

**EXHIBIT "A"**

Lord, Bissell & Brook LLP  
300 S. Grand Avenue, Suite 800  
Los Angeles, CA 90071

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McGregor W. Scott  
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LORD BISSELL & BROOK LLP  
300 S. Grand Avenue, Suite 800  
Los Angeles CA 90071  
Phone: (213) 485-1500  
Fax: (213) 485-1200

Counsel to Malcolm Butterfield, Brian Glasgow,  
and Simon Whicker, in their capacity as Foreign  
Representatives of the St. Vincent and the Grenadines  
Foreign Proceeding Respecting Tri-Continental  
Exchange Ltd., Alternative Market Exchange, Ltd.  
and Combined Services, Ltd.

**UNITED STATES BANKRUPTCY COURT**  
**EASTERN DISTRICT OF CALIFORNIA**  
**SACRAMENTO DIVISION**

In re

Petition of Malcolm Butterfield, Brian Glasgow  
and Simon Whicker as Foreign Representatives  
of the St. Vincent and the Grenadines Foreign  
Proceeding Respecting the St. Vincent and the  
Grenadines International Business Company  
known as Tri-Continental Exchange Ltd.,

Debtor in a Foreign Proceeding

Chapter 15

Case No. 2006-22652-c-15

**STIPULATION BETWEEN  
THE UNITED STATES OF  
AMERICA AND THE  
DEBTORS**

In re

Petition of Malcolm Butterfield, Brian Glasgow  
and Simon Whicker as Foreign Representatives  
of the St. Vincent and the Grenadines Foreign  
Proceeding Respecting the St. Vincent and the

Chapter 15

Case No. 2006-22655-b-15



Lord, Bissell & Brook LLP  
111 South Wacker Drive  
Chicago, IL 60606-4410

1 Grenadines International Business Company  
2 known as Combined Services Ltd.,

3 Debtor in a Foreign Proceeding  
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5

**STIPULATION BETWEEN  
THE UNITED STATES OF  
AMERICA AND THE  
DEBTORS**

6  
7 In re

8 Petition of Malcolm Butterfield, Brian Glasgow  
9 and Simon Whicker as Foreign Representatives  
10 of the St. Vincent and the Grenadines Foreign  
11 Proceeding Respecting the St. Vincent and the  
12 Grenadines International Business Company  
13 known as Alternative Marketing Exchange Ltd.,

14 Debtor in a Foreign Proceeding  
15

Chapter 15

Case No. 2006-22657-a-15

**STIPULATION BETWEEN  
THE UNITED STATES OF  
AMERICA AND THE  
DEBTORS**

16 Plaintiff, United States of America (the "Government"), and Malcolm Butterfield, Brian

17 Glasgow and Simon Whicker, in their capacity as the duly authorized foreign representative (the

18 "Foreign Representative" or the "Joint Liquidators") of Tri-Continental Exchange Ltd. (TCE"),

19 Combined Services Ltd. ("CSL") and Alternative Market Exchange Ltd. ("AME," and together with

20 TCE and CSL, the "Debtors") hereby agree and stipulate as follows:  
21

- 22
- 23 1. Foreign insolvency proceedings for each of the Debtors were commenced and are pending  
24 in St. Vincent and the Grenadines before the Eastern Caribbean Supreme Court (collectively, the  
25 "SVG Proceeding"). The three-person Foreign Representative is duly appointed in the SVG  
26 Proceeding to serve as the Joint Liquidators of the Debtors. Copies of each of the orders of the  
27 Eastern Caribbean Supreme Court appointing the Foreign Representative as the Joint Liquidators of  
28 the Debtors are attached as Exhibits A, B and C hereto, respectively.

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1 2. Pursuant to Chapter 15 of the United States Bankruptcy Code, 11 U.S.C. 1501 *et seq.*  
2 (“Chapter 15”), contemporaneously herewith the Joint Liquidators have filed petitions (hereafter  
3 collectively, the “Petition”) to be recognized by this Court as the Foreign Representative of the  
4 Debtors.

5  
6 3. Section 1501 of Title 11 provides in pertinent part as follows:

7  
8 (a). The purpose of this chapter is to incorporate the Model Law on Cross-  
9 Border Insolvency so as to provide effective mechanisms for dealing  
with cases of cross-border insolvency with the objectives of -

10 (1) cooperation between -

- 11  
12 (A) courts of the United States, United States trustees,  
trustees, examiners, debtors and debtors in possession;  
13 and  
14 (B) the courts and other competent authorities of foreign  
countries involved in cross-border insolvency cases;

15 \*\*\*\*

16 (3) fair and efficient administration of cross-border insolvencies  
17 that protects the interests of all creditors, and other entities,  
including the debtors;

18 (4) protection and maximization of the value of the debtor's  
19 assets....

20 11 U.S.C. §1501(a). The foregoing objectives of Chapter 15 proceedings will be well-served by the  
21 transfer of certain funds in the approximate amount of \$1.6 million from an *in rem* civil forfeiture  
22 proceeding pending before the United States District Court for the Eastern District Court of  
23 California, Civ. S-05-0149, United States of America v. \$1,200,000 in U.S. Currency Seized from  
24 First California Bank Acct. No. 2005638, et al., commenced on or about January 24, 2005 (the  
25 “Forfeiture Action”). A copy of the Verified Complaint for Forfeiture In Rem is attached as Exhibit  
26 D to each of the Debtors' Verified Petitions filed in the above-captioned cases. As set forth more  
27 fully in the Petition, the approximately \$1.6 million in funds (the “Funds”) subject to the Forfeiture  
28 Action are funds of the Debtors obtained through the sham insurance scheme, and then transferred

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1 from the Debtors in a money laundering operation by Robert L. Brown a/k/a Matthew Schacter  
 2 through various accounts. In addition, attached as Exhibit D hereto is a copy of the Criminal  
 3 Complaint against Mr. Brown, together with the Affidavit of John Sommercamp, Jr., Special Agent  
 4 of the Federal Bureau of Investigation, United States Department of Justice, dated August 10, 2004,  
 5 outlining in considerable detail the money laundering of the Funds. The Government and the  
 6 Foreign Representative submit that this evidence compels the conclusion that all of the Funds named  
 7 as the defendants in the Forfeiture Action belong to the Debtors and therefore may be appropriately  
 8 administered in the Debtors' Chapter 15 cases under the supervision of the Bankruptcy Court,  
 9 provided that the District court relinquishes its jurisdiction over the Funds and dismisses the pending  
 10 Forfeiture Action.  
 11

12  
 13 4. The Court of Appeals for the Ninth Circuit has recently held that, where there are  
 14 competing claims (including constructive trust claims) to funds held in a federal forfeiture  
 15 proceeding, any genuine equitable rights of ownership may be impressed upon the forfeited funds  
 16 and the Court administering the funds should take "steps to assure that no claimant obtains more  
 17 than his or her fair share." United States v. \$4,224,958.57, 392 F.3d 1002, 1005 (9th Cir. 2004)  
 18 ("Boylan").<sup>1</sup> This Court, as the tribunal presiding over the Debtors' Chapter 15 cases is, under the  
 19 particular circumstances of this case, particularly well-positioned to apply the bankruptcy laws of the  
 20 United States and of SVG, as appropriate, to determine any disputes regarding ownership of and  
 21 interests in the Funds. As set forth in the Verified Complaint (Exh. D) (verified by Jason Lamb,  
 22 Special Agent, Internal Revenue Service, Criminal Investigation Division) all of the Funds belong to  
 23 TCE or the other Debtors. Accordingly, to achieve the objectives of this Stipulation, and in  
 24  
 25

26 <sup>1</sup> The Government does not concede that Boylan applies. In another case involving a large number of victims this Court  
 27 (Garcia, J.) distinguished Boylan on prudential standing grounds. See United States v. Alyn Richard Waage, 2:03-CR-  
 005 EJM (Final Order of Forfeiture - Latvian Assets failed August 12, 2005). Whether Boylan applies, and who qualifies  
 28 as a Boylan victim, are matters that the parties need not address if the Court approves this Stipulation.

The Government submits that the Debtors' Chapter 15 cases provide the appropriate alternative to a Boylan-  
 type proceeding. Cf. United States v. Frykholm, 362 F.3d 413, 417 (7th Cir. 2004) (Easterbrook, J.) (suggesting that an  
 involuntary bankruptcy proceeding may provide a superior way to marshal forfeitable assets in a case involving  
 numerous creditors).

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1 accordance with Boylan and Frykholm, the Government will ask the District Court to relinquish its  
2 *in rem* jurisdiction over the Funds and to dismiss the Forfeiture Action.

3         5. The Government and the Foreign Representative submit that the Funds are property that  
4 the Foreign Representative "may use, sell, or lease under Section 363 of [the Bankruptcy Code...]"  
5 and that the Government therefore "shall deliver" the Funds to the Foreign Representative pursuant  
6 to §542(a) of the Bankruptcy Code upon the District Court's entry of an order relinquishing its *in*  
7 *rem* jurisdiction over the Funds and dismissing the Forfeiture Action. Moreover, the Government  
8 and the Foreign Representative hereby agree that, upon this Court's approval of the Stipulation, and  
9 the District Court's entry of the order described above, the Government shall, pursuant to §542(a) of  
10 the Bankruptcy Code, deliver to the Foreign Representative each of the three sets of Funds that are  
11 subject to the Forfeiture Action. The Funds shall be transmitted to an account established by the  
12 Foreign Representative at a national banking association at its offices within the State of California.  
13 Upon this Court's entry of an Order approving this Stipulation, the Foreign Representative shall  
14 have legal title to and take custody of the Funds, and shall hold and invest the Funds as provided in  
15 §345 of the Bankruptcy Court and administer them in a manner consistent with the orders of the  
16 Bankruptcy Court and with the Foreign Representative's duties and powers as the Joint Liquidators  
17 in the SVG Proceeding.  
18

19  
20         6. This Stipulation and the Order approving it are not intended to adjudicate or decide the  
21 claims of any person asserting an ownership interest, a constructive trust or any other interest in any  
22 of the Funds. The Government and the Foreign Representative request that this Court direct that  
23 nothing in this Stipulation shall be construed to prevent any person or legal entity from asserting  
24 such claims to the Funds, and that any such claims to the funds if not adjudicated by the District  
25 Court in the Forfeiture Action prior to its anticipated dismissal, will be determined in the Chapter 15  
26 cases or, if appropriate, in related cases (if any) or other proceedings before this Court.  
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**SO ORDERED:**

\_\_\_\_\_, 2006

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**United States Bankruptcy Judge**

Lord, Bissell & Brook LLP  
111 South Wacker Drive  
Chicago, IL 60606-4410

Case 2:05-cv-00149-JAM-DAD

**EXHIBIT A**  
**TRI-CONTINENTAL EXCHANGE LTD. WINDING UP ORDER**

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Lord, Bissell & Brock LLP  
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Chicago, IL 60606-4410

The Eastern Caribbean Supreme Court  
In the High Court of Justice  
Saint Vincent and the Grenadines  
Claim No. 543 of 2004

**IN THE MATTER OF TRI-CONTINENTAL EXCHANGE LTD.  
AND  
IN THE MATTER OF THE COMPANIES ACT, No. 8 of 1994  
AND  
IN THE MATTER OF THE INTERNATIONAL BUSINESS COMPANIES ACT, No. 18  
of 1996  
AND  
IN THE MATTER OF THE INTERNATIONAL INSURANCE ACT, No. 13 of 1998**

**ORDER**

DATED THE 14<sup>th</sup> DAY OF June 2005  
ENTERED THE 21<sup>st</sup> DAY OF June 2005

Mr. J. Martin for the Petitioner

The Company Tri-Continental Exchange Ltd., Unrepresented.

