

Feds say case reveals scams within a scam

Lawsuit » Trader says there was nothing improper about investors' losses.

By **TOM HARVEY**
The Salt Lake Tribune

Pyramid schemes feeding a Ponzi operation. Smaller Ponzis within a larger one. Gold worth \$500 million sitting in banks. A Dubai businessman with \$500 million cash in crates in a London warehouse. Scammers scamming

other scammers.

Stories emanating from a federal court case in Utah reveal a weird and wacky world of alleged frauds into which were poured tens of millions of dollars from unwary U.S. investors.

The U.S. Commodity Futures Trading Commission filed suit in January against a Utah futures

investment company, U.S. Ventures, which the agency alleges was a Ponzi scheme that fraudulently took \$50 million from investors and lost much of it in unprofitable trades.

In a report to the U.S. District Court for Utah, court-appointed receiver Wayne Klein said U.S. Ventures had aspects of both a

pyramid and a Ponzi scheme.

Klein alleged money was fed to U.S. Ventures from other entities, which acted like multilevel marketing companies, with commissions flowing through various levels as investors recruited others into the scheme. Some of those other entities also were Ponzi schemes, he added, in which money from newer investors was used to pay initial investors to make

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Where the money allegedly flowed

Court documents say the investment chain had several levels. They add that the pyramid nature of this structure seems to have had a significant impact on money flows in several ways.

