participación ($ 422 millones, 35% de su activo) es la tenencia del 27,72% de las acciones de Cointel S.A. quien es la holding del 55,96% de las acciones de Telefónica de Argentina S.A.

- Por nota del 11.6.96, la entidad ha comprometido que, en ningún caso, su participación en compañías operativas que formen parte de inversiones del C.E.I., medida individualmente o a través de su presencia en sociedades controlantes excederá el 15% de la R.P.C. de dicha entidad bancaria. Ello implica que la entidad adoptará las medidas conducentes para no asumir en sus activos posiciones que incrementen los riesgos tomados a través de su participación en C.E.I..

- Que el incremento de esta participación tiene como finalidad aumentar el capital de Banco República S.A..

- Que en el marco de favorecer el incremento patrimonial de está entidad financiera puede admitirse que se exceda el límite fijado en el punto 3.1 del Anexo II a la Com. "A" 2140, con las siguientes condiciones:

  - Se deberá cumplir el compromiso asumido en la nota del 11.6.96 y arbitrar las medidas necesarias para encuadrar esta relación en tres años.

  - La tenencia accionaria deberá registrarse a su valor patrimonial proporcional o de cotización, de ambos el menor.

  - Las utilidades que se generen por esta participación, sobre el valor de estas acciones al 30.6.96 determinado según lo expuesto en el punto anterior, deberán deducirse de la R.P.C. de la entidad, a los fines de todas las regulaciones técnicas y las normas sobre capitales mínimos.

  - La exigencia de capital mínimo, sobre el exceso que registre el valor contable de la tenencia de acciones del C.E.I. frente al límite fijado en el punto 3.1. del Anexo II a la Com. "A" 2140, se calculará utilizando un coeficiente de 0,5, requisito superior en 3,3 veces al fijado en la normativa actual (0,115).

  - La entidad deberá abstenerse de realizar toda operación que implique, aunque sea transitoriamente, incrementar directa o indirectamente las financiaciones al C.E.I. o asumir cualquier riesgo relacionado con dicha empresa .

  - La entidad deberá abstenerse de incrementar sus participaciones en otras sociedades, exceptuando las que eventualmente pudieran corresponder a los Bancos de Mendoza S.A. y Banco de Previsión Social S.A. o las que, de carácter temporario, estuvieran originadas en operaciones de compraventa.

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- Que las limitaciones expuestas anteriormente tienden a que la entidad no asuma riesgos inconvenientes, valúe esta tenencia en forma conservadora y no aumente su exposición en riesgos similares a los ya asumidos.

- Que con respecto al préstamo otorgado por la venta del inmueble sito en la calle Bouchard, cabe admitir que el mismo se exceda en las relaciones técnicas pertinentes a fin de facilitar la desinmovilización del activo de Banco República, con las siguientes consideraciones:

  - El crédito se mantenga en situación normal. PS018326

  - La entidad deberá abstenerse de otorgar nueva asistencia a clientes vinculados hasta tanto se encuadre en las relaciones técnicas vigentes.

  - Banco República no incremente sus inmovilizaciones, exceptuando aquellas originadas en las necesidades de su giro.

  - La entidad deberá proceder a ampliar las garantías recibidas por esta operación crediticia obteniendo avales personales de los accionistas de República Compañía de Inversiones S.A. y convenir con esta empresa una ampliación de la hipoteca oportunamente suscripta que de derecho al Banco República S.A., ante una mora en la cancelación del crédito superior a los 30 días, a obtener la transferencia a su favor del edificio hipotecado.

  - El Banco República deberá vender participaciones en el citado crédito, sin responsabilidad, o tomar otras medidas a fin de encuadrarlo en todas las relaciones técnicas en el plazo máximo de cinco años.

  - La utilidad originada por la venta del inmueble sea deducida extracontablemente de la Responsabilidad Patrimonial Computable, en forma proporcional al capital adeudado, a los fines del computo de capitales mínimos y de todas las relaciones en la que ella intervenga.

- Que, por último, del análisis de la situación de la entidad hasta mayo de 1996, en materia de fraccionamiento del riesgo crediticio se concluye que:

  - El Banco República ha declarado estas operaciones en sus notas del 31.8.93 y 31.8.94 aunque ha interpretado incorrectamente la normativa vigente.

  - Banco República se ha excedido en esta regulación atento a los valores que ha registrado su tenencia accionaria en el C.E.I. y la asistencia otorgada a UFCO Ltd para la compra de parte de esas acciones.

  - Los cargos resultantes por aplicación de las disposiciones generales de la Com. "A" 2019 resultan desproporcionados frente a la naturaleza de la infracción.

Que en consecuencia existen circunstancias atenuantes que hacen necesario aplicar el tratamiento previsto en el punto 3.2.2. de la Com. "A" 2019,

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ponderando las causales que originaron el incumplimiento. Al respecto, además se contempla el conjunto de medidas adoptadas por la entidad para aumentar su patrimonio y reducir su nivel de inmovilizaciones.

- Que la Gerencia de Estudios y Dictamenes Jurídicos ha tomado la intervención que le compete, en un todo de acuerdo con lo previsto por la Ley Nacional de Procedimientos Administrativos Nº 19549, artículo 7.

Por lo expuesto

PS018327

EL DIRECTORIO DEL
BANCO CENTRAL DE LA REPUBLICA ARGENTINA
RESUELVE

1.- Admitir que Banco República integre el saldo de aporte de capital por $ 5 millones y efectúe un nuevo aporte por $ 25 millones con acciones de Citicorp Equity Investments S.A. y que, por su tenencia de estos títulos valores, exceda el límite fijado en el punto 3.1 del Anexo II a la Com. "A" 2140, por tres años contados a partir de la notificación de la presente resolución, si y solo si Banco República:

- Cumple el compromiso de que, en ningún caso, su participación en compañías operativas que formen parte de inversiones del C.E.I., medidas individualmente o a través de su presencia en sociedades controlantes, excederá los límites fijados en el punto 3.1. del Anexo II a la Com. "A" 2140.

- Mantiene registrada la tenencia accionaria de acciones del C.E.I. a su valor patrimonial proporcional o de cotización, de ambos el menor.

- Deduce de la R.P.C. de la entidad, a los fines de todas las regulaciones técnicas y las normas sobre capitales mínimos, las utilidades que se generen por incrementos en el valor de esta participación, por sobre el valor de estas acciones al 30.6.96, determinado según lo expuesto en el punto anterior.

- Calcula la exigencia de capital mínimo, sobre el exceso que registre el valor contable de la tenencia de acciones del C.E.I. frente al límite fijado en el punto 3.1. del Anexo II a la Com. "A" 2140, utilizando un coeficiente de 0,5.

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- Se abstiene de realizar toda operación que implique, aunque sea transitoriamente, incrementar directa o indirectamente las financiaciones al C.E.I. o asumir cualquier riesgo relacionado con dicha empresa.

- No incrementa sus participaciones en otras sociedades, exceptuando las que eventualmente pudieran corresponder a los Bancos de Mendoza S.A.

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y Banco de Previsión Social S.A. o las que, de carácter temporario, estuvieran originadas en operaciones de compraventa.

2.- Aceptar que el préstamo otorgado, por la venta del inmueble sito en la calle Bouchard N° 685 de la Capital Federal, sea mantenido en las condiciones ya mencionadas en los considerandos, en tanto el mismo corresponda ser calificado en situación normal y si y solo si Banco República S.A.:

- Se abstiene de otorgar nueva asistencia a clientes vinculados hasta tanto se encuadre en las relaciones técnicas vigentes.

- No incrementa sus inmovilizaciones, exceptuando aquellas originadas en las necesidades de su giro.

- Procede, dentro de los treinta días de notificado de la presente Resolución, a ampliar las garantías recibidas por esta operación crediticia obteniendo avales personales de los accionistas de República Compañía de Inversiones S.A. y a convenir con esta empresa una ampliación de la hipoteca oportunamente suscripta que de derecho al Banco República S.A., ante una mora en la cancelación del crédito superior a los 30 días, a obtener la transferencia a su favor del edificio hipotecado.

- Vende participaciones en el citado crédito, sin responsabilidad, o toma otras medidas a fin de encuadrarlo en todas las relaciones técnicas en el plazo máximo de cinco años.

- Deduce extracontablemente, de la Responsabilidad Patrimonial Computable, la utilidad originada por la venta del inmueble, en forma proporcional al capital adeudado, a los fines del cómputo de capitales mínimos y de todas las relaciones en la que ella intervenga.

3.- Exigir a Banco República que ingrese, en concepto de cargos por los incumplimientos registrados hasta la fecha en materia de fraccionamiento del riesgo crediticio por su tenencia de acciones de C.E.I. y el préstamo otorgado a UFCO Ltd, la suma de $ 200.000, dentro de los cinco días de notificado de la presente resolución.

4.- Notificar la presente Resolución a Banco República S.A. en los términos del art. 41 del Decreto 1759/72 (t.o. 1991).

PS018328

Sancionado por el Directorio
en sesión del 28 AGO 1996
RESOLUCION N° 395

ROBERTO TEODORO MIRANDA
SECRETARIO DEL DIRECTORIO

ES COPIA

BANCO CENTRAL DE LA REPUBLICA ARGENTINA
SECRETARIA DEL DIRECTORIO

ROBERTO TEODORO MIRANDA
SECRETARIO DEL DIRECTORIO

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____63e_____

Exhibit 63e.

**Analyses of Banco Republica,
Federal Bank and other
Grupo Moneta entities in Citibank files**

FITS ARGENTINA

TARGET MARKET - RAAC

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as of : Apr-97

REPUBLICA

Quantitative: Financial Parameters	1st Tier	2nd Tier	Out of Target
Capital Adequacy			X
Portfolio Quality		X	
Earnings & Generation			X
Liquidity		X	
Efficiency	X		
Size		X	

Qualitative: Critical Success Factors	1st Tier	2nd Tier	Out of Target
Adequacy of Medium / Long Term strategy	X		
Ability to resist liquidity crisis		X	
Adequacy of upper and middle management	X		
Owners character. Adequacy of shareholders support		X	
Quality of Credit Process standards		X	
Technological Development / Investments & Controls		X	

	1st Tier	2nd Tier	Out of Target
GENERAL CALIFICATION		X	

Comments :

JUSTIFICACION de las excepciones:
BR tiene en su activo operaciones de trading y repos que afectan el indice de capitalizacion "artificialmente" (ya que son activos calzados y de bajo riesgo). Por otra parte, BR tiene una "ganancia oculta" de 50 mm por su tenencia de acciones de CEI (ver fide).

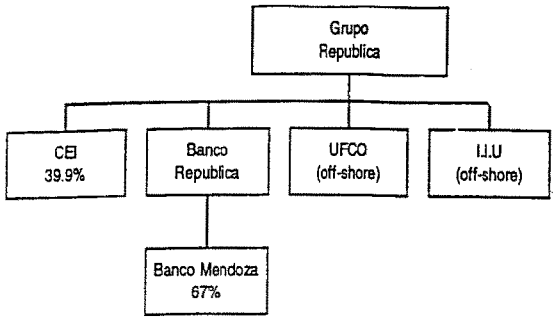
IGNACIO MORELLO
VICEPRESIDENTE RESIDENTE

MARTIN LOPEZ ALDUNCIN
VICEPRESIDENTE

EDUARDO [illegible]
VICE PRESIDENTE

MARCUS ANDRADE
CORPORATE BANK HEAD
CITIBANK ARGENTINA
(54-1) 329-1298

PS018270



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Board Members:

Name	*Position*	*On Board since*	*Age*
Benito Lucini	Presidente		65
Raul Moneta (hijo)	Vice-Presidente		50
Jorge Maldera	Director		41
Juan Carlos Bietti	Director		46
Pablo Lucini	Director		39

Management Members:

Name	*Position*	*In Company since*	*In Position since*	*Age*
Jorge Maldera	Gerente General			50
Juan Carlos Bietti	Gerente Comercial			46
Pablo Lucini	Director Financiero			41
Rodolfo Corbella	Gerente de Neg. Intl			46
Juan Jose Ezama	Planner			n.a.
Roberto Feijoo	Gerente de Créditos			46

Company History:

Describe very briefly company's history and the key events that have led to its current position/situation:

- El 20-12-77 se constituyó como Financiera República S.A.
- En Oct '83 el BCRA aprueba la transformación en banco de la entidad. Fue una de las primeras entidades mayoristas en convertirse en banco.
- Se autoriza a la entidad para operar en la categoría "C" a partir de Julio '89 (Comercio Exterior).
- En 1991 el grupo adquirio el 8.8% de Cointel, accionista mayoritaria de Telefónica de Argentina (60%). En 1992 compraron el 33% de Citicorp Equity Investments.

PS018270
[handwritten]

Explanation for the exceptions: BR has in its asset[s] trading transactions and repos [TR.: "repurchase agreements"] that "artificially" affect the capitalization index (since they are "matched" and low risk assets). Moreover, BR has a "hidden profit" of 50 MM because of its ownership of shares of CEI (see file).

PS 018271

Describe very briefly company's history and the key events that have led to its current position/situation:

- Established as Financiera República S.A., December 20, 1977.
- BCRA approves the entity's change to a bank, October 1983. It was one of the first wholesale entities to become a bank.
- The entity is authorized to operate in category "C" starting July 1989. (Foreign trade).
- The group acquired 8.8% of Cointel, majority shareholder of Telefónica de Argentina (60%) in 1991.
- Bought 33% of Citicorp Equity Investments in 1992.

PS 018272

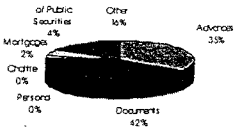
- The entity became one of the leaders in the market in brokerage of bonds; operates as an "over-the-counter" broker.
- During the crisis of 1995, suffered significant withdrawals of deposits (like other wholesale entities), but confronted them thanks to the support of the shareholders and its financing with lines from abroad.
- In 1996, wins the bid for two banks in the province of Mendoza, Banco de Mendoza and Banco de Previsión Social.
- In 1998, Banco [de] Mendoza and Banco de Previsión Social merge, and at the same time increase their stake to 66%.
- In August 1998, Grupo República exercises a call it had on shares of CEI. When [two entities], Grupo Werthein (in its totality to the equity fund "Hicks, Muse, Tate & Furst") and Citicorp in part (17%) sold their stakes, Grupo República exercised the call and increased its stake in CEI to 39.9%, thus becoming the largest stockholding group in this company of approximately US$ 1700 MM, and at the same time Raul Moneta was named president of CEI, in place of Ricardo Handley.

Describe company's money laundering policies:
BR has internal procedures to prevent money laundering, including KYC [TR.: possibly "Know your customer"] policies. This matter is overseen by Banco Central de la República Argentina.
We have no evidence or information from third parties that BR was or is carrying out illicit money laundering transactions with the knowledge of its management or shareholders.

BASIC INFORMATION REPORT - FRONT PAGE

Name: Banco República	Group ORR: 6 Largest ORR: 6 Facility ORR: 6 Califlc. de Riesgo: A ; S3L3	Facility Overview MM Direct 11.0 Contingent 14.0 PSI 0.168	Date: Jul-96		
Line of Business:. Banca Mayorista	Capital Mkts. (If Applicable) No access after Dec 94	SIC CODE 6029	Mkt. Share Loans 0.36%	Mkt. Share Deposits2. 0.30%	Mkt. Share NW 0.72%
Auditing Company Deloitte, Haskins & Sells	Relationship Manager Martín López	Nr. Employess 185	Branches 1		

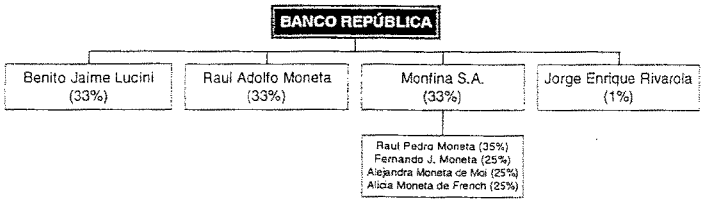
Portfolio Composition:



Commercial: 98%
Consumer: 2%

Key Financ. & Stats.:	Dec - 1994	Dec - 1995	Apr - 1996
Activos	843	753	724
Prestamos	430	180	199
Depositos	165	156	151
Patrimonio	100	105	104
Resultados	(5.4)	0.5	(0.6)

Ownership:



Market / Industry Issues:

El contexto macreconómico reinante durante los últimos 18 meses, llevaron al mercado financiero a experimentar cambios radicales. La cantidad de players cayó en aproximadamente un 20 % y los top players fueron claros ganadores mediante el denominado fly to quality process. Este proceso, según consultoras locales y extranjeros no ha finalizado y se espera que para el año 2000 queden en el mercado solamente el 60% de las entidades actuales, pese a la duplicación esperada en la base de depósitos.

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Business Strategy:
Expansión negocio bancario: Tienen como objetivo comprar junto con el Grupo Magna el Banco Previsión Social de Mendoza y el Banco de Mendoza por los cuales han licitado y resultado adjudicatarios. Conocedores del potencial de la Pcia. de Mendoza, en donde Raul Moneta cuenta con explotaciones agropecuarias, utilizarán los bancos para poner un pie en el middle market y retail sin fusionar estas entidades con Banco República.
BR participa en ambos casos con un 51% de la adquisición controlando el manejo de los bancos.

Correspondent Banks:

Republic National Bank of NY	Boston	STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION
Morgan Guarantee Trust	Quilmes	SUBCOMMITTEE MEMBERS AND STAFF ONLY
Chase Manhattan Bank	Mercantil	

History & Relationship:
El 20-12-77 se constituyó como Financiera República S.A.
En Oct '83 el BCRA aprueba la transformación en banco de la entidad por resolución.
Se autoriza a la enticad para operar en la categoría "c" a partir de Julio '89.
En 1991 adquirieron el 8.8% de Cointel, accionista mayoritaria de Telefónica de Argentina (60%).
La entidad es uno de los líderes del mercado en intermediación de bonos; opera como agente extrabursátil.
Durante la crisis del '95 tuvieron importantes retiros de depósitos pero hicieron frente a éstos sin problemas.

y Subs.:
Republica valores SA
Republica Soc. de Bolsa

S.W.O.T. Analysis

Strengths: Banco Mayorista Lider
Solvencia Patrimonial de los accionistas
Management de reconocida trayectoria y experiencia

Weaknesses: Alta inmovilización del patrimonio

Opportunities: Expansión del negocio a través de la adquisición del banco provincial

Threats: Competir con Bancos Universales

MANAGEMENT & DIRECTORS

Presidente:	Benito Jaime Lucini	Gte. General: Raul Pedro Moneta
Vice Presidente 1º:	Raul Pedro Moneta	Gte. Comercial: Juan Carlos Bietti
Vice Presidente 2º:	Jorge Enrique Rivarola (*)	Gte. Administrativo: Jorge Maldera
Directores:	Pablo Lucini	Gte. Financiero: Pablo Lucni
	Jorge Saul Mldera	
	Juan Carlos Bietti	
		(*) nuestros contactos

PRODUCT ACTIVITY INFORMATION

International Cash Management

DDA NY	Monthly
Nr. Debits	509
Nr. Credits	473
Volume of Debits	734 MM
Volume of Credits	734 MM

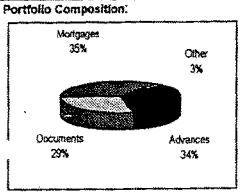
TECNOLOGÍA

El Banco cuenta con equipos centrales para procesamiento de datos, contabilidad, etc., y en la mesa disponen de PC's para control de sus operaciones.

BASIC INFORMATION REPORT - FRONT PAGE

Name: Banco República	**Group ORR:** 5- **Largest ORR:** 6 **Facility ORR:** 6 **Califc. de Riesgo:** A ; S3L3	**Facility Overview**		Date: Nov-96	
		MM	48.3		
		Direct	44.6		
		Contingent			
		PSI	.2		
Line of Business: Banca Mayorista	**Capital Mkts. (If Applicable)** **No access after Dec 94**	**SIC CODE** 6029	**Mkt. Share Loans** 0.36%	**Mkt. Share Deposits2.** 0.30%	**Mkt. Share NW** 0.72%
Auditing Company **Deloitte & Touche**	**Relationship Manager** **Martín López**	**Nr. Employess** 202	**Branches** 1		

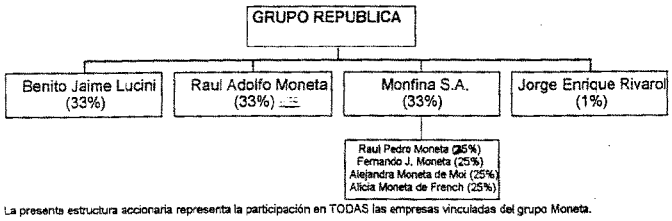
Portfolio Composition:



Commercial: 98%
Consumer: 2%

Key Financ. & Stats.:	**Dec - 1994**	**Dec - 1995**	**Sep- 1996**
Activos	843	753	874
Prestamos	430	180	390
Depositos	165	156	171
Patrimonio	100	105	133
Resultados	(5.4)	0.5	4.0

OWNERSHIP



La presente estructura accionaria representa la participación en TODAS las empresas vinculadas del grupo Moneta.

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CIRCULATION
SUBCOMMITTEE MEMBERS AND STAF
ONLY

FABIAN GARCIA SESPON
CITIBANK N.A.

MARTIN LOPEZ ALQUIN
VICE PRESIDENT

PS018282

MARKETING / INDUSTRY ISSUES

El Sistema Financiero Argentino ha mostrado un importante crecimiento desde 1991 fecha en la que comenzó el actual plan de Convertibilidad. A fines de Diciembre de 1994 se produjo una crisis cambiaria en México, lo que generó una fuerte desconfianza en los inversores externos de este país y una caída en los precios de la deuda externa. Esta crisis se trasladó, en menor medida, al mercado argentino, donde los títulos públicos disminuyeron fuertemente sus precios y se produjo una fuerte demanda de dólares que el BCRA atendió en su totalidad. Este contexto de incertidumbre produjo que algunos inversores traspasaran sus depósitos en pesos a dólares y los redistribuyeran entre bancos tratando de disminuir el riesgo o bien directamente retirar sus depósitos del sistema. A ppios. de Marzo '95 los retiros de depósitos se extendieron a la totalidad de la banca generando un retiro de $8,000 MM el cual a Junio del'96 ya había sido recuperado por el sistema financiero.
El sistema financiero argentino demostró su capacidad para superar totalmente la crisis de liquidez a comienzos de 1995, sin ayuda externa, sin poner en peligro el plan de convertibilidad monetaria y comprometer la situación fiscal del estado nacional. Esta salida masiva de capitales fue soportada gracias a la solidez patrimonial de las principales entidades y a la capacidad de fondeo adicional del Banco Central.
Actualmente los depósitos del Sistema son superiores a los existentes al comienzo de la crisis bancaria. El importante crecimiento de los depósitos en los bancos de primera línea creó un excedente de liquidez en estas entidades que se ha canalizado hacia el otorgamiento de créditos en forma muy moderada debido a la escasa demanda existente, en parte fruto de la incertidumbre laboral que constituye un desaliento a la toma de préstamos por parte de las familias, y en parte debido a que el acceso al mercado internacional dio lugar a una menor utilización del crédito local por parte de empresas mas grandes. Las tasas de interés a Sept'96 se ubican por debajo de los niveles de fines de diciembre de 1994 y se acercaron los rendimientos entre pesos y dólares hecho que pone de manifiesto confianza en el mantenimiento de la paridad cambiaria.
El sector bancario se encuentra en pleno proceso de cambio ya que gran cantidad de entidades se encuentran redefiniendo su estrategia para adecuarla al nuevo escenario de mercado. Asimismo, la gran cantidad de fusiones y adquisiciones producto de la crisis ha hecho que varias entidades estén en proceso de reestructuración. Varias entidades realizaron venta de sus carteras lo que les permitió reducir sus niveles de actividad y resolver problemas de liquidez. En el último año el total de entidades financieras se redujo de 183 a 152 en Junio'96..
En el mediano plazo se espera:

- Crecimiento del volúmen de depósitos como contrapartida de una mayor bancarización, de la repatriación de capitales y de la venta de títulos públicos por parte de los residentes locales a los inversores externos. Este crecimiento se prevee en mayor medida para un grupo reducido de bancos, favoreciendo a los bancos mas sólidos.
- Que continúe el proceso de reestructuración del sector por disminución del número de entidades y la privatización de la mayoría de la banca provincial.
- Altísima competencia en el segmento de banca minorista y PYMES.
- Reducción en las tasas de interés en el segmento minorista.
- Colocación de créditos ligada a la reactivación de la economía y a mayores índices de empleo.
- La reactivación del mercado de capitales como negocio de ventas y distribución y como fuente de fondos.

BUSINESS STRATEGY

El banco participa activamente en diversos sectores de la actividad bancaria, y mantiene un liderazgo en el trading de títulos en el mercado over the counter y el volúmen de operatoria con acciones en el mercado continuo. En el segmento comercial apunta a un segmento alto-medio de clientes tratando de obtener buenas garantías.
El segmento de préstamos a compañía medianas y grandes enfrentó una importante caída de spreads. Anmte este escenario el banco demostró una buena estrategia para mantener sus volúmenes y aumentar sus resultados en la operatoria financiera. Es importante destacar que luego de la crisis el banco se vio afectado en la reducción de volúmenes de trading y en el retiro de depósitos.
Recientemente la entidad ha decidido adquirir dos bancos mendocinos privatizados con la intención de volcarse al negocio minorista. Cabe aclara que el management no tiene experiencia en este segmento de mercado, que actualmente es uno de los mas competitivos de la banca en el país.

CORRESPONDENT BANKS

Republic National Bank of NY
Morgan Guarantee Trust
Chase Manhattan Bank
Boston
Galmes
Mercantil

HISTORY&RELATIONSHIP

El 20-12-77 se constituyó como Financiera República S.A.
En Oct '83 el BCRA aprueba la transformación en banco de la entidad por resolución.
Se autoriza a la entidad para operar en la categoría "c" a partir de Julio '89.
En 1991 adquirieron el 8.8% de Cointel, accionista mayoritaria de Telefónica de Argentina (60%). En 1992 compraron el 33% de Citicorp Equity Investments.
La entidad es uno de los líderes del mercado en intermediación de bonos; opera como agente extrabursátil.
Durante la crisis del '95 tuvieron importantes retiros de depósitos pero hicieron frente a éstos sin problemas.
En 1996 gana la licitación de dos bancos provinciales mendocinos, el Banco de Mendoza y el de Previsión Social.

KEY SUBS

Citiconstrucciones S.A.	
Cabaña Los Gatos (Sólo Moneta)	Same ownership, no subsidiaries
Federal Bank	
UFCO	

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SWOT ANALYSIS

Strengths: Banco Mayorista Líder
Solvencia Patrimonial de los accionistas
Management de reconocida trayectoria y experiencia

Weaknesses: Alta inmovilización del patrimonio

Opportunities: Expansión del negocio a través de la adquisición del banco provincial

Threats: Competir con Bancos Universales

MANAGEMENT & DIRECTORS

Presidente:	Benito Jaime Lucini	Gte. General: Raul Pedro Moneta
Vice Presidente 1°:	Raul Pedro Moneta	Gte. Comercial: Juan Carlos Bietti
Vice Presidente 2°:	Jorge Enrique Rivarola (*)	Gte. Administrativo: Jorge Maldera
Directores:	Pablo Lucini	Gte. Financiero: Pablo Lucini
	Jorge Saul Midera	
	Jaun Carlos Bietti	
		(*) nuestros contactos

PRODUCT ACTIVITY INFORMATION

International Cash Management

DA NY	Monthly
Nr. Debits	800
Nr. Credits	800
Volume of Debits	1000 MM
Volume of Credits	1000MM

TECNOLOGIA

El Banco cuenta con equipos centrales para procesamiento de datos, contabilidad, etc., y en la mesa disponen de PC's para control de sus operaciones.

RELATIONSHIP PRESENT SITUATION / MARKETING PLAN

Tenemos excelentes contactos a nivel Senior, que nos han permitido encarar negocios como el de Entel, o encarar proyectos como la compra de parte de CEI.
Esta estrecha relación nos permite tener acceso a información interna confidencial del Banco.

CREDIT PROCESS

Tienen un sistema centralizado de aprobación crediticia formado por un Comité compuesto por Raul Moneta o Jaime Lucini como firmas seniors que se reune dos veces por semana para aprobar líneas de crédito o transacciones especiales.
Participan de la decisión el Director Comercial, el Director Administrativo, el Gerente Comercial y el de Riesgo.
El Comité se reune previa lectura de la propuesta de líneas e invita al oficial de cuentas a presentar la propuesta y aclarar las dudas al Comité.
En la mesa tienen un sistema de control de límites de operadores y de control de la posición global del Banco, diferenciando el riesgo según la calidad del título en cartera.
Existe un equipo de auditores internos que verifican que se cumplan los procedimientos además del estudio de auditores externos Deloitte & Touche

MARTIN LOPEZ ALDUNCIN
VICE PRESIDENTE

EDUARDO DIAZ CARVALHO
VICE PRESIDENTE

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12/96

PS018283
MARKETING / INDUSTRY ISSUES

The Argentine Financial System has shown significant growth since 1991, when the current Convertibility plan was initiated. In late December 1994 there was a foreign exchange crisis in Mexico, which led to much lack of confidence among investors outside Mexico, and a drop in the cost of the foreign debt. This crisis was transferred, to a lesser degree, to the Argentine market, where prices of government securities dropped sharply and a strong demand for dollars arose and was fully met by BCRA. This context of uncertainty resulted in some investors changing their deposits in pesos to dollars and redistributing them among banks, trying to decrease the risk, or directly withdrawing their deposits from the system. In early March 1995 the withdrawals of deposits extended to all banks, resulting in a withdrawal of $8,000 MM, which had already been recovered by the financial system in June 1996.
The Argentine financial system demonstrated its ability to totally overcome the liquidity crisis in early 1995, without outside help, without endangering the monetary convertibility plan and compromising the government's fiscal situation. This massive outflow of capital was weathered thanks to the principal entities' financial soundness and Banco Central's capacity for additional financing.
At present, deposits in the System exceed deposits at the start of the banking crisis. The significant growth of deposits in the top-rated banks created excess liquidity in these entities, which has been channeled into extending loans which are very reasonable due to the limited existing demand, partly the result of labor uncertainty, which discourages families from taking out loans, and partly due to the fact that access to the international market resulted in less utilization of local credit by the largest companies. Interest rates in September 1996 are below the levels of late December 1994, and the returns in pesos and dollars are close, which demonstrates confidence in the maintenance of exchange rate parity.
The banking sector is undergoing a change, since many entities are redefining their strategy to adjust it to the new market scenario. Moreover, the many mergers and acquisitions resulting from the crisis have led to the restructuring of several entities. Several entities sold their portfolios, which allowed them to reduce their levels of activity and resolve liquidity problems. Over the last year, the total number of financial entities deceased from 183 to 152 in June 1996.
In the middle term, the following is expected:

- Growth in volume of deposits as a counterpart to increased bank usage, repatriation of capital, and the sale of government securities by local residents to outside investors. This growth is expected to [occur to] a greater extent for a small group of banks, favoring the strongest banks.
- Continuation of the restructuring process in the sector because of a decrease in the number of entities and privatization of most provincial banking.

PS018283 [cont.]

- Very high level of competition in the retail banking sector and [among] small and medium-sized companies.
- Reduction of interest rates in the retail sector
- Underwriting of loans associated with reactivation of the economy and higher rates of employment.
- Reactivation of the capital market as a sales and distribution business and as a source of funds.

BUSINESS STRATEGY
[First part identical to the "business strategy" section of PS018274. The following sentence is new]
It should be made clear that management has no experience in this market segment, which is currently one of the most competitive in Argentine banking.

HISTORY AND RELATIONSHIP
Established as Financiera República S.A., December 20, 1977.
BCRA approves the entity's change to a bank by resolution, October 1983.
The entity is authorized to operate in category "c" starting July 1989.
Acquired 8.8% of Cointel, majority shareholder of Telefónica de Argentina (60%) in 1991. Bought 33% of Citicorp Equity Investments in 1992.
The entity is one of the leaders in the market in brokerage of bonds; operates as an "over the counter" broker.
During the crisis of 1995, suffered significant withdrawals of deposits but confronted them without difficulty.
In 1996, wins the bid for two banks in the province of Mendoza, Banco de Mendoza and Banco de Previsión Social.

PS018284

SWOT ANALYSIS

Strengths: Leading wholesale bank
Shareholders' financial soundness
Management with recognized record and experience

Weaknesses: Many assets are tied up

Opportunities: Expansion of the business through acquisition of the provincial bank

Threats: Competition with world-wide banks

TECHNOLOGY:

The Bank has central[ized] equipment for processing data, accounting, etc., and they have PC's on the counter to control their transactions.

RELATIONSHIP PRESENT SITUATION / MARKETING PLAN

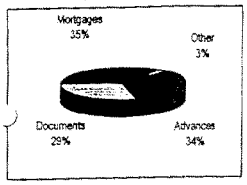
We have excellent contacts at the senior level, which have permitted us to undertake transactions such as the one with Entel or projects such as the purchase of part of CEI.
This close relationship gives us access to confidential internal Bank information.

CREDIT PROCESS

They have a centralized system for credit approval consisting of a Committee comprised of Raul Moneta or Jaime Lucini as senior signatures [sic] that meets twice a week to approve lines of credit or special transactions.
The Commercial Director, Administrative Director, Commercial Manager, and Risk Manager participate in decision making.
The Committee meets after reading the proposal for lines and invites the accounts officer to present the proposal and answer the Committee's questions.
At the counter they have a system to control operators' limits and the Bank's overall position, differentiating the risk in accordance with the volatility of the security in the portfolio.
There is a team of internal auditors which verifies that procedures are being followed, in addition to the analysis of Deloitte & Touche, outside auditors.

Name: Banco República	Group ORR: 5- Largest ORR: 6 Facility ORR: 6 Calific. de Riesgo: A ; S3L3	Facility Overview MM 48.3 Direct 44.6 Contingent PSI .2			Date: August-97
Line of Business: Banca Mayorista	Capital Mkts. (If Applicable) Medium Term, 20 MM	SIC CODE 6029	Mkt. Share Loans 0.36%	Mkt. Share Deposits2. 0.30%	Mkt. Share NW 0.72%
Auditing Company Deloitte & Touche	Relationship Manager Ignacio Morello	Nr. Employess 202	Branches 1		

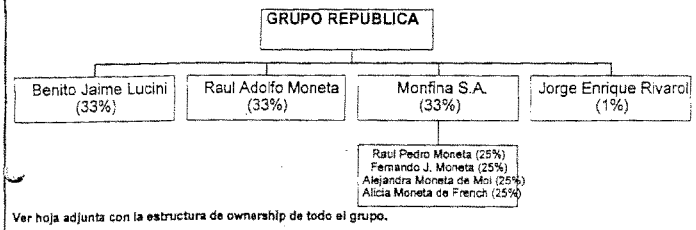
Portfolio Composition:



Commercial: 98%
Consumer: 2%

Key Financ. & Stats.:	Dec - 1995	Sep- 1996	Aug-97
Activos	753	874	952,4
Prestamos	180	390	331,4
Depositos	155	171	188,4
Patrimonio	105	133	127,8
Resultados	0.5	4.0	-1,2

OWNERSHIP



Ver hoja adjunta con la estructura de ownership de todo el grupo.

Money Laundering: No tenemos evidencias ni información de terceros de que la Empresa estuvo o esté desarrollando transacciones ilícitas de lavado de dinero con el conocimiento de su management o accionistas.

IGNACIO MORELLO
VICEPRESIDENTE RESIDENTE

MARTIN LOPEZ ALDUNCIN
VICEPRESIDENTE

EDUARDO DIAZ CARVALHO
VICE PRESIDENTE

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

PS018273

MARKETING / INDUSTRY ISSUES

El sistema financiero local ha evidenciado una recuperación luego del efecto tequila en donde llevó al mercado financiero a experimentar cambios radicales, en donde la cantidad de players cayeron en aproximadamente un 20 % y los top players fueron claros ganadores mediante el denominado fly to quality process. Todos los indicadores macroeconómicos nos facilitan muestras claras de esta recuperación entre Dic.95'y Dic. 96': el PBI creció en un 5.28%, esperando un crecimiento para este año de aprox. 7%, los préstamos en un 10 % y la mora neta sobre éstos disminuyó prácticamente en un 5%.

Durante 1997 estos indices han mantenido su tendencia creciente, y es por este motivo que han desembarcado, comprando banco locales, en la Argentina y en la región, bancos extranjeros como el Santander, Hong Kong Shangai, Bilbao Vizcaya y el Nova Scotia. Se espera un crecimiento importante en la tasa de bancarización, atado a una mayor competitividad que generará menor spread, pero que igualmente generan rentabilidad respecto al resto de otras regiones.

BUSINESS STRATEGY

El banco participa activamente en diversos sectores de la actividad bancaria, y mantiene un liderazgo en el trading de títulos en el mercado over the counter y el volúmen de operatoria con acciones en el mercado continuo. En el segmento comercial apunta a un segmento alto-medio de clientes tratando de obtener buenas garantías.

El segmento de préstamos a compania medianas y grandes enfrentó una importante caída de spreads. Ante este escenario el banco demostró una buena estrategia para mantener sus volúmenes y aumentar sus resultados en la operatoria financiera. Es importante destacar que luego de la crisis el banco se vio afectado en la reducción de volúmenes de trading y en el retiro de depósitos.

Recientemente la entidad ha decidido adquirir dos bancos mendocinos privatizados con la intención de volcarse al negocio minorista.

CORRESPONDENT BANKS

Republic National Bank of NY
Morgan Guarantee Trust
Chase Manhattan Bank
Boston
Quilmes
Mercantil
Citibank

HISTORY&RELATIONSHIP

El 20-12-77 se constituyó como Financiera República S.A.
En Oct '83 el BCRA aprueba la transformación en banco de la entidad por resolución.
Se autoriza a la entidad para operar en la categoría "c" a partir de Julio '89.
En 1991 adquirieron el 3.8% de Cointel, accionista mayoritaria de Telefónica de Argentina (60%). En 1992 compraron el 33% de Citicorp Equity investments.
La entidad es uno de los líderes del mercado en intermediación de bonos; opera como agente extrabursátil.
Durante la crisis del '95 tuvieron importantes retiros de depósitos pero hicieron frente a éstos sin problemas.
En 1996 gana la licitación de dos bancos provinciales mendocinos, el Banco de Mendoza y el de Previsión Social.

KEY SUBS

Ver hoja adjunta.

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

SWOT ANALYSIS

Strengths: Banco Mayorista Líder
Solvencia Patrimonial de los accionistas
Management de reconocida trayectoria y experiencia

Weaknesses: Alta inmovilización del patrimonio

Opportunities: Expansión del negocio a través de la adquisición del banco provincial

Threats: Competir con Bancos Universales

MANAGEMENT & DIRECTORS

Presidente:	Benito Jaime Lucini	Gte. General: Raul Pedro Moneta
Vice Presidente 1°:	Raul Pedro Moneta	Gte. Comercial: Juan Carlos Bietti
Vice Presidente 2°:	Jorge Enrique Rivarola (*)	Gte. Administrativo: Jorge Maldera
Directores:	Pablo Lucini	Gte. Financiero: Pablo Lucini
	Jorge Saul Mildera	
	Jaun Carlos Bietti	

(*) nuestros contactos

PRODUCT ACTIVITY INFORMATION

International Cash Management

DDA NY	Monthly
Nr. Debits	800
Nr. Credits	800
Volume of Debits	1000 MM
Volume of Credits	1000MM

TECNOLOGIA

El Banco cuenta con equipos centrales para procesamiento de datos, contabilidad, etc., y en la mesa disponen de PC's para control de sus operaciones.

RELATIONSHIP PRESENT SITUATION / MARKETING PLAN

Tenemos excelentes contactos a nivel Senior, que nos han permitido encarar negocios como el de Entel, o encarar proyectos como la compra de parte de CEI.
Esta estrecha relación nos permite tener acceso a información interna confidencial del Banco.

CREDIT PROCESS

Tienen un sistema centralizado de aprobación crediticia formado por un Comité compuesto por Raul Moneta o Jaime Lucini como firmas seniors que se reune dos veces por semana para aprobar líneas de crédito o transacciones especiales.
Participan de la decisión el Director Comercial, el Director Administrativo, el Gerente Comercial y el de Riesgo.
Comité se reune previa lectura de la propuesta de líneas e invita al oficial de cuentas a presentar la propuesta y aclarar las dudas al comité.
En la mesa tienen un sistema de control de límites de operadores y de control de la posición global del Banco, diferenciando el riesgo según la volatilidad del título en cartera.
Existe un equipo de auditores internos que verifican que se cumplan los procedimientos además del estudio de auditores externos Deloitte & Touche

EDUARDO DIAZ CARVALHO
VICE PRESIDENTE

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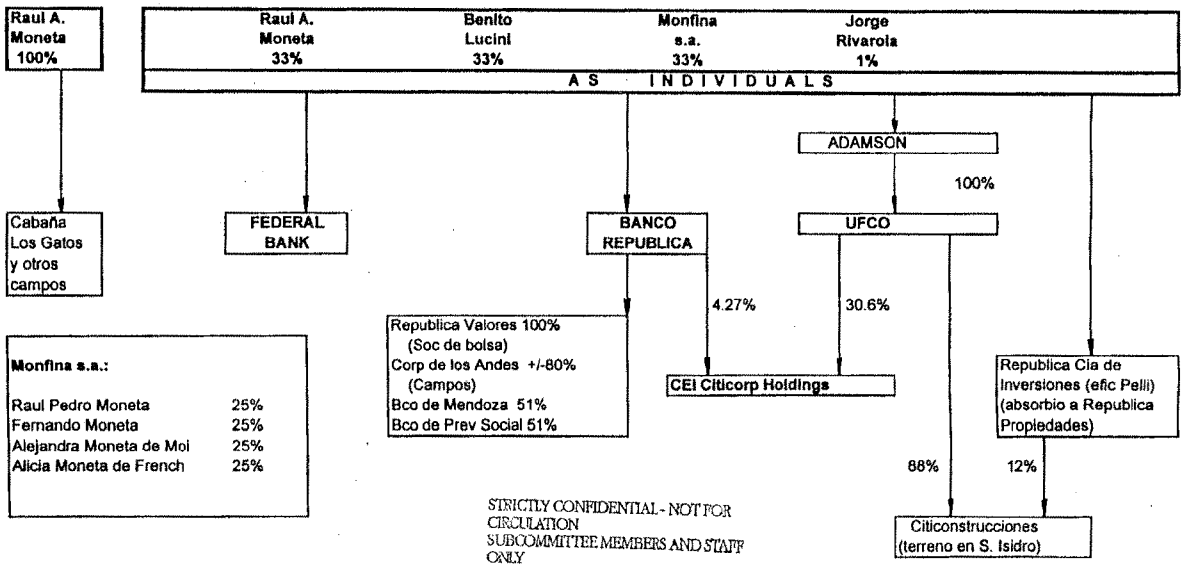
MONETA GROUP: SUBSIDIARIES and OWNERSHIP



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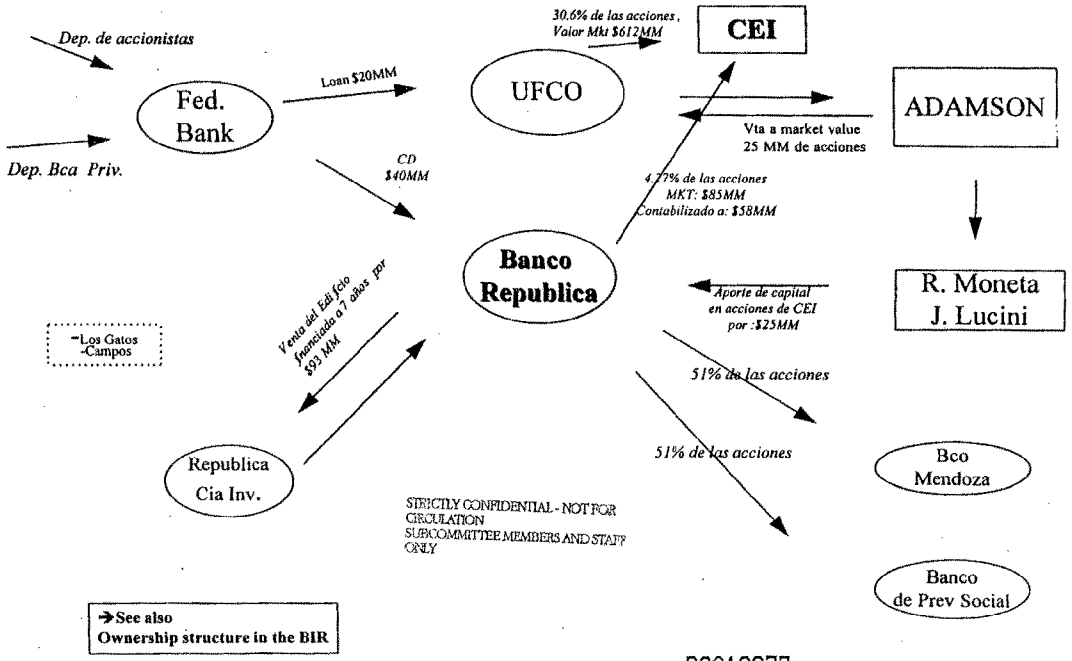
4682

PS018276

Intercompanies Grupo Moneta



PS018277

PS018274

MARKETING / INDUSTRY ISSUES

The local financial system has shown evidence of a recovery after the Tequila effect, which caused radical changes in the financial market, in which the number of players fell approximately 20% and the top players were clear winners through the so-called "fly to quality" process. All macroeconomic indicators give clear signs of this recovery between December 95 and December 96: the Gross Domestic Product increased 5.28%. Increase of the Gross Domestic Product for this year is expected to be approximately 7%, loans are expected to increase 10%, and the net arrears on these dropped almost 5%.

During 1997, these indexes maintained their growth trend, and therefore foreign banks such as Santander, Hong Kong Shanghai, Bilbao Vizcaya, and Nova Scotia have entered the picture, buying local banks in Argentina and the Region. Significant growth is expected in the rate of bank usage, tied to greater competitiveness which will generate less spread, but which also generates profitability with respect to the rest of [the] other regions [sic].

BUSINESS STRATEGY

The bank actively participates in different sectors of banking activity and maintains leadership in trading securities in the over-the-counter market and the volume of transactions with shares on the continuous market. In the commercial sector, it aims for an upper-middle segment of customers, trying to obtain good guarantees.

The area of loans to medium-sized and large companies confronted an important drop in spreads. Given this scenario, the bank demonstrated a good strategy for maintaining its volumes and increasing its profits in financial operations. It is important to point out that after the crisis the bank was affected in terms of reduction of trading volumes and withdrawal of deposits.

Recently, the entity decided to acquire two privatized banks in the province of Mendoza with the intention of getting into the retail business.

PS018275

We have excellent contacts at the Senior level, which have made it possible for us to approach businesses such as Entel or projects such as the purchase of part of CEI.
This close relationship gives us access to confidential internal Bank information.

CITIBANK

FI - Basic Information Report (BIR)

STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF ONLY

General Information (Definitions are consistent with Global CA):

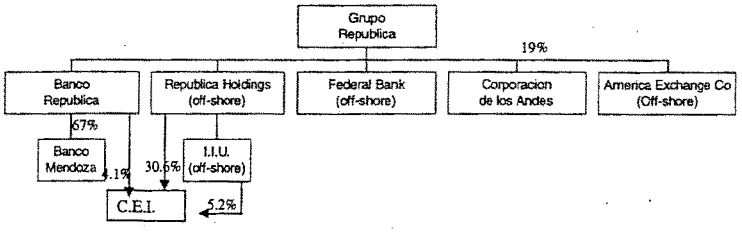
Relationship/Borrower Name:	Grupo Republica		
Legal Address:	Sarmiento 336 (1041)		
Mailing Address (if different):			
Phone #:	345-7777	*Fax #:*	331-1421
Location:	Buenos Aires	*Division:*	LAS
Country:	Argentina	*Branch:*	Argentina
Type of Obligor:	Financial Group	*Line of Business:*	May./Regional Bank
# of employees:	108	*Auditors:*	Deloitte& Touch
Citi-ORR:	5+	*Classification*	1A
CAGID:	1000860006	*GFCID:*	1000860006
SIC Code:		*AML Assessment:*	Low
Date Account Oppened:		*Date of Update:*	1/5/1999
Source of Information:	Audited		

Management Information:

Ownership:

Owner Name	%
Raul Moneta	33
Benito Lucini	33
Monfina(Raul (25%),Fernando(25%), Alejandra(25%) y Alicia (25%) Moneta)	33
Jorge Rivarola	1

If this company is a Financial Group or is part of an Economic Group, please provide an organizational chart of its structure:



PS000832

CITIBANK

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

Board Members:

Name	*Position*	*On Board since*	*Age*
Benito Lucini	Presidente		65
Raul Moneta (hijo)	Vice-Presidente		50
Jorge Maldera	Director		41
Juan Carlos Bietti	Director		46
Eduardo Lede	Director		
Pablo Lucini	Director		39

Management Members:

Name	*Position*	*In Company since*	*In Position since*	*Age*
Juan Carlos Bietti	Gerente Comercial			46
Raul Moneta	Gerente General			50
Santiago Bonesso	Gerente de Neg. Intl			46
Juan Jose Ezama	Planner			n.a.
Roberto Feijoo	Gerente de Créditos			46

Company History:

Describe very briefly company's history and the key events that have led to its current position/situation:

- El 20-12-77 se constituyó como Financiera República S.A.
- En Oct '83 el BCRA aprueba la transformación en banco de la entidad por resolución.
- Se autoriza a la entidad para operar en la categoría "c" a partir de Julio '89.
- En 1991 adquirieron el 8.8% de Cointel, accionista mayoritaria de Telefónica de Argentina (60%). En 1992 compraron el 33% de Citicorp Equity Investments.
- La entidad es uno de los líderes del mercado en intermediación de bonos; opera como agente extrabursátil.
- Durante la crisis del '95 tuvieron importantes retiros de depósitos pero hicieron frente a éstos sin problemas.
- En 1996 gana la licitación de dos bancos provinciales mendocinos, el Banco de Mendoza y el de Previsión Social.
- En 1998 fusionan los Bancos Mendoza y Previsión Social, y al mismo tiempo incrementan su participación a 66%.
- En agosto de 1998, el Grupo República ejerce un call que poseía sobre las acciones de CEI. Al vender sus participaciones el Grupo Werthein (en su totalidad al equity fund "Hicks, Muse, Tate & Furst") y en parte Citicorp (17%), el Grupo República ejerció el call y amplió su participación en CEI a 39.9%, convirtiéndose de esta forma en el mayor grupo accionario en esta compañía de aprox usd 1700 MM, y al mismo tiempo se designó a Raul Moneta como presidente de CEI, en lugar de Ricardo Handley.
- En abril de 1999, el Banco Mendoza es suspendido por el BCRA. Dada la interrelacion que se desarrollo entre este banco retail (Banco Mendoza) y el Banco Republica, el Banco Republica sufre una huida de depositos y posteriormente el BCRA suspende a este ultimo.

Market Operations:

PS000833

Products:

Product Name	*Industry Segment*	*Market Coverage*	*Market Share*	*Main Competitor*
Cartas de Credito	Trade	Cap Fed, Corporates	n.a.	Big players
Pre-financiones	Trade	Cap Fed, Corporates	n.a.	Big players
Consumer Banking´s products	Consumer banking	Region de Cuyo, individuos	40%	Corp Banca y Galicia

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

Customers:

Main Clients Name	*Customer Segment*
Banco Republica: corporate names	Facturacion alta
Banco Mendoza:Empresas de diversos sectores	
Individuos, mayoritariamente empleados estatales	Región de Cuyo/ Middle Size companies

Money Laundering:

Describe company's Money Laundering policies:
No tenemos evidencias ni información de terceros de que el Grupo Republica estuvo o esté desarrollando transacciones ilícitas de lavado de dinero con el conocimiento de su management o accionistas.

Related Companies:

Subsidiaries:

Name	*Industry Segment*	*Type of Business*	*% Owned*
República Holding Ltd (UFCO)	Bank	Private banking	100
Banco Mendoza	Bank	Consumer banking	66
American Exchange Co	Bank	Off-shore	100
IIU	Bank	Off-shore	100
Federal Bank	Bank	Off-shore	100

Affiliates:

Name	*Industry Segment*	*Type of Business*	*% Owned*
C.E.I.	Holding	Media & Communication	39.9%
Corporacion de los Andes	Agribusiness		19%

Premises & Fixed Assets:

List company's main Premises and Fixed Assets:

Description	*Location*	*Owned/Leased*
Sarmiento 336	Cap Fed	100% (owned)
Edicio Republica (calle Bouchard)	Cap Fed (Pto Madero)	100% (owned)

Client's Banking Relationships:

Bank Name	*Credit Lines (US$MM)*	*Maximum Tenor*
Bancos extranjeros(UBS, ANZ, y West Merchant, Barclays, y otros)	150	180/360
Galicia	50	180

Public Issues:

Debt or Equity	*Issuer*	*Amount (US$MM)*	*Maturity*
Not applicable			

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

Citibank's Relationship Information:

Position	*Citibank Contact / Title*
Relationship Manager:	Martin Ubierna
Back Up Officer:	Ezequiel Weisstaub
Responsible Officer:	Martin Lopez
Credit Analyst:	Ezequiel Weisstaub

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(Back up Martin Ubierna)

EZEQUIEL WEISSTAUB
SUBGERENTE

ARNALDO DIAZ CARVALHO
VICEPRESIDENTE

PS000835

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

Grupo Republica

Year 1999

PRODUCT ACTIVITY INFORMATION

International Cash Management
Federal Bank (off-shore vehicle)
DDA #36017146

DDA NY	Monthly
Nr. Debits	60
Nr. Credits	60
Volume of Debits	15 MM
Volume of Credits	15 MM

REDACTED

REDACTED

(Back up Motivo Vuelvo)

EQUIEL D. WEISSTAUB
SUBGERENTE

EDUARDO DIAZ CARVALHO
VICEPRESIDENTE

PS000836

① Federal Bank = Junto a Republica Holdings, es el Banco off-shore del Grupo m importante. En su balance a Dec. 98 (auditado por Deloitte & Touche) tenian activo $250MM y un Net Worth de $22MM. Este vehiculo posee securities bajo su custo por $100MM y el vehiculo posee depositos de Banco privada y ponidos de los Bancos on-shore del Grupo: los cuales son colocados en securities bajo

② American Exchange Co. - es un vehiculo off shore que esta siendo desarmado por el Grupo.

PS000833

In August 1998, Grupo República exercises a call it possessed on the shares of CEI. When Grupo Werthein sold its shares (in total to the equity fund "Hicks, Muse, Tate & Furst") and in part Citicorp (17%), Grupo República exercised the call and increased its stake in CEI to 39.9 %, thus becoming the largest shareholding group in this company, with approximately US$ 1700 MM. At the same time, Raúl Moneta was designated president of CEI in place of Ricardo Handley.

- In April 1999, Banco Mendoza is suspended by the BCRA. Given the interrelationship that developed between this retail bank (Banco Mendoza) and Banco República, Banco República suffers a loss of deposits, and subsequently BCRA suspends it.

PS000834

We have no evidence or information from third parties to the effect that Grupo República was or is carrying out illicit money laundering transactions with the knowledge of its management or shareholders.

PS000836

[handwritten]

× Federal Bank = Together with República Holdings, it is the most important off-shore Bank of the Grupo. On their balance sheet as of December 1998 (audited by Deloitte & Touche), they had assets of $250 MM and a Net Worth of $22 MM. This vehicle has securities in its custody in the amount of $100 MM, and the vehicle has deposits of private bonds and funds from the Grupo's on-shore Banks which are [illegible] in [illegible] securities. [TR.: this might say "essentially backed by government securities," but the handwriting is very unclear.]

× American Exchange Company - it is an offshore vehicle that is being dismantled by the Grupo.