Before the Honourable Madam Justice Gertel Thom in open court on the 14<sup>th</sup> day of June, 2005.

**UPON HEARING** Counsel for the Petitioner

**AND UPON READING** the Petition and Affidavits filed herein

**IT IS HEREBY ORDERED THAT:**

1. That Tri-Continental Exchange Ltd. ("the Company") be wound up and that Malcolm Butterfield, Simon Whicker and Brian Glasgow be and is hereby appointed joint liquidators ("the Liquidators") of the company with all the powers and duties of a Liquidator as contained in the *Companies Act* of 1994, No. 8 ("the Act") of the Laws of

Saint Vincent and the Grenadines or any other legislation related thereto and with further duties and responsibilities as conferred by this Order.

2. The Liquidators shall take possession of, gather in and realise all the present and future assets and property of the Company, including without limitation, any real and personal property, cash, choses in action, negotiable instruments, security granted or assigned to the Company by third parties including property held in trust or for the benefit of the Company, and rights, tangible or intangible, wheresoever situate and to take such steps as are necessary or appropriate to verify the existence and location of all the assets of the Company, or any assets formerly held whether directly or indirectly or to the order of or for the benefit of the Company or any present or former subsidiary or company associated with the Company, including the terms of all agreements or other arrangements relating thereto, whether written or oral, the existence or assertion of any lien, charge, encumbrance or security interest thereon, and any other matters which in the opinion of the Liquidators may affect the extent, value, existence, preservation, and liquidation of the assets and property of the Company.
3. The Liquidators shall open and maintain in its name a bank account ("the Account"), at the National Commercial Bank, SVG, a bank operating within the jurisdiction of this Honourable Court and deposit therein the funds so gathered and realised. Notwithstanding the foregoing the Liquidators may open temporary bank accounts in foreign jurisdictions and receive the proceeds from the sale or realisation of the Company's assets and property in those jurisdictions, into those accounts provided such funds shall be returned to the jurisdiction of this Court and placed in the Account.
4. The funds in the Account and any other of the Company's assets and property are to be held for the benefit of the Claimants, creditors and investors of the Company as their interests appear in accordance with the laws of Saint Vincent and the Grenadines, subject to the payment of the fees, expenses and costs of the liquidation which shall be paid in the following order in priority to claims of Claimants, creditors and investors:



- 1 -

- (a) The fees and expenses of the Liquidators, including fees and expenses of legal counsel, and agents, accountants, investigators or other experts engaged by the Liquidators to assist it in the conduct of its duties and responsibilities;
  - (b) The costs of the liquidation, including but not limited to the costs of retaining staff and officers to assist in the liquidation including without limitation benefits and expenses, rent, power, telephone, charges associated with computer systems, bank charges and interest and any other costs that in the opinion of the Liquidators are required to facilitate the liquidation process;
  - (c) Borrowings, if any, of the Liquidators;
  - (d) The balance to be paid on account of the claims of creditors and claimants of the Company as at the date of this Order and in accordance with their priority under the laws of Saint Vincent and the Grenadines, or as may be ordered by this Honourable Court with the remaining balance, if any, to be distributed as the court deems fit to order.
5. The Liquidators shall have a first priority security interest in the assets and property of the company in priority to all persons as security for their fees, expenses and costs.
6. The Liquidators shall be at liberty and without further order to examine under oath any person reasonably thought to have knowledge of the affairs of the Company or any person who is or has been a director, officer, employee, agent, shareholder or accountant of the Company, or such other person they believe to be knowledgeable of the affairs of the Company and to order such person liable to be examined to produce any books, documents, correspondence or papers in his possession or power relating to all or in part to the Company, its dealings, property and assets and the Liquidators are authorised to issue Writs of Subpoenas ad testificandum and duces tecum for the compulsory attendance of any such person required for such examination.
7. The Company and any person holding or reasonably believed to have in their possession or power any assets or property of the Company including without limitation, computer

records, programs, disks, documents, books of account, corporate records, minutes, opinions rendered to the Company, documents of title, electronic or otherwise (collectively called "Papers") relating in whole or in part to the Company or such persons, dealings, or property showing that he is indebted to the Company may be required by the Liquidators to produce or deliver over such property forthwith to the Liquidators notwithstanding any claim or lien that such person may have or claim on such assets and property and the Liquidators shall have full and complete possession and control of such assets and property of the Company including its premises. In the event of a bona fide dispute as to ownership and legal entitlement to such property and Papers, the Liquidators shall take away facsimile copies of such Papers.

8. The Liquidators are authorised in their own names or on behalf of the Company as liquidators to join in and execute, assign, issue and endorse such transfers conveyances, contracts, leases, deeds, bills of sale, cheques, bills of lading or exchange or other documents of whatever nature in respect of any assets and property of the Company as may be required to carry out its duties including the realisation and liquidation of the assets of the Company or for any purpose pursuant to this Order.
9. The Liquidators are empowered and hereby authorised to borrow such money from time to time as it may consider necessary or desirable including any monies borrowed or to be borrowed for expenses incurred by the Liquidators while operating by virtue of its appointment hereunder, save that such borrowings shall not to exceed RCSI million at any time, and, subject to paragraph 5 hereof pledge by way of a first charge in priority to all other claims or charges, the assets of the Company as security for such borrowings.
10. The remuneration of the Liquidators and its expenses at cost, may be drawn on account of the total on a monthly basis from the assets from the Company including cash and deposits on hand, on the basis of the time expended by the Liquidators and its staff at their usual rates for such work subject to such amounts being taxed from time to time as the Court may direct and in any event the account of the Liquidators shall be taxed prior to its discharge.

11. The Liquidators may engage agents, appraisers, auctioneers, brokers, or any other experts as may be required to assist it with the liquidation process and in determining claims in the liquidation.
12. The Liquidators may retain independent legal advice and engage legal Counsel both inside and outside St. Vincent and the Grenadines and elsewhere to assist them as Liquidators for the purpose of their duties hereunder.
13. The Liquidators shall have the authority as an officers off this Honourable Court to act in St. Vincent and the Grenadines or any foreign jurisdiction where it believes assets and property of the Company may be situate and shall have the right to bring any proceeding or action in Saint Vincent and the Grenadines or in any foreign jurisdiction for the purpose of fulfilling their duties and obligations under this Order and the Act and to seek the assistance of any court of a foreign jurisdiction in the carrying out of the provisions of this Order or any subsequent order in this proceeding, including without limitation, an order of examination of persons believed to be knowledgeable of the affairs, assets and property of the Company and to assist the Liquidators in the recovery of the assets and property of the Company.
14. The Liquidators shall provide a report to this Honourable Court within 3 calendar months of their appointment with respect to the liquidation and its preliminary determination of the assets to be realised, the likely recoveries and the extent to which the claims of creditors, claimants, and investors in the Company may be met. The Liquidators shall further report to the Court as it or the Court determines is appropriate, but shall in any event report no less frequently than six months from the date of its last report.
15. The Liquidators, their officers, employees, legal Counsel, agents, and such other persons retained by it in the performance of its duties hereunder shall be granted indemnity from the assets of the Company for its fees, expenses and actions taken, including indemnity for any litigation or other claims, actions or demands whatsoever in respect of any debts, costs, claims, liabilities, acts, matters, or things done or due to be done or omitted by the Liquidators, its officers, employees, legal Counsel, agents and such other persons

- 6 -

retained by it except where there is a finding by the Court of gross negligence in the performance of their respective duties.

16. All actions, proceedings and any claims whatsoever and wheresoever initiated against the Company, its assets and property, are hereby stayed and no person, which shall include a body corporate, shall bring or continue with a claim or proceeding against the Liquidators or the Company without leave of this Honourable Court.
17. All persons, firms and corporations are hereby restrained from terminating or interfering with utilities or services, including without limitation the furnishing of electricity, water, telephone or any other utilities of like kind furnished up to the date of this Order to the Company and such parties are hereby restrained and enjoined from cutting off, disconnecting or altering any such utilities or services to the Liquidator except with the leave of this Honourable Court with not less than 14 days clear notice to the Liquidator, and then only on such terms as this Honourable Court may order.
18. The Liquidators in the carrying out of their duties and responsibilities may apply for direction and guidance from this Honourable Court from time to time including any application as may be required for the amendment of this Order.
19. The Liquidators, in their names or in the name of the Company, shall be at liberty to apply for any permits licences, approvals or permissions as may be required by or deemed necessary pursuant to any laws, governmental or regulatory authority, in the pursuit and performance of their duties hereunder.
20. The Liquidators are not subject to posting security in respect of his appointment made herein.

21. The Liquidators act solely in their capacity as Liquidators and without personal liability.

BY THE COURT  
REGISTRARS OFFICE  
*[Signature]*  
REGISTRAR

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The Eastern Caribbean Supreme Court

In the High Court of Justice

Saint Vincent and the Grenadines

Claim No. 543 of 2004

**IN THE MATTER OF TRI-CONTINENTAL EXCHANGE LTD.**

**AND**

**IN THE MATTER OF THE COMPANIES ACT, No. 8 of 1994**

**AND**

**IN THE MATTER OF THE INTERNATIONAL BUSINESS COMPANIES ACT, No. 18**

**of 1996**

**AND**

**IN THE MATTER OF THE INTERNATIONAL INSURANCE ACT, No. 13 of 1998**

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**ORDER**

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**MARKS, MARTIN AND ASSOCIATES**

**Chambers**

**Melville Street**

**Kingstown**

**Saint Vincent and the Grenadines**

**EXHIBIT B**  
**COMBINED SERVICES LTD. WINDING-UP ORDER**

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The Eastern Caribbean Supreme Court  
In the High Court of Justice  
Saint Vincent and the Grenadines  
Claim No. 542 of 2004



**IN THE MATTER OF COMBINED SERVICES LTD  
AND  
IN THE MATTER OF THE COMPANIES ACT, No. 8 of 1994  
AND  
IN THE MATTER OF THE INTERNATIONAL BUSINESS COMPANIES ACT, No. 18  
of 1996  
AND  
IN THE MATTER OF THE INTERNATIONAL INSURANCE ACT, No. 13 of 1998**

ORDER

DATED THE 14<sup>th</sup> DAY OF June 2005  
ENTERED THE 21<sup>st</sup> DAY OF June 2005

Mr. J. Martin for the Petitioner

The Company Combined Services Ltd., Unrepresented.

Before the Honourable Madam Justice Gertel Thom in open court on the 14<sup>th</sup> day of June, 2005.

UPON HEARING Counsel for the Petitioner

AND UPON READING the Petition and Affidavits filed herein

IT IS HEREBY ORDERED THAT:

1. That Combined Services Ltd. ("the Company") be wound up and that Malcolm Butterfield, Simon Whicker and Brian Glasgow be and is hereby appointed joint liquidators ("the Liquidators") of the company with all the powers and duties of a Liquidator as contained in the *Companies Act* of 1994, No. 8 ("the Act") of the Laws of

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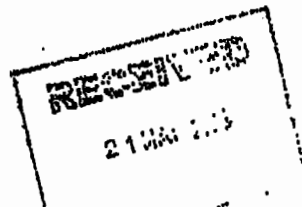
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Saint Vincent and the Grenadines or any other legislation related thereto and with further duties and responsibilities as conferred by this Order.

