

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 07-80179-CR-HURLEY/VITUNAC(s)

UNITED STATES OF AMERICA,

Plaintiff,

v.

**RON WILLIAMS,**

Defendant.

---

**GOVERNMENT'S NOTICE OF INTENT TO OFFER EVIDENCE  
OF DEFENDANT'S PRIOR FRAUD CONVICTIONS**

The United States files this notice of intent to offer the Defendant's prior fraud convictions during the Government's case-in-chief.<sup>1</sup> The Defendant's prior fraud convictions are highly relevant and probative as to his intent to defraud and criminal intent in omitting material facts in furtherance of the charged offenses. Moreover, the Defendant's prior state fraud convictions were for offenses remarkably similar to the offenses alleged in the instant case, as such, the probative value outweighs the prejudice to the defendant. The prior state fraud convictions are dispositive of Williams' criminal intent in this case and fairness dictates that it should be admitted.

**STATEMENT OF THE CASE**

The Defendant is charged with mail fraud, wire fraud, and money laundering in connection with a fraudulent investment scheme. The Superseding Indictment alleges that the Defendant

---

<sup>1</sup> In its second response to the standing discovery order, filed on April 2, 2008, the United States notified the defense that the government may seek to introduce under Rule 404(b) evidence underlying his past criminal activity that resulted in arrests and/or convictions, including evidence relating to his 1998 securities fraud convictions.

unjustly enriched himself by lying to investors in order to induce them to invest money in shares of stock in a company called International Systems and Electronics (“ISE”). Investors were falsely told that they would receive freely tradeable shares of ISE stock for their investment. At the time the individuals invested with the Defendant, ISE was not a publically traded company. The Defendant represented to investors that they would receive publically traded ISE stock after ISE went public through a reverse merger with an existing public shell company. The Defendant falsely represented to investors that this initial public offering of ISE stock was imminent. The Defendant falsely represented that the investors’ funds would be held in escrow, and that their investment would more than double.

The Defendant also made omissions of material fact to investors. The Defendant failed to disclose to investors that he had several state fraud convictions, which included a securities fraud conviction. In 1998, the Defendant was convicted in Dade County Circuit Court, case number 95-11506A, of securities fraud, conspiracy to commit securities fraud, and thirteen counts of grand theft. Also in 1998, in Dade County Circuit Court, case number 93-38848A, the Defendant was convicted of racketeering, conspiracy to commit racketeering, fraudulent transaction, organized fraud, communications fraud, and issuance of worthless checks. Finally, also in 1998, in Dade County Circuit Court, case number 95-25302A, the Defendant was convicted of organized fraud-scheme to defraud, and loan broker/prohibited acts. Had the investors been informed of the Defendant’s prior fraud convictions, they would not have invested with the Defendant’s company.

From June 2007 through October 2007, over \$500,000 of investor monies were deposited into bank accounts controlled by the Defendant pursuant to the fraudulent scheme. Instead of using investor funds in connection with taking ISE public, the Defendant used the funds for other matters,

including personal use by the Defendant.

When investors questioned the Defendant about their investment, the Defendant made numerous misrepresentations in order to lull the investors. For example, on January 16, 2008, the Defendant informed one of the investors that the initial public offering of ISE stock was imminent, and that the investor's funds were in escrow. In reality, the investor's funds had been spent months before for other matters, such as, interior decorating plans for an expensive residence owned by the Defendant's company.

### **MEMORANDUM OF LAW**

It is clear that the Defendant's prior state fraud convictions have substantial, independent probative value as to his intent to defraud and criminal intent in omitting material facts in furtherance of the offense. *See United States v. Bianco*, 181 Fed. Appx. 846 (11<sup>th</sup> Cir. 2006)(upholding admission of criminal conviction and prior regulatory history in prosecution for mail and wire fraud).

Federal Rule of Evidence 404(b) states, in pertinent part:

Evidence of other crimes, wrongs, or acts is not admissible to prove the character of a person in order to show action in conformity therewith. It may, however, be admissible for other purposes, such as proof of motive, opportunity, intent, preparation, plan, knowledge, identity, or absence of mistake or accident . . . .

The rule is one of inclusion which allows the use of such evidence unless it tends to prove only criminal propensity. *United States v. Cohen*, 888 F.2d 770, 776 (11th Cir. 1989); *see also United States v. Perez-Tosta*, 36 F.3d 1552, 1561 (11th Cir. 1994) (Rule 404(b) evidence should not lightly be excluded when it is central to the prosecution's case.).

The standard for admission of evidence under Rule 404(b) in the Eleventh Circuit was first

announced in *United States v. Beechum*, 582 F.2d 898 (5th Cir. 1978). Under *Beechum* and subsequent decisions, to be admissible, the evidence in question (1) must be relevant to an issue other than the defendant's character; (2) must be established by sufficient proof to permit a jury finding that the defendant committed the extrinsic act; and (3) the probative value of the evidence must not be substantially outweighed by unfair prejudice. *United States v. Giordano*, 261 F.3d 1134, 1140 (11<sup>th</sup> Cir. 2001). The third factor brings into play the balancing test of Rule 403. "Rule 403 is an extraordinary remedy which should be used only sparingly since it permits the trial court to exclude concededly probative evidence." *United States v. Betancourt*, 734 F.2d 750, 757 (11<sup>th</sup> Cir. 1984). "[U]nfair prejudice' as used in Rule 403 is not to be equated with testimony simply adverse to the opposing party. Virtually all evidence is prejudicial or it isn't material. The prejudice must be "unfair.'" *Dollar v. Long Mfg., N.C., Inc.*, 561 F.2d 613, 618 (5<sup>th</sup> Cir. 1977). All three *Beechum* factors are easily met in this case.

As to the first *Beechum* element, a proper purpose is to prove intent when intent is in issue. To prove mail and wire fraud, the Government must establish that the defendant: (1) intentionally participated in a scheme to defraud a person of money or property, and (2) used the mails and interstate wires in furtherance of the scheme. *See United States v. Sharpe*, 438 F.3d 1257, 1263 (11<sup>th</sup> Cir. 2006); *United States v. Hasson*, 333 F.3d 1264, 1270 (11<sup>th</sup> Cir. 2003).

Here, the evidence of the Defendant's prior fraud convictions have substantial probative value as to his intent to defraud and criminal intent in omitting material facts in furtherance of the offense. Furthermore, prior offenses may be admitted to prove intent if:

(1) the extrinsic offense requires the same intent as the charged offense and the jury could conclude that the defendant committed the extrinsic offense; and

(2) the court finds that the probative value of the evidence weighs more heavily than the prejudice the defendant would sustain if admitted. *United States v. Pessefall*, 27 F.3d 511 (11<sup>th</sup> Cir. 1994). In *Pessefall*, the government was properly permitted to offer evidence that eight years prior to the charged offense, the defendant, a law enforcement officer, had accepted money to protect a smuggling operation. The charged offense involved the same conduct. In drug cases, a defendant's prior (or subsequent) drug trafficking offense will generally be admissible to prove that he acted with the requisite intent in connection with the charged offense. *United States v. Dickerson*, 248 F.3d 1036 (11<sup>th</sup> Cir. 2001); *United States v. Cardenas*, 895 F.2d 1338 (11<sup>th</sup> Cir. 1990); *United States v. Zapata*, 139 F.3d 1355 (11<sup>th</sup> Cir. 1998).

Williams' prior state fraud convictions were for offenses remarkably similar to the charged offenses. The probable cause affidavit supporting the Defendant's prior arrest for securities fraud is attached as Exhibit 1. Just as in the present case, Williams represented himself as an investment banker who provided funding to small and medium size companies through reverse mergers and public stock offerings. Just like in the present case, Williams proposed to client companies, that as a means to raise capital, they engage in a reverse merger with a public shell company to be immediately followed by a secondary public stock offering. Following such a merger and prior to the public stock offering, interested investors could purchase the client's company's stock at ground floor prices. The interested investors were told they would make a substantial profit in a short period of time. Just like in the present case, Williams failed to disclose to both the client company and the ground floor investors that he had previously been convicted of fraud offenses. In 1988, Williams pleaded guilty to conspiracy to defraud the IRS. This guilty plea was in connection with a multi-count criminal RICO indictment filed in the Southern District of New York. The Defendant also

pleaded guilty to two counts of aiding and assisting in the filing of false tax returns in connection with an indictment filed in the Northern District of Texas.

