

price to an artificial price of approximately \$15 per share, which **MICHAEL LAUER** used to value the Lancer Group hedge funds' holdings of FFIRD stock at approximately \$10.3 million.

6. In or around February 2000, **MICHAEL LAUER** caused "Dear Partner" and "Dear Shareholder" letters to be sent to investors in which **LAUER** claimed that the Lancer Partners and Offshore hedge funds had generated an approximate 60% net return in 1999.

7. On or about October 31, 2000, **LAURENCE ISAACSON** caused a fax transmission to be sent from Boca Raton, Florida to Miami, Florida with a copy to **MICHAEL LAUER** in New York, seeking a "lock-up" agreement from a minority shareholder in SMXP not to sell shares of the stock for a restricted period and noting that SMXP is a "pink sheet public shell with no business operations" and that SMXP's majority shareholder, Offshore, had agreed to provide \$2.2 million regarding a merger of SMXP with a private company.

8. On or about December 26, 2000, Consultant C caused a memo to be sent via fax to **MICHAEL LAUER** and **MARTIN GARVEY** describing how they could obtain a controlling interest in NUDZ stock, and describing how they could then move the price of NUDZ stock from pennies per share to over \$1 per share through smaller open market purchases within a few days.

9. On or about December 27, 2000, **MICHAEL LAUER** caused the Lancer Group hedge funds to purchase approximately 15 million shares of NUDZ restricted stock for approximately 1 cent per share or a total of approximately \$150,000.

10. On or about January 2, 2001, **MICHAEL LAUER** caused a "2000 Year-End Update" to be sent to investors touting a purported percentage advance for the hedge funds for the year.

11. On or about January 9, 2001, **MICHAEL LAUER** caused the administrator for Offshore to send letters to investors showing a NAV for the Offshore fund as of December 31, 2000,

at approximately \$840 per each share held by investors in the Offshore fund (a total value for the Offshore fund of about \$709 million), which LAUER knew to be artificially inflated as it included, among other things, approximately \$188 million in valuation for SMXP stock which had been obtained for less than \$2.5 million.

12. In or around April 2001, **MICHAEL LAUER** caused the Lancer Partners' auditor to value the securities held in the Lancer Partners fund as of December 31, 2000, at approximately \$227 million, which LAUER knew to be artificially inflated as it included, among other things, approximately \$19 million in valuation for SMXP stock, which had been purchased for about \$2.4 million; \$21 million in valuation for FFIRD stock, which had been purchased for about \$3.3 million; and \$19 million in valuation for NUDZ stock, which had been purchased for less than \$1 million.

13. On or about September 27, 2001, Consultant C caused a memo to be sent to **MICHAEL LAUER** and **MARTIN GARVEY** describing, among other things, how small purchases of certain stocks on the open market could be made to move up the price of said stocks to certain goals and listing the "Valuation Benefit" that these stock purchases would generate.

14. On or about January 9, 2002, **MICHAEL LAUER** caused the administrator for Offshore to send letters to investors showing a NAV for the Offshore fund as of December 31, 2001, at approximately \$915 million, which LAUER knew to be artificially inflated as it included, among other things, approximately \$138 million in valuation for NUDZ stock; \$133 million in valuation for SMXP stock; and \$120 million in valuation for FFIRD stock, when all of those holdings were for shell companies' securities which had been purchased for about \$15 million.

15. On or about February 19, 2002, **MICHAEL LAUER** caused a "2001 Review and Performance Update" to be sent to investors wherein, among other things, he claimed that the funds'

performance was up over 10% from the start of 2001 through January 31, 2002, and that the holdings were "reasonably close" to their cost basis.

16. On or about April 25, 2002, **MICHEAL LAUER, LAURENCE ISAACSON,** and **MILTON BARBAROSH** caused Appraiser L to sign an appraisal valuing the Lancer Group hedge funds holdings in AUGC/Biometrics stock at \$124,198,350.

17. On or about June 6, 2002, **LAURENCE ISSACSON** caused a fax transmission to be sent from Boca Raton, Florida to Consultant C in New York with a term sheet regarding an investment in AUGC stock which would result in fees being paid to entities associated with **MARTIN GARVEY, ISAACSON,** Consultant C, and the Shamrock Owner.

18. On or about June 18, 2002, **MICHAEL LAUER** caused letters to be sent to Offshore's auditors and others with inflated valuations for ten companies, including NUDZ, SMXP, AUGC and FFIRD.