2. The Liquidators shall take possession of, gather in and realise all the present and future assets and property of the Company, including without limitation, any real and personal property, cash, choses in action, negotiable instruments, security granted or assigned to the Company by third parties including property held in trust or for the benefit of the Company, and rights, tangible or intangible, wheresoever situate and to take such steps as are necessary or appropriate to verify the existence and location of all the assets of the Company, or any assets formerly held whether directly or indirectly or to the order of or for the benefit of the Company or any present or former subsidiary or company associated with the Company, including the terms of all agreements or other arrangements relating thereto, whether written or oral, the existence or assertion of any lien, charge, encumbrance or security interest thereon, and any other matters which in the opinion of the Liquidators may affect the extent, value, existence, preservation, and liquidation of the assets and property of the Company.
3. The Liquidators shall open and maintain in its name a bank account ("the Account"), at the National Commercial Bank, SVG, a bank operating within the jurisdiction of this Honourable Court and deposit therein the funds so gathered and realised. Notwithstanding the foregoing the Liquidators may open temporary bank accounts in foreign jurisdictions and receive the proceeds from the sale or realisation of the Company's assets and property in those jurisdictions, into those accounts provided such funds shall be returned to the jurisdiction of this Court and placed in the Account.
4. The funds in the Account and any other of the Company's assets and property are to be held for the benefit of the Claimants, creditors and investors of the Company as their interests appear in accordance with the laws of Saint Vincent and the Grenadines, subject to the payment of the fees, expenses and costs of the liquidation which shall be paid in the following order in priority to claims of Claimants, creditors and investors:



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11. The Liquidators may engage agents, appraisors, auctioneers, brokers, or any other experts as may be required to assist it with the liquidation process and in determining claims in the liquidation.
12. The Liquidators may retain independent legal advice and engage legal Counsel both inside and outside St. Vincent and the Grenadines and elsewhere to assist them as Liquidators for the purpose of their duties hereunder.
13. The Liquidators shall have the authority as an officers off this Honourable Court to act in St. Vincent and the Grenadines or any foreign jurisdiction where it believes assets and property of the Company may be situate and shall have the right to bring any proceeding or action in Saint Vincent and the Grenadines or in any foreign jurisdiction for the purpose of fulfilling their duties and obligations under this Order and the Act and to seek the assistance of any court of a foreign jurisdiction in the carrying out of the provisions of this Order or any subsequent order in this proceeding, including without limitation, an order of examination of persons believed to be knowledgeable of the affairs, assets and property of the Company and to assist the Liquidators in the recovery of the assets and property of the Company.
14. The Liquidators shall provide a report to this Honourable Court within 3 calendar months of their appointment with respect to the liquidation and its preliminary determination of the assets to be realised, the likely recoveries and the extent to which the claims of creditors, claimants, and investors in the Company may be met. The Liquidators shall further report to the Court as it or the Court determines is appropriate, but shall in any event report no less frequently than six months from the date of its last report.
15. The Liquidators, their officers, employees, legal Counsel, agents, and such other persons retained by it in the performance of its duties hereunder shall be granted indemnity from the assets of the Company for its fees, expenses and actions taken, including indemnity for any litigation or other claims, actions or demands whatsoever in respect of any debts, costs, claims, liabilities, acts, matters, or things done or due to be done or omitted by the Liquidators, its officers, employees, legal Counsel, agents and such other persons

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21. The Liquidators act solely in their capacity as Liquidators and without personal liability.

BY THE COURT  
REGISTERED OFFICE  
*Robert E. Mc...*  
REGISTER

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- 8 -

The Eastern Caribbean Supreme Court

In the High Court of Justice

Saint Vincent and the Grenadines

Claim No. 542 of 2004

**IN THE MATTER OF COMBINED SERVICES LTD**

**AND**

**IN THE MATTER OF THE COMPANIES ACT, No. 8 of 1994**

**AND**

**IN THE MATTER OF THE INTERNATIONAL BUSINESS COMPANIES ACT, No. 18  
of 1996**

**AND**

**IN THE MATTER OF THE INTERNATIONAL INSURANCE ACT, No. 13 of 1998**

---

**ORDER**

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**MARKS, MARTIN AND ASSOCIATES**

Chambers

Molville Street

Kingstown

Saint Vincent and the Grenadines

**EXHIBIT C**  
**ALTERNATIVE MARKET EXCHANGE LTD. WINDING-UP ORDER**

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Lord, Bissell & Brook LLP  
111 South Wacker Drive  
Chicago, IL 60606-4410

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The Eastern Caribbean Supreme Court  
In the High Court of Justice  
Saint Vincent and the Grenadines  
Claim No. 541 of 2004

**IN THE MATTER OF ALTERNATIVE MARKET EXCHANGE LTD.**

**AND**

**IN THE MATTER OF THE COMPANIES ACT, No. 8 of 1994**

**AND**

**IN THE MATTER OF THE INTERNATIONAL BUSINESS COMPANIES ACT, No. 18  
of 1996**

**AND**

**IN THE MATTER OF THE INTERNATIONAL INSURANCE ACT, No. 13 of 1998**

ORDER

DATED THE 14<sup>th</sup> DAY OF June 2005  
ENTERED THE 20<sup>th</sup> DAY OF June 2005

Mr. J. Martin for the Petitioner

The Company Alternative Market Exchange Ltd.. Unrepresented.

Before the Honourable Madam Justice Gertrud Thom in open court on the 14<sup>th</sup> day of June, 2005.

UPON HEARING Counsel for the Petitioner

AND UPON READING the Petition and Affidavits filed herein

**IT IS HEREBY ORDERED THAT:**

1. That Alternative Market Exchange Ltd. ("the Company") be wound up and that Malcolm Butterfield, Simon Whicker and Brian Glasgow be and is hereby appointed joined liquidators ("the Liquidators") of the company with all the powers and duties of a Liquidator as contained in the *Companies Act* of 1994, No. 8 ("the Act") of the Laws of

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Saint Vincent and the Grenadines or any other legislation related thereto and with further duties and responsibilities as conferred by this Order.

2. The Liquidators shall take possession of, gather in and realize all the present and future assets and property of the Company, including without limitation, any real and personal property, cash, choses in action, negotiable instruments, security granted or assigned to the Company by third parties including property held in trust or for the benefit of the Company, and rights, tangible or intangible, wheresoever situate and to take such steps as are necessary or appropriate to verify the existence and location of all the assets of the Company, or any assets formerly held whether directly or indirectly or to the order of or for the benefit of the Company or any present or former subsidiary or company associated with the Company, including the terms of all agreements or other arrangements relating thereto, whether written or oral, the existence or assertion of any lien, charge, encumbrance or security interest thereon, and any other matters which in the opinion of the Liquidators may affect the extent, value, existence, preservation, and liquidation of the assets and property of the Company.
  
3. The Liquidators shall open and maintain in its name a bank account ("the Account"), at the National Commercial Bank, SVG, a bank operating within the jurisdiction of this Honourable Court and deposit therein the funds so gathered and realised. Notwithstanding the foregoing the Liquidators may open temporary bank accounts in foreign jurisdictions and receive the proceeds from the sale or realisation of the Company's assets and property in those jurisdictions, into those accounts provided such funds shall be returned to the jurisdiction of this Court and placed in the Account.
  
4. The funds in the Account and any other of the Company's assets and property are to be held for the benefit of the Claimants, creditors and investors of the Company as their interests appear in accordance with the laws of Saint Vincent and the Grenadines, subject to the payment of the fees, expenses and costs of the liquidation which shall be paid in the following order in priority to claims of Claimants, creditors and investors:

<p>1. Fees and costs of the liquidation</p> <p>2. Claims of secured creditors</p> <p>3. Claims of unsecured creditors</p> <p>4. Claims of investors</p>
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- (a) The fees and expenses of the Liquidators, including fees and expenses of legal counsel, and agents, accountants, investigators or other experts engaged by the Liquidators to assist it in the conduct of its duties and responsibilities;
  - (b) The costs of the liquidation, including but not limited to the costs of retaining staff and officers to assist in the liquidation including without limitation benefits and expenses, rent, power, telephone, charges associated with computer systems, bank charges and interest and any other costs that in the opinion of the Liquidators are required to facilitate the liquidation process;
  - (c) Borrowings, if any, of the Liquidators;
  - (d) The balance to be paid on account of the claims of creditors and claimants of the Company as at the date of this Order and in accordance with their priority under the laws of Saint Vincent and the Grenadines, or as may be ordered by this Honourable Court with the remaining balance, if any, to be distributed as the court deems fit to order.
5. The Liquidators shall have a first priority security interest in the assets and property of the company in priority to all persons as security for their fees, expenses and costs.
  6. The Liquidators shall be at liberty and without further order to examine under oath any person reasonably thought to have knowledge of the affairs of the Company or any person who is or has been a director, officer, employee, agent, shareholder or accountant of the Company, or such other person they believe to be knowledgeable of the affairs of the Company and to order such person liable to be examined to produce any books, documents, correspondence or papers in his possession or power relating to all or in part to the Company, its dealings, property and assets and the Liquidators are authorised to issue Writs of Subpoenas ad testificandum and duces tecum for the compulsory attendance of any such person required for such examination.
  7. The Company and any person holding or reasonably believed to have in their possession or power any assets or property of the Company including without limitation, computer

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records, programs, disks, documents, books of account, corporate records, minutes, opinions rendered to the Company, documents of title, electronic or otherwise (collectively called "Papers") relating in whole or in part to the Company or such persons, dealings, or property showing that he is indebted to the Company may be required by the Liquidators to produce or deliver over such property forthwith to the Liquidators notwithstanding any claim or lien that such person may have or claim on such assets and property and the Liquidators shall have full and complete possession and control of such assets and property of the Company including its premises. In the event of a bona fide dispute as to ownership and legal entitlement to such property and Papers, the Liquidators shall take away facsimile copies of such Papers.

8. The Liquidators are authorised in their own names or on behalf of the Company as liquidators to join in and execute, assign, issue and endorse such transfers conveyances, contracts, leases, deeds, bills of sale, cheques, bills of lading or exchange or other documents of whatever nature in respect of any assets and property of the Company as may be required to carry out its duties including the realisation and liquidation of the assets of the Company or for any purpose pursuant to this Order.
9. The Liquidators are empowered and hereby authorised to borrow such money from time to time as it may consider necessary or desirable including any monies borrowed or to be borrowed for expenses incurred by the Liquidators while operating by virtue of its appointment hereunder, save that such borrowings shall not to exceed EC\$1 million at any time, and, subject to paragraph 5 hereof pledge by way of a first charge in priority to all other claims or charges, the assets of the Company as security for such borrowings.
10. The remuneration of the Liquidators and its expenses at cost, may be drawn on account of the total on a monthly basis from the assets from the Company including cash and deposits on hand, on the basis of the time expended by the Liquidators and its staff at their usual rates for such work subject to such amounts being taxed from time to time as the Court may direct and in any event the account of the Liquidators shall be taxed prior to its discharge.

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retained by it except where there is a finding by the Court of gross negligence in the performance of their respective duties.

16. All actions, proceedings and any claims whatsoever and wheresoever initiated against the Company, its assets and property, are hereby stayed and no person, which shall include a body corporate, shall bring or continue with a claim or proceeding against the Liquidators or the Company without leave of this Honourable Court.
17. All persons, firms and corporations are hereby restrained from terminating or interfering with utilities or services, including without limitation the furnishing of electricity, water, telephone or any other utilities of like kind furnished up to the date of this Order to the Company and such parties are hereby restrained and enjoined from cutting off, disconnecting or altering any such utilities or services to the Liquidator except with the leave of this Honourable Court with not less than 14 days clear notice to the Liquidator, and then only on such terms as this Honourable Court may order.
18. The Liquidators in the carrying out of their duties and responsibilities may apply for direction and guidance from this Honourable Court from time to time including any application as may be required for the amendment of this Order.
19. The Liquidators, in their names or in the name of the Company, shall be at liberty to apply for any permits licences, approvals or permissions as may be required by or deemed necessary pursuant to any laws, governmental or regulatory authority, in the pursuit and performance of their duties hereunder.
20. The Liquidators are not subject to posting security in respect of his appointment made herein.

