

# NEWS RELEASE

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SOUTHERN DISTRICT OF ILLINOIS

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For Immediate Release

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## RESIDENT OF THE PHILIPPINES CHARGED BY CRIMINAL COMPLAINT WITH NUMEROUS FRAUD OFFENSES

A. Courtney Cox, United States Attorney for the Southern District of Illinois, announced today that on Friday, May 28, 2010, **NICHOLAS A. SMIRNOW**, age 53, of Buck Estate, Alfonso, Cavite, Philippines, formerly of Baysville, Ontario, Canada, was charged in a ten (10) count criminal complaint alleging one count of conspiracy to commit mail fraud, wire fraud, securities fraud and money laundering; three counts of mail fraud; four counts of wire fraud; and one count of securities fraud.

*Individuals charged by criminal complaint have the constitutional right to have the case presented to a grand jury for consideration of whether an indictment should be returned. Under the law, a defendant is presumed to be innocent of all charges—whether by indictment or criminal complaint—and is entitled to a fair trial at which the Government must prove guilt beyond a reasonable doubt.*

The complaint alleges that between 2007 and 2009, **SMIRNOW** engaged in a massive international Ponzi scheme that resulted in losses of \$70 million to over forty thousand (40,000) investors in over 120 countries and six continents. United States residents in 48 states (every state except Maine and Vermont) lost money in **SMIRNOW'S** investment scheme. The scheme is alleged to have operated from Canada and the Philippines, through a web site hosted in the Netherlands, and through a company incorporated in the Turks & Caicos Islands in the Caribbean. **SMIRNOW** called his investment scam "Pathway to Prosperity" and he allegedly used an internet website to snare investors.

The *Pathway to Prosperity* website claimed that investors could earn extremely high rates of returns with minimal or no risk, the hallmark, according to the complaint, of a “high yield investment scam.” According to the complaint, investors were offered their choice of seven, fifteen, thirty, and sixty day “plans.” At the daily interest rates promised by **SMIRNOW**, a seven day plan supposedly produced an annual return of 546% and a sixty day plan supposedly was returning an annual return of 720%. Fifteen and thirty day plans supposedly returned equally spectacular rates of return. If an investor reinvested both his original investment and the supposed earnings that *Pathway to Prosperity* promised on a seven day program, for instance, at the daily interest rate quoted by **SMIRNOW**, the annual return would have been approximately 17,000%.

The complaint alleges that *Pathway to Prosperity* was a Ponzi scheme. While some earlier investors received a substantial return on their investment, most investors lost everything. The complaint alleges that *Pathway to Prosperity* made few, if any, legitimate investments.

Count one, charging conspiracy, and count ten, charging securities fraud, are each punishable by a term of imprisonment of not more than five years, a fine of \$250,000, or both. Counts two through five, charging mail fraud, and counts six through nine, charging wire fraud, are each punishable by a term of imprisonment of not more than twenty years, a fine of \$250,000, or both. Each count also carries with it a term of up to three years of supervised release following the completion of any term of incarceration.

The countries where investors in *Pathway to Prosperity* resided included : the United States, Canada, and Mexico in North America; Costa Rica, El Salvador, Honduras and Panama in Central America; Argentina, Bolivia, Brazil, Chile, Columbia, Equador, Guyana, Peru, Uruguay and Venezuela in South America; The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Dominican Republic, Grenada, Guadeloupe, Haiti, Jamaica, Martinique, Netherlands Antilles, Saint Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago in the Caribbean; Iceland, Norway, Sweden, Finland, Denmark, Iceland, the Faroe Islands, United Kingdom, Ireland, France, Belgium, Netherlands, Germany, Switzerland, Liechtenstein, Luxembourg, Monaco, Andorra, Portugal, Spain, Malta, Italy, Austria, Hungary, Czech Republic, Slovakia, Slovenia, Romania, Bulgaria, Poland, Estonia, Latvia, Lithuania, Russian Federation, Belarus, Ukraine, Azerbaijan, Republic of Georgia, Greece, Macedonia, Croatia, Bosnia and Herzegovina, and Yugoslavia in Europe; Turkey, Cyprus, Armenia, Uzbekistan, Kazakhstan, Afghanistan, Pakistan, India, Republic of Maldives, Sri Lanka, Nepal, Cambodia, Thailand, Vietnam, Taiwan, South Korea, North Korea, Peoples Republic of China, Peoples Republic of China Hong Kong SAR, Singapore, Macau, Indonesia, Malaysia, Philippines, and Japan, in Asia.

The scheme is alleged to have victimized residents in eighteen--St. Clair, Madison, Calhoun, Clinton, Crawford, Effingham, Franklin, Jackson, Jasper, Jefferson, Jersey, Lawrence, Marion, Randolph, Richland, Washington, Wayne, and Williamson-- of the thirty eight counties comprising the Southern District of Illinois.

This law enforcement is part of by President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

The case was investigated by the U.S. Postal Inspection Service - Chicago Division, with substantial assistance from Internal Revenue Service Criminal Investigations and the Ontario Provincial Police in Canada. Assistance was also provided by the Rotterdam-Rijnmond Regional Police in Rotterdam in the Netherlands, Filipino authorities, the Illinois Securities Department, and the Ontario Securities Commission (Canada).

The case is assigned to Assistant United States Attorney Bruce Reppert for prosecution.