CITIBANK

FI - Basic Information Report (BIR)

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# of employees:	108	*Auditors:*	Deloitte& Touch
Citi-ORR:	5+	*Classification*	1A
CAGID:	1000860006	*GFCID:*	1000860006
SIC Code:		*AML Assessment:*	Low
Date Account Oppened:		*Date of Update:*	1/5/1999
Source of Information:	Audited		

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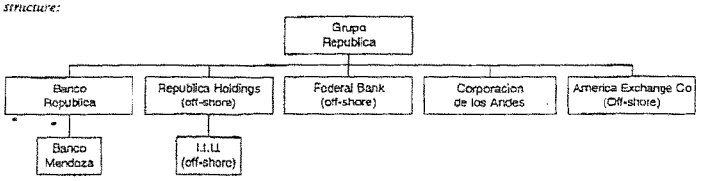

CITIBANK

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Name	*Position*	*On Board since*	*Age*
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Pablo Lucini	Director		39

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Roberto Feijoo	Gerente de Créditos			46

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Market Operations:

Products:

Product Name	*Industry Segment*	*Market Coverage*	*Market Share*	*Main Competitor*
Cartas de Credito	Trade	Cap Fed, Corporates	n.a.	Big players
Pre-financiones	Trade	Cap Fed, Corporates	n.a.	Big players
Consumer Banking´s products	Consumer banking	Region de Cuyo, individuos	40%	Corp Banca y Galicia

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Main Clients Name	*Customer Segment*
Banco Republica: corporate names	Facturacion alta
Banco Mendoza:Empresas de diversos sectores	
Individuos, mayoritariamente empleados estatales	Región de Cuyo/ Middle Size companies

Money Laundering:

Describe company's Money Laundering policies:
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Related Companies:

Subsidiaries:

Name	*Industry Segment*	*Type of Business*	*% Owned*
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IIU	Bank	Off-shore	100
Federal Bank	Bank	Off-shore	100

Affiliates:

Name	*Industry Segment*	*Type of Business*	*% Owned*
C.E.I.	Holding	Media & Communication	39.9%
Corporacion de los Andes	Agribusiness		19%

Premises & Fixed Assets:

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Client's Banking Relationships:

Bank Name	*Credit Lines (US$MM)*	*Maximum Tenor*
Bancos extranjeros(UBS, ANZ, y West Merchant, Barclays, y otros)	150	180/360
Galicia	50	180

Public Issues:

Debt or Equity	*Issuer*	*Amount (US$MM)*	*Maturity*
Not applicable			

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Citibank's Relationship Information:

Position	*Citibank Contact / Title*
Relationship Manager:	Martin Ubierna
Back Up Officer:	Ezequiel Weisstaub
Responsible Officer:	Martin Lopez
Credit Analyst:	Ezequiel Weisstaub

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(Back Up Martin Ubierna)
EZEQUIEL D. WEISSTAUB
SUBGERENTE

ALEJANDRO DIAZ CARVALHO
VICEPRESIDENTE

PS018637

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

Grupo Republica

Year 1999

PRODUCT ACTIVITY INFORMATION

International Cash Management
Federal Bank (off-shore vehicle)
DDA #36017146

DDA NY	Monthly
Nr. Debits	60
Nr. Credits	60
Volume of Debits	15 MM
Volume of Credits	15 MM

American Exchange Co.(off-shore vehicle)
DDA#36965728

DDA NY	Monthly
Nr. Debits	15
Nr. Credits	15
Volume of Debits	1MM
Volume of Credits	1MM

Monthly Average Balance: usd 10M

(Back up Martin Ubieno)

EQUIEL D. WEISSTAUB
SUBGERENTE

EDUARDO DIAZ CARVALHO
VICEPRESIDENTE

PS018638

(x) Federal Bank = Junto a Republica Holdings, es el Banco off-shore del Grupo más potentante. En su balance a Dec-98 (auditado por Deloitte & Touche) tenian activos $250MM y un Net Worth de $22MM. Este vehiculo posee securities bajo su custodia por $100MM y el vehiculo posee depositos de Banco privada y fondos de los Bancos on-shore del Grupo los cuales son colocados en securities banc

(x) American Exchange Co. - es un vehiculo off shore que es

PS018635

[All but the last bullet in the listing under "Company History" are identical to page PS018271 and the first paragraph of page PS018272. The last bullet is presented below.]

- In April 1999, Banco Mendoza was suspended by the BCRA. Given the interrelationship which had developed between this retail bank (Banco Mendoza) and Banco República, Banco República suffered a run on the bank and was later suspended by the BCRA.

Poder Judicial de la Nación

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

6.- Respecto del ingreso en la cuenta Nro. 3601-7146 correspondiente al FEDERAL BANK LTD. ante el CITIBANK N.A. N.Y., de la suma de U$S 1.000.000 en fecha 10/5/94 provenientes del CREDIT SUISSE N.Y. por orden de COMPAÑÍA GENERAL DE NEGOCIOS, se solicite a esa entidad bancaria remita copia de telex de instrucción, referencia y swift relativos a la acreditación y si el monto indicado fue canalizado hacia otra u otras cuentas, idéntica documentación.

Esta medida es reiteración de los exhortos librados en fechas 28/11/97, 15/7/99, 31/8/98 y 15/7/99.

REDACTED

REDACTED

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PS018187

Poder Judicial de la Nación

///nos Aires, 28 de febrero de 2000.

Habida cuenta que no se han cumplimentado en su totalidad las diligencias ordenadas a fs. 14026/14028 y en atención al informe efectuado por el Sector Control y Requerimientos del Banco Central de la República Argentina a fs. 15402/15409, líbrese rogatoria, por intermedio del Ministerio de Justicia de la Nación, al Departamento de Justicia de los Estado Unidos de Norteamérica a fin de solicitar:

REDACTED REDACTED

REDACTED REDACTED

REDACTED REDACTED

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STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF ONLY

REDACTED REDACTED

REDACTED REDACTED

En caso de haberse utilizado la modalidad de depositarse en otra cuenta, se solicita se remitan los movimientos de esa cuenta y la documentación respaldatoria.

Con el objeto de proceder a la traducción al idioma inglés, solicítese la colaboración del Departamento Interpol de la PFA. Ofíciese.

Ante mí:

En del mismo se cumplió. CONSTE.

En 29 del mismo notifiqué al Sr. Procurador Fiscal. DOY FE.

PS018187

6. With respect to the deposit in account No. 3601-7146 of FEDERAL BANK LIMITED in CITIBANK N.A., N.Y., in the amount of US$ 1,000,000 on 5/10/94, coming from CREDIT SUISSE NY by order of COMPAÑÍA GENERAL DE NEGOCIOS, it is requested that that banking entity remit a copy of the telex providing instructions, reference, and swift [number] relative to the crediting [TR.: or "authorization"] and, if the indicated amount was directed to one or more other accounts, the same documentation. [TR.: Wording very vague. I relied on PS018229 to identify account No. 3601-7146 as a FEDERAL BANK LIMITED account in Citibank.]

This is a reiteration of the requests issued on 11/28/97, 7/15/99, 8/31/98, and 7/15/99.

Banco Republica
Cuestionario de Family Owned
Respuestas (11 de marzo de 1997)

1. El Banco por el momento tienen cerrado el acceso a su capital. Esto implica que no es una SA abierta que cotiza en bolsa, permitiendo de esta forma el acceso por parte de inversionistas a la tenencia de sus acciones. Por otro lado cabe mencionar que si poseen acceso al mercado de emisión de bonos, instrumento que utilizan con cierta frecuencia para fondear sus operaciones.

2. Existe una estrecha relación en nuestro Senior Management y R. Moneta, esto sumado a la asociación que existe entre este grupo y el CEI, da como resultado un profundo conocimiento de la estructura corporativa, de detalles de su organización como así también del funcionamiento del Grupo Moneta y el Banco república por parte de Citibank.

3. Si: Banco República, Federal Bank, UFCO, campos de propiedad del grupo. Ver cuadro.

4. Es una tenencia de largo plazo . Nuestra relación en el CEI, hace que nuestra relación comercial y su consecuente estrategia sea estrecha, fuerte y con horizonte de planeamiento de largo plazo.

5. La estructura de accionistas se ha mantenido estable a través de los últimos cinco años. R. Moneta ha realizado variaciones, pero siempre dentro de su contexto familiar.

6. Si, existe un contacto regular con este cliente, en general el contacto en esta entidad es Pablo Lucini.

7. En ningún momento nos han restringido información, siempre han respondido en forma rápida y precisa a cualquier requerimiento de información por nuestra parte.

8. Si, poseemos acceso y regularmente tenemos contacto con miembros del management que no forman parte de la familia Moneta, como es el caso de Jorge Maldera y Martín Centeno, entre otros.

9. Indudablemente mantienen una conducta ética en sus negocios. Este punto ha sido examinado rigurosamente a la hora de la asociación del grupo en el CEI.

10. Raúl Moneta posee una personalidad muy fuerte. No obstante algunos miembros del Directorio no son de la familia como Jorge Maldera y Eduardo Lede.

11. No, la familia maneja sus negocios con profesionalismo, no mezclando intereses familiares en las decisiones estratégicas del grupo.

12. Tal cual se ha descripto en la pregunta anterior, el manejo del negocio por parte de la familia es profesional, de esta forma influencia positivamente en el cliente. Han establecido controles independientes, con el fin de lograr la característica recientemente nombrada.

CITIBANK

FI - Commercial Bank Individual Analysis

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Relationship/Borrower Name: Banco República
Relationship Manager/Title: Ignacio Morello-Resident Vice President
Citi - ORR: 5+ *Current Classification:* IA
GFCID #: 1000860006 *GFPID #:* 1000860006
Base #: *CA #:* 2199

STABILITY CRITERIA

1. Target Market Exception	☒ Yes	☐ No	6. Adverse changes in industry/country outlook	☐ Yes	☒ No
2. RAC Exception	☐ Yes	☒ No	7. Major risk event at the company	☐ Yes	☒ No
3. FI Policy Exceptions	☐ Yes	☒ No	8. Adverse change in management	☐ Yes	☒ No
4. Downgrade in ORR since last full review (2 or more subgrades downgrades)	☐ Yes	☒ No	9. Significant adverse change in KSFs, Obligor risks, or risk mitigants	☐ Yes	☒ No
5. Significant increase in total credit facilities	☐ Yes	☒ No	10. Significant adverse change in collateral/support	☐ Yes	☒ No

Covenant Violations	*Qualified Auditors' Opinion*	*Documentation Exceptions*	*Negative Checkings*	*Other Issues*	*DRM Override*
☐ Yes	☐ Yes	☐ Yes	☐ Yes	☐ Yes	☐ Yes
☒ No	☒ No	☒ No	☒ No	☒ No	☒ No

1. Risk Summary (This question should be answered last)

(a) Highlight in order of priority significant risks/mitigants associated with the exposure to this bank that could lead to a downgrade in the ORR or a FRR — e.g., Y2000 compliance, EMU, financial, industry, etc. - (note: include CCCP-defined "unusual risks").

- **Riesgo Macro: crisis sistémica (Probabilidad:** media, **Impacto:**alta)**:** pese a que el sistema financiero prácticamente no ha sufrido inconvenientes durante las últimas crisis internacionales, por las características que posee el Banco República, es más vulnerable que otras entidades a sufrir salida de depósitos en caso de corrida contra el sistema.

PS000870

Justificación:
Como explicamos en el industry study, el Sistema Financiero local se encuentra mucho mejor preparado para enfrentar este tipo de corridas que en el pasado, debido a una serie de medidas que ha ido implementando el Banco Central (pases contingentes, mayores RML, Sedesa, etc).
Banco República ha soportado crisis como la del Tequila, gracias a la imagen que posee Raúl Moneta entre inversores y bancos corresponsales, pero sobre todo a la disponibilidad de activos que permiten a sus accionistas obtener fondos via equity swaps que realizan frecuentemente con bancos del exterior (contra acciones de CEI, Telecom, Telefonica).
Además, este banco asume poco descalce de plazos ya que una parte importante de su cartera (45% aprox.) esta compuesta por operaciones de trade, calzadas en plazo y moneda. Es importante mencionar que Banco República se encuentra modificando la composición de sus depósitos, siendo actualmente en su mayoría depósitos "retail" (de individuos de alto patrimonio que confían en Moneta). En el pasado captaban muchos fondos de inversores mayoristas, pero dada la volatilidad de los mismos, han reducido su exposicion en este sentido.
Adicionalmente a todo lo mencionado, gracias a la adquisicón de los bancos provinciales (BR posee

una participación mayoritaria del 67%), el Banco República posee acceso a una fuente estable de depósitos retail por $615 mm. Estos depósitos son 3.4x mayores a los depósitos de BR, y duplican el monto de préstamos que posee Banco Mendoza, evidenciando el buen nivel de liquidez que posee esta entidad.

PS000871

- **Competition (probabilidad:** alta, **Impacto:** medio**):** Banco República actualmente posee básicamente dos negocios: comercio exterior y banca minorista en la región de Cuyo (a través de su subsidiaria, Banco de Mendoza). Su primer negocio ha sufrido una reducción de spreads importante y mayor competencia durante los últimos años. Con respecto al segundo, en el mediano plazo es posible que los grandes bancos incrementen su penetracion en la banca regional. Estos big players compiten con mejores productos, tecnología y economía de escala.

  Justificación: En cuanto a la amenaza de los big players en la región de Cuyo, Banco República, al igual que los otros bancos privados que han participado en la privatización de los bancos provinciales, ha adquirido la figura de "agente financiero de la provincia", esto quiere decir que el Banco de Mendoza posee hasta diciembre del 2001 un contrato de exclusividad para el manejo de los fondos de la provincia que incluye el pago de haberes a los empleados públicos y el manejo de liquidez de la provincia. Esta característica convierte a este negocio en un nicho de mercado, con altas barreras de entrada y lo posiciona como "dominant player" de la región (posee actualmente un market share de 40%). Este posicionamiento se origina por la importante presencia que el sector público posee aún en las economías provinciales (al tener pago de sueldos, le pueden dar tarjetas de credito y prestamos personales con descuento por planilla, reduciendo mucho la incobrabilidad).
  Respecto del negocio de trade, BR visto la disminución de spreads y el alto nivel de competitividad que posee este negocio, ha decido reducir sus esfuerzos en este negocio focalizándose en banca de individuos en la región de Cuyo.

- **Adquisición de Banco Mendoza (probabilidad:** alta, **Impacto:** medio**):** BR nació y creció en el negocio de brokerage/banca mayorista. No tienen experiencia en el negocio retail, ni tampoco en la región de Mendoza. Además, el Bco de Mendoza continúa arrastrando problemas propios de una entidad estatal y continua mostrando pérdidas en su balance.

  Justification: Los accionistas de Banco República, luego de un año en donde no han obtenido los resultados esperados, han decidido reemplazar al management y nombrar gente de mucha confianza para dirigir el negocio en Mendoza. Esta decisión se encuentra alineada con la decisión de fusionar los bancos (provincial y BR) en los próximos seis meses. Un reflejo de esta decisión es que han nombrado a Jorge Maldera (Director administrativo de BR, con 15 años de experiencia en la banco) como Gerente General de Banco Mendoza.
  Banco de Mendoza posee sin duda un importante potencial de desarrollo, es el "agente financiero" de la provincia, y con un aceptable manejo de su cartera y una mínima re-estructuración debería alcanzar rápidamente su break-even y pasar a obtener resultados positivos en el corto plazo (1 ó 2 años).

- **Inmovilizacion (probabilidad:** alta, **Impacto:** medio**):** BR tiene todo su patrimonio neto inmovilizado, debido fundamentalmente a su tenencia de acciones de CEI.

  Justification: BR planea fusionar su balance con Banco de Mendoza en los próximos meses, y previo a la fusión BR sacará las acciones que posee de CEI de su balance (21MM de acciones que representan aprox. 50MM a valor libros). De esta forma liberará aproximadamente 42% de su patrimonio actual y al fusionar los balances conseguirá una buena porción de liquid capital en su patrimonio (ver pro-forma balances consolidados).
  Por otro lado, CEI continua con su intención de emitir ADRs en NYSE con lo que le otorgaría mayor liquidez a sus acciones. Durante este año han intentado realizar esta emisión pero las crisis que han debido soportar los mercados de capitales no se lo han permitido. De todas maneras son acciones que, si bien con ciertas restricciones, se pueden hacer liquidas con un swap. Por otra parte, BR tiene poca cartera non performing, de manera que el "carrying cost" de los prestamos morosos no es alto.

- **One man show (probabilidad:** alta, **Impacto:** alto**):** Raul Moneta es indiscutiblemente el artifice de

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lo que hoy es el grupo. Durante este año de acuerdo a la re-estructuración que ha tenido CEI, Republica Holding ha quedado como el grupo mayoritario y Raul Moneta como presidente del CEI. Sin duda que la presencia de Raul Moneta como presidente de uno de los grupos económicos más fuertes del país le permiten obtener un muy buen acceso tanto al poder político como económico de la República Argentina. El banco creció bajo la dirección de Raúl Moneta quien hoy esta más focalizado en CEI y ha descuidado su negocio bancario.

Justification: Moneta es secundado por un grupo de gente de buen nivel profesional que lo han acompañado y que han demostrado saber anticiparse a los distintos cambios que ha atravesado el mercado argentino. De todas maneras, debemos reconocer que Raul Moneta no muestra tanto interes en el negocio bancario, por lo que no descartamos que en 1 o 2 años quiera vender las entidades fusionadas.

Recesión (probabilidad: media, **impacto:** medio): este riesgo es originado ante la posibilidad que la economía local caiga en un proceso prolongado de recesión, y que esta situación económica incida negativamente en la performance del BR, sobre todo el impacto que podría tener esta situación en la calidad de cartera de Banco Mendoza (que es actualmente la mayor debilidad de esta entidad).

Justificación: Las proyecciones de los economistas hablan de un crecimiento del PBI para el proximo año de entre el 2 y el 3%, por lo que no podemos hablar estrictamente de recesión, sino más bien de "des-aceleración". El impacto en la incobrabilidad de este menor crecimiento no debería ser, en consecuencia, tan grave como lo que se vió en el Tequila. No obstante, algunos clientes que trabajan con pymes nos han reconocido que se advierte un aumento en los problemas de crédito. Claramente este es un tema a seguir, junto con la rentabilidad de los bancos fusionados. Por ahora, estamos proponiendo reducir la exposicion con el grupo.

PS000872

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(b) Provide comments for each "Yes" checked off in the Stability Criteria and/or any exceptions identified in the second grid.

Target Market Exception: "Earnings & Generation": VER TM/NAC ATTACHED

Banco República se encuentra en un proceso de re-estructuración de su negocio. En los últimos dos ejercicios ha obtenido resultados positivos, pero a través de la participación del 67% que posee en Banco Mendoza ha sufrido pérdidas en el último ejercicio cerrado en junio de 1998, y a setiembre de 1998 su balance presenta un resultado negativo de $1.7MM. Las principales razones que han originado estas pérdidas son los mayores cargos por incobrabilidad de BR y la re-calificación de la cartera de Banco Mendoza. (ver punto 4a de esta revisión, análisis de earnings).

Banco República fusionará su balance en Marzo de 1999 con el objeto de reducir costos de estructura, y focalizarse en los negocios con más potencial (ver pro-forma balances fusionados). Con esta fusión y gracias al posicionamiento líder que posee Banco Mendoza en la región de Cuyo sumados a algunos cambios necesarios que realizará el management de BR, estimamos que el outlook es moderadamente positivo para esta entidad. Al mismo tiempo debe tenerse en cuenta la participación que posee el Grupo República en CEI, lo que sumados a una valuación aproximadas de los bancos, origina un patrimonio total aproximado del Grupo de usd 3oc MM.

Es importante mencionar, que de acuerdo a una reunión mantenida con el management de BR, se espera que en los próximos meses Banco Mendoza (luego de Marzo 1999 Banco Republica-Mendoza) alcance su break even. Para este fin, continuarán racionalizando la estructura de Banco Mendoza (van a despedir otros 200 empleados), y al mismo tiempo en noviembre de 1998 pasaron a pérdida los últimos $1.5 mm de prevision que aplicaban por una recategorización de la cartera de Banco Mendoza. De esta forma Banco Mendoza, obtendrá un ahorro anual en sus costos por $21.6MM, compuestos por $3.5 mm anuales de pago de salarios y $1.5MM mensuales en concepto de pérdidas por re-clasificación de su cartera.

(c) Using prior two responses, overall, is the risk profile of the obligor today better, equal or worse vis-à-vis the previous annual review or credit approval? How does this change affect our current or proposed exposure?

El risk profile del grupo no ha variado significativamente respecto de la última revisión anual. El punto más notorio es el estancamiento que se observa en el Banco Mendoza del cual BR posee una participación accionaria del 67%. Los mayores acontecimientos del grupo han sido el aumento de la participación en CEI, y la fusión de los bancos provinciales (Mendoza y Previsión Social). Al mismo tiempo, los accionistas de BR planean fusionar Banco de Mendoza con BR en los proximos meses.
Si nos guiamos por las proyecciones del grupo, el próximo ejercicio debería ser sustancialmente mejor en el negocio financiero. No obstante, creemos que es prudente a esperar que se concreten la fusion de ambas entidades, la venta del edificio, y el break even en resultados.
Es importante mencionar, respecto del perfil de riesgo de este cliente, que el BR entre 1997/98 ha desarmado su mesa de dinero reduciendo su exposición en títulos públicos, y evitando los impactos negativos que han sufrido los títulos de riesgo soberano durante dicho período.

2. Industry Strategy

(a) What is the Obligor's strategy? Discuss how it has achieved its strategic objectives over the past 2-3 years.

El Grupo se ha focalizado en dos industrias básicamente, la financiera a través del Banco República y en Media & Communication a través de CEI. La estrategia del Grupo es liderada por Raul Moneta, que gracias a sus relaciones, su gran habilidad comercial y política se ha sabido manejar con gran audacia dentro del establishment local, convirtiendo a su grupo en uno de los más importantes del país.

Respecto de la industria financiera, y dada la tendencia negativa que evidenciaba el negocio de banca mayorista en el mercado local, el Grupo República adquirió los bancos provinciales de Mendoza y Previsión Social en 1996. Estas entidades, aunque todavía no han alcanzado los resultados esperados, se presentan como nichos muy atractivos con alto potencial de desarrollo e importantes retornos sobre las inversiones realizadas.

En cuanto al negocio de Media & Communication, CEI ha mostrado un importante crecimiento durante el último año vendiendo participaciones en algunas firmas, adquiriendo otras y focalizándose en su segmento, en el que es sin duda líder indiscutible del mercado local.

Resumiendo, la estrategia del Grupo se centra en su participación en CEI, y probablemente en el mediano plazo la venta de su negocio bancario luego que el mismo alcance resultados satisfactorios.

(b) How is the obligor positioned against the industry KSFs? Is there likely to be any material change over the next 12 months?

El Banco República cumple con KSFs establecidos en el industry study de FI Argentina. Respecto de estos KSFs, BR presenta debilidades respecto de la capacidad para resistir a crisis sistémicas de liquidez y presenta como fortaleza la imagen y presencia de su management dentro del sistema financiero y económico local. Durante los últimos doce meses no han sufrido cambios importantes sobre su estructura y negocios. El único factor a tener en cuenta y realizar un seguimiento cauteloso es la performance del Banco Mendoza, el cual continúa con una alta mora en su cartera y presenta un resultado final negativo en su balance.

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3. *Management and Strategy*

(a) *What is your assessment of management's ability to formulate and execute its business strategy and respond to changes in the economy, industry and competitive environment? How have they evidenced this? (Comment on any changes in the obligor's strategy) How has the obligor performed relative to management's own forecasts?*

El management del Grupo ha sabido adaptarse y anticipado a los cambios del mercado. Esto se evidencia a través de haber podido resistir a la crisis del Tequila en 1995, haber podido adquirir los bancos provinciales de Mendoza y Prevision Social, y haberse consolidado como minoría mayoritaria dentro de la estructura accionaria de CEI.

Respecto de nuestros forecasts, los mismos no han sido alcanzados. Estos fueron realizados basándose en los comentarios del management de BR el cual esperaba que Banco Mendoza alcance su break even durante este año.Es por tal motivo, y hasta que no verifiquemos que se cumplen las perspectivas favorables que nos anticipó el management del grupo, que durante esta revisión hemos reducido en un 20% el total facilities que posee Citibank con este cliente.

Respecto de la futura performance de BR para los próximos doce meses, de acuerdo a lo descripto en este análisis, esperamos que con la re-estructuración del Banco Mendoza y la fusión entre los dos bancos puedan alcanzar los resultados esperados. La performance de este banco será seguida de cerca a través de los CCR correspondientes, ya que la cuenta esta clasificada como "IA".

(b) *What is our access to key company seniors? What is our view of their integrity and character? Comment on overall management depth.*

Nuestra llegada a los ejecutivos que manejan el BR y el Grupo es muy buena. Esta relación se ha fortalecido gracias a la relación que existe entre el banco y el Grupo República en CEI. El management del Grupo posee un buen character y ha desarrollado una intachable reputación dentro del mercado local. Gracias a Raúl Moneta (N1 del Grupo), el grupo posee una presencia predominante dentro del establishment argentino.

Comentarios sobre el management del Banco República:

Jaime Lucini: Continua presidiendo al Banco República desde aprox. 10 años. Aporta su experiencia en los procesos decisorios del Banco y su conocimiento del mismo debido a su larga trayectoria en esta entidad.
Raúl Moneta (hijo): Es Vicepresidente. Es la figura predominante en el Grupo, posee muy buenos contactos políticos y empresarios. Es actualmente miembro del Directorio de CEI. Para el Banco se apoya en Jaime Lucini, y en la planificación estratégica en JJ Ezama.
Jorge Maldera: Trabaja hace 15 años en el Banco República. Posee a su cargo la Gerencia administrativa del Banco y el sector de Operaciones. En sus responsabilidades se encuentra manejar el departamento de créditos del Banco que funciona en forma independiente del Área Comercial y la Auditoria Interna.
Pablo Lucini: Maneja la Tesorería, la Sociedad de Bolsa y la relación con Inversores Institucionales del exterior. Trabaja en el Banco hace aprox. 15 años, en el área de Investment bank.
Juan Carlos Bietti: Es el director comercial del Banco República desde hace 5 años. Ha realizado un buen trabajo con corresponsales del exterior, es responsable de esta tarea hace aprox. 2 años. Anteriormente trabajó en Banco Río y Banco Velox, siendo el responsable del departamento de Exterior del Banco Velox, realizó un excelente trabajo.
Miguel Von Mihali: Era el segundo del área comercial de Banco Roberts, en esta institución estuvo durante 15 años. Es un profesional reconocido entre los clientes, a través de la actuación en dicho Banco.
Roberto Feijoo: Es el responsable del departamento de créditos del banco dependiendo de Jorge Maldera. También tiene a su cargo el departamento de análisis de riesgo e integra el Comité de Créditos junto a Jorge Maldera, Jaime Lucini, Raul Moneta , Juan Carlos Bietti y Von Mihalick. Ha sido exitoso en su gestión manteniendo al banco con un nivel de mora bajo.

PS000874

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(c) Does the obligor have any weakness in its credit and/or risk management, liquidity or trading practices? Provide Citibank Treasurer and/or Senior Managers' (i.e. Corporate Bank or Corporate Finance Head) opinion as appropriate.

Manejan con mucho profesionalismo sus riesgos. Han desarmado su Mesa de dinero y desde ese entonces no toman posiciones de titulos importantes. La cartera de prestamos de Banco Republica ha sido tradicionalmente de muy buena calidad. Los problemas que tienen hoy en Banco de Mendoza son heredados de la entidad estatal, no generados por ellos mismos. Del punto de vista de liquidez, han ido mejorando en los ultimos años su fondeo, volcándose más a los depositos retail a partir de la experiencia del Tequila.

(d) Does the Obligor ownership and organizational/legal structure affect our risk assessment? (Focus on issues such as the transfer of assets among Obligors within related obligors, the importance of specific Obligors to achievement of the related obligor's objectives, access to information regarding the related obligor's businesses, the ability of the related obligors to attract/retain capable professional managers, and disputes among the owners/management regarding strategy and management succession.) Comment specifically on management turnover and the ability of the company to react to this.

Existe cierta debilidad a este nivel por tres factores: la tenencia de acciones de CEI en el banco (ya que la liquidez de estas acciones es limitada); la inmovilizacion que representa el prestamo hipotecario por el Edificio Republica; y la interrelacion entre Bco Republica y Bco de Mendoza.
Tenemos entendido que los tres se resolverian con la fusion, ya que el BCRA les exigiria sacar del balance los dos primeros activos mencionados. Con respecto al primero, lo mas probable es que transfieran la tenencia a otro vehiculo del exterior (ver mas abajo), y el prestamo se precancelaria con la venta del edificio que esta avanzada (ver mas abajo tambien).
Respecto de los cambios en el management, es importante mencionar que BR ha cambiado la cúpula de Banco Mendoza, nombrando a Jorge Maldera como Gerente General en lugar de Eduardo Lede. Este cambio ha sido realizado en función del bajo rendimiento que ha tenido el Banco Mendoza durante el último año. El cambio realizado en el management es de alguna forma decisión conservadora, ya que se ha delegado la responsabilidad de manejar el negocio en la cúpula tradicional del BR.

4. Financial Analysis

(a) Focusing on industry trends, KSF's and the obligor's corporate strategy/competitive position, comment on the past financial results of the obligor with specific emphasis on the following parameters.

- *Capital Adequacy (e.g. comment on Obligors ability to absorb losses)*
- *Assets: Quality, Rate of Growth*
- *Liquidity (comment on deposits diversification and term)*
- *Solvency (comment on any mismatch on tenor of Assets vis-à-vis Liabilities)*
- *PDO's, non-performing loans and reserves*
- *Operating performance*
- *Net Interest and Non-interest Income*

PS000875

Capital adequacy:
Banco República posee a Agosto de 1998 un patrimonio neto de usd 118 MM, que representa un NW/Risk Assets de 25% y un NW/Assets de 19%, siendo estos ratios superiores al promedio del sistema los cuales ascienden a 18% y 11%. En cuanto a la mora neta de cartera respecto del patrimonio de Banco República, a agosto de 1998 era de 5.3% este indicador es mejor que el de sus bancos competidores y que el promedio del sistema el cual es de 23%.
La debilidad de Banco República respecto de su capital, es la total inmovilización que presenta su patrimonio. Esta inmovilización es originada en gran medida por la tenencia accionaria que posee Banco República en su balance por las acciones de CEI. Esta participación representa el 59% del total del patrimonio del banco, valuando acciones y patrimonio a valor libros. Sin duda alguna esta inmovilización de patrimonio representa un riesgo en la estructura patrimonial del banco, pero el mismo se ve mitigado por la buena calidad que posee su cartera que es originada en un 45% por las operaciones de trade que realiza BR con empresas de primera línea, como así también por la capacidad de realizar swaps contra estas acciones haciéndose de esta forma de liquidez.
Es importante mencionar que BR planea fusionar los balances de los bancos provinciales con el balance de BR, y colocar las acciones de CEI en otro de los vehículos del grupo, otorgándole de esta forma mayor liquidez a su balance (ver pro-forma Banco Mendoza/República fusionados).

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En cuanto a la composición de los Bancos de Mendoza y Previsión Social adquiridos en 1996 por BR, los mismos se encuentran fusionados bajo el nombre de Banco de Mendoza. Esta entidad a Junio de 1998, posee un exceso de RPC del 25%. La exigencia de capitales mínimos para esta entidad es muy baja, ya que los principales activos de esta entidad son activos líquidos (call, títulos públicos y otros). Si el management de Banco Mendoza planifica incrementar su nivel de activos a través del otorgamiento de préstamos retail requerirá en el futuro un aporte de capital por parte de sus accionistas, ya que actualmente la relación NW/Assets es muy baja . Es importante mencionar que este aporte de capital no sería necesario de confirmarse la fusión con el Banco República, el cual posee un alto nivel de capitalización que le permitiría al Banco Mendoza incrementar su nivel de activos.

Assets:

El monto total de activos de Banco República es de usd 613 MM, éstos han disminuido en un 45% ($500 MM aprox.). Esta disminución se explica a través de la decisión de BR de desarmar su mesa de dinero, originando las siguientes reducciones :

(I) 60MM en títulos públicos,
(II) 150MM en préstamos, básicamente al sector financiero.
(III) y el resto a través de otros créditos por intermediación financiera: (a) repos con otros bancos, operación que realizaba frecuentemente y que en su balance de 1997 totalizaban usd 193MM, figurando en la actualidad tan sólo usd 46MM, y (b) compra/vta de títulos, que en 1997 figuraban usd 215MM y en 1998 figuran tan sólo usd 25MM.

El total de préstamos que posee BR es de usd 292 MM, con la siguiente composición: adelantos y descuento de documentos (67%) y créditos hipotecarios (37%). En cuanto a los créditos hipotecarios, el 73% pertenece a un préstamo hipotecario concedido por Banco República a Republica Inversiones para la construcción del edificio en Puerto Madero, este préstamo se repaga con los alquileres de los pisos, encontrándose el edicificio en este momento alquilado prácticamente en su totalidad. Este préstamo le restan 6 años para su expiración y esta acordado a una tasa fija de 7%.
En referencia también a este préstamo es importante mencionar, que según lo conversado con el management del Grupo República se habría prácticamente cerrado la venta del edificio con lo que se precancelaría el préstamo.
Respecto del descuento de documentos y adelantos, los mismos corresponden en gran medida a operaciones de comercio exterior (pre-financiaciones y cartas de credito), que BR realiza con empresas de primera línea originando de esta forma una cartera de una buena calidad (mora= 7%). Debe tenerse en cuenta que en la cartera de Banco República, figuran $30 MM provenientes de la compra de cartera de BR a Banco Mendoza. Esta cartera proviene del banco provincial antes de su privatización y posee garantías de la provincia con fondos originados por los ingresos que recibe la pcia por coparticipación. La cobranza de estos fondos se encuentra manejada por un Fondo Fiduciario cuyo banco custodio es Banco Nación.

En cuanto al Banco de Mendoza, la mayor parte de sus activos poseen un alto nivel de liquidez, esta característica se refleja a través del ratio liquid assets/assets el cual es de 23%. Los activos de Banco de Mendoza(BM) presentan la siguiente composición: 18% títulos públicos, 43% préstamos (de los cuales el 10% es call colocado a otras entidades financieras), 8% pases de títulos públicos y el 31% restante entre otros activos. Respecto de la mora sobre el total de financiaciones, la misma asciende a 14.2%. Este nivel de mora continúa siendo alto en comparación con la media del sistema, pero debe tenerse en cuenta que con la fusión con el Banco República la misma quedará en nivel aceptables y que será cubierta al mismo tiempo por un buen nivel de capitalización (ver pro –forma adjunto).

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Earnings:

Tal cual ha sido mencionado durante esta revisión, los principales negocios de BR son los negocios de comercio exterior y los negocios de banca retail en la región de Cuyo a través de la participación del 67% que posee BR en Banco Mendoza.

Banco República presenta en su balance de cierre de Junio de 1998 una pérdida de $ 12.3MM. Las principales razones extraordinarias de este resultado negativo son:

1. ($5 MM) Pérdidas diversas-llave de negocio-: Banco República a través de la adquisición de Banco Mendoza, ha tomado como pérdida extraordinaria originada por la incorrecta clasificación de la cartera de los bancos provinciales. Esta pérdida asciende a $20MM, y ha sido enviada a resultados por Banco Mendoza en forma

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mensual (último mes Nov-98), y devengada en 60 meses por Banco República. Por lo tanto en el balance de BR cerrado a Junio de 1998, figuran pérdidas extraordinarias mencionadas como "llave negocio" por $5MM y durante 1997 fueron enviadas a resultados $1.2MM. Los $13.8MM restantes serán absorbidos por un vehículo "República Residual" el cual será accionista del futuro banco fusionado República-Mendoza con una participación de 31%.

2. ($7.3MM) Cargos por incobrabilidad: Los cargos por incobrabilidad de Banco República se incrementaron en 2.5x ($4.5MM) entre 1997 y 1998. Este incremento se debe a una hold position que tuvo BR en un préstamo sindicado otorgado a Medefin con garantía de Socimer por usd2.5MM y al write-off de $2MM proveniente de préstamos otorgados a Frigoríficos Río Platense, Automotores Universal y una pyme de la región de Cuyo. La hold position del préstamo sindicado es manejado por un fondo fiduciario, en donde se estan realizando los activos del Banco Medefin asignando los fondos de acuerdo a los derechos de los acreedores.

Debe tenerse en cuenta que BR ha presentado resultados positivos en sus últimos dos ejercicios, y la pérdida que presenta en este ejercicio es originada fundamentalmente a través de la participación del 67% de BR en Banco Mendoza.

Respecto de la pérdida del Banco Mendoza, la misma debería revertirse en los próximos ejercicio, ya que estas pérdidas se originan fundamentalmente a través de las previsiones de $1.5MM mensuales que realiza el Banco Mendoza por re-clasificación de la cartera. Estas previsiones finalizan en Noviembre de 1998, y le permitirían al Banco Mendoza originar resultados positivos originados a través de las características que posee esta entidad:

- Es "agente financiero de la provincia", lo que le permite manejar los fondos de Mendoza, mantener las cuentas de los empleados públicos y realizar los pagos de sueldos de estos empleados.
- Es líder en el mercado de banca individual de Mendoza: el Banco Mendoza con 80 sucursales distribuidas en una de zonas con mayor potencial de crecimiento del país, es líder de mercado lo que le otorga un importante potencial de negocios.
- Realizará un downsizing de 200 empleados lo que le permitirá ahorrar $3.6MM anuales.

Liquidity:

Ratios		
Liq. Assets/assets	6%	
Funding	**Usd MM**	**%**
Depósitos	144	55%
- *CD's*	*85*	*59%*
- *Cuentas corrientes*	*9*	*6%*
- *Cajas de ahorro*	*50*	*36%*
Líneas de crédito con Bancos del exterior	120	45%
Total	**264**	**100%**

La principal fuente de fondeo de BR es su base de depósitos, la cual representa el 55% de su funding. Dentro de la composición de sus depósitos, encontramos que el principal tipo de depósito BR son CDs de individuos de alto patrimonio que confían en la figura de Raúl Moneta. Esto representa un cambio respecto del pasado, ya que han reducido la incidencia de depositos de inversores institucionales.
En segunda instancia, y en una proporción del 45%, figura como fuente de fondeo para BR las líneas de crédito con bancos del exterior, que BR utiliza frecuentemente para operaciones de comercio exterior. Adicionalmente, BR cuenta con líneas de crédito con bancos locales como el Galicia, Deutsche y Sudameris.
Por otra parte, el Banco de Mendoza ahora es una fuente de depositos retail importante. Las acciones de CEI pueden ser utilizadas para obtener fondos en el exterior, como se demostró durante el Tequila.

(b) Comment on any significant (existing or potential) variances with industry norms.

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Banco República, como la mayoria de los wholesale banks del mercado local, luego de la crisis del Tequila se ha volcado a adquirir bancos provinciales. Banco República ha adquirido el 67% de los bancos de Mendoza y Previsión Social (fusionando este último con el primero). Estos bancos se encuentran ubicados sobre una de las zonas con mayor potencial de crecimiento del país. Pero pese a esta última característica y en contraposición con el resto de los bancos provinciales privatizados del país, el Banco Mendoza continúa producino pérdidas en su balance.
La diferencia más importante respecto de los otros bancos privatizados, es la falta de garantía de fondos provenientes de coparticipación sobre la cartera en situación irregular de los bancos privatizados. Esta garantía les ha permitido a los otros bancos privatizados alcanzar rápidamente su break even y obtener resultados positivos.

(c) If the obligor has offshore or any other exceptional banking activities, comment on its impact over financial results, making a special emphasis on Liquidity and Solvency.

El Grupo República posee como vehículos off-shores a Federal Bank y República Holdings (el cual incluye I.I.U.). Estos vehículos son utilizados generalmente para operaciones de préstamos back-to-back con otras entidades argentinas ó para operaciones de CEI a través de Republica Holdings - ex UFCO -).

Este tipo de operaciones no presenta un riesgo importante para el Grupo, ya que los préstamos back-to-back se encuentran garantizados con depósitos de los beneficiarios de este tipo de préstamos.

Po último, I.I.U. es un vehículo que recientemente fue habilitado con el fin de incluir en el balance del mismo las acciones de CEI que recientemente fueron adquiridas con la re-estructuración de esta compañía, y como se mencionó más arriba su dueño es República Holdings.

(d) If the Obligor has subsidiaries, comment on its impact on the financial results, independence, strength and reliance on parent support.

El vehículo que mayor impacto podría tener en BR es el Banco de Mendoza. Esta entidad todavía no ha mostrado signos financieramente saludables. Pero como mitigante a este riesgo se encuentra el apoyo que posee por parte de la provincia a través de cumplir el rol de "agente financiero de la provincia" y el gran potencial de desarrollo que posee y que le permitiría obtener un importante apetito de compra para esta entidad.

(e) Discuss the diverse sources of funding available for the obligor (i.e. public funding).

PS000878

Banco República, al igual que todas las entidades financieras locales con patrimonio que oscilan los $100MM, no posee aún acceso al mercado de capitales. Su principal fondeo son sus depósitos, y en menor medida las lineas que posee con bancos corresponsales. Con la adquisición de los bancos provinciales han obtenido una importante fuente de fondeo retail . Este funding proviene en gran medida de los fondos y empleados del sector público. Los depósitos de estos bancos provinciales totalizan $615 MM a Junio de 1998, superando prácticamente en un 100% los préstamos de esas entidades.

(f) Does the Obligor have access to the capital markets? What internal and external factors affect this access? How does the P/E ratio and Book Value compare to industry averages?

BR no posee aún acceso al mercado de capitales. Esta entidad no cotiza públicamente, por lo que no es posible

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obtener una percepción de mercado sobre esta entidad. Estimamos, que por el potencial de los bancos provinciales, el total de los Bancos República y Mendoza podría estar valuados alrededor dé 0.7 book value, obteniendo un valor total por estas entidades de aproximadamente de $110 MM.

(g) If exposure is greater than 1 year, please comment on key indicators of expected future performance.

La exposición de mayor tenor que poseemos con este cliente es el crédito otorgado a UFCO (off shore del Grupo) para la adquisición del 10% de las acciones de CEI. Este préstamo fue re-estructurado en Marzo de 1997, la suma presente del préstamo era de USD 31.6MM, pagadero en 11 pagos semestrales, sistema de amortización francés a una tasa de Libor+2%. De este préstamo queda o/s usd 20,020,000 y la próximas cuotas son el 26 de Enero de 1999 y 26 de Julio de 1999 por USD 2,860 M c/u. Sobre este préstamo se posee una garantía del 130% con acciones de CEI.
Este prestamo se ha ido pagando en forma puntual, y por el tipo de garantía que tenemos, no prevemos problemas. Existe control periodico del collateral y aforo.

(h) Triggers for classification if applicable. (i) Do triggers for classification need to be set? Provide rationale (ii) Provide follow up on existing triggers, Status?, Trend?; (iii) When will the company be upgraded?, Can we expect any substantial change in following 12 months?

Triggers para clasificación II:

- Pérdida en un 20% de los depósitos en un trimestre ó
- Indices de liquidez por debajo del 15% de los depósitos ó
- NSD/NW > 35% ó
- Pérdidas mayores al 15% de su NW.

Análisis de los triggers establecidos para clasificación II:

1. Los depósitos de BR poseen una tendencia negativa pero el trigger no ha sido quebrado. Con la fusión de Banco Mendoza este punto debería ser mitigado con lo depósitos de Banco Mendoza.
2. Liquid assets /Deposits: 26%
3. NSD/NW: 5.3%
4. La pérdida en su ultimo balance de cierre ha sido del 10% del patrimonio, noi quebrando el trigger establecido. Este nivel de pérdida es inusual para BR, y ha sido provicado por la baja performance de Banco Mendoza, la cual se espera que sea revertida rápidamente.

Triggers para desclasificación (no alcanzados):

- ROE>5% anual al menos durante un trimestre basado en resultados operativos, Y
- Que tenga alquilado más de un 75% del Edificio República, lo que asegura el repago en 15 años del capital e intereses de la hipoteca con la cual financieron la venta de dicho edicificio a una empresa pertenciente al mismo grupo económico.

Consideramos que los triggers no deben ser modificados aún. Cuando se realice finalmente la fusión con el Banco Mendoza y/o se vende el edificio República cancelando el préstamo concedido por Banco República se revisirán estos triggers considerando su modificación.

Respecto de la performance para los próximos doce meses, de acuerdo a los cambios anunciado por el management de BR, esperamos una mejora en los ratios de mora en la cartera de Banco Mendoza y en los ratios de rentabilidad del Banco República.

PS000879

5. Relationship

(a) How important is this relationship to us? How will these facilities help us to improve our position with the customer?

Poseemos una buena relación con este grupo, la cual ha sido fortalecida a través de la relación que posee

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Citibank a través de CEI. En todo momento le hemos brindado nuestro apoyo. A través de la baja performance de Banco Mendoza, la cual incide directamente en BR, hemos decidido disminuir la exposición del banco con BR reduciendo el total facilities en un 20% (8MM).

(b) Comment on the credit strategy and credit limits for the following 12 months.

De acuerdo a la actual situación de Banco Mendoza, la cual incide directamente en la performance de BR, hemos decidido realizar los siguientes cambios:

- Facility # 2: Reducción de la línea de call en 1MM (de 4 a 3MM)
- Facility # 2: Reducción del tenor de la línea de call (de 30 a 7 días)
- Facility # 4: Reducción de la línea de 1 day Credit Risk para operaciones de FX: (de 6 a 3MM)
- Facility # 5: Reducción de la línea de PSR for FX transactions (de 2 a 1 MM)
- Facility # 5: Reducción del tenor PSR FX (de 30 a 7 días)
- Facility # 7: Reducción de la línea de PSR para securities transactions (de 2 a 1MM)
- Facility #/ 7:Reducción del tenor del PSR para securities transactions (de 30 a 7 días)
- Facility # 10 y #11 (anteriores): canceladas
- Facility # 10: Reducción del monto en 2MM para Daylight en NY.
- Facility # 12: Reducción en 2MM el clearing limit para realizar transferencias interbancarias
- Facility # 14: Reducción en 3.8MM la línera de clearing limit for CCI.

Net changes from prior CA: - 8MM.

(c) Responsible Officer Comments on the importance of this credit and the relationship in terms of our local franchise. *

El Senior Management del banco posee una fuerte relación con Raul Moneta quien es el N1 de este grupo. Esta relación es originada a través de la relación de "socios" que posee Citibank con el Grupo República en CEI (Citicorp Equity Investment). Raul Moneta posee un fluido acceso a nuestro Sr Management (John Reed, Bill Rhodes, Paul Collins, etc.).

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EZEQUIEL D. WEISSTAUB
CITIBANK N.A.

IGNACIO MORELLO
VICEPRESIDENTE RESIDENTE

PS000880

* ESTE AÑO (98) EL GRUPO MONETA INCREMENTÓ SU PARTICIPACIÓN EN CEI, REFOCALIZANDO SU ESTR
A SER UN JUGADOR IMPORTANTE EN MEDIA - TELECOM, SECTOR QUE POR SUS CARACTERÍSTICAS ES
DE LAS INDUSTRIAS CLAVES EN ARGENTINA Y POR ENDE PARA EL CORPORATE BANK.
SIN LUGAR A DUDAS LUEGO DE QUE EL GRUPO MONETA PONGA EN LINEA A LOS BANCOS,
DESINVERTIRÁ EN LOS MISMOS PARA FOCALIZAR SUS ESFUERZOS EN CEI, YA QUE EXISTE
CIERTA INCOMPATIBILIDAD ENTRE LA PROFESIÓN DE BANQUERO Y LA ALTA EXPOSICIÓN QUE
... EL PRINCIPAL ACCIONISTA DE UN MULTIMEDIO

PS000870

- Macro risk: systemic crisis (probability: medium, impact: high): despite the fact that the financial system has suffered practically no problems during the most recent international crises, because of the characteristics of Banco Republica it is more vulnerable than other entities to a loss of deposits in case of a run on the system.

Explanation:

As we explained in the industry study, the local Financial System is much better prepared for these types of runs than in the past, due to a series of steps that Banco Central has been implementing (contingent repurchase agreements, more RML [requirements for minimum liquidity], Sedesa [TR.: the deposit insurance program], etc).

Banco Republica has weathered crises such as the Tequila [crisis] thanks to Raul Moneta's image with investors and correspondent banks, but especially to the availability of assets that permit its shareholders to obtain funds via equity swaps which they frequently carry out with foreign banks (against shares of CEI, Telecom, Telefónica.)

In addition, this bank assumes few mismatches of time periods, since a significant part of its portfolio (approximately 45 %) is comprised of trade transactions, matched in terms of time period and currency. It is important to mention that Banco Republica is changing the composition of its deposits, and currently "retail" deposits (of individuals with substantial assets who trust Moneta) are in the majority. In the past they attracted a great deal of money from wholesale investors, but given their volatility, their exposure in this regard has been reduced.

In addition, thanks to the acquisition of the provincial banks (BR has

PS000871

a majority interest of 67%), Banco Republica has access to a stable source of retail deposits in the amount of $615 MM. These deposits are 3.4 times greater than BR's deposits and are twice the amount of loans possessed by Banco Mendoza, which demonstrates this entity's high level of liquidity.

- Lockup [of assets] (probability: high, Impact: medium): BR has all its net worth locked up, due essentially to its shareholdings in CEI.

Justification: BR plans to merge its balance sheet with Banco de Mendoza in the coming months and, prior to the merger, BR will remove its shares of CEI from its balance sheet (21 MM of shares representing a book value of approximately 50 MM). In this way it will free up approximately 42% of its current assets, and when it merges the balance sheets it will have a good percentage of liquid capital in its assets (see consolidated pro forma balance sheets).

Moreover, CEI still intends to issue ADRs on the New York Stock Exchange, which would make its shares more liquid. They tried to effect this issuance this year, but were unable to do so because of the crises affecting the capital markets. At any rate, they are shares that, albeit with certain restrictions, can be made liquid with a swap. Moreover, BR has little non-performing portfolio, so the "carrying cost" of the loans in arrears is not high.

- One-man show (probability: high, impact high): Raul Moneta is undeniably the architect of [end of highlighted text]

PS000872

Banco Republica is restructuring its business. It has achieved positive results in the last two fiscal years, but through the 67% stake it holds in Banco Mendoza it suffered losses in the fiscal year that closed in June 1998, and as of September 1998 its balance sheet shows a loss of $ 1.7 MM. The principal reasons for these losses are BR's higher charges for non-recoverability and the reclassification of Banco Mendoza's portfolio. (See item 4 of this review, analysis of earnings).

Banco Republica will merge its balance sheet in March 1999 in order to reduce management overhead costs and focus on transactions with more potential (see merged pro forma balance sheets). With this merger and thanks to Banco Mendoza's leading position in the region of Cuyo, along with some necessary changes which BR's management will make, we believe the outlook is moderately positive for this entity. At the same time, Grupo Republica's stake in CEI, which, added to an approximate valuation of the banks, results in approximate total assets for the Grupo of US$ [handwritten: illegible. Possibly 300 MM], should be kept in mind.

It is important to mention that, according to a meeting with the management of BR, it is expected that in the coming months Banco Mendoza (after March 1999, Banco Republica-Mendoza) will reach its break even point. To this end, they will continue to rationalize the structure of Banco Mendoza (they are going to dismiss 200 more employees) and, at the same time, in November 1998, they posted as a loss the last $1.5 MM of reserve, which they applied because of a reclassification of Banco Mendoza's portfolio. In this way, Banco Mendoza will achieve annual cost savings of $21.6 MM, consisting of $3.5 MM per year in salary payments and $1.5 MM per month for losses because of reclassification of its portfolio.

PS000873

The group's risk profile has not changed significantly in comparison with the last annual review. The most obvious point is the stagnation in Banco Mendoza, in which BR has 67% of the shares. The most important occurrences for the group were the increase of the stake in CEI and the merger of the provincial banks (Mendoza and Previsión Social). At the same time, the shareholders of BR plan to merge Banco de Mendoza and BR in the coming months.

If we are guided by the group's projections, the next fiscal year should be substantially better in terms of the financial business. However, we believe it is prudent to wait until the merger of both entities, the sale of the building, and reaching the break even point actually occur.

It is important to mention, with respect to this customer's risk profile, that in 1997 / 1998, BR dismantled its money desk, reducing its exposure in terms of government securities, and avoiding the negative impacts suffered by very high-risk securities during that period.

Banco Republica complies with KSF's [key success factors] established in the industry study of FI Argentina. With respect to these KSF's, BR shows weaknesses in terms of the ability to withstand systemic liquidity crises and presents as a strength the image and presence of its management in the financial system and local economy. During the last 12 months its structure and businesses have not undergone significant changes. The only factor to bear in mind and follow up cautiously is the performance of Banco Mendoza, which continues to have a high rate of arrears in its portfolio and shows a negative final result on its balance sheet.

PS000874

Grupo management has been able to adapt and has anticipated the changes in the market. This is evident from its having withstood the Tequila crisis in 1995, having been able to acquire the provincial banks of Mendoza and Prevision Social, and having consolidated itself as majority minority within the share structure of CEI.

Our coming to the executives who manage BR and the Grupo is very good [sic]. This relationship has been strengthened thanks to the relationship between the bank and Grupo Republica in CEI. Grupo management has good character and has developed an unassailable reputation in the local market. Thanks to Raul Moneta (No. 1 in the Grupo) the group has a dominant presence in the Argentinian establishment.

PS000875

Capital Adequacy:

Banco Republica has, as of August 1998, net worth of US$ 118 MM, which represents a net worth/risk assets [ratio] of 25% and a net worth/assets [ratio] of 19%. These ratios are higher than the average[s] in the system, which are 18% and 11%. Regarding the net portfolio arrears with respect to the assets of Banco Republica, as of August 1998 it was 5.3%. This indicator is better than for its competitor banks and the average for the system, which is 23%.

The weakness of Banco Republica with respect to its capital is the fact that all its assets are locked up. This is largely the result of the shareholdings that Banco Republica has in its balance sheet because of the shares of CEI. This stake represents 59% of the bank's total assets, valuing shares and assets at book value. Without any doubt, this lockup of assets represents a risk in the bank's asset structure, but it is mitigated by the high quality of its portfolio, 45% of which results from BR's trade transactions with top-flight companies, and [is mitigated by] the ability to carry out swaps against these shares, thus achieving liquidity.

It is important to mention that BR plans to merge the balance sheets of the provincial banks with the balance sheet of BR, and place the shares of CEI in another of the group's vehicles, thus giving its balance sheet more liquidity (see merged Banco Mendoza/Republica pro forma [balance sheets]).

PS000876

Regarding the composition of Banco de Mendoza and Banco de Prevision Social, acquired by BR in 1996, they are merged under the name Banco de Mendoza. This entity, as of June 1998, has excess computable equity of 25%. The requirement for minimum capital for this entity is very low, since its principal assets are liquid (call, government securities, and others). If the management of Banco Mendoza plans to increase its level of assets by issuing retail loans, it will require, in the future, a capital contribution by its shareholders, since at the present time the net worth/assets ratio is very low. It is important to mention that this capital contribution would not be necessary if the merger with Banco Republica were confirmed; Banco Republica has a high level of capitalization which would allow Banco Mendoza to increase its level of assets.

Banco Republica shows, on its closing balance sheet for June 1998, a loss of $12.3 MM. The principal extraordinary reasons for this negative result are:

1. ($5 MM) various losses - goodwill: Banco Republica, through the acquisition of Banco Mendoza, has taken an extraordinary loss resulting from the incorrect classification of the provincial banks' portfolio. This loss comes to $20 MM, and has been posted to profits and losses by Banco Mendoza monthly

PS000877

(most recent month November 1998), and accrued over 60 months by Banco Republica. Therefore, on the BR balance sheet that closed in June 1998, there are extraordinary losses shown as "goodwill" in the amount of $5 MM and during 1997, $1.2 MM were posted to profits and losses. The remaining $13.8 MM will be absorbed by a "Republica Residual" vehicle which will be a shareholder of the future merged Republica-Mendoza bank with a stake of 31%.

It should be borne in mind that BR has shown positive results in its last two fiscal years, and the loss for this fiscal year is fundamentally the result of BR's 67% stake in Banco Mendoza.

The principal source of funding for BR is its base of deposits, which represents 55% of its funding. Within the composition of its deposits, we find that the principal type of BR deposit is CD's of individuals with substantial assets who trust Raul Moneta. This represents a change with respect to the past, since the number of deposits of institutional investors has decreased.

Second, 45%, is the lines of credit with foreign banks, which BR uses frequently for foreign trade transactions. In addition, BR has lines of credit with local banks such as Galicia, Deutsche, and Sudameris.

Moreover, Banco de Mendoza is now an important source of retail deposits. The shares of CEI can be used to obtain funds abroad, as was demonstrated during the Tequila [crisis].

PS000878

Grupo Republica owns, as offshore vehicles, Federal Bank and Republica Holdings (which includes I.I.U.). These vehicles are generally used for back to back loan transactions with other Argentinian entities or for CEI transactions through Republica Holdings - ex UFCO-).

These types of transactions do not present a significant risk for the Grupo, since the back to back loans are guaranteed with deposits of the beneficiaries of these types of loans.

Finally, I.I.U. is a vehicle that was recently authorized in order to include on its balance sheet the shares of CEI that were recently acquired with the restructuring of this company. As was mentioned above, its owner is Republica Holdings.

PS000879

The most significant exposure we have with this client is the credit issued to UFCO (the Grupo's offshore) for the acquisition of 10% of the shares of CEI. This loan was restructured in March 1997; the present amount of the loan was US$ 31.6 MM payable in 11 half-yearly payments, French repayment system, at a rate of LIBOR + 2%. Of this loan, US$ 20,020,000 remains outstanding, and the next installments are [due] on January 26, 1999 and July 26, 1999 in the amount of US$ 2860 M each. There is a guarantee of 130% with shares of CEI on this loan.

This loan is being paid punctually, and because of the type of guarantee we have, we are not anticipating problems. The collateral and valuation are checked periodically.

PS000880

The bank's Senior Management has a strong relationship with Raul Moneta, who is No. 1 in this group. The relationship came about as a result of the "shareholder" relationship Citibank has with Grupo Republica in CEI (Citicorp Equity Investment). Raul Moneta has easy access to our Senior Management (John Reed, Bill Rhodes, Paul Collins, etc.).

2/4/97

Remarks Grupo Republica CA Nro 21/97

Proposito.

- Revision anual del Grupo Moneta. Se propone en este CA el incremento de la linea de Comercio Exterior y de algunas lineas de settlement y DOD.
- Solicitar por el termino de ~~120~~ 30 dias una extension del prestamo otorgado por International Equity Investment a UFCO SA solicitando la aprobacion de Level 1 por los riesgos inusuales que trae aparejada la transaccion. Este prestamo se encontraba aprobado por el Comite de Creditos del Grupo Industrial con motivos de la adquisicion por parte del Grupo Republica del 10 % de las acciones de CEI en Diciembre de 1992 y solamente figuraba como una nota en el CA del Grupo Republica. BRR recomendo el traspaso de este activo bajo el manejo de Citibank para consolidar en un solo control unit toda la exposicion con el cliente.
  El proposito de la extension es el negociar en ese lapso con el cliente: (i) El repago de al menos u$ 10,000,000.- del prestamo, (ii) Conseguir informacion financiera auditada y el flujo de dividendos proyectados de UFCO con el fin de negociar un plan de repago del prestamo adecuado a dicho flujo.