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21. The liquidators act solely in their capacity as liquidators and without personal liability.

BY THE COURT  
REGISTRAR  
*Cher E. Meyer*  
REGISTRAR

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**The Eastern Caribbean Supreme Court**

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**AND**

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**of 1996**

**AND**

**IN THE MATTER OF THE INTERNATIONAL INSURANCE ACT, No. 13 of 1998**

---

**ORDER**

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**MARKS, MARTIN AND ASSOCIATES**

**Chambers**

**Melville Street**

**Kingstown**

**Saint Vincent and the Grenadines**

**EXHIBIT D  
BROWN COMPLAINT**

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Lord, Bissell & Brook LLP  
111 South Wacker Drive  
Chicago, IL 60606-4410

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA

ORIGINAL  
FILED

AUG 10 2004

CLERK, U.S. DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA

BY DEPUTY CLERK  
CRIMINAL COMPLAINT

UNITED STATES OF AMERICA

v.

JOHN DOE a/k/a Robert Lewis Brown

CASE NUMBER:

(Name and Address of Defendant)

MAG- 04-202 DAD

I, the undersigned complainant being duly sworn state the following is true and correct to the best of my knowledge and belief. Between in or about January 2000 to on or about July 27, 2004, in the Eastern District of California and elsewhere, defendant(s) did, (Track Statutory Language of Offense)

- See Attachment A alleging violations of mail fraud, conspiracy to commit mail fraud, money laundering, conspiracy to commit money laundering, and making of false statements against defendant against defendant JOHN DOE a/k/a Robert Brown,

in violation of Title 18, United States Code Section(s): 1341 (mail fraud), 371 (conspiracy to commit mail fraud), 1956(a)(2)(A) and (B)(i) (money laundering), 1956(h) (conspiracy to commit money laundering), 18 U.S.C. § 1001 (making of false statements); and section 2 (aiding and abetting). I further state that I am a Special Agent with the Federal Bureau of Investigation (FBI) and that this complaint is based on the following facts:

- See Affidavit in Support of Criminal Complaint

Continued on the attached sheet and made a part hereof.



Signature of Complainant Special Agent John Sommercamp  
Federal Bureau of Investigation

Sworn to before me, and subscribed in my presence

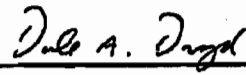
August 10, 2004

at Sacramento, CA

Date

City and State

HON. DALE A. DROZD  
U.S. Magistrate Judge



Name and Title of Judicial Officer

Signature of Judicial Officer

SEALED

**AFFIDAVIT**

1. I, John Sommercamp Jr., Special Agent of the Federal Bureau of Investigation (FBI), United States Department of Justice, having been duly sworn, do depose and state the following:

**A. INTRODUCTION**

2. I have been an FBI Special Agent for six years. For the past three years, I have been assigned to investigate financial fraud cases, including mail fraud, wire fraud, health care fraud, and money laundering matters. I have been involved in more than 200 criminal investigations, and have attended training on criminal techniques, search and seizure, financial crimes, fugitive investigations, and other related matters. Additionally, I have been formally trained in analyzing financial transactions and records. Based on my training and experience, I am familiar with the methods and practices used by individuals and organizations involved in illicit activities that generate large amounts of income, including "Ponzi" schemes. These methods include cash purchases, the purchasing of numerous monetary instruments with cash, the use of aliases, nominees and shell corporations in an attempt to conceal their activities.

3. I make this affidavit in support of the issuance of a criminal complaint and arrest warrant against:

John Doe, aka, Robert Lewis Brown (hereinafter "Brown")

Aliases: Robert Lewis Brown  
Description: White, male, blue eyes, brown hair  
Addresses: Greenhythe-Fairview Plantation  
Middleton Road  
St. George, Barbados

and

Cappanacuss Woods, Templenoe  
Killarney, Co Kerry  
Republic of Ireland

4. From 1994, to the present, Brown has used the following personal identification information:

Date of Birth:	26 August 1946
Place of Birth:	United States
Citizenship:	United States
Passport Number:	035164352
Soc. Sec. No.:	284-40-1401

5. The information set forth in this affidavit is based on my own investigation, and the investigation of others, including, Special Agent Jason Lamb, Internal Revenue Service, Criminal Investigation Division (IRS-CID); Special Agent Christopher Fitzpatrick, IRS-CID; and Senior Investigator Bill Meader, California Department of Insurance. I have also been assisted by other special agents and analysts with the FBI and IRS-CID. I have not included each and every fact known to me concerning this investigation. Further, in many instances, I have summarized witness testimony rather than setting forth a complete account of the statements made by the witness. Finally, I have set forth only the facts that I believe are essential to establish the necessary foundation to support a probable cause finding that Brown is guilty of the crimes described herein, rather than including each and every fact known to me in this case.

6. Based on the information set forth herein, there is probable cause to believe, and I do believe, that from in or about January 2000 to July 2004, Brown, and others, both known and unknown to the government, have committed offenses against the United States, to wit: Mail Fraud, in violation of 18 U.S.C. § 1341; Making of False Statements, in violation of 18 U.S.C. § 1001; Conspiracy to Commit Mail Fraud, in violation of 18 U.S.C. § 371, Money Laundering, in violation of 18 U.S.C. §§ 1956(a)(2) (A) and (B)(i); Conspiracy to Commit Money Laundering, in violation of 18 U.S.C. § 1956(h); and 18 U.S.C. § 2 – Aiding and Abetting.

#### **B. BRIEF SUMMARY**

7. Based on this investigation, I believe that from at least January 2000, through at least July 2004, Brown, and others, including uncharged co-conspirators, engaged in a complex and fraudulent scheme to defraud state insurance commissioners, various insurance companies, and insurance customers in the United States including the Eastern District of California ("EDCA"). As part of the scheme, Brown, and others, sold worthless insurance policies, using companies known as Tri-Continental Exchange, Ltd. ("TCE") and Combines Services Ltd. ("CSL"), each incorporated under the laws of St. Vincent and the Grenadines ("SVG").

8. I have determined that from at least January 2000, through approximately July 2004, as part of the scheme to defraud, Brown, and others, sold, issued, and renewed the bogus insurance policies falsely representing that the "policies" were backed by a pool of legitimate, licensed, and rated insurance companies, including Nationwide Mutual Insurance Co. and Globe

Indemnity Company. Based on my investigation, I know that such "backing" companies are legitimate, licensed, and rated in the United States. However, neither TCE nor CSL had any business relationship with those companies, and were not authorized to issue policies using their name. Defendant Brown, and others, used various means to carry out the fraud, and to give the appearance that the insurance policies were backed as represented. In particular, Brown, and others, used the names of shell companies in SVG and Nevis, controlled by uncharged co-conspirators, which had names deceptively similar to the well-known admitted, licensed and rated companies listed above and herein, to make it appear that the policies had legitimate backing.

9. As part of the scheme to defraud, Brown and others involved in the scheme, used millions of dollars of premiums for personal benefit, including the purchase of real property in Arkansas, Ireland, Barbados, and elsewhere, and to funnel money to numerous offshore bank accounts in the States of Jersey, Ireland, Gibraltar, and elsewhere.

**C. BACKGROUND OF ROBERT BROWN**

10. Through this investigation, I have determined that in or about 1994, Brown falsely assumed the identity of "Robert Lewis Brown." The previous identity used by Brown is unknown.

11. According to State of Ohio records, I have determined that an individual known as "Robert Lewis Brown" was born in Akron, Ohio, on August 26, 1946, and on or about April 20, 1962, was issued social security number 284-40-1401. "Robert Lewis Brown" had criminal convictions, and according to Social Security records "Robert Lewis Brown" died in Las Vegas, Nevada on September 2, 2001.

12. In September 1994, Brown submitted a passport application in Las Vegas, which was issued in Los Angeles, California. On the application, Brown listed his date of birth as August 26, 1946, and his social security number as 284-40-1401. On the passport application, Brown lists his driver's license as State of Nevada Driver's license number 316880280346. I have compared the photograph of "Robert Lewis Brown" with the passport photo submitted by Brown and determined that they are not the same person. Further, the signature of Brown on the application does not match the known signature of "Robert Lewis Brown." On or about September 30, 1994, Brown was issued United States Passport number 035164352. Brown's passport was due to expire on September 29, 2004, but was renewed on or about April 2004, in Barbados.

13. On or about March 17, 2004, Keith Morcroft, a business associate of Brown's, identified the passport photograph as Brown, the person he knows through his business dealings with TCE and CSL.

14. In addition, I have compared Brown's passport photograph submitted by him to the U.S. Department of State with a videotaped deposition, taken in London, England, on or about September 8, 2003. The person depicted in the video appears to be the same person as depicted on the passport photograph. At this deposition, Brown identifies himself under oath as "Robert Brown" and testifies about his relationship with TCE.

15. On or about July 12, 1996, Brown submitted immigration documents to reside in SVG. In those documents, Brown stated that his date of birth was August 26, 1946, and listed his social security number as 284-40-1401, and his passport number as 035164352.

16. Based on information obtained from the Republic of Ireland and Barbados, I know that Brown owns property and resides in these countries at certain times of the year. Specifically, I am informed that in or about 2000, Brown purchased a home in Barbados located at Greenhythe-Fairview Plantation, Middleton Road, St. George, Barbados. I am also aware that, Brown usually resides in Barbados from September until June, after which time he travels to a second home in Ireland located at Capanacuss Woods, Templenoe, Killarney, County Kerry.

17. In addition, according to bank officers in Ireland and the States of Jersey, I know that Brown used his false passport to open numerous foreign-bank accounts. Specifically, Brown opened an account in the States of Jersey at the Royal Bank of Canada, Ltd., and an account in Ireland at Allied Irish Bank, to which he transferred millions of dollars of premium payments.

18. I am also aware that Brown married a person known as "Shirley Darlene Whitaker," aka "Ali" (hereinafter "Whitaker") in Blaine, Washington. On or about July 11, 1996, a certificate of marriage, number 70947, was issued in the State of Washington for Brown and Whitaker. Through this investigation, I have determined that in or about 1995, Whitaker began using the identity of "Shirley Darlene Whitaker."

19. According to records from the Social Security Administration, I have determined that an individual known as "Shirley Darlene Whitaker" was born in Elkin, North Carolina, on September 22, 1953, and in or about August 1971, was issued social security number 240-02-4738.

20. On or about January 5, 1995, Whitaker applied for a United States Passport in Clark County, Nevada, using a birth date of September 22, 1953, and a social security number as 240-02-4738. The signature of Whitaker on the passport application does not appear to match the known signature of "Shirley Darlene Whitaker" as seen on the application for her Social Security Card. On or about January 12, 1995, Whitaker applied for a passport in Las Vegas, which was issued from Los Angeles. She was thereafter issued passport number 035246046. According to records, "Shirley Darlene Whitaker" died on August 26, 1995 in New Mexico.

21. On or about July 12, 1996, Whitaker submitted an immigration application to reside in SVG. In this document, Whitaker listed her date of birth as September 22, 1953 and her

social security number as 240-02-4738. Her passport number was listed as 035246046. Whitaker listed her husband as Robert L. Brown. The person pictured in the photo of Whitaker on the immigration application appears to be the same person as pictured in the photo on Whitaker's passport application.

**D. THE INSURANCE SCHEME TO DEFRAUD**

**(1) Overview of the Fraud**

22. Based on this investigation, I believe that from at least January 2000, through approximately July 2004, TCE and CSL sold and/or renewed purported insurance policies to customers in the United States. Since at least 1996, TCE and CSL have had offices in SVG, at 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines.

