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## **RUSSELL D. BERSCHT FOUND GUILTY OF CONSPIRACY, BANK FRAUD AND WIRE FRAUD INVOLVING STOLEN ENRON CHECK**

WASHINGTON - On September 18, 2007, a jury in the District of Delaware returned guilty verdicts on all counts of a 2006 Superseding Indictment charging Russell D. Berscht, 40, a stock broker from Calgary, Canada, with one count of conspiracy (18 U.S.C. § 371), one count of bank fraud (18 U.S.C. § 1344) and one count of wire fraud (18 U.S.C. § 1343), Assistant Attorney General Alice S. Fisher of the Criminal Division announced today. The Berscht case resulted from a five-year investigation by the Department of Labor, the FBI and the Department of Justice, Criminal Division, Fraud Section. The investigation revealed that the Enron check and checks from other Texas-based companies, including Compaq, were stolen and fraudulently altered to be made payable to the defendant's shell company and employer. The defendant then had the fraudulent checks deposited and the funds disbursed to himself and his coconspirators. The jury deliberated for one day after the week long trial, which began on September 10, 2007. This case originated with the Enron task force and was tried by attorneys from the Fraud Section in Washington, D.C.

In March 2001, Enron wrote a check for \$350,116 made payable to Prudential for its employee's disability benefits. Prudential never received the payment. Instead, the check was stolen and altered to be made payable to the defendant's Cayman Islands company, Mansell Investments. The defendant had the check deposited into his company manager's bank account at the Royal Bank of Canada (Caymans) on April 17, 2001, and then ordered all of the funds distributed to himself (\$36,000), his father (\$10,000), his stripper girlfriend (\$12,000) and his co-conspirators (\$274,000) within days of the funds becoming available. The defendant created a cover story with false documents to justify the receipt of the Enron check by claiming it was an investment by a company called "IIG" whose president was "Jack Falk." In reality, neither Jack Falk nor IIG existed and the contact information provided by the defendant for IIG and Jack Falk was entirely false. As a result of the defendant's actions, the Enron check was deposited and the funds distributed to Mansell, causing a federally insured institution, Citibank, to pay on the fraudulent check. When the check was discovered to be fraudulent in January 2002, the defendant's company manager, Rurik Trust (Cayman Islands), was left having to pay the RBC more than \$350,000 as a result of the defendant's actions.

In July 2001, the defendant, while simultaneously providing fake IIG documents to explain the fraudulent Enron check, opened up a brokerage account with his employer, Octagon Capital Corporation, in Calgary, Canada, using the fake name "Fouzi Zein" and presented his

employer with an altered check from Compaq, another Texas-based company. The \$367,000 Compaq check, which was written in 2001 to Sonicair, was altered to be made payable to Octagon. As a result of the defendant's false representations to his employer, including providing false contact information and a fake Syrian passport for "Fouzi Zein," Octagon allowed the defendant to begin trading with the funds from the Compaq check. The defendant managed to purchase 60,000 shares of penny stock in a company called "Exotics.com," an adult entertainment company, despite telling his employer that "Fouzi Zein" wanted to invest in blue chip companies like Microsoft. Before the defendant could make any more purchases of stock with the stolen Compaq funds, his employer discovered that the Compaq check was fraudulent and ceased all trading. Nevertheless, the defendant left the company holding \$30,000 of the nearly worthless Exotics.com stock, a company in which the defendant had an ownership interest.

In addition to these two checks, evidence adduced at trial demonstrated that in July 2001, the defendant had in his possession three additional stolen checks, all from US companies based in Texas, all made out to the defendant's company Mansell, and totaling more than \$2 million.

The defendant received the stolen checks from his co-conspirator, Peter Clironomos (who received \$76,000 from the stolen Enron check alone). Mr. Clironomos was indicted along with the defendant in July 2006, but died shortly thereafter. The defendant's other co-conspirator, Craig Hurst (who received more than \$9,000 from the stolen Enron check) pleaded guilty to one count of money laundering conspiracy (18 U.S.C. 1956(h)) in January 2005. No sentencing date has yet been set for Berscht.

This case was prosecuted by Amanda Riedel and Stacey Luck of the Fraud Section, with the assistance of paralegal Jessica Bachman. The investigating agencies were the Department of Labor and the FBI.

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