Additionally, it is settled that evidence of criminal activity other than the offense charged is not extrinsic evidence if it is inextricably intertwined with the evidence of the charged offense. *United States v. Collins*, 779 F.2d 1520 (11<sup>th</sup> Cir. 1986); *United States v. Foster*, 889 F.2d 1049 (11<sup>th</sup> Cir. 1989). Furthermore, Rule 404(b) does not apply where the evidence concerns the context, motive, and set-up of the crime and is linked in time and circumstances with the charged crime, or forms an integral and natural part of an account of the crime, or is necessary to complete the story of the crime for the jury. *United States v. Chandler*, 996 F.2d 1073 (11<sup>th</sup> Cir. 1993); *United States v. Williford*, 764 F.2d 1493 (11<sup>th</sup> Cir. 1985); *United States v. Cancelliere*, *supra*. Evidence admitted under the inextricably intertwined rule, however, is also subject to Fed. R. Evid. 403's balancing requirement. *United States v. Church*, 955 F.2d 688 (11<sup>th</sup> Cir. 1992). As previously stated, Williams' prior fraud convictions were material omissions to the prospective investors. Had the investors been informed of the Defendant's prior fraud convictions, they would not have invested with the Defendant's company.

Whether the second element has been established (the defendant's culpability for the prior act) is to be decided by the court by simply determining whether a jury could determine that the defendant committed the prior act. *Huddleston v. United States*, 485 U.S. 681 (1988). There is no doubt here regarding the Defendant's culpability for the prior act. Williams, with the advise of counsel, pleaded guilty in the prior state fraud cases.

In applying the third prong of the admissibility test (the probative value in relation to the prejudicial impact) the court should be mindful that although prior crime evidence has a significant

potential for prejudicial effect, it can be and should be employed when really necessary. In this case, the defendant put his intent in issue when he pleaded not guilty. The defendant will attempt to portray himself as a legitimate investment banker. The defendant will attempt to label this as a civil matter akin to a contract dispute. When in reality, the defendant never was in a position to provide funding to ISE. The prior state fraud convictions are dispositive of Williams' criminal intent in this case and fairness dictates that it should be admitted. *See United States v. Delgado*, 56 F.3d 1357, 1365 (11th Cir. 1995); *United States v. Hernandez*, 896 F.2d 513 (11<sup>th</sup> Cir. 1990); *United States v. Pollock*, 926 F.2d 1044 (11<sup>th</sup> Cir. 1991).

### **CONCLUSION**

The defendant's intent to defraud will be a central issue in this case. By simply entering a plea of not guilty, the defendant automatically makes his intent a material issue at trial. Absent affirmative steps by Williams to remove intent as a trial issue, the government may meet its burden of proof with Rule 404(b) evidence. *See Delgado* at 1365.

Respectfully submitted,

R. ALEXANDER ACOSTA  
UNITED STATES ATTORNEY

By: /s/ Rolando Garcia

ROLANDO GARCIA  
Assistant United States Attorney  
Florida Bar No. 0763012  
United States Attorney's Office  
500 S. Australian Avenue, Suite 400  
West Palm Beach, FL 33401  
Tel: (561) 820-8711  
Fax: (561) 802-1787  
E-Mail Address: [Rolando.Garcia@usdoj.gov](mailto:Rolando.Garcia@usdoj.gov)

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on October 17, 2008, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF.

*/s/ Rolando Garcia* \_\_\_\_\_

Rolando Garcia

WARRANT TYPE: ARREST WARRANT  
JPS#: 93000625  
COURT CASE NUMBER: F95-115086

CASE TYPE: FELONY  
REFILE INDICATOR:  
DIVISION: FOLZ  
M-4  
4.13.95

ALL AND SINGULAR SHERIFFS OF THE STATE OF FLORIDA, GREETINGS:  
YOU ARE HEREBY COMMANDED TO IMMEDIATELY ARREST THE DEFENDANT AND BRING HIM OR HER BEFORE ME, A JUDGE IN THE 11TH JUDICIAL CIRCUIT OF FLORIDA, TO BE DEALT WITH ACCORDING TO LAW:

DEFENDANT'S NAME: BEAM HENRY  
LAST FIRST MIDDLE TT

SEX(A(S):  
R/APT/CITY/ST/ZIP: 57 WEST 200 SOUTH / 503 / SALT LAKE CTY / UT/ 84101  
DOB: 08/24/54 RACE: W SEX: M HEIGHT: 510 WEIGHT: 195 HAIR: EYES: BLU  
SOC SEC #: 114-36-2704 CIN #: SID #: FBI #:  
VEHICLES, MARKS, TATTOOS: IDS #: 394460  
RIVERS LICENSE #: 0000822046 STATE: UT  
VEH TAG #: STATE: MAKE: MODEL: YEAR: COLOR:  
REMARKS: SPECIAL AGENT GEORGE AMANDOLA/FLORIDA DEPARTMENT OF LAW ENFORCEMENT.

ARREST INFORMATION:  
\*\*\*\*\*  
BEFORE ME PERSONALLY CAME ~~NOT, ASSIGNED~~ *George Amandola (Badge #98)* (AFFIANT) WHO, BEING DULY SWORN, STATES THAT THE DEFENDANT \*\* BEAM, HENRY \*\*, DID COMMIT THE CRIMES STATED IN THE ATTACHED STATEMENT OF FACTS. BASED UPON THIS SWORN STATEMENT OF FACTS, I FIND PROBABLE CAUSE THAT \*\* BEAM, HENRY \*\* DID COMMIT THE CRIME(S) OF:  
3 517.301 SECURITIES/FRAUDULANT TRANSACTION  
2 517.301(1) SECURITIES/FRAUDULEN TRANSACTION/CONSPIRACY

DADE COUNTY, FLORIDA, CONTRARY TO FLORIDA STATUTES AND AGAINST THE PEACE AND DIGNITY OF THE STATE OF FLORIDA.  
POLICE CASE #: 9156002 AGENCY: STATE ATTORNEYS OFFICE  
ASSISTANT STATE ATTORNEY: BLECHMAN STWIDE, BETH UNIT: 058

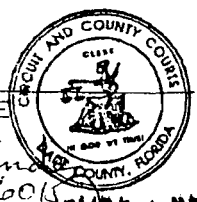
EXTRADITE INFORMATION  
EXTRADITE ANYWHERE  EXTRADITE WITHIN 1500 MILES  EXTRADITE FLA ONLY   
TRADITION MAY BE CONFIRMED WITH THE METRO-DADE POLICE DEPARTMENT, DADE COUNTY  
IN ANY EVENT, DEFENDANT WILL BE ARRESTED IF FOUND IN THE STATE OF FLORIDA \*\*

SWORN TO BY AFFIANT *George Amandola* ~~NOT, ASSIGNED~~ Badge #98  
COURT ID 956- 9999  
ORDERED THIS 13th DAY OF April, 1995.

JUDGE IN THE 11TH JUDICIAL CIRCUIT IN AND FOR DADE COUNTY FLA BOND AMOUNT  
FIRST APPEARANCE JUDGE MAY NOT MODIFY CONDITION OF RELEASE \$250,000.00  
(RULE 3.131(D)(1)(IV))

\*\*\*\*\*  
TO ANSWER UNTO THE STATE OF FLORIDA ON AN INFORMATION OR INDICTMENT FILED AGAINST HIM OR HER BY THE STATE ATTORNEY FOR THE CHARGE(S) OF:  
UPON ORDER OF A JUDGE IN THE ELEVENTH JUDICIAL CIRCUIT OF FLORIDA FOR FAILURE TO APPEAR IN COURT TO ANSWER THE PENDING CHARGE(S) FOR THE CHARGE(S) OF:

HARVEY RUVIN, CLERK OF THE COURT  
STATE OF FLORIDA, COUNTY OF DADE  
I HEREBY CERTIFY that the foregoing is a true and correct copy of the original on file in this office. MAY 05 1995  
DEPUTY CLERK HARVEY RUVIN, CLERK of Circuit and County, JUDGE  
Deputy Clerk *Mupe Hernandez*  
6015  
CUPE HERNANDEZ



IN THE CIRCUIT COURT  
OF THE ELEVENTH JUDICIAL  
CIRCUIT OF FLORIDA, IN AND FOR DADE COUNTY

FILED FOR RECORD  
1995 APR 13 AM 10:23  
CLERA CIRCUIT E. COUNTY COURT  
DADE COUNTY, FLA.  
CIRCUIT CRIMINAL #9

STATEMENT OF FACTS/  
PROBABLE CAUSE AFFIDAVIT

Before me, this day, personally appeared George Amandola and William R. Borah, who, being by me first duly sworn, depose and say:

Your affiant George Amandola has been a law enforcement officer for thirty-three years and is currently employed by the Florida Department of Law Enforcement (FDLE) as a Special Agent and has been since November, 1978. As a Special Agent his duties include a broad range of criminal investigations including but not limited to corruption, narcotics, fraud, theft and racketeering. Prior to his employment with FDLE, he was a Detective for seventeen and one-half years with the New York City Police Department (NYPD). His duties with NYPD included a broad range of criminal investigations including but not limited to homicide, rape, robbery, theft, fraud, and burglary. Your affiant has a Bachelor of Science degree in Behavioral Science with a Criminal Justice specialty. In addition, your affiant has received numerous career development training courses including courses dealing with fraud, racketeering and white collar crime.