23. According to documents obtained in this investigation, and sworn testimony from Brown, from 1996, to approximately June 30, 2001, Brown identified himself as the managing director of the TCE. After that date, Brown identified himself as a "consultant," but remained actively involved in TCE and CSL business and operations in SVG, and was the signatory on TCE's bank account, through at least July 2004.

24. According to documents obtained in this investigation, from 1994 to 1996, Brown operated TCE and CSL as insurance providers in Ontario, Canada, until the Financial Services Commission of Ontario issued a Cease and Desist order against these companies.

25. Although they have been selling purported insurance policies in the United States, TCE, CSL, and their affiliates have never been authorized to sell insurance in any state in the United States.

26. Further, neither TCE nor CSL was authorized to sell insurance under the laws of SVG. According to a letter dated December 6, 2002, from Grenville John, Commissioner of International Insurance, St. Vincent and the Grenadines; Offshore Finance Authority, TCE and CSL were listed as International Business Corporations, but neither TCE nor CSL were licensed to conduct international insurance business. CSL registered as an international insurance business in 2004.

27. According to witnesses and documents, I know that from 1998 to at least 2004, Lloyd Thompson was the lead underwriter for TCE. Thompson has held an insurance broker's license from 1974 until 1994, when according to State of California records, he let the license lapse. As the Lead Underwriter, Thompson was responsible for supervising other underwriters, who were SVG natives. His role in TCE was to review all applications for insurance and determine which attachments to include in the policy for issuance.

28. From approximately 1996, through at least 2003, Jennings Bryan Shannon, aka Jack Shannon, operated American Continental Claims Service, Inc., located at 770 South Brea Boulevard, Suite 208, Brea, California. Jack Shannon was held out by Brown as a licensed claims manager, and the person responsible for adjusting TCE claims.

29. I am aware that from approximately January 2000, to approximately July 27, 2004, present, TCE, through CSL, has been fraudulently issuing and renewing purported insurance policies written for U.S. citizens and businesses, focusing primarily on difficult to insure industries, such as taxi drivers, bars and taverns, amusement, and long-haul truckers.

30. Brown, and others, marketed the TCE program of insurance to the hard to insure individuals and businesses, often through barter clubs, which allowed the insurance premiums to be paid with trade dollars and cash.

31. Brown, and others, falsely represented that TCE and CSL insurance policies were backed by a "pool" of licensed and rated insurance companies, which allegedly included, among others: Nationwide Mutual Insurance Company, Globe Indemnity Company, Royal & SunAlliance Group, United Guarantee Insurance Company, Citadel General Assurance Company; Progressive Insurance, Selective Insurance Company of America, Eagle Insurance, Vanguard Fire & Casualty, First Colonial Insurance Company, North Star Reinsurance, Corp., and American Transportation Insurance Company.

32. According to documents and sworn statements obtained by your affiant, I know that the purported "backing" companies are legitimate, licensed, and rated in the United States. However, none of them have, or had, any business relationship with TCE, CSL, Brown, or its operatives. Indeed, as a result of deceptive practices by TCE and CSL, Nationwide Mutual Insurance Company obtained a restraining order and permanent injunction against TCE in the Central District of California in 2001.

33. To carry out the fraud, and mislead insurance purchasers into believing that they had insurance backed by licensed and rated insurers, Brown, Thompson, and other co-conspirators, created, or used, and caused to be created or used, shell companies in SVG and elsewhere, with names nearly identical to the licensed and rated company they falsely represented were providing this insurance. The following is a partial list of the names of the created companies (on the left) and the names of legitimate companies (on the right):

<u>TCE/CSL COMPANY</u>	<u>RATED &amp; LICENSED U.S. COMPANY</u>
Nationwide Insurance Corporation	Nationwide Mutual Insurance Company
Globe Indemnity and Casualty Limited	Globe Indemnity Company
United Guarantee Reassurance Limited	United Guaranty Insurance Company

North Star Reinsurance Group, Inc.	North Star Reinsurance Corporation
Guardian Underwriters Assurance, Ltd.	Guardian Insurance

34. The investigation has revealed that TCE and CSL do not sell insurance backed by licensed, and rated companies as represented. Rather, TCE, CSL, and Brown are part of a criminal enterprise that collects premiums, but fails to provide the insurance as represented. To lull insureds and keep them at bay, TCE, CSL, Brown, and others mailed what appeared to be an insurance policy to a customer. In many instances, TCE and CSL would pay small insurance claims, but deny, contest, or litigate the larger ones. Brown and other TCE and CSL operatives used insurance premiums to purchase real property in Arkansas, Ireland, Barbados, and elsewhere, and to funnel money to numerous offshore bank accounts in the States of Jersey, Gibraltar, and elsewhere.

35. I am aware that in carrying out this scheme, Brown conspired with others, both known and unknown to the grand jury, who knowingly assisted him with the TCE and CSL program. In particular, from approximately 1999 to 2004, Lloyd Thompson, was the lead underwriter for TCE and CSL, and was paid for this work. He resided in SVG and worked closely with Brown. He was absent for about one year when he suffered a stroke. In this role, he was actively involved underwriting TCE and CSL by making quotes and helping to issue policies.

36. As the Lead Underwriter, Thompson was responsible for supervising four other underwriters, all who were SVG natives. Two of the underwriters working under Thompson were Diane and Lisa LNU. His role in TCE was to review all applications for insurance and determine which attachments to include in the policy for issuance. Thompson would routinely contact clients by phone, facsimile or email prior to directing the creation of the policy. Thompson explained that while at TCE, he reviewed applications, and had clerical staff prepare the applications and attachments. Thus, his staff would type up the face sheet policy including the client's information and property to be insured with references to the included attachments. The prepared policies would then be sent to the clients via mail. Thompson believes that he and his team of 4 underwriters normally processed 6 to 15 policies per week. During the course of this investigation, I have reviewed documents prepared, or caused to be prepared, by Thompson in which he specifically identifies the lead insurer as "Nationwide" or "Globe Indemnity."

37. In addition, I know that Thompson usually received the completed applications at his office via a facsimile machine from the customers or "consultants," working on their behalf. Thompson explained that in "direct insurance," the clients purchase insurance directly from the insurance company. Brokers selling insurance for TCE would not be "direct insurance." Thompson explained that there were "consultants," who would find clients and refer them to TCE. The "consultants" would often be the party who not only faxed the applications to TCE, but the ones that he would deal with over the phone. Thompson also gave the client or

consultants instructions for payment of the premiums. Generally the arrangement would be 25% down at the inception of the policy and 3 installments for the balance due. Policies would be sent directly to the customer involved in the TCE program.

38. I am further aware that in or about approximately 1999 or 2000, while retrieving applications from the facsimile machine in SVG, Thompson saw a Cease and Desist Order from the State of Alabama. Thompson had previous dealings with insurance in Alabama, and stated that he did not take the order seriously. He said that in the normal course of business, the clerical staff would have delivered the order to the Director, which would have been Brown. Even in light of this cease and desist order, Thompson continued to underwrite policies for TCE and CSL.

(2) TCE and CSL Policies and Claims

39. According to information obtained in this investigation, I know that Brown, and others working with him, issued policies to clients in many states in the United States. While the method varied somewhat, the practice typically involved the following:

(a) TCE and CSL marketed its program to hard to insure industries such as cab drivers, truckers, amusement, and contractors. Neither Brown, TCE, nor CSL, however, were licensed in California to sell insurance. I have confirmed that TCE and CSL sold insurance in approximately 9 additional states where they were not licensed to do so.

(b) TCE, CSL, and Brown advertised and sold insurance through brokers and agents. In particular, I know that TCE and CSL advertised its program through barter exchanges, such as "ITEX," which allows consumers nationwide to purchase goods and services using barter dollars. As of July 27, 2004, TCE maintained a listing with ITEX for the sale of insurance. Jack Wallace, David Yoder, and Robert Brown were listed as contacts, and the address for TCE was listed as 250 H Street, #846, Blaine, Washington. A toll free contact number was also listed. I also know that brokers and agents marketed the program directly to clients and sent solicitations.

(c) Once a client was interested in the TCE and CSL program, Thompson and others working with them, prepared and faxed a quote for the insurance. In most instances the cost of the TCE and CSL policy was far less than similar policies offered by carriers authorized to do business in California, or the state where the customer resided. If the client accepted the quote, Lloyd Thompson would send confirmation of the security and policy number, and other information. In a particular communication involving a policy for Paradise Roofing, of South Lake Tahoe, California, the security was identified as "Nationwide," and was dated November 28, 2000.

(d) Based on my investigation, I am aware that Brown, Thompson and others instructed customer's to mail their premiums checks to:

Tri-Continental Exchange, Ltd.  
536 E. Dunlap Avenue, Suite 9,  
Box No. 470  
Phoenix, Arizona; or

Tri-Continental Exchange, Ltd.  
822 E. Union Hills, Suite 2,  
Box No. 138  
Phoenix, Arizona

The customers were instructed to make the checks payable to TCE.

(e) The mail drop at 536 E. Dunlap Avenue was maintained at F&F Mailboxes in the name North American Collection, a company incorporated in the State of Arizona in 1999. The mail drop for 822 E. Union Hills was maintained at Poste Haste, and was opened by Lloyd Thompson, Jr., and Terri Wilson in the names of TCE and North American Collection in 1996. I know based on documents and interviews that checks sent to these mail drops were then sent via U.S. Mail or private or commercial interstate carrier to SVG. As set forth more fully below, once received in SVG, the checks were stamped "For Deposit Only, Tri-Continental Exchange, account No. 1 535 0332 2247," and sent via U.S. Mail or private or commercial interstate carrier to U.S. Bank located at 280 H Street, Blaine, Washington, for deposit into an account opened by Brown on or about July 1, 1996, in the name Tri-Continental Exchange Ltd ("TCE US Bank Account").

(f) Based on my review of TCE deposits and bank records, and my familiarity with TCE operations, I have determined that from approximately 1998 through May of 2004, more than \$23.9 million in insurance premiums were deposited into the TCE US Bank Account. I have also determined that from these deposits, more than \$10 million were transferred offshore via bank wires to accounts controlled by Brown and his associates, as set forth below. In addition, the premium checks deposited into the Blaine, Washington account were used to pay for overhead and employee salaries, as well as to pay claims.

(g) Although domestic brokers are prohibited by state law from taking a commission, and Brown falsely represented that no commissions were taken, I know that in practice commissions were paid. Specifically, brokers and agents were allowed to deduct a commission from the insurance premiums paid by their clients. Brown instructed brokers to call this fee a "referral fee," which he said would "coincidentally" be equal to a "commission."

(h) In addition, I know from my investigation that the TCE and CSL documents were drafted in a deceptively confusing manner making it virtually impossible for the insurer to determine with whom they were in contract for the insurance. For example, on most "policies," "CSL" is listed across the top of each page. However, the "declaration page"

identifies the insurer as the "Direct Purchase Insurance Pool." On other documents and communications such as quotes or evidence of insurance cards, the insurer is listed as "Nationwide," or "Globe Indemnity." A further confusing fact was that customers were instructed to make their checks payable to "TCE."

(i) Based on my investigation and review of documents, I know that some TCE and CSL customers who purchased policies, submitted claims to TCE and CSL. Based on my investigation, I believe that part of the fraud was to "lull" customers into believing that they had valid insurance by paying smaller claims, but larger claims would be denied. However, I have determined that in many instances, TCE and CSL failed to pay larger claims citing unusual exclusions in the policies. I have also talked to litigants seeking to enforce claims that indicate that TCE and CSL attempt to avoid service of process. In particular, while TCE represents that it had a domestic claims office in Brea, California, it required litigants to serve legal documents on TCE in SVG pursuant to the Hague Convention. As a result, claims were more difficult to pursue.