- Fijar nueva fecha de revision anual de lineas al 31 de diciembre en base al vencimiento de la operacion de UFCO por representar la misma una parte sustancial del O/S con el Grupo Republica.

Riesgos para Citibank.

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Riesgos para Citibank por el resto de las facilidades otorgadas a Banco Republica.

Facilidades por u$ 16.7 MM a un banco risk rating 5 -, clasificadas IA

Justificacion: El tamaño y tenor de las facilidades estan dimensionadas al riesgo.

1. Tamaño: Las facilidades otorgadas representan solo el 12.5 % del patrimonio del banco y el 2.2 % de los pasivos.
2. Tenor: El tenor de las facilidades propuestas es de muy corto plazo, declina rapidamente, quedando solamente como riesgo central a mas de 60 dias u$ 4 MM.
3. 4 MM a mas de 60 dias es una facilidad de Comercio Exterior, cuyo repago desde el punto de vista financiero esta ligado al flujo de fondos de exportacion de los clientes de Banco Republica a lo cual se le agrega desde el punto de vista crediticio la capacidad financiera de BR. Utilizamos esta facilidad como soporte de los sevicios de cash management. La linea representa solamente un 2 % del monto oustanding de financiacion de corresponsales que tiene BR y el 1 % del total de facilidades de corresponsales.

<u>Relacionados con el cliente / riesgos y justificaciones</u>

Banco Republica S.A:

- Inmovilizacion del Capital: Si bien es el banco privado argentino numero 12 en terminos de patrimonio utiliza el 88.3 % de este en la financiacion de inmuebles y participaciones accionarias en compañias (CEI, Republica Valores, Banco de Mendoza y Banco Prevision Social de Mendoza).
  Esta situacion le deja a BR solo un pequeño margen de U$ 11.7 MM para financiar cualquier futura inmovilizacion por morosidad, nuevas inversiones o para absorber

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perdidas eventuales por una abrupta caida del precio de titulos publicos u algun otro evento extraordinario.
Esto esta agravado por el hecho de que Banco Republica limpio la inmovilizacion que le provocaba el Edificio Republica el año pasado en su balance a traves de la venta del mismo a una subsidiaria del Grupo por u$ 90 MM con financiacion del mismo Banco Republica. El repago de este prestamo proviene del flujo de fondos de los alquileres del edificio, lo cual se escalona en un prestamo a 15 años de plazo no financiado con pasivos de largo plazo o el patrimonio aludido libre de inmovilizaciones de u$ 11.7 MM.
Justificacion: La hipoteca esta sobre uno de los mejores edificios de Buenos Aires, el cual esta siendo alquilado a empresas de primera linea que aseguran un flujo de fondos estable (50 % alquilado a la fecha). En caso extremo de necesidad esta hipoteca puede ser descontada a otra entidad que cuente con funding a largo plazo. El diferencial de tasas le provocaria a BR una perdida maxima de u$ 25 MM que puede financiar en un 47 % con patrimonio liquido.

- Rentabilidad: Los bajos spreads como consecuencia del target market de BR al trabajar con empresas de primera linea y la imposibilidad de bajar gastos por tener parte del personal de BR asignado a la tarea inicial de tomar los bancos regionales influyen negativamente en la rentabilidad del banco. Esto pensamos que es de orden temporario y se compensara por una baja de gastos una vez tomado el control de los bancos de Mendoza y Prevision Social y por un aumento de ingresos por las ganancias futuras que estos bancos produciran y Banco Republica cobrara como accionista.

- Liquidez: Por las caracteristicas de los depositos del banco compuestos en gran parte parte por colocaciones de (i) empresas y AFJPs e (ii) private banking directamente en BR y a traves del redeposito en BR de los depositos de este segmento en Federal Bank.
Ambos tipos de depositantes actuan como inversores institucionales retirando rapidamente los depositos ante problemas. De todas maneras la experiencia durante el Tequila ha demostrado que los depositos del private banking, aunque volatiles, son mas estables que los Corporate representando la fuente de funding mas firme del banco.
El prestamo a largo plazo para financiar la compra por parte de una subsidiaria del Edificio Republica crea un riesgo adicional de liquidez (ver inmovilizacion de capital) al estar fondeado por este tipo de depositos.

  Justificacion: BR contrarresta este riesgo de la siguiente manera (i) manteniendo fuertes posiciones de liquidez (los activos liquidos del banco representan el 40 % de los depositos), (ii) financiando el 50 % de sus prestamos con lineas de comercio exterior y no tomando gapping de plazo entre activos y pasivos salvo por el prestamo a largo plazo aludido anteriormente y (iii) manteniendo un leverage conservador con respecto a su capital.
  Como explicaramos en la seccion "riesgo de inmovilizacion de capital" el missmatching de plazos que le produce la financiacion otorgada por el Edificio Republica puede descargarse vendiendo el prestamo con una perdida maxima de u$ 25 MM por diferencia de tasa soportable patrimonialmente por el banco.

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- Expansion negocio bancario: Han adquirido junto con el Grupo Magna el Banco Prevision Social de Mendoza y el Banco de Mendoza los cuales seran fusionados entre si. Conocedores del potencial de la Pcia de Mendoza en donde Raul Moneta cuenta con explotaciones agropecuarias utilizaran el banco para poner un pie en el middle market y retail sin fusionar esta entidad con Banco Republica.

  Riesgo: Esta expansion le significa a Banco Republica el riesgo de (i) una mayor inmovilizacion de su capital (u$ 18MM), (ii) derivar esfuerzos de management hacia otro emprendimiento y (iii) imagen, eventuales perdidas o necesidad de inyectar capital adicional si la performance futura del banco no es la esperada.

  Justificacion : Los riesgos aludidos se contrapesan con (i) Le ayudara a BR en el futuro a terminar de realizar en forma eficiente la racionalizacion de gastos derivando management y costos a Mendoza provocando una mayor eficiencia en BR. De todas maneras seguira significando un esfuerzo de management a nivel accionistas y top management de BR que debera controlar inicialmente el turn over de este banco.
  (ii) Ayudara al Grupo Republica a consolidar su imagen ante clientes como Grupo cuyo focus principal no sea solamente CEI o Real Estate sino con un proyecto bancario integral al entrar en el retail business a traves de una region con gran potencial como es Mendoza.

- Posicionamiento: Como banco activo en trading de titulos publicos debe mantener una posicion como forma de dar un servicio y cotizacion agil a sus principales counterparties constituidas por inversores institucionales del exterior. Esta posicion neta era a septiembre 96 de u$ 40 MM un 30 % de su patrimonio.

  Justificacion: La politica interna del cliente es que la volatilidad de su posicion no pueda afectar en mas de un 15 % su patrimonio. Obviamente la posicion aludida al cierre sigue la politica. El cliente tiene sistemas que controlan limites y volatilidades por titulo publico.

Off-shore risk:

El Grupo cuenta con dos cias off-shores no reguladas ni controladas por el Banco Central de la Republica Argentina con riesgos diferenciales por cia :

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- Federal Bank Ltd: Localizado en Bahamas con u$ 25 MM de capital. Su existencia no esta reportada como vinculada ante BCRA pese a ser un vehiculo bancario (Off Shore categoria D en nuestra politica), lo que lo hace un vehiculo riesgoso per se por tener solamente el control del Banco Central de Bahamas.

  Justificacion: La existencia de este vehiculo se justifica dentro de la estrategia del grupo por la finalidad que cumple : a) Canalizar los clientes del private banking de Banco Republica a los cuales les proveen back to backs y un vehiculo fuera de Argentina donde canalizar sus ahorros, que luego son recolocados en Banco Republica por Federal Bank, constituyendo una de las fuentes de funding mas estable del banco (u$ 34 MM aproximadamente).
  b) Canalizar la liquidez de los socios de Banco Republica y servir con estos depositos y el patrimonio de Federal Bank como bridge financing de prestamos dirigidos a cias vinculadas a CEI
  c) Financiar a UFCO a traves de pases de sus posicion de acciones dandole financiamiento contra las acciones mas liquidas (Telefonica, Telecom) por u$ 20 MM lo que a su vez Federal calza con bancos del exterior.

Estos son los unicos movimientos intercompanies que hay entre empresas del grupo.

Del Grupo:

- Concentracion: Tienen una gran parte de su patrimonio aplicado a financiar la inversion a largo plazo en CEI, lo que les provoca grandes fluctuaciones patrimoniales de acuerdo a la evolucion del precio de esta accion. 1994 y 1995 y 1996 fueron años de fuertes perdidas patrimoniales que netearon en parte las ganancias de 1993.

  Justificacion: CEI invirtio en una canasta de empresas en su mayoria privatizadas con fuerte potencial de crecimiento. Punta a punta la inversion ha sido rentable.

Management:

Character: Raul Moneta es un "entrepeneur" que dedica gran parte de su tiempo al negocio de CEI que por otra parte es donde el grupo tiene gran parte de los activos. Es visto por el mercado como un habil negociador y lobista con empresarios y politicos lo que le permite encarar negocios con agresividad comercial.
Benito Jaime Lucini dedica su tiempo principalmente al banco siendo percibido por el mercado como conservador lo que genera una buena combinacion con Raul Moneta.
La reputacion personal de ambos es intachable siendo esta una de las razones que motivo al Sr management de Citibank en la eleccion de estos como partners del banco en CEI.
Esta asociacion significa tanto para el Grupo Moneta como para Citibank una alianza estrategica a largo plazo, la que requiere por el monto de la inversion y el peso relativo del Grupo Moneta dentro de la misma una interelacion muy fuerte entre ambos y un commitment de ambos de mantener dicha relacion.

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Estructura y Proceso Decisorio: Ademas de los managers citados en la evaluacion el banco cuenta con buen management de segunda y tercera linea como back ups del Sr management.
Han contratado como Sr Management en Mendoza a Eduardo Lede a cargo del negocio de tarjetas de creditos en Citibank Mexico y a Carlos Faisten ex Citibank Buenos Aires Global Consumer. Ambos eran top performers de nuestro banco.
La estructura de controles y el proceso de creditos es el adecuado para manejar los volumenes actuales y el plan de crecimiento de Banco Republica.

Financial Situation.

En $ M	Dec-94	Dec-95	Sep-96	Proy. 97	Promedio Benchmark (*)
Net Worth	100,484	104,738	132,895	139,955	46,000
Assets	842,847	752,580	874,379	951,803	370,000
Deposits	165,332	156,360	170,697	213,325	145,000
Net Income	(5,427)	520	4,146	7,060	(1,000)
NPL/Tot Loans	3.0%	3.5%	2.9%	3.0%	10%
ROE	-5.0%	-3.0%	5.4%	5.0%	-2.1%
Capital/Assets	11.0%	12.0%	13.9%	14.7%	13.0%
Net NPL/NW	0.0%	3.0%	2.1%	3.0%	4.0%

*Se tomaron las cifras de las siguientes entidades: Velox, Mildesa y Piano.

Los estados financieros de la entidad muestran una recuperación desde la caída producida luego de la crisis de Mexico. Los depósitos han recuperado su nivel anterior a la crisis y la cartera de préstamos se ha incrementado sensiblemente. Asimismo, la entidad se encuentra en pleno proceso de reestructuración por la venta del edificio República, la incorporación de acciones de CEI como aporte de capital y la compra de los bancos regionales. A pesar de los resultados positivos registrados en el período, dicha reestructuración ha generado un efecto negativo en los ingresos y egresos de la entidad durante el presente ejercicio comercial, disminuyendo los primeros e incrementado los últimos. Sin embargo, durante los meses de Agosto y Septiembre '96, la entidad ha mejorado sus márgenes financieros lo que demuestra un recupero hacia fin de año en la situación de la entidad.

Risk and Rewards:

Durante 1996 Banco Republica fue una cuenta muy rentable para FI con revenues anuales de u$ 800 M de los cuales u$ 320 M corresponden a una garantia otorgada por nosotros en la privatizacion de los bancos de Mendoza.
Manjamos el clearing en NY del banco los que nos da revenues anuales de u$ 120,000.- lo que nos permite llegar a un PSI de u$ 200 M.
Para 1997 tenemos presupuestado u$ 500 M de ganancias con la cuenta basicamente en cash management, tesoreria y corporate finance sin considerar el prestamo de UFCO que incorporaria u$ 600 M de revenues.

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Conclusiones.

En base a nuestra relacion y conocimiento del Grupo, a la dimension de las facilidades con respecto al patrimonio del mismo y a los riesgos descriptos en el presente CA, apruebo y recomiendo la aprobacion de las facilidades propuestas en el presente CA.

PS018309

Offshore risk:

The group has two offshore companies that are neither regulated nor controlled by Banco Central de la República Argentina with differential risks by company:

PS018310

- Federal Bank Ltd: Located in the Bahamas with US$ 25 MM in capital. Its existence is not reported as linked to BCRA despite being a banking vehicle (offshore category D in our policy), which makes it a risky vehicle per se because of having only the control of the Central Bank of the Bahamas.

  Explanation: The existence of this vehicle is justified in the group's strategy because of the purpose it serves: a) To channel the private banking customers of Banco República to which they provide back-to-backs and a vehicle outside Argentina where they can channel their savings, which are then re-placed in Banco República by Federal Bank, constituting one of the bank's most stable sources of funding (approximately US$ 34 MM).
  b) To channel the cash flow of the partners [TR.: or shareholders] of Banco Repúlica and serve, with these deposits and the assets of Federal Bank, as a bridge, financing loans aimed at companies associated with CEI.

c) To finance UFCO through swaps [TR.: or repos] of their share positions giving it financing against the most liquid shares (Telefónica, Telecom) for US$ 20 MM which, in turn, Federal matches with banks abroad.

These are the only inter-company activities among companies in the group.

Regarding Grupo:

- Concentration: Many of their assets are applied to financing the long-term investment in CEI, which results in major fluctuations of net worth in accordance with changes in the price of this stock. 1994, 1995, and 1996 were years of heavy losses in terms of net worth, which offset some of the 1993 profits.

  Explanation: CEI invested in a "basket" of companies, mostly privatized, with strong potential for growth. Overall the investment has been profitable.

Management:

Character: Raul Moneta is an entrepreneur who spends much of his time on the business of CEI which, moreover, is where the group has many of its assets. He is seen by the market as an able negotiator and lobbyist with businessmen and politicians, which enables him to take an aggressive business approach to negotiations.
Benito Jaime Lucini devotes most of his time to the bank, and is perceived by the market as conservative, making for a good combination with Raul Moneta. The personal reputations of both are unimpeachable, and this is one of the reasons why Citibank senior management chose them as partners of the bank in CEI.
This association means, both for Grupo Moneta and Citibank, a long-term strategic alliance which requires, because of the amount of the investment and the relative weight of Grupo Moneta therein, a very strong interrelationship between both and a commitment by both to maintain that relationship.

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GRUPO MONETA

Financial Highlights - Noviembre 1996

El objetivo del presente memorandum es analizar la situación patrimonial y financiera del Grupo Moneta el que se compone de las siguientes empresas:

Banco República S.A
Federal Bank Ltd.
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Asimismo, se analizarán los movimientos intercompany entre dichas empresas y el flujo de fondos del grupo en su conjunto.

Banco República S.A.

Capital

El Patrimonio Neto del Banco República a septiembre del '96 ascendía a $ 133 MM incrementando $ 29 MM en el periodo Dec'95 - Sep'96. Con fecha 28 de junio de 1996 se efectuó un aporte irrevocable a cuenta de futuros aumentos de capital por $ 25 MM. Dicho aporte se efectuó mediante la integración de acciones ordinarias nominativas no endosables de un voto cada una y de valor nominal $1 emitidas por Citicorp Equity Investments SA. Dicha operación afectó las relaciones técnicas de la entidad hecho que fue exceptuado por el BCRA a través de la resolución especial n°395 del 28/8/96. Adicionalmente, el patrimonio se vio incrementado por el resultado acumulado en el periodo (9 meses) de $4MM.

El capital de la entidad se encuentra inmovilizado en un 91%, resultando un capital líquido del orden de los $ 12 MM. A continuación se detalla la aplicación del PN a sept del '96 :

Bienes Diversos	*34.6*	*26%*
Partic. en otras Soc.	*79.7*	*60%*
Bienes de uso	*7.0*	*5%*
PN Inmovilizado	*121.3*	*91%*
PN Líquido	*11.7*	*9%*
PN Total	*133.0*	*100%*

Durante el presente ejercicio la inmovilización de la entidad se incrementó debido al aporte de los accionistas efectuado en acciones (ver párrafo anterior). EL BCRA ha impuesto limitaciones por esta inmovilización generada en la entidad en cuanto a asistencia financiera a empresas vinculadas pero ha exceptuado a la entidad en requerimientos de liquidez y capitales mínimos. En efecto, a Junio'96 la entidad cumplía con los requerimientos de capital mínimo según dictámen de auditores y poseía $77 MM en exceso lo cual da al banco la posibilidad de crecer significativamente en activos de riesgo.

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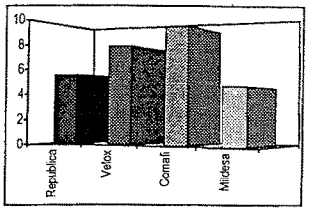
En cuanto al leverage de la entidad:



Banco República presentaba a esa fecha un leverage de 5.6, el cual se encuentra dentro de los parámetros de las instituciones dentro del segmento en el cual compite. El nivel de endeudamiento de la entidad le permite financiarse cómodamente en el mercado de capitales. A Sept'96, la entidad posee ONs outstanding emitidas en 1994 por un total de $ 30MM con vencimiento en el año 2000.

A Septiembre del presente año, BR estaba rankeado (por patrimonio) en el puesto # 16 dentro del total del sistema financiero y # 12 entre las entidades de capital privado.

Activos

Los activos de Banco República a septiembre del '96 totalizaban $ 874 MM y estaban compuestos de la siguiente manera :

	$ MM	*%*
Cash	*15*	*2*
Titulos Públicos	*58*	*6*
Préstamos (netos de prev.)	*381*	*44*
Cred. por Int. Fciera.	*294*	*33*
Otros activos	*4.5*	*1*
Inversiones permanentes	*79.6*	*9*
Intangibles y bs. uso	*41.5*	*4*

Dentro del saldo de títulos públicos, el 50% corresponde a operaciones de pase con el BCRA el que forma parte de la integración del requisito de liquidez. El resto corresponde a tenencia por compra venta o intermediación y se encuentran valuados a mercado.

Adicionalmente al saldo mantenido en cartera, la entidad ha efectuado a Septiembre operaciones de compra-venta a futuro por un neto de ($17 MM) acreedor, monto que debería deducirse del saldo de títulos públicos al cierre.

Cartera de préstamos: A Septiembre de 1996 la cartera de préstamos asciende a $ 390MM y se ha incrementado un 120% con respecto al año anterior. Este saldo ubica a BR en el puesto n°31 en el ranking de préstamos de entidades financieras con una participación del .65%.

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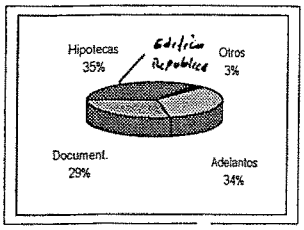
La distribución de la cartera responde al siguiente detalle:



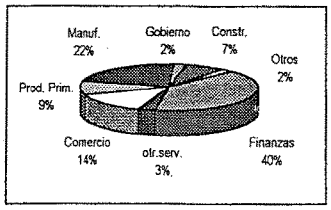
Segun podemos observar, la mayor asistencia crediticia corresponde mayoritariamente a préstamos a corto plazo tales como adelantos y documentos descontados. El saldo correspondiente a hipotecas se incrementó notoriamente durante el ejercicio y se origina en un préstamo a una cía. del grupo por la venta del edificio República (ver análisis de la operación a continuación)

La distribución por monedas muestra una mayor participación de los créditos constituídos en dólares (90%) frente a los correspondientes en moneda local (10%).

Al 30-9-96, los 10 principales deudores (sin considerar tenencias accionarias) concentran el 42% de la cartera. El principal deudor es Republica Cia. de Inversiones con $ 93MM por la operación de venta del edificio República. Esta operación se instrumentó de la siguiente manera: el banco República vendió a RCI el inmueble por $93MM reconociendo una utilidad de $16MM por la venta del inmueble. Al mismo tiempo, otorgó un préstamo hipotecario a RCI a diez años de plazo con intereses y amortizaciones trimestrales por el mismo monto de la operación. Si descontamos este préstamo a cias. vinculadas, los diez ppales. deudores representan el 30% de la cartera. En cuanto a distribución geográfica, la cartera se ubica fuertemente en Capital Federal y provincia de Buenos Aires.

La concentración sectorial, según los saldos de financiaciones por actividad, se compone de la siguiente manera:

El banco muestra una exposición importante en el sector financiero, que representa el 38% de sus préstamos. Sin embargo, debemos tener en cuenta la incidencia del préstamo a República Inversiones por la compra del inmueble, incluído dentro de este sector.
El resto de las industrias no muestran una concentración particular que haya variado con respecto al ejercicio pasado.



Calidad de cartera: la calidad de la cartera continua siendo excelente, reflejando mejores indices que la media del mercado. Solamente el 2.2% de las financiaciones se encuentra en situación irregular, estando previsionada el 84% de la misma ($ 8.9MM). Cabe destacarse que la mora neta sobre el patrimonio es solo del 1.2%. Esta situación se basa en la excelente clientela de la entidad con la cual trabajan desde hace muchos años, representada básicamente por corporaciones de primer nivel.

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Inversiones permanentes: La entidad posee intereses en distintas áreas de negocio, según detalle:

	$ MM
República Valores de Bolsa	*4.2*
Corp. de los Andes SA	*2.8*
Citicorp EISA (CEI)	*58.7*
Banco Mendoza y Prev. Soc.	*13.6*
Otras	*.2*

Dichas inversiones generaron un resultado negativo de $ (6 MM) en el período en análisis (9 meses). La entidad posee participaciones minoritarias en estas entidades y las valúa a valor libros. Esto representa un cambio en el criterio de valuación utilizado en el pasado para CEI ya que le la misma cotiza en bolsa. BR decidió cambiar el criterio debido a la volatilidad de la cotización de CEI la cual afectaba los resultados mensuales de la entidad. El cambio de criterio generó un resultado negativo de $ 5MM durante el período.

Con el aporte de capital de acciones de CEI (ver acápite de capital), BR se excedió en los límites impuestos por BCRA de participación máxima en otras sociedades. El organismo de contralor exceptuó via resolución de fecha 28/8 a la entidad por su participación en CEI.

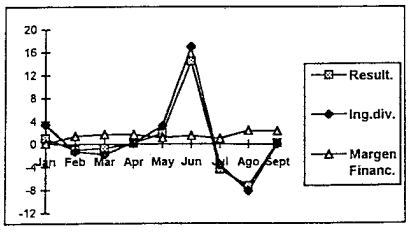
Management

El management del Banco República está altamente profesionalizado e integrado con la empresa. El Directorio del banco cuenta con una larga trayectoria en el negocio bancario y posee el control accionario de la entidad.
El management posee una amplia experiencia bancaria lo que le permite comprender claramente los riesgos de las operaciones asumidas por el Banco; por otra parte, existen sistemas de control que permiten realizar un monitoreo permanente de riesgos.

Resultados

Durante el presente ejercicio el banco generó utilidades por $ 4MM. Este resultado ha mejorado en comparación con el ejercicio anterior: a Sept'95 la entidad mostraba un resultado negativo de ($.3MM). El ROA a Sept'96 asciende a .63% y el ROE a 4.16%.

Los resultados de los últimos 9 meses muestran una significativa volatilidad. Al analizar cada uno de los componentes del cuadro de resultados, vemos que los ingresos diversos poseen la misma volatilidad que los resultados. Las partidas mas significativas dentro de la línea "otros ingresos" a sept'96 son "utilidad por venta bien de uso"($16MM) - por operación del Edificio República - y "pérdida por Inversiones permanentes" ($6MM).



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	1996	1995
Margen Financiero	*13.240*	*20.163*
Comsiones	*1.965*	*775*
Cargos por Incobrabilidad	*(4.776)*	*(1.449)*
Gastos Administ	*(14.012)*	*(11.698)*
Resultado Operativo	***(3.583)***	***6.519***
Otros Ing	*9.129*	*(5.793)*
Impuestos	*(1.400)*	*(1.000)*
Resultado Neto	*4.146*	*(274)*

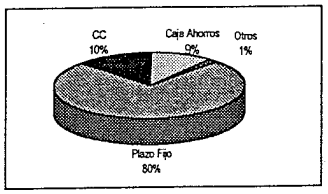
Comparando el balance a Septiembre'96 con igual periodo del año anterior, podemos observar que el banco ha obtenido peores resultados en todas las líneas, excepto por los resultados por comisiones que aumentaron. El margen financiero ha caido a $7MM como consecuencia de la importante reducción de los volúmenes operados, es decir, los ingresos por financiaciones y el resultado títulos públicos. Dichos resultados ascienden a Sept'96 a $ 29MM y $ 5.5MM respectivamente.

El Banco se encuentra incrementando el volúmen de intermediación (los márgenes financieros han aumentado en los últimos dos meses ubicándose en los $2.5 MM a comparación de los $1.5MM promedio entre Ene-Jul) y ya solucionó su principal problema de inmovilización de activos con la venta del edificio República.

Según señalara previamente, el resultado del ejercicio se vio influenciado significativamente por la línea de "otros ingresos y egresos". La pérdida por tenencia de inversiones permanentes se originó en el cambio de criterio de valuación de CEI (ver acápite de assets) y la disminución de República Valores basado en la caída de mas de 30% en el precio de las acciones del Merval en el periodo.

Liquidez

La estructura de fondeo del Banco se concentra en depósitos a plazo fijo y en financiaciones de bancos locales y del exterior. A Septiembre del '96, Banco República captaba el 23% de su funding a través de depósitos, un 74% con financiaciones de otras entidades financieras, un 4% a través de ON y el resto con fuentes diversas.



La distribución de los depósitos entre monedas mantiene la proporción característica de este tipo de entidades : un 63% estaban constituídos en moneda extranjera en tanto el 37% restante en moneda local.
En cuanto a la apertura por tipo de cuenta los plazos fijos concentran el 80%, seguidos por los depósitos en cuenta corriente con el 10% y los correspondientes a caja de ahorros con el 9%.

El banco posee una baja atomización de su cartera de depósitos. El promedio de CD a Sept'96 asciende a $155M y la cantidad de depositantes a 800 aproximadamente. Las AFJP han depositado un total de $20 MM a Sept'96; el banco ha sido calificado S3L3 (muy baja probabilidad de incumplimiento) por la Calificadora de riesgo "Risk Analysis".

Otras Financiaciones incluyen préstamos y pases con otras entidades financieras según detalle:

	$MM
Entidades del país	320
Entidades del exterior	201
Obligaciones Negoc.	30

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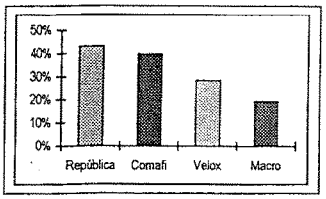
BR continua siendo muy activo en comercio exterior teniendo importantes bancos en el extranjero como corresponsales (Bladex, Deustche Sudamerikanische, Credit Suisse, etc). El banco tiene lineas por aproximadamente $ 300 MM, utilizando en estos momentos $ 200MM.
El Banco República emitió en diciembre del '94 Obligaciones Negociables por u$s 30 MM, a 6 años de plazo, 100% amortizables al vencimiento y con garantía común, con una tasa del 12.125%. Las ON fueron colocadas en el exterior y son utilizadas para fondear los préstamos prendarios e hipotecarios y de esa manera evitar el mismatching de plazos.

Indices de Liquidez : Los índices de liquidez de la entidad al mes de septiembre registraban una cobertura adecuada de sus depósitos :



- Disp.+Tit. Públicos / Activo 8.4% -
- Disp.+Tit. Públicos / Depósitos 43.1% -

En el gráfico a la izquierda se muestra un comparativo de act. líquidos /depósitos el cual nos muestra que, comparativamente, la entidad posee mas respaldo de liquidez sobre depósitos que sus competidores de mercado.

Federal Bank Ltd

Federal Bank es el vehículo off shore del banco con domicilio en Nassau y sus highlights financiero a diciembre '95 (no auditados) son los siguientes:

Disponibilidades	17.049	Depósitos	144.633
Tit. Públicos	424	Otros pasivos *	364.008
Préstamos	153.709	**Total pasivo**	**508.641**
Otros Activos *	361.954		
		Patrimonio	**24.494**
		Resultados	4.741
Total Activo	**533.136**	**Pasivo + NW**	**533.136**

(*) Corresponden a Cpra-Vta de títulos a liquidar.

Los números del banco no han variado significativamente con respecto al año anterior (comparando diciembre-94 y diciembre-95).

Los depósitos del Federal provienen de terceros (principalmente del Private Banking del República) como tambien de los socios o empresas del grupo. De los mismos, el 67% son depósitos a plazo y,dentro de los mismos, el 35% corresponden a títulos públicos.

Del total de la cartera de préstamos, $ 34 MM estan depositados en el Banco República y otra significante porción corresponde a operaciones back to back. Asimismo, el saldo de los depósitos que son del grupo, junto con el patrimonio del banco financian inversiones de capital como adquisiciones y préstamos a algunas empresas de CEI.

Inter Flow

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Como puede notarse la cartera de préstamos no tiene riesgo de terceros ya que las operaciones back to back estan garantizadas por depósitos y las demás financiaciones corresponden al grupo.

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Conclusión

El Grupo Moneta continua siendo uno de los grupos más importantes del país con un patrimonio consolidado (sin tener en cuenta los campos) de aprox. $ 500 MM.

La principal porción del mismo (72 %) corresponde al grupo industrial (UFCO), basicamente en CEI y Telefónica y Telecom. Por su parte el Federal Bank, ha prácticamente dejado de trabajar con terceros (salvo los back to back), para actuar conjuntamente con las empresas del grupo, cooperando con el banco a traves de la captación de depósitos del private banking y financiando a vinculadas de empresas de UFCO.

Hemos analizado los flujos de fondos entre empresas en el análisis individual de cada una efectuado en el presente informe. No hemos encontrado observaciones que destacar. El flujo de fondos analizado refleja los montos promedios históricos de movimientos registrados entre empresas.

Por último, Banco República se encuentra en pleno proceso de reestructuración. Ha logrado disminuir la inmovilización de sus activos y mejorar sus márgenes financieros.

Nov 1996

PS000903

Capital

Banco Republica's net worth as of September 1996 was $133 MM, having increased $29 MM between December 1995 and September 1996. On June 28, 1996, an irrevocable contribution was made toward future capital increases in the amount of $25 MM. Said contribution was made through the incorporation of ordinary, registered, non-endorsable shares issued by Citicorp Equity Investments S.A., carrying one vote per share and with a par value of $1. Said transaction affected the entity's technical relationships; this was exempted by the BCRA through special resolution No. 395 dated August 28, 1996. In addition, the assets increased because of the retained net earnings for the period (nine months) of $4 MM.

Some 91% of the entity's capital is locked up, with the result that the liquid capital is on the order of $12 MM. The allocation of the net worth as of September 1996 is shown below:

Various Assets	34.6	26%
Stake in other companies	79.7	60%
Assets for use in the business	7.0	5%
Locked up net worth	121.3	91%
Liquid net worth	11.7	9%
Total Net Worth	133.0	100%

During the current fiscal year, the amount of the entity's non-liquid investments increased because of the contribution the shareholders made in stock (see previous paragraph). Because of this non-liquid investment, the BCRA has imposed limitations with regard to financial assistance to associated companies, but it has exempted the entity in terms of liquidity and minimum capital requirements. In fact, as of June 1996, the entity met the minimum capital requirements, according to the auditors' report, and had a surplus of $77 MM, which gives the bank the opportunity for significant growth in risk assets.

PS000905

Quality of portfolio: The quality of the portfolio remains excellent, reflecting better ratios than the market average. Just 2.2% of the financing is in an irregular situation, and 84% thereof is covered by reserves ($8.9 MM). It should be pointed out that the net arrears over assets is just 1.2%. The basis for this is the entity's excellent clientele with which it has worked for many years, represented basically by top-flight corporations.

PS000906

Results

During the current fiscal year, the bank generated profits of $4 MM. This is an improvement in comparison with the prior fiscal year: as of September 1995 the entity showed a negative result of ($.3 MM). The ROA [Return on assets] as of September 1996 is .63% and the ROE [Return on equity] is 4.16%.

The results for the last nine months show significant volatility. On analyzing each component of the profit and loss statement, we see that the various revenues have the same volatility as the profits and losses. The most significant entries included in the "other revenue" line as of September 1996 are "profits from sale of assets for use in the business" ($16 MM) - from the Edificio Republica transaction - and "loss from permanent investments" ($6 MM).

[Key to graphic]
Top item: profits and losses
Middle item: various revenue
Bottom item: financial margin

PS000907

	1996	1995
Financial margin	13,240	20,163
Commissions	1965	775
Charges for non-recoverability	(4776)	(1449)
Administrative expenses	(14,012)	(11,698)
Operating profit or loss	(3583)	6519
Other revenue	9129	(5793)
Taxes	(1400)	(1000)
Net profit or loss	4146	(274)

Comparing the balance sheet as of September 1996 with the same period for the prior year, we can see that the bank has achieved worse results on all the lines except for the results for commissions, which increased. The financial margin has dropped $7 MM as a result of the significant reduction in business volume, that is, revenues from financing and the profit or loss [in connection with] government securities. Said results were, as of September 1996, $29 MM and $5.5 MM, respectively.

PS000908

Federal Bank Limited

Federal Bank is the bank's offshore vehicle domiciled in Nassau, and its financial highlights as of December 1995 (not audited) are:

Liquid assets	17,049	Deposits	144,633
Government securities	424	Other liabilities*	364,008
Loans	153,709	**Total liabilities**	**508,641**
Other assets*	361,954		
		Net worth	**24,494**
		Profit or loss	4741
Total assets	**533,136**	**Liabilities + net worth**	**533,136**

(*) Purchase-sale of securities to be liquidated

The bank's numbers have not changed significantly with respect to the previous year (comparing December 1994 and December 1995).

The Federal's deposits come from third parties (principally the Private Banking of Republica), as well as from the group's shareholders or companies. Of these, 67% are term deposits, and 35% of these are government securities.

Of the total loan portfolio, $34 MM is deposited in Banco Republica and another significant amount is associated with back to back transactions. Also, the balance of the group's deposits, together with the bank's net worth, finance capital investments such as acquisitions and loans to some CEI companies.

PS000909

As can be seen, the loan portfolio has no third party risk, since back to back transactions are guaranteed by deposits and the other financing is associated with the group.

[Redacted]

Conclusion

Grupo Moneta remains one of the most important groups in the country with consolidated assets (not counting the fields) of approximately $500 MM.

Most of this (72%) is connected with the industrial group (UFCO), basically in CEI, Telefonica, and Telecom. For its part, Federal Bank has practically stopped working with third parties (except for the back to backs) in order to act jointly with the companies in the group, cooperating with the bank by attracting private banking deposits and financing associates of UFCO companies.

We have analyzed the cash flow among companies in the individual analysis of each performed in this report. We have not found anything of significance to point out. The cash flow analyzed reflects the average historical amounts of movement among companies.

Finally, Banco Republica is in the midst of restructuring. It has decreased the extent to which its assets are locked up and improved its financial margins.

MEMORANDUM ECONOMICO FINANCIERO **Febrero 1995**

BANCO REPUBLICA S.A.

CA 95/101

El presente memorandum se realizó con el objeto de realizar la revisión anual de la línea de crédito del Banco República S.A..

Para ello se tomo como base para el análisis la información suministrada por la entidad al 31 de Diciembre de 1994, información de enero y febrero del 95 y conversaciones mantenidas con Gustavo Staffolini y Pablo Lucini, gerentes comercial y financiero de la entidad, respectivamente.

Es importante tener en cuenta que por un lado se analiza la parte del banco y por otro al banco off-shore del grupo (Federal Bank) REDACTED REDACTED REDACTED

Teniendo en cuenta que esta revisión es a diciembre del 94, y que la crisis se desató el 20 de diciembre, los numeros practicamente no reflejan el impacto. Con el efecto de reflejar el efecto de la crisis, se hizo un update al 15 de febrero, en donde se analiza como hizo el banco para soportar la corrida que tuvo, y cuales son sus expectativas futuras.

LA ENTIDAD

El crecimiento que experimentó Banco República en los últimos cinco años, fue muy importante. Pasó de un patrimonio neto de 35 MM para el cierre del 89, a un PN de 100 MM en el cierre de este año. Esto significó un incremento del 186% en cinco años, fruto de muy buenos resultados obtenidos en su operatoria y en su gestión.

En un principio se orientó a empresas grandes de primer nivel incursionando luego con préstamos a las PyMES. Su cartera de préstamos tuvo un crecimiento muy importante debido a una muy exitosa campaña de expansión, con importantes contactos con empresas nacionales y extranjeras.

En lo que se refiere a nuevos negocios, el banco creó una Banca Privada y una Banca de Inversión en donde participa junto con Citibank, en el holding CEI. A traves de CEI, el banco participó en importantes privatizaciones como la de YPF, Segba y Entel.
También incursionó junto con Citibank y Banco Río, en el negocio de las AFJP, a traves de Siembra.

Su importante actividad de trading, lo convirtió en uno de los 5 operadores más importantes del país. La actividad de la mesa la ha convertido en un verdadera formadora de mercado para distintos papeles.

Las empresas controladas por el banco son:

-República Valores, sociedad de bolsa, que posee dos acciones y que se ubica entre los principales agentes del país.
-República Propiedades: su finalidad es desarrollar proyectos inmobiliarios de gran envergadura, y su principal obra es el edificio inteligente, ubicado en la esquina de Madero y Tucumán, el cual a la fecha está casi terminado.
-Fundación Banco República: ofrece becas, subsidios, patrocinio de cursos, etc.

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Proceso de créditos

Toda autorización para cualquier extensión de crédito deberá contar con la aprobación conjunta de tres miembros como mínimo de un Comité de Créditos integrado a tal efecto que se reunirá regularmente. Las operaciones bajo límite, serán cursadas sólo con la firma del oficial de negocios, que será el encargado de mantenerse atento a las variaciones significativas de rubros que afecten a la empresa que puedan llegar a variar el risk rating del cliente, en cuyo caso los límites quedarán en suspenso, debiendo informar de inmediato a los sectores involucrados y a otros que pudieran procesar nuevas operaciones.

Existen 5 niveles de límites delegados para la aprobación de límites de crédito, de excesos y/o operaciones especiales transitorias. Para tener una idea de los niveles, detallo los nombres de los integrantes de los principales: **Nivel 1**: Benito Lucini y Raúl Moneta; **nivel 2**: Gustavo Stafforini, Juan Bietti, Pablo Lucini y Jorge Maldera y **nivel 3**: Roberto Feijóo y Jorge Thomas.

Los requisitos para la aprovación son los siguientes:
-Hasta U$S 250.000: dos oficiales nivel 5 y uno de nivel 4.
-Hasta U$S 500.000: Un oficial nivel 5, un 4 y un 3.
-Hasta U$S 1.000.000: Un oficial nivel 5, un 3 y un 2.
-Entre U$S 1.000.000 y U$S 2.500.000: Un oficial nivel 5, un 2 y un 1.
-Superior a U$S 2.500.000: Un oficial nivel 5, un 2 y dos 1.

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Comercio exterior

Las actividades de comercio exterior de BR son muy importantes. Opera en la Categoría "C" y tiene líneas con alrededor de 80 bancos por U$S 251 MM, a un año de plazo, de las cuales tenía utilizadas a diciembre del 94, U$S 228 MM.

Este monto de líneas de comercio exterior está experimentando un gran crecimiento con aumentos del 26% con respecto al año anterior y del 164% en comparación al 92.

Las líneas se aplican basicamente a confirmación de cartas de crédito de importación, prefinanciación de exportaciones y avales.

Las principales líneas son:

BANCO	LINEA	UTILIZACION	Paises que abarca
B.L.A.D.E.X.	20.000	20.187	USA-Panamá
Deutsche Sudamerikanische Bank	16.162	21.877	Alemania-USA
Credit Suisse	15.292	16.149	Suiza-Italia USA-Francia-Japón-Suiza
First Union National Bank of Florida	14.000	8.739	USA
Swiss Bank Corporation	12.000	18.544	Hong Kong-USA-Suiza
American Express Bank	12.000	8.561	USA-Corea-Taiwan
ANZ Bank	12.000	12.054	USA-Corea
Union Bank of Switzerland UBS	11.469	16.392	Hong Kong-Gran Bretaña-Suiza-USA-Japón
Dresdner Bank A.G.	9.697	5.747	Alemania-Hong Kong-USA-Japón
Arab Banking Corporation	8.000	8.256	USA
Bayerische Vereinsbank	6.464	5.517	Hong Kong-Alemania-USA-Japon
Total de las principales lineas	137.084	142.023	
Total de líneas	250.778	227.664	

Posee sistemas de comunicaciones muy modernos, lo que le permite efectuar negocios con cualquier lugar del mundo. También tienen muchas expectativas de negocios con la puesta en marcha del **Mercosur**, en donde han establecido una red de bancos corresponsales y convenios con sociedades brasileñas.

PS018585

Ranking de ABRA de Agosto del 94

Los parámetros más relevantes para medir la posición del banco en el mercado se detallan en el cuadro adjunto.

CONCEPTO	BCOS PRIV.	BCOS TOTAL
Depósitos	22	61
Préstamos	11	32
Activos	9	21
Pat. Neto	9	22
Resultados	60	127
ROA	57	121
ROE	57	122
Leverage	15	34

Por un lado se tomó el ranking de bancos privados de capital nacional (SA) que a Agosto totalizaban 63 y por otro, el del total de bancos del sistema financiero, que eran 166.

Vemos al BR ubicado entre los principales bancos en patrimonio neto, activos y préstamos. No así en los incices que incluyen resultados, ya que tuvo pérdida en el 93.

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SITUACION PATRIMONIAL AL 31/12/94 (en miles)

A continuación presentamos el balance correspondiente al cierre anual del 94 y su evolución con respecto al mismo periodo del 93.

	Dic 93	Dic 94	Variac.		Dic 93	Dic 94	Variac.
Activos				**Pasivos**			
Disponibilidades	15.653	25.682	64%	Depósitos	190.515	165.332	-15%
Titulos Públicos	29.881	32.890	10%	Otras Oblig. x Int.Fin	566.743	559.872	-1%
Préstamos	349.445	440.162	26%	Previsiones	10.561	10.620	1%
Otros Créd. x Int. Fin	379.595	274.808	-38%	Otras Obligaciones	13.002	17.158	32%
Partic. en otras Soc.	42.491	30.113	41%	**Total Pasivo**	780.821	752.982	-4%
Activos Fijos	31.299	38.811	24%				
Otros Activos	28.836	11.180	-158%	**Patrimonio Neto**	96.379	100.484	4%
Total Activo	877.200	853.466	-3%	**Pasivo + PN**	877.200	853.466	-3%

Net Income	21.806	(5.427)
ROE	23%	(5%)

CARTERA ACTIVA

Préstamos

Los préstamos del BR ascendieron a diciembre del 94 a 440 MM, registrando un incremento del 26% con respecto al año anterior. Según el ranking de ABRA, se ubica 11 entre los bancos privados con un market share del 1.64%.

El 68% de la cartera se dirigió al sector privado, mientras que el 32% restante se divide en el 26% al sector financiero y el 6% al sector público.

Con respecto a los préstamos al sector público, son préstamos a algunas provincias, que tiene garantía de la coparticipación.

Dentro del sector privado, se observa que el 83% de los préstamos son documentos y adelantos y en el sector financiero son todos préstamos call.

La dolarización de los préstamos es del 65%

PS018586

La distribución de los préstamos es la siguiente:

	$	%	%	US$	%	%	Total	%	%
Financiero									
- Préstamos call	99285	100%	65%	14028	100%	5%	113313	100%	26%
Sector Público									
- Adelantos	20220	100%	13%	6134	100%	2%	26354	100%	6%
Sector Privado									
- Doc. y adelantos	32367	96%		215047	81%		247414	83%	
- Hipotecarios	0	0%		14557	5%		14557	5%	
- Prendarios	0	0%		449	0%		449	0%	
- Personales	53	0%		0	0%		53	0%	
- Títulos públicos	430	1%		16891	6%		17321	6%	
- Otros préstamos	-13	0%		18736	7%		18723	6%	
- Intereses deveng.	827	2%		509	0%		1336	0%	
Sub-total	33664	100%	22%	266189	100%	93%	299853	100%	68%
Total	153169		100%	286351		100%	439520		100%

En cuanto a los préstamos por actividad. la mayor concentración se produce en las industrias manufactureras, y dentro de la misma entre productos alimenticios. papel y industrias metálicas básicas representan más del 50% del total de esa actividad.

Produccion. Primaria	29 MM	10%
Ind. Manufacturera	78 MM	27%
Construcción	43 MM	15%
Servicios y finanzas	71 MM	25%
Comercio Mayorista	15 MM	5%
Comercio Minorista	24 MM	9%
Diversos	26 MM	9%

Otra actividad importante es la referida a servicios y finanzas. en donde concentra en servicios gubernamentales la mayoria de esta actividad.

Los principales deudores al 31/12/94 eran los siguientes:

1-Citicorp Equity Invest. S.A.	24.774			24.774
2-Provincia de Chaco	23.955	20.219		3.736
3-Citiconstrucciones S.A.	12.497			12.497
4-Aerolineas Argentinas	10.697			10.697
5-Banco Industrial de Com. S.A.	10.360			10.360
6-Sociedad Rural Argentina	8.977			8.977
7-Harengus S.A.	8.356			8.356
8-Acindar S.A.	6.837			6.837
9-Siderar SAIC	6.511			6.511
10-Celulosa Argentina S.A.	6.363		5.978	385
11-Provincia de Rio Negro	6.134	6.134		
12-Wairoa S.A.	6.091	5.673		419
13-Lehman Brothers	5.994			5.994
14-Descartables Argentinos	5.532	1.359		4.173
15-Lloyds Bank PLC (Brasil)	5.069			5.069
16-Coviares S.A.	5.020		5.020	
17-Guillermo Decker S.A.	4.825	328	4.497	
18-Man. de Fibras Sintéticas S.A.	4.559	3.032		1.526
19-Emprendimientos Recoleta	4.530			4.530
20-Los W S.A.	4.298			4.298
21-Corp. Obras y Servicios S.A.	4.101	4.101		
22-Banco BMC S.A.	3.890			3.890
23-República Valores S.A. *	3.780			3.780
24-Cointel	3.679			3.679
25-RBK Argentina S.A.	3.625			3.625
Totales	**190.454**	**40.846**	**15.495**	**134.113**
	100%	21%	8%	71%

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1-Por una disposición del BCRA. se debe exponer dentro de la lista de deudores a la participación en otras sociedades. Esto significa que ese monto no es un préstamos. sino que es la tenencia de acciones.

2-El préstamos está garantizado casi en su totalidad por fondos de la coparticipación.

3-Esta empresa pertenece a UFCO. que a su vez Raúl Moneta es dueño del 100% de las acciones.

11-El préstamos esta garantizado en su totalidad con fondos de la coparticipación.

19-La empresa propietaria del shopping. pertenece al grupo Perez Companc.

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22-Banco Brasilero
23-Valen los mismos comentarios que para CEI.

Es importante destacar, que dentro de los 25 principales deudores, se encuentran todos en una situación normal.

Entre los 25 deudores que figuran en el cuandro, concentran el 43% de los préstamos. Entre los 50 principales el 59%. El total de préstamos lo compones 489 empresas. Dentro del total de préstamos, el 14% tiene garantía preferida y el 15% otras garantías.

Esta concentración de los préstamos es normal, teneniendo en cuenta que el negocio del banco es netamente mayorista.

Es importante hacer mención a la evolución que tuvieron los préstamos en enero y febrero. Para sostener la caída de depósitos, se recuperaron préstamos por 61 MM, de los cuales 23 MM fueron ventas de cartera.

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Inversiones

La posición neta de títulos públicos al cierre de diciembre era la siguiente:

Título	Stock (VN) 29/12/94	Cotiz.	Total
Bonex 89	(24.739)	0.5850	(14.472)
Pre 2	(2.301)	0.7510	(1.728)
Pre 4	3.016	0.5900	1.779
Pre 1	(600)	0.5400	(324)
FRB	1.900	0.6212	1.180
Bic 5	7.842	0.5650	4.431
Bote 1	250	0.3265	82
Bote 10	12.700	0.7425	9.430
Bic 1	8	18.5	148

Los títulos que figuran entre paréntesis, significa que tienen una posición vendida.

La idea al posicionarse con estos títulos era tener calzada la posición vendida de Bonex 89 contra la posición comprada de Bic 5 y de Bote 10. A diciembre esta posición estaba calzada. En febrero del 95 la posición de Bonex 89 se redujo a la mitad.

Tuvieron pérdidas importantes con el Bic 5 y el Bote 10, que fue compensada en parte por la ganancia que tuvieron con el Bonex 89.

Mora

Antes que nada aclaramos que estas cifras nos las proporcionaron al 31 de enero del 95, por lo cual no coincide con el total de préstamos a diciembre del 94.

La cartera de BR estaba clasificada a enero 94 de la siguiente manera (en millones):

Situación normal	401.9	94%
Riesgo potencial	12.6	3%
Con problemas	6.1	2%
Alto riesgo de insolvencia	0.7	0%
Irrecuperable	5.9	1%
Total mora	12.7	100%
Previsiones	10.6	83%
Mora neta	2.1	17%
Mora neta / P.N	2%	
Mora neta / Préstamos	0.5%	
Mora Total / Préstamos	3%	

Se puede observar en el cuadro que los niveles de mora son muy bajos en comparación con el mercado, inclusive descendieron con respecto al año anterior.

Es un punto a destacar la calidad de la cartera, ya que hay pocos bancos con moras tan bajas, sobretodo teniendo en cuenta que la actividad se mantuvo en los niveles del año pasado y la mora ha descendido.

Nos comentaron que tienen problemas con Roggio, Zanon y Alto Paraná.

PASIVO

Depósitos

Los depósitos del banco a diciembre eran de 165 MM. En comparación con el año anterior, sufrieron una disminución del 15%, debido al retiro de fondos que tuvo en los últimos días del año por la incertidumbre del mercado financiero causado por la devaluación de la moneda mejicana.

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Al cierre, los depósitos estaban dolarizados en un 61%.

La distribución de los depósitos es la siguiente:

TIPO	$	%	US$	%	TOTALES	%
Cuenta Corriente	6.275	10%	760	1%	7.035	4%
Caja de Ahorro	1.591	3%	2.189	2%	3.780	3%
Plazo Fijo	53.201	87%	96.622	95%	149.823	92%
Otros	39	0%	610	0%	649	0%
Int.dev. a pagar	351	0%	1.564	2%	1.915	1%
Totales	61.457	100%	101.745	100%	163.202	100%

Se observa en el cuadro precedente que casi el total de los depósitos son a plazo fijo (92%) y una porción muy chica entre cuenta corriente y caja de ahorro.

A mediados de febrero, los depósitos son de 83 MM y esperan una caída de 15 MM más para los próximos 60 días. Los financiaron basicamente con disponibilidades, con recuperos de préstamos y con la emisión de ON por 3 MM a 3 años calificadas "A" por PCA y Risk Annalysis. Perdieron todos los depósitos de inversores extranjeros, el 65% de los de empresas nacionales y el 15% de los de particulares.

Funding

La estructura de financiamiento de los préstamos vía cartera de depósitos es la siguiente:

Prestamos	440.162
Otros creditos	274.808
Total	**714.970**

Depósitos	165.332
Otras oblig.	559.872
Total	**725.204**

Por ser un banco mayorista, no tienen estructura de captación, salvo por la casa central y la mesa. Su funding es basicamente a traves de depósitos, corresponsales nacionales, bancos extranjeros y el mercado de capitales.

La estructura de funding tuvo un leve variación con respecto al año anterior, en donde el 26% de sus fondos provenían de depósitos. En el 94 ese porcentaje fue del 23%.

Al cierre del 94, el banco tenía un exeso de capacidad prestable de 10MM, que son principalmente los encajes por los depositos que tienen.

Otra fuente alternativa para su fondeo es a traves de ON que emitieron durante el 94 y tienen una duración de 3 años. El monto de la emisión fue de US$ 30 MM. Estas ON fueron calificadas "A" por 2 calificadoras de riesgo, PCA SA y Risk Annalysis. El Lead Manager fue HSBC Markets Limited y los Co-lead Managers Deutsch-Sudamerikanische Bank, Swiss Bank Corporation y por Union Bank of Switzerland.

Debido a la caida que sufrió el sistema financiero desde fines del 94, el banco perdió 97 MM de depósitos, que fueron financiados con recupero de préstamos, ventas de cartera, diponibilidades y la emisión de las ON que se mencionan en el párrafo anterior.

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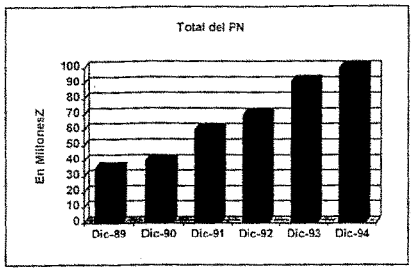
PATRIMONIO NETO

El crecimiento que tuvo el Patrimonio Neto del banco durante los últimos años fue muy importante. A diciembre del 89, el PN del BR ascendía a $35 MM y a diciembre del 94 su PN es de $ 100 MM. Esto significa un crecimiento del 186% en solo 5 años, fruto de una gran reestructuración que tuvo el banco a partir de los primeros meses de 1990, en donde se profesionalizaron los cuadros directivos y se incorporó personal en áreas criticas, y de una muy exitosa gestión desde ese año a la fecha.



En el gráfico se puede observar claramente la evolución que tuvo el PN del banco desde el 89 al 94, lo que le permitió ubicarse en los "top ten" de los bancos privados (Sociedades Anónimas).

Es importante aclara que en este ejercicio hubo un aporte de los socios de 10 MM, lo que hizo incrementar el PN en esa cifra.

El PN líquido es el siguiente (en millones):

PN total	100	100%
Activos fijos	39	39%
Part. otras soc sin cotiz	5	5%
PN líquido	**56**	**56%**
PN inmovilizado	**44**	**44%**

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Los 5 MM en participación de sociedades que no cotizan son sus controladas República Valores Sociedad de Bolsa y República Propiedades.

En cuanto al **capital mínimo** a diciembre del 94, el banco tiene un capital de $108.6 MM y el mínimo es de $61.9 MM, lo que significa un exceso del 75%.
Este punto no ofrece mayores riesgos debido a que el exceso de capital es muy importante.

RESULTADOS

En el cuadro que se muestra a continuación se detalla un análisis comparativo de los resultados de los últimos 2 años, a efectos de comprender mejor la situación:

Concepto	Dic 93	Dic 94
Ingresos financieros	68.779	33.953
Egresos financieros	32.929	40.072
Margen financiero bruto	**35.850**	**13.881**
Cargos por incobrabilidad	5.992	3.670
REI	(517)	(3.810)
Margen financiero neto	**29.341**	**6.401**
Comisiones netas	6.821	8.055
Utilidad bruta	**36.162**	**14.456**
Gastos operativos	12.363	15.713
Utilidad operativa	**13.799**	**(1.257)**
Utilidad/Pérdidas diversas	683	(2.426)
Resultado monetarios	499	556
Utilidad neta antes de imp.	**24.981**	**(3.127)**
Impuestos	3.175	2.300
Utilidad neta	**21.806**	**(5.427)**

Es importante mencionar que operativamente el banco no perdió plata. El resultado negativo de 5.4 MM se debió a la pérdida de cotización que tuvieron las acciones del CEI que están en cabeza del banco.

Estas pérdida de cotización se incrementó en gran forma en enero y febrero de 1995, debido a la baja que sufrieron todos los papeles principalmente por el efecto de la devaluación mexicana.

PS018590

Se puede observar al analizar el margen financieron bruto. la baja de los spreads que hubo durante el 94, sumada a la baja en la cotización de los títulos.

En cuanto a las **tasas** que se venían manejando antes de la crisis y ahora, piensan compensar la baja del volumen de operaciones con la suba de spreads.

Los spreads promedio los vemos en el siguiente cuadro:

	$	US$
al 31/12/94	5.50	3.25
ahora	7.00	4.30

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Los gastos operativos ascienden a 15.7 MM, un 30% mayor a los del año anterior. Del total de gastos, el 74% son gastos en personal.

En este punto es importante mencionar que el banco está por encarar una importante reestructuración, la cual va a causar el despido de unas 50 personas aprox. con el objetivo de llevar los gasto administrativos a 1 MM por mes.
La razón de esta reestructuración es que ha habido una gran caída de la actividad, causada por la crisis que se desató a fin del 94, lo que llevó la actividad del banco al 20% de lo que operaba anteriormente.

Las comisiones, ascendían a diciembre a 8.1 MM, lo significa un incremento con respecto al año anterior del 18%.

Si analizamos la relación comisiones/gasto nos da que los gastos son cubiertons en un 52% por las comisiones. porcentaje razonable para un banco mayorista.

