

NEWS RELEASE:

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 return of guilty verdicts after a month and a half-long trial in West Palm Beach in connection with an international investment fraud involving more than \$117 million in United States v. Frederick C. Brandau, et al., Case Number 99-8125-Cr-Hurley(s)(s).

On August 13, 1999, a federal grand jury sitting in West Palm Beach, Florida, originally returned a 73 count indictment against **FREDERICK C. BRANDAU, MARY ANNE BILLINGHURST, FINANCIAL FEDERATED TITLE & TRUST, INC.,** and **ASSET SECURITY CORPORATION.** In Case Number 99-8125-Cr-Hurley, **BRANDAU and BILLINGHURST** were charged with conspiracy to commit mail fraud and wire fraud, **BRANDAU** was charged with 14 counts of mail fraud, conspiracy to commit money laundering, and 29 counts of money laundering, while **BILLINGHURST** was charged with conspiracy to commit money laundering and 2 counts of money laundering. **Financial Federated** and **Asset Security** previously pled guilty to charges arising out of the indictment and were sentenced on August 18, 2000, before Judge Hurley.

The jury convicted **FREDERICK C. BRANDAU** of 43 of the 44 counts he faced, including conspiracy to commit mail and wire fraud, 14 counts of mail fraud, conspiracy to commit money laundering and 28 counts of money laundering. The jury acquitted **MARY ANNE BILLINGHURST** of 4 charges she faced.

The lengthy, and detailed indictment in Case Number 99-8125-Cr-Hurley(s)(s), 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 conspired to recruit insurance agents to solicit individual investors under false and fraudulent pretenses. The government established at trial 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 government also proved 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. Although at least \$117 million in investor monies were received by **FINANCIAL FEDERATED**, the company and the defendants used only about \$6.5 million of these funds to buy insurance policies whose total value was just over \$8

million. The government had alleged that no real medical reviews were ever performed by the defendants.

MARY ANNE BILLINGHURST was alleged to have been a nurse hired to do medical consulting work for **FINANCIAL FEDERATED. Billinghamurst** who has been in custody of the United States Marshal Service since November 1, 1999, remains in custody pending the disposition of a bail jumping charge. The potential sentence for failure to appear is up to five years incarceration and up to a \$250,000 fine.

The government proved that **BRANDAU** 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. At least \$3.5 million in investor funds were used to buy helicopters and luxury automobiles.

The superseding indictment sought criminal forfeiture of several additional parcels of real property, both developed and undeveloped, that the grand jury alleges were bought with monies traced to the underlying investment fraud. The government also sought to forfeit several additional automobiles allegedly purchased with monies also traced to the underlying investment fraud. This portion of the indictment has been left to the court to decide.

The convicted defendants face a maximum period of incarceration of five years in prison and a \$250,000 fine for **each** mail or wire fraud count under 18 U.S.C., Sec. 1341, 1342, twenty years in prison and a \$500,000 fine or twice the amount of funds laundered for **each** money laundering count charged as a violation of 18 U.S.C., Sec. 1956; and ten years in prison, a \$500,000 fine or twice the amount of funds laundered for **each** money laundering count charged as a violation of 18 U.S.C., Sec. 1957. United States District Court Judge Daniel T.K. Hurley has scheduled the sentencing of the defendant for at least 60 days after the verdict. Brandau has been in jail since September 9, 1999; and he remains in custody of the United States Marshal pending sentencing.

Trial of the thirteen remaining defendants, including Raphael Ray Levy, American Benefits Services, Gary Pierce, CSI Ag Ltd., Garland Hogan, Alan Richard Lewis, Ivan Burgos, Jeffrey Paine, Zane Balsam, Wanda Tirado, Juan Arroyo, Harvey Brandau, and Cheryl Poindexter, is currently scheduled to occur April 2, 2001, in West Palm Beach, Florida, before the District Court Judge Daniel T. K. Hurley.

Mr. Lewis recognized the superb efforts of many different agents for their dedication to the case: Special Agents Gary Van Eerde, Anthony Yanketis, Gary Hellmer, Jr., and Stephen Lucchesi, Federal Bureau of Investigation, Special Agents Klaus Hurme and Suzanne Kalwara, Criminal Investigation Division, Internal Revenue Service. The case has been prosecuted by Assistant United States Attorneys Ellen Cohen and Steve Carlton in West Palm Beach, Florida.