(j) Based on my investigation, I know that neither TCE nor CSL had the necessary capitalization to allow it to cover potential claims. I have specifically examined approximately 4 policies issued by TCE and CSL in 2000, which were in effect from 2000 to 2001. These policies exposed TCE and CSL to risks in excess of \$3.5 million. I believe that there were many additional policies based on the invoices and other claim documents I have reviewed. In addition, Brown has stated that TCE and CSL issued approximately 30,000 to 40,000 policies from 1986 to 2000, some of which would have remained in existence after the issue date. Based on my examination of the TCE US Bank Account, I know that from approximately September 2000, through January 2002, the highest total balance in this account was \$989,275 (as of November 23, 2001). By November 26, 2001, this amount was reduced to \$389,048, based on withdrawals and international wires. The average daily balance in the account was approximately \$300,000 to \$400,000. According to the California Department of Insurance, this would be inadequate to cover the claims exposure of TCE's and CSL's policies.

(3) False Statements By Brown to Stanley Melton re the "Insurance Pool"

40. On or about March 30, 2004, Special Agent Jason Lamb spoke with Stanley Melton, IV, of Opelika, Alabama telephonically. Based on information obtained from Melton, I am aware that from 1999 to the present, Melton was President of R&L Trucking Company, Inc. located at 2405 South Uniroyal Road, Opelika, Alabama, 36801. R&L is a long-haul trucking company that operates in Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Missouri, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Illinois, Indiana, Kansas, and Ohio. Melton has provided this information to law enforcement voluntarily, and has no known criminal record.

41. Stanley Melton first came in contact with TCE through Dennis Staska, a broker for Schooler & Associates in Jimmerson, Alabama. Staska explained that TCE provided commercial carrier insurance at a discounted rate. Staska advised Melton to contact Brown with any questions, and gave Melton Brown's phone number. I am aware that on or about August 28, 2000, Melton completed an application for insurance through TCE and CSL. On September 25, 2000, Melton reviewed the TCE and CSL proposal, and understood that "Nationwide and various pooled underwriters" were the backing company. On or about October 3, 2000, Melton received what appeared to be confirmation of insurance coverage, and on or about October 4, 2000, he received proof of insurance. On October 5, 2000, Melton paid TCE \$16,650, via cashier's check, for the purported coverage, which check was delivered to his broker Staska.

42. Before purchasing the policy, Melton spoke telephonically with a person who held himself out to be Brown. Melton audio-taped four of his conversations. The recording was not done at the direction of law enforcement. I have received copies of the tapes and transcriptions thereof. The recordings appear to be accurate and authentic, and are consistent with statements made by Melton in his interview. I am informed and believe that the voice on the tapes is that of the person who holds himself out as Robert Brown. I have researched the telephone number that Melton used to place this call and have found that TCE was the subscriber for the telephone number. In addition, during one conversation, Brown stated that he was in Barbados. Based on real estate records, I believe that Brown was residing in Barbados as of about May 2000.

43. During a conversation recorded in or about September or October 2000, when asked about the insurance, Brown stated as follows:

# # #

RB: The insurance pool itself is an insurance pool. It's not a single company. The insurance pool itself consists of a bunch of companies, at the moment 34 of them with one company usually taking the lead position because all of the filings don't allow for the listing of 34 companies. In other words, very similar to Lloyds of London. If you are familiar with Lloyds of London.

SM: I am.

RB: Lloyds is not an insurance company. It's an amalgamation of [inaudible]. And that's basically what this is. With the slight difference that in Lloyds, usually one licensed risk writer is designated as the insurer. With this, all 34 participate in the writing of the risk, but one lead company performs all of the filings, okay?

SM: Is that Nationwide?

54. There was also written communication to Leverett about the insurance program. In a memorandum dated March 3, 2000, to Leverett, and signed by Robert Brown, Brown indicates:

# # #

I refer to your memorandum dated March 2, 2000, which was received by my office on March 3, 2000, respecting the reference matter. ....

Insurance Pool

Respecting my January 10, 2000, response to your January 8, 2000, letter in light of the complexity and subtleness of this program, it is understandable, but unfortunate that both yourself and Keith may have been left with the wrong impression about the securities. For further clarity, please note the following.

Question (b): Who is the security?

Answer (b): The security is the amalgamation of several of several [sic] [companies] of the pool which includes Nationwide, Progressive, Globe Indemnity, and other well known companies. The risk will probably utilize Nationwide as the lead company.

Notwithstanding any incorrect interpretation that may have been engendered by this answer, I stand by it. The securities are properly identified.

Question (g): Does captive have audited financials and E&O protection? We need to see this kind of information.

Answer (g): As indicated above, the facility is not a "captive". Financial statements for individual securities can be obtained from A.M. Best.

As to the first part of the answer, the facility is not a "captive" as indicated. As to the second part of the answer, I stand by it. Financial statements for similarly named companies are found in A.M. Best. However, for clarity, whether or not the companies are U.S.A. companies or St. Vincent Companies is moot since any financial institution that does business from within St. Vincent is subject to St. Vincent law in any case.

# # #

(5) False Documents Created by Brown

55. On or about May 19, 2004, and via letter dated June 18, 2004, Bernard Talmas, Esq., counsel for Brown, produced documents to the U.S. Attorney's Office. Talmas represented that the documents were from Brown, and that Brown stated that they were factually true and accurate. These documents were produced by Talmas in an attempt to exculpate Brown from the criminal conduct alleged herein.

56. I subsequently compared this document obtained from Brown through his lawyer to the same document produced independently by Leverett, which was also provided to the U.S. Attorney's Office. It appears that the document provided by Brown was materially different from the one provided by Leverett, as follows:

# # #

I refer to your memorandum dated March 2, 2000, which was received by my office on March 3, 2000, respecting the reference matter. ....

Insurance Pool

Respecting my January 10, 2000, response to your January 8, 2000, letter in light of the complexity and subtleness of this program, it is understandable, but unfortunate that both yourself and Keith may have been left with the wrong impression about the securities. For further clarity, please note the following:

Question (b): Who is the security?

Answer (b): The security is the amalgamation of several of the alien pool companies. As we discussed, while some have similar names to well known main stream insurers, none of these companies are admitted in any U.S. State. Neither are any of the pool companies related to the well known A.M. Best listed American carriers that may coincidentally bear a similar name. The risk will probably utilize Nationwide as the lead company to be listed on USA105 as you requested in our last telephone conversation.

Notwithstanding any incorrect interpretation that may have been engendered by this answer, I stand by it. The securities are properly identified.

Question(g): Does captive have audited financials and E&O protection? We need to see this kind of information.

Answer (g): As indicated above, the facility is not a "captive". Financial

statements for individual securities may not be distributed due to St. Vincent confidentiality laws. Furthermore, if you check A.M. Best you will not find these insurance pool companies listed.

As to the first part of the answer, the facility is not a "captive" as indicated. As to the second part of the answer, I stand by it. Financial statements for similarly named companies are found in A.M. Best. Those are not these offshore companies. However, for clarity, whether or not the companies are U.S.A. companies or St. Vincent companies is moot, since any financial institution that does business from within St. Vincent is subject to St. Vincent law in any case.

# # #

57. I know based on information obtained from the California Department of Insurance "captive" refers to a representative of an insurer who is required to submit business to a particular company, often in exchange for an allowance for office expenses, as well as an extensive range of employee benefits such as pensions, life insurance, or health benefits.

58. I also obtained a copy of the January 10, 2000, memorandum referenced in the March 3, 2000, memo set forth above. This was a document addressed to Keith Morcroft from Robert Brown. The memorandum is signed and the signature matches the known signature of Brown. Leverett stated that he received a copy of this document in or about January 2000. In this memorandum, Brown states, in relevant part:

# # #

b. The security is the amalgamation of several of the pool which includes Nationwide, Progressive, Globe Indemnity, and other well known names. The risk will probably utilize Nationwide as the lead company.

# # #

59. Mr. Talmas also provided the government with a copy of the January 10, 2000, memorandum. The documents are substantially similar to the one provided by Leverett. However, I have identified two paragraphs with material differences. In particular, in the January 10, 2000, memo, produced to Leverett by Brown, the document states:

# # #

The security is the amalgamation of several of several [sic] [companies] of the pool which includes Nationwide, Progressive, Globe Indemnity, and other well known companies. The risk will probably utilize Nationwide as the lead company. . . .

As indicated above, the facility is not a "captive". Financial statements for individual securities can be obtained from A.M. Best.

# # #

60. The purported copy of the same document was also produced by Talmas to the U.S. Attorneys Office, and stated:

# # #

The security is the amalgamation of several of the alien pool companies. As we discussed, while some have similar names to well known main stream insurers, none of these companies are admitted in any U.S. State. Neither are any of the pool companies related to the well known A.M. Best listed American carriers that may coincidentally bear a similar name. The risk will probably utilize Nationwide as the lead company to be listed on USA105 as you requested in our last telephone conversation. . . .

As indicated above, the facility is not a "captive". Financial statements for individual securities may not be distributed due to St. Vincent confidentiality laws. Furthermore, if you check A.M. Best you will not find these insurance pool companies listed.

# # #

61. Based on conversations with Leverett, I believe that the documents produced by Talmas for Brown have been materially altered, and not the other way around. I base this conclusion on the following: (1) the documents produced by Leverett are signed by Brown, and the signature matches the known signature for Brown. By comparison the documents produced by Talmas are unsigned; and (2) a copy of the unaltered January 10, 2000, memorandum was faxed to a third-party, Joe Dreher in Deluth, Georgia, on or about February 14, 2000. The document sent to Dreher matches the document provided by Leverett.

**E. CEASE AND DESIST ORDERS**

62. I have learned from information obtained from other government sources and through news releases posted on numerous governmental Internet websites in the U.S. and Canada, that several U.S. states and Canadian provinces have issued Cease and Desist Orders regarding TCE and CSL insurance activities. State actions against TCE, CSL, and its affiliates include the following cease and desist orders:

Colorado, May 30, 2002, (against TCE, CSL, United Guarantee Reassurance, Ltd, Globe Indemnity and Casualty, Ltd., North American Collections, LLC, Armada Assurance, Ltd, Insurance Service Center, and Valerie Freitas for selling insurance without out authorization and fraud);

Oklahoma, July 10, 2001, (against TCE for selling insurance without a license);

Florida, April 23, 2001, (against TCE for selling insurance without a license);

Alabama, October 3, 2000, (against Brown, TCE, CSL, James Gordon Schoolar, Schoolar & Associates for lack of information about location and financial condition of insurer; no authority to issue insurance);

Minnesota, February 5, 1999, (against Armada Assurance, Ltd. and TCE, for selling insurance without a license);

Oregon, September 26, 1999, (against Brown, TCE, Armada Assurance, Ltd. for selling insurance as agents without a license and without the insurer being licensed);

Washington, May 27, 1998, (against TCE and Robert Brown, for soliciting insurance without an insurance agent's, broker's or surplus lines brokers' license and TCE solicited insurance that failed to disclose the name and location of the principle office of the insure).

Nevada, September 19, 1995, (against TCE and Robert Brown, for engaging in unauthorized insurance activities in the State of Nevada).

63. In addition, I know from examining the Ontario Insurance Commission Internet website, that in or about June 28, 1996, the Superintendent of Insurance in Ontario, Canada, issued a cease and desist order against Brown and TCE for carrying on the business of insurance without a license.

64. During the course of this investigation, I am aware that Brown received notice of the State of Alabama cease and desist order issued in 2000. Lloyd Thompson has also acknowledged receiving a copy of the State of Alabama cease & desist order.