Your affiant William R. Borah is a Senior Financial Investigator with the Office of the Comptroller, State of Florida, and has been so employed since January, 1987. Your affiant earned

a Bachelor of Arts degree from Florida State University. He has been employed in the criminal justice field for a total of nineteen years. He has completed the Fraud and Financial Investigation training program offered by the United States Treasury Department and the Financial Investigative Techniques training program offered by the Internal Revenue Service. In addition, your affiant has received in-service training including courses dealing with advance fee loan fraud, bank and securities fraud, money laundering and commodity investment fraud. As a Senior Financial Investigator, his duties consist of investigating fraudulent activities pertaining to securities, banking, mortgages and investments.

BACKGROUND OF IFG

As a result of complaints received in mid-1989 by the Office of the Comptroller, State of Florida, and intelligence information gathered by the Florida Department of Law Enforcement, an investigation began of the Intercontinental Financial Group, which became Interco Funding Group and then the Onyx Financial Group. These three related business groups are referred to collectively as IFG.

As it relates to this affidavit, IFG is made up of four principal people responsible for the company's representations and its operations. Ronald G. Williams, Walter S. Kolker and Edward Kruger control all aspects of IFG and are hereinafter referred to in relation to IFG as its principals and/or corporate officers. In mid-1991, Marshall Bernstein joined the three aforementioned

individuals and became president of the previously named Interco Funding Group and continued as president upon the formation and implementation of Onyx Financial Group. In May, 1992, Bernstein resigned as president and terminated his association with IFG.

In July 1991, your affiants began interviewing the numerous clients and former employees. From these interviews, your affiants learned that IFG describes itself as an investment banking firm with a full range of business and financial expertise. IFG's stated function (in brochures, hand-out materials, letters of commitment and statements to clients) is to provide funding for small and medium size companies through reverse mergers, public stock offerings, private placements and loans. IFG represents verbally as well as in written hand-out documents that funding or capitalization will occur within a specified time period from the date of contract execution.

Typically, IFG's clients are advised that funding from mergers or public stock offerings will occur within ninety (90) to one hundred and fifty (150) days. The potential clients are advised that the fee paid to IFG in advance is used to pay IFG's expenses in raising the financing. IFG's clients are also advised that the advance fee paid upon the execution of a contract will in many instances be fully or partially refundable should IFG fail to arrange for capitalization within the specified time period. In addition, some IFG clients are advised that IFG will arrange for interim or bridge loans in order to provide the client with needed funds until the permanent capitalization is arranged through the

mergers and stock offerings. In most instances, said loans and public stock offerings do not materialize. There were few refunds.

The hand-out documents given to prospective clients boast of IFG's impressive list of accomplishments since its inception in 1987. IFG claims that it has successfully arranged capitalization for four (4) clients through public stock offerings and that numerous other clients will be capitalized in the same manner within months. In many instances, prospective clients are provided with copies of newspaper articles about IFG's clients which further attest to IFG's ability to raise capital. Said articles indicate that capitalization has either occurred or is in the process of occurring through public stock offerings. Evidence shows that these representations of success are both misleading and fraudulent.

IFG advises prospective clients that IFG carefully analyzes the client's company in order to determine whether the company meets the funding criteria established by IFG and whether IFG can in fact arrange funding for the client's company. Evidence indicates that there is no detailed financial or feasibility analysis prior to IFG issuing a contract, in fact, commitments are usually issued by IFG at a client's first meeting with Ron Williams.

The above-described IFG services are incorporated into a contract or commitment letter. These "commitment letters" were the means by which IFG committed fraud because the evidence clearly shows that IFG never intended to fulfill its commitments; its

principals lied and misrepresented themselves to potential clients and refused to refund fees as promised when they failed to perform. Based on this previous investigation, Ron Williams, Walter Kolker and Ed Kruger were charged in November, 1993, by Information with various counts of criminal activity, including but not limited to Racketeering, Conspiracy to Commit Racketeering, Securities Fraud, Organized Fraud, and Communications Fraud.

During the course of the investigation that led to the filing of charges against the IFG principals, it came to light that IFG was also committing securities fraud as it relates to the public trading of the client company's stock. In many instances, Williams proposed to certain client companies that the best, least costly method of raising capital involved a reverse merger with a public shell corporation to be immediately followed by a secondary public stock offering. Williams said that following such a merger and prior to the public stock offering, interested investors could purchase the client company's stock (which would now be publicly traded) at "ground floor prices". The interested investors were told they would make a substantial profit in a short period of time.

The scheme continued as Williams, acting in concert with Doug Zemsky and others, would locate a public shell corporation, identify a client company with which to merge the shell, and then retain counsel to represent the client company and handle the reverse merger closing. Williams meanwhile, would purchase all available free trading stock of the public shell, solicit investors

who wanted to purchase stock of the client company and arrange for various securities brokerage firms to handle the stock transactions upon active trading of the stock.

Through the above-stated proposals, representations and actions, Ron Williams, Douglas Zensky, Henry Beam, Barry Globerman and others, committed securities fraud because the evidence shows they lied about the "ground floor investors" making profits on their investments, they failed to disclose to both the client company and the "ground floor investors" there was no basis in fact that the stock would appreciate at all, they failed to disclose that IFG had purchased or made arrangements to purchase the free trading stock of the shell corporation and they failed to disclose that IFG would profit upon active trading of the stock and omitted to reveal to clients the relationships amongst the above mentioned principals. Based on the documentary information gathered and multiple corroborating interviews conducted, your affiants believe that reverse mergers were arranged by IFG for a number of its clients for the sole purpose of generating cash for IFG, its principals and others.

This investigation has consisted of the following: (1) Interviews with IFG clients and employees, investors/victims who purchased stock in IFG client companies, and others knowledgeable of IFG or the investment banking industry; (2) A review of documents consisting of IFG's business records and correspondences which were seized during the execution of a search warrant in May

1992; (3) An analysis of IFG business records, correspondences and other documents; (4) A search of criminal and civil court records; and (5) A review of trading records obtained from both the United States Securities and Exchange Commission and participating brokerage firms as it relates to the public trading of the stock called Mieracle Corporation.

Your affiants have probable cause to believe and do believe that the activities conducted by IFG, Ron Williams, Doug Zemsky, Barry Globerman, Henry Beam and others are in violation of Florida Statutes 517.301 and 517.302, to wit:

1) Securities Fraud and Conspiracy to Commit Securities Fraud, in connection with the offer, sale or purchase of any investment or security, they obtained money or property from investors by means of a scheme to defraud and by untrue statements or by omissions to state a material fact or facts. A security is defined under this statute as stock or any transferable share.

2) Grand Theft in connection with the intentional taking of the property of others with intent to temporarily or permanently deprive them of a benefit of the property.

#### STATEMENT OF FACTS

A criminal history of Ronald G. Williams, a principal of IFG, shows he plead guilty on March 30, 1988, to Conspiracy to Defraud

the IRS. This guilty plea was in response to a multi-count criminal RICO indictment filed on September 15, 1987, in the U.S. District Court for the Southern District of New York. He was placed on four years probation on September 19, 1989. Also on March 30, 1988, Williams plead guilty to two counts of Aiding and Assisting in the Filing of False Tax Returns. This guilty plea was in response to a two count criminal indictment filed on March 18, 1988, in the U.S. District Court for the Northern District of Texas. On September 19, 1989, he was placed on four years probation on each count to run concurrently with each other and with previous imposed probation.

Civil court records in Dade, Broward and Palm Beach Counties reveal at least sixteen (16) judgements against IFG in relation to IFG's failure to obtain financing or the failure to return refundable fees paid by clients. Further, your affiants are aware of at least twelve (12) other civil court filings in Dade, Broward and Palm Beach Counties and other jurisdictions concerning IFG's failure to obtain financing for its clients.

IFG's offices are located on Brickell Avenue in Dade County, Florida. Business was conducted by, among other methods, U.S. Mail and telephonic communications from and to Dade County, Florida.

AKAL INTERNATIONAL

Your affiants interviewed the principals of Akal International (Akal), Sundar Raj and Gurmez Bains on June 20, 1994. Akal was an IFG client company. Raj and Bains related the following:

On or about June 21, 1991, IFG agreed to arrange capital for Akal in a minimum amount of 12 million dollars and a maximum amount of 20 million dollars through a public stock offering. IFG agreed to arrange for the capital within 180 days. IFG's handout material and verbal representations made by Ron Williams attested to IFG's ability to raise capital in this amount.

Based on the above representations, Akal executed a contract on August 21, 1991, retaining IFG as its investment banking firm. A copy of this contract is attached and identified as Exhibit A. This contract required Akal to pay an advance fee of \$50,000 to IFG. The first \$25,000 was wire transferred to IFG on August 21, 1991, the second \$25,000 was wire transferred to IFG on September 23, 1991.