Liquidez y leverage

Buenos activos líquidos en comparación al mercado mayorista.

Los activos líquidos de BR son los siguientes:	-Disponibilidades	25.7 MM
	-Títulos Públicos	32.9 MM
	-Acciones con cotiz.	25.1 MM
	Total	**83.7 MM**

Este monto de activos liquidos representa el 10% del activo y el 51% de los depósitos.

La posicion de call del banco a diciembre y a la fecha (10 de febrero) es la siguiente:

en MM	Dic 94	Feb. 95	Variación
Call Activo	67.7	18.5	51.2
Call Pasivo	105.5	31.5	74.1
Total	35.5	13	22.9
Call neto/Préstamos	8%	5.2%	

Antes que nada es importante aclarar que el banco es un tomador de call en el mercado. aunque lo están reduciendo.

Perdieron call por 22.9 MM al 10 de febrero y esperan perder 5 MM más al 1 de abril.

El leverage del banco tuvo un crecimiento sostenido en los últimos 4 años y aunque sigue siendo bajo con relación al mercado, tienen gran capacidad para crecer.

Dic 91	Dic 92	Dic 93	Dic 94
0.76	1.94	3.54	3.98

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Federal Bank (FB) REDACTED

El FB. banco off-shore del BR también sufrió el impacto de la crisis.

Sus activos cayeron de 100 MM a 80MM de Diciembre a Febrero. Perdieron depósitos por 31MM financiado basicamente con disponibilidades y con recupero de préstamos.

Al 1 de Abril, estiman una caída de 3 MM más.

EL patrimonio neto de la empresa es de 20 MM.

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CONCLUSION

Luego de haber analizado toda la info que nos dieron, sumados a las explicaciones que tuvimos en la reunión, se pudo ver que la situación financiero del banco al cierre de ejercicio es sólida. Se analizó también como financió el banco la corrida a partir de la última semana del 94 durante casi 2 meses, basicamente con recupero de cartera y con la emision de la ON.

Tienen algunos puntos importantes para destacar como ser que su capitalización supera ampliamente sus necesidades, la calidad de su cartera, que ha demostrado capacidad para superar la crisis financiera y que presenta buenas perspectivas para los proximos meses. Por el otro lado, su rentabilidad es uno de los puntos de seguimiento. Debería crecer su margen financiero frente al positioning.

La operación se está retomando de a poco, las líneas de crédito están volviendo a operar y de no agravarse la crisis no tendrian problemas en el futuro. El negocio ha sufrido una gran caida en los dos primeros meses del 95, pero aunque no piensan llegar a los niveles del 94, estiman que su negocio, una vez finalizada la crisis, sea de unos 500MM.

Por todo lo expuesto, sumado a la muy buena relación que se mantiene con ellos, en donde tenemos al banco de socio en varios negocios, considero que es un riesgo de crédito razonable.

JULIO S. FIGUERO-

IX

PS048584

With regard to new business, the bank established a Private Bank and an Investment Bank in which it participates, together with Citibank, in the CEI holding company. Through CEI, the bank had an interest in significant privatizations, such as YPF, Segba and Entel.

It also made incursions, together with Citibank and Banco Río, into the AFJP [Retirement and Pension Funds Administrators] business, through Siembra.

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It is important to mention that the bank did not lose money from operations. The 5.4 MM loss was due to the loss in value in the CEI shares that are owned by the bank.

PS018592

Federal Bank (FB) [redacted]

FB, off-shore bank of BR, also felt the impact of the crisis.

Its assets fell from 100 MM to 80 MM from December to February. It lost deposits of 31 MM financed basically with disposable assets and with the recovery of loans.

As of April 1, they estimate a drop of 3 MM more.

The company's net worth is 20 MM.

CA 21/95 9/2/95

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Remarks Grupo Moneta (ORR 6 - Facilities Classified IA).

Proposito

Recomendar al Comite de Creditos la renovacion de las facilidades crediticias con el Grupo Moneta por el termino de un año.
Si bien se incluye en los remarks un analisis de los riesgos del grupo, las facilidades son solamente para Banco Republica, lo que no implica que case by case se puedan analizar transacciones para otros vehiculos del Grupo.
Las lineas anteriores de Banco Republica fueron fijadas durante la crisis financiera del año 95, siendo minimas en comparacion al patrimonio del banco y del grupo.
El CA propuesto presenta una operacion especial de corto plazo de u$ 14.5 MM constituida por una garantia de oferta en la privatizacion de los dos banco de la Pcia de Mendoza y un incremento en las lineas de corto plazo de call y placement por u$ 2 MM y en las lineas de PSR por u$ 4.5 MM, este incremento se recomienda basado en la reduccion tanto del riesgo del cliente como del riesgo del sistema financiero con respecto a nuestro ultimo CA y del aumento de los volumenes operados en el mercado.
Otro punto importante que contrapesa el aumento aludido es la cancelacion del prestamo otorgado a Federal Bank Intl (u$ 3 MM) al cual no le estamos otorgando lineas en esta propuesta.

- Perform monthly CCR (MARCH).

Riesgos:

Riesgos para Citibank / Justificaciones:

Podemos dividirlos en dos: a) Facilidades por u$ 29.2 MM a un banco risk rating 6, lo que representa 2.6 veces las facilidades otorgadas en el ultimo CA (otorgadas durante la crisis) y que fueran clasificadas en ese momeno como IA.

Justificacion: Las facilidades otorgadas se componen de la siguiente manera:

1. u$ 14.5 MM operacion especial, garantia de oferta en la privatizacion de los bancos Prevision Social y Provincia de Mendoza exigida en toda privatizacion de una empresa publica en Argentina. Se trata de un riesgo contingente para Citibank de corto plazo, que esta adecuadamente cubierto por la liquidez de Banco Republica y que tiene alta visibilidad publica en caso de incumplimiento por lo que BR se ha asegurado los recursos necesarios para hacer frente al pago en caso de resultar ganador.
2. Tamaño: Una vez cancelada la operacion especial el nivel de facilidades remanentes representan solamente el 15 % del patrimonio de Banco Republica, un 3 % de sus pasivos y un 18 % de su liquidez.
   Previo a la crisis Citicorp a nivel global tenia facilidades otorgadas a BR por u$ 52 MM (u$ 21 MM Citibank y u$ 31 MM IEI).
3. Tenor: El tenor de las facilidades propuestas es de muy corto plazo, declina rapidamente, quedando solamente como riesgo central a mas de 60 dias u$ 2 MM.
4. 2 MM a mas de 60 dias es una facilidad de Comercio Exterior y cuyo repago esta atado a este producto desde el punto de vista de los clientes de BR mas la propia capacidad financiera del banco. Utilizamos esta facilidad como soporte de los sevicios de cash management.

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Relacionados con el cliente / riesgos y justificaciones

Banco Republica S.A:

- Inmovilizacion del Capital: Si bien es el noveno banco privado argentino en terminos de capital tiene inmovilizado el mismo con inmuebles lo que le deja estrecho margen para financiar nuevas inmovilizaciones por morosidad, prestamos de largo plazo o perdidas extraordinarias por caida abrupta del precio de los titulos publicos.
  Justificacion: El edificio que le produce el desbalance estara terminado en junio y estan buscando realizar un sale and lease back del mismo, lo que debera esperar a la finalizacion del edificio y al alquiler del mismo.
  En el worst case scenario seguira en libros alquilado a terceros lo que ira desinmovilizando el patrimonio lentamente por las ganancias que generarian dichos alquileres estimadas en uS 10 MM anuales. Estimamos que este flujo empezara a rendir resultados en el año 1997.

- Rentabilidad: La rentabilidad del banco esta altamente influida por las variaciones en el valor de cotizacion de CEI y por tener todo su patrimonio aplicado a financiar inmuebles que al estar en construccion no tienen retorno sobre capital. Ambos factores sumados han provocado que el retorno sobre capital del banco en 1995 sea practicamente nulo y que en 1994 perdieran un 6 % sobre patrimonio.
  Justificacion: Se espera que ambos factores dejen de influir significativamente durante 1996 por la finalizacion del edificio y por estar CEI retrasada con respecto a otras acciones que cotizan en bolsa.
  Asimismo el banco ha reducido sus gastos en u$ 4 MM y espera crecer moderadamente en activos superando su break even operativo independientemente del retorno por alquileres.
  La eventual compra del Banco de Mendoza ayudara tambien a BR a terminar de recortar sus gastos operativos.

- Liquidez: Por las caracteristicas de los depositos del banco compuestos en gran parte parte por colocaciones de empresas e individuos a traves del redeposito en BR de los depositos del private banking de Federal Bank. Estos depositantes pueden actuar como inversores institucionales retirando rapidamente los depositos ante problemas. Cabe aclarar que los depositos del private banking demostraron ser mas estables que los Corporate durante la ultima crisis representando la fuente de funding mas estable del banco.
  Justificacion: BR contraresta este riesgo manteniendo fuertes posiciones de liquidez (40 % de los depositos y lineas de call) y financiando el 40 % de sus prestamos con lineas de comercio exterior lo que mantiene calzado su activo y pasivo.
  Asimismo mantiene una adecuada politica de matching de plazos entre depositos y prestamos no incursionando practicamente en negocios prendarios e hipotecarios y un leverage conservador con respecto a su capital.

- Expansion negocio bancario: Tienen como objetivo comprar junto con el Grupo Magna el Banco Prevision Social de Mendoza o el Banco de Mendoza por el cual han licitado. Conocedores del potencial de la Pcia de Mendoza en donde Raul Moneta cuenta con

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explotaciones agropecuarias utilizaran el banco para poner un pie en el middle market y retail sin fusionar esta entidad con Banco Republica.

Riesgo: Esta expansion le significa a Banco Republica una mayor inmovilizacion de su capital (aprox u$ 5 a 10 MM) y el derivar esfuerzos de management hacia otro emprendimiento.

Justificacion : A) La inmovilizacion contara con funding a 7 años del fondo fiduciario por hasta 2 veces el monto de la inversion mejorando tambien el balance de BR por obtener funding largo para calzar parte de sus inmuebles hasta encontrar un modo de venderlos u realizar un sale and lease back de largo plazo.
B) Le ayudara a BR a terminar de realizar en forma eficiente la racionalizacion de gastos derivando management y costos a Mendoza provocando una mayor eficiencia en BR. De todas maneras seguira significando un esfuerzo de management a nivel accionistas y top management de BR que debera controlar inicialmente el turn over de este banco.
C) Ayudara al Grupo Moneta a consolidar su imagen ante clientes como Grupo cuyo focus principal no sea solamente CEI o Real Estate sino con un proyecto bancario integral al entrar en el retail business a traves de una region con gran potencial como es Mendoza.

Off-shore risk:

El Grupo cuenta con dos cias off-shores no reguladas ni controladas por el Banco Central de la Republica Argentina con riesgos diferenciales por cia :

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- Federal Bank Ltd: Localizado en Bahamas con u$ 25 MM de capital. Su existencia no esta reportada como vinculada ante BCRA pese a ser un vehiculo bancario (Off Shore categoria D en nuestra politica), lo que lo hace un vehiculo riesgoso per se por tener solamente el control del Banco Central de Bahamas.
  Justificacion: La existencia de este vehiculo se justifica dentro de la estrategia del grupo por la finalidad que cumple : a) Canalizar los clientes del private banking de Banco Republica a los cuales les proveen back to backs y un vehiculo fuera de Argentina donde canalizar sus ahorros, que luego son recolocados en Banco Republica por Federal Bank, constituyendo una de las fuentes de funding mas estable del banco (u$ 34 MM en diciembre).
  b) Canalizar la liquidez de los socios de Banco Republica y servir con estos depositos y el patrimonio de Federal Bank a soportar adquisiciones o dar prestamos a empresas de CEI tomando como limite para esta actividad el que deba ser fondeada con liquidez propia y no de terceros.

Del Grupo:

- Concentracion: Tienen una gran parte de su patrimonio aplicado a financiar la inversion a largo plazo en CEI, lo que les provoca grandes fluctuaciones patrimoniales de acuerdo a la

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evolucion del precio de esta accion. 1994 y 1995 fueron años de fuertes perdidas patrimoniales que netearon las ganacias de 1993.
Justificacion: Se trata de una inversion en una canasta de empresas en su mayoria privatizadas con fuerte potencial de crecimiento. Punta a punta la inversion ha sido rentable.

Management:

Ver management evaluation para mas detalle.

Character: Raul Moneta es un "entrepeneur" que dedica gran parte de su tiempo al negocio de CEI que por otra parte es donde el grupo tiene gran parte de los activos. Es visto por el mercado como un habil negociador y lobista con empresarios y politicos lo que le permite encarar negocios con agresividad comercial.
Benito Jaime Lucini dedica su tiempo principalmente al banco siendo percibido por el mercado como conservador lo que genera una buena combinacion con Raul Moneta.
La reputacion personal de ambos es intachable siendo esta una de las razones que motivo al Sr management de Citibank en la eleccion de estos como partners del banco en CEI.
Esta asociacion significa tanto para el Grupo Moneta como para Citibank una alianza estrategica a largo plazo, la que requiere por el monto de la inversion y el peso relativo del Grupo Moneta dentro de la misma una interelacion muy fuerte entre ambos y un commitment de ambos de mantener dicha relacion.
Estructura y Proceso Decisorio: Ademas de los managers citados en la evaluacion el banco cuenta con buen management de segunda y tercera linea como back ups del Sr management. Algunos de estos seran destinados a Mendoza en caso de ganar la licitacion.
La estructura de controles y el proceso de creditos es el adecuado para manejar los volumenes actuales y el plan de crecimiento del banco.

Situacion Financiera:

El siguiente cuadro refleja los principales números del banco en comparación con otros bancos de plaza de su mismo segmento (los 4 mejores):

As of January 96

	REPUBLICA	VELOX	GRAL.NEG.	COMAFI	EXPRINTER
NET WORTH	105,670	55,474	64,795	33,431	32,105
ASSETS/NW	8.47	8.49	9.73	7.14	5.68
LIQUID CAP*/NW	-4%	19%	43%	53%	24%
NSD/NW	2%	20%	16%	2%	14%
TOTAL ASSETS	895,365	470,891	630,528	238,734	182,480
TOTAL FINANCING	239,764	385,248	287,040	93,366	45,845
CORP LOANS/TOT FINAN	98%	87%	85%	96%	59%
SD/FINANC	4%	11%	8%	1%	21%
NSD/FINANC	1%	3%	4%	1%	10%
PROV/SD	74%	73%	54%	56%	53%
NET INCOME	1,000	105	831	2,810	1,177
ROE	11%	1%	15%	14%	11%
ROA	1.3%	0.1%	1.6%	2.0%	1.9%
COMISION/EXPENSES	8%	25%	78%	44%	62%
LIABILITIES	789,695	415,417	565,732	205,303	150,375
DEPOSITS	160,776	201,619	238,793	33,221	54,872
LIQ ASSETS*/DEPOSITS	50%	26%	51%	106%	60%

Como conclusión de este cuadro puede destacarse Banco República es el banco más capitalizado, el de mejor calidad de cartera (junto con Comafi), y con una rentabilidad proyectada para este año del 11% (dentro del promedio).

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Claramente, el punto más debil del banco radica en la inmovilizacion generada por la adquisición del edificio Republica.

PS018318

Risk Rating/ Clasificacion:

Dentro de los bancos mayoristas es por su patrimonio y volumen de negocios el principal banco de este segmento del mercado.
Nuestro debt rating model le otorga preliminarmente a BR un ORR 4, el cual luego del size test es rebajado a 5. Analizando la parte business nos da preliminarmente un ORR de 5 pero haciendo un reanalisis de los Industry Risk Factors segmentando la industria por el segmento particular en el que se encuentra BR cambiamos el Business Risk Assestment a 6 lo que produce un nuevo downgrading llevando el ORR a 6. Se debe notar por lo antedicho que conservadoramente estamos asignando un 6 a BR el cual podria aplicar en el futuro para 5.

Mantendremos las facilidades directas de Banco Republica Clasificadas. La tendencia del banco evidencia que las mismas podran ser desclasificadas en el corto plazo. Como triggers para desclasificar las facilidades fijaremos que se cumplan cualquiera de las dos condiciones siguientes:

Que el banco obtenga ganancias de al menos 5 % anual sobre NW en un periodo relevante de al menos un trimestre (la ha obtenido en el primer mes de ejercicio) ✓
Hagan una venta o sale and lease back del Edificio Republica que libere el patrimonio de BR. ✓

Risk and Rewards:

CFMP Zone 4 (mayor bank). Durante el año 1995 BR genero revenues por u$ 400 M. Proyectamos para 1996 revenues de u$ 450 M con un PSI de aproximadamente 180 M. ✓
Dado el caracter de corto plazo de las facilidades y nuestra estrategia de acotar la oferta de productos y el plazo de los mismos con el cliente dada la zona del target market en la que se encuentra (third tier), no prevemos superar el nivel de rentabilidad presupuestada.
Los principales productos ofrecidos son transaction banking (100 % del cash mgmt internacional), productos de tesoreria y por un limite pequeño Comercio Exterior.

Conclusion:

Los riesgos descriptos para el cliente en cada uno de sus vehiculos pueden influir por sus interelaciones en otros vehiculos del grupo en terminos de imagen lo que puede traducirse en definitiva en un problema de liquidez en los vehiculos bancarios.
Por tratarse de un socio estrategico esto puede significar que debamos apoyarlo en caso extremo.
La crisis de Mexico fue un buen test para este juego de interelaciones entre ambas entidades ya que BR y Federal Bank demostraron poder manejar una crisis aguda de liquidez sin recurrir a la ayuda de su socio estrategico, demostrando tambien la independencia de criterios con el cual se manejo en Citibank la crisis.
De acuerdo a los riesgos descriptos y al caracter y monto de las lineas propuestas apruebo y recomiendo al Comite de Creditos la aprobacion del presente CA.

MARTIN LOPEZ ALDUNCIN
VICE PRESIDENTE

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VICEPRESIDENTE

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Grupo Moneta

Composición accionaria de las empresas del grupo

La composición accionaria es exactamente igual para todas las empresas:

- Banco República
- U.F.C.O.
- Citiconstrucciones S.A.
- Federal Bank

Esta se distribuye de la siguiente manera:

• Benito Jaime Lucini	33%
• Raul Adolfo Moneta	33%
• Monfinsa (Flia Moneta)	33%
• Jorge Enrique Rivarola	1%

4/96

PS018314

Purpose

To recommend to the Credit Committee renewal of the credit facilities with Grupo Moneta for the term of one year.

Although the remarks include an analysis of the risks with regard to the group, the facilities are only for Banco Republica, which does not mean that transactions for other Grupo vehicles can be analyzed case-by-case.

Banco Republica's previous lines were established during the 1995 financial crisis, and were minimal in comparison with the assets of the bank and the group.

The proposed CA presents a special short-term transaction for US$ 14.5 MM constituted for a bid bond in the privatization of the two Province of Mendoza banks and an increase in the short-term call and placement lines in the amount of US$ 2 MM and in the PSR lines in the amount of US$ 4.5 MM. This increase is recommended based on the reduction of the client's risk and the financial system's risk with respect to our most recent CA and the increase of the amounts traded on the market.

Another important point that offsets this increase is the payment of the loan issued to Federal Bank International (US$ 3 MM), to which we are not issuing lines in this proposal.

[handwritten] – Perform monthly CCR (March). [illegible]

Risks:

Risks for Citibank / explanations:

We can divide them into two: a) facilities for US $29.2 MM to a bank [with] risk rating six, which represents 2.6 times the facilities granted in the most recent CA (granted during the crisis) and classified at that time as IA.

Explanation: the facilities granted are comprised of the following:

1. US$ 14.5 MM special transaction, bid bond in the privatization of the Previsión Social and Provincia de Mendoza banks, required in any privatization of a public company in Argentina. It is a short-term contingent risk for Citibank, which is adequately covered by the liquidity of Banco Republica and which has high public visibility in case of noncompliance; therefore, BR has assured itself of the necessary resources for making the payment if it wins.

2. Size: Once the special transaction is paid for, the level of remaining facilities represents just 15 % of Banco Republica's assets, 3% of its liabilities, and 18% of its liquidity.

Before the crisis, Citicorp, at the global level, had facilities issued to BR in the amount of US$ 52 MM (US$ 21 MM Citibank and US$ 31 MM IEI)

3. Nature: The nature of the facilities proposed is very short term, declines rapidly, with just US$ 2 MM remaining as central risk at more than 60 days.

4. 2 MM at more than 60 days is a Foreign Trade facility whose repayment is tied to this product from the standpoint of BR's clients plus the bank's own financial capacity. We use this facility as support for the cash management services.

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[Redacted]

Customer Relations / Risks and Explanations

Banco Republica S. A.

Lockup of capital: Although it is the ninth Argentinian private bank in terms of capital, it has it locked up with property, which leaves it a narrow margin to finance new non-liquid investments because of arrears, long-term loans, or extraordinary losses due to sudden price drops of government securities.

Explanation: The building causing the imbalance will be completed in June, and they are seeking a sale and leaseback thereof, which will have to wait for the completion and rental of the building.

In the worst-case scenario it will remain on the books rented out to third parties, which will free up the assets slowly because of the earnings those rentals would generate. These are estimated to be US$10 MM per year. We estimate that this flow will begin to show results in 1997.

- Profitability: The bank's profitability is significantly influenced by the changes in the current share price of CEI and because all its assets were allocated to finance property which, being under construction, provides no return on capital. Both factors added together have resulted in the bank's return on capital in 1995 being practically zero and the loss of 6% of assets in 1994.

Explanation: it is expected that both factors will cease to have significant influence during 1996 because of the completion of the building and because CEI is lagging behind with respect to other stocks listed on the exchange.

Also, the bank has reduced its expenses by US$ 4 MM and expects to increase assets moderately, exceeding its operational break even point independently of the return on rentals.

The possible purchase of Banco de Mendoza will also help BR finish cutting its operating expenses.

- Liquidity: because of the characteristics of the bank's deposits, comprised largely of investments of companies and individuals through the redeposit in BR of the private banking deposits of Federal Bank. These depositors can act as institutional investors, rapidly withdrawing the deposits if there are problems. It should be made clear that the private banking deposits proved to be more stable than the corporate deposits during the most recent crisis, representing the bank's most stable source of funding.

Explanation: BR offsets this risk by maintaining strong liquidity positions (40% of the deposits and call lines) and financing 40% of its loans with foreign trade lines, which keeps its assets and liabilities matched.

It also maintains an appropriate policy of matching time periods in connection with deposits and loans, with hardly any security and mortgage transactions, and conservative leverage with respect to its capital.

- Banking business expansion: Their objective is to buy, along with Grupo Magna, Banco Previsión Social de Mendoza or Banco de Mendoza, for which they have bid. They are aware of the potential of the province of Mendoza, where Raul Moneta has

PS018316

agricultural operations. They will use the bank to get a toehold in the middle and retail market[s] without merging this entity with Banco Republica.

Risk: this expansion means locking up more of Banco Republica's capital (approximately US$ 5 - 10 MM) and directing management's efforts to another undertaking.

Explanation: A) The non-liquid investments will have funding at seven years from the fiduciary fund for up to twice the amount of the investment, also improving BR's balance sheet by obtaining long-term funding to match some of its properties until it finds a way to sell them or accomplish a sale and long-term leaseback.

B) It will help BR efficiently complete the rationalization of expenses, directing management and costs to Mendoza, resulting in greater efficiency for BR. In any event, it will continue to mean a management effort at the level of shareholders and BR's top management, which will have to initially control the turnover of this bank.

C) It will help Grupo Moneta consolidate its image with clients such as Grupo, whose principal focus is not just CEI or Real Estate, but with a comprehensive banking project, on getting into the retail business through a high-potential region such as Mendoza.

Offshore risk:

The Grupo has two offshore companies that are not regulated or controlled by the Banco Central de la República Argentina, with different risks by company:

[Redacted]

- Federal Bank Ltd.: Located in the Bahamas with US$ 25 MM of capital. Its existence is not reported as linked to BCRA despite being a banking vehicle (offshore category D in our policy), which makes it a risky vehicle per se because it is controlled only by the Central Bank of the Bahamas.

Explanation: The existence of this vehicle is explained in terms of the group's strategy because of the end it accomplishes: a) channel Banco Republica's private banking clients to which they provide back to backs and a vehicle outside Argentina where they can channel their savings, which are then re-placed in Banco Republica by Federal Bank, constituting one of the bank's most stable funding sources (US$ 34 MM in December).

b) Channel the liquidity of the shareholders of Banco Republica and, with these deposits and the assets of Federal Bank, support acquisitions or grant loans to CEI companies, with the restriction that this activity must be funded with its own liquidity and not that of third parties.

Regarding the Grupo:

- Concentration: They have a large part of their assets allocated to financing the long-term investment in CEI, which results in significant fluctuations of assets in accordance with the

PS018317

changes in the price of this stock. The years 1994 and 1995 saw heavy losses of assets, wiping out the gains of 1993.

Explanation: this is an investment in a "basket" of companies, mostly privatized, with strong growth potential. Overall the investment has been profitable.

Management:

See management evaluation for more detail.

Personality: Raul Moneta is an entrepreneur who spends much of his time on the business of CEI which, moreover, is where the group has much of its assets. He is seen by the market as an able negotiator and lobbyist with businessmen and politicians, which allows him to approach transactions [TR.: or negotiations] aggressively.

Benito Jaime Lucini devotes most of his time to the bank, and is perceived by the market as conservative, which makes for a good combination with Raul Moneta.

The personal reputations of both are unassailable; this is one of the reasons why Citibank senior management selected them as the bank's partners in CEI.

This association means, both for Grupo Moneta and Citibank, a long-term strategic alliance which requires, because of the amount of the investment and the relative weight of Grupo Moneta therein, a very strong relationship between both, and a commitment by both to maintain that relationship.

Structure and Decision Process: In addition to the managers mentioned in the evaluation, the bank has good second- and third-line management as backups for senior management. Some of these will be assigned to Mendoza if they win the bid.

The control structure and the credit process are suitable for managing the bank's current volumes and growth plan.

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Shareholdings of the companies in the group

The shareholdings are exactly the same for all the companies:

- Banco Republica
- UFCO
- Citiconstrucciones S.A.
- Federal Bank

They are distributed as follows:

- Benito Jaime Lucini	33%
- Raul Adolfo Moneta	33%
- Monfinsa (Moneta family)	33%
- Jorge Enrique Rivarola	1%

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Call Memorandum

Ref: **Banco Republica S.A.**

Octubre 23, 1995.

En el dia de la fecha me reuni con el Sr Pablo Lucini, director financiero de Banco Republica con el objeto de hacer un seguimiento de la situacion de la entidad y pedirle que en el proximo vencimiento nos cancele el call otorgado a Federal Bank ya que es parte de nuestra politica eliminar el O/S con off-shores.

Banco Republica:

- Los depositos a septiembre alcanzaron a u$ 75 MM, manteniendose en niveles que son aun un 50 % inferiores a los previos al tequila (u$ 150 MM) pero un 50 % superiores a los registrados en el piso de la crisis (u$ 50 MM). Considera que lo peor ha pasado y que volveran a crecer a niveles precrisis.

- Siguen manteniendo un nivel de morosidad bajo. La mora neta de previsiones representa solo el 1 % de sus prestamos y el 2.4 % de su patrimonio siendo este el punto mas fuerte de la entidad.

- Otro punto de seguimiento es la rentabilidad la cual esta influida por la variabilidad en la cotizacion de la posicion de CEI que esta en Banco Republica e influida por el carrying cost de los edificios que mantienen en el balance. A septiembre estaban en break even con ganancias nulas.

Federal Bank:

- No tienen problemas en cancelarnos.

- Situacion Financiera:

La entidad esta localizada en Bahamas con u$ 25 MM de capital no ha tenido problemas durante la crisis de cancelacion de depositos comportandose estos de manera similar a los de BR.

Federal Bank tiene u$ 120 MM de depositos de private banking de los cuales:

u$ 20 MM son redepositados en Banco Republica con el acuerdo de los depositantes.
u$ 70 MM corresponden a operaciones de back to back.
u$ 30 MM depositos de los propios socios de BR que se prestan a clientes target names de Banco Republica y a empresas vinculadas a CEI cuyos prestamos no pueden ser cursados a traves de BR.

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De esto se desprende que la operatoria de Federal Bank es muy limitada ya que practicamente no tiene actividad de lending propia al derivar todo lo que no es back to back y prestamos con depositos propios a Banco Republica con el acuerdo de los propios depositantes.

Estrategicamente el grupo necesita un vehiculo al cual canalizar su private banking y que les haga de nexo entre su inversion en CEI bookead en UFCO y la actividad financiera de Banco Republica.

Por lo antedicho se desprende que Federal Bank no es un vehiculo riesgoso ni nos afectara la exposicion que tenemos con Banco Republica una vez cancelado el O/S.

MARTIN LOPEZ ALDUNCIN
VICE PRESIDENTE

PS018572

On this date I met with Mr. Pablo Lucini, financial director of Banco Republica, in order to follow up on the entity's status and ask him to cancel, on the next due date, the call issued to Federal Bank, since it is part of our policy to eliminate the O/S [outstanding] with the off-shores.

Banco Republica:

- The deposits as of September were US$ 75 MM, remaining at levels that are still 50% below those prior to the tequila [crisis] (US$ 150 MM) but 50% higher than those at the worst point of the crisis (US$ 50 MM). He thinks the worst is over and they will return to pre-crisis levels.

- A low rate of arrears continues. The net arrears in connection with reserves represents just 1% of its loans and 2.4% of its assets; this is the entity's strongest point.

- Another point for follow-up is profitability, which is influenced by the variability of the price of the position of Banco Republica's holdings in CEI and is influenced by the carrying cost of the buildings they maintain on the balance sheet. As of September they were at the break even point, with no profits.

Federal Bank:

- They have no problems paying us.

- Financial status:

The entity is located in the Bahamas with US$ 25 MM in capital. It did not have problems during the crisis in terms of cancellation of deposits, which behaved similarly to the BR deposits.

- Another point to watch is profitability, which is influenced by the variability in value of Banco República's stake in CEI[2] and by the carrying cost of the buildings they maintain on the balance sheet. At September they were at breakeven with no profits.

Federal Bank has US $120 MM of private banking deposits of which:

US $20 MM are redeposited in Banco República with the agreement of the depositors.
US $70 MM correspond to back-to-back transactions.
US $30 MM [are] deposits of the BR members themselves, which are lent to target-name customers of Banco República and to businesses linked to CEI whose loans cannot be processed through BR.

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From this it is clear that Federal Bank's operation is very limited, as it has practically no lending activity of its own, everything that is not back-to-back and loans from Banco República deposits being derived with the agreement of the depositors themselves.

Strategically, the group needs a vehicle to which to channel its private banking and to create for it a nexus between its investment in CEI booked in UFCO and Banco República's financial activity.

Therefore, Federal Bank is not a risky vehicle, nor will we be affected by the exposure that we have with Banco República once the O/S has been paid off.

Remarks Grupo Moneta (ORR 6 - Facilities Classified IA). 21/95

Proposito

Recomendar al Comite de Creditos la renovacion de las facilidades crediticias con el Grupo Moneta por el termino de un año.
Si bien se incluye en los remarks un analisis de los riesgos del grupo, las facilidades son solamente para Banco Republica, lo que no implica que case by case se puedan analizar transacciones para otros vehiculos del Grupo.
Las lineas anteriores de Banco Republica fueron fijadas durante la crisis financiera del año 95, siendo minimas en comparacion al patrimonio del banco y del grupo.
El CA propuesto presenta una operacion especial de corto plazo de u$ 14.5 MM constituida por una garantia de oferta en la privatizacion de los dos banco de la Pcia de Mendoza y un incremento en las lineas de corto plazo de call y placement por u$ 2 MM y en las lineas de PSR por u$ 4.5 MM, este incremento se recomienda basado en la reduccion tanto del riesgo del cliente como del riesgo del sistema financiero con respecto a nuestro ultimo CA y del aumento de los volumenes operados en el mercado.

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Riesgos:

Riesgos para Citibank / Justificaciones:

Podemos dividirlos en dos: a) Facilidades por u$ 29.2 MM a un banco risk rating 6, lo que representa 2.6 veces las facilidades otorgadas en el ultimo CA (otorgadas durante la crisis) y que fueran clasificadas en ese momeno como IA.

Justificacion: Las facilidades otorgadas se componen de la siguiente manera:

1. u$ 14.5 MM operacion especial, garantia de oferta en la privatizacion de los bancos Prevision Social y Provincia de Mendoza exigida en toda privatizacion de una empresa publica en Argentina. Se trata de un riesgo contingente para Citibank de corto plazo, que esta adecuadamente cubierto por la liquidez de Banco Republica y que tiene alta visibilidad publica en caso de incumplimiento por lo que BR se ha asegurado los recursos necesarios para hacer frente al pago en caso de resultar ganador.
2. Tamaño: Una vez cancelada la operacion especial el nivel de facilidades remanentes representan solamente el 15 % del patrimonio de Banco Republica, un 3 % de sus pasivos y un 18 % de su liquidez.
3. Tenor: El tenor de las facilidades propuestas es de muy corto plazo, declina rapidamente, quedando solamente como riesgo central a mas de 60 dias u$ 2 MM.
4. 2 MM a mas de 60 dias es una facilidad de Comercio Exterior y cuyo repago esta atado a este producto desde el punto de vista de los clientes de BR mas la propia capacidad financiera del banco. Utilizamos esta facilidad como soporte de los sevicios de cash management.

B) Socio estrategico en CEI: El grupo Moneta es un socio que concentra el 36 % de las acciones de Citicorp Equity Investment lo que implica dos riesgos por un lado el riesgo de imagen para Citicorp si su socio entra en problemas y por otro el riesgo de que llevado al extremo de necesitar liquidez en Banco Republica deba vender abruptamente parte de su posicion en esta empresa afectando a nivel global la propia inversion de Citicorp en la empresa e impulsando a una decision del Sr Management de asistir a BR.

Justificacion: Aun en la peor crisis bancaria no nos vimos obligados a asistir al grupo.Citibank Commercial Bank se maneja en forma totalmente independiente y con una Chinese Wall con respecto al sector "industrial" este extremo de decision debera tomarse a nivel Sr Mgmt de la corporacion.

Es dificil que con el patrimonio global del grupo el mismo entre en una situacion de insolvencia. Como se explica en los riesgos descriptos del cliente mas adelante el grupo por su estructura financiera esta mas expuesto a una situacion de iliquidez pero teniendo activos con que cubrirla.

Relacionados con el cliente / riesgos y justificaciones

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Banco Republica S.A:

- Inmovilizacion del Capital: Si bien es el noveno banco privado argentino en terminos de capital tiene inmovilizado el mismo con inmuebles lo que le deja estrecho margen para financiar nuevas inmovilizaciones por morosidad, prestamos de largo plazo o perdidas extraordinarias por caida abrupta del precio de los titulos publicos.
  Justificacion: El edificio que le produce el desbalance estara terminado en junio y estan buscando realizar un sale and lease back del mismo, lo que debera esperar a la finalizacion del edificio y al alquiler del mismo.
  En el worst case scenario seguira en libros alquilado a terceros lo que ira desinmovilizando el patrimonio lentamente por las ganancias que generarian dichos alquileres estimadas en u$ 10 MM anuales. Estimamos que este flujo empezara a rendir resultados en el año 1997.

- Rentabilidad: La rentabilidad del banco esta altamente influida por las variaciones en el valor de cotizacion de CEI y por tener todo su patrimonio aplicado a financiar inmuebles que al estar en construccion no tienen retorno sobre capital. Ambos factores sumados han provocado que el retorno sobre capital del banco en 1995 sea practicamente nulo y que en 1994 perdieran un 6 % sobre patrimonio.
  Justificacion: Se espera que ambos factores dejen de influir significativamente durante 1996 por la finalizacion del edificio y por estar CEI retrasada con respecto a otras acciones que cotizan en bolsa.
  Asimismo el banco ha reducido sus gastos en u$ 4 MM y espera crecer moderadamente en activos superando su break even operativo independientemente del retorno por alquileres.
  La eventual compra del Banco de Mendoza ayudara tambien a BR a terminar de recortar sus gastos operativos.

- Liquidez: Por las caracteristicas de los depositos del banco compuestos en gran parte parte por colocaciones de empresas e individuos a traves del redeposito en BR de los depositos del private banking de Federal Bank. Estos depositantes pueden actuar como inversores institucionales retirando rapidamente los depositos ante problemas. Cabe aclarar que los depositos del private banking demostraron ser mas estables que los Corporate durante la ultima crisis representando la fuente de funding mas estable del banco.
  Justificacion: BR contraresta este riesgo manteniendo fuertes posiciones de liquidez (40 % de los depositos y lineas de call) y financiando el 40 % de sus prestamos con lineas de comercio exterior lo que mantiene calzado su activo y pasivo.
  Asimismo mantiene una adecuada politica de matching de plazos entre depositos y prestamos no incursionando practicamente en negocios prendarios e hipotecarios y un leverage conservador con respecto a su capital.

- Expansion negocio bancario: Tienen como objetivo comprar junto con el Grupo Magna el Banco Prevision Social de Mendoza o el Banco de Mendoza por el cual han licitado. Conocedores del potencial de la Pcia de Mendoza en donde Raul Moneta cuenta con explotaciones agropecuarias utilizaran el banco para poner un pie en el middle market y retail sin fusionar esta entidad con Banco Republica.

  Riesgo: Esta expansion le significa a Banco Republica una mayor inmovilizacion de su capital (aprox u$ 5 a 10 MM) y el derivar esfuerzos de management hacia otro emprendimiento.

Justificacion : A) La inmovilizacion contara con funding a 7 años del fondo fiduciario por hasta 2 veces el monto de la inversion mejorando tambien el balance de BR por obtener funding largo para calzar parte de sus inmuebles hasta encontrar un modo de venderlos u realizar un sale and lease back de largo plazo.
B) Le ayudara a BR a terminar de realizar en forma eficiente la racionalizacion de gastos derivando management y costos a Mendoza provocando una mayor eficiencia en BR. De todas maneras seguira significando un esfuerzo de management a nivel accionistas y top management de BR que debera controlar inicialmente el turn over de este banco.
C) Ayudara al Grupo Moneta a consolidar su imagen ante clientes como Grupo cuyo focus principal no sea solamente CEI o Real Estate sino con un proyecto bancario integral al entrar en el retail business a traves de una region con gran potencial como es Mendoza.

Del Grupo:

- Concentracion: Tienen una gran parte de su patrimonio aplicado a financiar la inversion a largo plazo en CEI, lo que les provoca grandes fluctuaciones patrimoniales de acuerdo a la evolucion del precio de esta accion. 1994 y 1995 fueron años de fuertes perdidas patrimoniales que netearon las ganacias de 1993.
  Justificacion: Se trata de una inversion en una canasta de empresas en su mayoria privatizadas con fuerte potencial de crecimiento. Punta a punta la inversion ha sido rentable.

Management:

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Ver management evaluation para mas detalle.

Character: Raul Moneta es un "entrepeneur" que dedica gran parte de su tiempo al negocio de CEI que por otra parte es donde el grupo tiene gran parte de los activos. Es visto por el mercado como un habil negociador y lobista con empresarios y politicos lo que le permite encarar negocios con agresividad comercial.
Benito Jaime Lucini dedica su tiempo principalmente al banco siendo percibido por el mercado como conservador lo que genera una buena combinacion con Raul Moneta.
La reputacion personal de ambos es intachable siendo esta una de las razones que motivo al Sr management de Citibank en la eleccion de estos como partners del banco en CEI.
Esta asociacion significa tanto para el Grupo Moneta como para Citibank una alianza estrategica a largo plazo, la que requiere por el monto de la inversion y el peso relativo del Grupo Moneta dentro de la misma una interelacion muy fuerte entre ambos y un commitment de ambos de mantener dicha relacion.
Estructura y Proceso Decisorio: Ademas de los managers citados en la evaluacion el banco cuenta con buen management de segunda y tercera linea como back ups del Sr management. Algunos de estos seran destinados a Mendoza en caso de ganar la licitacion.
La estructura de controles y el proceso de creditos es el adecuado para manejar los volumenes actuales y el plan de crecimiento del banco.

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Situacion Financiera:

El siguiente cuadro refleja los principales números del banco en comparación con otros bancos de plaza de su mismo segmento (los 4 mejores):

As of January 96

	REPUBLICA	VELOX	GRAL.NEG.	COMAFI	EXPRINTER
NET WORTH	105,670	55,474	64,796	33,431	32,105
ASSETS/NW	8.47	8.49	9.73	7.14	5.68
LIQUID CAP*/NW	-4%	19%	43%	53%	24%
NSD/NW	2%	20%	16%	2%	14%
TOTAL ASSETS	895,365	470,891	630,528	238,734	182,480
TOTAL FINANCING	239,764	385,248	287,040	93,366	45,845
CORP LOANS/TOT FINAN	98%	87%	85%	96%	59%
SD/FINANC	4%	11%	8%	1%	21%
NSD/FINANC	1%	3%	4%	1%	10%
PROV/SD	74%	73%	54%	56%	53%
NET INCOME	1,000	105	831	2,810	1,177
ROE	11%	1%	15%	14%	11%
ROA	1.3%	0.1%	1.6%	2.0%	1.9%
COMISION/EXPENSES	8%	25%	78%	44%	62%
LIABILITIES	789,695	415,417	565,732	205,303	150,375
DEPOSITS	160,776	201,619	238,793	33,221	54,872
LIQ ASSETS*/DEPOSITS	50%	26%	51%	106%	60%

Como conclusión de este cuadro puede destacarse Banco República es el banco más capitalizado, el de mejor calidad de cartera (junto con Comafi), y con una rentabilidad proyectada para este año del 11% (dentro del promedio).

Claramente, el punto más debil del banco radica en la inmovilizacion generada por la adquisición del edificio República.

Risk Rating/ Clasificacion:

Dentro de los bancos mayoristas es por su patrimonio y volumen de negocios el principal banco de este segmento del mercado.
Nuestro debt rating model le otorga preliminarmente a BR un ORR 4, el cual luego del size test es rebajado a 5. Analizando la parte business nos da preliminarmente un ORR de 5 pero haciendo un reanalisis de los Industry Risk Factors segmentando la industria por el segmento particular en el que se encuentra BR cambiamos el Business Risk Assestment a 6 lo que produce un nuevo downgrading llevando el ORR a 6. Se debe notar por lo antedicho que conservadoramente estamos asignando un 6 a BR el cual podria aplicar en el futuro para 5.

Mantendremos las facilidades directas de Banco Republica Clasificadas. La tendencia del banco evidencia que las mismas podran ser desclasificadas en el corto plazo. Como triggers para desclasificar las facilidades fijaremos que se cumplan cualquiera de las dos condiciones siguientes:

Que el banco obtenga ganancias de al menos 5 % anual sobre NW en un periodo relevante de al menos un trimestre (la ha obtenido en el primer mes de ejercicio)
Hagan una venta o sale and lease back del Edificio Republica que libere el patrimonio de BR.

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Risk and Rewards:

CFMP Zone 4 (mayor bank). Durante el año 1995 BR genero revenues por u$ 400 M. Proyectamos para 1996 revenues de u$ 450 M con un PSI de aproximadamente 180 M.
Dado el caracter de corto plazo de las facilidades y nuestra estrategia de acotar la oferta de productos y el plazo de los mismos con el cliente dada la zona del target market en la que se encuentra (third tier), no prevemos superar el nivel de rentabilidad presupuestada.
Los principales productos ofrecidos son transaction banking (100 % del cash mgmt internacional), productos de tesoreria y por un limite pequeño Comercio Exterior.

Conclusion:

Los riesgos descriptos para el cliente en cada uno de sus vehiculos pueden influir por sus interelaciones en otros vehiculos del grupo en terminos de imagen lo que puede traducirse en definitiva en un problema de liquidez en los vehiculos bancarios.
Por tratarse de un socio estrategico esto puede significar que debamos apoyarlo en caso extremo.
La crisis de Mexico fue un buen test para este juego de interelaciones entre ambas entidades ya que BR demostro poder manejar una crisis aguda de liquidez sin recurrir a la ayuda de su socio estrategico, demostrando tambien la independencia de criterios con el cual se manejo en Citibank la crisis.
De acuerdo a los riesgos descriptos y al caracter y monto de las lineas propuestas apruebo y recomiendo al Comite de Creditos la aprobacion del presente CA.

MARTIN LOPEZ ALDUNCIN
PRESIDENTE

PS018524

B) Strategic shareholder in CEI: The Moneta group holds 36% of the shares of Citicorp Equity Investment, which involves two risks: on the one hand, the image risk for Citicorp if its shareholder has problems, and on the other, the risk that if Banco República needs liquidity, it would have to sell part of its ownership in this company suddenly, affecting at the global level Citicorp's own investment in the company and impelling senior management to decide to assist BR.

PS018525

- Liquidity: Because of the nature of the bank's deposits, comprised in great part of investments by companies and individuals through the redeposit in BR of Federal Bank's private banking deposits. These depositors can act like institutional investors, withdrawing deposits quickly in the face of problems. It should be made clear that private banking deposits proved to be more stable than Corporate deposits during the last crisis, representing the bank's most stable source of funding.

  Explanation: BR counteracts this risk by maintaining strong liquidity positions (40% of the deposits and call lines [*líneas de call*]) and financing 40% of its loans with lines of foreign trade, which keeps its assets and liabilities in balance.
  It also maintains a suitable policy for the matching of time periods of deposits and loans, making practically no incursions into securities or mortgage transactions and [exercising] conservative leverage with respect to its capital.

PS018526

C) It will help Grupo Moneta strengthen its image with customers like Grupo, whose principal focus is not just CEI or real estate, but with a comprehensive banking project, while going into the retail business across a region with great potential like Mendoza.

[Similar text appears on PS018309.]

Regarding Grupo:

- Concentration: Many of their assets are applied to financing the long-term investment in CEI, which results in major fluctuations of net worth in accordance with changes in the price of this stock. 1994 and 1995 were years of heavy losses in terms of net worth, which offset some of the 1993 profits.

  Explanation: This refers to an investment in a "basket" of companies, mostly privatized, with strong potential for growth. Overall the investment has been profitable.

[Similar text appears on PS018310.]

REMARK 1994

GRUPO MONETA

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OBJETO: REVISION DE LINEAS DE CREDITO Y ESTRATEGIA DE NEGOCIOS PARA EL CORRIENTE EJERCICIO.

ESTRATEGIA DEL GRUPO: A PARTIR DE LOS RESULTADOS OBTENIDOS DURANTE EL 1993, PODEMOS DECIR QUE LOS OBJETIVOS FUERON AMPLIAMENTE CUMPLIDOS:

1) **EL BANCO** VOLVIO A TENER UNA FUERTE PRESENCIA EN MERCADO A PARTIR DE :A) LIDERAZGO EN SU AREA DE TRADING, SIENDO HOY UNO DE LOS 3 PRINCIPALES BROKERS POR VOLUMEN. EL AREA DE D.ALLIATTI HA OBTENIDO RESULTADOS IMPORTANTES PARA EL BANCO NO SOLO EN CUANTO A UTILIDADES (APROX U$S 15 MM) PERO ADEMAS LOGRO UBICAR AL BANCO DONDE LOS ACCIONISTAS PRETENDIAN: PARA UN BANCO MAYORISTA SU PRINCIPAL AREA DE VENTA EXTERNA ES EL TRADING B). COMERCIO EXTERIOR: EN LA ACTUALIDAD TIENEN DISPONIBILIDAD DE LINEAS POR U$ 400 MM, CON UNA UTILIZACION DE U$ 140 MM. SUS CONTACTOS CON BANCOS CORRESPONSALES HA SIDO FUNDAMENTALES PARA LA ESTRATEGIA DE CRECIMIENTO: EL MIDDLAND OFRECIO SER EL EMISOR DE EURO CP A 3 YR A PARTIR DE SU CONOCIMIENTO DEL BANCO A TRAVES DE SUS OPERACIONES DE COMERCIO EXTERIOR Y C) LA ASOCIACION DEL BR CON CEI: EVIDENTEMENTE ESTE A SIDO UNO DE LOS DEAL MAS IMPORTANTES PARA LA PLAZA, CON LO CUAL HAN OBTENIDO UNA GRAN PUBLICIDAD. A PARTIR DE ESTE "COME BACK", HAN PODIDO CRECER EN ENDEUDAMIENTO UN 50 % (LEVERAGE REAL 3.5 VECES VERSUS 2 DURANTE EL 92): HAN CONCRETADO OPERACIONES A CORTO PLAZO (180 DIAS) CON BANCOS EXTRAJEROS POR U$ 40 MM PERO SIN DUDA SU PRICIPAL LOGRO SERA LA EMISION A 3 YR. DE TODAS FORMAS SE UBICA EN NIVELES SENSIBLEMENTE INFERIORES AL PROMEDIO DE LA INDUSTRIA (APROX 7 VECES). DE TODAS FORMAS EL AREA COMERCIAL NO HA LOGRADO LOS OBJETIVOS ESPERADOS, SIENDO TODAVIA R.MONETA EL PRINCIPAL GENERADOR DE NEGOCIOS. LA INTENCION ES REFORZAR EL AREA COMERCIAL DEL BANCO CON RM SEMISENIORS Y SENIORS CON EL FIN DE DARLE MAS EMPUJE A LA CREACION DE ACTIVOS.

REDACTED REDACTED

REDACTED REDACTED

PS018617

[illegible]	[illegible]	DEUDA	CORR	CCR	O/T	BRR	VAPO
X							

REDACTED REDACTED

CAPITAL/BALANCE CONSOLIDADO

REDACTED REDACTED

REDACTED REDACTED

REDACTED REDACTED

REDACTED REDACTED

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REDACTED REDACTED

FINALMENTE EXISTEN DOS INTERCOMPANIES LOANS:

REDACTED REDACTED REDACTED

2)BCO REPUBLICA. ESTE ULTIMO PRESTAMO NACE A PARTIR DE LA REVALORIZACION DE LAS ACCIONES DE CEI, LO CUAL HACIA NECESARIO SACAR PARTE DE LA TENENCIA DEL BANCO PARA NO VIOLAR REGULACIONES DEL BCRA. ES POR ELLO QUE LE VENDIERON 3.09 % (9 MM DE ACCIONES) A UFCO CON UN CREDITO A 5 ANIOS, DONDE UFCO LE DEJA LAS ACCIONES EN GARANTIA AL BR. ESTA OPERACION ES LA MAS GRANDE DEL BCO (25 MM A 5 ANIOS): NOS COMENTARON QUE BCRA LA ESTUDIO Y NO OBJETO SU CONTABILIZACION. DE TODAS FORMAS CONSIDERAMOS QUE LA EXPOSICION ES ALTA , SI TENEMOS EN CUANTA TODOS LOS ARTICULOS PERIODISTICOS QUE SE PUBLICARON ESTE ANIO DONDE SE RELACIONA A UFCO CON EL GRUPO.

REDACTED REDACTED

REDACTED REDACTED

REDACTED REDACTED

REDACTED REDACTED

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RENTABILIDAD

REDACTED REDACTED

REDACTED REDACTED

REDACTED REDACTED

3)**BANCO:** COMO DIJIMOS ANTERIORMENTE, LA GANANCIA DE 17 MM ES MUY BUENA A PARTIR DEL 22% DE ROE QUE ESO REPRESENTA. PERO SI OBSERVAMOS LA COMPOSICION DE ESOS REVENUES, OBSERVAMOS QUE EL NEGOCIO COMERCIAL CUBRE LOS COSTOS Y TRADING/POSICIONNING DE LA MESA OBTUVO LA GANANCIA. SI ESPERAMOS QUE LA VOLATILIDAD DE LOS ACTIVOS ARGENTINOS LLEGUE A SU PISO EN LOS PROXIMOS DOS ANIOS, DEBERIAMOS ESPERAR UNA MEJORA DEL DESEMPENIO DEL AREA COMERCIAL. COMO HEMOS EXPLICADO SE HARAN NUEVAS INCORPORACIONES,PERO CONSIDERAMOS QUE LOS ACCIONISTAS DEBERIAN PONER UN POCO MAS DE ENFASIS EN ESTA AREA (CREEMOS QUE EXISTE UNA MEZCLA ENTRE LA FALTA DE CREATIVIDAD DEL AREA COMERCIAL Y UNA ACTITUD CONSERVADORA DE LOS DIRECTORES HACIA EL CRECIMIENTO). SI BIEN EL PLAN ORIGINAL ERA CRECER 5 LEVERAGE EN TRES ANIOS, EL MERCADO SE ESTA ADELANTANDO Y PODRIAN QUEDAR REZAGADOS ANTE SU COMPETENCIA EN EL FUTURO.

REDACTED REDACTED

REDACTED

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RELACION CON CITI/ESTRATEGIA COMERCIAL

REDACTED REDACTED

REDACTED REDACTED

RECOMENDAMOS UN ACERCAMIENTO DEL SENIOR MGMT DONDE SE DEMUESTRE CLARAMENTE NUESTRA INTENCION DE REALIZAR NEGOCIOS CON EL BANCO. SERIA UNA BUENA OPORTUNIDAD PARA QUE FITS PUEDA OBTENER REDITOS A PARTIR DE LA RELACION DE PARTNER QUE TIENEN CON LA CORPORACION.

NUESTRA INTENCION ES ATACAR DOS NEGOCIOS:

REDACTED REDACTED

2)CAPITAL MKTS:A) EMISION DE UN BONO EN TERMINOS COMPETITIVOS.CONSIDERAMOS QUE LA SALIDA A TRAVES DEL MIDDLAND NOS DARA TRANQUILIDAD QUE UN TERCERO HAYA HECHO EL DUE DILLIGENCE DE LA ENTIDAD. B) IPO: CREEMOS QUE EL MERCADO ESTA APUNTANDO A LA APERTURA DE LOS PAQUETES ACCIONARIOS Y BR TIENE NOMBRE Y VOLUMEN COMO PARA REALIZARLO. QUEREMOS SER EL 1ER BANCO EN OFRECERLE ESTE NEGOCIO.

CONCLUSION

LA ESTRATEGIA PLANTEADA EL ANIO PASADO OBTUVO EXCELENTES Y RAPIDOS RESULTADOS TANTO A NIVEL DE CEI COMO CON LA TENENCIA DE ACCIONES Y EL BANCO.

A PARTIR DE LA VALORACION DE SUS ACTIVOS, HAN CANCELADO GRAN PARTE DE SU ENDEUDAMIENTO, CON LO CUAL SU ESTRUCTURA FINANCIERA QUEDA MUY SOLIDA.

TENIENDO EN CUENTA LOS RESULTADOS DE ESTE EJERCICIO, LE SOLICITAMOS AL COMITE DE CREDITOS DE PODER VOLVER A TRABAJAR SIN RESTRICCIONES CON EL GRUPO.

MICHEL TULLE
GERENTE
7/2/94

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PS018619
[redacted]
Finally, there are two intercompany loans:

[Redacted]
2) Banco Republica. This last loan came about with the revaluation of the CEI stock, which made it necessary to get rid of some of the bank holdings in order to avoid violating BCRA regulations. Therefore they sold 3.09% (9 MM in shares) to UFCO with a credit for five years, with the condition that UFCO leave the stock in guarantee to BR. This transaction is the bank's largest (25 MM over five years): we were told that BCRA studied it and did not object to its being entered on the books. In any event, we believe that the exposure is high, if we take into consideration all the newspaper articles published this year associating UFCO with the Grupo.

[Redacted]

PS018620
[redacted]

3) Banco: as we said before, the 17 MM profit is very good on the basis of the 22 % of ROE [Return on equity] it represents. But if we look at the composition of those revenues we note that the commercial business covers the costs, and trading/positioning of the desk achieved the profit. If we expect the volatility of Argentinian assets to bottom out in the coming two years, we should expect an improvement in the commercial area's performance. As we have explained, there will be additional inclusions [TR.: *incorporaciones* can mean any number of things: inclusions, payments, establishments, mergers, capitalizations, hirings, ingressions], but we think the shareholders should place a little more emphasis on this area (we think there is a mix of lack of creativity in the commercial area and a conservative attitude on the part of the directors with respect to growth). Although the original plan was to increase 5 leverage [sic] in three years, the market is moving forward and they could fall behind their competition in the future.

[Redacted]

PS018622
[redacted]
We recommend a reconciliation of senior management, which clearly shows our intent to do business with the bank. It would be a good opportunity for FITS to be able to obtain returns on the basis of the partnership with the Corporation.

Our intention is to address two deals:

Conclusion:

The strategy proposed last year achieved excellent, rapid results, both at the level of CEI and in connection with shareholdings and the bank.

On the basis of the valuation of their assets, they have paid off much of their debt, so their financial structure is very solid.

Taking into consideration the results for this fiscal year, we ask the credit committee for permission to go back to working with the group without restrictions.

BRR-3
Page 1

BUSINESS RISK REVIEW
COMMENTS/EXCEPTIONS & MANAGEMENT RESPONSE

BUSINESS: ARGENTINA GLOBAL FINANCE

COMMENT DATE: 8/17/95

AS OF DATE: Jun 30, 95

COMMENT #: 12FI

BORROWER/ PROCESS: Grupo Moneta

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COMMENTS:

Target Market - Grupo Moneta
The existing TM has no formally developed rationale; however a draft TM/RAC Document is now in preparation for circulation to the Management for approval. Recent outside industry studies have been assessed, but there is no direct linkage to a developed rationale for TM selection to back up the list of presently existingTM names. BRR during its prior review had recommended a re-write and update of FI's TM and RAC .

Risk Acceptance Criteria - Grupo Moneta
As in the case of the TM, the formal development of the RACs is not documented.

Exceptions to RAC (net inc./net worth and productivity ratio) are not approved by anyone other than the RM himself. The policy for approving exceptions is not developed or recorded.

