January 30, 2002

U.S. Department of Justice
United States Attorney
Southern District of New York
Robert Strang
(718) 422-5526
Joseph V. De Marco
(718) 422-5364
Marvin Smilon, Herbert Hadad PAO
(718) 422-5518

Six Defendants Sentenced in $16 Million Bogus Investment Scheme Marketed Over Internet

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced today that six defendants have been sentenced in Manhattan federal court for participating in a bogus investment scheme, marketed over the Internet, that defrauded approximately 172 investors from around the world of more than $16 million. The architects of the scheme, ANTHONY GUASTELLA and ROBERT MARTINS, both of Las Vegas, Nevada, were sentenced this week to 16 years and 8 months and 11 years and 3 months in jail, respectively.

On June 13, 2001, GUASTELLA, 50, and MARTINS, 56, were convicted after a jury trial of conspiracy, wire fraud, money laundering, and interstate transportation of stolen property. During a recess after the jury's guilty verdict was announced, GUASTELLA, who had been on bail during trial, fled the courthouse, and was apprehended later that night outside the Marriot Marquis Hotel in Times Square by members of the United States Marshal Service's Fugitive Squad.

According to the evidence at trial, GUASTELLA and MARTINS operated a fraudulent investment program that offered investors the opportunity to → lease→ $1 million from a European bank upon payment of a fee of $35,000. Investors were told that the $1 million in → leased→ funds would then be placed in a → high-yield investment program→ that would generate returns of $5 million or more within a ten-month period. The program was marketed through, among other means, an Internet web site operated by MARTINS through his company, Assets International Ltd.

According to the evidence, investors received → proof of funds→ letters on the letterhead of → First Mutual Sparkassa,→ which the defendants claimed was a savings bank in Stockholm, Sweden, as well as on the letterhead of → Euro Banque→ of London, England. These letters purported to confirm that the $1 million, or other amount of funds → leased→ by the investor, was being held in a custodial trust account in the investor's name.

In fact, as the evidence at trial showed, the investment program was entirely fictitious. Neither → First Mutual Sparkassa→ nor → Euro Banque→ was a real bank, and they were not holding millions of dollars on behalf of investors. The → proof of funds→ letters were simply printed off GUASTELLA's home computer in Las Vegas, and signed by him in the names of fictitious bank officers. Moreover, the → high yield investment programs→ promoted by the scheme → - a variation of so-called → Prime Bank→ frauds which have been the subject of alerts from the Federal Reserve and other regulatory agencies since the early 1990's → - do not exist.

From October 1997 to July 1998, GUASTELLA and MARTINS collected over $16 million in → lease→ fees from investors located across the United States and in other parts of the world, including Europe, Canada, Cental America and the Far East. The evidence at trial showed that GUASTELLA and MARTINS divided the money, and used it to buy lavish homes and vehicles, among other things.

GUASTELLA used the investors' funds to purchase a $650,000 home in Las Vegas, a $55,000 Rolls Royce, and a $49,000 Bentley, and to make nearly $200,000 in cash withdrawals from ATM machines. MARTINS used his portion of the money to purchase a $600,000 home in Las Vegas, a $430,000 warehouse and a $125,000 Mercedes, and made approximately $41,000 in ATM withdrawals. MARTINS also transferred $2 million of the investors' funds to bank accounts in the Bahamas and Luxembourg.

On Tuesday, January 29, 2002, United States District Judge SHIRA A. SCHEINDLIN sentenced GUASTELLA to 200 months in prison. On January 28, Judge SCHEINDLIN sentenced MARTINS to 135 months in prison. Judge SCHEINDLIN found that GUASTELLA and MARTINS planned, organized, and implemented the scheme, supervising the activities of their co-conspirators. Judge SCHEINDLIN noted that the scheme had → caused many victims to lose their entire life savings,→ and expressed the hope that both GUASTELLA and MARTINS, during their lengthy periods of incarceration, would reflect upon the pain their crimes had inflicted upon their victims.

In imposing the higher sentence upon GUASTELLA, Judge SCHEINDLIN also found that he had committed perjury during his testimony at trial, and also noted GUASTELLA's alleged continued fraudulent conduct, as evidenced by a recent arrest warrant issued by the Nevada police. The Nevada case charges GUASTELLA with fraudulently misappropriating the identity of a Nevada minister who → - before learning that he, too, had been victimized by GUASTELLA → - had testified at the New York trial as a character witness on GUASTELLA's behalf.

In addition, Judge SCHEINDLIN ordered both GUASTELLA and MARTINS to pay restitution in the amount of $16,762,000, and ordered them to forfeit a number of assets seized by the Government, including several brokerage and bank accounts at Smith Barney in New York, Norwest Bank in Nevada, and Jyske Bank in Copenhagen, Denmark, and the cars and homes GUASTELLA and MARTINS purchased with their victims' money.

The Government, which estimates that the seized assets are worth in excess of $10 million, intends to use them to make restitution to the defrauded victims. In October 2001, Judge SCHEINDLIN appointed Anthony Valenti, of Holland & Knight Consulting LLC in New York, as a Special Master for purposes of identifying the victims and their losses and recommending a plan for distributing restitution funds to the victims.

Four other co-defendants entered guilty pleas in the case and were previously sentenced by Judge SCHEINDLIN:

MARIANNE CURTIS, 60, of Costa Mesa, California, pled guilty on May 8, 2001 to conspiracy to commit wire fraud. Through her company TMZ Trading, Inc., CURTIS purported to manage the → high yield investment program→ that would generate astronomical returns for investors. On October 17, 2001, CURTIS was sentenced to 2 years and 9 months in prison.

LOUIS FRECHETTE, 47, of Hollywood, Florida, pled guilty on May 10, 2001 to conspiracy to commit wire fraud. FRECHETTE acted as a liaison between CURTIS and GUASTELLA and MARTINS and, together with CURTIS, repeatedly gave investors false assurances that the high-yield investment program was about to pay off. On August 29, 2001, FRECHETTE was sentenced to a year and six months in prison.

ROY THORNTON, 69, of Duluth, Georgia, pled guilty on April 17, 2001 to conspiracy to commit wire fraud, as well as one substantive count of wire fraud. THORNTON recruited numerous investors to the scheme, and, along with CURTIS and FRECHETTE, received kickbacks from GUASTELLA and MARTINS which were not disclosed to investors. On August 30, 2001, THORNTON was sentenced to 2 years and 3 months in prison.

MICHAEL McCLAIN, 50, of Las Vegas, Nevada pled guilty on May 16, 2001, two days after the trial began, to conspiracy to use a fictitious name. The evidence at trial showed that GUASTELLA and McCLAIN were friends and that, during the course of the scheme, McCLAIN allowed GUASTELLA to use McCLAIN's name in dealing with investors, and received payments from GUASTELLA in return. On September 5, 2001, McCLAIN was sentenced to two years probation.

Judge SCHEINDLIN also ordered GUASTELLA and MARTINS each to serve a five-year term of supervised release, and CURTIS, FRECHETTE and THORNTON each to serve a two-year term of supervised release, following their release from prison. As a special condition of their supervised release terms, Judge SCHEINDLIN prohibited the defendants from selling securities or other investment products and from acting as a broker, agent, or fiduciary in connection with securities or other investment products.

Mr. COMEY praised the investigative efforts of the United States Customs Service and the Internal Revenue Service for their outstanding work on the investigation, which began in 1998.

Assistant United States Attorneys MICHAEL S. SCHACHTER and GARY STEIN are in charge of the prosecution.

###