In January, 1992, Williams proposed to Akal that the best approach to a public offering would be through a shell merger. Williams said the merger of Akal with a public shell corporation should be immediately followed by a secondary stock offering. Williams said after a merger, interested investors could purchase Akal stock (which would then be publicly traded) at ground floor prices. The investors would make a quick 100 percent profit within 90 to 120 days. A copy of a memorandum reflecting the above-stated proposal from Williams to Raj and Bains dated January 31, 1992, is attached as Exhibit B.

During this same time frame, Williams advised Raj and Bains that IFG had retained New York attorney, Barry Globerman to be Akal's securities attorney. Globerman would represent Akal concerning the

proposed reverse merger and secondary stock offering. In the months that followed, IFG presented a number of public shell corporations to Akal as merger candidates, including Parsons Technology and State Policeman Annual Magazine.

Around the beginning of March, 1992, Williams told Raj and Bains that in preparation for the reverse merger and secondary stock offering, it would be necessary for Akal to locate 300 investors who would purchase at least \$500,000 worth of stock in order qualify for a NASDAQ listing. The stock was to be purchased after the merger with the shell corporation and upon the stock becoming actively traded. Williams advised that these "ground floor investors" would be able to purchase the stock for about \$4.00 to \$5.00 per share and the stock would be worth \$10.00 per share within 90 days. Williams stated the secondary stock offering would go forward at the \$10.00 per share figure.

Williams also instructed that the investors should open brokerage accounts at Private Investors Cartel (PIC) in order to purchase the stock. According to Williams, Farhad Behzadi of PIC would be sending the investors account opening applications. Williams further stated that Doug Zemsky of IFG would be coordinating the opening of the accounts and the trading of the stock. Williams also said IFG would arrange for a half-million dollar bridge loan which would fund within fifty days of the reverse merger. According to Raj and Bains, these representations were made verbally and in writing. A copy of a letter dated March 9, 1992, from Williams to Raj is attached as Exhibit C.

Pursuant to Williams' instructions, in March, 1992, Akal held a meeting with interested investors in Toronto, Canada. The vast majority of persons attending this meeting resided in the Toronto area. Raj and Bains stated they told the interested investors that Akal had hired IFG, an investment banking firm, and that IFG arranged a merger of Akal with a public shell corporation named State Policeman Annual Magazine, that following the merger a secondary stock offering would occur, and that investors who wanted to purchase Akal stock following the merger could do so at about \$4.50 per share. They related that IFG anticipated that the secondary stock offering would be priced at approximately \$10.00 per share. Raj and Bains told the group that the "ground floor investors" could sell their shares at that time and make a profit of fifty to one hundred percent. The secondary offering would occur three to four months from the time of the merger and active trading of the stock.

Raj and Bains stated they presented the information to the interested investors as it had been represented to them by Williams and upon his urging. Raj and Bains stated they distributed PIC account opening applications at this meeting, along with a pricing memorandum that had been prepared and provided by IFG. A copy of this pricing memorandum dated March 1, 1992, is attached as Exhibit D.

Following the aforementioned meeting, Raj and Bains stated that many of the potential investors gave them completed applications and checks for the purchase of stock. They in turn forwarded the

applications and checks to PIC as instructed. They also sent copies of the applications and checks to Doug Zemsky at IFG, also done at Williams' instruction. Raj and Bains said more than sixty investors sent over 1.5 million dollars to PIC for the purchase of stock. Williams had also told them that he would bring in additional investors to make up anything short of the 300 investors that he had told them was required to qualify for a NASDAQ listing.

Around the beginning of April, 1992, Williams advised Raj and Bains that State Policeman Annual Magazine was not a good vehicle for the merger and they were given another company named Mieracle Corporation (Mieracle) as a viable public shell for the merger.

#### THE MERGER AND STOCK TRADING

On April 16, 1992, the merger of Akal and Mieracle was consummated at the offices of Barry Globerman in New York. At the closing were Raj, Mieracle principals Robert Gallaro and Randall Perry, Michael Cohen, Lucia Barcklow and Globerman. Throughout the closing, Williams was in touch by telephone.

A few days after the merger closing, when the stock began active trading, Raj and Bains learned the stock was selling at about \$14.00 per share and not at the previously understood price of \$4.50 per share. They called Williams and asked about this price discrepancy. Williams told them the stock would be forward split whereby Akal would issue two shares for each share of Mieracle that had been purchased by the investors. This would reduce the price per share to about \$7.00 and the anticipated

secondary stock offering would come out at a higher price. The "ground floor investors" would still make a profit.

Thus believing everything was proceeding as planned, Raj and Bains said that Akal continued to use the legal services of Globerman to complete the forward split and file a securities offering registration statement with the SEC. Globerman was paid directly by Akal for these services.

Raj and Bains stated IFG never raised any capital for Akal, either through a bridge loan or stock offering. They said Williams never delivered additional investors who would also purchase Akal/Mieracle shares upon the active trading of same. They also stated the price of the Akal/Mieracle shares steadily declined upon active trading, and the "ground floor investors" never profited as represented by Williams. According to Raj and Bains, Akal/Mieracle stock is currently worthless.

In addition, Raj and Bains stated they were never advised by Williams or any IFG representative of any of the following: (1) Williams and Walter Kolker had previously been arrested and convicted of felonies; (2) The vast majority of IFG clients never received the promised capital; (3) Numerous law suits had been filed and judgements had been obtained against IFG for its failure to deliver promised capital; (4) Williams or IFG would control or attempt to control most of the free trading stock of Mieracle prior to the public trading of same; (5) Williams or IFG would get or try to obtain the free trading stock as mentioned above for prices of \$2.00 per share or less; and (6) Williams or IFG would be profiting

upon the active trading of the Mieracle shares.

Raj and Bains stated they were never advised by their attorney, Barry Globerman, at either the closing of the merger or at any other time, of the following facts concerning transactions which simultaneously occurred with the merger closing: (1) Globerman had knowledge of Williams desire to purchase 53,450 free trading shares of Mieracle stock for \$1.00 per share from associates and relatives of Mieracle's principals Randall Perry and Robert Gallaro; (2) Globerman would and did handle certain aspects of Williams' purchase of the 53,450 shares; (3) Globerman had knowledge of Williams desire to have Perry and Gallaro remove the Rule 144 restrictions from 90,000 shares of Mieracle stock and sell it into the market upon active trading; and (4) Globerman would and did handle certain aspects involving the 90,000 shares which included acting as escrow agent for a \$180,000 loan from Steve Holsey (an associate of Ron Williams) to Perry and Gallaro to be collateralized by the 90,000 shares which would be subsequently sold through Helix Securities with the proceeds being used to repay the loan.

#### THE INVESTORS

Your affiants interviewed thirteen (13) "ground floor investors" who had purchased Akal/Mieracle shares upon the active trading of same. All of these investors made similar statements concerning representations made which induced their investments. The investors stated that around March of 1992, they attended a meeting

at the invitation of the Akal principals at the Marriott Hotel near the airport in Toronto, Canada. Raj and Bains were the principals of Akal who spoke at the meeting. They were advised by the pair that Akal had retained an investment banking firm which was making arrangements to capitalize Akal through a public stock offering. They were told in the near future they could purchase shares of Akal at "ground floor prices". They were told that the price of the stock would substantially increase in value within three to four months.

Some of the investors recalled hearing representations that profits of 30 to 60 percent would occur, others recalled profits being mentioned at figures of 100 to 200 percent. Most of the investors did not recall any mention of any risk whatsoever about potential loss of investment principal while some of them only recalled hearing about the possibility of the stock price fluctuating as it went up. Applications to open PIC (Private Investors Cartel) brokerage accounts were distributed at the meeting. The investors stated they completed the applications within days of the meeting and turned them over to the Akal principals along with cashiers checks in order to purchase the stock.

The investors stated that sometime at the end of April, 1992, they received trade confirmations from PIC reflecting the purchase of shares of Mieracle stock at the price of \$14.63 per share. The investors stated the price of the stock never increased and is currently worthless. The following investors were interviewed and

provided information about their specific investments:

(1) Surjit Mann purchased 6835 shares on April 23, 1992, for \$99,996.05;

(2) Sukhpal Deol purchased 8546 shares on April 22, 1992, for \$125,013.35;

(3) Kuldip Rehsi purchased 3418 shares on April 22, 1992, for \$50,005.34;

(4) Jaspal Sohal purchased 3418 shares on April 22, 1992, for \$50,005.34;

(5) Manjit Chana purchased 2050 shares on April 23, 1992, for \$29,991.50;

(6) Joga Chana purchased 1127 shares on April 22, 1992, for \$16,488.01;

(7) Kuldip Gill purchased 5812 shares on April 22, 1992, for \$85,029.56;

(8) Sohan Thiara purchased 3159 shares on April 23, 1992, for \$46,216.17;

(9) Charanjit Padda purchased 4522 shares on April 22, 1992 for \$66,156.86;

(10) Jaspal Singh purchased 562 shares on April 22, 1992 for \$8,222.06;

(11) Narindar Mann purchased 1162 shares on April 23, 1992, for \$17,000.06;

(12) Pyara Kondel purchased 340 shares on April 22, 1992, for \$4,974.20;

(13) Avtar Chana purchased 2809 shares on April 23, 1992, for \$41,095.67.