19. On or about October 21, 2002, **MILTON BARBAROSH** caused a fax transmission to be sent from Boca Raton, Florida to **MICHAEL LAUER** in New York City purporting to value a control position in NUDZ stock at \$3.11 per share as of December 31, 2001, and \$3.78 per share at September 30, 2002.

20. On or about November 11, 2002, **MICHAEL LAUER** caused letters to be sent to investors falsely stating that the Lancer Partners and Offshore hedge funds had risen over the past twelve months as compared to declines in the S&P 500.

21. On or about December 6, 2002, **MICHAEL LAUER** caused letters to be sent to investors falsely stating, among other things, that he believed the portfolio selections were trading at less than half their private market values.

22. On or about January 20, 2003, **MICHAEL LAUER** caused letters to be sent to investors claiming that “our analytical and administrative team is stronger than ever” and opining that a “smear” by a reporter had resulted in higher than usual redemption requests.

23. On or about February 3, 2003, **MICHEAL LAUER, LAURENCE ISAACSON,** and **MILTON BARBAROSH** caused Appraiser L to sign an engagement letter to perform a valuation of Biometrics Secure Technology (“Biometrics,” formerly AUGC).

24. In or around February 2003, **MICHAEL LAUER** caused letters to be sent to investors of the Lancer Group hedge funds informing them that he had established limited special purpose vehicles (“LSPVs”) to act as liquidating vehicles to which the Lancer Group hedge funds would contribute securities and interests in the Lancer Group hedge funds in lieu of redemptions.

25. In or around March and April 2003, in order to provide funding to Biometrics (formerly AUGC), **LAURENCE ISAACSON** caused funds to be transferred from Xtracard (formerly NUDZ) to Biometrics.

26. On or about April 25, 2003, **MICHEAL LAUER, LAURENCE ISAACSON,** and **MILTON BARBAROSH** caused Appraiser L to sign a purported valuation of AUGC/Biometrics as of December 31, 2002.

27. On or about May 14, 2003, **LAURENCE ISAACSON** caused a Notification of Late Filing of Form 10-QSB for Biometrics to be sent by email from Boca Raton, Florida to the U.S. Securities and Exchange Commission.

28. On or about May 20, 2003, **MILTON BARBAROSH** caused e-mails to be sent from Boca Raton, Florida to **MICHAEL LAUER** in New York City concerning draft valuations of FFRD and Xtracard (formerly NUDZ).

29. On or about June 19, 2003, **MILTON BARBAROSH** caused a fax to be sent to Appraiser L in Broward County, Florida containing an engagement letter signed by **MICHAEL LAUER** concerning Biometrics (formerly AUGC).

30. On or about July 7, 2003, **LAURENCE ISAACSON**, as president of SMXP, caused a memo to be transmitted via fax from Boca Raton, Florida to **MICHAEL LAUER** in New York, requesting a \$25,000 working capital advance so that, among other things, "the market makers may continue to make a market in this stock."

All in violation of Title 18, United States Code, Section 371.

COUNTS 2 - 7
Wire Fraud
(18 U.S.C. §§ 1343 and 2)

1. Paragraphs 1 through 17 of the General Allegations section of this Indictment are re-alleged and incorporated by reference as though fully set forth herein.

2. From in or around October 1999 through in or around July 2003, in the Southern District of Florida, and elsewhere, the defendants,

MICHAEL LAUER,
MARTIN GARVEY,
ERIC HAUSER,
LAURENCE ISAACSON, and
MILTON BARBAROSH,

did knowingly and with intent to defraud, devise, and intend to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, knowing that the pretenses, representations, and promises were false and fraudulent when made.

PURPOSE OF THE SCHEME AND ARTIFICE

3. It was a purpose of the scheme and artifice for the defendants and their accomplices to induce investors to invest in the Lancer Group hedge funds by making materially false representations and concealing and omitting to state material facts to unjustly enrich themselves through: (a) payments of incentive performance fees and management fees by fraudulently inflating the value of securities held by the Lancer Group hedge funds and by encouraging new investments and discouraging redemptions; (b) payments of other purported fees, including “consulting” and “finder’s” fees; (c) redemptions by the conspirators of their own personal holdings in the funds; and (d) sales by the conspirators of their own personal holdings of the securities in which the funds invested.

SCHEME AND ARTIFICE

4. Paragraphs 4 through 16 of the Manner and Means section of Count 1 of this Indictment are re-alleged and incorporated by reference herein as a description of the scheme and artifice.