Due Diligence - Grupo Moneta
There is no information or discussion in the file for Federal Bank regarding its activities, use of our facilities, support provided by the parent, if any, or other relevant information. This is an area of general criticism that continues, although BRR had made recommendations in the prior BRR Review and in the January 1995 audit that was performed at Management's request. BRR recommends that the Business specifically address its total relationship with all entities in its risk assessments and credit proposals.

The level of documented calling and followup with the Banco Republica is frequent, appropriately focused and detailed, particularly since December 1994.

PS018371

Valuation - Grupo Moneta
The financial assessment does not integrate its financial and risk assesment for all the entities that comprise the group, rather it has focused its assessment on Banco Republica. One memorandum on Federal Bank's financial highlights assessed its financial situation in March 1995; however, its scope did not include the linkages to Banco Republica's own strategy or how we considered our own relationship or

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exposure strategy with Federal, going forward .

Future financial and risk assessments of the group should incorporate Federal as an important and integral part of the whole.

Documentation - Grupo Moneta

We reportedly have a continuing guarantee from Banco Republica for our credit facilities extended to Federal Bank. This needs to be reviewed to determine the amount and type of facilities covered, and this support should be incorporated into the facilities description as appropriate.

Problem Recognition - Grupo Moneta
The 2/22/95 classification of this relationship to OAEM, which was somewhat delayed, given Management's documented knowledge of the Banco Republica's deteriorating liquidity and earnings situation during December and January. The classification would have been more timely in January.

Remedial Management - Grupo Moneta
Monthly reviews are not consistently lodged in the credit file, and the BRR-1 for initial classification and several CLMRs are missing from the credit file.

Specific triggers and followup items for remedial management and downgrade reclassification triggers are not developed or recorded in the monthly classified exposure reviews. In the June CLMR, although the Unit SCO's comments indicate some declassification triggers for Banco Republica, neither the June CLMR nor the April IFI Monthly Review Memo have included specific action steps or triggers, followup dates, action steps, or responsible individuals for this exposure. These items should include collection and exposure reduction targets and include them on the CA face for Federal Bank facilities , which are the presently stated goals of Management.

BRR recommends that the monthly CLMR process include specific items and triggers as specified above as appropriate to manage this OAEM exposure to Federal Bank and Banco Republica.

Data Integrity - Grupo Moneta
The Management has risk rated both Banco Republica and Federal Bank as RR-6, although there is no discussion as to why the parent is not risk rated better than the subsidiary. If we in fact do have the full support from Banco Republica for Federal Bank, which needs to be confirmed, then it is consistent to risk rate the parent and the subsidiary at the same level. Absent this, the Federal Bank exposure should be downgraded to 7.

BRR-3
Page 3

Portfolio Management and Strategy - Grupo Moneta

A formal definition of relationships and products we want to offer them on a risk adjusted basis, within defined and approved levels of risk, needs to be formally developed for this Business Sector for each subsegment of the Financial Institutions client base.

This is particularly important now that the FI sector crisisis mostly over and the Business begins to refocus less on remedial management and more on future business activities.

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MGMT RESPONSE: See attached Management Response.

DISPOSITION CODE:

DISPOSITION REASON:

PS018373

Credit Approval
Bank/Bank Holding Company

Relationship/Borrower Name & Location GRUPO MONETA BS. AS., ARGENTINA	**CA Number** FITS 95/101 **Originating Unit** Citibank, Bs.As. **Control Unit** Citibank, BS.As.	Approval Date Revision Date 28/2/96
Ratings: FITS Risk: 6 S & P Moody's Other	**SIC Code** 6029	
Parentage & % Ownership Montina S.A. Jaime Lucini 33% Monfina S.A. 33% Raul Mon. 25% Alejandra M. 25% Raúl Moneta 33% Jorge Rivarola 1% Fern. M. 25% Alicia Moneta 25%	**Business Activity** BANCO COMERCIAL	
Adverse Classification at Citicorp (MM) IA $ X (55004) II $ ____ III $ ____	**Adverse Classification at Citibank (MM)** IA $ ____ II $ ____ III $ ____	
Purpose: ...TIAL 7500 INTERIM ____ ANNUAL X	CREDIT FACILITIES IN MILLIONS OF U.S. DOLLARS	

Credit Facilities	**Citicorp & Subs (Excl. Citibank)**	**Citibank & Subs. (Excl. Citicorp)**	**Total Citicorp/Citibank**
Direct Facilities:			
Placements		1.0	1.0
OSTBT			
Direct LLL		7.5	7.5
Other Firm Underwriting			
Total Direct Facilities		8.5	8.5
Total Contingent Facilities			
Pre-settlement Risk - Over 7 Days		2.0	2.0
Pre-settlement Risk - Under 7 Days		0.5	0.5
Total Pre-settlement Risk Facilities		2.5	2.5
Total Facilities		11.0	11.0

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Policy Limit Exception Approved (MM)		**Date Approved**	
...ect Facilities Subject to Limit (MM)	8.5	Exception Approved (MM)	Date Approved
...ttlement Risk Subject to Limit (MM)	3.5	Exception Approved (MM)	Date Approved
Daylight Overdraft Limit Subject to Limit (MM)	1.5	Exception Approved (MM) Clearing Limit (MM) 4.0	Date Approved

Market Exposure Limit (MM)

Originating Unit		**Approval Initials/names/Titles/Date**
Approves	$	
Approves Settlement Risk	$	
Requests Approval	$	Responsible Senior
Control Unit		**Approval Initials/Names/Titles/Date**
Approves	$ 9.5	
Recommends	$ 1.5	
Approves Settlement Risk	$ 3.5	
Consents	$	
Notes/Opinions	$ 38637	Responsible Senior

MARTIN LOPEZ ALDUNCIN VICEPRESIDENTE

H. J. COUTURIER VICEPRESIDENT 30/5

Carlos Fedrigotti, VP

Division Approval	**Specialized Industry Approval/Consultation**	**Credit Policy Approval/Consultation**

VISTO D.A.L. FECHA 23/06/95 FL. ... INICIAL ... CREDIT ADM. UNIT. ... VICEPRESIDENTE RESID.

PS018535

Relationship	Originating Unit	CA No.	Page 1
Grupo Moneta	Citibank Bs. As.	FITS 95/101	of 2

Extending Unit / Approving or Recommending Unit	Currency, Amount and US$ Equivalent (in thousands)	Facility Number & Type	Risk Rating	Facilities - Borrower & Description
				BANCO REPUBLICA / FEDERAL BANK L.L.L.T.
Citibank Buenos Aires	3000	1	6	Para préstamos en ML y/o dólares y/o títulos públicos por un plazo de 30 días (CLASIFIED IA) OPERACION ESPECIAL - FEDERAL BANK
Citibank Buenos Aires	2500	2	6	Para el otorgamiento de préstamos en dólares por 30 días. Vto. 12/95 (CLASIFIED IA) BANCO REPUBLICA S.A. STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION SUBCOMMITTEE MEMBERS AND STAFF ONLY
Citibank New York / Citibank Buenos Aires	2000	3	6	Para la confirmación de cartas de crédito documentarias a la vista hasta 90 días de validez y/o para la confirmación de cartas de crédito documentarias con aceptación de letras (que no excedan 180 días), cuyo plazo máximo de validez y aceptación no exceda 270 días y/o para la compra de aceptaciones bancarias bajo cartas de crédito y/o para prefinanciación de exportación hasta 180 días. (Sin cambio) (CLASIFIED IA) COUNTERPARTY RISK
				A DISPOSICION DE BANCO REPUBLICA y/o FEDERAL BANK
Citibank Buenos Aires	500	4	6	Para la compra /venta de FX y/u opciones por un plazo de 60 días (Sin cambio) Nota: Settlement U$ 1500M (Disminuye U$S 1500M)
Citibank Buenos Aires	1500	5	6	Para la compra/venta de títulos públicos y/o privados y/u opciones por un plazo de 60 días (Sin cambio) Nota: Settlement U$ 2000M (Disminuye U$S 3000M)
				A DISPOSICION DE DINERS - RECOMMENDATION COUNTERPARTY RISK
Diners Club Argentina / Citibank Buenos Aires	200	6	6	PSR para operaciones spot de FX y/o bonos hasta 7 días. (Sin cambio) SR: NIL
				PLACEMENTS PS018536
Diners Club Argentina / Citibank Buenos Aires	1000	7	6	Para colocaciones de plazos fijos de 30 días.
				RECOMMENDATION A CITICORP CAPITAL MARKETS
Citicorp Capital Markets/ Citibank Buenos Aires	300	8	6	PSR para compra y venta SPOT de acciones. SR U$S NIL

VISTO C.A.U.
FECHA 23/04/95
FLORENCIA LEMA
CREDIT ADM. UNIT.
GLORIA VARELA
VICEPRESIDENTE RESIDENTE

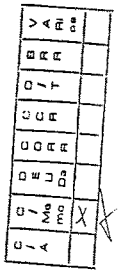
Relationship	Originating Unit	CA No.	Page 2
Grupo Moneta	Citibank Bs. As.	FITS 95/101	of 2

Extending Unit / Approving or Recommending Unit	Currency, Amount and US$ Equivalent (in thousands)	Facility Number & Type	Risk Rating	Facilities - Borrower & Description
				Nota 1: DO EN HONY: Banco República: U$ 1000M (Sin cambio) Federal Bank: U$ 500M (Sin cambio) Nota 2: OPINION A CADISA: Para operaciones spot con el BR o con su sociedad de bolsa. PSR 500M - SR NIL Nota 3 OPINION A SUR: U$S 1000M PSR compra/venta spot de títulos públicos y/o FX. Nota 4 A Dic. '94 UFCO le debía a IEI US$ 31.6MM pagaderos en 2 cuotas de US$ 15.8MM en Junio '95 y Dic. '95. Tasa: Libor + 2. Nota 5 US$ 4MM para la aceptación de formularios 4090 emitidos por la entidad. VISTO C.A.U. FECHA: 23/06/95 FIRMA OFICIAL: FLORENCIA LEMA CREDIT ADM. UNIT. GLORIA VARELA VICEPRESIDENTE RESIDENTE STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION SUBCOMMITTEE MEMBERS AND STAFF ONLY PS018537

CMLA 29-APR-93 21:58:09 001635

To: Dennis Martin (CSBUE:LAGF), Ricardo Angles (CSBUE:LAGF)
CC: Martin Ruete (CSBUE:LAGF), Jose Maria Mathys (CSBUE:LAGF),
CC: Jose Maria Simone (CSBUE:LAGF), Felipe Lesser (USNYC:LABG)
From: Dardo Sabarots (CSBUE:LAGF)
Date: THU 29-APR-93 21:59 GMT
Subject: UNDERWRITING BANCO REPUBLICA → File

Regarding the Underwriting for the issue of BR's Euro CP, ICFD has recommended to cancel the underwriting due to:



1- Conflict of interests between CEI/Citicorp and Banco Republica that could generate an important legal risk because of Citicorp's role as Agent in the CP transaction.

2- The market could interpret Citibank's participation in the transaction as based on goals different to those announced in the information Memorandum.

3- The interrelated credit between BR and Zurich issued in December '92 and canceled in March '93, for a significant percentage of the loans portfolio. (US$ 17MM).

4- The market could interpret this credit as BR using the bank for financing unrelated to their usual business.

FITS Argentina recommends to continue with the ECP Program of US$ 50MM with a firm underwriting of US$
25MM due to:

1- The BR and CEI/Citicorp association was explained

REDACTED REDACTED REDACTED

During this due dillingence, R. Moneta said that he owned 5% of CEI in the BR and a percentage in offshore vehicles (off the record).

ICFD never suggested that there was an obstacle to make the transaction due to a conflict of interests.

2- In the interviews, it was totally clear that the funds obtained by the placements, are going to be used for the usual bank business.

In Citibank there is no political decision preventing us from being Agent in the placement of the papers of a partner.

3- Regarding the "inter-related loan" between BR and Zurich we want to clarify the following:

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- The CP transaction and the 90-day loan are totally independent: the first one was made in July '92, while the second one was granted at the end of December.

- At the end of December, Citibank offers to R. Moneta an additional 3% of the CEI shares.

PS019978

For that we offered Moneta to finance US$ 25MM. In this transaction BR had nothing to do.

Citibank requires to disburse such loan to BR. Raul Moneta did not accept this transaction because he did not want to mix the investment business with the bank. However, as we insisted, he agreed.

To approve the transaction, we decided to allocate the line of underwriting, because the delay of the Comision de Valores, made us think that this short term loan was going to expire before the issue of the papers. Nevertheless, and so as not to double the outstanding, we informed the client that we were not going to allow the overlapping of the CP with the loan.

4- In December'92 when the up-date was carried out, ICFD realized that the main borrower of the bank was Zurich. Under our requirements of full disclosure, the client requested us how to proceed.

a) As this transaction involved an important and confidential deal of the corporation,

b) as no due dilligence had been so thorough with the debtors of financial institutions,

c) as the loan was a short term one (90 days) and we knew the unwillingness of the bank to maintain it in its books, as it was not the intention to finance the purchase of CEI by the bank, we recommended to disclose the strictly necessary information. Zurich is a Swiss holding administered by Citi Zurich.

The loan was canceled at maturity (March 30), therefore we suppose that if another up-date of the numbers is made, ICFD should have no problem to disclose the information to the investor.

DARDO SABAROTS MICHEL TULLE

Command:

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SUBCOMMITTEE MEMBERS AND STAFF ONLY

Senate Permanent Subcommittee
On Investigations
EXHIBIT #_____63f_____

Exhibit 63f.

Excerpts from the audits of Banco Republica by the Central Bank of Argentina

ANEXO	de
1	

Cuerpo I

BANCO CENTRAL DE LA REPUBLICA ARGENTINA

Origen:	Expediente Nº
Banco República	100234/97

ASUNTO:

Informe Final.

100234-97

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encia de Tecnología-, no se encuentran aprobados por Acta de Directorio, no obstante mantenerse debidamente actualizados.

La Auditoría Externa es desempeñada por el Estudio Deloitte & Touche encontrándose los informes de la Comunicación "A" 2152 y complementarias y los balances firmados por el Contador Alberto Bande.

De los informes especiales verificados puede inferirse que algunos de ellos no se ajustan a los requerimientos normativos (v.g.: Principales Deudores, Capitales Mínimos), aspecto que es tratado con más detalle en el acápite de Auditoría Externa.

De los papeles de trabajo correspondientes a los cierres de ejercicio al 31.12.95 y 31.12.96 y los trimestrales a marzo, junio y setiembre '96 analizados, surge que la tarea desarrollada por la Auditoría Externa resulta insuficiente, debido a que en algunos casos, la misma merecería ser efectuada con mayor profundidad (v.g.: análisis de deudores, relaciones técnicas y monetarias).

El Departamento de Auditoría Interna reporta directamente al Directorio del banco sus conclusiones a través de informes bimestrales. Si bien a la fecha de estudio no había funcionario a cargo del mismo, debido al mencionado proceso de reestructuración de la entidad por la compra de los bancos provinciales, con posterioridad esta situación fue subsanada mediante la designación del Sr. Ricardo López Antonelli.

Del examen de los papeles de trabajo de dicha Auditoría Interna correspondientes al ejercicio 1996 surge que los controles efectuados no son totalmente adecuados, ya que si bien se cumplió -en general- el plan de auditoría aprobado por el directorio, los procedimientos implementados carecieron de la profundización necesaria. Al respecto, cabe señalar que los responsables a cargo del sector informaron a la inspección que la no revisión de algunos temas se debió a que hubo un cambio del plan durante el ejercicio que obligó a dar prioridad a los aspectos relacionados con la compra de los bancos provinciales en detrimento -en ciertos casos- del Banco República S.A.

Adicionalmente, debe destacarse que por las observaciones determinadas tanto por la Auditoría Externa como por la Interna no se deja constancia de su consideración y de las medidas tendientes a regularizar las deficiencias señaladas.

Por otra parte, es dable señalar que del análisis de las transacciones de cambio efectuadas con la empresa Alpargatas SACIC, surge la realización de operaciones de compra de transferencias "valor hoy" calzadas con ventas de transferencias "valor hoy puesto" por las cuales no se realiza movimiento alguno en el corresponsal, lo cual implicaría la concreción de transacciones que no responden a operaciones genuinas, las que constituirían -en principio- una transgresión a la Ley Penal Cambiaria. Al respecto cabe mencionar que este aspecto se trata en detalle por cuerda separada mediante el Informe N° 566/27/97.

En cuanto respecta a las restantes operaciones de Comercio Exterior, se observó que los fundamentos de los requerimientos de fondos a los corresponsales no coincidían con el destino que finalmente les daban a tales financiaciones, no cumpliendo en consecuencia con los términos de los telex -tanto en cuanto al destinatario final como al tipo de operación- por los cuales se habían solicitado. De la muestra analizada surgió que los fondos del exterior son

Technology Management: they are not approved by Act of Board of Directors. However, they are up-to-date

The external audit is carried out by Delloite &Touche firm and the reports of Communication "A" 2152 and supplementary and the statement of financial position signed by Accountant Alberto Bande.

From the special verified reports it can be inferred that some of them do not comply with the required standards. (i.e. Main Debtors, Minimum Capital), which is treated in detail in the External Audit separate paragraph. (page 136/138)

From the work papers corresponding to end of the fiscal year up to 12-31-95 and 12-31-96 and the trimesters up to March, June and September '96 that have been studied, it becomes clear that the work done by the External Audit is not enough, because it should be done more thoroughly (i.e. debtors analysis, technical and monetary relationships).

The Internal Audit Department reports its conclusions directly to the bank Board of Directors bimonthly. Even though at the time there was no one in charge due to the restructuring process of the entity after having bought the provincial banks, later on Mr. Ricardo López Antonelli was designed.

From examining the 1996 financial year Internal Audit work papers it is clear that the controls carried out are not totally appropriate since, although the audit plan approved by the Board of directors was fulfilled in general, the implemented procedures lacked a thorough analysis. As regards this fact, it is worth mentioning that the people responsible for this sector informed the inspection that the omission of some topics was caused by a change in the plan during the fiscal year that gave priority to the subjects related to the purchase of the provincial banks rather than – in some cases- those of Banco República S.A.

Furthermore, it is noteworthy, that the observations determined both by the External and Internal Audits leave no records of having considered this subject or of having taken any measures as to solve the fallacies mentioned before.

On the other hand, it should be stated that from the analysis of the change transactions performed with Alpargatas SACIC, it can be seen that purchase operations of "Net Present Value" transfers hedged against sales of "Net Asset Value" by means of which there is no activity in the correspondent, would imply the concretion of transactions that do not correspond to genuine operations, which would represent basically a transgression to the Exchange Penal Law. This topic is treated separately via report 566/27/97.

As for the rest of the Foreign Trade operations, it was observed that the origin of the requirements of funds to the correspondents did not coincide with the destination of such financings, not fulfilling thus, the terms of the telex –regarding both the final beneficiary and the type of operation, for whom it had been requested.

From the analyzed sample it came out that the foreign funds are applied not only to foreign trade lines, but also to financial loans and to the acquisition of securities according to the information given to this Banco Central.

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aplicados no solo a líneas de comercio exterior sino también a préstamos financieros y a la adquisición de títulos valores, de acuerdo con la información suministrada a este Banco Central. Este proceder no se corresponde con las prácticas habituales en la operatoria con entidades del exterior e implica un riesgo no sólo para el banco sino para los restantes integrantes del sistema financiero y para el país en general.

La operatoria llevada a cabo por la entidad con el Federal Bank Limited presenta características particulares por su estrecha relación con las empresas vinculadas con el banco y por la modalidad de retribución de servicios convenida, aspectos estos que se desarrollan con mayor detalle en el acápite "Otros Aspectos".

En contraposición a lo señalado mediante el Informe sobre asistencia a personas físicas y jurídicas vinculadas -Circular OPRAC "A" 49 y complementarias se verificó que las financiaciones a los clientes vinculados se realizan en condiciones preferenciales tanto en tasas de interes como plazos frente al resto de la clientela en general, situación esta que se verifica además con deudores vinculados con otras entidades financieras. (v.g.: Los W S.A., El Atasmique S.A., Agropecuaria Río Juramento S.A., David Gorodish), situación esta que encuadraría como operatoria prohibida de acuerdo con lo establecido por el art. 28 inc. d) de la Ley 21.526. Asimismo debe señalarse que de la lectura de las actas de Directorio surge que los informes de vinculados están siendo tratados con dos o tres meses de atraso.

Del análisis de las operaciones de trading, de pases y asesoramiento verificadas por los meses de noviembre y diciembre '96 surge que, en algunos casos las mismas no tenían significado económico para la entidad (fs. 112 último párrafo y 113 párrafos 1° y 2°).

De la revisión de las facturas de honorarios, correspondientes al mes de noviembre '96 surgió que la entidad abonó los servicios del escribano Alejandro Tachella Costa a favor de International Investment Union Ltd. -accionista del CEI Citicorp Holdings S.A.- y Novo Banc. Trust Limited por $ 249,80 y $ 62,45, respectivamente. Ambos importes facturados directamente a cargo de los titulares -según se nos informó- no fueron recuperados por el banco por error que iba a ser subsanado. Cabe destacar que ambas sociedades carecen de cuenta en la institución.

Por otra parte del análisis de la operatoria de compra-venta de títulos valores, de moneda extranjera como así también de las restantes financiaciones se observaron ciertas falencias administrativas y de control interno, entre las que cabe señalar, las que se detallan en Anexo.

La entidad ha celebrado con el Citibank N.A. un contrato de alquiler por el inmueble sito en la calle Florida 183 por un plazo de 10 años. Atento la continuidad de dicha operatoria, la misma revestiría la calidad de operación prohibida de acuerdo con lo establecido en el art. 28, inciso a) de la Ley 21.526.

Un aspecto que merece destacarse y que puede influir en los resultados de la entidad es el tema relacionado con el Impuesto a los Sellos originado por la venta del inmueble República por la suma de $ 98 millones. Sobre el particular debe señalarse que en la escritura de venta se deja expresa constancia que no se tributará el citado impuesto, sin embargo teniendo en cuenta la consulta obligatoria que debe producirse (según el art. 37 del Decreto 2156/89) y hasta las resultas y eventualidades de la misma el Banco República S.A. y República Cía de Inversiones S.A. se constituyen en "fiadores solidarios, lisos, llanos y principales pagadores de dicho impuesto" en caso de corresponder. No obstante lo consignado cabe aclarar que en el balance de

This behavior does not comply with the habitual procedures in operations with foreign entities and implies risk both to the bank and to the rest of the integrants of the financial system and the country in general.

The operation carried out by the entity with the Federal Bank Ltd. presents peculiar characteristics due to its close relationship to the companies linked to the bank and the modality of the agreed payment of services, aspects which are dealt with in detail under "Other Aspects".

In contrast with what has been stated, through the report on assistance to linked physical and legal entities –circular letter OPRAC "A" 49 and complementary- it was verified that the financings to linked clients are done under preferential conditions compared to the rest of the clients in general, as regards both interest rate and term. This situation is also verified with debtors connected with other financial entities (e.g. Los WSA, El Atasmique S.A., Agropecuaria Rio Juramento S.A., David Gorodish), which would be considered as a banned operation according to art 28 inc. d) of Law 21.526.
In the same way, it must also be stated that from reading the acts of the Board of Directors it comes out that the reports on linked clients are treated with a two-to-three month delay.

From the analysis of the operations of trading, swaps, and advice verified around November and December '96, it is clear that they had no economical meaning for the entity. (fs. 112 last paragraph and 113 1st and 2nd paragraphs).

From the revision of invoices for November '96, it can be seen that the entity paid for the service of Notary Alejandro Tachella Costa in favor of International Investment Union Ltd –shareholder of CEI Citicorp Holdings S.A.- and Novo Bank Trust Limited for a total of $ 249.80 and $ 62.45 respectively. The bank by a mistake to be corrected -as informed to us- never recovered both invoice amounts billed directly in charge of the holders. It must be noted that none of the companies has an account at the institution.

On the other hand, from the analysis of the purchase-sale operation of securities, of foreign currency as well as of the rest of the financings, certain administrative and internal control fallacies were noticed. It is worth mentioning the ones that are detailed in Annex.

The entity has signed a 10-year rent contract with Citibank N.A. for the real property at Florida 183. Taking into account the continuity of the operation, it would be regarded as a prohibited operation in reference to art 28 inc a) of Law 21.526.

A noteworthy topic, which may influence on the results of the entity, is the issue related to the Stamp Tax originated by the sale of the Republica real property set at the amount of $ 98 million. It must be noted that in the sale deed it is stated that the mentioned tax will not be paid. However, considering the compulsory consult that must be done (according to art 37 Decree 2156/89) and up to its outcome and eventualities, Banco República S.A. and República Cia Inversiones S.A. constitute themselves as "surety and principal payers of that tax". However, in the entity Balance sheet, this eventuality is not mentioned. Neither is it mentioned in the notes to the financial statements.

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la entidad no figura en cuenta de orden dicha eventualidad ni tampoco se hace mención alguna al respecto en las notas a los estados contables.

El Area de Sistemas de la entidad evidencia, en términos generales, un ambiente de control interno con debilidades importantes, como las que se exponen a continuación:

- la inadecuada administración del sistema de seguridad lógica;
- un débil control interno del área;
- la inadecuada definición de perfiles en el sistema de transferencia de fondos al exterior;
- la insuficiente cobertura de la continuidad del procesamiento de datos;
- la falta de controles adecuados sobre los procesos y operaciones del sector de producción;
- el sistema de información para el B.C.R.A. parcialmente el ingreso íntegro y válido de la información;
- una incompleta auditoría de sistemas;
- y otras debilidades a tener en cuenta por la entidad.

En función de lo expuesto le mereció una calificación 3 (tres). En anexo se incluyen mayores detalles de las observaciones señaladas.

Se determinaron ciertos desvíos normativos en cuanto al cumplimiento de las relaciones técnicas y regulaciones monetarias establecidas por el B.C.R.A, por la Comunicación "A" 2140, pto. 10 relativa a la tenencia que mantenía la entidad en las sociedades República Propiedades S.A. y M.R.M Investment. S.A., las que no tenían como objeto social la prestación de servicios complementarios a la actividad financiera y superaban el límite del 12,5% de su R.P.C. (fs.116). Asimismo también se encontraría excedida por el Anexo I de la misma Comunicación -fraccionamiento a personas físicas y/o jurídicas vinculadas- y por graduación del crédito (Comunicación"A" 467 y complementarias), por República Cía de Inversiones S.A., aspecto comentado en el apartado de "Otros Aspectos" (fs. 130/133).

Por otra parte, de la verificación del cumplimiento de las relaciones técnicas surgió que de considerar la asistencia otorgada al Grupo económico compuesto por Citibank N.A. Argentina/Citibank N.A se excedía los límites establecidos normativamente. Al respecto, se requirió por Informe N° 566/73/97 opinión de Normas de Entidades Financieras a fin que ratificara o rectificara el criterio sostenido por la inspección, en cuanto a que a partir del dictado de la Comunicación "A" 2227, pto. 2 el encuadramiento de las relaciones técnicas de las entidades financieras locales o del exterior, debe ser determinado en función de los grupos económicos que las mismas constituyan.

El grado de colaboración para con la inspección mereció distinto tratamiento según el tipo de información solicitada. En consecuencia, por ejemplo todo lo relacionado con el Federal Bank Limited, República Propiedades S.A., CEI Citicorp Holdings S.A., entre otros, debió ser reiterado en sucesivas oportunidades ya sea a través de memorandos o bien directamente a los funcionarios en las diversas reuniones mantenidas durante la inspección y a posteriori de la misma. Por otra parte, cabe destacar que la información suministrada en dichos casos, resultó contradictoria o bien dada en forma retaceada y a medida que era expresamente reclamada.

In general, the System Area of the entity shows an environment of internal control with important weaknesses, such as the ones mentioned below:

- inappropriate administration of the system of logic security
- weak internal control of the area
- inappropriate definition of profiles in the system of transfers of funds abroad.
- insufficient coverage of the continuity of data processing
- lack of appropriate controls over the processes and operations in the production sector
- the B.C.R.A. information system partially the whole and valid input of the information
- incomplete system audit
- other weaknesses for the entity to take into account.

As a result of what has been stated here, it deserved a score 3 (three). More details of the observations are included in annex.

By Communication "°"A" 2140 point 10 in reference to the holding the entity had in Republica Propiedades S.A. and M.R.M. Investments which did not include the rendering of complementary service to the financial activity as a social objective and surpassed the 12 % limit of its Computable Patrimonial Responsibility (fs. 116), some regulation deviations were detected, regarding the fulfillment of technical relationships and monetary regulations established by the B.C.R.A.

In the same way that holding would also be consider exceeded according to Annex 1 of the same Communication –fractioning to linked physical or legal entities- and to credit grading (Communication "A" 467 and complementary), by República Cia de Inversiones S.A., aspect commented under "Other Aspects" (Fs. 130/133)

On the other hand, from the fulfillment of verifications of technical relationships it came out that if the assistance given to the economic Group constituted by Citibank N.A. Argentina/Citibank N.A. were considered, it would exceed the limits established by regulation. In this respect, the opinion of Financial Entity Standards was requested, by Report 566/73/97, in order to rectify or ratify the criterion set by the inspection according to which, as from the issue of Communication "A" 2227, point 2, the framework of the technical relationships of local or foreign financial entities, must be determined with reference to the economic groups they constitute.

The collaboration degree towards the inspection deserved different treatment according to the type of information requested. As a consequence, for example, everything related to the Federal Bank Limited, República Propiedades S. A., CEI Citicorp Holdings S.A., among others, had to be claimed several times via memos or directly to the officers in several meetings held during the inspection and afterwards. It must be stated that the information given in those cases was contradictory or kept back and had to be requested over again.

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OTROS ASPECTOS

1. CEI Citicorp Holdings S.A.

A fin de verificar el cumplimiento de la Resolución del Directorio del Banco Central N° 395/96, y dada la disparidad de información reunida respecto de la composición del paquete accionario del CEI Citicorp Holdings S.A. -Banco República S.A. dice tener el 4,27%, mientras que por informaciones suministradas por otra inspección y por noticias periodísticas aparece con una participación del orden del 33% al 35%-, esta instancia procedió a recabar los antecedentes obrantes en la Inspección General de Justicia, Comisión Nacional de Valores S.A. y Caja de Valores S.A.

Atento a que la información recopilada no fue suficiente para aclarar la inconsistencia de los datos, se decidió solicitar por intermedio de la Entidad que CEI Citicorp Holdings S.A. remitiese el detalle de los tenedores del paquete accionario.

Del análisis efectuado surge que Banco República S.A. mantiene la misma participación en el capital y en los votos que fuera verificado como tenencia por la inspección, no obstante haber cambiado la restante composición accionaria.

A pesar de lo comentado anteriormente, merecen destacarse las siguientes aclaraciones

- del prospecto para la emisión de obligaciones negociables por U$S 350 millones presentado por el CEI ante la Comisión Nacional de Valores en el mes de Febrero '97 se hace mención en varias oportunidades al "Grupo República", situación esta que indicaría que en la composición de la mencionada sociedad participarían más de una persona física o jurídica vinculada al banco.

- asimismo se informa en el referido prospecto que los principales accionistas que controlan el voto de aproximadamente el 93,50% de las acciones ordinarias (dentro de los cuales se incluye al "Grupo República"), eligirán los directores titulares, directores suplentes y síndicos en proporción a los derechos que poseen dichas acciones.

- si bien Banco República S.A. tiene solo una participación del 4,27% tiene presencia en el Directorio y la Sindicatura a través de los Sres. Raúl Moneta (Vicepresidente), Benito Jaime Lucini (Director Titular), Carlos A. Basílico (Director Suplente), Jorge E. Rivarola (Síndico Titular) y Jorge S. Maldera (Síndico Suplente), es decir cinco cargos sobre un total de dieciocho.

Por las razones expuestas, se le solicitó a la entidad -mediante Nota N° 566/30/97 del 27.06.97-, que brindara las aclaraciones que estimara corresponder respecto de los aspectos señalados precedentemente, situación que a la fecha del presente se mantiene pendiente de cumplimentación.

Asimismo debe señalarse que todo lo referente al CEI Citicorp Holdings S.A. -composición del paquete accionario-, se tramita por cuerda separada mediante Expte. N° 17380/97.

OTHER ASPECTS

1. CEI Citicorp Holdings S.A.

To verify the fulfillment of Resolution 395/96 from the Board of Directors of Banco Central, and considering the disparity in the information collected regarding the composition of CEI Citicorp Holdings S.A. share stock - Banco República S.A. says it holds 4.27%, whereas according to information given by another inspection and to news in the media, it is said to have from 33% to 35%-, this proceeding requested the antecedents held by "Inspección General de Justicia" ,(Justice General Inspection), Comisión Nacional de Valores (Stock National Market) and Caja de Ahorro S.A.

Due to the fact that the information compiled was not enough to clarify the inconsistency of the data, it was decided to ask CEI Citicorp Holdings S.A. via the Entity to submit the details of the shareholdings.

From the analysis performed it comes out that Banco República S.A. shares the same participation in the invested capital and in the votes as had been verified as holdings by the inspection, even though the rest of the share composition had been changed.

In spite of what has been previously stated, it is noteworthy:

- In the prospect to issue corporate bonds for U$S 350 million presented by CEI to the Comisión Nacional de Valores in February '97 the Grupo República is mentioned several times, which leads to infer that more than one physical or legal entity linked to the bank participate in the composition of the mentioned company.

- In the above mentioned prospect, it is also informed that the main shareholders that control the vote of nearly 93.50 % of the common shares (among whom "Grupo República" is included), will elect the Official Appointed Manager or the Substitute Manager or Syndic

- Although Grupo República S.A. only has a participation of 4.27%, it is represented by Raul Moneta as Vice-president, Benito Jaime Lucini as Chairman, Carlos A. Basílico as Substitute Director, Jorge E. Rivarola as Syndic and Jorge S. Maldera as Substitute Syndic. That is to say 5 positions over a total of 18.

  For the above stated reasons the entity was requested –via note N° 566/30/97 dated 06/27/97-, to give the necessary explanations about the aspects previously mentioned. This situation has not been fulfilled so far.

  It must be stated that everything related with CEI Citicorp Holdings S.A. – composition of the share stock-, is dealt with through a different dossier (File 17380/97).

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3. Operaciones con el Federal Bank Limited.

Del estudio de las operaciones realizadas a través de la cuenta en el corresponsal Citibank N.Y. surgió que por los meses de noviembre y diciembre '96 el 8,88% y 13,53% (fs. [illegible]), respectivamente corresponden a acreditaciones realizadas por el Federal Bank Limited.

Debe señalarse que si bien el importe no es significativo, llama la atención que dichas acreditaciones -en su gran mayoría- corresponden a operaciones con empresas vinculadas al Banco República S.A.(v.g.: República Valores S.A., República Cía de Inversiones S.A., Cabaña Los Gatos S.A.).

Del análisis de las distintas partidas de resultados de la entidad pudo verificarse una comisión cobrada al Federal Bank Limited por $ 400 miles, de los cuales $ 250 miles correspondían al año 1995 y $ 150 miles al año 1996. La misma respondería a todos los servicios prestados por Banco República S.A., según contratos firmados con anterioridad, los cuales no pudieron ser visualizados a pesar de haber sido solicitados en reiteradas oportunidades.

Al respecto, debe destacarse que la entidad reconoció -en el transcurso de la inspección- que le presta al Federal Bank el servicio de administración de la sub-cuenta de Euroclear (recibe instrucciones para realizar movimientos no concertando operación alguna -según información verbal del responsable a cargo de dicha tarea) que se correspondería con las notas que fueran exhibidas en el curso de la inspección. Del análisis efectuado entre el servicio prestado -según el banco- y el monto cobrado surge que el mismo no guarda relación con la modalidad operativa aplicada al resto de los clientes.

Con posterioridad el banco informó (nota del 27 de junio de 1997) que el contrato firmado entre Banco República S.A. y Federal Bank Limited tenía por objeto administrar los movimientos de compras y ventas de títulos que ésta última le encargaba al banco, es decir; la entidad recibía instrucciones de este cliente para realizar las operaciones de compra y venta de títulos y liquidarlas a través de Euroclear. Asimismo informó que por las operaciones realizadas en el año 95 le cobró una comisión de U$S 1.300 por operación y que en el año 96 le bonificaron un 40% de lo facturado el año anterior. Debe señalarse que de lo informado por el banco no se acompañó documentación respaldatoria.

Al respecto cabe destacar que, dada la contradicción expuesta entre lo informado por el banco durante la inspección y en la nota del 27 de junio, se les solicitó la presentación de los elementos probatorios, antecedentes que hasta la fecha no fueron recepcionados.

Atento a que la entidad manifestó verbalmente que el Federal Bank Limited había discontinuado su operatoria con el Banco República S.A. y debido a que la inspección constató documentación que evidenciaba la efectivización de algunas operaciones, se realizó una verificación al Banco Mildesa S.A.(entidad a través de la cual había concretado una transacción). A fs. [illegible] se acompaña Informe N° 566/32/97 del 26.02.97, donde se determinó una acreditación de VN 600.000 Bonex '89 efectuada por el Banco Mildesa S.A. en la cuenta de: Banco República/Federal Trust Bank (Nassau-Bahamas) en Euroclear por una compra efectuada por el Federal Bank Limited a Mildesa Servicios Bursátiles S.A.

3. Operations with the Federal Bank Limited

From the study of the operations performed through the account in the correspondent Citibank N.Y. , it came out that during November and December '96, 8.88% and 13.53% (fs. 118 and 119) respectively, were accredited by the Federal Bank Limited.

It must be stated that, even though the amounts are not significant, it is noteworthy that such credits –in the majority- are related to operations with companies linked with the Banco República S.A. (i.e. República Valores S.A., República de Inversiones S.A., Cabaña Los Gatos S.A.).

The analysis of several statement sheets of the entity proved that a commission was charged to the Federal Bank Limited for $ 400 thousand, of which $ 250 thousand correspond to 1995 and $ 150 thousand to 1996. Such commission would respond to all the services provided by Banco República S.A. according to previously signed contracts, which could not be seen even though they had been reiteratively requested.

It must be pointed out in this respect, that the entity recognized –while the inspection was being held- that it provides the Federal Bank with the service of administration of the Euroclear sub-account (it receives instructions to make movements not performing any operation -according to verbal information from the responsible person in charge of that task) that would correspond with the notes shown during the inspection. The analysis made comparing the service provided –according to the bank- and the amount perceived, shows no relationship with the operative modality applied to the rest of the clients.

A posteriori, the bank informed (note dated June 27, 1997) that the contract signed between Banco República S.A. and Federal Bank Limited aimed at administering the movements of purchases and sales of securities that the latter requested from the bank, i.e. the entity received instruction from this client to purchase and sell securities and sell them off through Euroclear. It also informed that a commission of U$S 1,300 per operation was charged for the operations carried out in '95and that in 1996 it had a 40% rebate over the previous year invoice. It must be stated that there are no documents to back up the information provided by the bank.

As regards this last situation, it is to be noted that, due to the contradiction between what the bank informed during the inspection and the note dated June 27, they were asked to present elements to prove these facts, which have not been received so far.

Considering that the entity manifested verbally that the Federal Bank Limited had discontinued its operations with the Banco República S.A. and as the inspection proved documentation showing the realization of some of the operations, a checking was effected to the Banco Mildesa S.A. (entity through which a transaction had been accomplished) On pages 169/70 is included report N° 566/32/97 dated 02-26-97, where it was determined an accreditation of Face Value 600.000 Bonex '89 done by the Banco Mildesa S.A. in the bank accounts of República/Federal Trust Bank (Nassau-Bahamas) in Euroclear for a purchase by Federal Bank Limited to Mildesa Servicios Bursátiles S.A.

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SUGERENCIAS PARA LA PROXIMA INSPECCION

- Cumplimiento de la Resolución de Directorio del Banco Central Nº 395/96.

- Seguimiento de las observaciones de Control Interno determinadas por la inspección.

- Análisis de la operatoria con el Federal Bank Limited.

- Verificar la genuinidad de las operaciones de cambio.

-Aplicación de fondos en las operaciones de Comercio Exterior verificando que los requerimientos a los corresponsales en cuanto a los términos de los telex, tanto en el destinatario final como el tipo de operación coincidan con la utilización definitiva de la línea.

- Implementación de un sistema integral

- Discontinuidad de las operaciones inmobiliarias, en particular, el alquiler de inmuebles.

SUGGESTIONS FOR THE NEXT INSPECTION

- Fulfillment of Resolution N° 395/96 of the Board of Directors of the Banco Central.
- Follow up of the observation of internal control determined by the inspection.
- Analysis of the operations with the Federal Bank Limited.
- Verification of the genuineness of the exchange operations.
- Application of funds in Foreign Trade operations, verifying that the requirements to the correspondent regarding the terms of the telex, and that both the final addressee and the type of operation coincide with the final use of the line.
- Implementation of an integrated system
- Discontinuation of the real property operations, in particular the rent of properties.

INFORME DE INSPECCIÓN: MANAGEMENT

A juicio de esta Superintendencia de Entidades Financieras y Cambiarias y como resultado del trabajo realizado, se considera que la gestión de la Gerencia es inadecuado para el normal desarrollo de sus actividades. Dicha consideración se debe fundamentalmente a los siguientes aspectos:

(1) **Con relación al cumplimiento de la Resolución del Directorio del Banco Central N° 395/96 del 28.08.96.**

(a) CEI Citicorp Holdings S.A.: Se encuentra bajo análisis su encuadramiento atento la disparidad de información reunida respecto de la participación que detenta el banco.

(b) República Cía de Inversiones S.A.: Del análisis crediticio efectuado surge que la calificación que le corresponde asignar al deudor es 2 "Con riesgo potencial". En consecuencia y debido a que la condición de calificar al deudor en situación normal es excluyente para la vigencia de la Resolución, dicha asistencia se encuentra excedida en la relación del riesgo crediticio.
Adicionalmente cabe destacar que dicha acreencia presenta excesos a la relación de Graduación del crédito desde el origen de su otorgamiento.

(2) **Con relación a la operatoria de títulos públicos, cambio y de Comercio Exterior que realiza la entidad se observaron:**

(a) Operaciones de compra de transferencias "valor hoy" calzadas con ventas de trasnferencias "valor hoy puesto" por las cuales no se realiza movimiento alguno en el corresponsal, lo que implicaría la concreción de transacciones no genuinas, las que constituirían -en principio- una transgresión a la Ley Penal Cambiaria.

(b) La operatoria llevada a cabo por la entidad con el Federal Bank Limited presenta características particulares por su estrecha relación con las empresas vinculadas con el banco y por la modalidad de retribución de servicios convenida.

(c) Los requerimientos de fondos a los corresponsales no coincidían con el destino que finalmente les daban a tales financiaciones, no cumpliendo con los términos de los telex -tanto en cuanto al destinatario final como al tipo de operación- por los cuales se habían solicitado. Este proceder no se corresponde con las prácticas habituales en la operatoria con entidades del exterior.

(d) Del análisis de las operaciones de trading, pases y asesoramiento verificadas en los meses de noviembre y diciembre '96 surge que. en algunos casos las mismas

no tenían significado económico para el banco. (v.g.: Banco Macro, Corporación Metropolitana de Finanzas Banco S.A., Ferradas Jorge).

(3) **Con relación al cumplimiento de las relaciones técnicas se determinaron:**

(a) Exceso a la relación normada por la Comunicación "A" 2140,pto 10 relativa a la tenencia accionaria que mantenía en las sociedades República Propiedades S.A. y M.R.M. Investment S.A., las que no tenían como objeto social la prestación de servicios complementarios a la actividad financiera.

(b) Excesos a los límites establecidos por la Comunicación "A" 2140 Anexo I -fraccionamiento del riesgo crediticio respecto de personas físicas y/o jurídicas vinculadas y Comunicación "A" 467 y complementarias -Graduación del crédito por República Cía de Inversiones S.A.

(c) En cuanto respecta al encuadramiento a la relación de fraccionamiento del riesgo crediticio -Comunicación "A" 2140 - del Grupo Citibank, oportunamente se volverá sobre el particular.

(4) **Con relación a los procedimientos se ha detectado:**

(a) Del análisis de los distintos rubros del balance se observaron ciertas falencias administrativas y de control interno, las que se detallan en Anexo II

(b) Respecto de la activación de las erogaciones incurridas por la adquisición de los Bancos de Mendoza S.A. y de Previsión Social S.A., se les señala que de acuerdo a las normas contables los mismos deben ser imputados directamente a resultados del ejercicio.

(c) De las revisiones efectuadas respecto de la metodología aplicada para cumplimentar la relacion de Capitales Mínimos han surgido observaciones, las que se acompañan en **Anexo III**.

5) El organigrama actual que posee la entidad no se corresponde con la estructura verificada, se carece de Manual de Organización y los Manuales de Procedimientos -excepto el de Créditos- no se encuentran aprobados por el Directorio.

(6) Las financiaciones a sus clientes vinculados y a los de otras entidades financieras se realizan en condiciones preferenciales tanto en tasas de interés como plazo frente al resto de la clientela en general transgrediendo lo establecido en el art. 28, inciso. d) de la Ley 21526 y en contraposición a lo señalado en el Informe del Gerente General sobre el particular.

(7) La entidad ha celebrado con el Citibank N.A. un contrato de alquiler por el inmueble sito en la calle Florida 183 por un plazo de 10 años. Atento la continuidad de dicha operatoria, la misma reviste la calidad de operación prohibida de acuerdo con lo establecido en el art. 28, inciso a) de la Ley 21.526.

INSPECTION REPORT: MANAGEMENT

To the judgment of this Superintendencia de Entidades Financieras y Cambiarias (Superintendence of Financial and Exchange Entities), and as a result of the work done, it is considered that the work of the Managing Department is inappropriate for the regular development of its activities. Such consideration is based mainly on the following aspects:

(1) As regards the fulfillment of Resolution N° 395/96 dated 08/28/96 of the Board of Directors of the Banco Central;

(a) CEI Citicorps Holdings S.A. : its frame of reference is under analysis due to the disparity of information assembled regarding the participation of the bank.

(b) Republica Cia de Inversiones S.A. : From the credit analysis effected, it comes out that the score that must be given to the debtor is 2 "with potential risk". As a result and due to the fact that considering the debtor in normal situation is exclusive to apply the Resolution, such assistance is exceeded in relation with the credit risk.

Furthermore, it is worth mentioning that such accrediting has exceeded the relation of the credit grading since the time it was granted.

(2) In relation to securities, change and foreign trade operations performed by the entity, it was observed:

(a) Purchase of transfer operations "Net Present Values" hedged against sales of transfer "Net Asset Value" for which there is no activity in the correspondent, which would imply the concretion of non-genuine transactions constituting a transgression to the Exchange Penalty Law.

(b) The operation carried out by the entity with the Federal Bank Limited presents peculiar features for its close relationship to the companies linked to the bank and for the retribution modality agreed.

(c) The requirements of funds to the correspondents did not match the destination given finally to those financings, not fulfilling the terms of the telex –concerning both the final addressee and the type of operation- for which they had been requested. These attitude does not comply with the regular operative procedures with foreign entities.

(d) From the analysis of trading operations, swaps and advice verified in November and December '96, it comes out that, in some cases, they were of no economic significance for the bank (i.e. Banco Macro, Corporación Metropolitana de Finanzas Banco S.A., Ferradas Jorge).

(3) In relation to the fulfillment of technical relationships, it was determined:

(a) Exceed to the relation regulated by Communication "A" 2140, point 10 regarding the share holding it kept in República Propiedades S.A. and M.R.M Investment S.A., which did not provide any services complementary to their financial activity as their social aim.

(b) Exceed to the limits established by Communication "A" 2140 Annex I – fractioning of credit risk concerning physical or legal entities linked, and Communication "A" 467 and complementary- credit Gradation by República Cia de Inversiones S.A.

(c) Regarding Grupo Citibank adequacy to the fractioning of credit risk – Communication "A" 2140- it will be dealt with at due time.

(4) **In relation to the procedures, it has been detected**:

(a) From the analysis of the different items in the balance, certain administrative and internal control fallacies could be observed, which are detailed in Annex II

(b) In respect of the activation of the expenses brought about by the acquisition of the banks Mendoza S.A. and Previsión Social S.A., they are informed that according to the accounting policies they must be assigned directly to the statement of the fiscal year.

(c) Of the revisions effected on the methodology applied to fulfill the relation of Minimum Capital there have come out observations, which are included in Annex III.

(5) The present organization chart the entity has does not correspond with the verified structure, there is no organization manual or procedure manual –except the credit manual- they have not been approved by the Board of Directors.

(6) The financing to their linked clients and to those of other financial entities are carried out under preferential conditions both in interest rate and term, compared to those of the rest of the clients, transgressing what is established by art 28 inc d) of Law 21526 and contrasting the General Manager's report on this item.

(7) The entity has signed a 10-year contract with Citibank N.A. for the rent of the property at Florida 183. Due to the continuity of such operation, it is considered prohibited according to what has been established in art 28, inc a) of Law 21.526.

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(8) El trabajo desarrollado por la Auditoría externa, a cargo del Estudio Delloite & Touche hasta el 31.12.96, se considera "insuficiente", tanto en lo que respecta a la profundidad de los procedimientos desarrollados y al nivel de las conclusiones, las que no se corresponden con las verificaciones y observaciones determinadas por la inspección. En **Anexo IV** se agrega copia de la nota cursada al estudio de la Auditoría Externa.

(9) Los controles efectuados por la Auditoría Interna no son totalmente adecuados debido a que los procedimientos implementados carecieron de la profundidad necesaria y a la inexistencia de seguimiento de las observaciones que formula.

(10) El Area de Sistemas evidencia en términos generales, un ambiente de control interno con debilidades importantes. En **Anexo V** se incluyen las observaciones verificadas.

(11) El grado de colaboración para con la inspección mereció distinto tratamiento según el tipo de información solicitada, la cual debió ser reiterada en sucesivas oportunidades ya sea a través de memorandos o bien directamente a los funcionarios en las diversas reuniones mantenidas durante la inspección y a posteriori de la misma. Por otra parte, cabe destacar que la información suministrada resultó en ciertos casos contradictória o bien dada en forma retaceada y a medida que era expresamente reclamada.

(8) The job developed by the external audit in charge of Delloite & Touche firm up to 12-31-96 is considered insufficient regarding both the depth of the developed procedures and the level of the conclusions, which do not comply with the observations and verifications determined by the inspection. In **Annex IV** we include a copy of the note sent to the external audit firm.

(9) The controls effected by the internal audit are not totally appropriate due to the fact that the procedures implemented lack the necessary depth and to the inexistence of follow up to the observations it formulates.

(10) The system area shows in general terms, an internal control environment with important weaknesses. In Annex V we include the verified observations.

(11) The degree of collaboration towards the inspection deserved a different treatment according to the type of information requested, which had to be claimed several times via memos or directly to the officials during the inspection and a posteriori. It must be stated that the given information was, in some cases, contradictory or given, unwillingly, only when specifically asked for.

CUERPO Nº	
ANEXO	Cantid de foj
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Cuerpo II

BANCO CENTRAL DE LA REPUBLICA ARGENTINA

Origen:	Expediente Nº
Bco. Republica.	100234/97
ASUNTO: Informe Final	

INFORME DE INSPECCION: MANAGEMENT

A juicio de esta Superintendencia de Entidades Financieras y Cambiarias y como resultado del trabajo realizado, se considera que la gestión de la Gerencia es inadecuado para el normal desarrollo de sus actividades. Dicha consideración se debe fundamentalmente a los siguientes aspectos:

(1) **Con relación al cumplimiento de la Resolución del Directorio del Banco Central N° 395/96 del 28.08.96.**

Atento que se encuentra bajo análisis de este Banco Central, en su oportunidad se volverá sobre el particular.

(2) **Con relación a la operatoria de títulos públicos, cambio y de Comercio Exterior que realiza la entidad se observaron:**

(a) Operaciones de compra de transferencias "valor hoy" calzadas con ventas de transferencias "valor hoy puesto" por las cuales no se realiza movimiento alguno en el corresponsal, lo que implicaría la concreción de transacciones no genuinas, las que constituirían -en principio- una transgresión a la Ley Penal Cambiaria

(b) No se encuentra claramente definida la relación del banco con el Federal Bank Limited dadas las especiales características de la operaciones que realiza con las empresas vinculadas con el banco y por la modalidad de retribución de servicios convenida.

(c) Los requerimientos de fondos a los corresponsales no coinciden con el destino que finalmente les dan a tales financiaciones, no cumpliendo con los términos de los telex -tanto en cuanto al destinatario final como al tipo de operación- por los cuales se habían solicitado. Este proceder no se corresponde con las prácticas habituales en la operatoria con entidades del exterior.

(d) Del análisis de las operaciones de trading, pases y asesoramiento verificadas en los meses de noviembre y diciembre '96 y julio a diciembre'97 surge que, en algunos casos las mismas no tienen significado económico para el banco. (v.g. Banco Macro, Corporación Metropolitana de Finanzas Banco S.A., Ferradas Jorge).

No obstante ello se verifica que en algunas operaciones, consideradas individualmente, generan ganancia para determinadas personas relacionadas con la entidad (v.g.: Kipp Alejandro, Kipp Enrique Federico, Jaime Lucini -Presidente y Vicepresidente-, Whittingslow Jose Manuel y Prescia Horacio Rafael -Mesa de Dinero-).

(3) Con relación al cumplimiento de las relaciones técnicas se determinaron:

(a) Exceso a la relación normada por la Comunicación "A" 2140 Anexo I, pto. 2.4. asistencia a vinculados (20%), a partir del 29.12.97, fecha en que la entidad declara como vinculada a la sociedad CEI Citicorp Holdings S.A.

(b) Exceso a la relación normada por la Comunicación "A" 2140, pto 10 relativa a la tenencia accionaria que mantenía en la sociedad República Propiedades S.A., la que no tenía como objeto social la prestación de servicios complementarios a la actividad financiera. Los cargos al 31.12.97 ascienden a $ 1.409 miles.

(c) Excesos a la relación consolidada de Fraccionamiento del riesgo Crediticio establecido por la Comunicación "A" 2140 Anexo II pto. 3.1.y 3.7. por la asistencia otorgada al Grupo Candia Inversora S.A./Inversora Ancona. Los cargos actualizados al 31.12.97 ascienden a $ 751 miles

(d) Excesos a la relación consolidada de Fraccionamiento del Riesgo Crediticio establecido por la Comunicación "A" 2140, pto. 3.6.1., por la asistencia otorgada a los corresponsales del exterior. Los cargos actualizados al 31.12.97 ascienden a $ 869 miles.

(e) Cargos por defectos de integración de Requisitos Mínimos de Liquidez determinados a los Bancos de Mendoza S.A. y de Previsión Social S.A. debido a la incorrecta aplicación de la facilidad otorgada por la Resolución Nº 177/96 del Directorio del B.C.R.A.

(f) En cuanto respecta al encuadramiento a la relación de fraccionamiento del riesgo crediticio -Comunicación "A" 2140 - del Grupo Citibank, de corresponder oportunamente se volverá sobre el particular.

(4) Con relación a los procedimientos se ha detectado:

(a) Del análisis de los distintos rubros del balance se observaron ciertas falencias administrativas y de control interno, las que se detallan en Anexo III.

(b) Respecto de la activación de las erogaciones incurridas por la adquisición de los Bancos de Mendoza S.A. y de Previsión Social S.A., se les señala que de acuerdo a las normas contables los mismos deben ser imputados directamente a resultados del ejercicio.

(c) De las revisiones efectuadas respecto de la metodología aplicada para cumplimentar la relacion de Capitales Mínimos han surgido observaciones, las que se acompañan en Anexo IV.

(5) Con respecto a la relación del Management de la entidad con Banco Central:

El grado de colaboración para con los funcionarios de esta Institución mereció distinto tratamiento según el tipo de información solicitada, la cual debió ser reiterada en

sucesivas oportunidades ya sea a través de memorandos o bien directamente a los directivos y/o gerentes en las diversas reuniones mantenidas durante la inspección y a posteriori de la misma. Por otra parte, cabe destacar que la información suministrada resultó en ciertos casos contradictoria o bien dada en forma retaceada y a medida que era expresamente reclamada.

(6) Otros Aspectos

(a) El organigrama actual que posee la entidad no se corresponde con la estructura verificada, se carece de Manual de Organización y los Manuales de Procedimientos -excepto el de Créditos- no se encuentran aprobados por el Directorio.

(b) Otorga financiaciones a clientes vinculados en condiciones preferenciales tanto en tasas de interés como plazo frente al resto de la clientela general transgrediendo lo establecido en el art. 28, inciso. d) de la Ley 21526, situación no advertida en los Informes del Gerente General sobre el particular.

Similar situación se observó respecto de la asistencia a clientes vinculados a otras entidades financieras.

(c) La entidad ha celebrado con el Citibank N.A. un contrato de alquiler por el inmueble sito en la calle Florida 183 por un plazo de 10 años. Atento la continuidad de dicha operatoria, la misma reviste la calidad de operación prohibida de acuerdo con lo establecido en el art. 28, inciso a) de la Ley 21.526.

(d) El trabajo desarrollado por la Auditoría externa, a cargo del Estudio Delloite & Touche hasta el 31.12.96, se considera "insuficiente", tanto en lo que respecta a la profundidad de los procedimientos desarrollados como al nivel de las conclusiones, las que no se corresponden con las verificaciones y observaciones determinadas por la inspección. En Anexo V se agrega copia de la nota cursada al estudio de la Auditoría Externa.