MIERACLE

Your affiants interviewed Randall Perry and Robert Gallaro in June, 1994. They had formed a public shell corporation named Mieracle in order to make money by merging their shell with a privately held company. Mieracle had been capitalized with about \$24,000 from a public distribution of a small portion of its shares to their friends, relatives and associates. They were looking for a private company with which to merge and came into contact with Williams and IFG through this pursuit. They talked with Williams about merging Mieracle with a number of IFG client companies. Ultimately, it was decided that Akal would merge with Mieracle.

During the time before the closing of the merger, Williams asked Perry and Gallaro about purchasing the free trading shares of Mieracle stock. They gave Williams a list of the free trading shareholders and also contacted these shareholders in order to coordinate the sale of the free trading stock to Williams. The shareholders agreed to sell their stock for \$1.00 per share to Williams.

The stock purchase agreements for the sale of the free trading Mieracle shares were prepared by Barry Globerman. In addition, the checks to the shareholders for the purchase of this stock were issued by Globerman's law firm escrow account. Acting on behalf of WER Investments, Williams purchased 53,450 shares of free trading

Mieracle stock for \$53,450. This transaction happened at the same time as the merger closing, but it was not part of the official closing and happened without the knowledge of Raj or Bains.

#### LOANS

Perry and Gallaro said Williams proposed, arranged and structured a loan to them from Steve Holsey in the amount of \$180,000. This loan was collateralized by 90,000 restricted shares of their Mieracle stock. In order to obtain this loan, the two men agreed to have the Rule 144 restriction removed from the shares. They also agreed to deliver the 90,000 shares to Helix Securities and sell the shares into the market with the resulting proceeds sent to Steve Holsey in order to repay the loan. This loan agreement was also handled by Globerman; the loan proceed checks to Perry and Gallaro were issued by Globerman's law firm escrow account. While this loan transaction occurred at the same time as the merger closing, it was not part of the official closing and occurred without the knowledge of Raj or Bains.

Your affiants interviewed Bruce Adler in June, 1994, about a \$60,000 loan he made to WER Investments in April, 1992. Adler stated he was contacted by a friend Marshall Bernstein (Bernstein was associated with IFG), who told Adler about a chance to make a loan that would pay a large origination fee along with interest and would be repaid in two to three weeks. Bernstein referred Adler to Barry Globerman in order to check out the validity of the deal. Adler contacted Globerman and after talking to him, was satisfied

that the loan was a good deal.

Adler stated the deal was for him to lend \$60,000 to WER Investments for which he would get \$70,000 within two to three weeks. He would also receive 4,000 shares of Akal stock. Adler said the loan was secured by promissory note and a stock pledge of 60,000 shares of Mieracle stock. The loan transaction was handled by Globerman. Adler stated he wire-transferred \$60,000 on April 21, 1992, to Globerman's law firm escrow account and that on or about May 8, 1992, he was paid \$70,000, but never received the 4,000 shares of Akal stock from WER Investments.

Your affiants interviewed Steve Holsey in August, 1994, about the \$30,000 wire-transferred to Globerman's law firm escrow account in April, 1992. Holsey stated he was contacted by Ron Williams who requested a total of \$180,000 in order to purchase Perry and Gallaro's company or some of its stock. Holsey stated that he did not have enough money so he got James Hughes of Hughes Resources to participate in the deal. Holsey stated that he telephoned Barry Globerman in order to discuss the transaction. Holsey stated Globerman advised him that the deal was safe. Based on these representations, Holsey stated he wire-transferred the money to Globerman. Holsey further stated that he never traveled to New York regarding this transaction. Holsey said his money plus profit was returned to him at a later date.

Your affiants interviewed James Hughes of Hughes Resources Inc. in August, 1992, about a \$150,000 wire-transfer to Barry Globerman's law firm escrow account which occurred on April 16,

1992. Hughes stated he was contacted by Ron Williams who told him that Williams was taking a company public and needed the money to purchase stock. Hughes said he was promised prompt repayment along with incentives. He never received the full amount of the original loan because Williams claimed that he had been screwed out of one million dollars in the deal. He further stated that this loan was not made to Steve Holsey.

BARRY GLOBERMAN

Your affiants interviewed Barry Globerman in June, 1994, who said he had represented Akal in its merger with Mieracle. Globerman said he worked with Raj and Bains as their attorney in various negotiations with Perry and Gallaro in order to consummate the merger. Globerman further stated that at Williams' request, he handled the WER Investments purchase of 53,450 free trading shares of Mieracle stock from the shareholders. Globerman stated WER Investments purchased these shares for \$1.00 per share. Globerman stated he acted as the escrow agent by holding and disbursing the money in this purchase.

Globerman provided copies of a wire-transfer reflecting the receipt of \$60,000 sent by Bruce Adler and provided a list of the shareholders who had sold their free trading Mieracle stock to WER Investments along with the amount they were paid. This list reflected that the following shareholders received checks in the following amounts: (1) Margaret Perry \$10,000; (2) Joan and Kevin Murphy \$\$11,450; (3) Mary Gallaro \$9,250; (4) Lenore Valente \$500;

(5) Mary Budakin \$500; (6) Michael Gallaro \$11,750 and (7) Ronald Perry, Jr. \$10,000.

Globerman also said he was contacted by Steve Holsey who he believed to be associated with IFG and was told by Holsey that he wanted to make a \$180,000 loan to Perry and Gallaro. Globerman stated that Holsey told him that Perry and Gallaro would be pledging 90,000 shares of Mieracle stock to secure the loan. Holsey also advised him that Perry and Gallaro would be selling the 90,000 shares in order to repay the loan. Globerman stated he acted as the escrow agent for this transaction by holding and disbursing the money involved in this loan. Globerman provided copies of wire-transfers reflecting the receipt of \$180,000 into his law firm escrow account. The wire-transfers reflected that the \$180,000 came from the following sources: (1) \$150,000 from Hughes Resources; (2) \$28,500 from Steve Holsey and (3) \$1500 from an unknown source at Southeast Bank, Miami. Globerman also provided a list reflecting that two checks for \$90,000 each had been issued by the firm escrow account payable to Randall Perry and Deborah Gallaro.

Globerman stated that the Akal/Mieracle merger, the 53,450 Mieracle shares stock purchase by WER Investments and the \$180,000 loan to Perry and Gallaro were closed over a two day period in April of 1992. While acknowledging that the stock purchase and loan were not part of the official Akal/Mieracle closing, Globerman stated he advised Raj and Bains about the transactions. Globerman indicated this was disclosed at the merger closing, but later in

the interview stated that he told Raj and Bains prior to the closing. When asked whether he had anything documenting this disclosure, Globerman responded that he did not keep notes nor did he have any written documentation. Later in the interview, Globerman claimed these disclosures were made to Raj at the merger closing, and Globerman provided the names of two of the firms employees (Michael Cohen and Lucia Barcklow) who could verify this. Globerman further stated that Steve Holsey was present as well.

Your affiants then interviewed Michael Cohen and Lucia Barcklow, employees at Globerman's law firm, both of whom worked on the Akal/Mieracle merger. They stated they were present at the merger closing and advised that the following persons were also present: Globerman, Perry, Gallaro, and Raj. They stated that Steve Holsey was not present at the merger closing. Both Cohen and Barcklow said they never heard any disclosures made to the Akal representative that WER Investments was purchasing free trading Mieracle stock or that Holsey was making a \$180,000 loan to Perry and Gallaro.

#### S.E.C. INVESTIGATION

Your affiants interviewed Juanita Southward, Staff Accountant with the SEC in March, 1994, about the stock trading activity of Mieracle shares. Southward stated that in late April or early May, 1992, the SEC received a complaint filed by Hanifen Imhoff (a securities clearing firm) that a customer (WER Investments) of one of its correspondent firms (Barron Chase Securities) may have

engaged in a scheme to defraud the firm and manipulate the price of the stock.

Specifically the complaint alleged that Ron Williams had opened an account in the name of WER Investments at Barron Chase, and in April, 1992, Williams attempted to sell short a total of 116,657 shares (at an average price of \$11.88) of Mieracle stock and then partially cover this short position with the purchase of 90,000 shares of Mieracle stock at \$2.00 per share. Hanifen Imhoff could not locate any previous market in this security and began to question the legitimacy of the transactions. This complaint was assigned to Southward for follow-up examination.

