

December 11, 2000

DEFENDANT SENTENCED TO 55 YEARS IN
CONNECTION WITH INTERNATIONAL INVESTMENT
FRAUD INVOLVING MORE THAN \$117 MILLION

Guy A. Lewis, United States Attorney for the Southern District of Florida, Hector M. Pesquera, Special Agent in Charge, Federal Bureau of Investigation, Miami Field Division, and Jose Marrero, Chief, Criminal Investigation Division, Internal Revenue Service, Southeast Region, Plantation announced today the sentencing of **FREDERICK C. BRANDAU** in connection with an international investment fraud involving more than \$117 million.

On December 8, 2000, BRANDAU was sentenced by United States District Court Judge Daniel Hurley to a term of incarceration of life in the form of 55 years to be followed by a 3 years supervised release and a special assessment of \$4,300.00. Furthermore, the court imposed restitution in the amount of \$117 million on the defendant and forfeited his interest in the numerous properties set forth in the forfeiture count of the indictment, including but not limited to real property, automobiles, helicopters, motorcycles and water vehicles. The sentence imposed on **BRANDAU** is the one of the longest ever imposed in a fraud prosecution in the Southern District of Florida.

FREDERICK C. BRANDAU, 55, formerly of Davie, Florida, was apprehended in connection with his former role in operating Financial Federated Title & Trust, Inc., and Asset Security Corporation. On August 13, 1999, a federal grand jury sitting in West Palm Beach, Florida, returned a 44 count indictment against **FREDERICK C. BRANDAU**, and others. In Case Number 99- 8125-Cr-Hurley, **BRANDAU** has been charged with conspiracy to commit mail fraud and wire fraud, 12 counts of mail fraud, conspiracy to commit money laundering, and 29 counts of money laundering. On August 30, 2000, after a one and a half-long month trial, **BRANDAU** was convicted on one count of conspiracy to commit mail and wire fraud, 13 counts of mail fraud, one count of conspiracy to commit money laundering, and 28 counts of money laundering.

The lengthy and detailed indictment alleges that the defendants engaged in a long-running scheme to defraud using the mails and interstate carriers. The indictment alleges that between at least February, 1996 continuing through August, 1999, the defendants (excluding **ASSET SECURITY CORPORATION**) conspired to recruit insurance agents to solicit individual investors under false and fraudulent pretenses. The indictment alleges that at least \$117 million in investor monies were forwarded to **FINANCIAL FEDERATED** for the purpose of purchasing viaticated insurance policies. Viatical settlements are the purchase of life insurance policies or their benefits at a discounted rate from a terminally ill person. The beneficial interest in the insurance policies purchased is sold or re-assigned to an investor. A viatical investor is supposed to receive the full benefits when the terminally ill person dies.

The indictment alleges that **BRANDAU** and the other named defendants knowingly made material misrepresentations in connection with obtaining the investors' monies. According to the allegations set forth in the indictment, some of the more significant representations included that investors were told their investment funds would be used to purchase a beneficial interest in viaticated insurance policies, and that medical overviews were being performed on the insured persons whose policies were being bought. The indictment alleges that although at least \$115 million in investor monies were received by **FINANCIAL FEDERATED**, the company and the defendants used only \$6 million of these funds to buy insurance policies whose total value was just over \$7 million. The indictment also alleges that no real medical reviews were ever performed by the defendants. All of the defendants, except **ASSET SECURITY CORPORATION**, are named in the mail fraud conspiracy. **GARLAND HOGAN** is alleged to have been the inside attorney for **FINANCIAL FEDERATED TITLE & TRUST** who caused numerous false documents to be created. **MARY ANNE BILLINGHURST** is alleged to have been a nurse hired to do medical consulting work for **FINANCIAL FEDERATED**.

In the money laundering charges, the grand jury alleged that the named defendants knowingly used investor monies for purposes totally unrelated to the purchase of viaticated insurance policies, such as the purchase of numerous houses in Florida, Vermont, South Carolina, Massachusetts, Georgia, and Toronto, Canada. The indictment also alleges that more than \$29 million in investor funds were transferred to **ASSET SECURITY CORPORATION** and none of those monies were used to buy insurance policies. Instead, the indictment alleges that at least \$1.4 million in investor funds were used to buy helicopters and luxury automobiles. The indictment seeks the forfeiture of approximately 25 pieces of real property, two helicopters, 34 automobiles, three motorcycles, and several jet skis and jet ski boats.

Conspiracy to commit mail fraud and mail fraud each carry a maximum term of imprisonment of five years. Conspiracy to commit money laundering and money laundering each carry a maximum term of imprisonment of twenty years. Each of the charges may also incur additional fines ranging between \$250,000 for mail fraud to \$500,000 for money laundering.

In additional developments, the United States Attorney also commended the United States Marshal's Service for their recent auction of many of the automobiles seized as a result of this case. The auction of 27 automobiles brought approximately \$1.5 million at the conclusion of the sales.

Trial of the remaining eleven defendants charged in this case has been scheduled to commence on April 2, 2001, in West Palm Beach, Florida, before United States District Judge Daniel Hurley.

United States Attorney Lewis stated, " This case sends a strong message to our community that fraud against the most vulnerable members will not be tolerated. This community deserves no less."

Mr. Lewis commended the efforts of Federal Bureau of Investigation Special Agents Gary Van Eerde, Anthony L. Yanketis, Gary Hellmer, Stephen Lucchesi and Vicki Smeltz, and Internal Revenue Service Special Agent Klaus Hurme and Suzanne Kalwara for their detailed efforts in uncovering the massive scheme that led to the indictment. The case is being prosecuted by Assistant United States Attorneys Ellen Cohen and Steve Carlton in West Palm Beach, Florida.