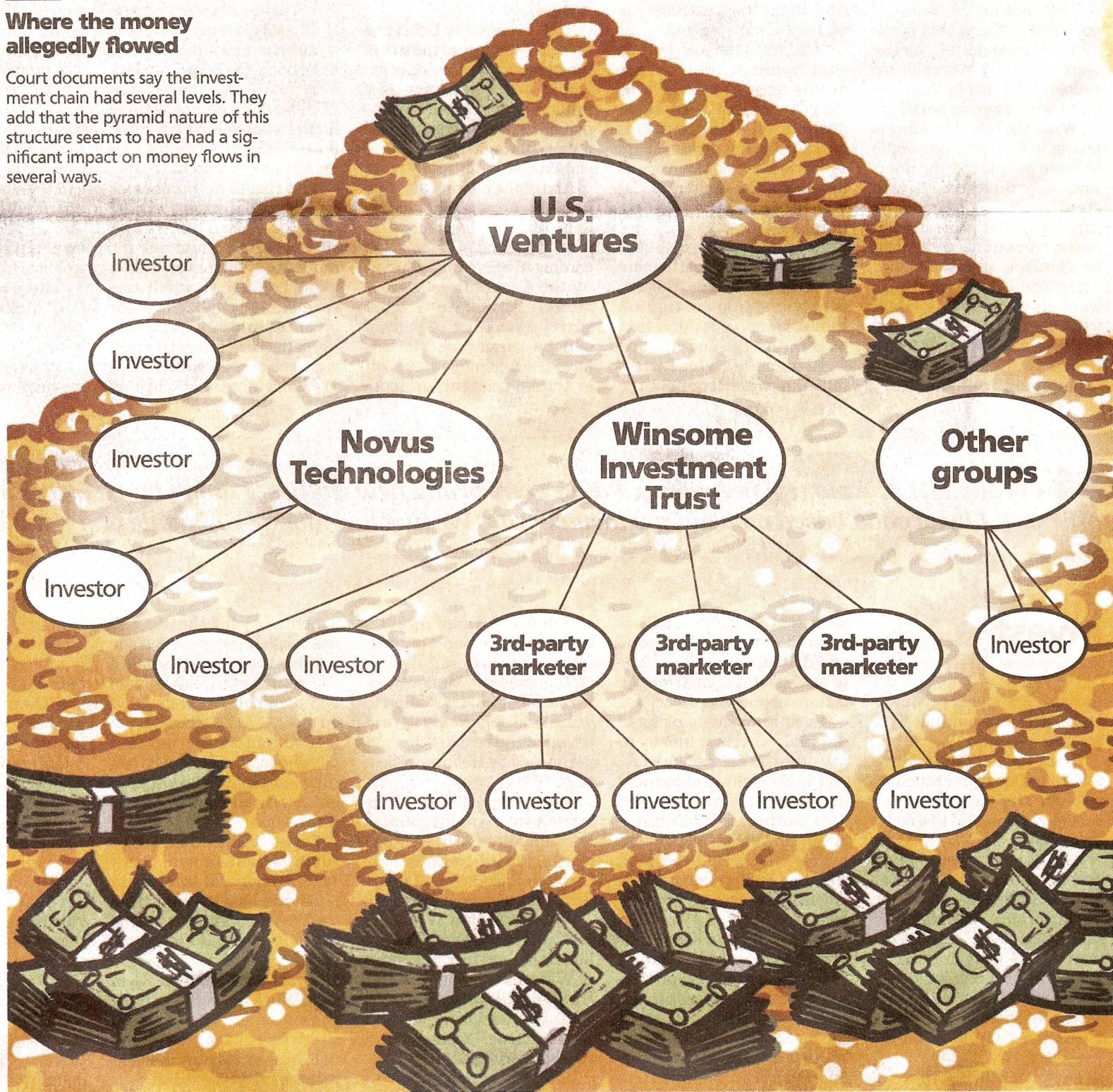


ILLUSTRATION BY BLAIN HEFNER | *The Salt Lake Tribune*

As plastic reigns, there's less cash on the presses

I really lost [the money] in trading. I didn't buy a brand new clothes. I didn't buy a brand new Viper. I didn't wire money offshore. I lived good based on what my income was. We just lost money. ... I made bad trades."

ROBERT HOLLOWAY | Owner, operator of U.S. Ventures, who began investing on behalf of others in 2005

Invest

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the business appear profitable and enable it to continue to attract new money.

"There are indications there were smaller Ponzi schemes within the larger Ponzi scheme," Klein said in a court document.

U.S. Ventures was owned and operated by Robert Holloway, a former securities and insurance salesman who now lives in San Diego. Holloway told investigators he began trading in commodities in 2004 and by the next year was investing on behalf of others. He denies that he acted improperly.

Despite claims that he made profits on more days than those in which he lost money, Holloway proved to be a terrible trader, suffering catastrophic losses, said Klein, an attorney and former director of the Utah Division of Securities.

"After the first month of trading, the company's liabilities exceeded its assets," Klein said in the report.

Overall, after sending \$25 million back to investors and taking out \$15 million in commissions or for other uses — including \$3.3 million that went to Holloway for personal use and expenses — the overall loss was about \$10 million, the report said.

Holloway said in an interview he was not running a Ponzi scheme, that business

records in the hands of federal authorities back up his claims and that all of the allegations of wrongdoing stem from the actions of business associates.

"In no way shape or form did I take investor money to pay other investors," he said. "I really lost [the money] in trading. I didn't buy brand new clothes. I didn't buy a brand new Viper. I didn't wire money offshore. I lived good based on what my income was. We just lost money. ... I made bad trades."

According to a second report filed in court last month, Holloway has failed to provide most company records to the receiver because they are in the hands of the Department of Justice, indicating it is conducting a criminal investigation.

Representatives of the FBI declined to comment, but an investor who lost money said she had been contacted by the agency.

According to court documents, about \$5 million of U.S. Ventures money came from two other companies, Novus Technologies LLC and RCH2, both of which have been sued by the Securities and Exchange Commission. U.S. District Judge Tena Campbell called Novus a Ponzi scheme in a recent ruling imposing sanctions on owner Ralph W. Thompson.

About half of the money taken in by U.S. Ventures, about \$25 million, came from a Texas company called Winsome Investment Trust,

which was formed in 2002 by an attorney and accountant named Robert J. Andres. Of that amount, Holloway returned about \$14.5 million to Winsome, apparently as profit, with the rest lost in trading or used by Holloway, Klein said.

The sources of Winsome's investment monies were smaller entities, some of which paid commissions through four layers of investors, the receiver alleges.