**F. SUMMARY OF EDCA POLICIES**

65. During the course of this investigation, I, and other law enforcement agents, have spoken with insurance brokers and agents, who, based on deceptive information obtained from

Brown about TCE and CSL, sold purported insurance policies in the EDCA. As a result of the scheme to defraud, at least 4 policies were sold to purchasers of TCE and CSL policies in the Eastern District of California.

66. As part of this investigation, on July 27, 2004, James Bowers, of Phoenix, AZ. Bowers was telephonically interviewed. Accordingly, I know that Bowers has worked in the insurance business most of his life. In or about 2000, Bowers heard about TCE and CSL. He called Brown and inquired about the program. According to Bowers, Brown told him that the program consisted of a consortium of 20 to 30 companies which each subscribed to a portion of the risk. Brown told Bowers 5 or 6 names of the pool to include, Globe Indemnity, Nationwide, Royal Sun Alliance and North Star Reinsurance. Bowers stated that he recognized these as large U.S. companies. He particularly remembered Globe Indemnity as he knew from his own experience that it was a large and reputable company.

67. When Bowers asked Brown why these large reputable companies would participate in an offshore insurance program, Brown explained that it allowed these large companies to pick up additional lines of business without affecting their pre-existing book of domestic insurance. Based on Brown's explanation, and knowing the reputation of these companies, Bower contacted other brokers and passed on the information that Brown had relayed. Bowers contacted several brokers about TCE with whom he already established a relationship in the insurance business, including a Carl Savoia of Target Financial, located in San Diego. Bower explained the program to the Savoia, specifically relying on the information provided to him by Brown. Bowers said that received an "introduction fee" for bringing the brokers into the program.

68. As part of this investigation, on July 27, 2004, Special Agent Jason Lamb telephonically interviewed Carl Savoia, the owner of Target Financial & Insurance Services in San Diego. Savoia confirmed that he spoke with both Bowers and Brown about the TCE program. Based on these conversations, Savoia understood that TCE's program was legitimate, and that TCE and CSL were backed by a pool of licensed and rated insurance companies such as Nationwide. Savoia relayed this information to brokers, including Alyssa Westbrook, at his firm, and at his direction, they solicited clients in the EDCA, and elsewhere. Savoia would not have sold the policies to the clients had he known that TCE program was different than was represented.

69. Further, based on interviews with Target's brokers and clients, that in or about January 2001, Target informed its clients, among other things, that the TCE program was backed by admitted and rated insurance carriers. Those interested in purchasing a policy, would be sent a quote outlining the program and cost. Target brokers directed its customers to send their checks to TCE's mail drop in Phoenix, Arizona, but many clients sent checks to Target, who forwarded the funds to TCE.

70. As part of this investigation, I, or agents working with me, have spoken with some of the individuals and entities who reside in the EDCA who purchased purported insurance through TCE. Their experiences with the TCE program are nearly identical. I have set forth summaries regarding 4 victims, as follows:

(a) On July 29, 2004, Chris Fitzpatrick spoke with Victim 1 (V-1) located in Middleton, California. In or about January 2001, V-1 received information from Westbrook about the TCE program. Thereafter, V-1 received a quote, which contained information about the policy, including the fact that the insurance was provided by a California approved carrier and rated A by A.M. Best's Guide. V-1 stated that he needed an insurance company with an "A" rating to bid on certain subcontracts. After receiving the TCE quote, V-1 sent, and caused to be sent a \$1,900 check via the U.S. Mail to Target, and, thereafter, paid at least four monthly premiums to TCE via U.S. Mail. V-1 stated he would not have purchased the policy if it was not an approved California insurer and rated in A.M. Best as represented.

(b) On July 29, 2004, Chris Fitzpatrick spoke with V-2 of Roofrangers, (V-2), located in Galt, California. V-2 received a solicitation from Target about the TCE program, which he examined for cost, limits, rating and deductible. He does not know what A.M. Best is, but he knew that he wanted a company to be A-rated or better. He specifically makes sure that his policy is not rated C or D since he is worried about "having to contact everyone to try and collect compensation from the company" if a problem ever occurred. He sent his initial payment to Target for the purchase of the TCE policy on or about November 6, 2000, in the amount of \$1,795. He had to make installment payments directly to TCE later, which is evidenced by a check made payable to TCE dated January 30, 2001, for \$890. This check was mailed via U.S. Mail to TCE via the Phoenix, Arizona mail drop to SVG, and forwarded via commercial and interstate carrier to TCE's US Bank account in Blaine, Washington for deposit.

(c) On April 21, 2004, and June 28, 2004, Special Agent Jason Lamb spoke to V-3 of Paradise Roofing and Repair, South Lake Tahoe, California. V-3 stated that he learned about the TCE program through Target, after being solicited to purchase a general liability policy. According to V-3, the Target broker, Alyssa Westbrook, relayed to him that the TCE policy was rated and licensed in the United States. Paradise Roofing purchased a policy in or about January 2001. When V-3 received the policy, he was very skeptical of its coverage because it contained numerous exclusions, which he had not seen in previous policies he had purchased. V-3 further stated that he understood that the insurer was TCE. V-3 stated that his initial premium check was sent via U.S. Mail to Target in San Diego, California, and forwarded via U.S. Mail by Target to TCE. V-3 stated that his subsequent premium checks were mailed via U.S. Mail to TCE, 536 East Dunlap Avenue, Suite 9, Phoenix, Arizona. V-3 stated Paradise Roofing cancelled the policy after one year, and would not have purchased it if he knew that TCE, CSL, and North Star Reinsurance Group, Incorporated, the entity listed as the insurer on the policy, were not rated or licensed insurance companies.

(d) On or about August 2, 2004, Jason Lamb spoke with V-4, of Peoples

Roofing, of El Dorado, California. V-4 stated that he learned about the TCE program through Target, after being solicited to purchase a general liability policy. According to V-4, the Target broker, Valeri Orsini, relayed to him that the TCE policy was rated and licensed in the United States. Specifically, the solicitation stated that TCE was A-15 rated by A.M. Best and approved to do business in California on a non-admitted basis." V-4 purchased a policy in or about November 2000. V-4 received a declaration sheet, but does not recall receiving a policy. V-4 further stated that he understood that the insurer was TCE. V-4 stated that his initial premium checks were sent to Target in San Diego, California, and forwarded by Target to TCE. V-4 stated that his subsequent premium checks were mailed to TCE, in Phoenix, Arizona by U.S. Mail. V-4 stated he cancelled the policy after incurring a claim, which resulted in a significant rate increase. V-4 stated that he would not have purchased it if he knew that TCE, CSL, and North Star Reinsurance Group, Incorporated, the entity listed as the insurer on the policy, were not rated or licensed insurance companies.

#### G. SELECTED MAILINGS

71. Based on my investigation, I know that defendant Brown and others, on or about the dates set forth below, knowingly caused items to be sent by mail or private or commercial interstate carrier. These mailings from victim investors include the following:

Ct.	Victim	Date	From	To	Item
1	V-1	1/01	Middleton, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines.	\$1,900 check
2	V-1	2/26/01	Middleton, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines	\$2,665 check
3	V-1	8/21/02	Middleton, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines	\$2,000 check
4	V-1	10/24/02	Middleton, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines	\$1020 check

5	V-1	12/9/02	Middleton, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines	\$2,000 check
6	V-2	1/30/01	Galt, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines	\$890 check
7	V-3	1/30/01	South Lake Tahoe, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines	\$260 check
8	V-3	3/12/01	South Lake Tahoe, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines	\$260 check
9	V-3	3/23/01	South Lake Tahoe, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines	\$260 check
10	V-3	4/23/01	South Lake Tahoe, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines.	\$260 check
11	V-4	11/09/00	El Dorado Hills, CA	Target, San Diego, CA 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines.	\$750 check
12	V-4	12/15/00	El Dorado Hills, CA	Target, San Diego, CA 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines.	\$358 check

13	V-4	3/5/01	El Dorado Hills, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines.	\$330.67 check
14	V-4	4/2/01	El Dorado Hills, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines.	\$330 check
15	V-4	5/15/01	El Dorado Hills, CA	Phoenix, AZ 2nd Level, Marcole Place, Halifax Street, Kingstown, St. Vincent and the Grenadines.	\$330.66 check

#### H. MONEY TRAIL OF PREMIUM PAYMENTS

72. Based upon my training and experience in financial fraud investigations, and through the review of financial documents and other investigation by me, and other special agents, I have identified the path of some of the money paid to TCE, as follows:

(a) Phoenix, Arizona:

As stated above, pursuant to directives by TCE, Brown, Thompson, or others, customers buying into the TCE program, including those in the EDCA, were instructed to send their premium payments to a TCE mail drop located at 536 E. Dunlap Avenue, Suite 9, box no. 470, which was a mail service operated by F & F Mailboxes & Emporium. TCE also instructed some customers to send their checks to a second mail drop at 822 E. Union Hills, Suite 2, box no. 138 in Phoenix, Arizona, operated by Post Haste Mail & Ship. In some instances, customers sent their checks to the broker who marketed the TCE program to them, such as Target, and the funds were forwarded to TCE in SVG by the broker. From these mail drops, the customer checks were sent via U.S. Mail or private or interstate common carrier to SVG.

(b) Blaine, Washington:

On or about July 1, 1996, Brown opened the TCE US Bank Account referenced above at U.S. Bank in Blaine, Washington, account no. 1 535 0332 2247. According to bank employees interviewed during this investigation, I know that from approximately April 1999, through approximately May 2004, TCE sent weekly parcels via Federal Express or DHL to US Bank from SVG. These parcels contained checks and money orders stamped "For Deposit Only,

Tri-Continental Exchange, account No. 1 535 0332 2247." Based on instructions from TCE, Brown, and others, these checks were deposited into the TCE US Bank Account.

73. Based on my review of TCE deposits and bank records, and my familiarity with TCE operations, I have determined that from approximately 1998 through May 2004, more than \$23.9 million in insurance premiums were deposited into the TCE US Bank Account. Of this money, I am informed and believe that approximately \$19 million was obtained a result of the sales of policies which TCE falsely represented were backed by a legitimate insurance pool. I have also determined that from these deposits, more than \$10 million were transferred offshore via bank wires to accounts controlled by Brown and his associates, with the remainder being withdrawn by check or cash withdrawal.

74. According to bank records, I have identified the following money transfers from the TCE US Bank Account to foreign bank accounts maintained by Brown, and others:

(a) Holetown, Barbados:

Based on financial records, I have determined that from the proceeds deposited into the TCE US Bank Account, approximately \$975,000 was transferred via wire to account no. 12-1011433 in the name of Robert L. Brown at Barclay's Bank PLC in Holetown, Barbados, between August of 2000 and February 2003.

(b) St. Helier, States of Jersey:

Based on my investigation, from June 2001 to August 2002, \$5,050,000 in premium proceeds were transferred from the TCE US Bank Account to via wire to an account at the Royal Bank of Canada Limited in St. Helier, States of Jersey. The account no. 7981889, in the name of Robert L. Brown and Shirley Darlene Whitaker. According to records received pursuant to a Mutual Legal Assistance Treaty ("MLAT") request to States of Jersey, Brown and Whitaker opened this account on or about August 5, 2001, using their fraudulently obtained passports as identification. These wires to this account included:

DATE	AMOUNT
June 11, 2001	\$700,000
November 26, 2001	\$600,000
December 20, 2001	\$700,000
January 15, 2002	\$600,000
February 15, 2002	\$600,000
March 22, 2002	\$750,000

April 22, 2002	\$500,000
May 3, 2002	\$200,000
August 20, 2002	\$400,000
<b>TOTAL</b>	<b>\$5,050,000</b>

In or about 2003, suspecting fraud, Royal Bank of Canada requested Brown close his bank account, citing concerns about possible money laundering and fraud. In particular, while in the process of opening a new bank account for Brown in the name American Transport Insurance Corporation, bank officials discovered that numerous cease and desist orders had been issued against Brown relating to the unlawful sale of insurance. On August 14, 2003, Brown wired \$2,306,803.44 to an account in the name of John Hollis, at the First California Bank, in Camerillo, California. John Hollis holds himself out as counsel for TCE, CSL, and others. On or about August 18, 2003, Brown had the \$2.5 million in this account wired to Allied Irish Bank account, No. 01614092 in Ireland, to an account in the name of TCE set forth below.

