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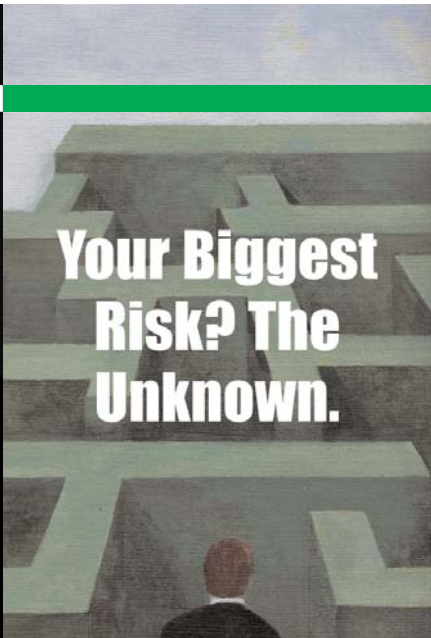
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Your Biggest Risk? The Unknown.



The underlying trust of many investors was shattered as the stories of Tom Petters and Bernard Madoff came to light in recent days and weeks. Both allegedly operated "Ponzi" schemes for years, paying investors a consistently high return on their money, year after year. According to news reports, both men are accused of defrauding their investors of enormous sums of money: \$3.5 billion for Petters and a staggering \$50 billion for Madoff. Reports say that pension funds and charitable foundations are among the victims, some entirely wiped out. The ripple effect of these alleged crimes will be felt for years all over the world.

The old saying, "If it sounds too good to be true, it probably is" was once again confirmed in these two situations. Steady returns for years, regardless of market conditions seemingly justified the trust in these men even if it was contrary to traditional market wisdom. Perhaps greed played a role in allowing so many people, including ultra-sophisticated investors and celebrities to succumb to these alleged schemes.

Secrecy shrouded both operations, which some say in hindsight, is a red flag. More tangible red flags existed too, but were either ignored, not widely disseminated or discovered too late. For example the Minneapolis Star Tribune (10/15/08) reported that one of the vendors in Petters case, Enchanted Family Buying, had a listed address which actually belonged to a car wash in Excelsior, MN. Similarly, as reported by Bloomberg News (12/13/08), hedge fund investment

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Who Can We Trust?

A country club pal. Your dad's old friend. A money manager with decades of experience and unwavering success. Someone in your extended business or social network with rave reviews by people you know well. These are the kinds of contacts that large investors seek to entrust vast amounts of cash with the hope of yielding high returns with relatively low risk. There is a comfort level in such circles of familiarity.



Paul Jaeb, CEO Heartland

advisor Aksia LLC, advised its clients several years ago not to invest with Madoff after learning the auditor for Madoff Investment Securities LLC was a three person firm, operating from a small space in a suburban office park. It simply didn't fit. Why were these clues never pursued thoroughly?

These high profile cases highlight the devastation of investor fraud. Thousands of other fraud cases are barely mentioned in the news media. Internet searches yield many examples of alleged Ponzi schemes and other types of investment fraud. And there is evidence that such fraud is on the rise. Earlier this month, the FBI issued a report, *Today's FBI: Facts & Figures, 2008 - 2009*. The report states, "The number of agents investigating corporate and other securities, commodities, and investment fraud cases has increased 47 percent, from 177 in 2001 to more than 250 today. Since 2007, there have been more than 1,700 pending corporate, securities, commodities, and investment fraud cases, an increase of 37 percent since 2001."

"People are losing money on a daily basis to investment fraud," said Paul Jaeb, CEO of Heartland Investigative Group and a Chartered Fraud Investigator (ChFI). "People are more concerned about who cleans the boardroom than who sits in the boardroom. Investors of all sizes must take the proper precautions to know the individuals who are presenting them with investment opportunities."

In an article written for *Minnesota Law and Politics*, Jaeb recalled a routine investigation requested by a Twin Cities law firm on behalf of a client. The client had been offered an investment

opportunity in a high-tech start-up by a prominent Las Vegas businessman. "We tracked him for several days and found absolutely nothing. An astounding lack of data on a living human being. Then, while digging into civil records, we discovered a document detailing — guess what — a name change. Everything lit up after that. Bankruptcy. Stock fraud. Dozens of civil suits. A nasty, expensive divorce. Needless to say, the client was extremely grateful — to us and to his lawyer."

Heartland Investigative Group offers an extensive line of services that can protect you or your clients from the debilitating losses suffered by the alleged victims of Petters and Madoff. For example, an Executive Profile© on individuals with whom you or your clients are considering investing will include 20-40 data sources and may include fieldwork. Heartland is the market leader in investigative services, performing tens of thousands of background investigations in its 17 year history. A superficial Google search will simply not suffice for serious due diligence when the stakes are high.

Jaeb says, "Reagan used to say about the Soviets, 'Trust, but verify.' I say forget trust. Just verify." Checking out your potential investments is your best investment.

Let Heartland help you. It's easy. Just call us in Minneapolis at 612-371-9255 or in Denver at 303-825-2373.

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