

BCSC target Pacific International in new Mafia indictment

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In the latest case of U.S. authorities chasing Mafia-linked clients of Canadian brokerages, an associate of New York's Colombo organized crime family and nine others have been charged with securities fraud and money laundering in four penny stock pump-and-dump promotions through greased brokers. Eight targets were arrested in predawn raids Thursday by the agents of the FBI and the U.S. Postal Inspection Service in New York and Miami, while one was already in custody and another is at large.

The United States Department of Justice claims the ring rigged four Nasdaq promotions: Healthwatch Inc., Scottsdale Cigar Co. Inc., Clinical Aesthetics Centre Inc. and Metro Global Media Inc.

In a superseding indictment unsealed Thursday in United States District Court for the Eastern District of New York, authorities claim the alleged fraudsters, several of whom are well known to Canadian regulators, used offshore accounts at Mark Valentine's now defunct Bay Street brokerage Thomson Kernaghan and Pacific International Securities, a controversial Howe Street brokerage now in the midst of a landmark Canadian regulatory prosecution. Pacific International spokesman and compliance director, Richard Thomas, who was unaware of the Rizzo indictment until provided it by Stockwatch, declined immediate comment, citing the current BCSC proceeding.

This latest indictment traces out the alleged co-conspirators of Francesco (Frank) Rizzo, detained without bail since his Dec. 16 arrest on a criminal complaint identifying him as an associate of the Colombo La Cosa Nostra, or LCN, family. Mr. Rizzo, 43, of Glen Cove, N.Y., was arraigned on Jan. 31 on an earlier securities fraud indictment in this case.

The nine new defendants include repeat securities violators Angel Luis Lorie, 60, of Miami, and Gerard Burns, 54, of Scottsdale, Ariz., previously identified by the British Columbia Securities Commission as star bad-boy clients of Pacific International, Russian national Eugene Slusker, Glen Vincent Benussi, and five brokers at Centex Securities, a now-defunct U.S. brokerage fond of Vancouver deals: Douglas Alfieri, Louis Caesar Ceparano, David Brian Miller, Frank Matthew Savasta and Peter Jason Worrell.

In the arrest operation, Messrs. Burns, Alfieri, 38, of East Rockaway, N.Y., Ceparano, 38, of Melville, N.Y., Miller, 30, of New York, and Worrell, 30, of Syosset, N.Y., were arrested in New York and set for arraignment Thursday afternoon by U.S. District Court Judge Joanna Seybert at the federal courthouse in Central Islip, N.Y. Mr. Lorie, Mr. Benussi, 39, of Wellington, Fla., and Mr. Savasta, 33, of Lantana, Fla., were arrested at their homes in Florida, and set for initial arraignment in U.S. District Court for the Southern District of Florida before being shipped off to New York. FBI agents are seeking Mr. Slusker, alias Gene Shuskar, 36, a Russian national last known to be in Brooklyn, N.Y.

The arrests are the latest career achievements for Pacific International clients Ms. Lorie and Mr. Burns, alias Gerald Burns, prosecuted together by the United States Securities and Exchange

Commission in 1997 for flogging \$2.7-million worth of worthless stock to Spanish investors. (Mr. Burns has also used other aliases, including Leonard Thoubburon and Gerard Thoubburon.)

The Rizzo ring was gearing up around the time the SEC targeted Mr. Burns and Ms. Lorie in for flogging worthless stocks to Spanish victims. On Sept. 30, 1997, Ms. Lorie Burns and Diversified Capital Resources Inc., a Miami-based investment banking company she headed and controlled, were barred by a federal judge in Florida from "recklessly offering or selling securities" and from acting as unregistered broker-dealers.

The same day, the SEC barred Ms. Lorie from participating not just in any penny stock offering, but also from the securities industry in general. The lifetime ban included acting as a promoter, finder, consultant, or other person who engages in actions with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

The SEC complaint, filed Sept. 29, 1997, claimed Mr. Burns and Ms. Lorie sold \$2.7-million worth of share of VDS Enterprises Inc., based on false financials filed with the regulator. (All figures are in U.S. dollars.) The victims were told that VDS had acquired a garbage business in Venezuela, its anticipated annual revenues of \$45-million to \$50-million, it had assets of \$16.43-million, shareholders' equity of \$14.75-million and service contracts for \$100-million, none of which was true. In October, 1998, Mr. Burns was barred from acting as an officer or director of a public company, fined \$100,000 and ordered to pay disgorgement of \$2.7-million.