(e) Los controles efectuados por la Auditoría Interna no son totalmente adecuados debido a que los procedimientos implementados carecieron de la profundidad necesaria y a la inexistencia de seguimiento de las observaciones que formula.

(f) El Area de Sistemas evidencia en términos generales, un ambiente de control interno con debilidades importantes. En Anexo VI se incluyen las observaciones verificadas.

... several times via memos or directly to the officials in numerous meetings held during the inspection and afterwards. It must be stated that the information given in those cases was contradictory or kept back and had to be claimed again.

(6) Other Aspects

(a) The organization chart the entity has at present is not accordant with the verified structure. There is no Organization Manual, and the Procedure Manuals –except the Credit Manual- have not been approved by the Board of Directors.

(b) It gives financing to its linked clients under preferential conditions both in interest rate and term, -compared to those of the rest of the clients-, which is a transgression to what is established by art 26 inc d) of Law 21526. This situation was overlooked in the General Manager's reports on this matter.

A similar situation was detected regarding the assistance given to clients linked to other financial entities.

(c) The entity as signed a 10-year contract with Citibank N.A. for the rent of the property at Florida 183. Due to the continuity of such operation, it is considered prohibited according to what has been established in art 28, inc a) of Law 21526

(d) The work done by the external audit in charge of Delloite & Touche firm up to 13-31-96 is considered "insufficient" regarding both the depth of the developed procedures and the level of the conclusions, which do not accord with the observations and verifications determined by the inspection. In Annex V we include a copy of the note submitted to the external audit firm

(e) The controls effected by the internal audit are not totally appropriate due to the fact that the procedures implemented lack the necessary depth and to the inexistence of follow-up to the observations it formulates.

(f) The System Area shows, in general, an internal control environment with important weaknesses. In Annex VI we include the verified observations.

MINUTA DE COMITE CAMEL

Entidad: Banco República S.A.

Jefe de Grupo: Daniel H. Merlo

Fecha de inicio de inspección: 13.01.97

Fecha fin de inspección: 04.04.97

Fecha de estudio: 30.11.96

Responsables de la Inspección:

Inspector General: Delia B. Cortelletti

Inspector: Gilda L. Spoltore.

Fecha de la reunión del Comité CAMEL: 06.04.98.

Integrantes: ELBA CRETAÑO, JUAN BARALE, ALBERTO FIGUEROA, DANIEL MERLO, JUAN CARLOS NOVELLES

En función de las conclusiones de cada uno de los componentes CAMEL, efectuada por los responsables de la inspección se adopta la siguiente calificación:

CORRESPONDE APLICAR RESOLUCION 52/96

COMPONENTE	CALIFICACION
CAPITAL	4 (cuatro)
ACTIVOS	4 (cuatro)
MANAGEMENT	4 (cuatro)
RENTABILIDAD	4 (cuatro)
LIQUIDEZ	3 (tres)
NOTA FINAL	4 (cuatro)

NOTE OF CAMEL COMMITTEE

Entity: Banco Republica S.A.
Group Leader: Daniel H. Merlo
Start Inspection date: 01-13-97
End inspection date: 04-04-97
Research date: 11-30-96
Responsible of inspection :
General Inspector Delia B Cortelletti
Inspector Hilda L Spoltore

Date of the meeting CAMEL Committee: 04-06-98
Members: Elba Castaño, Juan Barale, Alberto Figueroa, Daniel Merlo, Juan Carlos Nougues.

Taking into account the conclusions of each of the components CAMEL, effected by the responsible of the inspection the following score is adopted:

(handwritten): The application of Resolution 52/46 is pertinent

COMPONENT	SCORE
CAPITAL	4 (four)
ASSETS	4 (four)
MANAGEMENT	4 (four)
PROFITABILITY	4 (four)
LIQUIDITY	3 (three)
FINAL SCORE	4(four)

Follow five signatures

Banco Central de la República Argentina
Superintendencia de Entidades Financieras y Cambiarias

CERTIFICADA CON AVISO DE RECIBO

Buenos Aires, 28 ABR 1998

DELLOITE & TOUCHE
Sarmiento 624
(1041) Capital Federal

Sírvase citar: 601 / 53 / 98

Nos dirigimos a Uds. con referencia al trabajo que, como auditores externos, realizaron en Banco República S.A..

Al respecto, se analizaron los papeles de trabajo correspondientes a los cierres de ejercicio al 31.12.95 y 31.12.96 y los trimestrales a marzo, junio y setiembre '96 y los Informes Especiales al 31.12.96.

De su análisis surge que, si bien se realizaron las pruebas sustantivas dispuestas por la Comunicación "A" 2152 y complementarias, la tarea desarrollada se considera insuficiente, tanto en lo que respecta al alcance de los procedimientos desarrollados como al nivel de conclusiones, las que no se corresponden con las determinadas por la inspección. En anexo se detallan las falencias verificadas.

Las principales observaciones que surgieron de la verificación de los papeles de trabajo y de los procedimientos realizados por la comisión actuante constan, con mayor detalle en el Informe de Inspección con fecha de estudio 30.11.96 que se notifica a la entidad.

La respuesta que corresponda a la presente, deberá ser remitida a este Banco Central dentro de los 10 (diez) días de su notificación.

Saludamos a Uds. muy atentamente.

BANCO CENTRAL DE LA REPUBLICA ARGENTINA

RECIBIDO
2 de julio 24/1998

Dra. Delia Cortelletti
Inspector General

Dr. Daniel Merlo
Gerente de Supervisión

Banco Central de la Repùblica Argentina
Superintendency of Financial and Exchange Entities

Certified letter with return receipt requested

Buenos Aires, 04-28-1998

DELLOITE & TOUCHE
Sarmiento 624
(1041) Capital federal

Reference Number 565/57/98

We are addressing you in reference to the work carried out in Banco Repùblica S.A as external audits.

In this respect we analyzed the work paper related to closing of fiscal years 12-31-95 and 12-31-96 and trimesters March, June and September '96 and the special reports up to 12-31-96.

From their analysis it is evident that, even though the substantial proves ordered by Communication "A" 2152 and Complementary were carried out, the work done is considered insufficient -regarding both the range of the procedures developed and the level of conclusions- which do not comply with the ones determined by the inspection. The fallacies verified are detailed in Annex

The main observations that came out from checking the work papers and the proceedings done by the acting committee can be found in more detail in the inspection report dated 11-30-96, which is notified to the entity.

The answer to this letter should be submitted to this bank within 10 days of its notification.

Sincerely yours,

BANCO CENTRAL DE LA REPÙBLICA ARGENTINA

Two signatures follow: Dr. Delia Cortelletti (General Inspector)
Dr. Daniel Merlo (Supervision Manager)

There is a seal with a date: 04-02-99

CUERPO Nº
ANEXO
3

Cuerpo III

BANCO CENTRAL DE LA REPUBLICA ARGENTINA

Origen: Bco República	Expediente Nº 100 234/97
ASUNTO: Informe Final.	

100234-97

	31.12.97.	287 -6-		informe final de la in en curso, dado que l practica un estudio do (al 30.6.98) y vo de más del 9 cartera computabl
243	Observaciones formales por la compra de cartera a Finvercon S.A. C.F. y posterior venta al BPS. También se cuestionó el registro (entre los OCIF) de la diferencia entre el valor contable y el precio pagado, cuando correspondería asentarla como *"un gasto de organización y desarrollo deducible para el cálculo de la"* RPC. Al 31.12.97, siempre según la anterior inspección, BR tenía contabilizados $ 1.801 miles por ese concepto (prima) y el BPS $ 14.576 miles.	287 -10- y 287 -6 a 9-	La entidad rechazó las observaciones en cuestión. El tratamiento dispensado por el BCRA al tema de la compra - venta de cartera a Finvercon S.A. C.F. consta en este mismo cuadro (ver *supra*, fs. 292/3) y en el E. 3.709/98. En los puntos 4., 4.2. y 4.2.1. de la nota del 28.8.98 (E 48.078 de fusión/escisión, solicitud de franquicias y demás), la entidad solicitó que se evalúe la posibilidad de declinar ciertas observaciones, entre ellas las que constan en la columna 2.	Tratar el *subexamen* oportunidad, conju y en el marco de 48.078/98 y/o 3 709
245	Se comentó a la entidad que se encuentran bajo análisis del BCRA aspectos relacionados con el cumplimiento de la Resolución 395/96.	287 -10-	Tal análisis tramita en los actuados encabezados por el Informe Nº 566/247 del 7.11.97. A fs 100 vta. de ellos, el Superintendente de EFyC dispuso *"Vuelva para su tratamiento en el marco del Exp 48.078/98."*, y a fs 105 (el 23.11.98, la Gerente del Grupo D de SEF) precisó que en el marco de la inspección *"... se evalúe qué tratamiento cabría imprimir ..."* a ciertos temas incluidos en las actuaciones encabezadas por el Informe 566/247/97.	Debería estarse a lo tales actuaciones 566/247/97) y en 48.078/98 se decida
245	Distinto grado de colaboración para con los funcionarios del BCRA a cargo de la anterior inspección. En ciertos casos se les proveyó información contradictoria, a veces fue retaceada y en otras oportunidades debió reiterarse la solicitud de datos.	287 -10- y 287 -3-, punto (I)	La entidad rechaza esas imputaciones, afirma que no existen constancias de requerimientos de información reiterados, ni de informes contradictorios, ni pedidos retaceados Ha atendido razonablemente a la inspección en curso	No volver sobre el pa
245	Falta de claridad en la relación con el Federal Bank Limited, dadas las especiales características de las operaciones realizadas con empresas vinculadas al BR y por		La entidad no brindó respuesta alguna sobre el particular A fs. 27, 133, 146, 166, 172 -1 a 15- y 268 se observan precisiones respecto del Federal Bank Limited. La inspección en curso no detectó relación directa, en los últimos meses del primer semestre de	Tener por consentida gada falta de clarida relación entre el BP deral Bank Limited

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	la modalidad de retribución de los servicios convenida.		1998, entre el BR y el Federal Bank Limited. Si, en cambio * Que algunos de los clientes de la inspeccionada -depositantes básicamente- giraron y extrajeron fondos del BR, vía la cuenta abierta por este último en el Citibank N.A., New York, desde y hacia el Federal Bank Limited. * Que tiene abiertas en el BR las cajas de ahorro en pesos y en moneda extranjera N° 0012.213 (con saldos exiguos y pocos movimientos en el segundo trimestre de 1998). En entrevista del 17.11.98 con el Sr. Pablo Lucini, Director Ejecutivo de Banca Profesional y Finanzas, este negó toda relación de grupo económico entre el BR y el Federal B.L. En los actuados encabezados por el Informe 566/247/97 se agregan aspectos referidos al Federal Bank Ltd. Mediante Informe N° 541/316/98 se propuso requerir a los Bancos Centrales de Bahamas y Uruguay informes sobre el Federal Bank Ltd. y un grupo de empresas.	los resultados del Inf. 541/316/98
245	Exceso a la relación establecida por la Com. "A" 2140, Anexo I., punto 2.4. (asistencia a vinculados del 20 %) desde el 29.12.97, fecha en que la entidad declara como vinculado al CEI. No se requirieron rectificativas ni el ingreso de cargos.	287 -10-	La entidad manifiesta que la franquicia otorgada mediante la Resolución 395/96, interpretada en un sentido amplio, alcanza a la relación impuesta por la Comunicación "A" 2140, Anexo I., punto 2.4.. Sostiene que la inspección se atiene a un formalismo que no contempla la realidad económica y financiera. Mediante la nota del 28.8.98 (E. 48.078/98), apartado 5.1 "Solicitudes de atenuación o supresión de cargos", punto (IV), consta. *"Cargos a BR por incumplimiento a la Resolución 395, debido a la tenencia de acciones del CEI Citicorp Holding. En este caso se han mantenido conversaciones al respecto."* En los actuados encabezados por el Inf. 566/247/97 se agregaron aspectos referidos al tema del CEI.	Debería estarse a lo resuelto decida en los actuados bezados por Inf. 566/247 del 7.11.97 cionado *supra*), y/o a conjuntamente con lo decida en el E. 48.078/98
245	Excesos a la relación impuesta por la Comunicación "A" 2140, punto 10, que prohibe la tenencia de acciones en sociedades que no tengan como objeto social la prestación de servicios complementarios a la actividad desarrollada por las entidades financieras superiores al 12,5 % del patrimonio). Tal exceso se refiere a la participación en República Propiedades S.A., y los cargos ascendían al 31.12.97 a $ 1.409 miles.	287 -10 y 11-	La entidad responde que sobre el particular ya formuló una solicitud de atenuación de cargos, y se remite a un "Anexo IV", que no obra en su respuesta. Estos aspectos tramitan en el E. 3.674/98. En el punto 4.2.3. de la nota que encabeza el E. 48.078/98 (de fusión/escisión/franquicias y demás) se insiste sobre la atenuación de cargos ingresada bajo el E. 31.351/98.	Debería tratarse la obs ción en cuestión en el de los Exptes. 3.674/9 48.078/98.

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BANCO REPUBLICA S.A.

INFORME DE INSPECCION CON FECHA DE ESTUDIO 30/06/98

1. CEI Citicorp Holdings S.A. (ex Citicorp Equity Investments S.A.).

A la fecha de estudio la tenencia accionaria equivalía al 4,27 % del capital de la emisora. Fue contabilizada en la subcuenta 161 023-01 "Acciones CEI", a valor patrimonial proporcional (21.369.502 acciones clase B que a VPP representaban $ 50,983 millones, mientras que a la cotización de la fecha de estudio tenían un valor de $ 86,546 millones). La Resolución 395/96 del BCRA (ver fs. 32) admitió un incremento de capital para Banco República S.A. efectuado con aporte de acciones del CEI, sujeto a ciertas condiciones, entre ellas que tales acciones se valúen a VPP.

Al 2.11.98 tal participación, valuada a cotización, ascendía a $ 68.382 miles. Se aclara que la plaza local de acciones del CEI no es muy líquida, no integrando tal acción el panel Merval (el volumen negociado es de aproximadamente el 0,6 % del total transado en la Bolsa de Comercio de Buenos Aires), por lo cual es incierta la posibilidad de venta de tal tenencia al valor de cotización.

En el extracto de cuenta extendido por la Caja de Valores S.A. se observaban, además de la tenencia accionaria, cupones de suscripción por la misma cantidad de acciones (21.369.502), debido a la oferta pública de acciones que efectuara el CEI (derecho de acrecer). Con posterioridad a la fecha de estudio fue retirado el trámite de ampliación del capital de la Comisión Nacional de Valores, según informó la entidad.

En el anexo al Informe 541/318 del 22.12.98, que fue incorporado a los actuados encabezados por el Informe N° 566/247 del 7.11.97, *se analizó la posible vinculación entre Banco República S.A. y el CEI Citicorp Holdings S.A., así como la posible caída de las franquicias otorgadas por la Resolución 395/96 del BCRA, aspectos resueltos del modo que consta en las copias glosadas a fs. 94/5 (fs. 132/33 del Inf. 566/247/97).*

También en el Informe 541/12, del 8.1.99, fueron abordados aspectos inherentes al activo en cuestión, en particular lo que hace a la posible escisión de las acciones del CEI desde Banco República S.A. hacia República Compañía de Inversiones S.A., a las cuestiones derivadas de la posible transgresión a la Resolución 395/96, y a la decisión entonces pendiente "... sobre el pedido de atenuación de cargos por excesos en la asistencia a vinculados formulado en el Expte. N° 48.078/98.".

Otra de las tareas llevadas a cabo sobre el particular fue la elaboración del cuadro en el cual constan las empresas relacionadas con el CEI (ver fs. 102). La información volcada en dicho cuadro fue obtenida, básicamente, de los estados contables del CEI cerrados el 30.6.98 y fue sometida a consideración de la entidad, quien informó sobre las pequeñas modificaciones acaecidas en el tema en cuestión al 30.9.98 (ver copia de tal respuesta a fs. 103/5

Finalmente, por memorando anexo a la nota 540/2, del 4.1.99, se exigió la rectificación de información (declarando al CEI como vinculado al Banco República S.A.); se requirió también la determinación de "... los cargos en que hubiera incurrido por excesos a los límites establecidos en los puntos 2.1. y 2.4. del Anexo I a la Comunicación "A" 2140, desde la fecha en la que la tenencia directa o indirecta en CEI superó el límite

5.1. CEI Citicorp Holdings S.A. (ex Citicorp Equity Investments S.A.).

As of the date of the study, the shareholdings were equivalent to 4.27% of the issuer's capital. It was posted in sub-account 161 023-01 "CEI Shares" at equity value (21,369,502 Class B shares that represented $50.983 million at VPP [TR.: probably "equity value"], while the share value as of the date of the study was $86.546 million). BCRA Resolution 395/96 (see page [handwritten: 32)] admitted a capital increase for Banco República S.A. carried out with [a] contribution of shares of CEI, subject to certain conditions, among them that such shares be valued at VPP [TR.: probably "equity value"].

As of November 2, 1998, such shareholding, valued at share price, was $68,382,000. We should clarify that the local market for shares of CEI is not very liquid; the MerVal stock index does not include such activity (the volume traded is approximately 0.6% of the total bought and sold on the Buenos Aires Stock Exchange); therefore the possibility of selling such holdings at market value is uncertain.

The account summary issued by Caja de Valores S.A. shows, in addition to the share holdings, subscription coupons for the same amount of shares (21,369,502), due to the public offering of shares by CEI (right to increase). After the date of the study, the Comisión Nacional de Valores [TR.: probably the equivalent of the US Securities and Exchange Commission] procedure for increasing the capital was withdrawn, as the entity reported.

The appendix to Report 541/318 dated December 22, 1998, which was included in the Documents beginning with Report No. 566/247 dated November 7, 1997, ***studied the possible connection between Banco República, S.A. and CEI Citicorp Holdings S.A., as well as the possible decrease of the exemptions granted by BCRA Resolution 395/96, matters resolved as indicated in the copies summarized*** [sic] ***at pages*** [handwritten: 94/5] ***(pages 132/33 of Report 566/247/97).***

Report 541/12 dated January 8, 1999, also addressed matters inherent to the asset in question, in particular what it does to the possible spinoff of the shares of CEI from Banco República S.A. to República Compañía de Inversiones S.A., to the questions resulting from the possible violation of Resolution 395/96, and to the then-pending decision "... about the request, formulated in File No. 48,078/98, for reduction of charges for excessive assistance to associated entities."

Another task carried out regarding this matter was the drawing up of the chart showing the companies associated with CEI (see p. [handwritten: 102]). The information in said chart was obtained, basically, from the CEI balance sheets closed on June 30, 1998, and was submitted for the entity's consideration; the entity reported about the minor changes vis-a-vis the matter in question on September 30, 1998 (see copy of said response at pages [handwritten: 103/5]).

Finally, by memorandum attached to note 540/2 dated January 4, 1999, the correction of information was requested (stating CEI was associated with Banco República S.A.); also requested was the determination of "... the charges it incurred for exceeding the limits established in items 2.1 and 2.4 of Appendix I to Document "A" 2140, from the date on which the direct or indirect holdings of CEI exceeded the limit

established in item 1.2.1 of said appendix." The entity's response (File 3,520 dated January 29, 1999) was addressed in Report 541/46 dated February 10, 1999, and through Note 541/20 dated February 16, 1999, that information was emphasized.

ables-administrativos (registración, guarda de documentación, falta de control sobre tinas imputaciones y registraciones), cuanto deficiencias en la calificación de deudores esactualización de manuales de procedimientos.

8. Sumarios en trámite.

La entidad informó que no tiene sumarios en trámite.

9. Prevención del lavado de dinero.

La inspeccionada no cuenta con un manual que contenga los programas contra el lavado de dinero proveniente de actividades ilícitas, no obstante lo indicado en el punto 5. de las recomendaciones puntualizadas en la Comunicación "A" 2451 (actualmente, punto 1.1.1.5. de la Comunicación "A" 2814), y pese a que el Auditor interno, en su informe correspondiente a la labor cumplida entre julio de 1997 y junio de 1998, destacá que "Es necesario implementar un manual de normas y procedimientos en materia de previsión del lavado ...".

Además, el informe del Auditor externo sobre cumplimiento de las normas del BCRA en materia de prevención del lavado de dinero, correspondiente al trimestre finalizado el 30.6.98 observa que la entidad debe:

a) Implementar un manual de normas y procedimientos en materia de prevención del lavado de dinero proveniente de actividades ilícitas, a fin de cumplimentar lo requerido por la Com. "A" 2451 del BCRA.

b) Implementar un procedimiento que le permita asegurar la integridad de la información contenida en la base de datos requerida por el organismo de contralor.

c) Dejar evidencia en todos los casos de los controles realizados.

d) Asimismo, la operación de los clientes Nervi y Zviklich por $13 y 75 miles respectivamente fueron informadas en forma duplicada.

En el expediente encabezado por el Informe N° 566/273/97 se efectuó, entre otras actuaciones, una recomendación (en Nota N° 540/81/98) referida a las operaciones de cambio innominadas, ("transacciones de mostrador"). En la respuesta, del 8.2.99, Banco República informó que tercerizó los servicios de tesorería, que le presta actualmente Banco Mendoza. Este último implementó normas para la prevención del lavado de dinero en su Comunicación Interna N° 144/98.

10. Informe del auditor externo sobre operaciones con personas del exterior no sujetas al régimen de supervisión sobre bases consolidadas.

9. Prevention of Money Laundering

The entity under examination does not have a manual with the programs against laundering money from illicit activities, despite the stipulations of Item 5 of the recommendations set forth in Document "A" 2451 (now, Item 1.1.1.5 of Document "A" 2814), and despite the fact that the internal Auditor, in his report on the work performed between July 1997 and June 1998, pointed out that "It is necessary to set up a manual of rules and procedures regarding precautionary measures with respect to laundering ...."

In addition, the outside Auditor's report on compliance with the BCRA rules regarding the prevention of money laundering, for the quarter ending June 30, 1998, notes that the entity should:

a) Set up a manual of rules and procedures regarding prevention of laundering money from illicit activities, in order to comply with BCRA Document "A" 2451.

b) Set up a procedure that enables it to ensure the integrity of the information in the database required by the controlling organization.

c) Provide evidence, in all cases, of the controls.

d) Also, the transaction involving clients Nervi and Zviklich in the amounts of $13,000 and $75,000, respectively, were reported in duplicate.

The file that begins with Report No. 566/273/97 made, among other things, a recommendation (in Note No. 540/81/98) referring to the anonymous exchange transactions ("counter transactions"). In the response, dated February 8, 1999, Banco República reported that it outsourced the "treasurer's department" services, which are currently provided by Banco Mendoza. The latter implemented rules for the prevention of money laundering in its Internal Document No. 144/98.

10. Outside auditor's report on transactions with persons from abroad not subject to the system of oversight on consolidated bases.

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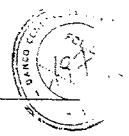


INFORME DE INSPECCIÓN : RENTABILIDAD

A juicio de esta Superintendencia de Entidades Financieras y Cambiarias y como resultado del trabajo realizado, se considera que la rentabilidad de la entidad es inadecuada para el normal desarrollo de sus actividades. Dicha consideración se debe fundamentalmente, a los siguientes aspectos:

(1) La insuficiente generación de ingresos se aprecia en la sucesión de ejercicios contables concluidos con quebranto: de $ 6,735 millones al 30.06.97 y de $ $ 12,312 millones al 30.06.98. En el trimestre económico finalizado el 30.09.98 la pérdida ascendió a $ 1,738 millones. A diciembre último la pérdida final era de $ 2,285 millones y hubiera sido significativamente mayor si no se hubiera computado en ese mes un ajuste de los intereses devengados por el préstamo a una vinculada, República Compañía de Inversiones S.A. En el ejercicio terminado el 31.12.96 la ganancia final se obtuvo merced al resultado de la transferencia del inmueble denominado "Edificio República".

(2) A nuestra fecha de estudio es reducida la diferencia entre los ingresos y los egresos financieros, que alcanzaron respectivamente a $ 43,356 millones y $ 32,267 millones. A este exiguo resultado contribuyen dos factores: la estructura de tasas (Banco República capta fondos a tasas promedio elevadas y presta a tasas relativamente bajas) y la composición de los activos y pasivos. Al 30.06.98 los depósitos y obligaciones financieras sumaban $ 424,906 millones y los títulos públicos, préstamos y otros créditos $ 419,416 millones. Los recursos propios se destinan en su mayor parte a financiar la inversión en Banco Mendoza S.A. y en CEI Citicorp Holdings S.A. Banco Mendoza S.A. y sus antecesoras han experimentado pérdidas recurrentes de significación. El rendimiento de la participación en CEI, por su naturaleza, no tiene el comportamiento de las colocaciones financieras.

(3) Al costo de intermediación debe agregarse la incobrabilidad promedio. Banco República computa para el ejercicio cerrado el 30.06.98 un cargo de $ 7,267 millones, importe que a juicio de la inspección es insuficiente por las razones que se explican en el componente de Activos.

(4) Con una nula generación de resultados por intermediación financiera, los ingresos por servicios -de $ 6.793 millones- y las utilidades diversas -de $ 3,484 millones, con $ 0,664 millones por el resultado de las participaciones permanentes- no alcanzan para cubrir los elevados gastos de administración ($ 17,738 millones). Cabe agregar que los resultados de Banco República deben asimilar año a año la amortización de la llave de negocio activada por la inversión en Banco Mendoza.

(5) En resumen, la estructura actual de los negocios es inviable. Se tiene en cuenta, sin embargo, el proyecto de reorganización empresaria en curso.

(6) La contabilidad de gestión es muy elemental. No se formula un análisis de rentabilidad por producto y sólo se lleva una estadística de rentabilidad mensual por área.

REPORT OF THE INSPECTION : PROFITABILITY

In the judgement of this Intendance of Exchange and Financial Entities , and as a result of the accomplished work , it is considered that the profitability of the entity is inadequate for the normal development of its activities This consideration is mainly established by the following aspects :

(1) The insufficient income generation which is evident in the succession of accounting exercises finished in a breaking : of $ 6,735 millions to the 30.06.97 and of $ 12,312 millions to the 30.06.98. In the economical quarter ended on 30.06.98, the lost was as high as $ 1738 millions. Last December the final lost was $ 2,285 millions and it would have been significantly higher if the adjustment in the bear interest would not have been applied in that month for the loan of the entailed , República Compañía de Inversiones S.A.. In the exercise finished on 31.12.96, the final income was obtained as a result of the transference of an immovable named "Edificio República".

(2) At the moment of our study , the difference between the financial income and expenses was reduced , they reached respectively to $ 43,356 millions and $ 32,267 millions. To this scarce result contributed two factors : the structure of the rates (Banco República collects funds to high average rates and lends funds to a relatively low average rates) and the composition of the assets and liabilities . To the 30.06.98 the deposits and financial obligations add up to $ 424,906 millions and the public titles , loans and other credits $ 419,416 millions. The proper resources are principally directed to the financing of the investment of Banco Mendoza S.A. and in CEI Citicorp Holdings S.A. Banco Mendoza S.A. and its predecessors have experienced recurrent looses of significance . The output of the participation in CEI , by its nature , has not the behavior of the financial placements.

(3) To the cost of mediation , it is necessary to add the average impossibility to collect .Banco República computes for the closing exercise to the 30.06.98 a total charge of $ 7,267 millions, amount which to the judgement of the inspection is insufficient for the reasons which are expressed in the components of the Assets.

(4) With a null generation of results by the financial mediation , the incomes for services – of $ 6,793 millions – and the diverse utilities –of $ 3,484 millions, with $ 0,664 millions for the result of the permanent participation – are not enough to cover the high expenses of administration ($ 17,738 millions). It is important to mention that the results of Banco República have to assimilate the amortization of the key of business activated by the investment in Banco Mendoza year by year.

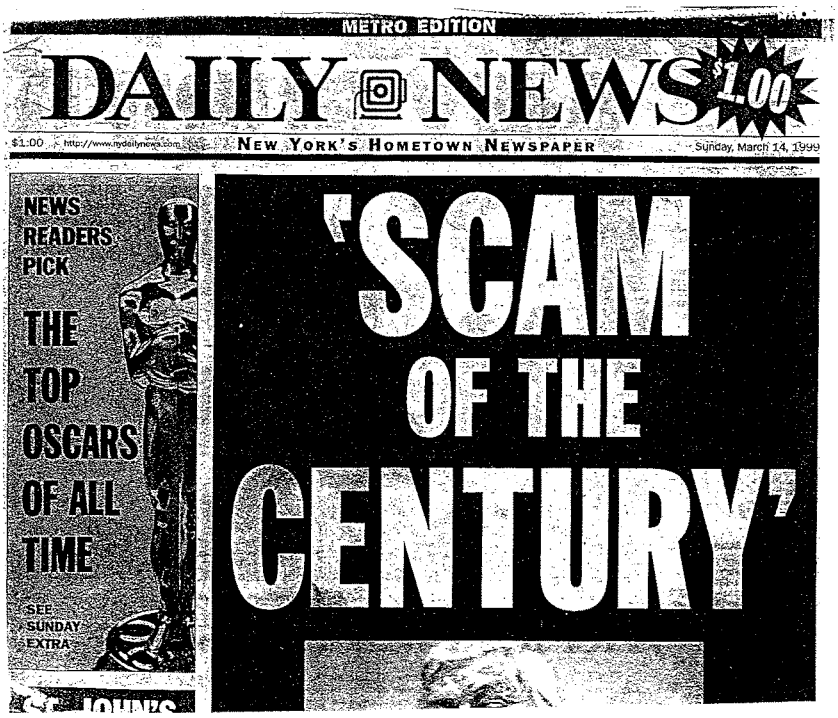
(5) To sum up , the present structure of the business is impossible . However, the process of enterprise reorganization is being considered.

Most of the translations of the documents related to M.A. Bank and Federal Bank were provided to the Subcommittee through the U.S. Library of Congress. A few translations were provided by other sources.

Senate Permanent Subcommitte
On Investigations
EXHIBIT #___64___

Exhibit 64

Koop Fraud documents related to
OVERSEAS DEVELOPMENT BANK AND TRUST,
BRITISH TRADE AND COMMERCE BANK,
and
HANOVER BANK



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'SCAM OF THE CENTURY'

New Jersey businessman William Koop being deposed in lawsuit.

Flush investors claim millions in losses in phony bank-note 'trading' schemes

PAGES 6-7

FEDERAL FRAUD CASE

THE PYRAM

By DAVID LEFER
Daily News Staff Writer

Glenn Schmidt wants his money back. Last April the wealthy California inventor gave $2.5 million to William Koop, a New Jersey investor who was promising an 800% return, or $20 million, in 45 days. The deal turned out to be too good to be true. After months of unkept promises, Schmidt's attorneys filed suit last September in Newark Federal Court, charging Koop with wire fraud, bank fraud and money laundering.

A lawyer for Koop claims that the Schmidt case "was just a business deal gone bad."

But documents and interviews obtained last week by the Daily News indicate that Schmidt, who invented the Big Bertha golf club, may be one of a growing number of investors who say they've been swindled by Koop in a multi-million-dollar pyramid scheme that may involve at least 80 investors in 28 states.

According to documents and court testimony, Koop claims to prospective clients that he knows about super-secret bank trades that will create phenomenal returns in short periods of time. He tells clients he trades in prime bank notes, bank debentures and medium-term notes, all of which he says are guaranteed.

According to bankers, government officials and law enforcement agencies, such trades simply do not exist. They are buzz words for a flourishing type of fraud that takes advantage of today's global markets and the ease and speed with which electronic transactions can cross borders. Worldwide, these scams involve so much money that the International Chamber of Commerce in London has dubbed them collectively "The Fraud of the Century."

"Prime bank notes are fictitious financial instruments," said William Kerr, a fraud specialist at the Office of the Controller of Currency in the Treasury Department.

Nonetheless, Koop last April notified Michael McCalister, a Florida investor, that he had successfully traded guaranteed bank notes issued by Chase Manhattan Bank. Koop promised that McCalister's initial investment of $30,000 would be parlayed into earnings of $382,500 within two months.

"There is no such instrument issued by Chase," explained William McDavid, Chase's general counsel.

McCalister recouped his investment in August. Th problem was that it ap the money he received from Schmidt's investm

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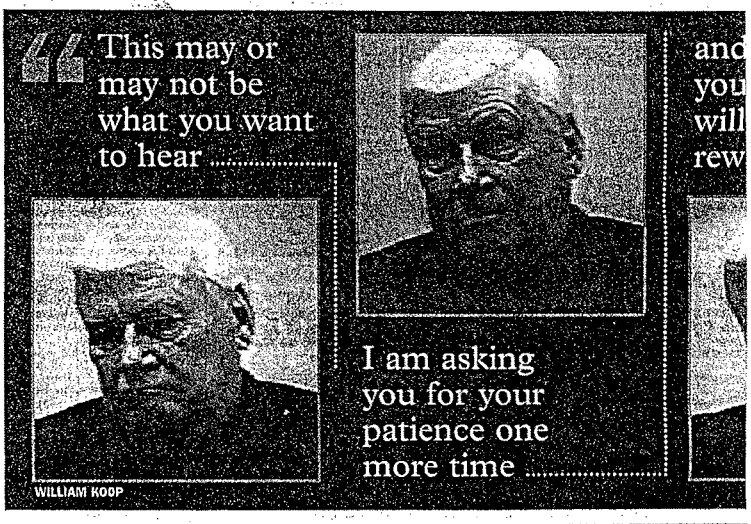
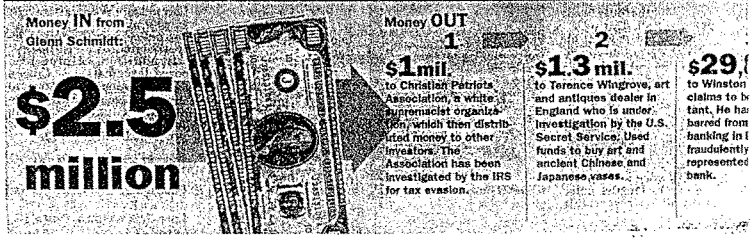
"I wrote this guy off a year ago," said the in who runs an investment letter and asked to r anonymous. "I just kick self for being stupid eno get sucked into it."

Another investor fron



FIRST MONEY TRAIL



Sunday, March 14, 1999 • DAILY NEWS

L FRAUD CASE

HE PYRAMIDS

Worldwide bank note scam bilks investors of millions

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McCalister recouped his investment in August. The only problem was that it appeared the money he received came from Schmidt's investment.

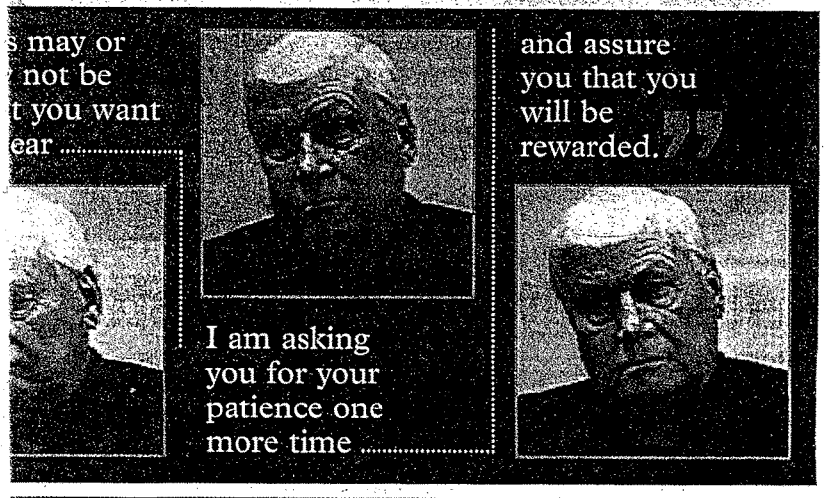
According to bank records obtained by The News, much of the money Koop receives from some investors seems to have been sent to other investors clamoring for the return of their money. Koop's faxes to his clients repeatedly implore his investors to be patient. His investors' documented E-mails beg him to reply to their faxes and phone calls. Koop has not even read most of them, according to his service provider.

One investor in St. Louis gave Koop $10,000 and said he felt lucky to have gotten back $4,000.

"I wrote this guy off about a year ago," said the investor, who runs an investment newsletter and asked to remain anonymous. "I just kicked myself for being stupid enough to get sucked into it."

Another investor from Texas gave Koop $250,000 in retirement funds and at one point was considering legal action against Koop. Despite repeated promises by Koop, he said he has yet to see his money returned.

Walter Brickle of Hicksville, L.I., who invested in Koop's "prime program" a year ago,



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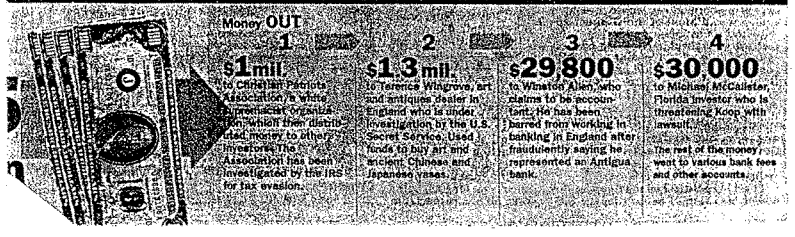

FEDERAL FI

OF THE GREEI

said his attempts to learn about the state of his investment proved futile. Brickle said he invested less than $100,000 of his retirement money with Koop. He is wondering about the possibility of a class-action suit.

Florida investor McCalister held off on legal action when Koop gave him a series of 12 post-dated, checks just summer. The first two checks bounced after coming due. Now McCalister is threatening to sue Koop for the returns he never received from the alleged trade of Chase Manhattan guaranteed notes.

McCalister's lawyer said he is taking out a lien on a home in Ho-Ho-Kus, N.J., that Koop bought, according to bank records, with money invested by a minister in South Carolina.

The fact that Koop can keep promising to return so much money to so many people for so long and still stave off all but one lawsuit is a testament to his charisma and cunning. He has a soft, avuncular voice and kind, trustworthy eyes. Though he is 74 years old and complains of back trouble, he has a powerful-looking frame. He claims he is a former professional football player, though no records can be found to verify this. And he claims to be a distant cousin of former Surgeon General C. Everett Koop.

"Dr. Koop is related to William Koop the way we are all related to Adam and Eve," said a spokeswoman for the former surgeon general."

For most of his life, Koop said in court depositions, he worked as a building and swimming pool contractor. In 1997, the Franklin Lakes, N.J., resident started an international investment business after reading several books on off-shore trading.

His office address, emblazoned on his stationery, turns out to be a mailbox he rented in a nearby store.

When asked by a reporter to comment on his case after one of his depositions in federal court, Koop said, "I'm sorry. I'd love to talk to you, but my lawyers won't let me."

Yesterday he insisted that some investors "should be all happy within another 10 days. "I'm just an intermediary," Koop explained. "I'm trying to work right now to make personal loans and letters of credit to pay these people.

"I've been an honest man all my life. I'm an innocent person in this thing. I did it to help the little guy."

Koop has admitted he has had trouble locating his investors' money, but claimed that sophisticated investors never ask what happens to the money they invest.

"If you want to trade, you don't ask questions," he said.

"Why don't you ask questions, if you want to trade?" asked Robert Tolchin, one of Schmidt's lawyers.

"Because they won't trade your money."

"Who won't trade your money?"

"Any trader. . . ."

"Do you have any understanding of why that is?"

"No. . . ."

"Who's stopping them from telling you?"

"Right now I can honestly say to you I don't know more about that than what I have told you."

Federal Magistrate Joel Pisano, who is presiding over the Schmidt case, later called the degree of vagueness in Koop's answers "remarkable."

Koop admitted that some of the trades he told his clients had been completed were never made. He also said that the names he used to designate his trades — such as trade VC LBR-W 258, which offered 175% return on investment in 85 days, according to documents — were numbers he arbitrarily assigned and didn't correspond to any official bank designation.

Koop blames his woes on a British art and antiques dealer named Terence Wingrove, who is being investigated by the Secret Service, according to documents obtained by The News. Bank and auction house records show that five weeks after Schmidt deposited his funds in an Antiguan bank account controlled by Koop, the latter began sending money to Wingrove, who used the funds to buy ancient Asian art, fossilized bones and meteorites and ship them to England.

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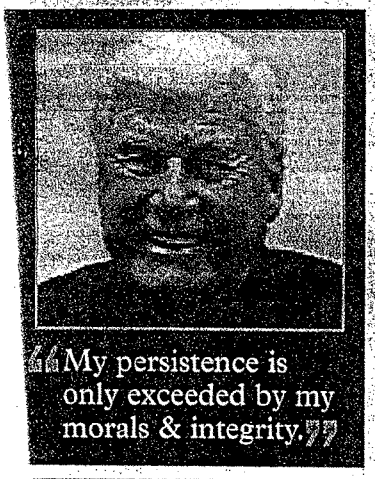

Many forked over

William Kerr of the Office of the Controller of Currency at the Treasury Department estimates that so-called prime bank-note frauds have bilked people out of "well above $100 million" in the past decade. Some experts put the figure at more than half a billion dollars.

In 1992, the Salvation Army lost $8.8 million in such a scheme, and the tiny Pacific Island nation of Nauru lost $30 million.

Though the popularity of such scams briefly subsided after several well-publicized cases, law enforcement and finance officials now warn that these frauds are back and running rampant.

The specious bank note trading schemes are based on the premise that a secret market exists for bank debt. Essentially, authorities say con men claim they can trade discounted bank IOUs the way bonds are traded. They also claim the transactions are guaranteed by banks. Typically the trades are said to offer tremendous returns — as much as 1,000% — in a phenomenally short time.

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SECOND MONEY TRAIL

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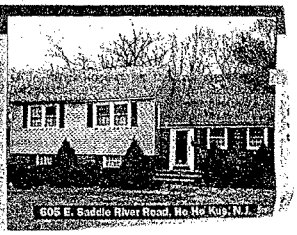

FEDERAL FRAUD CASE

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no records can be
verify this. And he
be a distant cousin of
Surgeon General C.
Koop.
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In essence, Koop claims Wingrove is taking his investors' money as well as his own. Wingrove was not available for comment after repeated telephone calls.

Yet not all of Koop's investors' money has gone to Wingrove. Exactly $1 million of Schmidt's investments, for example, went to the Christian Patriots Association, an Oregon-based white-supremacist organization. According to Koop, the association then distributed the funds to other investors. The Patriots Association has acknowledged links to Koop.

Nevertheless, Koop said he is doing his best to track down Schmidt's money.

"We are trying very hard right now to find out what happened," he said in sworn testimony.

"When you say 'we,' who is the we?" asked Tolchin, Schmidt's lawyer.

"I'm trying."

"You refer to yourself as 'we' sometimes?"

"Right."

But when Tolchin asked Koop whether he had taken any specific steps to track down his client's money, Koop was clear.

"Personally, no."

Koop is due back in court on Tuesday.

Many forked over riches

William Kerr of the Office of the Controller of Currency at the Treasury Department estimates that so-called prime bank-note frauds have bilked people out of "well above $100 million" in the past decade. Some experts put the figure at more than half a billion dollars.

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"The purpose of these frauds is generally to encourage the victim to send money to a foreign bank, where it is eventually transferred to an off-shore account that is in control of the con artist," reads an FBI warning. "From there the victim's money is used for the perpetrator's personal expenses or is laundered in an effort to make it disappear."

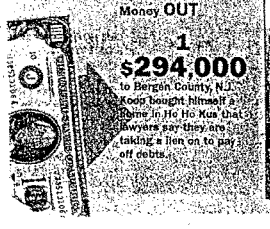
Investors say they are often confused by the wealth of information they get about such trades from friends and over the Internet. One investor said he read a complex, 400-page "document" purporting to explain the intricacies of prime bank-note trading.

"Fraudsters just dress it up with a lot of technical terms and hope that investors believe it," said Pottengal Mukundan, director of the Commercial Crime Bureau at the International Chamber of Commerce in London.

"Investors should step back from the heat of the transaction and ask, is it true? Is someone sitting in a small office in the Midwest likely to control hundreds of millions of dollars?"

David Lefer

TRAIL



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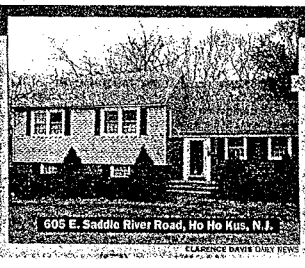

2
Various expenditures to investors who were clamoring for their money back.

3
Wire fees to banks.

patience one
more time .....

WILLIAM KOOP

FIRST MONEY TRAIL

Money IN from Glenn Schmidt:

$2.5 million

Money OUT

1 **$1 mil.** to Christian Patriots Association, a white supremacist organization, which then distributed money to other investors. The Association has been investigated by the IRS for tax evasion.

2 **$1.3 mil.** to Terence Wingrove, art and antiques dealer in England who is under investigation by the U.S. Secret Service. Used funds to buy art and ancient Chinese and Japanese vases.

3 **$29,800** to Winston Allen, who claims to be accountant. He has been barred from working in banking in England after fraudulently saying he represented an Antigua bank.

4 **$30,000** to Michael McCallister, Florida investor who is threatening Koop with lawsuit.

The rest of the money went to various bank fees and other accounts.

David Lefer

SECOND MONEY TRAIL

Money IN from the Rev. John Cabe of the His Way National Ministry in York, S.C.

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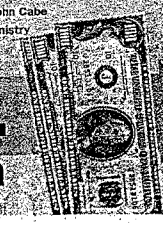

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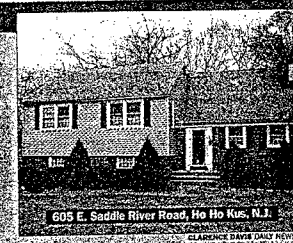

605 E. Saddle River Road, Ho Ho Kus, N.J.

CLARENCE DAVIS DAILY NEWS

2 Various expeditures to investors who were clamoring for their money back.

3 Wire fees to banks.

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Con man's plea can't assuage victims

JOB FAIR Wednesday May 17th

Friday, February 4, 2000

By DAVID VOREACOS
Staff Writer

Pat Koci says she rues the day she invested her life savings with Franklin Lakes financial adviser William Koop.

Koci, 62, believed Koop when he promised her quick and hefty returns by putting her $10,000 into offshore investments. Now, the money is gone and Koop won't take her calls, she says. A severe diabetic, she can't work. So her 78-year-old husband is flipping hamburgers at a Dairy Queen to make ends meet.

"I think he's the biggest crook that ever walked, and I'd like to wring his neck," said Koci, a resident of Canyon Lake, Texas.

Koci is not alone. The inventor of the Big Bertha golf club, Glenn Schmidt, said he sank $2.5 million into "foreign bank guarantees" touted by Koop. In a lawsuit in U.S. District Court in Newark, Schmidt said that when he wanted his money back, Koop balked but promised to pay him $16 million in profits. Koop never paid a dime, and Schmidt sued in September 1998.

"Koop is a professional confidence man who preys on innocent people," Schmidt alleged in the lawsuit. Koop induces people to give him money "under false pretenses for investment purposes when, in fact, there are no investments and Koop steals the money," Schmidt alleged.

Schmidt's allegations captured the attention of federal prosecutors, and a federal grand jury began investigating Koop last spring, court records show. Koop is scheduled to plead guilty today before U.S. District Judge Katharine Hayden, court officials said. Sources said Koop has been

Hayden, court officials said. Sources said Koop has been cooperating with the U.S. Attorney's Office in Newark in a bid for leniency at sentencing.

"I have absolutely no comment," Koop said Thursday at his sprawling white house. "I've been told by the authorities not to say anything."

Koop's attorney, Jay Joseph Friedrich, could not be reached. Assistant U.S. Attorney Henry Klingeman declined to comment.

Court records show that Koop spent some of the money from the alleged scams on a historic house in Ho-Ho-Kus, while a London investor he worked with bought lavish antiques and collectible art.

Their money came from dozens of profit-seekers nationwide who were drawn by the questionable promise of high yields in a short time. He convinced them that he made money overseas in complex "bank-to-bank transactions," "prime bank instruments," or "medium-term bonds."

But the International Chamber of Commerce and the FBI have warned that such buzzwords are nothing more than fancy phrases for simple con games.

"The purpose of these frauds is generally to encourage the victim to send money to a foreign bank, where it is eventually transferred to an offshore account that is in the control of the con artist," the New York FBI office said in a warning.

Linda Baessler said she lost her life savings to Koop while helping him find investors through a firm he helped run in Aurora, Colo. "I was interviewed many times by the FBI," said Baessler, of Sterling, Colo. "There have been many other agents who have spoken to the other victims in Mississippi, Texas, California, and Florida."

Baessler said she gave the FBI her list of investors, including many she recruited after meeting Koop in Las Vegas, Nev., in 1997. Pulling in new investors brought the opportunity for recruiters like her to earn money and move up through local, district, state, and regional "stages," Baessler said.

"The whole idea was to bring people in," Baessler said. "People put their 401(k)s into this, and they put in their life savings."

An FBI spokeswoman in Denver said she was unaware of a Koop probe.

Who is Koop and why has he incurred such anger from

Who is Koop and why has he incurred such anger from his investors?

Koop, 74, is a high school graduate and former building and swimming pool contractor who has no investment license. He learned about offshore investing from some books, he said in a sworn deposition taken by Schmidt's attorney.

In 1997, Koop formed an entity called International Financial Solutions, which worked with "international traders" who did his investing, he said.

"Wherever the best investment takes place or where it's available, it's usually done with international people," he said in a deposition taken last year. "Investments can be in currency. It can be in gems. It can be in international trades through the Federal Reserve through the IMF [International Monetary Fund]."

Schmidt gave Koop his $2.5 million by wiring it into an account at the British Trade and Commerce Bank in the Commonwealth of Dominica. Schmidt expected to cash his investment within 45 days, but Koop missed the deadline and gave him a variety of excuses, the lawsuit alleges.

During a meeting at an Atlantic City casino, Koop signed a document promising to give Schmidt $16 million in profits, the lawsuit said. But Koop told Schmidt's attorney he had no memory of signing the document.

When pressed on what he did with the $2.5 million, Koop said he wired $1 million of it to the Christian Patriot Association, a white supremacist group in Boring, Ore., that provides banking services.

"I knew they were some kind of right-wing organization, but I have nothing to do with that," Koop said. He testified that he used most of that $1 million to repay his other investors, and that his firm filed no tax returns.

Koop also said he transferred the rest of Schmidt's money and more than $1 million of his own to an Antiguan bank, called Hanover Bank. The bank, Koop believed, was run by Terence Wingrove, an English antiquities dealer. Koop asserted he had no idea how Wingrove would invest Schmidt's money.

"It's a well-known fact that you don't ask questions if you're going to do international trading," Koop said.

Still, Koop maintained that Wingrove had conned him out of Schmidt's money and that he failed in repeated efforts to recover it. Instead, Koop asserted, Wingrove spent much of the money on antiquities.

much of the money on antiquities.

"Mr. Wingrove is a very -- what shall I say?" Koop said in the deposition. "He's a very convincing individual. I was conned only too well, believe me."

During the deposition -- in which Schmidt's attorney and Koop's attorney nearly came to blows -- Koop testified that he also received another $1.5 million to invest from a church run by the Rev. William Johnny "Bill" Cabe in York, S.C.

Of that money, he used about $300,000 toward the purchase of the 235-year-old Gingrich House in Ho-Ho-Kus, he testified. Koop bought the historically valuable house from Bergen County in a June 1998 auction.

Cabe runs His Way International Ministries, an investment-ministry program in which he put money offshore in so-called bank debentures and medium-term notes.

"Did you ever wonder, sir, why a minister from South Carolina would require offshore banking status?" Schmidt's attorney, Robert Tolchin, asked Koop. "It was none of my business," Koop replied.

In 1998, federal authorities seized more than $1.7 million from five of Cabe's ministry accounts. Six South Carolina investors also have alleged in a federal lawsuit that Koop and Cabe have fleeced them out of at least $390,000 that eventually was transferred to Wingrove and his offshore bank.

The investing practices of Koop have left Irven Olsen of Salt Lake City, Utah, with a sour taste. Before investing $10,000, Olsen considered Koop a charming and well-educated man. Having lost $7,500, his tune has changed.

"I think Mr. Koop is a liar and a swindler and he took a lot of people's money," Olsen said. "Nothing he said has been true."

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OFFSHORE BANK ACCOUNTS OPENED BY WILLIAM H. KOOP
(1997-1998)

BANK ACCOUNTS AT AMERICAN INTERNATIONAL BANK/OVERSEAS DEVELOPMENT BANK

International Financial Solutions Ltd. (10/21/97)
- Acct. No. 010-001-988
- Acct. No. 010-002-285

Info-Seek Ltd. (11/28/97)
- Acct. No. 010-003-844

Charity-Seek International Trust (12/2/97)

Charity-Seek International Ltd. (12/2/97)
- Acct. No. 010-003-753

Professional Fund Raisers International Trust (12/2/97)

Professional Fund Raisers International Ltd. (12/2/97)
- Acct. No. 010-003-754

Records indicate 61 additional accounts were opened, presumably for Koop fraud victims.
Koop authorized transfers from his accounts totaling $18,300, to open the new accounts and supply each with $300, the required minimum deposit.
Transfers to open new accounts occurred on 11/7/97, 11/12/97, 1/16/98 and 2/13/98.

BANK ACCOUNTS AT BRITISH TRADE AND COMMERCE BANK

Info-Seek Asset Management Trust (4/20/98)

Info-Seek Asset Management SA (4/20/98)
- Acct. No. 101-011089-0
- Acct. No. 101-001065-8

Hanover B Ltd. (5/21/98)
- Acct. No. 101-011079-2

Cadogan Asset Management Ltd. (7/15/98)
- Acct. No. 101-011117-3

Atlantic Marine Bancorp Ltd. (10/1/98)
- Acct. No. 101-011107-5

Starfire Asset Management SA (10/98)
- Acct. No. unknown

BANK ACCOUNTS AT HANOVER BANK

None: although Koop believed he had opened an account, his funds were actually deposited into Account No. 930XYZ which had been opened by Terence Stanley Wingrove.

4848

PRESENTING THE

I.F.S.

MONTHLY

"PRIME" PROGRAM

by

INTERNATIONAL FINANCIAL SOLUTIONS, LTD.

• INTERNATIONAL INVESTMENTS
• OFF SHORE TRUSTS AND BANK ACCOUNTS
• INTERNATIONAL BUSINESS CORPORATIONS

William H. Koop, Facilitator

799 Franklin Avenue, Suite 500, Franklin Lakes, NJ 07417
Phone: (201) 847-9765 Fax: (201) 847-9287
E-mail: hi_yield@cybernex.net
V.A. # (800) 572-8621

and

St. Johns, Antigua, West Indies

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INTERNATIONAL FINANCIAL SOLUTIONS, LTD.

I.F.S.

A PRIVATE TRUST UNINCORPORATED BUSINESS ORGANIZATION

PRESENTS A NEW MONTHLY "PRIME" PROGRAM.

This program will pay you up to 489% plus principal on your investment, and your initial investment is guaranteed. This is a very safe asset enhancement program.

History

I.F.S. was established in 1996. The mission of I.F.S. evolved out of filling a void in the financial matters of the average person. A committment was made to help as many people that would listen to become succesful. Successful not only in financial matters, but also in the overall quality of their lives.

I.F.S. has grown and prospered as a direct result of our dedication and committment to its mission. Today we are proud to have a substantial group of loyal clients. We are very proud to be of valuable assistance to a very rapidly growing entrepreneural and small business group who is eager to thrive in a free enterprise system.

The management of I.F.S. has more than 30 years experience in International affairs, with vast experience in world wide banking, however the contacts that have been made over the years have been most invaluable to our success. As the old saying goes "It's not what you know, but its who you know".

We realize that most people who are interested in improving their financial lives would prefer a long term system that would be safe and provide them with the knowledge and the resources necessary to be successful.

We will continue to grow and prosper as we dedicate our every effort to the success and happiness of our clients as we provide stability and integrity to them, with the help of our personal contacts and vast resources. I.F.S. is here to help you in any way that it can.

Their have been many of you who have asked the question, may I invite a friend into I.F.S.? Yes, you may invite a friend to join you, however their are

strict rules that must be adhered to.

Prior to discussing the program with a friend, you must have them sign three forms and all forms must be witnessed. They are as follows:

1. A non-disclosure form.
2. A non-solicitation form.
3. An ICC non-circumvention form.

Once you have received these forms from your friend, then you may speak to them about the opportunities with I.F.S. These rules must be strictly adhered to or it will be cause for dismissal for anyone breaking the rules.

IFS "PRIME" MONTHLY PROGRAMS

Recieve a check for 5% of your initial investment each month while your balance grows to the rate chosen in any one of the following listed programs. Your first check starts after the first 90 days. The "Prime' Monthly Program is an excellent vehicle for those who want high returns on their money, but also need regular monthly income.

(a $50,000.00 investment will give you a monthly check sent to you automatically, plus the interest grows to a total interest factor of 349% in 15 months, plus your initial invesment is also returned and is guaranteed with a 106 guarantee). In 20 conseutive months you will have received your entire $50,000.00 returned to you in monthly checks and would have more than $290,833.00 in interest plus your principal.

In addition to these benefits, a refferal commision for a total of 10% is paid on the investment of others that may be referred to the program. (see referral schedule attached).

Many persons who get involved in IFS would like to do so at a higher level (larger initial investment), but have hesitated in the past to do so, however now with our 106% guarantee now in place, this is no longer a factor.

There are many persons who need to receive a monthly check to augment their income in order to live comfortably. This is a way to have that cash flow as well as receive the benefit of high interest returns on your investment.

The 5% monthly checks do not begin until after the first 90 days (exclusion period).