"We found that Winsome had brought in around \$50 million from investors, and much of Winsome's money came in from multilevel-type sources, a pyramid scheme within a Ponzi scheme," Klein said in a recent interview.

Andres did not return an email seeking comment. But Klein said Andres listed dubious assets on his books and poured around half of its \$50 million in investor money into various schemes.

"It does appear that \$25 million was lost by Winsome in other scams, and we don't yet know the extent of Winsome's knowledge of these other scams," Klein said.

Those losses and claims of investments in various entities had a real-life impact on perhaps 400 or more people in the United States and Canada, said Pat Huff of Lehi.

Huff invested in Winsome through a Las Vegas man after taking out \$25,000 in equity in her home. She admits she was "really stupid" to believe promises of 12 percent return

a month in what she was told was a safe investment. But she said her losses pale to some of the dozens of investors who contacted her after she posted a note on scam.com.

"I've had calls from people who lost their homes, lost their marriages, who lost their entire retirement in this, and it's all gone."

On its balance sheet, Winsome carried an item claiming a 40 percent interest in a "Safekeeping Receipt" from the Union Bank of Switzerland, which it said represented 500 metric tons of gold having a face value of \$7.7 billion, Klein said. Winsome paid "costs, expenses and advances" for its interest, though the receiver has not determined how much investor money was spent.

Winsome also was apparently claiming some type of interest in the monies held by a Brussels entity called EuroClear. Andres' attorney, Elgin R. Clemons Jr., produced for the court a EuroClear document that showed it had \$2.1 octillion (with 48 zeros) deposited in Bank of America, with many more octillions of dollars in other banks.

In April 2007, the Securities and Exchange Commission filed a lawsuit against U.S. Ventures and Holloway, prompting Andres to stop forwarding investor monies to the Utah company.

Instead, according to Klein, Andres told his investors they would receive a fixed 8 percent per month return, and he then embarked on a series of

"fantastic" investments that "strain credulity."

Among them, according to the receiver:

» Clemons brought Andres into a deal after a meeting in London with a wealthy businessman identified as Mohammed bin Ali Al Abbar, who allegedly showed Clemons several trunks in a secret storage facility that contained \$500 million in cash. Clemons turned to Andres and Winsome to provide funds for fees and taxes that would be used to legalize the presence of the money in England. In return for providing \$5 million, the legalized \$500 million was to be placed with Winsome for investment, according to court documents.

Winsome wired more than \$4.7 million to a series of U.K. banks, but the operation was a fraud, Klein said.

» Andres poured \$5.2 million (in addition to \$1.2 million sent earlier) into trying to buy a company called Aerospace Consulting Corp. The company had a device described as a "Transportable, Self-Controlled Plasma Neutralization of Highly Toxic Biochemical Waste" that reportedly could neutralize chemical and other hazardous waste.

Aerospace Consulting had filed for bankruptcy, and Andres joined with Roger Remy, the device inventor, to buy the company.

Winsome had "supposedly licensed the rights to this

invention to China and Taiwan, for which it was supposed to earn \$600 million in licensing fees," Klein said.

The two were never able to complete the transaction despite spending \$6.4 million, he added.

» In June 2007, Andres was "appointed" as the "personal financial and investment trustee" for Fu Leung Antonio Yu, a Hong Kong resident. Yu signed a "Trust Declaration" giving Andres control over \$10 billion of Yu's funds, supposedly held at the Federal Reserve Bank in New York in the name of Wilfredo Saurin. Proof of the funds was contained in "Certified Safekeeping Receipts."

In November 2007, the bank posted a "fraud warning" about claims that Wilfredo Saurin had money deposited with it, though Andres told his attorney the warning applied only to imitators of Saurin, according to documents.

Andres spent \$140,000 of investor monies trying to take possession of the supposed Certified Safekeeping Receipts.

Clemons surrendered his law license in Arkansas earlier this year rather than face a disciplinary hearing before that state's Supreme Court for serious misconduct.

Klein told the court it may take two years or so to trace the funds and attempt to recover some for investors.

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