



*United States Attorney
Southern District of New York*

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**ARREST IN MULTIMILLION-DOLLAR INTERNET GOLD BULLION
AND FOREIGN EXCHANGE PONZI SCHEME**

LEV L. DASSIN, Acting United States Attorney for the Southern District of New York, and JOSEPH M. DEMAREST, JR., Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced today the arrest and indictment of DAVID COPELAND REED on charges stemming from the operation of an international, Internet-based, "gold unit" Ponzi scheme. According to the Indictment unsealed today in Manhattan federal court:

In March 2001 REED founded OSGold, which held itself out as an on-line "bank" that could provide its customers with Internet banking services purportedly backed in part by gold bullion reserves stored in an off-shore vault. Customers opened accounts with OSGold by wire-transferring money through intermediaries to bank accounts controlled by REED and others, and were able to track their supposed OSGold account balances through the OSGold website. Around May 2001 REED began offering OSGold customers the opportunity to invest in a "high yield investment program" known as "OSOpps" which, according to the OSOpps website, promised a 30% compounded return over three months, or a 45% rate of return for investments left for 12 months, and that an investor's principal was fully guaranteed. Investment returns from OSOpps were supposedly transferred into the investor's OSGold account and OSOpps investors could purportedly access their OSGold accounts on-line and view the apparent returns they received from their OSOpps investments. REED represented that the OSOpps investments could achieve the advertised high returns because the investors' money was traded in foreign exchange markets.

Between March 2001, when REED started OSGold, and June 2002, when OSGold ceased operations, customers throughout the world opened an estimated 66,000 accounts with OSGold/OSOpps, transferring a total of at least approximately \$12.8 million to three bank accounts controlled by REED and his associates. For the first few months of its operation, OSGold appeared to operate reliably and developed a reputation as a secure way to engage in Internet banking while OSOpps provided investors with online statements purporting to show promised rates of return on investments.

In fact, neither REED nor anyone else at OSOpps engaged in any foreign exchange trading with the funds customers had invested. Instead, REED and his co-conspirators laundered the customers' funds through numerous bank accounts controlled by REED and/or his associates in the United States, Mexico, and Latvia, and elsewhere; and withdrew customers' funds via cash withdrawals and/or checks made out to cash. The funds were then employed for personal expenses of REED and his associates, including, for example, airplane tickets for REED and his family to travel to Mexico; vehicles for the use of REED and his associates; and businesses belonging to REED and his associates in the Cancun, Mexico, area, including a night club, a shopping mall, and a gymnasium. To deceive his customers, REED, or employees working at his direction, manually altered OSOpps account statements in order to make it appear to customers that they were receiving the advertised investment returns.

The scheme began to unravel in around March 2002 when an OSOpps investor unsuccessfully attempted to withdraw approximately \$10 million from OSOpps accounts. Following complaints by this investor, other customers attempted to withdraw their money from OSGold and OSOpps. In response to inquiries, REED and employees working at his direction sent lulling e-mails that falsely indicated, among other things, that there were technical problems with regard to accessing OSGold/OSOpps monies and that the problems were being addressed. OSGold and OSOpps ultimately ceased operations in or about June 2002 and REED fled the United States for Mexico. Prior to their departure, REED and his wife withdrew large amounts of cash from the various accounts he controlled which he then secreted (among other ways) in duffel bags and clothing in order to transport that cash to Mexico. Millions of dollars of the investors' and depositors' money, including principal, have never been returned. No gold bullion reserves associated with OSGold have been located.

REED, 38, was arrested this morning in Columbia, South Carolina, where he moved recently after having lived in Mexico for years. REED is charged with one count of conspiracy to commit money laundering, one count of money laundering, and three counts of wire fraud. The conspiracy to commit money laundering count and money laundering count each carry a maximum sentence of 20 years in prison and a maximum fine of \$500,000. Each wire fraud count carries a maximum sentence of 20 years in prison and a fine of \$250,000, or twice the gross gain or loss from the offense. This case has been assigned to United States District Judge JOHN G. KOELTL. REED will be presented later today in Columbia, South Carolina.

Mr. DASSIN praised the investigative work of the FBI in this case. Mr. DASSIN said the investigation is continuing.

This investigation is being handled by the Computer Hacking & Intellectual Property group of the Major Crimes Unit of the United States Attorney's Office. Assistant United States Attorneys ROSEMARY NIDIRY and MARCUS A. ASNER are in charge of the prosecution.

If you believe you were a victim of this crime, including a victim entitled to restitution, and you wish to provide information to law enforcement and/or receive notice of future developments in the case or additional information, please contact Wendy Olsen-Clancy, the Victim Witness Coordinator at the United States Attorney's Office for the Southern District of New York, at (866) 874-8900 or Wendy.Olsen@usdoj.gov. For additional information, go to: <http://www.usdoj.gov/usao/nys/victimwitness.html> on the Internet.

The charges contained in the Indictment are merely accusations and the defendant is presumed innocent unless and until proven guilty.

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