If you are worried about whether IFS will really pay what is promised, please be advised that IFS has never failed to payout on any program that it has ever entered into with any and all clients.

IFS "PRIME" MONTHLY PROGRAMS

PLAN "A"

INVESTMENT	-	$2,500.00 TO $9,000.00
TERM	-	15 MONTHS
RETURN	-	239% PLUS PRINCIPAL
GUARANTEE	-	106% OF YOUR PRINCIPAL

NOTE: THE TOTAL RETURN INCLUDES PAYMENT OF 12 CHECKS ON A MONTHLY BASIS FOR 5% EACH OF YOUR INITIAL INVESTMENT AND THE BALANCE OF THE 239% INTEREST PAID OUT AFTER 15 MONTHS PLUS YOUR PRINCIPAL.

PLAN "B"

INVESTMENT	-	$10,000.00 TO $49,000.00
TERM	-	15 MONTHS
RETURN	-	289% PLUS PRINCIPAL
GUARANTEE	-	106% OF YOUR PRINCIPAL

NOTE: THE TOTAL RETURN INCLUDES PAYMENT OF 12 CHECKS ON A MONTHLY BASIS FOR 5% EACH OF YOUR INITIAL INVESTMENT AND THE BALANCE OF THE 289% INTEREST PAID OUT AFTER 15 MONTHS PLUS YOUR PRINCIPAL.

PLAN "C"

INVESTMENT	-	$50,000.00 TO $99,000.00
TERM	-	15 MONTHS
RETURN	-	349% PLUS PRINCIPAL
GUARANTEE	-	106% OF YOUR PRINCIPAL

NOTE: THE TOTAL RETURN INCLUDES PAYMENT OF 12 CHECKS ON A MONTHLY BASIS FOR 5% EACH OF YOUR INITIAL INVESTMENT AND THE BALANCE OF THE 349% INTEREST PAID OUT AFTER 15 MONTHS PLUS YOUR PRINCIPAL.

PLAN "D"

INVESTMENT	-	$100,000.00 TO $499,000.00
TERM	-	15 MONTHS
RETURN	-	389% PLUS PRINCIPAL
GUARANTEE	-	106% OF YOUR PRINCIPAL

NOTE: THE TOTAL RETURN INCLUDES PAYMENT OF 12 CHECKS ON A MONTHLY BASIS FOR 5% EACH OF YOUR INITIAL INVESTMENT AND THE BALANCE OF THE 389% INTEREST PAID OUT AFTER 15 MONTHS PLUS YOUR PRINCIPAL.

PLAN "E"

INVESTMENT	-	$500,000.00 PLUS
TERM	-	15 MONTHS
RETURN	-	489% PLUS PRINCIPAL
GUARANTEE	-	106% OF YOUR PRINCIPAL

NOTE: THE TOTAL RETURN INCLUDES PAYMENT OF 12 CHECKS ON A MONTHLY BASIS FOR 5% EACH OF YOUR INITIAL INVESTMENT AND THE BALANCE OF THE 489% INTEREST PAID OUT AFTER 15 MONTHS PLUS YOUR PRINCIPAL.

FREQUENTLY ASKED QUESTIONS

HOW CAN THEY OFFER SUCH A LARGE RETURN?

YOUR INVESTMENT IN THE FORM OF MONEY WILL BE HELD IN A TRUST OFFSHORE. THERE IS A VERY LARGE DEMAND OFFSHORE FOR LARGE BLOCKS OF MONEY THAT ARE CERTIFIED AND CLEARED AS CLEAN FUNDS. BY JOINING GROUP FUNDS TOGETHER AND COMMITTING LARGE BLOCKS OF FUNDS, WE ARE ABLE TO COMMAND THE RETURNS THAT ARE NORMAL FOR THESE TRANSACTIONS. OUR TRUST ASSOCIATES WORK VERY HARD TO INSURE A HIGH YIELD AND GUARANTEE THE PRINCIPAL AMOUNT PLUS 6% INTEREST. OFFSHORE BANKS ARE WILLING TO PAY AS HIGH AS 7.5% INTEREST ON A MONTHLY BASIS FOR THE USE OF LARGE BLOCKS OF FUNDS.

HOW SAFE IS THE TRUST AND THE PROGRAM?

ALL OF THE MONIES GO INTO THE TRUST WHERE THEY ARE DISBURSED THROUGH LINES OF CREDIT AND PROMMISORY NOTES. THIS IS DONE THROUGH A CREDIT LINE THAT IFS HAS BEEN ABLE TO ESTABLISH WITH MANY OF THE PRIME BANKS OF THE WORLD. THE MONEY NEVER LEAVES THE TRUST. THE TRUTH OF THE MATTER IS THAT THESE FUNDS ARE SAFER THAN MUTUAL FUNDS, REAL ESTATE AND THE STOCK MARKET. IF YOU ARE FAINT AT HEART, PUT YOUR MONEY IN THE BANK WHERE IT MAY DRAW 5% INTEREST. HOWEVER, IF YOU WANT TO GIVE YOURSELF AN OPPORTUNITY TO MAKE AS MUCH AS 489% IN 15 MONTHS, OPEN YOUR PRIME MONTHLY ACCOUNT NOW.

DO I PAY TAXES ON THIS MONEY?

IT IS UP TO YOU TO REPORT YOUR INCOME TO UNCLE SAM AS YOU SEE FIT TO DO SO. DUE TO THE FACT THAT IFS IS SETUP AS A PURE PRIVATE TRUST, WE DO NOT REPORT IT TO ANYONE. CONSULT YOUR TAX ADVISOR AS TO THE BEST WAY FOR YOU TO HANDLE THE GROWTH OF YOUR TRUST ASSETS.

WILL IFS SEND ME CHECKS?

NO, PAYMENTS ARE ALL MADE OFFSHORE AND WILL BE PAID BY WIRE TRANSFER AND OR INTERBANK TRANSFERS. IFS DOES NOT SEND OUT 1099 FORMS OR REPORT PAYMENTS TO ANY GOVERNMENT AGENCY.

DOES IFS HAVE A GOOD RECORD FOR PAYOUTS?

IFS HAS BEEN IN BUSINESS SINCE 1996. THE COMPANY HAS PAID OUT 100% OF ITS TRADE TO DATE. ALL MONTHLY CHECKS WILL CONTINUE TO BE PAID PROMPTLY.

CAN WE ADVERTISE THIS BUSINESS?

NO, YOU CANNOT ADVERTISE THIS BUSINESS! NO MAGAZINE ADS, NO BLIND ADS, NO MASS MAILED BROCURES, NO FAX BLASTS, NO CARD DECKS, NO INTERNET ADS NO ADVERTISING, PERIOD.!!!!!!!!!!!!!!!!

CAN WE REFER A FRIEND TO THE PROGRAM?

YES, YOU CAN GIVE THE INFORMATION TO ANYONE YOU KNOW, BUT ONLY AFTER YOU HAVE THEM SIGN THE FORMS THAT WE REQUIRE. THEY ARE A NON-DISCLOSUE FORM, A NON-SOLICITATION FORM AND A NON-CIRCUMVENTION FORM.

IS THERE A MEMBERSHIP FEE?

YES, THER IS A $100.00 MEMBERSHIP FEE TO BE PAID ANNUALLY.

HOW LONG WILL IT TAKE IFS TO PROCESS MY MEMBERSHIP AND COUNTERSIGN MY MEMBERSHIP APPLICATION AND CONTRACT?

THIS WILL NORMALLY TAKE APROXIMATELY TWO WEEKS. HOWEVER, WE LOCK IN YOUR INTEREST RATE ON THE 1ST OF THE MONTH FOLLOWING RECEIPT OF YOUR CHECK AND APPLICATION. USE THE LAST 5 DIGITS OF YOUR SS# PLUS YOUR TWO INITIALS FOR YOUR MEMBERSHIP I.D.#.

WHAT TAKES PLACE AT THE EXPIRATION DATE OF THE CONTRACT?

THE CONTRACT IS FOR 1 YEAR AND 90 DAYS. ABOUT 30 DAYS BEFORE THE EXPIRATION DATE OF YOUR CONTRACT YOU WILL NEED TO INFORM IFS OFYOUR INTENTIONS. IFS WILL SEND YOU A LETTER APROXIMATELY 45 DAYS BEFORE THE EXPIRATION DATE OF YOUR CONTRACT, GIVING YOU THE CHOICE OF OPTIONS. YOU MAY ELECT TO TAKE ALL OF THE MONIES OUT,TAKE A PART OF IT OUT OR YOU MAY WANT TO LEAVE IT ALL IN THE PROGRAM TO MAXIMIZE THE PROFITS. THIS IS A DECISION TO BE MADE BY YOU. IF YOU DO NOT WAIT UNTIL THE END OF THE CONTRACT PERIOD TO TAKE YOUR MONIES, YOU WILL GET BACK YOUR ORIGINAL INVESTMENT PLUS 6% FOR THE INTERIM PERIOD. YOU MUST FINISH THE CONTRACT TERM TO GET YOUR INTEREST AND TOTAL RETURN.

OUR BEST ADVICE IS TO ONLY GET INVOLVED AT YOUR COMFORT LEVEL. DO NOT MORTGAGE YOUR HOME OR USE THE FAMILY GROCERY MONEY. DO NOT GO BEYOND YOUR COMFORT LEVEL. WE HAVE TRIED TO GIVE YOU THE FACTS IN ORDER FOR YOU TO MAKE AN INTELLIGENT DECISION. NOW YOU MUST MAKE THE FINAL DECISION BASED ON YOUR OWN COMFORT LEVEL.

You will not find a better plan offered in this industry.

BENEFITS OF OUR TRUST SERVICES

1) PRIVACY

In this day and age more and more people like you are concerning themselves with who knows what about their private affairs, and how they can protect their privacy. This can be difficult when you are a number, and everywhere you turn you are required to disclose your number. Banks, Brokerage firms, Securities houses, and IRA's are all required to document your numbers for tax purposes. IFS is a Pure Private Trust that has no requirement to report or file your number. IFS can also set-up a Pure Private Trust for each and everyone of you individually for further protection. (for further information on a personal trust and bank account, ask our office to send you an information package with applications).

2) TAX ADVANTAGE

You may gain a tax advantage for several reasons. You can not do business with IFS unless you have a personal International trust and bank account. Funds are disbursed to you through your account and are not required to be reported to any agency. It is best for you to check with your own tax advisor on this matter.

3) ABOVE AVERAGE RETURNS

Contrary to public opinion,you can have options to invest your money as you see fit to do so. You may elect to make 5-6% at your bank or 10-15% in mutual funds or the stock market, however while you are receiving these lower returns on your money, your institutions are making a fortune on your money.

IFS invests for profit by accepting amounts as low as $2,500.00 from thousands of people like you, creating large blocks of funds that are in the millions of dollars. This gives IFS a leveraged position whereby we can demand large profits, and have the security of never putting the principal at risk. Your principal is guaranteed with a 106 guarantee. This is very sophisticated investing that cannot be accomplished unless you have multi-millions of dollars to invest through our connections with many top International banks of the world. Our returns start at 239% and go as high as 489%.

4) THE SAFETY OF AN ESTABLISHED COMPANY

IFS has been in business since 1996. IFS is a trust in good standing with the International banking group and have millions of dollars in assets. We have also developed investment credit lines with top world banks.

Our proven track record allow us to guarantee your returns, and give you the assurance that your principal is never at risk. IFS is a very solid Private Trust that

realizes the importance of our clients. You are the heartbeat of IFS.

IFS can provide you with above average earnings, privacy, and financial security.

Please contact the person that you requested this information from and they will guide you to a new and exciting financial future.

We can provide you with the best of all worlds. Entering into an asset management program without having the experience that it takes to manage a sophisticated venture may not be in your own interest. IFS has the knowledge, experience connections and a broad range of resources that will guarantee your success. If you are looking to place a minimum of $1,000,000.00 up to $100,000,000.00 without the risk of having to manage your own asset management program, please call IFS for further information.

Should you have questions concerning your participation in the programs, please call our offices at your earliest convenience. As outlined above, your options are clear. Our trust as well as yours will remain private and confidential. Our sources that we have worked very hard to develop long term relationships with will also remain private and confidential. If you do decide that you would like us to develop your own asset enhancement program, you must provide us with a Letter of Intent and a proof of funds before we will speak to you personally to explain your options. You must also be a private member of IFS.

The attached letter explains in detail exactly how to conduct business with IFS, and what you will need to do after you have made the choice to join IFS.

Very Truly Yours,

Executive Trustee
International Financial Solutions, Ltd.

Policies and Proceedures

Thank you for your interest in IFS. These are the policies and proceedures of IFS as mandated by the Board of Trustees of the trust. It is important for you to realize that IFS has made a decision not to make any representations of being a "Broker" for the placement of funds in any program. The following information should serve as a guideline for you and or any of your entities in making your decision as to whether or not our programs will serve your needs.

First and foremost, you must have an International Trust and an International bank account in order to participate in our programs. Amounts oas low as $2500.00 will pay a dividend of 239% in a 15 month contract. These dividends are guaranteed by the Trust, and will be paid at the end of the contract, or you may elect to enter into a new contract at the current rate, for any amount you wish. You also have the option of entering into a new contract for any amount during your original contract period at the guaranteed dividend rate of that contract. If for some reason you beleive that the above terms will not suit your needs, then you may want to consider an alternate. Upon providing IFS with the proper proof of funds and a letter of intent, we will introduce you to a representative of IFS who has the ability to place your funds into an asset enhancement program. All programs of this type are on a best efforts basis and it will be necessary to you to contract with legal council to make all of the contractial and fiduciary agreements. Your main concern is the security of your principal investment.
Never enter into a contract that puts your principal at risk.

IFS can usually customize a program for you if you can invest a minimum of $300,000.00 or more.

IFS IS A PRIVATE CONTRACTIAL TRUST WITH A SPECIFIC MISSION. WE WISH TO HELP EACH AND EVERY ONE OF OUR MEMBERS TO IMPROVE THEIR LIVES THROUGH OUR ASSET ENHANCEMENT PROGAMS, THROUGH PROVIDING THE NECESSARY TOOLS AND KNOWLEDGE THAT ARE ESSENTIAL TO MAINTAIN A LIFESTYLE THAT IS AS PRIVATE AS THEY SO WISH.

WE WISH YOU SUCCESS IN ALL YOUR ENDEAVORS.

IFS UPDATE AS OF APRIL 1ST, 1998

TO ALL IFS MEMBERS:

WE HAVE NOW COMPLETED THE PAYOUT OF ALL PREVIOUS TRADES. THEREFORE, I WOULD LIKE TO BRING YOU UP TO DATE ON THE "PRIME" PROGRAM AND OTHER INVESTMENT OPPORTUNITIES.

1.) "PRIME" PROGRAM

I AM HAPPY TO REPORT THAT MOST OF OUR MEMBERS WERE IMPRESSED AND EXCITED WITH THE INTRODUCTION OF THE NEW "PRIME" PROGRAM. FOR THE FEW WHO DECIDED NOT TO JOIN US IN OUR EXCITEMENT, I WISH TO THANK THEM FOR THEIR TOLERANCE AND PATIENCE, AND HOPE THAT THEY WERE HAPPY WITH THE PAST PERFORMANCE OF IFS.

IT IS THE MISSION OF IFS TO BRING THE BEST THAT IS AVAILABLE TO ITS MEMBERS. FROM TIME TO TIME, WE WILL ADVISE YOU OF SPECIAL OPPORTUNITIES THAT ARE PRESENTED TO US BY OUR VARIOUS CONTACTS.

ATTACHED AS SCHEDULE "A" ARE THE COMPLETE DETAILS OF THE "PRIME" PROGRAM AS IT EFFECTS YOU PERSONALLY. IF YOU FEEL

THAT THERE ARE ANY DISCREPANCIES, PLEASE NOTIFY OUR OFFICE VIA FAX TRANSMISSION. OUR FAX # IS (201) 847-9287.

SCHEDULE "A"

THIS IS YOUR CURRENT PARTICIPATION IN THE IFS "PRIME" PROGRAM AS OF APRIL 1, 1998.

YOUR INVESTMENT

PLAN A $2,500.00 TO $9,000.00 @ 239%_____

PLAN B $10,000.00 TO $49,000.00 @ 289%_____

PLAN C $50,000.00 TO $99,000.00 @ 349%_____

PLAN D $100,000.00 TO $499,000.00@ 389%_____

PLAN E $500,000.00 PLUS @ 489%_____

NOTES:

!.) THE TOTAL INCLUDES PAYMENT OF 12 CHECKS ON A MONTHLY BASIS (FROM THE 4TH THROUGH THE 15TH MONTH). THIS WILL BE 5% OF YOUR INITIAL INVESTMENT MONTHLY AND THE BALANCE OF THE INTEREST IN THE PLAN THAT YOU QUALIFY FOR AND THE MONTHLY CHECKS WILL EQUAL THE SUM TOTAL OF THE RETURN FOR THE PLAN THAT YOU HAVE CHOSEN. IN ADDITION TO THIS, YOUR ENTIRE INITIAL INVESTMENT WILL BE RETUNED TO YOU AT THE END OF THE 15 MONTH PERIOD.

2.) IF YOU SHOULD ELECT TO HAVE YOUR FUNDS RETURNED TO YOU PRIOR TO THE CONLUSION OF THE PROGRAM(15 MONTHS), YOUR TOTAL RETURN INCLUDING CHECKS PAID TO THAT DATE, WILL BE THE TOTAL OF YOUR INITIAL INVESTMENT PLUS INTEREST FOR THE EXPIRED TIME PERIOD @ 6% PER ANNUM.

3.) IF YOU DO NOT WISH TO HAVE MONTHLY CHECKS SENT TO YOU, WE WILL CREDIT YOUR ACCOUNT WITH AN ADDITIONAL 10% OF YOUR ORIGINAL INVESTMENT AT THE END OF THE 15 MONTH PERIOD.

YOUR CURRENT INVESTMENT IS AS FOLLOWS:

PLAN #_____

CAPITAL INVESTED_____

DATE_____

MONTHLY CHECKS (5%-4TH TO 15TH MONTHS)_____

TOTAL INTEREST (EXCLUDING 12 CHECKS)_____

TOTAL INTEREST (INCLUDING 12 CHECKS)_____

TOTAL RETURN OF PRICIPAL AND INTEREST_____

#2.) WIRE TRANSFER

INSTRUCTIONS

WIRE TRANSFER INSTRUCTIONS TO

HANOVER BANK, LIMITED

FOR DEPOSIT TO I.F.S. ACCOUNT

DATE: 4/1/98 UNTIL FURTHER NOTICE

PLEASE GIVE YOUR BANK THE FOLLOWING INSTRUCTIONS FOR WIRE TRANSFER OF FUNDS:

DEPOSIT FUNDS TO:	HARRIS BANK INTERNATIONAL NEW YORK, NEW YORK (212) 715-2600 ABA # 026-00-7760
FOR CREDIT TO:	STANDARD BANK JERSEY, LIMITED ISLE OF JERSEY, CHANNEL ISLANDS ACCOUNT # 16026635
FOR FURTHER CREDIT TO:	HANOVER BANK, LIMITED ACCOUNT # 5611602
FOR FURTER CREDIT TO:	I.F.S. ACCOUNT #AO1-001-001

3.) DIVIDENDS

AND

REFERRAL FEES

DIVIDENDS / REFERRAL FEES / BONUSES

1) PROGRAM DIVIDENDS WILL BE PAID ACCORDING TO CONTRACT AND AGREEMENT SPECIFICATIONS. NOTE: DIVIDENDS WILL BE DISPERSED ONE YEAR AND 90 DAYS AFTER CONTRACT DATE.

2) A PRIVATE MEMBER MAY ELECT TO RECEIVE UP TO 5% MONTHLY OF THE CONTRACT AMOUNT UPON COMPLETION OF SCHEDULE "A". PAYMENTS WILL NOT START UNTIL 90 DAYS AFTER THE CONTRACT DATE. MEMBERS MAY REQUEST THE 5% TO BEGIN ANY TIME AFTER THE INITIAL 90 DAYS.

3) A PRIVATE MEMBER MAY RECEIVE THE "PRINCIPAL AMOUNT" OF INVESTMENT AT ANY TIME UPON WRITTEN NOTICE TO IFS.

4) REFERRALS WILL RECEIVE A 10% OVERALL PERCENTAGE OF THE TOTAL INITIAL CONTRACT AMOUNT AS SHOWN IN THE REFERRAL SCHEDULE ATTACHED. REFERRAL FEES ARE PAID QUARTERLY.

5) EACH TIME YOU PERSONALLY REFER SOMEONE WHO BECOMES A MEMBER YOU WILL RECEIVE A $50.00 BONUS.

A WORD ABOUT CALLING IFS.

PLEASE LIMIT OR MINIMIZE YOUR CALLS TO THE IFS OFFICES. WE HAVE A LIMITED STAFF, AND CANNOT HANDLE FOOLISH PHONE CALLS. WE PREFER TO SPEND OUR TIME MANAGING THE TRUST TO INSURE HIGH RETURNS FOR EVERYONE. IT IS NOT THAT WE DONT WANT TO TALK WITH YOU, BUT IT IS A MATTER OF STAFFING. WE PREFER TO KEEP THE OVERHEAD LOW SO THAT WE CAN PAY THE HIGHEST RETURNS. IF NECESSARY, PLEASE SEND A FAX TO:
(201) 847-9287

REFERRAL SCHEDULE

REFERRAL COMMISSIONS ARE 10% OVERALL

FACILITATOR

#1	#2	#3	#4	#5	#6	#7	#8	#9	#10
10%									
1%	9%								
1%	1%	8%							
1%	1%	1%	7%						
1%	1%	1%	1%	6%					
1%	1%	1%	1%	1%	5%				
1%	1%	1%	1%	1%	1%	4%			
1%	1%	1%	1%	1%	1%	1%	3%		
1%	1%	1%	1%	1%	1%	1%	1%	2%	
1%	1%	1%	1%	1%	1%	1%	1%	1%	1%

NOTE: THIS SCHEDULE HAS BEEN DESIGNED TO REWARD THE FACILITATOR WHO REFERS A NEW MEMBER TO THE PROGRAM!

EXAMPLE: IF FACILITATOR #1 REFERS A NEW MEMBER TO THE PROGAM, HE/SHE WILL RECEIVE A 10% REFERRAL COMMISSION.

IF FACILITATOR #3 REFERS A NEW MEMBER TO THE PROGRAM, HE/SHE WILLRECEIVE AN 8% REFERRAL COMMISSION AND #1 AND #2 WILL RECEIVE 1% EACH.

IF FACILITATOR #6 REFERS A NEW MEMBER TO THE PROGAM,

HE/SHE WILL RECEIVE 5% AND #1-5 WILL RECEIVE 1% EACH. IF FACILITATOR #10 REFERS A NEW MEMBER TO THE PROGAM, HE/SHE WILL RECEIVE 1%, AS WELL AS FACILITATORS #1-9.

COMMISSIONS ARE PAID ON THE INVESTMENT AMOUNT.

RESTRICTED TO 10 LEVELS ONLY.

4.) CAMERA

READY

FORMS

I.F.S. PRIVATE MEMBERSHIP APPLICATION

FIRST NAME _____

LAST NAME _____

ADDRESS _____

CITY _____STATE _____

ZIP CODE _____MEMBER #_____

COUNTRY_____E-MAIL_____

PHONE_____FAX#_____

ID#_____
(THIS # WILL BE YOUR INITIALS + THE LAST 5 DIGITS OF YOUR SS#).

I.F.S. PRIVATE MEMBERSHIP (ANNUAL FEE) $100.00

OBTAIN A MONEY ORDER OR BANK CHECK FOR $100.00 AND SEND IT ALONG WITH THE COMPLETED APPLICATION TO:

INTERNATIONAL FINANCIAL SOLUTIONS, LTD.
799 FRANKLIN AVENUE, FRANKLIN LAKES, N.J. 07417

(ALSO ENCLOSE YOUR "PRIME PLAN APPLICATION AND FEE)

I.F.S. MONTHLY "PRIME" PLAN APPLICATION

FIRST NAME _____

LAST NAME _____

ADDRESS _____

CITY_____STATE_____

ZIP CODE _____MEMBER#_____

COUNTRY _____E MAIL _____

PHONE# _____FAX# _____

ID# _____
(This will be your initials plus the last 5 digits of your SS#)

I wish to participate in the I.F.S. monthly "PRIME" program (Plan #_____

I hereby enclose $_____USD

I understand that my plan will start on the 1st of the month following the receipt of my monies and my application and will be for a term of 15 months.

Obtain a money order or Bank check to the order of I.F.S. for the amount of your plan and send it along with this completed application via Express mail to:

INTERNATIONAL FINANCIAL SOLUTIONS, LTD.
799 FRANKLIN AVENUE, FRANKLIN LAKES, N.J. 07417

(ALSO ENCLOSE MEMBER APPLICATION AND FEE)

I F S

International Financial Solutions

- International Investments
- Offshore Trusts
- Offshore Bank Accounts
- International Business Corporations
- Offshore Loans
- Offshore Credit Cards

LETTER OF INTENT

DATE:

TO: PROGRAM MANAGER

RE: HIGH YIELD PROGRAM

Dear Sir:

This is my letter of intent, subject to acceptance of contract terms and conditions, to participate in your program.

My initial participation will amount to $ of good clean and clear cash funds of non-criminal origin which are currently available.

I am ready to consider, and if acceptable, execute and deliver all required agreements and then proceed to invest the funds as mutually agreed.

It is understood and agreed that non-disclosure and non-circumvention are part of this Letter of Intent and we hereby agree to the current applicable standards of the International Chamber of Commerce.

I hereby confirm that neither the Program Manager nor anyone on its/their behalf has solicited me in any way and that documentation received, or that I shall receive, shall not be deemed to be a solicitation. I also confirm that there has not been any offer to buy or sell securities and that this is not intended to be an offer to buy or sell securities.

A facsimile of this Letter of Intent, the Confirmation of Funds and any other associated documents, are as valid as the original. A hard copy shall be delivered if requested.

Very truly yours,

St. Johns, Antigua, West Indies
and
799 Franklin Avenue, Suite 500, Franklin Lakes, NJ 07417
Phone: (201) 847-9765 Fax: (201) 847-9287
E-mail: hi_yield@cybernex.net

CONFIDENTIALITY/NON-DISCLOSURE AGREEMENT

On this the day of , 1997, I/we irrevocable state that I/we understand and agree that any Confidential Information received or acquired, whether it be verbal or written, shall be considered proprietary and shall not be revealed to any third party without the express written consent of the Funds Manager. The term "Confidential Information" refers to all documents, files, data, information, statements, records, contracts, etc., as well as the identities of the Funds Manager, the Funds Manager's clients, contacts, partners, principals and agents.

I/we acknowledge that I/we have, and will acquire, from other parties, information and materials that are confidential and proprietary. I/we further agree to take all actions reasonably necessary to protect the confidentiality of the Confidential Information, including, but not limited to, implementing and enforcing procedures to minimize the possibility of unauthorized use or copying of the Confidential Information and limiting the disclosure of the Confidential Information only to those parties with a need to know who (i) have been advised of the confidential nature thereof, (ii) are under express written obligation to maintain such confidentiality, and (iii) are aware of the repercussions and consequences of this agreement relating to Confidential Information.

I/we hereby agree to treat all Confidential Information received as confidential and shall not disclose said information to any person(s), entity, firm, financial institution, brokerage house, company or corporation who is not directly involved in the evaluation and/or the originating party. I/we shall not use said information in any way other than for the purposes as set herein, without the prior express written consent of the Funds Manager. Further, I/we shall not allow any unauthorized person(s) access to the Confidential Information without the prior written consent of the Funds Manager. In the event of any activities other than those prescribed herein with regard to the disclosure of Confidential Information, I/we agree in advance to grant full, immediate and injunctive relief to the Funds Manager and I/we release any and all claims to proceeds due on any and all Project Funding Opportunity(ies).

By my/our signature, I/we indicate our understanding and acceptance of the foregoing:

UNDERSTOOD AND AGREED TO:

_____ Date: _____
(Signature)

_____ Date: _____
(Signature)

Invited by: _____ PLEASE PRINT

Name: _____
Address: _____

Phone #: _____ Fax #: _____

NON-SOLICITATION LETTER

DATE:

TO:

I,_____, as authorized signatory, do hereby confirm that we have requested of you and your organization specific confidential information and documentation regarding your currently available High Yield Trading Programs to serve for our interests, purposes and understandings only, and not for further distribution. We are hereby agreeing to keep all information received from you STRICTLY CONFIDENTIAL AND PROPRIETARY.

We hereby declare that we are fully aware that the information presented by you is not in any way considered or intended to be a solicitation of funds of any sort, or any type of offering, but is intended for our general knowledge and educational purposes only. We hereby affirm that we have requested information from you and your organization of our own choice and free will, and further that you have not solicited us in any way.

We understand that the contemplated transaction is strictly one of private placement and in no way relates to the United States Securities Act of 1933 or related regulations, and does not involve the sale of registered securities. Further, we hereby declare we are not licenses brokers or government employees and understand that neither are you or your organization. We have mutually agreed that this private placement transaction is exempt from the Securities Act and not for the general public, and all materials are FOR PRIVATE USE ONLY.

Signed and Witnessed this _____ day of _____, 1997.

_____ _____

Signature Notary Signature and Seal

5.) BANKING

INFORMATION

TRUSTS AND BANK ACCOUNTS

REQUIREMENTS TO PARTICIPATE IN THE IFS PROGRAMS:

IN ORDER TO PARTICIPATE IN OUR PRIVELEGED PROGRAMS, EACH AND EVERY PERSON MUST ADHERE TO THE FOLLOWING:

1.) YOU MUST SET-UP AN OFF-SHORE TRUST AND BANK ACCOUNT IN ORDER FOR IFS TO TRANSFER PAYOUT FUNDS TO YOU. UNDER NO CIRCUMSTANCES WILL WE PAYOUT FUNDS UNTIL YOU DO COMPLETE THIS REQUIREMENT.

2.) YOU MUST SET-UP A VIRTUAL OFFICE OR VIRTUAL ASSISTANT TELECOMMUNICATIONS SYSTEM TO PARTICIPATE IN OUR PROGRAMS.

MANY OF YOU HAVE NOT COMPLETED THESE REQUIREMENTS TO DATE. IT REQUIRES A TIME PERIOD OF 2-3 WEEKS TO COMPLETE THE PROTECTION PACKAGE THAT INCLUDES THE TRUST, A BANK ACCOUNT WITH THE HANOVER BANK, AN ACCOUNT WITH CPA AND A DEBIT CARD TO BE ISSUED IN YOUR NAME. FOR YOUR PROTECTION, YOU MUST ACT NOW!

ALL TRUSTS AND BANK ACCOUNTS HAVE BEEN COMPLETED WITH THE EXCEPTION OF VERY FEW THAT WE ARE AWAITING DETAILED INFORMATION TO COMPLETE. IF YOU SHOULD HAVE ANY QUESTIONS REGARDING YOUR TRUST OR BANK ACCOUNT, PLEASE FAX YOUR QUESTIONS TO OUR OFFICE AT (201) 847-9287.

IF YOU NEED HELP WITH AN OFFSHORE TRUST, OFFSHORE BANK ACCOUNT, AND/=OR AN OFFSHORE DEBIT CARD ALONG WITH AN ONSHORE NUMBERED BANK ACCOUNT, IFS WILL ARRANGE TO HAVE THIS DONE FOR YOU FOR THE SUM OF $3,375.00. THIS PACKAGE NORMALLY LISTS FOR MORE THAN $10,000.00. CHECKS SHOULD BE MADE PAYABLE TO WILLIAM H. KOOP AND ASSOCIATES, AND MAILED TO 799 FRANKLIN AVENUE, FRANKLIN LAKES, N.J. 07417.

BANKING INFORMATION

WE ARE CURRENTLY TRANSACTING OUR BANKING BUSINESS WITH THE OVERSEAS DEVELOPMENT BANK AND TRUST COMPANY,WHICH IS DOMICILED IN THE ISLAND OF DOMINIC IN THE WEST INDIES.

WE HAVE WITNESSED A SLOW NESS IN DOING BUSINESS WITH THIS BANK AS FAR AS DEPOSIT TRANSFERS AND WIRE TRANSFERS ARE CONCERNED.

BECAUSE OF THESE DELAYS, WE HAVE MADE ARRANGEMENTS WITH THE HANOVER BANK TO OPEN ACCOUNTS FOR EACH OF OUR CLIENTS THAT ARE CURRENTLY WITH ODB, WITHOUT ANY CHARGE TO YOU.

IF YOU ARE INTERESTED IN DOING SO, PLEASE SEND A DUPLICATE COPY OF YOUR BANK REFERENCE LETTER AND A COPY OF YOUR PASSPORT PICTURE PAGE AND/OR ACOPY OF BOTH THE FRONT AND REAR SIDE OF YOUR DRIVERS LICENSE, AND FAX THEM TO FAX # (201-847-9287

IFS WILL THEN OPEN AN ACCOUNT FOR YOU IN THE HANOVER BANK, IN THE NAME OF YOUR TRUST.

WE ARE NEGOTIATING FOR THE PURCHASE OF THIS BANK AT THIS TIME, THEREFORE UPON COMPLETION OF THIS, OUR CURRENT INVESTORS WILL BE GIVEN AN OPPORTUNITY TO PURCHASE PREFERRED STOCK IN THE HANOVER BANK.

TO GET THIS NEW BANK ACCOUNT, FORWARD A COMPLETED COPY OF THE APPLICATION ENCLOSED AND SEND A DUPLICATE COPY OF YOUR BANK REFERENCE AND PASSPORT AND/OR LICENSE AS YOU PREVIOUSLY DID FOR OVERSEAS DEVELOPMENT BANK.

ALL CLIENTS, AS CLIENTS OF THE HANOVER BANK, WILL HAVE FULL PRIVELAGES OF COMPLETE BANKING SERVICES, INCLUDING A HIGH RATE OF INTEREST ON YOUR ACCOUNT BALANCES.

SINCERELY,

WILLIAM H. KOOP, DIRECTOR

The
Hanover
Bank
LIMITED

INFORMATION ON THE HANOVER BANK

THE HANOVER BANK WAS INCORPORATED UNDER THE INTERNATIONAL BUSINESS CORPORATIONS ACT OF 1982, OF ANTIGUAAND BARBUDA ON THE 12TH 0F AUGUST, 1992. THE BANK COMMENCED TRADING ON THE 1ST OF APRIL 1993. THE PRICIPAL ACTIVITY IS THE PROVISION OF OFFSHORE BANKING SERVICES. AN OFFICE HAS RECENTLY BEEN OPENED ON THE ISLE OF JERSEY IN THE CHANNEL ISLANDS.

WE HAVE INITIATED A STUDY TO DETERMINE THE BANK'S PROJECTED SPHERE OF ACTIVITY AND THE SERVICES MOST LIKELY TO BE OF INTEREST TO OUR CLIENTS AS WELL AS OTHER CUSTOMERS. IT WAS DECIDED THAT THE BANK'S ABILITY TO ACT IN A FIDUCIARY CAPACITY WAS PARTICULARLY ATTRACTIVE TO CLIENTS WISHING TO TRADE STOCKS, BONDS AND OTHER SECURITIES.

WE WILL MAKE CONSIDERABLE EFFORTSTO MARKET THE BANKS SERVICES IN THE USA, EUROPE AND THE ENTIRE INTERNATIONAL MARKET. WE ALREADY STAND POISED TO ATTRACT SUBSTANTIAL BUSINESS DURING THE CALANDER YEAR OF 1998.

THE REGISTERED OFFICE OF HANOVER BANK IS:

CHAMBERS, GOMEZ BUILDING

HIGH STREET,

ST. JOHNS, ANTIGUA, WEST INDIES

IT IS THE INTENT OF THE BOARD OF DIRECTORS TO MAKE THE BANK A FULL SERVICE BANK, INCLUDING BUT NOT LIMITED TO THE FOLLOWING SERVICES:

A.) INVESTMENT

B.) CURRENCY EXCHANGE

C.) COMMODITIES BROKERAGE (GOLD ONLY)

D.) NUMBERED ACCOUNTS

E.) TRUSTS AND IBC'S

F.) BOND DISTRIBUTION

G.) IFS ACCOUNTS

H.) VISA CARDS 1.) DEBIT CARDS

2.) CREDIT CARDS

HANOVER BANK IS PROUD TO ANNOUNCE THAT IT HAS ONE OF THE MOST EXTENSIVE AND COMPLETE LIST OF CORRESPONDENT BANKS IN THE ENTIRE BANKING BUSINESS.

THE CORRESPONDENT BANKS INCLUDE, BUT ARE NOT LIMITED TO THE FOLLOWING TRIPLE "A" BANKS THROUGHOUT THE WORLD.

BARNETT BANK, USA

HARRIS BANK, USA

STANDARD CHARTER BANK, USA

MIDLAND BANK, UK

STANDARD CHARTER BANK, UK

BARCLAYS BANK, UK

BANK CONTINENTAL, LUXEMBOURG

PRIVATEN BANK, SWITZERLAND

ISRAELI DISCOUNT BANK, ISRAEL

BNP BANK, FRANCE

BNP BANK, MAYLASIA

CHARTER BANK, HONG KONG

ANZ BANK, AUSTRALIA

STANDARD CHARTER BANK, SOUTH AFRICA

ARAB BANK, ARAB EMMERATES

IN THE NEAR FUTURE WE WILL OFFER OUR CLIENTS VARIED SERVICES, INCLUDING STOCK PURCHASES, HIGH INTEREST SAVINGS AND ESCROW ACCOUNTS AND MANY OTHER THINGS.

To: The Hanover Bank

APPLICATION FOR
OPENING OF A
PERSONAL ACCOUNT

Date _____

I hereby request you to open an account or accounts in my/our name(s) and authorise you:-

(a) to honour cheques, bills of exchange and promissory notes expressed to be drawn upon or made payable with you whether my/our account or accounts is or are in credit or in debit or overdrawn thereby or otherwise.

(b) to honour and act upon any instructions received from the account holder by way of *Fax Transmission* for the transfer of funds periodically from my/our account with this Bank to specific payees designated in any such *Fax Transmission* and to debit my/our account with whatever amount may be specified therein and pay same to the account of the particular payees specified therein.

(c) to honour any orders to withdraw any or all monies on any deposit or other account in my/our name or Instructions to deliver or dispose of any securities boxes documents or property whatsoever held by you for my/our account.

provided any such cheques, bills of exchange, promissory notes, orders or instructions are signed as under.

_____
(usual signature)

NAME IN FULL: _____

PRIVATE ADDRESS: _____

_____

OCCUPATION: _____

TELEPHONE (DAY): _____ (EVENINGS): _____

NATIONALITY: _____

REFERENCES (1): _____

ADDRESS: _____

REFERENCES (2): _____

ADDRESS: _____

Photocopies of the relevant pages of the applicant's passport should be attached to this application.

The Hanover Bank

MANDATE FOR ACCOUNT OF AN INCORPORATED COMPANY

e _____

ır Sirs,

_____ Limited

request you to open an account or accounts in the name of the above mentioned Company and in pursuance of this request, we hand you ewith:-

(1) Certificate of Incorporation (for inspection and return)
(2) Print of the Memorandum and Articles of Association of the Company (amended up to date)
(3) Certified copy of a Resolution of the Board of Directors (annexed)
(4) List of, and specimen signatures, in duplicate, of the Directors and authorised officials.

urs faithfully _____ Secretary

E HEREBY CERTIFY that the following Resolution was duly passed by the Board of Directors of the Company at a meeting of the Board .y convened and held on the of 19 and that such Resolution has been duly recorded in the Minute Book of the Company.

RESOLUTION

ESOLVED:- (1) that an account or accounts be opened with The Hanover Bank Limited.

(2) that the said Bank is hereby authorised
a) to honour cheques, bills of exchange and promissory notes expressed to be drawn, signed, accepted or made by or on behalf of the Company, drawn upon or made payable at the said Bank, whether the account or accounts of the Company is or are in credit or in debit or overdrawn thereby or otherwise
b) to honour any orders to withdraw any or all monies on any deposit or other account or accounts of the Company with the said Bank or any or all securities documents or other property of the Company with the said Bank or any or all securities documents or other property of the Company from time to time in the possession of the said Bank
c) to act on any instructions with regard to any such account or accounts (whether in credit or in debit or overdrawn thereby) or any transactions of the Company provided that the same are signed by*

_____

_____

(3) that any cheque, bill of exchange, promissory note or other instrument shall be treated as duly endorsed by the Company if the endorsement is signed for or on behalf of the Company by *

_____

(4) that any indemnity or counter-indemnity required by the said Bank from the Company in connection with the Company's business be effective if signed for or on behalf of the Company by*

_____

(5) that the said Bank be furnished with a list of the Directors, Secretary and authorised officials of the Company and be from time to time informed in writing under the hand of any Director of the Company of any change which may from time to time take place therein, and be entitled to act on any such notice.

(6) that this Resolution be communicated to the said Bank and remain in force until receipt by the said Bank of notice in writing signed by any Director of the Company.

(7) That the Bank be, and is hereby authorised to honour and act upon any instructions received from this Company by way of *Fax Transmission* for the transfer of funds periodically from this Company's account with the said Bank to the specific payees designated in any such *Fax Transmission*, and to debit our account with whatever amount may be specified therein and pay same to the amount of the particular payees specified therein.

* Insert "any one Director and the Secretary," or as the case may be.

LETTERHEAD OF ANY FINANCIAL INSTITUTION
(i.e... BANK, CREDIT UNION OR SECURITIES FIRM).

BANK SAMPLE LETTER

(3 original signatures & 3 business cards).

(ON BANK LETTERHEAD)

Date:

To: Hanover Bank

As per your request, this letter is to certify that Mr. / Mrs. / Ms. _____

_____ holds a Checking / Savings account at our

office since (date) _____.

If we can be of further assistance, please do not hesitate to call our office.

Sincerely,

_____

(To be signed by Financial Officer)

Three originals with three original signatures are required.

IMPORTANT

PLEASE ATTACH PHOTO ID.
A COPY OF YOUR PASSPORT OR DRIVERS LICENSE.

Dear ,

I need the following items to complete your protection package:

For your offshore Bank Account::

1.) A letter from your bank as follows:

To whom it may concern;

_____is a customer in good standing since _____.

Signed by bank official.

2.) A photostatic copy of your passport and/or a copy of your drivers license. The passport page should be the page with your picture on it.

3.) Sign the Bank application and the Visa card application and send them back to me by fax @ (201) 847-9287.

For your offshore Trust.

1.) Grantor _____

2.) Trustee _____

3.) Protector _____

4.) Beneficiary (s) _____

_____

5.) Sub-Trustee _____

6.) Name of Your Trust _____

For CPA/NCE Membership

1.) Sign application and return by fax along with other applications.

If you have any questions, please call me @ (201) 847-9764.

Very Truly Yours,

William H. Koop

BANK INFORMATION AS IT WILL APPLY TO NEW ACCOUNT

ENTITY NAME TO APPEAR ON ACCOUNT_____

_____

TYPE OF ENTITY _____

MAILING ADDRESS FOR ENTITY_____

_____

CITY, STATE, ZIP CODE_____

PHONE NUMBER FOR ENTITY_____

FAX NUMBER FOR ENTITY_____

E-MAIL ADDRESS FOR ENTITY_____

PERSON TO BE SIGNATORY (PRINT)_____

SIGNATURE_____

(OPTIONAL)ADDITIONAL SIGNATORY (PRINT)_____

SIGNATURE IF ANY_____

(OPTIONAL) ADDITIONAL SIGNATORY (PRINT)_____

SIGNATURE IF ANY_____

BANKING RESOLUTION MINUTE NUMBER_____

BANKING INFORMATION:

AS OF APRIL 1ST, 1998, IFS HAS CONSUMATED THE NEGOTIATIONS TO BECOME THE LARGEST STOCKHOLDER AND HAVE THE CONTROLLING INTEREST OF THE HANOVER BANK, LIMITED.
WE WERE LOOKING FOR SOME TIME TO PURCHASE A BANKING FACILITY OF OUR OWN, HOWEVER IT BECAME URGENT TO DO SO WHEN OVERSEAS DEVELOPMENT BANK DID NOT MAKE OUR TRANSFERS AS REQUESTED AND WE COULD NO LONGER TRUST THAT THEY WOULD TRANSFER OUR MON IES PROPERLY.

OUR RELATIONSHIP WITH ODB WAS EXCEPTIONAL UNTIL THEY PURCHASED THE AMERICAN INTERNATIONAL BANK (AIB).
AFTER THEY PURCHASED AIB, THE SERVICE BECAME NON-EXISTANT. WIRE TRANSFERS, INTERBANK TRANSFERS AND SERVICE IN GENERAL WAS NOT TOBE TOLERATED.

IFS HAS A FIDUCIARY RESPONSIBILITY TO PROTECT YOU (THE CLIENT), AS WELL AS THEMSELVES. IFS HAS SEVERAL BANK ACCOUNTS WITH ODB, HOWEVER, WE ARE STILL AWAITING TRANSFERS THAT WE GAVE DIRECTIVES FOR ON MARCH 5, 1998.
THIS NECESSITATED THE IMMENENCE TO CONSUMATE THE DEAL WITH HANOVER BANK WHICH HAS NOW BEEN CONSUMATED.

YOUR NEW OFF-SHORE BANK ACCOUNT # IS:

_____

IN THE HANOVER BANK, LIMITED

WHICH IS DOMICILED IN ST. JOHNS, ANTIGUA,

WEST INDIES

AND

THE ISLE OF JERSEY IN THE CHANNEL ISLANDS

YOUR ACCOUNT IS HANDLED PERSONALLY BY IFS.

PLEASE SEND ALL DIRECTIVES FOR TRANSFERS OF MONEY FROM YOUR HANOVER BANK ACCOUNT TO:

FAX NUMBER (201) 848 9614

YOU MUST LIST YOUR ACCOUNT # AND THE DETAILS OF THE TRANSACTION YOU WISH TO MAKE.

YOUR SIGNATURE MUST BE LEGIBLE AND A COPY OF YOUR IDENTIFICATION MUST BE FAXED ALSO.

DEBIT CARDS:

WE ORIGINALLY CONTRACTED WITH OVERSEAS DEVELOPMENT BANK TO SUPPLY DEBIT CARDS FOR OUR MEMBERS,HOWEVER THEY HAVE NEVER PERFORMED.

HANOVER BANK, LTD HAS MADE ARRANGEMENTS TO HAVE DEBIT CARDS AVAILABLE BY JUNE 1ST, 1998.

THE ATTACHED AGREEMENT WILL SHOW YOU THE TERMS AND CONDITIONS.

PLEASE FILL OUT THE FORM AND SEND TO: FAX #(201) 847-9287

IFS
International Financial Solutions

• International Investments • Offshore Bank Accounts • Offshore Loans
• Offshore Trusts • International Business Corporations • Offshore Credit Cards

Corporate Personal

1. We are applying for: ☐ Visa Classic ☐ Visa Gold

2. Limit Requested: USD _____
(Security Deposit - 150% of limit requested)

3. Account Information

We are a banking customer of
Bank _____

Account # _____

Account # _____

4. Company Information

_____
Name

_____
Address

5. Visa Card Information

	Classic	Gold
Annual Cost of Card	$20.00	$40.00
Additional Card - Annually	$20.00	$20.00
Security Deposit	150%	150%
Interest on Security Deposit	3%	3%
Minimum	$1000	$5000
Maximum	$5000	$100,000
Maximum Use	2/3 of Security Deposit	
Finance Rates/Terms		
a. in Full at Month End	- nil	
b. Partial Payment	- 18%	
c. Maximum Term	36	

6. **This information is given to obtain credit and is true and complete.** We have read and agree to the terms contained in this application. We agree to be bound by the terms and conditions of the Agreement that governs our account. A copy of the Agreement may be obtained by writing to St. John's, Antigua. If for any reason after receiving our cards and the Agreement we decide not to use the account, we may return the card(s) to the bank without further obligation.
This application and all information obtained in connection with it is held in strict confidence and is for Bank use only.

_____ _____
Applicant's Signature Date

7. Names, specimen signatures for cards to be issued under corporate name:

Print Name Signature

_____ / _____
_____ / _____
_____ / _____
_____ / _____

8. Authorization to Transfer funds

We hereby authorize _____
Bank to deduct the monthly charge statement
from our account # _____

☐ Statement should be held on file

A PERSONAL LETTER FROM THE DESK OF:

William H. Koop

TO: ALL MEMBERS OF THE "PRIME PLAN" AND PARTICIPANTS OF I.F.S. TRADES IN THE PAST.

I.F.S. HAS MADE ARRANGEMENTS TO SEND MONIES TO C.P.A FOR DISTRIBUTION OF THE "PRIME PLAN" FUNDS ON A MONTHLY BASIS.

BECAUSE OF THE DELAY IN GETTING THE FIRST "PRIME PLAN" MONTHLY PAYMENT TO YOU, WE ARE GOING TO PAY YOU FOR JUNE AND JULY THIS COMING WEEK. THIS MEANS THAT YOUR JULY PAYMENT WILL BE MADE AVAILABLE TWO WEEKS EARLY. THIS WILL BE DONE THROUGH C.P.A. YOUR JUNE PAYMENTWILL BE MADE AT THE SAME TIME. ALL REMAINING PAYMENTS WILL BE AVAILABLE TO YOU THROUGH C.P.A. ON THE 5TH OF EACH MONTH THEREAFTER.

IF THERE ARE ANY QUESTIONS AS REFERS TO THE "PRIME PROGRAM" OR C.P.A. DISTRIBUTION OF YOUR FUNDS, PLEASE CALL YOUR FACILITATOR, GLEN CRUZEN.

ALL TRANSFERS FOR PREVIOUS TRADES HAVE BEEN MADE AND SHOULD BE IN YOUR DESIGNATED ACCOUNTS NO LATER THAN TUESDAY, JUNE 23RD.

I APOLOGIZE FOR THE DELAYS, HOWEVER THEY WERE FAR BEYOND MY CONTROL, THEREFORE I PERSONALLY TOOK A LOAN TO PAY ALL OF THE I.F.S. OBLIGATIONS. THIS IS AN INTEGRITY MATTER WITH ME AND I SURELY HOPE THAT YOU APPRECIATE MY CONCERNS.

IN PASSING, THERE ARE JUST A FEW CIRCUMSTANCES THAT HAVE CONTRIBUTED TO THE DELAYS.

1. LATE PAYMENTS ON CERTAIN DIBENTURE TRADES.
2. CERTAIN DIBENTURE TRADES THAT NEVER MATERIALIZED.
3. SERIOUS PROBLEMS WITH O.D.B. BANK. (IF WE WERE NOT WELL CONNECTED AND NOT ADVISED IN TIME, YOUR MONIES WOULD HAVE BEEN LOST OR AT LEAST DELAYED EVEN LONGER.
4. THE CHANGEOVER TO "THE HANOVER BANK, LTD", WHICH CAUSED FURTHER DELAYS, IE:

A. PURCHASE ARRANGEMENTS
B. RE-STRUCTURE OF THE BANK
C. THE CHANGE OF THE BANK OPERATING OFFICE FROM ANTIGUA TO THE ISLAND OF JERSEY IN THE CHANNEL ISLANDS. (THERE WILL BE FURTHER INFORMATION ON "THE HANOVER BANK, LTD." LATER IN THIS UPDATE).

5. A MAJOR AND MOST SERIOUS DELAY BY THE AUTHORITIES BECAUSE OF SOMEONE WHO HAS "LAUNDERED MONIES", THEREFORE LOCKING THE FUNDS UNTIL THE PERSON HAS BEEN IDENTIFIED AND ARRESTED.

6. BECAUSE OF THE PROBLEM IN #5 ABOVE, I DECIDED TO MAKE A PERSONAL LOAN TO PAY THE OBLIGATIONS OF I.F.S., WHICH HAS BEEN DONE AT A VERY HIGH COST TO ME PERSONALLY.

7. AFTER THE LOAN MONIES WERE RECEIVED AND TRANSFERRED, THE AUTHORITIES WOULD NOT RELEASE THE LOAN MONIES UNTIL EACH WIRE TRANSFER SOURCE WAS IDENTIFIED AND RELEASED INDIVIDUALLY. THIS WAS COMPLETED IN THE CHANNEL ISLANDS BY A GROUP OF BANK ATTORNEYS AT A GREAT EXPENSE TO I.F.S.

8. THE LOAN MONIES HAVE NOW BEEN RELEASED AND ARE IN TRANSIT TO YOUR DESIGNATED WIRE DESTINATIONS AS I WRITE THIS REPORT.

9. THE INDIVIDUAL OR INDIVIDUALS WILL BE IDENTIFIED AND BROUGHT TO JUSTICE BY THE AUTHORITIES FOR MONEY LAUNDERING. AT THAT TIME THE MONIES WILL BE RELEASED AND RETURNED TO I.F.S. I HAVE BEEN ASSURED THAT THIS WILL BE DONE WITHIN SIX WEEKS OF THIS DATE.

ALTHOUGH THIS HAS BEEN A TRYING TIME FOR MANY OF YOU, (SOME OF YOU HAVE BEEN MUCH BETTER SOLDIERS THAN OTHERS) THIS HAS ENDED UP AS A POSITIVE MATTER WITH EVERYONE IN I.F.S. KNOWING THAT THEY DO NOT HAVE ANY KIND OF A PROBLEM WITH ANYONE, ANYWHERE AND THAT NO-ONE HAS LOST ANY MONIES WITH I.F.S.

IT IS NOW TIME TO TELL YOU THAT THIS HAS BEEN A VERY STRESSFUL MATTER FOR ME, AND THAT AT ALL TIMES I ONLY HAD YOUR WELL BEING IN MIND. I WOULD ALSO LIKE TO TAKE THIS TIME TO MENTION THAT IT WAS ALSO VERY STRESSFUL ON GLEN AND SUE CRUZEN AND I WISH TO THANK THEM FOR THEIR LOYALTY AND DEDICATION DURING THIS PERIOD.

WE MUST NOW CLOSE THE DOORS ON THIS CHAPTER AND OPEN THE DOORS TO THE FUTURE. THE GOOD NEWS IS THAT NO-ONE HAS LOST MONEY AND MOST OF YOU HAVE MADE A HANDSOME PROFIT THAT COULD NOT HAVE BEEN ACHIEVED ANYWHERE ELSE.

THE "PRIME PLAN" WILL CONTINUE AS SCHEDULED AND WILL PAYOUT IN A TIMELY MANNER.

THERE ARE OTHER OPPORTUNITIES FOR THOSE OF YOU WITH THE AVAILIBILITY OF $500,000.00 OR MORE. PLEASE CALL THE OFFICE FOR FURTHER INFORMATION

FURTHER INFORMATION ON THE HANOVER BANK. LTD.

MOST OF YOU HAVE BANK ACCOUNTS IN THE HANOVER BANK,LTD IN THE VERY NEAR FUTURE WE WILL UNVEIL THE POSITIVE FACTORS OF THE BANK, SHOWING YOU THE OPPORTUNITIES THAT IT WILL PRESENT TO YOU PERSONALLY,IE;

1. NUMBERED ACCOUNTS
2. HIGH INTEREST RATES ON TIME DEPOSIT ACCOUNTS
3. STOCK PARTICIPATION
4. CHECK BOOKS (RESTRICTED)
5. CREDIT AND /OR DEBIT CARDS (APROX 2-3 WEEKS)

AND MANY MORE PERSONAL BENEFITS TO YOU IN THE NEAR FUTURE.

THANK YOU FOR YOUR CO-OPERATION IN A VERY DIFFIFICULT TIME.

SINCERELY,

William H. Koop "Bill"

WILLIAM H. KOOP

2000-02-04 - Koop, William - Guilty Plea - News Release

Investment Advisor Admits Conspiring to Commit Money Laundering in $2.5 Million Bank Note Scheme

NEWARK - A Franklin Lakes man today admitted conspiring to commit money laundering in connection with a fictitious $2.5 million investment scheme, U.S. Attorney Robert J. Cleary announced.

William H. Koop, who represented himself as an investment advisor specializing in "prime bank notes," pleaded guilty to charges in a one-count Information.

Sentencing for Koop is scheduled for April 28 before U.S. District Judge Katharine S. Hayden. Koop faces a maximum sentence of five years in prison and a $250,000 fine, according to Assistant U.S. Attorney Henry E. Klingeman.

The Information charges that Koop agreed with others in the United Kingdom and the United States to promote prime bank note investments from between early 1998 and April 1999. According to the FBI, prime bank notes are a fraudulent type of "investment" used by con artists worldwide.

In early 1998 Koop was introduced to G.S. and allegedly told him that a $2.5 million investment in prime bank notes would return the initial investment plus $16 million in profits, within 45 "banking days," according to the Information.

In April 1998, at Koop's instruction, G.S. wired $2.5 million to British Trade and Commerce Bank's (BTCB) account at Banco Industrial De Venezuela (BIV), of Venezuela and Miami, Florida, according to the Information.

Between April 20 and August 1998, Koop transferred G.S.'s $2.5 million from the BTCB account at BIV to: other conspirators in the United Kingdom; off-shore bank accounts; commercial entities that benefitted other conspirators; and others who had invested with Koop in prime bank notes and were expecting a return, according to the Information.

The Information states that between April 20 and Sept. 17, 1998, Koop gave G.S. repeated oral and written assurances that both his investment principal and profit were forthcoming. In fact, the Information alleges, Koop never paid G.S. any money based on his $2.5 million investment.

Judge Hayden allowed Koop to remain free on a $50,000 unsecured bond, pending sentencing. The Judge ordered Koop to surrender his passport and restricted his travel.