(c) Kenmare, Ireland:

Of the premium proceeds contained in the TCE US Bank Account, more than \$1.36 million was transferred via wire to account no. 015750985 at the Allied Irish Bank (AIB) to an account in the name of Crest Lake Properties LTD, between July 2001 and March 2003. According to testimony by an AIB bank official, obtained pursuant to MLAT, the account was opened by directors Robert L. Brown and Shirley Whitaker on June 24, 2001, at the Kenmare, Ireland branch. Robert L. Brown and Shirley Whitaker also opened account no. 01614092 at the Kenmare, Ireland, AIB branch for TCE as directors in July 2003, utilizing their false passports.

According to the bank official and the documentation provided by AIB, Brown wired \$2.5 million from the account at the Royal Bank of Canada in the States of Jersey as identified above to this new TCE AIB account, on August 18, 2003. Upon receipt and conversion of the funds to 2.218 million Euros, Brown placed the funds into various term deposits. Brown immediately placed 1 million Euros each into a 3-month (account no. 0164258) and a 6-month (account no. 01614175) term deposit. The remaining amount, approximately 218,000 Euros, were then transferred to the Crest Lake Properties, account at AIB as identified above.

(d) Kingstown, St. Vincent:

Based on financial records I have reviewed, I know that from August 2000 through April 2004, approximately \$2 million was transferred from the TCE US Bank Account via wire to account number 8642 at National Commerce Bank Ltd in Kingstown, St. Vincent, in the name of "Alternative Market Exchange Ltd." Based on information obtained during this investigation, I am informed and believe that Alternative Market Exchange Ltd is an entity used to administer

payroll for TCE employees in SVG. I am further informed that Alternative Market Exchange Ltd held title to property purchased by Brown with "barter dollars" in Arkansas and Florida. The contact for Alternative Marketing Exchange, Ltd. on the real estate documents was Brown, 2<sup>nd</sup> Marcole Plaza, Halifax Street, Kingstown, St. Vincent and the Grenedines.

(c) Gibraltar:

As stated above, on or about August 14, 2003, Brown sent via wire transfer \$2,306,803.44 from his account at Royal Bank of Canada in the States of Jersey, to an account held by John Hollis, at First California Bank. On or about September 24, 2004, Hollis transferred \$1,800,000 via wire transfer to an account held by Hook Enterprises Ltd, c/o Redmont Trust Company at Jyske Bank, Gibraltar. Hook Enterprises is an entity unknown to the government.

(f) Grand Cayman Island, Cayman Islands, BVI:

Of the proceeds contained in the TCE US Bank Account, nearly \$475,000 were transferred via wire in less than a 12 month period between December of 2000 and November of 2001 to account no. 688374 at CIBC Bank and Trust Company LTD on the Grand Cayman Island for the account in the name of Anthony Da Silva, a person unknown to the government.

(g) Nassau, Bahamas:

Of the proceeds contained in the TCE US Bank Account, approximately \$345,000 was transferred via wire to account no. 1266408 at Barclay's Bank in Nassau, Bahamas, for the account in the name of Commercial General Capital Investment LTD.

I. MONEY LAUNDERING

75. I am aware that the money laundering statute prohibits the transportation, transmission, or transfer of a monetary instrument or funds from a place in the United States to or through a place outside the United States, and from a place outside the United States to a place inside the United States; (A) with the intent to promote the carrying on of specified unlawful activity; or (B) knowing that the monetary instrument or funds involved in the transportation, transmission, or transfer represented the proceeds of some form of unlawful activity and knowing that such transportation, transmission, or transfer was designed in whole or in part (i) to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of the specified unlawful activity. 18 U.S.C. §§ 1956 (a)(2)(A) and (B)(i). I am also aware that it is a crime to conspire to commit money laundering offenses. 18 U.S.C. § 1956 (h). Further, I know that real or personal property involved in, or traceable to, money laundering offenses is subject to criminal forfeiture. 18 U.S.C. § 982. Here, based on my investigation, I have determined that the evidence shows that defendants have engaged in prohibited acts of money laundering.

76. I have determined that the evidence shows that the defendant Brown, and those working with him transported, transmitted, or transferred premium checks, and caused and aided and abetted the same, from the United States to SVG through Phoenix, Arizona, and routing the funds to TCE's bank account in Blaine, Washington. According to documents and witness testimony, TCE clients were instructed to send their payments to TCE in Phoenix, Arizona, which unbeknownst to them were mail drops. The checks were then transported to SVG, on or about the dates set forth herein, as follows:

Victim	Date	Check Number
V-1	2/26/01	6656
V-1	8/21/02	9968
V-1	10/24/02	10246
V-1	12/9/02	10400
V-2	1/30/01	11381
V-3	1/30/01	1775
V-3	3/12/01	1792
V-3	3/23/01	1802
V-3	4/23/01	1822
V-4	11/9/00	2081
V-4	12/15/00	1344
V-4	3/5/01	1376
V-4	4/2/01	1392
V-4	5/15/01	1410

77. Based on my training, I am familiar with the methods and practices used by individuals and organizations involved in illicit activities which generate large amounts of income. I am also familiar with the methods used to promote the carrying on of specified unlawful activity and to conceal and disguise the proceeds of the fraud. Based on my training and experience, I know that using premium payments to make payroll and other office payments constitutes "promotion" of the mail fraud scheme. Here, I have identified more than 50 payments made via wire transmission from TCE's US Bank Account to pay employees hired to help operate the TCE and CSL programs in SVG.

78. My investigation has also shown that Brown, and others working with him, have attempted to conceal and disguise their activities by sending customer funds through convoluted and circuitous routes using mail drops and off-shore addresses. In this investigation, I have determined that Brown, and other uncharged co-conspirators moved premium money through domestic mail drops, in locations where neither TCE nor CSL had operations of any kind. Brown, and others, had the checks transferred from the domestic mail drop off-shore to SVG, thereby concealing the fact that the checks were being sent out of the country. Once received in

SVG, the checks were generically stamped "For Deposit Only, Tri-Continental Exchange, account No. 1 535 0332 2247." However, the checks were not negotiated in SVG. Rather, Brown and others re-routed the checks to a bank account in Blaine, Washington. Neither TCE nor CSL had operations in Blaine, Washington, and Brown did not work or reside there. In addition, by providing customers with virtually no information about the entity providing the purported insurance, such as a physical address, and drafting the policies in a highly deceptive manner; Brown and those working with him were further able to conceal and disguise the nature, source, ownership, and control of the proceeds. Finally, Brown's use of a false identity is further evidence of efforts taken to conceal and disguise. From Blaine, Washington, nearly \$10 million of premium money was wired off-shore to accounts controlled by Brown, and others, including accounts in Ireland, States of Jersey, and elsewhere, which funds were used for personal expenses, with additional funds being used to pay overhead, expenses, and some claims.


**J. CONCLUSIONS**

79. Based upon my training and experience in fraudulent schemes, probable cause exists to believe that Brown, and others working with him, have been carrying out an insurance fraud scheme by using deceptive practices and making materially false misleading representations about the nature of the insurance sold. These deceptive practices and false representations have caused victims in the EDCA, and elsewhere, to forward funds via the U.S. mail to TCE, which were transferred abroad into bank accounts held by Robert Brown, others working with him, and entities under his control, which were used for personal benefit.

80. Based upon the facts set forth in this Affidavit, and my experience investigating financial crimes, I believe there is probable cause to believe that the individual using the identity of the deceased Robert Lewis Brown has committed, and is continuing to commit, violations of Mail Fraud, in violation of 18 U.S.C. § 1341; Making of False Statement, in violation of 18 U.S.C. § 1001; Conspiracy to Commit Mail Fraud, in violation of 18 U.S.C. § 371; Money Laundering, in violation of 18 U.S.C. §§ 1956(a)(2)(A) and (B)(i); Conspiracy to Commit Money Laundering, in violation of 18 U.S.C. § 1956(h); and 18 U.S.C. § 2 - Aiding and Abetting.

81. The criminal investigation into the TCE and CSL scheme is continuing, and further interviews and grand jury appearances are contemplated. Disclosure of the contents of this affidavit would seriously impede the investigation by disclosing details of the government's investigation and evidence gathered in connection therewith. Targets and subjects of the investigation would be able to learn the present extent of the government's knowledge. Further, disclosure could cause harm to those cooperating with the government. Accordingly, the affiant requests that the Court issue an order sealing this complaint and affidavit until further order of this Court, with the exception that the complaint and affidavit may be shared with law

enforcement in this country, Ireland, Barbados, and those additional countries or agencies assisting with the provisional arrest and the extradition of Brown.

  
\_\_\_\_\_  
JOHN SOMMERCAMP  
Special Agent, Federal Bureau of Investigation

SWORN AND SUBSCRIBED TO ME  
ON 10 AUGUST, 2004.

  
\_\_\_\_\_  
HONORABLE DALE A. DROZD  
U.S. Magistrate Judge

APPROVED AS TO FORM

  
\_\_\_\_\_  
ROBIN R. TAYLOR  
Assistant U.S. Attorney

April 22, 2002	\$500,000
May 3, 2002	\$200,000
August 20, 2002	\$400,000
<b>TOTAL</b>	<b>\$5,050,000</b>

In or about 2003, suspecting fraud, Royal Bank of Canada requested Brown close his bank account, citing concerns about possible money laundering and fraud. In particular, while in the process of opening a new bank account for Brown in the name American Transport Insurance Corporation, bank officials discovered that numerous cease and desist orders had been issued against Brown relating to the unlawful sale of insurance. On August 14, 2003, Brown wired \$2,306,803.44 to an account in the name of John Hollis, at the First California Bank, in Camerillo, California. John Hollis holds himself out as counsel for TCE, CSL, and others. On or about August 18, 2003, Brown had the \$2.5 million in this account wired to Allied Irish Bank account, No. 01614092 in Ireland, to an account in the name of TCE set forth below.

(c) Kenmare, Ireland:

Of the premium proceeds contained in the TCE US Bank Account, more than \$1.36 million was transferred via wire to account no. 015750985 at the Allied Irish Bank (AIB) to an account in the name of Crest Lake Properties LTD, between July 2001 and March 2003. According to testimony by an AIB bank official, obtained pursuant to MLAT, the account was opened by directors Robert L. Brown and Shirley Whitaker on June 24, 2001, at the Kenmare, Ireland branch. Robert L. Brown and Shirley Whitaker also opened account no. 01614092 at the Kenmare, Ireland, AIB branch for TCE as directors in July 2003, utilizing their false passports.

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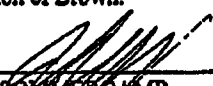
**J. CONCLUSIONS**

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enforcement in this country, Ireland, Barbados, and those additional countries or agencies assisting with the provisional arrest and the extradition of Brown.

  
\_\_\_\_\_  
JOHN SOMMERCAMP  
Special Agent, Federal Bureau of Investigation

SWORN AND SUBSCRIBED TO ME  
ON 10 AUGUST, 2004.

  
\_\_\_\_\_  
HONORABLE DALE A. DROZD  
U.S. Magistrate Judge

APPROVED AS TO FORM

  
\_\_\_\_\_  
ROBIN R. TAYLOR  
Assistant U.S. Attorney