Ms. Lorie did not keep her nose clean for long. The SEC targeted her again in August, 2001, when it filed an action charging her, American Healthcare Providers Inc., her son and three others in an Internet market manipulation scheme. The SEC claims the group made at least \$1.47-million in illicit profits by pumping American Healthcare stock through bogus press releases and Internet chat site postings. The stock endured a 10-day SEC suspension in June, 2000, after the company falsely announced a major contract with a New York health program.

Mr. Burns is no stranger to handcuffs. He went to prison in May, 1988, on fraud charges stemming from the sale of unregistered securities, and was released in December, 1991. More recently, he and partner David Rowe were the key figures in the Cambridge International Bank and Trust debacle, an offshoot of Van Brink's First International Bank of Grenada prime bank scheme.

Mr. Burns and Mr. Rowe, investigated by the BCSC, the FBI, the SEC and numerous state securities regulators, were arrested in March, 2001, in the Cambridge case, a prosecution led by the U.S. Attorney's Office for the Northern District of California. The Cambridge indictment claims Mr. Burns and Mr. Rowe raised at least \$30-million from more than 300 investors in the U.S. and Canada., and the scheme involved accounts at Vancouver brokerage Union Securities, First Heritage Savings Credit Union, in the Vancouver suburb of Langley, and Lines Overseas Management Ltd. in Bermuda.

In the latest unflattering revelations about Mr. Burns, the current indictment claims he and Mr. Slusker, the Russian on the loose, secretly owned portions of Centex Securities, a brokerage, based in the San Diego suburb of La Jolla, Calif., recently shut down by the National Association of Securities Dealers. (Mr. Slusker also controlled a Centex account in the name of A.K. Arthur International Co.) The Rizzo ring operated out of Long Island, N.Y., branches of two dubious national brokerages, both since shut down, Centex and Jaron Equities.

The new indictment is especially embarrassing for Canadian brokerages Pacific International of Vancouver and Thomson Kernaghan of Toronto.

Pacific International is in the late stages of a lengthy precedent-setting hearing by the BCSC, which claims the brokerage had the misfortune of attracting and servicing far more than its Howe Street share of penny stock crooks, securities violators, criminals and other riff raff. The Canadian regulator launched its prosecution in July, 2001, in the wake of Stockwatch reporting numerous U.S. indictments and SEC prosecutions featuring Pacific International as an alleged stock and money laundering conduit for Mafia associates and other securities violators.

Shalom Weiss, recently extradited from Austria to Orlando, Fla., to start an 845-year prison term leads a list of 14 dubious clients noted by the BCSC in its notice of hearing, followed by Mr. Burns and Ms. Lorie. While Pacific International has not yet opened its defence at the BCSC hearing, it is expected to argue that despite allegations in FBI, SEC, U.S. Justice Department and other regulatory documents, Mr. Weiss and Mr. Burns were never clients of the brokerage.

Thomson Kernaghan was shut down last summer by the Ontario Securities Commission and the Investment Dealers Association of Canada, largely stemming from numerous dubious transactions involving its head, Mr. Valentine. In the week following the OSC action, Stockwatch unveiled many dubious penny stock deals which caught the interest of Mr. Valentine and his brokerage.

Mr. Valentine is currently under house arrest with electronic monitoring in Florida, after waiving extradition in the wake of his Aug. 14 arrest at Frankfurt's airport as a key target of Operation Bermuda Short, a two-year joint RCMP-FBI undercover sting targeting 60 North American penny stock players for agreeing to bribe a mutual fund manager or to launder funds for a Colombian cocaine cartel. While legendary shorter Mr. Valentine and his Bermuda-based offshore front Paul Lemmon inspired the name Bermuda Short, Mr. Lemmon has since pled guilty and agreed to rat on Mr. Valentine.

The current indictment claims the Rizzo ring conspired to commit securities fraud through dealings at Jaron and Centex in New York, and from additional locations in the Miami area, and conspired to launder more than \$2.6-million of their illicit profits, between March, 1997, and May, 1998. Messrs. Rizzo, Benussi, Burns, Slusker and Lorie alleged gained control of large blocks of free-trading shares of Healthwatch, Scottsdale, Clinical Aesthetics and Metro Global, with the assistance of the indicted Centex brokers and unindicted unidentified Jaron brokers.

"The defendants used bank and brokerage accounts in the United States, Canada and the Channel Islands of Guernsey in the United Kingdom to launder approximately \$2.6-million in proceeds from the fraudulent sales of these stocks," states the U.S. Justice Department.