USE OF THE WIRES

5. On or about the dates specified as to each count below, the defendants, for the purpose of executing the aforesaid scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, did knowingly transmit and cause to be transmitted, by means of wire communications in interstate and foreign commerce, certain writings, signs, signals, pictures and sounds, as more particularly described below:

COUNT	APPROX. DATE	DESCRIPTION OF WIRE COMMUNICATIONS
2	January 30, 2003	Message from LAURENCE ISAACSON to MICHAEL LAUER transmitted via fax from Boca Raton, Florida, to New York, New York, requesting, among other things, \$100,000 in funding for Xtracard
3	January 31, 2003	Message from MILTON BARBAROSH to MICHAEL LAUER transmitted via fax from Boca Raton, Florida, to New York, New York, requesting execution of engagement letters for XtraCard and Biometrics and confirming LAUER's discussion with LAURENCE ISAACSON and Consultant C regarding valuation of SMXP, FFIRD and other entities
4	May 20, 2003	Message to MICHAEL LAUER concerning draft valuations transmitted via email from Boca Raton, Florida, to New York, New York, attaching first draft of XtraCard valuation at December 31, 2002 and noting that FFIRD (draft valuations) would be sent later that day
5	June 13, 2003	Message from MILTON BARBAROSH to MICHAEL LAUER transmitted via fax from Boca Raton, Florida, to New York, New York, attaching wiring instructions for payment regarding engagement for two purported valuations
6	June 25, 2003	Purported invoices for payment for phony valuations from MILTON BARBAROSH to MICHAEL LAUER's office transmitted via fax from Boca Raton, Florida, to New York, New York
7	July 7, 2003	Memorandum from LAURENCE ISAACSON as president of SMXP to MICHAEL LAUER transmitted via fax from Boca Raton, Florida, to New York, New York, requesting \$25,000 "working capital advance" to SMXP

In violation of Title 18, United States Code, Sections 1343 and 2.

FORFEITURE
(18 U.S.C. §§ 981(a)(1)(C), 982(a)(2)(A))

1. Paragraphs 1 through 17 of the General Allegations section of this Indictment and paragraphs 4 through 16 of the Manner and Means section of Count 1 of this Indictment are alleged and incorporated by reference as though fully set forth herein for the purpose of alleging forfeiture to the United States of property in which one or more of the defendants has an interest pursuant to the provisions of Title 18, United States Code, Sections 982(a)(1) and 981(a)(1)(C), and Title 28, United States Code, Section 2461.

2. Each defendant who is convicted of one or more of Count 1 (Conspiracy) and Counts 2 through 7 (Wire Fraud) of this Indictment shall forfeit to the United States of America, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and 28 U.S.C. Section 2461(c), any property constituting, or derived from, proceeds the defendant obtained, directly or indirectly, as a the result of such violation.

3. Each defendant who is convicted of one or more of Counts 2 through 7 (Wire Fraud) of this Indictment shall forfeit to the United States of America, pursuant to Title 18, United States Code, Section 982(a)(2)(A), any property constituting, or derived from, proceeds the defendant obtained, directly or indirectly, as a the result of such violation.

4. If the property described above being subject to forfeiture as a result of any act or omission of a defendant:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;

- d. has been substantially diminished in value; or
- e. has been commingled with other property that cannot be divided without difficulty;

it is the intent of the United States of America, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code Section 982(b)(1), to seek forfeiture of properties of the defendant up to the value of the above forfeitable property in United States currency.

All pursuant to Title 18, United States Code, Sections 981 and 982, Title 28, United States Code, Section 2461, and the provisions of Title 21, United States Code, Section 853.

A TRUE BILL

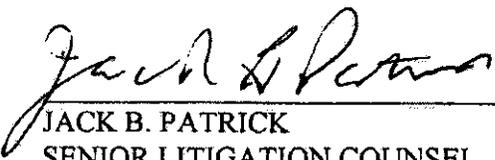
FOREPERSON



R. ALEXANDER ACOSTA
UNITED STATES ATTORNEY



HAROLD E. SCHIMKAT
ASSISTANT UNITED STATES ATTORNEY



JACK B. PATRICK
SENIOR LITIGATION COUNSEL
FRAUD SECTION, CRIMINAL DIVISION
UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES OF AMERICA

CASE NO. _____

vs.

CERTIFICATE OF TRIAL ATTORNEY*

MICHAEL LAUER, et al.,

 Defendants.

Superseding Case Information:

Court Division: (Select One)
 Miami Key West
 FTL WPB FTP

New Defendant(s) Yes _____ No _____
 Number of New Defendants _____
 Total number of counts _____

I do hereby certify that:

- I have carefully considered the allegations of the indictment, the number of defendants, the number of probable witnesses and the legal complexities of the indictment/information attached hereto.
- I am aware that the information supplied on this statement will be relied upon by the Judges of this Court in setting their calendars and scheduling criminal trials under the mandate of the Speedy Trial Act, Title 28 U.S.C. Section 3161.