Southward stated she reviewed the records of five broker/dealers: Hanifen Imhoff, Barron Chase, PIC, Helix Securities and Wilson Davis & Co. She also spoke to George Lee and Farhad Behazdi of PIC and obtained a signed statement from Larry Turel of Barron Chase. She also reviewed the records of Interwest Transfer and Registrar, the transfer agent for Mieracle shares. In addition, she developed and reviewed background information concerning Mieracle, its principals, its initial public stock offering and its merger with Akal. The following are the results of her inquiry and review:

Ron Williams opened an account at Barron Chase in the name of WER Investments on April 21, 1992. On April 22, 1992, Williams attempted to sell short 102,000 shares of Mieracle stock at \$11.25 per share and on April 23, 1992, he attempted to sell short an additional 14,657 shares at \$12.50 per share. Barron Chase

records reveal that these 116,657 shares were sold to Helix Securities. On April 23, 1992, Williams attempted to purchase 90,000 shares at \$2.00 per share. Barron Chase records reveal that the 90,000 shares were obtained from Helix. On April 27, 1992, two stock certificates totaling 53,450 shares of Mieracle were delivered to the WER Investments account at Barron Chase. The delivery of the certificates partially covered Williams' short sale of the 116,657 shares of Mieracle. According to the clearing firm, Williams wanted to cover the remaining short position in the WER account with some of the 90,000 shares purchased on April 23, 1992. It was at this point that the clearing firm suspected that Williams was attempting to perpetrate a fraud.

The clearing firm froze the WER account and began to unwind the trades. The clearing firm accomplished this by: (1) canceling the 90,000 share trade in the WER account; (2) covering the remaining 63,207 share short position in the WER account with some of the 90,000 shares that had been purchased by Barron Chase in order to fill Williams' buy order (now since cancelled). Williams received sale proceeds in the amount of \$445,800 from the sale of the 53,450 shares of Mieracle which he had delivered in certificate form to his account at Barron Chase.

Southward provided the following information regarding Mieracle:

1. In mid-1991, it commenced and completed a public offering of 8000 units at an offering price of \$3.00 per unit. Each unit consisted of one share of common stock and a number of warrants. This offering raised \$24,000 with all units being sold. The

"initial purchasers" appeared to be associates of Mieracle's officers and directors.

2. Mieracle's officers and directors are listed as Randall Perry, Robert Gallaro and Ronald Perry (Randall Perry's father). Randall Perry, Ronald Perry, Robert Gallaro and his wife Deborah Gallaro together owned 242,000 outstanding restricted shares of Mieracle immediately following the above mentioned public offering.

3. From that time until February, 1992, Randall Perry and the Gallaros gifted 53,950 restricted shares to various "donees". The transfer agent removed the restrictive legends from these shares following the gifting of the shares. This meant that these shares could be publicly traded.

4. At the time of Mieracle merging with Akal on April 16, 1992, a total of 61,950 shares of Mieracle stock were considered to be free trading shares.

5. The merger of Mieracle and Akal was effected through an exchange of common stock. Akal received 4,250,000 authorized but previously unissued shares of Mieracle stock. All of the shares issued to Akal were restricted.

According to Southward, at the time of the Mieracle/Akal merger the following persons held the indicated number of free trading and restricted shares of the merged entity:

- (1) Akal principals and insiders - 4,250,000 restricted shares;
- (2) Perry's and Gallaros -188,050 restricted shares;
- (3) Various "donees"-53,950 free trading shares and

(4) "Initial purchasers"-8,000 free trading shares.

Southward related that on or about April 22, 1992, the transfer agent received 53,450 free trading shares of Mieracle which belonged to the "donees". Accompanying the certificates was Randall Perry's instruction requesting that the "donees" shares be transferred into the name of WER Investments. This certificate was subsequently delivered to the WER Investments account at Barron Chase.

On or about April 23, 1992, Randall Perry and Deborah Gallaro each sold 45,000 restricted shares of Mieracle at \$2.00 per share through their accounts at Helix. Randall Perry, acting as counsel for Mieracle, provided an opinion letter claiming that the restrictive legend should be removed from these shares. Randall Perry also instructed Helix to send the proceeds of these sales to Steve Holsey, in care of Saver Acquisitions Corp. at Southeast Bank, Miami, Florida, account number 018652768. As previously noted, through a trade placed at Barron Chase, Ron Williams attempted to purchase a like amount of Mieracle shares at \$2.00 per share. Hanifen Imhoff canceled this trade since Williams attempted to use these shares to offset a previous short sale.

Southward stated that George Lee and Farhad Behzadi of PIC had advised that Ron Williams had caused 66 Canadian investors to open accounts at PIC and place orders to buy Mieracle shares. According to Lee and Behzadi, Williams doing business as IFG acted as the finder for Mieracle's acquisition of Akal. Behzadi was the PIC registered representative for all of the Canadian investors. Lee

claimed Williams had assured him that he (Williams) was not the source of supply for the Mieracle shares that would be sold to the Canadian investors. The Canadian investors had placed money in their PIC accounts as much as a month before public trading began. During the period from April 20, through April 23, 1992, PIC executed orders from these Canadian investors to purchase 116,657 shares of Mieracle at \$14.63 per share for a total purchase price of \$1,551,538. Lee claimed that the \$14.00 per share valuation was based on a pricing opinion prepared by Michael Scheft. PIC charged the Canadian investors a ten percent markup on their trades resulting in gross profits to PIC of \$155,154. Southward's review of PIC's trading records revealed that PIC covered its sales to the Canadian investors by acquiring the 116,657 shares of Mieracle stock at a price of \$13.30 per share from Helix and Barron Chase. Specifically, PIC acquired the needed shares on the following dates:

- April 20, 1992 purchased 27,561 shares from Helix;
- April 21, 1992 purchased 33,593 share from Helix; on
- April 21, 1992 purchased 10,745 shares from Barron Chase;
- April 22, 1992 purchased 29,778 shares from Helix;
- April 23, 1992 purchased 14,980 shares from Helix.

Southward said that PIC acquired the Mieracle shares covering the shares sold to the Canadian investors from Helix. It was done through four block purchases of a total of 105,912 shares. Helix in turn, sold these 105,912 shares short to PIC and covered its short position through purchases (on April 22, and April 23, 1992)

of 116,657 shares from Barron Chase as agent for WER Investments. Helix purchased the 116,657 shares at an average price of about \$12.00 per share which was lower than the \$13.30 per share price that they charged PIC. Helix had trading profits of \$207,524 from its trading in Mieracle shares during the brief period examined by Southward. In addition, Helix facilitated the removal of the restrictive legend from the 90,000 shares of Mieracle stock delivered by Randall Perry and Deborah Gallaro to Helix. These 90,000 shares were sold through Helix and ultimately purchased for WER Investments by its agent Barron Chase. Southward was advised by Larry Turel of Barron Chase that Henry Beam of Helix had asked him to become a market maker in Mieracle stock and to open a brokerage account for Ron Williams.

PRIVATE INVESTORS CARTEL (PIC)

Your affiants interviewed George Lee and Farhad Behzadi of PIC, a securities brokerage firm located in Denver, Colorado in March of 1994. Lee and Behzadi stated they were contacted by Williams in early 1992 about PIC's participation in the public trading of Akal stock. Williams advised that Akal was an IFG client company and would be merged with a public shell corporation. Williams told them there would be a number of investors who would want to purchase the stock after the merger and asked if PIC would be interested in allowing those investors to open accounts at PIC. Lee described the proposal as being a sweetheart deal in that PIC could make a large sum of money without having to solicit investors or assume a

great deal of risk. PIC accepted the offer.

In March, 1992, at least sixty investors opened accounts at PIC and deposited in excess of 1.5 million dollars. Lee and Behzadi stated that these investors were interested in buying Akal stock when it became available. Behzadi stated the account opening papers and checks were sent to PIC by Akal's principals and Doug Zemsky. Behzadi also stated he sent copies of the account opening papers and checks to Zemsky who was coordinating the transaction for IFG. According to Behzadi, Zemsky was aware of the total amount of money on account at PIC which was earmarked for the purchase of Akal stock.

In April, 1992, after the Akal/Mieracle merger, the Akal stock became publicly traded. Behzadi stated he thought before trading began that Helix would be the market maker since Helix Securities was the market maker for the stock of a number of IFG client companies. PIC filled investors buy orders primarily through Helix Securities and in a lesser amount through Barron Chase. Behzadi stated that he was given a pricing opinion prepared by IFG's researcher suggesting an opening price per share. The Mieracle shares opened for trading in the same price range. Behzadi stated PIC did not establish the opening price for the Mieracle stock, but merely followed the lead established by either Helix Securities or Barron Chase. Neither Lee or Behzadi were aware of any information suggesting that the price of the Mieracle shares would substantially increase within a short period of time. Both Lee and

Behzadi stated that they suspected Ron Williams controlled the free trading Mieracle shares.