The targeted penny stocks performed quite well under the magic spell of the Rizzo ring, under the plug was pulled. Scottsdale Cigar shares peaked at \$5.37 in December, 1997, then plummeted to 44 cents by March, 1998. Shares of Clinical Aesthetics peaked at \$10 in November, 1997, before falling to 50 cents by the following March. Metro Global shares doubled to \$4 in January, 1998, then abruptly fell to \$2.50.

Alas, these stocks were hardly blue chip material and required hefty 30-per-cent kickbacks to interest the Centex brokers.

The indictment notes that Ms. Lorie, operating out of an office in Miami, used nominees to open foreign brokerage accounts. These included accounts in the names of VISP SA and Southcross Ltd. at both Thomson Kernaghan in Toronto and Pacific International in Vancouver. (A Howe Street source suggests the indictment may be partially incorrect, as Pacific International never handled an account in the name of VISP SA.)

Mr. Burns allegedly controlled trading of the targeted penny stocks at Centex. "He also controlled trading of the companies' stock deposited into the 'VISP SA' and 'Southcross Ltd.' brokerage accounts established by the defendant Angel Luis Lorie at Thomson Kernaghan and Pacific International," states the indictment.

Mr. Berussi, who acquired the office space used to house a Centex branch at Valley Stream, N.Y., controlled accounts at Centex and Barclays Bank PLC in the name of Barson's Holdings. He allegedly used the Barclays account and an offshore account in the name of Rum Ltd. at Bank of Butterfield in Guernsey as conduits to secretly transfer the proceeds of penny stock sales at Jaron and Centex to a bank account controlled by Mr. Rizzo, the Colombo Mafia associate, in the name of Emerald Security Consultants Inc. at Chase Manhattan Bank.

"Defendants GERARD BURNS, ANGEL LUIS LORIE, GLEN VINCENT BENUSSI and EUGENE SLUSKER established domestic and foreign brokerage accounts, including the VISP SA and Southcross Ltd. accounts at Thomson Kernaghan and Pacific International, the Barsons brokerage account and the A.K. Arthur account to execute prearranged trades of stock in, among other companies, Scottsdale Cigar, MGMA (Metro Global) and CLES (Clinical Aesthetics) between these accounts, all for the purpose of artificially inflating trading volume in these stocks, generating market interest in these stocks, and fraudulently converting securities into cash by selling these stocks to members of the investing public that were led to believe that the companies had services and assets in excess of their true value," states the indictment.

The indictment also claims Mr. Rizzo, Mr. Benussi and Mr. Slusker, "together with others whose identities are known to the Grand Jury," hired brokers at Jaron and Centex, including defendants Messrs. Alfieri, Ceparano, Miller, Savasta and Worrell, to use "manipulative and deceptive practices" to artificially boost the stocks through a series of rigged trades.

"It was a further part of the conspiracy that the defendants FRANK RIZZO, GLEN VINCENT BENUSSI, GERARD BURNS, ANGEL LUIS LORIE AND EUGENE SLUSKER paid, promised to pay and caused others to secretly pay DOUGLAS ALFIERI, LOUIS CAESAR CEPARANO, DAVID BRIAN MILLER, FRANK MATTHEW SAVASTA and PETER JASON WORRELL, among other brokers, cash kickbacks and other forms of compensation substantially in excess of ordinary brokerage commissions, amounting to approximately 30 per cent of the sales they made of the Companies' stocks, to induce them to sell the Companies' stocks."

Among other things, the dirty brokers forgot to tell their sucker clients about their kickbacks, which included an \$1,150 watch Mr. Savasta received. In January, 1998, Mr. Rizzo, Mr. Burns and all the other defendants except for Ms. Lorie, traveled to Las Vegas for some sort of a shindig. The indictment notes the brokers were greased with a number of the bribes on Feb. 6, 1998, and Mr. Alfieri, apparently a stickler for detail, prepared a list a week later of the outstanding kickbacks owed to him and his five fellow Centex brokers for flogging the stocks.

All defendants, of course, including Mr. Rizzo, Mr. Burns and Ms. Lorie remain presumed innocent until proven guilty. If convicted however, they face maximum sentences of five years in

prison for conspiracy to commit securities fraud, 20 years for money laundering, fines of up to twice the illicit profits gained, and civil forfeiture of up to \$2.6-million in real and personal property involved in the money laundering or traceable to the money laundering conspiracy.

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