3. Interpreter: (Yes or No) No
 List language and/or dialect _____

4. This case will take 30 days for the parties to try.

5. Please check appropriate category and type of offense listed below:
 (Check only one) (Check only one)

I	0 to 5 days	_____	Petty	_____
II	6 to 10 days	_____	Minor	_____
III	11 to 20 days	_____	Misdem.	_____
IV	21 to 60 days	<u>X</u>	Felony	_____
V	61 days and over	_____		_____

6. Has this case been previously filed in this District Court? (Yes or No) No

If yes: Judge: _____ Case No. _____
 (Attach copy of dispositive order)

Has a complaint been filed in this matter? (Yes or No) No

If yes: Magistrate Case No. _____
 Related Miscellaneous numbers: _____
 Defendant(s) in federal custody as of _____
 Defendant(s) in state custody as of _____
 Rule 20 from the _____ District of _____

Is this a potential death penalty case? (Yes or No) No

- Does this case originate from a matter pending in the U.S. Attorney's Office prior to April 1, 2003? _____ Yes No No
- Does this case originate from a matter pending in the U. S. Attorney's Office prior to April 1, 1999? _____ Yes No No
 If yes, was it pending in the Central Region? _____ Yes _____ No
- Does this case originate from a matter pending in the Northern Region of the U.S. Attorney's Office prior to October 14, 2003? _____ Yes No No
- Does this case originate from a matter pending in the Narcotics Section (Miami) prior to May 18, 2003? _____ Yes No No
- Does this case originate from a matter pending in the Central Region of the U.S. Attorney's Office prior to September 1, 2007? _____ Yes No No


 HAROLD SCHIMKAT
 ASSISTANT UNITED STATES ATTORNEY
 Court No. A5500567

*Penalty Sheet(s) attached

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET

Defendant's Name: MICHAEL LAUER

Case No: _____

Count #: 1

Title 18, United States Code, Section 371

Conspiracy to Commit Wire, Mail and Securities Fraud

* Max. Penalty: 5 years' imprisonment

Counts #: 2-7

Title 18, United States Code, Section 1343

Wire Fraud

* Max. Penalty: 20 years' imprisonment

***Refers only to possible term of incarceration, does not include possible fines, restitution, special assessments, parole terms, or forfeitures that may be applicable.**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET

Defendant's Name: MARTIN GARVEY

Case No: _____

Count #: 1

Title 18, United States Code, Section 371

Conspiracy to Commit Wire, Mail and Securities Fraud

* Max. Penalty: 5 years' imprisonment

Counts #: 2-7

Title 18, United States Code, Section 1343

Wire Fraud

* Max. Penalty: 20 years' imprisonment

***Refers only to possible term of incarceration, does not include possible fines, restitution, special assessments, parole terms, or forfeitures that may be applicable.**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET

Defendant's Name: ERIC HAUSER

Case No: _____

Count #: 1

Title 18, United States Code, Section 371

Conspiracy to Commit Wire, Mail and Securities Fraud

* Max. Penalty: 5 years' imprisonment

Counts #: 2-7

Title 18, United States Code, Section 1343

Wire Fraud

* Max. Penalty: 20 years' imprisonment

***Refers only to possible term of incarceration, does not include possible fines, restitution, special assessments, parole terms, or forfeitures that may be applicable.**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET

Defendant's Name: LAURENCE ISAACSON

Case No: _____

Count #: 1

Title 18, United States Code, Section 371

Conspiracy to Commit Wire, Mail and Securities Fraud

* Max. Penalty: 5 years' imprisonment

Counts #: 2-7

Title 18, United States Code, Section 1343

Wire Fraud

* Max. Penalty: 20 years' imprisonment

***Refers only to possible term of incarceration, does not include possible fines, restitution, special assessments, parole terms, or forfeitures that may be applicable.**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET

Defendant's Name: MILTON BARBAROSH

Case No: _____

Count #: 1

Title 18, United States Code, Section 371

Conspiracy to Commit Wire, Mail and Securities Fraud

* Max. Penalty: 5 years' imprisonment

Counts #: 2-7

Title 18, United States Code, Section 1343

Wire Fraud

* Max. Penalty: 20 years' imprisonment

***Refers only to possible term of incarceration, does not include possible fines, restitution, special assessments, parole terms, or forfeitures that may be applicable.**