Under U.S. Sentencing Guidelines, Judge Hayden will determine the defendant's actual sentence based on a formula that takes into account the severity and characteristics of the offense and Koop's criminal history, if any. Parole has been abolished in the federal system. Under sentencing guidelines, defendants who are given custodial terms must serve nearly all that time.

Cleary credited Special Agents of the FBI, under the supervision of Garey S. Chin,

Acting Special Agent in Charge of the FBI's Newark office; Special Agents of the IRS Criminal Investigation Division, under the supervision of District Director Frank P. Nixon; and Postal Inspectors of the U.S. Postal Inspection Service, under the direction of Postal Inspector in Charge J.J. Skidmore, with developing the case against Koop.

The Government is represented by Assistant U.S. Attorney Klingeman of the U.S. Attorney Office's Frauds and Public Protection Division in Newark.

-30-

Defense Attorney:

Jay J. Friedrich, Esq. Hackensack

cq: Katharine (Hayden)

U.S. Attorney's Office, District of New Jersey

Robert J. Cleary, United States Attorney

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1999R00211/hek

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA	:	Crim. No.
	:	
v.	:	
	:	
WILLIAM H. KOOP	:	18 U.S.C. § 371

INFORMATION

The defendant, **WILLIAM H. KOOP**, having waived in open court prosecution by indictment, the United States Attorney for the District of New Jersey charges:

The Defendant

1. At all times relevant to this Indictment, defendant **WILLIAM H. KOOP**:

(a) was a resident of Franklin Lakes, New Jersey, who held himself out to the public as an investment advisor specializing in "prime bank notes"; and

(b) worked with a number of individuals located in the United States and the United Kingdom to promote "prime bank note" investments (collectively the "conspirators").

"Prime Bank Notes"

2. At all times relevant to this Indictment, the conspirators, including defendant **WILLIAM H. KOOP**:

(a) promoted a type of investment in opportunities described as "prime bank notes," among other designations;

(b) represented that investment in "prime bank notes" would guarantee an extremely high rate of return and little or no risk;

(c) knew and understood that "prime bank notes" were fictional and non-existent in legitimate financial markets; and

(d) represented that the transactions they promoted would be processed through various off-shore banks, including British Trade and Commerce Bank in Dominica, West Indies, and Hanover Bank, in Antigua, West Indies, that the conspirators claimed they either owned or controlled.

The Victim

3. At all times relevant to this Indictment, the victim, hereinafter identified as "G.S.":

(a) was a resident of California and an engineer by training, profession, and experience; and

(b) was the inventor of a popular type of golf club.

The G.S. Investment

4. In or about early 1998, defendant **WILLIAM H. KOOP** was introduced to G.S. through two associates in the United States who also promoted "prime bank note" investments.

5. Defendant **WILLIAM H. KOOP**, among others, convinced G.S. to invest $2.5 million in "prime bank notes" through **KOOP**.

6. Defendant **WILLIAM H. KOOP** promised G.S. that his $2.5 million investment plus $16 million in profits would be returned within 45 "banking days."

7. On or about April 20, 1998, G.S. wired $2.5 million at defendant **WILLIAM H. KOOP**'s instructions to British Trade and Commerce Bank's account at Banco Industrial De Venezuela, of Venezuela and Miami, Florida.

8. Between April 20, 1998 and September 17, 1998 (when G.S. filed suit against defendant **WILLIAM H. KOOP**, among other defendants), no money was ever paid to G.S. despite periodic and repeated oral and written assurances that both principal and profit were forthcoming.

9. In fact, between on or about April 20, 1998 and in or about August 1998, money representing the investment of G.S. was transferred by defendant **WILLIAM H. KOOP** from the British Trade and Commerce Bank's account at Banco Industrial De Venezuela to: (a) other conspirators in the United Kingdom; (b) off-shore bank accounts; (c) commercial entities for the benefit of other conspirators; and (d) individuals, including persons who had previously invested with the conspirators and were expecting a return on their investments.

10. At no time did defendant **WILLIAM H. KOOP** or other conspirators place the $2.5 million invested by G.S. in "prime bank notes" as G.S. had been promised.

The Conspiracy to Commit Money Laundering

11. From in or about early 1998 to in or about April 1999, in Bergen County, in the District of New Jersey and elsewhere,

WILLIAM H. KOOP

did knowingly and willfully conspire and agree with others to engage in monetary transactions, that is, deposits, withdrawals, transfers, and exchanges of funds, in and affecting interstate commerce, and by, through, and to financial institutions in criminally-derived property that was of a value greater than $10,000, such property having been derived from specified unlawful activity, that is, offenses under Title 18, United States Code, Section 1343, contrary to Title 18, United States Code, Section 1957.

Overt Acts

In furtherance of the conspiracy and to effect its object, defendant **WILLIAM H. KOOP** committed the following act in the District of New Jersey:

12. In or about April 1998, defendant **WILLIAM H. KOOP** provided instructions to G.S. to permit G.S. to wire transfer $2.5 million to a bank account under **KOOP**'s control.

In violation of Title 18, United States Code, Section 371.

Robert J. Cleary

ROBERT J. CLEARY
United States Attorney

PRESS NOTICE

J. RENÉ JOSEY
UNITED STATES ATTORNEY
DISTRICT OF SOUTH CAROLINA

*1441 Main Street, Suite 500 * Columbia, SC 29201 * (803) 929-3000 **

March 24, 2000

FOR IMMEDIATE RELEASE
CONTACT PERSON: MARY GORDON BAKER
(803) 929-3000

INDICTMENTS RETURNED IN INTERNATIONAL FRAUD CASE

COLUMBIA, South Carolina — United States Attorney J. RENÉ JOSEY stated today that, the federal grand jury in Columbia, South Carolina, returned indictments on March 22, 2000, charging Johnny William Cabe, 40, a pastor from York, South Carolina, and Shelton Joel Shirley, 48, a pastor from Gastonia, North Carolina, with operating a "high yield trading program" and defrauding people of money, in violation of Title 18, United States Code, Section 1343, the federal wire fraud statute. The indictment also charges both Cabe and Shirley with money laundering, in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i) and 1957. Cabe and Shirley are charged with nine counts of wire fraud, two counts of money laundering under Section 1956(a)(1)(A)(i), and 14 counts of money laundering under Section 1957. If convicted, each faces a maximum penalty of five years of imprisonment and $250,000 in fines on each wire fraud count, 20 years of imprisonment and $500,000 in fines on each Section 1956 count, and ten years of imprisonment and

$250,000 in fines on each Section 1957 count. The Cabe and Shirley indictment also seeks forfeiture in the amount of $7 million. Arrest warrants have been issued for the both Cabe and Shirley.

In a related indictment, Terrence Stanley Victor Wingrove, 58, of London, England, has been charged in a 31 count indictment with 17 counts of wire fraud and 14 counts of money laundering in violation of Section 1956(a)(2)(A). The wire fraud penalties for Wingrove are the same as those for Cabe and Shirley. On the money laundering charges, Wingrove faces a maximum penalty of 20 years of imprisonment and $500,000 in fines for each count. The Wingrove indictment also seeks forfeiture in the amount of $12 million. Wingrove has been arrested in England, and the United States is seeking extradition to the United States for prosecution.

Taken together, the two indictments allege that Johnny Cabe and Joel Shirley operated a high yield trading program called Hisway International Ministries in which they claimed that people could receive returns on investments as high as 500% in as little as two weeks to three months. They claimed that these returns were possible through investment in secret bank trading programs known only to the wealthiest of people. Through Hisway, Cabe and Shirley are alleged to have received approximately 7 million dollars. Of this money, they sent approximately $3,210,000 to Terrence Wingrove through a bank on the Isle of Jersey in the United Kingdom called Hanover Bank. The indictments allege that Cabe and Shirley used some of the other money to repay prior investors. The indictment charges that these pay-offs were intended, in part, to make it appear as though the high yield trading programs were successful, thereby inducing people to invest more money into the scheme.

The Cabe and Shirley indictment also alleges that both Cabe and Shirley converted some of the funds to their own use. The money laundering allegations of the indictment

show that in late July 1998, Cabe and Shirley received checks in the amount of $100,000 each. During the same time period, Cabe and Shirley transferred $150,000 to Cabe's church.

The indictments allege that Terrence Wingrove, who in reality is an art and antiques collector and dealer, claimed that he was a former banker with extensive experience in high yield trading programs, that he was the owner of the Hanover Bank on the Isle of Jersey, whose accounts were used to receive the funds from Cabe, Shirley, and a man named William H. Koop, and that he had access to bank trading programs that yielded very high returns. Wingrove is alleged to have received approximately $12 million which he then used to purchase art and antiques.

In a related case, William H. Koop, a resident of New Jersey, has pleaded guilty in United States District Court for the District of New Jersey to defrauding the inventor of the popular "Big Bertha" golf clubs of approximately $2.5 million.

This case is being investigated by agents with the United States Secret Service and the Internal Revenue Service. It is being prosecuted by Assistant United States Attorneys Dean A. Eichelberger and Anne Hunter Young.

The United States Attorney stated that all charges in these Indictments are merely accusations and that the defendants are presumed innocent until and unless proven guilty.

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MAR 2 2 2000
LARRY W. PROPES, CLERK
COLUMBIA, S.C.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
ROCK HILL DIVISION

UNITED STATES OF AMERICA	)	CR. NO. 0:00-91
	)	18 U.S.C. § 1343
	)	18 U.S.C. § 1956(a)(2)(A)
v.	)	18 U.S.C. § 982
	)	18 U.S.C. § 2
	)	
TERRENCE STANLEY VICTOR WINGROVE	)	**INDICTMENT**

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 1

THE GRAND JURY CHARGES:

At all times relevant to this Indictment:

1. TERRENCE STANLEY VICTOR WINGROVE was an art and antiques collector and dealer who lived in England;

2. Winston Allen was a resident of England;

3. John William Cabe lived in York, South Carolina, and he operated investment programs under the names of Gideons Christian Family Wellness Center, Hisway Investment Club, Hisway Financial Associates, Hisway Financial, Inc., Hisway International Ministries, and variations of the above names (this program will hereafter be referred to as "Hisway");

4. Shelton Joel Shirley lived in North Carolina, and he assisted John William Cabe

in the operation of Hisway;

5. William H. Koop lived in New Jersey, and he operated an investment program called International Financial Solutions;

6. First Union National Bank, NationsBank of South Carolina (now known as Bank of America), Branch Banking & Trust Company, Palmetto Bank, High Point Bank & Trust, Carolina First Bank of South Carolina, were financial institutions with deposits insured by the Federal Deposit Insurance Corporation;

SCHEME AND ARTIFICE

7. Beginning in or about January 1998, TERRENCE STANLEY VICTOR WINGROVE devised a scheme and artifice to defraud and to obtain money and property from others by means of false and fraudulent pretenses, representations, and promises which affected financial institutions, including First Union National Bank, NationsBank of South Carolina (now known as Bank of America), Branch Banking & Trust Company, First Heritage National Bank, and Carolina First Bank of South Carolina;

8. It was the goal of the scheme and artifice that WINGROVE would enrich himself at the expense of others by falsely claiming to be a representative of high yield bank trading programs. These trading programs will hereafter be referred to as "High Yield Trading Programs" or "Trading Programs;"

9. The High Yield Trading Programs operated substantially as follows:

a. WINGROVE falsely claimed to be able to invest money for others in secret trading programs that paid very high returns;

b. Through participation in these purported Trading Programs, WINGROVE

claimed that investors could double or triple their money, or possibly receive even higher returns, in as little as 2 weeks to 90 days;

c. WINGROVE initially dealt with William Koop. WINGROVE claimed that he was a former banker, that he had extensive experience in High Yield Trading Programs, that he owned a financial institution called Hanover Bank, and that he had access to bank trading programs that paid the highest possible yields;

d. In or about March 1998, John William Cabe contacted Koop and requested information about the High Yield Trading Programs Koop was offering. Cabe also asked Koop to arrange an introduction to WINGROVE;

e. In or about March 1998, Cabe went to London, England, and met with both WINGROVE and Winston Allen. During this meeting, WINGROVE obtained $400,000 from Cabe through the promise that WINGROVE would repay $800,000 within 21 calendar days after receipt of the proceeds;

f. After this initial meeting, Cabe and Koop communicated with WINGROVE and Allen through facsimile transmission and by telephone. Many of these communications dealt with additional investments in High Yield Trading Programs;

g. The procedure followed by Cabe, Koop, WINGROVE, and Allen for additional investments was substantially as follows:

i. Cabe contacted Koop to advise that he had funds available for investment in a Trading Program;

ii. Koop obtained information from WINGROVE regarding the length of a Trading Program, the anticipated return, and where the funds should be sent;

iii. Koop passed the information obtained from WINGROVE to Cabe;

iv. Cabe sent the funds as directed by Koop and then confirmed to Koop that the funds were sent;

v. Koop confirmed with WINGROVE that the funds had been sent;

h. Allen assisted WINGROVE in the operation of this fraudulent investment scheme by acting as the European agent for Hisway;

i. Between on or about March 18, 1998, and July 13, 1998, Cabe and Shirley sent to WINGROVE, or to a third party at the direction of, and for the benefit of WINGROVE, approximately $3,210,000;

j. In addition to the funds sent from Cabe, other persons known to the grand jury sent money to WINGROVE at the direction of Cabe and Shirley for investment in Trading Programs;

k. By following this scheme and artifice, WINGROVE obtained from William H. Koop, John William Cabe, and people who sent money to WINGROVE at the direction of Koop and Cabe, approximately 12 million dollars;

l. WINGROVE did not invest any of the funds received in any High Yield Trading Programs. Instead, he converted some of the funds to his own use, gave some to Allen, and used the remainder to purchase art and antiques;

10. On or about March 18, 1998, in the District of South Carolina, TERRENCE

STANLEY VICTOR WINGROVE, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause John William Cabe to wire transfer $400,000 from First Union National Bank in Rock Hill, South Carolina, to the Royal Bank of Scotland, in the United Kingdom;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNTS 2 through 6

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 9 of Count 1 of this Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about the dates set forth below, in the District of South Carolina, TERRENCE STANLEY VICTOR WINGROVE, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause John William Cabe to wire transfer money as set forth below from First Union National Bank, Rock Hill, South Carolina, to an account maintained by Hanover Bank at the Standard Bank of Jersey, Isle of Jersey, United Kingdom;

COUNT	DATE	AMOUNT TRANSFERRED
2	April 2, 1998	$1,200,000
3	April 2, 1998	150,000
4	April 20, 1998	400,000
5	April 23, 1998	100,000
6	May 5, 1998	150,000

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 7

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 9 of Count 1 of this Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about April 20, 1998, in the District of South Carolina, TERRENCE STANLEY VICTOR WINGROVE, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause Dennis Smith to wire transfer $77,250 from NationsBank of South Carolina (now known as Bank of America), Greenville, South Carolina, to an account maintained by Hanover Bank at the Standard Bank of Jersey, Isle of Jersey, United Kingdom;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 8

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 9 of Count 1 of this Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about April 27, 1998, in the District of South Carolina, TERRENCE STANLEY VICTOR WINGROVE, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause James Knorr to wire transfer $10,300 from Branch Banking & Trust Company, Greenville, South Carolina, to an account maintained by Hanover Bank at the Standard Bank of Jersey, Isle of Jersey, United Kingdom;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 9

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 9 of Count 1 of this Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about May 11, 1998, in the District of South Carolina, TERRENCE STANLEY VICTOR WINGROVE, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause Lee Patterson to wire transfer $56,650 from NationsBank of South Carolina (now known as Bank of America), Greenville, South Carolina, to an account maintained by Hanover Bank at the Standard Bank of Jersey, Isle of Jersey, United Kingdom;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 10

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 9 of Count 1 of this Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about May 21, 1998, in the District of South Carolina, TERRENCE STANLEY VICTOR WINGROVE, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause David B. Greene to wire transfer $1,500 from Carolina First Bank of South Carolina, Greenville, South Carolina, to an account maintained by Hanover Bank at the Standard Bank of Jersey, Isle of Jersey, United Kingdom;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 11

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 9 of Count 1 of this Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about June 8, 1998, in the District of South Carolina, TERRENCE STANLEY VICTOR WINGROVE, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause John William Cabe to wire transfer $160,000 from First Union National Bank, Rock Hill, South Carolina, to an account maintained by Hanover Bank at the Standard Bank of Jersey, Isle of Jersey, United Kingdom;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE EACH COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNTS 12 through 14

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 9 of Count 1 of this Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about the dates set forth below, in the District of South Carolina, TERRENCE STANLEY VICTOR WINGROVE, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause John William Cabe to wire transfer money as set forth below from First Union National Bank, Rock Hill, South Carolina, to the account of Sam Bernstein & Co., Wells Fargo Bank, San Francisco, California;

COUNT	DATE	AMOUNT TRANSFERRED
12	June 17, 1998	$200,000
13	June 18, 1998	10,000
14	June 19, 1998	40,000

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE EACH COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNTS 15 through 17

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 9 of Count 1 of this Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about the dates set forth below, in the District of South Carolina, TERRENCE STANLEY VICTOR WINGROVE, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause John William Cabe to wire transfer money as set forth below from First Union National Bank, Rock Hill, South Carolina, to the account of ArtX at Lloyds Bank, London, England;

COUNT	DATE	AMOUNT TRANSFERRED
15	July 2, 1998	$ 83,753.86
16	July 3, 1998	66,246.14
17	July 13, 1998	250,000.00

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE EACH COUNT
FINE OF $500,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 20 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNTS 18 THROUGH 31

THE GRAND JURY FURTHER CHARGES:

On or about the dates set forth below, in the District of South Carolina, TERRENCE STANLEY VICTOR WINGROVE knowingly and willfully did cause funds to be transported, transmitted, and transferred from a place in the United States, as set forth below to a place outside the United States, as set forth below, with the intent to promote the carrying on of specified unlawful activity, that is wire fraud in violation of Title 18, United States Code, Section 1343;

COUNT	DATE	FUNDS	FROM	TO
18	March 18, 1998	$ 400,000	Rock Hill, SC	United Kingdom ("UK")
19	April 2, 1998	1,200,000	Rock Hill, SC	Jersey, UK
20	April 2, 1998	150,000	Rock Hill, SC	Jersey, UK
21	April 20, 1998	400,000	Rock Hill, SC	Jersey, UK
22	April 23, 1998	100,000	Rock Hill, SC	Jersey, UK

COUNT	DATE	FUNDS	FROM	TO
23	May 5, 1998	150,000	Rock Hill, SC	Jersey, UK
24	April 20, 1998	77,250	Greenville, SC	Jersey, UK
25	April 27, 1998	10,300	Greenville, SC	Jersey, UK
26	May 11, 1998	56,650	Greenville, SC	Jersey, UK
27	May 21, 1998	1,500	Greenville, SC	Jersey, UK
28	June 8, 1998	160,000	Rock Hill, SC	Jersey, UK
29	July 2, 1998	83,735.86	Rock Hill, SC	London, England
30	July 3, 1998	66,246.14	Rock Hill, SC	London, England
31	July 13, 1998	250,000	Rock Hill, SC	London, England

In violation of Title 18, United States Code, Sections 1956(a)(2)(A) and 2.

FORFEITURE ALLEGATIONS

1. The allegations of Counts 1 through 31 are hereby alleged and incorporated herein by reference for the purpose of alleging forfeitures to the United States of America pursuant to the provisions of Title 18, United States Code, Section 982.

2. Wire Fraud

a. As a result of the foregoing violations of Title 18, United States Code, Section 1343 (Wire Fraud), as charged in Counts 1 through 17 of this Indictment, upon conviction, the Defendant, TERRENCE STANLEY VICTOR WINGROVE, shall forfeit to the United States any property, real or personal, which constitutes or is derived from any proceeds the Defendant obtained, directly or indirectly, as the result of such violations, and any property traceable to such property;

3. The property which is subject to forfeiture upon conviction of the Defendant for the violations charged in Counts 1 through 17 of this Indictment includes, but is not limited to, the following property or proceeds thereof:

a. Cash:
A minimum of approximately $12 million in United States currency, and all interest and proceeds traceable thereto, in that such sum in the aggregate constitutes proceeds the Defendant obtained, directly or indirectly, as the result of violations of Title 18, United States Code, Section 1343;

4. Money Laundering

a. As a result of the foregoing violations of Title 18, United States Code, Section 1956 (Money Laundering) as charged in Counts 18 through 31 of

this Indictment, upon conviction, the Defendant, TERRENCE STANLEY VICTOR WINGROVE, shall forfeit to the United States any property, real or personal, which was involved in such offenses, and any property traceable to such property;

5. The property which is subject to forfeiture upon conviction of the Defendant for the violations charged in Counts 18 through 31 of this Indictment includes, but is not limited to, the following property or proceeds thereof:

a. Cash:
A minimum of approximately $12 million in United States currency, and all interest and proceeds traceable thereto, in that such sum in the aggregate constitutes property involved in violations of Title 18, United States Code, Section 1956 or is traceable thereto;

6. SUBSTITUTE ASSETS:

a. If any of the property described above as being subject to forfeiture to the United States, as a result of any act or omission of the Defendant–

1. Cannot be located upon the exercise of due diligence;

2. Has been transferred or sold to, or deposited with a third party;

3. Has been placed beyond the jurisdiction of the Court;

4. Has been substantially diminished in value; or

5. Has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Sections 982(a)(1), 982(a)(2), and 982(b)(1), [incorporating Title 21, United States Code, Section 853(p)] to seek forfeiture of any other property of the said Defendant

up to the value of the above forfeitable property.

All in violation of Title 18, United States Code, Section 982.

A True BILL

s/ T. Leon Porter
FOREMAN

s/ J. René Josey
J. RENÉ JOSEY (DAE)
UNITED STATES ATTORNEY

A TRUE COPY
Attest: Larry W. Propes
By: DEPUTY CLERK

IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE DISTRICT OF SOUTH CAROLINA
ROCK HILL DIVISION

ORIGINAL FILED
MAR 2 3 2001
LARRY W. PROPES, CLERK
COLUMBIA, S.C.

UNITED STATES OF AMERICA	)	Criminal No: 0:00-91
	)	
V.	)	
	)	**PLEA AGREEMENT**
TERENCE STANLEY VICTOR WINGROVE	)	
	)	

AGREEMENT made this 20th day of March, 2001, between and among the United States of America, as represented by United States Attorney Scott N. Schools, Assistant United States Attorney Dean A. Eichelberger; the Defendant, **TERENCE STANLEY VICTOR WINGROVE**, and defendant's attorney, Lourie Salley III;

1. The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, agrees to plead guilty to Counts 2 and 4 of the Indictment now pending, FED. R. CRIM.P. 11(a).

2. The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, consents to the immediate commencement of a presentence investigation, FED. R. CRIM. P. 32(c).

3. The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, consents to the entry of an order of restitution in an amount to be determined by the Court. Further, he agrees that such order may take into account all persons determined by the Court to have been victims of the scheme set out in the indictment. The parties to this Plea Agreement acknowledge and agree that at this time, the number of persons contemplated by this paragraph has not been determined and that insufficient information exists to identify all such victims. The Defendant agrees to cooperate fully with the attorneys for the government in identifying and contacting all victims.

t by: US ATTORNEY-criminal

4. The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, understands that in addition to any fines that the Court may impose, the Court will assess $100.00 for each felony count to which he pleads guilty. The Defendant agrees to pay the special assessment by certified check or money order and to deliver the special assessment, on the day the Defendant executes this Plea Agreement, to the Clerk, U.S. District Court. The Defendant further agrees that any monetary penalty that the Court imposes, including the special assessment, fine, costs or restitution, is due immediately unless otherwise stated by the Court. The Defendant further agrees to submit a fully completed Financial Statement of Debtor form as requested by the United States Attorney's Office. The Defendant further agrees that failure to pay the special assessment at the time of the entry of the guilty plea may result in the obligations of the Attorneys for the Government within this agreement becoming null and void. The Defendant understands that any monetary penalty imposed is not dischargeable in bankruptcy. The Defendant further understands that if he fails to pay the special assessment, this unpaid debt will be turned over to the collections division within the U.S. Attorney's Office for collection, 18 U.S.C. § 3013.

5. The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, understands and agrees that by pleading guilty as contemplated by this Plea Agreement, he will be prohibited pursuant to Title 12, U.S.C., Section 1829(a) from: (i) becoming or continuing as, an institutional-affiliated party (as defined by Title 12, U.S.C., Section 1813(u)) with any insured depository institution; (ii) owning or controlling, directly or indirectly, any insured depository institution; or (iii) participating, directly or indirectly, in the conduct of the affairs of any insured depository institution without the prior written consent of the

Federal Deposit Insurance Corporation. The Defendant further understands and agrees that the maximum penalty for knowingly violating Title 12, U.S.C., Section 1829(a) is five (5) years imprisonment, a one million dollar ($1,000,000) fine for each day a violation continues or both.

The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, further understands and agrees that by pleading guilty as contemplated by this Plea Agreement he will be prohibited pursuant to Title 12, U.S.C., Section 1785(d) from: (i) becoming, or continuing as, an institution-affiliated party with any insured credit union; or (ii) otherwise participating, directly or indirectly, in the conduct of the affairs of any insured credit union without the written consent of the National Credit Union Administration Board. The Defendant further understands and agrees that the maximum penalty for knowingly violating Title 12, U.S.C., Section 1785(d) is five (5) years imprisonment, a one million dollar ($1,000,000) fine for each day a violation continues, or both.

6. The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, agrees to enter into the Bureau of Prisons Inmate Financial Responsibility Program if sentenced to a term of incarceration. The Defendant agrees that any monetary penalty the court imposes, including the special assessment, fines, costs, or restitution, may be paid, in part or in whole, through participation in this program.

7. The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, agrees to be fully truthful and forthright with the United States Attorney's Office for the District of South Carolina and federal law enforcement agents in their investigation of investment fraud and other unlawful activities, to include, but not limited to, truthful and complete

debriefings of the Defendant's knowledge concerning investment fraud and other unlawful activities. Also, the Defendant understands that he must fully disclose and provide truthful information to the Attorneys for the Government including any books, papers, or documents of any other items of evidentiary value to the investigation. The Defendant must also testify fully and truthfully before any grand juries and at any trials or other proceedings if called upon to do so by the Attorneys for the Government, subject to prosecution for perjury for not testifying truthfully. The failure of the Defendant to be fully truthful and forthright at any stage will, at the sole election of the Attorneys for the Government, cause the obligations of the Attorneys for the Government within this Agreement to become null and void. Further, it is expressly agreed that if the obligations of the Attorneys for the Government within this Agreement become null and void due to the lack of truthfulness on the part of the Defendant, the Defendant understands that: (1) the Defendant will not be permitted to withdraw his plea of guilty to the offenses described above: (2) any and all additional charges known to the Attorneys for the Government may be filed in the appropriate district: (3) the Attorneys for the Government may argue for a maximum sentence for the offense to which the Defendant has pleaded guilty; and (4) the Attorneys for the Government may use any and all information and testimony provided by the Defendant in the prosecution of the Defendant of all charges.

8. The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, agrees to submit to such polygraph examinations as may be requested by the Attorneys for the Government and agrees that any such examinations shall be performed by a polygraph examiner selected by the Attorneys for the Government. Defendant, **TERENCE STANLEY VICTOR WINGROVE**, further agrees that his failure to pass any such polygraph

examination to the Government's satisfaction will result, at Government's sole discretion, in the obligations of the Attorneys for the Government within the Agreement becoming null and void.

9. The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, agrees to voluntarily surrender to, and not to contest the forfeiture by, the United States of America of any and all assets and property, or portions thereof, owned or purchased by the Defendant which are subject to the forfeiture pursuant to any provision of law and which are in the possession or control of the Defendant or Defendant's nominees. The Defendant further agrees to prevent the disbursement, relocation or encumbrance of any such assets and agrees to fully assist the government in the recovery and return to the United States of any assets, or portions thereof, as described above, wherever located. The Defendant further agrees to make a full and complete disclosure of all assets over which Defendant exercises control and those which are held or controlled by nominee. The Defendant further agrees to submit to a polygraph examination on the issue of assets if it is deemed necessary by the United States.

The Defendant agrees to forfeit all interests in the properties as described above and to take whatever steps are necessary to pass clear title to the United States. These steps include, but are not limited to, the surrender of title and the signing of any other documents necessary to effectuate such transfers. The Defendant agrees not to object to any civil forfeiture proceedings brought against these properties pursuant to any provision of law and the Defendant further understands that any such civil proceedings may properly be brought at any time before or after acceptance of Defendant's guilty plea in

this matter and agrees to waive any double jeopardy claims he may have as a result of the forfeiture of these properties as provided for by this Agreement.

10. The Attorneys for the Government agree to dismiss the remaining counts of the indictment with the understanding by the Defendant, **TERENCE STANLEY VICTOR WINGROVE**, that no limitation shall be placed upon the Court's consideration of any information concerning the background, character, and conduct of the Defendant for the purpose of imposing an appropriate sentence, and such dismissed counts may be considered as relevant conduct pursuant to Section 1B1.3 of the United States Sentencing Commission Guidelines, FED. R. CRIM. P. 11(e)(1)(A).

11. The Attorneys for the Government agree that any self-incriminating information provided by the Defendant, **TERENCE STANLEY VICTOR WINGROVE**, as a result of the cooperation required by the terms of this Agreement, although available to the Court, will not be used against the Defendant, **TERENCE STANLEY VICTOR WINGROVE**, in determining the Defendant's applicable guideline range for sentencing pursuant to the U.S. Sentencing Commission Guidelines. The provisions of this paragraph shall not be applied to restrict any such information:

(A) known to the Attorneys for the Government prior to the date of this Agreement;

(B) concerning the existence of prior convictions and sentences in determining § 4B1.1 (career offender);

(C) in a prosecution for perjury or giving a false statement; or

(D) in the event there is a breach of the cooperation provisions of this Plea Agreement. § 1B1.8, United States Sentencing Commission Guidelines.

12. Provided the Defendant, **TERENCE STANLEY VICTOR WINGROVE**, cooperates pursuant to the provisions of this Plea Agreement, and that cooperation is deemed by Attorneys for the Government as providing substantial assistance in the investigation or prosecution of another person who has committed an offense, the Attorneys for the Government agree to move the Court to depart from the United States Sentencing Commission Guidelines, pursuant to §5K1.1 of those Guidelines, and Title 18, United States Code, Section 3553(e), and/or move the Court for reduction of sentence pursuant to Rule 35(b) of the Federal Rules of Criminal Procedure. The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, further understands that any such motions by the Attorneys for the Government are not binding upon the Court, and should the Court sentence the Defendant within the Guidelines, to the maximum penalty prescribed by law or refuse to reduce the sentence imposed, the Defendant will have no right to withdraw his plea.

13. The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, understands that the matter of sentencing is within the sole discretion of the Court, and that the sentence applicable to Defendant's case will be imposed in conformity with the United States Sentencing Commission Guidelines, Application Notes and Policy Statements. The Defendant also understands that Defendant's sentence has not yet been determined by the Court, and that any estimate of a probable sentencing range Defendant may have received from Defendant's attorney, the Attorneys for the Government, or the United States Probation Office is only a prediction, not a promise, and is not binding on the Attorneys for the Government, the Probation Office or the Court. The Defendant further

understands that the Attorneys for the Government retain the right to inform the Court of any relevant facts, to address the Court with respect to the nature of the offense, to respond to questions raised by the Court, to correct any inaccuracies or inadequacies in the presentence report, to respond to any statements made to the Court by or on behalf of the Defendant, and to summarize all evidence which would have been presented at trial to establish a factual basis for the plea, FED. R. CRIM. P. 11(f).

14. The Attorneys for the Government agree to advise the sentencing Court of the extent and value of the Defendant's cooperation if called upon to do so by the Defendant, **TERENCE STANLEY VICTOR WINGROVE.**

15. The Defendant, **TERENCE STANLEY VICTOR WINGROVE**, understands that the obligations of the Attorneys for the Government within the Plea Agreement are expressly contingent upon the Defendant's abiding by federal and state laws and complying with the terms and conditions of any bond executed in this case.

16. The parties hereby agree that this Plea Agreement contains the entire agreement of the parties; that this Agreement supersedes all prior promises, representations and statements of the parties; that this Agreement shall not be binding on any party until the Defendant tenders a plea of guilty to the court having jurisdiction over this matter; that this Agreement may be modified only in writing signed by all parties; and that any and all other promises, representations and statements, whether made prior to, contemporaneous with or after this Agreement, are null and void.

20 March 2001
DATE

TERENCE STANLEY VICTOR
WINGROVE, Defendant

20 March 2001
DATE

Louis Salley III
Attorney for the Defendant

SCOTT N. SCHOOLS
UNITED STATES ATTORNEY

23 March 2001
DATE

BY:
Dean A. Eichelberger
Assistant U. S. Attorney

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The Associated Press State & Local Wire

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March 25, 2000, Saturday, PM cycle

SECTION: State and Regional

LENGTH: 705 words

HEADLINE: S.C. minister indicted for taking $7 million from followers

BYLINE: By JEFFREY COLLINS, Associated Press Writer

DATELINE: COLUMBIA, S.C.

BODY:

A **South Carolina** minister accused of taking more than $7 million from followers and investors in an international investment scheme is looking to make a deal with federal prosecutors.

The Rev. Johnny William "Bill" **Cabe,** 40, of York, was arraigned Friday on 16 counts of money laundering and nine counts of wire **fraud. Cabe's** partner, the Rev. Shelton Joel Shirley, 48, of Gastonia, N.C., faces the same charges.

If convicted, the men could face up to 225 years in prison and millions of dollars in fines, along with repayment of the $7 million.

The pastors, operating under the missionary program Hisway Ministries, took money from investors from January to August 1998, offering returns of up to 500 percent in three months, according to the indictment.

One investor said he had forgiven the ministers, he still wanted to see them punished.

"I feel bad for them, but at the same time I want to see justice served," Don Calhoun said. "I want my money back."

Calhoun said he and his wife invested $30,000 with **Cabe** and Shirley, hoping to pay off their debts quickly. Other investors lived in Tennessee, Pennsylvania, Michigan and Washington D.C., according to the indictment.

Churchgoers gave $3.6 million to **Cabe** and Shirley, Assistant U.S. Attorney Dean Eichelberger said. Other investors added more than $4 million. None of it has been returned to the victims, some of whom said they had planned to use profits to build churches or get out of debt.

Investors were told their money would be used by international money traders to create profits, 60 percent of which would go to missionary work and 40 percent to the investors.

Eichelberger said **Cabe** and Shirley used some of $7 million to pay back previous investors so their scheme would look legitimate. The pastors also wrote $100,000 checks to themselves, according to the indictment.

Also indicted was a London antiques dealer, who claimed he was a former banker. Terrence Stanley Victor Wingrove, 58, is charged with 17 counts of wire **fraud** and 14 counts of money laundering. Prosecutors said Wingrove took money from **Cabe,** Shirley and other investors and spent more than $12

million on art work and antiques.

Prosecutors said Wingrove has been arrested in London and they are attempting to extradite him to **South Carolina.**

Cabe, who was arrested by federal agents in York on Friday morning, appeared in court a few hours later. Shackled at the ankles, **Cabe** told the judge he wanted to get his case resolved as soon as possible.

After hearing the charges against him and his partner, **Cabe** motioned toward prosecutors and said, "I want to help them. We're not the bad guys."

As **Cabe** was being led out of the courtroom, Eichelberger told the minister they could talk about a deal after **Cabe** got an attorney. Prosecutors said they want to go after the leaders of the international scheme.

A third man prosecutors say was involved in the case, William H. Koop, of New Jersey, has agreed to cooperate and has admitted taking more than $2.5 million from Glenn Schmidt, the inventor of the Big Bertha golf club. He promised Schmidt a $16 million profit, prosecutors said.

Cabe also has sued federal prosecutors and Treasury and Secret Service agents for the $1.7 million seized in raids on his home and ministry bank accounts in August 1998. That suit was dismissed in U.S. District Court in July, but **Cabe** is appealing to the 4th U.S. Circuit Court of Appeals.

In court Friday, **Cabe** said his family has suffered financially since the money was seized.

"We've been struggling for almost two years to survive," **Cabe** said as he asked for a court-appointed attorney.

Cabe is free until Wednesday when he must post bail of $25,000 and surrender his passport.

Cabe also must not contact any investors. Eichelberger said **Cabe** was sending out a newsletter, telling investors, "if they are going to cooperate, they'll be kicked out of the investment."

In state court, **Cabe** is facing seven unrelated misdemeanor charges of practicing medicine without a license after allegations from two teen-age boys that he performed hernia-like checks on them. No trial date has been set on that case.

LANGUAGE: ENGLISH

LOAD-DATE: March 26, 2000

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March 26, 2000, Sunday

SECTION: NEWS; Pg. A20

LENGTH: 336 words

HEADLINE: 2 Ministers Accused Of Taking $7 Million

BYLINE: JEFFREY COLLINS, The Associated Press

BODY:

COLUMBIA, S.C. -- Two ministers have been charged with money laundering and **fraud,** accused of taking more than $7 million from their followers in an investment scheme with links overseas.

The Rev. Johnny William "Bill" **Cabe,** 40, and the Rev. Shelton Joel Shirley, 48, each face 16 counts of money laundering and nine counts of wire **fraud.**

If convicted, the men could face up to 225 years in prison and millions of dollars in fines, along with repayment of the $7 million.

The pastors, operating under the missionary program Hisway Ministries, took money from investors from January to August 1998, offering returns of up to 500 percent in three months, according to the indictment.

One investor said he had forgiven the ministers, he still wanted to see them punished.

"I feel bad for them, but at the same time I want to see justice served," Don Calhoun said. "I want my money back."

Calhoun said he and his wife invested $30,000 with **Cabe** and Shirley, hoping to pay off their debts quickly. Other investors lived in Tennessee, Pennsylvania, Michigan and Washington D.C., the indictment said.

Thinking their money would be used for missionary work and in investments to make a profit, churchgoers gave $3.6 million to **Cabe** and Shirley, Assistant U.S. Attorney Dean Eichelberger said. Other investors added more than $4 million.

Cabe, who was arrested by federal agents in York on Friday morning, appeared in court a few hours later. After hearing the charges against him and his partner, **Cabe** motioned toward prosecutors and said, "I want to help them. We're not the bad guys."

Also indicted was a London antiques dealer, Terrence Stanley Victor Wingrove, 58. He is charged with 17 counts of wire **fraud** and 14 counts of money laundering. Prosecutors said Wingrove took money from **Cabe,** Shirley and other investors and spent more than $12 million on art work and antiques.

Prosecutors said Wingrove has been arrested in London and they are attempting to extradite him to **South Carolina.**

LANGUAGE: ENGLISH

LOAD-DATE: April 4, 2000

ORIGINAL FILED
APR 18 2001
LARRY W. PROPES, CLERK
COLUMBIA, S.C.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
ROCK HILL DIVISION

UNITED STATES OF AMERICA	)	CR. NO. 0:00-301
	)	18 U.S.C. § 1343
	)	18 U.S.C. § 1956(a)(1)(A)(i)
v.	)	18 U.S.C. § 1957
	)	18 U.S.C. § 982
	)	18 U.S.C. § 371
	)	18 U.S.C. § 2
JOHNNY WILLIAM CABE, and	)	
SHELTON JOEL SHIRLEY	)	**SUPERSEDING INDICTMENT**

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 1

THE GRAND JURY CHARGES:

At all times relevant to this Superseding Indictment:

1. Hisway International Ministries ("HIM") was an organization that operated in Rock Hill, South Carolina, and elsewhere. HIM purportedly existed for the purpose of funneling money to worldwide missions efforts through donations to a religious organization. In reality, as laid out below, it operated as an investment program where people who contributed were promised that they would receive high rates of return through participation in secret international investments programs that were virtually free of risk;

2. JOHNNY WILLIAM CABE was a pastor in Rock Hill, South Carolina, and he was the organizer and director of HIM in the United States;

3. SHELTON JOEL SHIRLEY was a pastor in North Carolina, and he assisted JOHNNY WILLIAM CABE in the organization and operation of HIM in the United States;

4. William A. Koop was a resident of New Jersey, and he was involved in the marketing of high yield trading programs;

5. Terrence Stanley Wingrove was a purported bank trader who supposedly had access to secret European monetary trading programs. In reality, he was an art and antiques dealer;

6. Winston Allen was designated as the international trustee/attorney for HIM;

7. First Union National Bank, NationsBank of South Carolina (now known as Bank of America), Branch Banking & Trust Company, Palmetto Bank, High Point Bank & Trust, and Carolina First Bank of South Carolina, were financial institutions with deposits insured by the Federal Deposit Insurance Corporation;

BACKGROUND

8. Beginning in January 1998, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY adapted from another organization and adopted as their own a financial plan which they claimed offered the opportunity for people to participate in purported European bank trading programs known only to the wealthiest people

in the world. These trading programs will hereafter be referred to as "High Yield Trading Programs" or "Trading Programs";

9. The Trading Programs offered by CABE and SHIRLEY operated substantially as follows:

a. CABE set up an organization called, at various times, Gideons Christian Family Wellness Center, Hisway Investment Club, Hisway Financial Associates, Hisway Financial, Inc., Hisway International Ministries, and variations of the above names;

b. CABE and SHIRLEY established a network for the collection of money to be placed in the High Yield Trading Programs. Under CABE and SHIRLEY were "Stewards." Stewards told other persons about the program, collected funds or caused funds to be sent directly to CABE and SHIRLEY, and kept track of the funds that they collected. In exchange for their efforts, stewards were told that they would receive a portion of the moneys received back when a particular Trading Program "matured;"

c. Money provided to CABE and SHIRLEY was placed into bank accounts established for the purpose of aggregating the funds until large sums were available for placement in High Yield Trading Programs

d. Persons who provided funds to CABE and SHIRLEY were required to pay a non-refundable administration fee in addition to the funds so invested;

e. Persons who provided funds to CABE and SHIRLEY were from time to time required to sign certain documentation, including the following:

i. Letter of Intent;

ii. Non-disclosure, non-circumvention, and finders fee agreement;

iii. Non-solicitation letter;

iv. Confidentiality/Non-disclosure agreement; and

v. Venture Capital Agreement;

f. Persons who provided funds to CABE and SHIRLEY were told that the money would be invested in High Yield Trading Programs. They were further told that there was no risk in the investments and that when money from the Trading Programs was received back, a portion would go to humanitarian and religious organizations and the remainder would be returned to the person who provided the funds;

g. People who provided funds to CABE and SHIRLEY were told that their portion of the return would likely result in their receiving back double the amount of money that they provided to CABE and SHIRLEY or more and that they could expect to receive this return in as little as 30 days.

h. CABE and SHIRLEY guaranteed people who participated that they would receive back no less than their original "gift" plus 6 3/8 percent after one year and one day;

i. People who provided funds to CABE and SHIRLEY were told that when a particular trade "matured," they could either received money back from the High Yield Trading Programs or they could roll the money into another Trading Program. In either case they would be required to pay accounting and disbursement fees;

j. While offering these investment opportunities, CABE and SHIRLEY and others did attempt to mislead, and to evade the jurisdiction of, state and federal securities regulatory agencies by mischaracterizing each payment into the High Yield Trading Program as a "contribution" or "gift" to a religious organization. They further attempted to mislead, and to evade the jurisdiction of, state and federal securities regulatory agencies by referring to the promised returns to participants as "re-gifts";

k. From time to time, CABE and SHIRLEY told people who participated in their High Yield Trading Programs that there were ways to shield income realized from the Trading Programs from reporting requirements to, and taxation by, the Internal Revenue Service;

10. Between January 21, 1998, and June 19, 1998, CABE and SHIRLEY accumulated approximately $3,630,000 as described above from persons desiring to participate in Trading Programs. In addition, CABE and SHIRLEY caused some people to transfer funds directly to purported traders for investment in Trading Programs;

11. Beginning in or about May of 1998, CABE sent a series of facsimile transmissions to Terrence Stanley Victor Wingrove, Winston Allen, William H. Koop, and others known and unknown to the grand jury -- persons with whom CABE had placed money as part of the High Yield Trading Programs offered through HIM -- expressing an increasingly urgent need for return of monies so that CABE and SHIRLEY could repay their investors;

12. Despite the failure of the persons to whom CABE had given money to return the funds and interest purportedly earned on the Trading Program, CABE and SHIRLEY continued to claim to persons who had provided money that the Trading Programs were genuine and that they were proceeding as promised;

THE SCHEME AND ARTIFICE TO DEFRAUD

13. Beginning on or about a date unknown to the grand jury but at some time between January and July of 1998, and continuing to the date of this Superseding Indictment, in the District of South Carolina and elsewhere, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY knowingly and willfully did devise and intend to devise a scheme and artifice to defraud and to obtain money and property by

means of false and fraudulent pretenses, representations, and promises which affected financial institutions, including First Union National Bank, NationsBank of South Carolina (now known as Bank of America), Branch Banking & Trust Company, First Heritage National Bank, and Carolina First Bank of South Carolina;

14. It was the goal of the scheme and artifice that JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY would obtain money from persons desiring to participate in High Yield Trading Programs as set forth above and then use the money so provided to repay other persons who had previously provided funds to CABE and SHIRLEY, thereby concealing from persons who participated in the Trading Programs that they were fraudulent and did not operate as promised;

15. It was further the goal of the scheme and artifice that after paying people who had previously provided funds to JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY, CABE and SHIRLEY would represent that the money used to repay persons who had previously provided funds had come from successful High Yield Trading Programs, thereby inducing people, including those who had been paid, to invest additional monies with the program, when in fact, no money had been received back from any such Trading Program;

16. It was a part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations, and promises that JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY would and did do the following:

a. Falsely claim that prior High Yield Trading Programs they had participated in had successfully paid back as much as 500% in just 12 weeks;

b. Conceal from persons desiring to participate in the High Yield Trading Programs the fact that no High Yield Trading Program had yielded any of the promised returns;

c. Conceal from persons desiring to participate in the High Yield Trading Programs the fact that JOHNNY WILLIAM CABE was concerned that he and SHELTON JOEL SHIRLEY could be sued for fraud in connection with their role as organizers and directors of High Yield Trading Programs;

d. Recruit "stewards" whose job it was to secure and forward to JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY money from persons desiring to participate in the High Yield Trading Program by offering the stewards a percentage of the proceeds of the Trading programs;

e. Pay money to prior participants in the High Yield Trading Program scheme with the expectation that the appearance of success in the programs would cause vast amounts of money to come in, thereby relieving financial pressures caused by demands of prior participants for the return of their funds;

f. Convert funds provided by persons desiring to participate in the purported High Yield Trading Programs to their own use and benefit;

g. During the course of the scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises, CABE and SHIRLEY obtained over $7,000,000;

17. On or about July 13, 1998, in the District of South Carolina, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause Linda Crider to wire transfer $14,445.00 from Orrstown Bank in Orrstown, Pennsylvania, to the account of Johnny William Cabe, d/b/a His Way Financial/JRS Ministries, at First Union National Bank in Rock Hill, South Carolina;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 2

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 16 of Count 1 of this Superseding Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about July 13, 1998, in the District of South Carolina, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause Eddie Howard to wire transfer $257,500 from Knoxville, Tennessee, to the account of Johnny William Cabe, d/b/a His Way Financial/JRS Ministries, at First Union National Bank in Rock Hill, South Carolina;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 3

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 16 of Count 1 of this Superseding Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about July 15, 1998, in the District of South Carolina, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause F. S. Bryant to wire transfer $51,525 from Winston Salem, North Carolina, to the account of Johnny William Cabe, d/b/a His Way Financial/JRS Ministries, at First Union National Bank in Rock Hill, South Carolina;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 4

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 16 of Count 1 of this Superseding Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about July 15, 1998, in the District of South Carolina, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause Fred Fortenberry to wire transfer $10,300 from Brentwood, Tennessee, to the account of Johnny William Cabe, d/b/a His Way Financial/JRS Ministries, at First Union National Bank in Rock Hill, South Carolina;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 5

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 16 of Count 1 of this Superseding Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about July 15, 1998, in the District of South Carolina, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause William Gearhart to wire transfer $25,775 from St. Joseph, Michigan, to the account of Johnny William Cabe, d/b/a His Way Financial/JRS Ministries, at First Union National Bank in Rock Hill, South Carolina;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 6

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 16 of Count 1 of this Superseding Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about July 20, 1998, in the District of South Carolina, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause Andrea Calhoun to wire transfer $27,835 from Gastonia, North Carolina, to the account of Johnny William Cabe, d/b/a His Way Financial/JRS Ministries, at First Union National Bank in Rock Hill, South Carolina;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 7

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 16 of Count 1 of this Superseding Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about July 23, 1998, in the District of South Carolina, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause Ralph Nurmberger to wire transfer $30,925 from Washington, D.C., to the account of Johnny William Cabe, d/b/a His Way Financial/JRS Ministries, at First Union National Bank in Rock Hill, South Carolina;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 8

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 16 of Count 1 of this Superseding Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about July 27, 1998, in the District of South Carolina, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause Jerry Hibbert, Jr., to wire transfer $103,000 from Rocky Mount, North Carolina, to the account of Johnny William Cabe, d/b/a His Way Financial/JRS Ministries, at First Union National Bank in Rock Hill, South Carolina;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNT 9

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 16 of Count 1 of this Superseding Indictment are realleged and incorporated herein as setting forth a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises;

2. On or about October 20, 1998, in the District of South Carolina, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY, for the purpose of executing the aforesaid scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises knowingly did cause Wade Easom to wire transfer $80,000 from Gastonia, North Carolina, to an account at Carolina First Bank in Greenville, South Carolina;

All in violation of Title 18, United States Code, Section 1343 and Section 2.

MAXIMUM SENTENCE EACH COUNT
FINE OF $500,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 20 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNTS 10 AND 11

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 16 of Count One of this Superseding Indictment are incorporated herein as setting forth a specified unlawful activity;

2. On or about the dates set forth below, in the District of South Carolina, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY knowingly and willfully did conduct and attempt to conduct financial transactions affecting interstate and foreign commerce which involved the proceeds of a specified unlawful activity, that is wire fraud, with the intent to promote the carrying on of the specified unlawful activity, and that while conducting and attempting to conduct such financial transactions JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY knew that the property involved in the financial transaction represented the proceeds of some form of unlawful activity in that on or about the dates specified they did pay and cause to be paid money to persons who had previously provided funds to CABE and SHIRLEY for investment in High Yield Investment Programs with the expectation that this payment would cause others to provide further funds to CABE and SHIRLEY:

COUNT	DATE	AMOUNT	PAID TO
10	July 16, 1998	$ 39,248.00	Nurmberger & Assoc.
11	July 31, 1998	$144,500.00	John A. Hagins

All in violation of Title 18, United States Code, Section 1956(a)(1)(A)(i) and 2.

MAXIMUM SENTENCE EACH COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 10 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)

COUNTS 12 THROUGH 25

THE GRAND JURY FURTHER CHARGES:

1. The allegations of paragraphs 1 through 16 of Count One of this Superseding Indictment are incorporated herein as setting forth a specified unlawful activity;

2. On or about the dates set forth below, in the District of South Carolina, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY knowingly did engage and attempt to engage in monetary transactions by through and to financial institutions, affecting interstate and foreign commerce, in criminally derived property of a value greater than $10,000, such property having been derived from the specified unlawful activity:

COUNT	DATE	AMOUNT	NATURE OF TRANSACTION
12	July 2, 1998	$11,000.00	Payment to Gabella Jones
13	July 2, 1998	$82,558.00	Payment to Robin and Tim Orth
14	July 21, 1998	$50,000.00	Transfer to Riverside Baptist Church

COUNT	DATE	AMOUNT	NATURE OF TRANSACTION
15	July 22, 1998	$189,753.00	Payment to Ron Hogue and Fred Graft
16	July 22, 1998	$50,000.00	Payment to Cynthia L. and Jerry L. Hibbert
17	July 16, 1998	$39,248.00	Payment to Nurmberger & Assoc.
18	July 30, 1998	$100,000.00	Check to JOEL SHIRLEY
19	July 31, 1998	$28,600.00	Payment to Europa Planning
20	July 31, 1998	$22,750.00	Payment to Sal Medina
21	July 31, 1998	$144,500.00	Payment to John A. Hagins
22	July 31, 1998	$100,000.00	Purchase of Official Check payable to JOHNNY W. CABE
23	August 4, 1998	$100,000.00	Transfer to Riverside Baptist Church
24	November 6, 1998	$100,000.00	Transfer to AIM
25	December 15, 1998	$50,000.00	Transfer to AIM

All in violation of Title 18, United States Codes, Sections 1957 and 2.

**MAXIMUM SENTENCE THIS COUNT
FINE OF $250,000.00 (18 USC § 3571)
AND/OR IMPRISONMENT FOR 5 YEARS
AND A TERM OF SUPERVISED RELEASE
OF 3 YEARS (18 USC § 3583)
SPECIAL ASSESSMENT $100.00
(18 USC § 3013)**

COUNT 26

THE GRAND JURY FURTHER CHARGES:

1. Beginning on or about August 8, 1998, and continuing to the date of this Superseding Indictment, in the District of South Carolina and elsewhere, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY knowingly and intentionally did combine, conspire, confederate, and agree with other persons known and unknown to the grand jury corruptly to persuade other persons, and to attempt to do so, with intent to hinder, delay, and prevent the communication to law enforcement officers of the United States of information relating to the commission and possible commission of a federal offense, in violation of Title 18, United States Code, Section 1512(b)(3);

2. In furtherance of the conspiracy, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY did commit the following overt acts:

a. On or about February 4, 1999, JOHNNY WILLIAM CABE did place a message on a telephone update line intended for use by persons who

had invested money with CABE and SHIRLEY advising callers to dial an international telephone number 011-44-171-589-7889 (the "Update Number") to receive information;

b. On or about February 4, 1999, SHELTON JOEL SHIRLEY did place a message on a telephone update line intended for use by persons who had invested money with CABE and SHIRLEY advising callers to dial an international telephone number 011-44-171-589-7889 (the "Update Number") to receive information;

c. Between on or about August 8, 1998, and on or about February 4, 1999, JOHNNY WILLIAM CABE did aid, abet, counsel, and assist Winston Allen to record on the Update Number a message which read, in part, as follows:

> Lastly we would like to remind each of you that you have entered into a binding contract of nondisclosure and confidentiality. Every contributor member is reminded not to discuss with anyone any information about the mission program. This specifically includes any government officials or other non-members as outlined in the contract. Any disclosures could result in losing your membership as well as any blessings or benefits you are involved in with the ministry.

All in violation of Title 18, United States Code, Section 371.

FORFEITURE ALLEGATIONS

1. The allegations of Counts 1 through 25 are hereby alleged and incorporated herein by reference for the purpose of alleging forfeitures to the United States of America pursuant to the provisions of Title 18, United States Code, Section 982.

2. Wire Fraud

a. As a result of the foregoing violations of Title 18, United States Code, Section 1343 (Wire Fraud), as charged in Counts 1 through 9 of this Superseding Indictment, upon conviction, the Defendants, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY, shall forfeit to the United States any property, real or personal, which constitutes or is derived from any proceeds the Defendants obtained, directly or indirectly, as the result of such violations, and any property traceable to such property;

b. The property which is subject to forfeiture upon conviction of the Defendants for the violations charged in Counts 1 through 9 of this Superseding Indictment includes, but is not limited to, the following property or proceeds thereof:

(1) Cash:
A minimum of approximately $7 million in United States currency, and all interest and proceeds traceable thereto, in that such sum in the aggregate constitutes proceeds the Defendants

obtained, directly or indirectly, as the result of violations of Title 18, United States Code, Section 1343;

(2) Bank Accounts:
Funds and securities received on behalf of or credited to any and all bank and investment accounts maintained at financial institutions on behalf of or in which the Defendants have an interest, including, but not limited to the following:

(a) Account Number 4009095893 at First Union Bank, South Carolina in the name of Johnny William Cabe, d/b/a His Way Financial/JRS Ministries,

(b) Account Number 4009358771 at First Union Bank, South Carolina in the name of His Way Foundation;

(c) Account Number 2010000023538 at First Union Bank, South Carolina in the name of Freda M. Cabe d/b/a JRS/Institute for Family Wellness.

3. Money Laundering

a. As a result of the foregoing violations of Title 18, United States Code, Sections 1956 and 1957 (Money Laundering) as charged in Counts 10 through 25 of this Superseding Indictment, upon conviction, the Defendants, JOHNNY WILLIAM CABE and SHELTON JOEL SHIRLEY, shall forfeit to the United States any property, real or personal, which was involved in such offenses, and any property traceable to such property;

b. The property which is subject to forfeiture upon conviction of the Defendants for the violations charged in Counts 10 through 25 of this

Superseding Indictment includes, but is not limited to, the following property or proceeds thereof:

(1) Cash:
A minimum of approximately $7 million in United States currency, and all interest and proceeds traceable thereto, in that such sum in the aggregate constitutes property involved in violations of Title 18, United States Code, Sections 1956 and 1957, or is traceable thereto;

4. SUBSTITUTE ASSETS:

a. If any of the property described above as being subject to forfeiture to the United States, as a result of any act or omission of the Defendants--

(1) Cannot be located upon the exercise of due diligence;

(2) Has been transferred or sold to, or deposited with a third party;

(3) Has been placed beyond the jurisdiction of the Court;

(4) Has been substantially diminished in value; or

(5) Has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Sections 982(a)(1), 982(a)(2), and 982(b)(1), [incorporating Title 21, United States Code, Section 853(p)] to seek forfeiture of any other property of the said Defendants up to the value of the above forfeitable property.

All in violation of Title 18, United States Code, Section 982.

A True BILL

s/ T. Leon Porter
FOREMAN

s/ J. René Josey
J. RENÉ JOSEY (DAE)
UNITED STATES ATTORNEY