BARRON CHASE

Larry Turel, a trader employed by Barron Chase, was interviewed in January and October 1994, by your affiants. Turel stated that he spoke with Henry Beam of Helix Securities in April, 1992, about whether Barron Chase would be interested in making a market in Mieracle stock. Beam advised him that Mieracle shares were not currently trading, but would see some activity in the near future. Turel asked Beam to send him due diligence information about Mieracle, which Turel received on April 16, 1992, from Randall Perry. Turel indicated the cover letter forwarding this information stated Perry was sending the documents at the request of IFG. Turel stated he decided to act as a market maker for the stock on April 20, 1992. He said there were only three securities broker/dealers making a market in Mieracle shares; his firm, Barron Chase, along with Private Investors Cartel and Helix Securities. During the first week of active trading, from April 20, 1992 to April 24, 1992, Turel said Beam never contacted him seeking to purchase shares of Mieracle stock. After Turel decided to act as market maker, Beam asked him if he would be interested in opening a retail brokerage account for Ron Williams. Turel stated Williams contacted him on or about April 21, 1992, and opened an account in the name of WER Investments. WER Investments was a Florida partnership consisting of Ron Williams as managing

partner, along with Ed Kruger and Walter Kolker. Williams shortly thereafter placed a number of unsolicited orders regarding the purchase and sale of Mieracle stock:

(1) on April 22, 1992 Williams sold 102,000 shares at \$11.25 per share;

(2) on April 23, 1992, Williams purchased 90,000 shares at \$2.00 per share; and

(3) on April 23, 1992, Williams sold 14,657 shares at \$12.50 per share.

At the time of the April 22nd trade involving the sale of the 102,000 shares, Turel stated the WER Investments account did not contain any Mieracle shares. Turel asked Williams about this and how the short sale would be covered. Williams told Turel that he owned and possessed in certificate form sufficient shares of Mieracle to cover the trade. Turel immediately called Henry Beam and explained the trade to Beam. Turel advised Beam that he (Turel) was apprehensive about the trade since it involved a transaction of more than a million dollars and asked Beam whether Williams would deliver sufficient shares to cover the trade. Beam responded that he has known Williams for quite a while and that he had never had a problem with Williams.

In regards to the second trade on April 23, 1992, involving Williams' purchase of 90,000 shares, Turel stated he was telephoned by Beam who indicated Helix Securities was selling 90,000 shares of Mieracle stock at \$2.00 per share. Beam asked that Turel contact Williams in order to determine whether Williams would be interested in the proposed trade. As requested, Turel spoke to Williams about

the trade. Williams instructed Turel to buy all the shares at the offered price. Turel then told Williams the first trade could not offset the 90,000 share purchase since that would be considered "free riding" and a violation of securities regulation. Williams told Turel not to worry about it since he (Williams) intended to deliver in certificate form enough shares of Mieracle to cover the first trade.

Turel stated that on or about April 27, 1992, Williams delivered to Barron Chase two (2) certificates of Mieracle stock - one certificate was for 32,450 shares and the other was for 21,000 shares. Upon receipt of the certificates, Turel again contacted Williams and asked whether additional shares would be delivered to cover the first trade. Williams once again advised that additional shares in certificate form would be delivered. Turel said that when the first trade settled on April 29, 1992, Williams had not delivered any additional shares.

Turel stated that Barron Chase's clearing firm, Hanifen Imhoff, took control of the WER Investments account on or about May 1, 1992, based on Williams' failure to deliver the additional shares. Shortly thereafter this situation was discussed during a telephone conference call involving Bert Gusrae, Barry Globerman, Marshall Bernstein and Turel. Gusrae was legally representing Barron Chase and Globerman was legally representing WER Investments. Turel said that Globerman and Bernstein argued that shares obtained by WER Investments in the second trade could be used to offset the first trade. Turel stated Gusrae advised that

Barron Chase could not resolve the situation since the clearing firm had already taken control of the account. Turel stated Hanifen Imhoff eventually unwound the trades and that he was aware that Hanifen reached a settlement with Williams whereby more than \$400,000 was paid to Williams.

#### HELIX SECURITIES

Your affiants interviewed Henry Beam, the owner of Helix Securities located in Salt Lake City, Utah in March, 1994. Beam stated that Ron Williams had kept a number of accounts at Helix from 1991 through 1993. Beam said Williams asked him to recommend a Florida stock broker and subsequently Beam made arrangements for Williams to open an account with Larry Turel at Barron Chase. Beam stated that he agreed to become a market maker in Mieracle stock around September, 1991, at the request of Perry and Gallaro.

According to Beam, there was no active trading of Mieracle shares until sometime in April, 1992, when the stock became active upon or after a particular event. Beam could not recall the nature of the event. Beam stated he set the trading price of Mieracle stock on the basis of expressed interest from buyers and sellers. Beam could not recall who these buyers and sellers were except some brokerage firms and Perry and Gallaro. Beam stated that he had no knowledge of any pre-arranged trading agreements, either with Williams or other brokerage firms. Beam acknowledged selling 90,000 shares of Mieracle stock for Perry and Gallaro at \$2.00 per share. Beam stated he handled this transaction on an agency basis.

Beam claimed that he was not aware that Williams was the buyer for this 90,000 shares. Beam was evasive during the interview.

#### IFG AFFILIATES

Paul Duffy, a former Vice President of Corporate Finance for IFG was interviewed by your affiants in February, 1993. Duffy stated Williams operated by finding public shell corporations and proposing merging the shell with one of IFG's client companies. Prior to the merger, Williams would buy up all of the free trading shares of the public shell corporation at extremely low prices. On one occasion, Duffy overheard Williams during a telephone conversation, attempting to borrow money to purchase shell corporation stock just prior to a merger.

According to Duffy, before a merger, Williams would obtain from the client company principals a list of individuals who might be interested in purchasing the stock of the client company. These potential investors would be contacted by Duffy, Zemsky and others in order to determine whether they were interested in purchasing stock. Duffy stated that investors who expressed an interest were turned over to Zemsky to close the deal. These potential investors would then be directed to one of the brokerage firms affiliated with Ron Williams. Upon active trading of the stock, the brokerage houses would set a price established by Williams. Duffy further stated the free trading stock which had previously been purchased and held by Williams was sold to the interested investors. This process was referred to as "directed buying". Doug Zemsky handled

the coordination and closing of the "directed buying".

Lee Spiegelman, a former Vice President and Director for IFG was interviewed in February, 1993, by your affiants. Spiegelman stated that IFG was not successful in obtaining private placements, loans, or secondary stock offerings while he was employed there. Spiegelman stated that IFG did make arrangements for a number of reverse mergers involving IFG client companies and public shell corporations. Spiegelman said he was aware that Williams was purchasing the free trading shares of the shell companies prior to the mergers with IFG client companies. Spiegelman learned that IFG was profiting from this during a conversation with Ruth Reedy, the Comptroller for IFG.

Your affiants interviewed IFG employee Riccardo Firmino, in June, 1992. Firmino stated that he and Doug Zemsky handled the "directed buying" effort at IFG regarding the public trading of a client company's stock. Firmino said the following:

(1) that, in anticipation of a reverse merger (the merging of an IFG client company with a public shell corporation), the client company would be asked to produce a list of friends and associates who might have an interest in buying the stock of the client company;

(2) that the individuals on the list would be contacted by Firmino and Zemsky;

(3) that the individuals would be told:

a) that they had an opportunity to purchase the stock at a ground floor price;

b) that the price of the shares would be much lower than the anticipated price at the time of the secondary offering;

c) that the secondary offering would occur in the near future;

(4) the individuals were directed to a specific securities firm in order to open an account and purchase the stock of the IFG client company;

(5) Firmino was advised by Williams that the "directed buying" effort was important in order to create a market for the stock and increase the price of the shares;

(6) Firmino was also advised by Williams that increases in volume and price would assist the IFG client company in accomplishing the anticipated secondary offering; and

(7) Williams exerted a great deal of pressure on both he and Zemsky regarding the "directed buying".

Firmino also said he was aware that Williams and IFG made a lot of money from these transactions and that Williams and IFG already owned a lot of the stock in the client company before the "directed buying" campaign. Firmino stated the stock owned by Williams and IFG was in effect, sold to the individuals whose names appeared on the "directed buying" list of interested persons. Firmino stated he learned about IFG profiting from this activity upon reviewing securities account statements located in Ruth Reedy's office. According to Firmino, these account statements reflected that IFG was selling the same stock that was being promoted for sale by he and Zemsky. According to Firmino, Zemsky

was responsible for monitoring the volume and the price of the stock transactions during the "directed buying" effort. Firmino stated Zemsky kept in contact with the market makers and the IFG client companies throughout the effort. Zemsky reported the above activity to Williams.

