

SARs Help Identify Accounts and Additional Nigerian 419 Scams Associated with \$32 Million Coal Mine and “Divine Gold” Ponzi Scheme

Federal law enforcement and regulatory agencies conducted a securities fraud investigation where defrauded investors lost at least \$32 million. Investors believed they were investing in coal mines and a huge and highly secretive gold transaction. Three individuals were convicted of running the scheme and sentenced to lengthy prison terms. The lead Federal investigator credited Suspicious Activity Reports (SARs) with providing additional bank account numbers previously unknown and with revealing the existence of additional Nigerian 419 scams perpetrated by the defendants against some of their more than 500 investors.

The 33-count indictment filed listed the three defendants for their alleged violation of federal securities fraud, mail fraud, wire fraud, aiding and abetting, witness tampering, money laundering, and contempt statutes.

Two defendants were officers of an entity that actually owned two coal mines. The defendants mailed materials to and held phone conference calls with investors who were falsely led to believe the mines were profitable or shortly would be; that the entity had \$1 million worth of coal in reserve; and that the entity had an experienced mine manager running its operations. In fact, the two mines the entity did own were only registered to operate for a short period of time and never turned a profit. The referenced “expert” mine manager began serving a prison sentence during the time he was purported to be managing the mines. Additionally, the entity did not own any coal reserves. Investors were led to believe their investments were paying for new mining equipment, which investors were assured would increase coal output and mining profits.

Many of the same investors were also encouraged to invest in what was pitched as a highly secretive 20,000 ton gold deal purported to involve a prince moving the gold from various countries in the Middle East and Europe. One defendant was represented to investors to have many international contacts as the organizer and facilitator of the gold transaction. Investors were led to believe that they were investing to pay for storage and administrative costs associated with the transfer of this illusory gold. Another defendant, a pastor, often prayed with investors during the conference calls, and assured them that the gold deal was “divinely inspired” and that it was “God’s will that the deal come to fruition.” Investors were also assured that some of the profits from the gold deal would be invested in humanitarian projects. Both the mine and the gold investments were supposed to return profits of 200 to 300 percent to investors within 60 days.

Contempt counts against the defendants resulted from their failure to obey Federal court orders to cease the sales of securities in the form of loan agreements and promissory notes the defendants concluded with their investors. Defendants went so far as to represent to investors that since the government had put the coal mines into receivership, investors could expect to receive their money back with interest. Additionally, in order to continue the gold scam, the defendants set up a new entity and new bank accounts to receive investor funds.

All told, over \$10 million of investor funds were used by one defendant to fund his music and film-making business. Another \$3.4 million was used to fund coal mining operations, with most of the balance of funds used by defendants to support lavish lifestyles including the purchase of expensive residences and vehicles.

Money transmitters filed 18 SARs reporting significant aggregate transfers totaling in the hundreds of thousands of dollars initiated by the defendants to recipients in Nigeria. Each SAR reports multiple wire transfers sent from different agent locations, most of which appear to be structured to avoid the \$3,000 reporting requirement. Investigators determined that these transfers represented funds raised by defendants from their most gullible investors who fell for a more traditional Nigerian 419 scheme pitched by the defendants at the same time the defendants were running their mining and gold scams.

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