Your affiants interviewed Ed Kruger, former Vice President and Director of IFG in June and July, 1994. Kruger is a defendant in the pending case and is now a cooperating witness. He stated that he knew in general terms how and why IFG structured a number of reverse mergers involving client companies and public shell corporations. Kruger stated IFG would acquire free trading stock of the merger candidate (the public shell corporation) at a low price per share. Williams and Zemsky were the individuals who made the arrangements to purchase this free trading stock from the shareholders. This would occur without the knowledge of the client company. Kruger stated that IFG would ask that the client company provide a list of potential investors who might want to buy the stock of the client company when it began trading. Kruger further stated Zemsky was responsible for directing these potential investors to cooperating brokerage firms in order to open an account and buy the stock.

Kruger stated that after the merger and upon public trading of the stock, IFG would sell its free trading stock through the cooperating brokerage firms to the potential investors. Kruger stated that the cooperating brokerage firms and individuals consisted of Henry Beam of Helix Securities and Farhad Behzadi of

PIC. Kruger said Zemsky was not a salaried employee, but received compensation based upon a percentage of these stock transactions. Kruger stated that it was the intent of the reverse mergers and trading of the stock to make money for Williams, IFG and others. Kruger further said there was no expectation of the stock ever increasing in value. According to Kruger, any promise of a secondary stock offering had no likelihood of occurring since IFG did not have the ability to perform. Kruger stated he was aware that Williams and Zemsky structured and participated in the manipulation of IFG client company stock on a number of different occasions. Stock prices were manipulated following the reverse mergers with public shells involving Ocean Express, Unified Ventures, Hughes Resources, Akal International, and Dynoptics. He was also aware of the illegal nature of these transactions since Williams had him and other employees sign a form which advised them that it was illegal and a crime to deal or trade in the securities of any IFG client company or any shell company which had a letter of intent with an IFG client. A representative copy of this acknowledgment is attached as Exhibit E.

Kruger stated that when the specifics of these stock deals were being discussed in meetings involving Zemsky and Williams, he (Kruger) would be excluded from the meeting by Williams who told Kruger, "you do not want to know the details". Kruger stated that IFG's entire process involving the promise to raise capital for the client company through stock offerings, the reverse mergers and the sale of free trading stock, is designed solely for the purpose of

putting money into the hands of IFG, Williams and others.

As previously mentioned, IFG business records were seized on May 21, 1992, pursuant to a search warrant. These documents support Raj and Bains' statements as to Williams' representation that "ground floor investors" would profit from their purchase of Akal/Mieracle stock. Copies of many of the written documents detailing Williams' representations as previously exhibited were located among papers removed from Doug Zemsky's office at IFG. Additional material shows that Williams, through a controlled corporate entity named Lazarus Capital, gained control of the free trading shares of State Policeman Annual Magazine on or about March 17, 1992 (see attached Exhibit F). State Policeman Annual Magazine was at that time the merger candidate for Akal. This free trading stock was deposited in a Lazarus capital account at Ruan Securities. Handwritten notes obtained from Doug Zemsky's office at IFG, reflect that Akal/State Policeman stock would be sold by PIC to investors at about \$7.50 per share, that PIC would be getting the stock from Henry Beam at Helix Securities for about \$6.50 per share, that Helix would be obtaining the stock from Ruan Securities for about \$6.35 per share, and that Ruan would be getting the shares from the Lazarus Capital account at \$6.25 per share. These handwritten notes as a composite are attached as Exhibit G.

In a memorandum dated April 2, 1992, from Williams to the IFG Board of Directors, Williams claims that IFG will make 1.25 million

dollars on the Akal deal within five days of listing the stock (see attached Exhibit H).

Additional handwritten notes obtained from Zemsky's office discuss obtaining Mieracle stock from Perry and Gallaro which will be deposited at Ruan Securities. These handwritten notes discuss a loan to Perry and Gallaro with indications of amounts to be obtained from Hughes Resources and Steve Holsey. These handwritten notes also reflect that the loan will be repaid when the shares are sold at Ruan Securities. Furthermore, these notes reflect that 90,000 shares are sold to WER Investments at \$2.00 per share through Roger Bacon at Ruan Securities. The notes also show that Akal/Mieracle stock would be sold by PIC to the investors at \$14.70 per share, PIC would be purchasing the stock from Helix Securities at \$13.30 per share, Helix would be purchasing the stock from Roger Bacon at Ruan Securities at \$12.75 per share. These notes as a composite are attached as Exhibit I.

Your affiants have probable cause to believe and do believe that beginning on April 20, 1992, the active trading of Akal/Mieracle stock resulted in the victimization of the sixty-six "ground floor investors". In summary, records obtained from the various securities firms involved demonstrate the following trading activity:

1. The "ground floor investors", through their accounts at PIC, purchased shares of Akal/Mieracle stock at a price of \$14.63 per share.

2. PIC filled these buy orders primarily through Helix Securities and in a limited amount from Barron Chase Securities.

3. Helix in turn secured the required shares from Barron Chase.

4. Barron Chase in turn obtained the shares from Ron Williams' controlled account. Specifically, Williams had deposited 53,450 shares of free trading stock into the WER Investments account where it was then sold.

5. The only other available source of free trading stock came into the market place through Perry and Gallaro's account at Helix Securities. Specifically, 90,000 shares were sold at \$2.00 per share by Helix Securities on an agency basis. Simultaneously, Barron Chase handled an agency trade buying these 90,000 shares at \$2.00 per share for Williams' WER Investments account. Henry Beam of Helix Securities acted as a facilitator for Ron Williams regarding this transaction and as such conspired to defraud the "ground floor investors".

6. Even though Williams failed to realize the full profit of this illicit activity because the clearing house identified part of this transaction as a violation of securities regulations, the trading resulted in profits of \$155,154.00 to PIC; \$207,524.00 to Helix Securities; and \$445,799.50 to Ron Williams.

7. Contrary to Williams' representations, the price of the Akal/Mieracle shares steadily declined and is now virtually worthless.

Your affiants based on their knowledge of this investigation and their experience have concluded that Williams, along with Doug

Zemsky, Barry Globerman, Henry Beam and others, defrauded both Akal and the "ground floor investors" in this instance. This was accomplished through the following misrepresentations: (1) IFG could raise the promised capital for Akal through a public stock offering; (2) IFG had been very successful in the past in raising capital for its clients; (3) IFG could see no problem whatsoever in raising this amount of capital for Akal; (4) the capital could be raised in 180 days; and (5) the "ground floor investors" would experience 100 percent profits on their investments within 90 to 120 days.

This was also accomplished through the omission to state the following material facts; (1) Williams and Walter Kolker had previously been arrested and convicted of felonies; (2) the vast majority of IFG clients never received the promised capital; (3) numerous lawsuits had been filed and judgments had been obtained against IFG for its failure to deliver promised capital; (4) Williams or IFG would control or attempt to control most of the free trading stock of the merger candidate prior to the public trading of same; (5) Williams or IFG would be obtaining or attempting to obtain the free trading stock for prices of \$2.00 per share or less; (6) Williams or IFG had no basis in fact suggesting that the Akal/Mieracle shares would appreciate at all; and (7) Williams or IFG and others would be profiting immensely upon the active trading of the Akal/Mieracle shares.

Barry Globerman acting in concert with Williams handled numerous aspects of Williams' purchase of the 53,000 free trading shares and

the loan to Perry and Gallaro which resulted in the sale of the 90,000 shares into the market. Even though Globerman acknowledged that he was representing Akal, interviews conducted show that Globerman never disclosed his role in and knowledge of the above transactions.

Henry Beam of Helix Securities assisted Williams in the perpetration of this fraud by making it appear that a market existed for the securities and the trading was market-directed when in fact the entire transaction had been orchestrated by the parties involved. Helix profited immensely handling a virtual risk free transaction.

Douglas Zemsky was paid on a commission basis on the sale of Akal Stock. He also coordinated the so-called "directed buying" campaign involving the Akal investors/victims and he participated in arranging the merger of Akal and Mieracle and subsequent price-setting of the Akal stock.

Based on all of the above, your affiants believe that Ronald Williams, Barry Globerman, Henry Beam, and Douglas Zemsky violated the laws of Florida, to wit: Securities Fraud, Conspiracy to Commit Securities Fraud and Grand Theft.

I HEREBY SWEAR that the above Affidavit is true and correct.

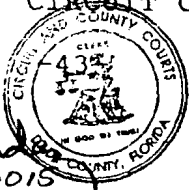
*George Amandola*  
GEORGE AMANDOLA  
Special Agent/FDLE

*William Borah*  
WILLIAM BORAH  
Senior Financial Investigator  
Comptroller's Office

Sworn to before me this 13th day of April, 1995.

*Julius F. Schuler*  
CIRCUIT COURT JUDGE

STATE OF FLORIDA, COUNTY OF DADE  
I HEREBY CERTIFY that the foregoing is a true and correct copy of the original on file in this office.  
MAY 05 1995  
HARVEY RUVIN, CLERK of Circuit and County Courts



Deputy Clerk *George Amandola*

ba: 438 document