



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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PHOENIX MEN SENTENCED TO PRISON FOR PONZI SCHEME **Arizona Corporation Commission Initiated Investigation of International Scheme**

PHOENIX – United States Attorney Thomas F. Kirwin, Northern District of Florida, announced that two Phoenix area men, Jeffrey A. Matz, 59, and Kenneth Cobb, 34, were sentenced to prison for their roles in a world-wide Ponzi scheme based in Bluewater Bay, Florida, near Pensacola. Matz was sentenced last week to 97 months in federal prison and on July 31, 2001, Kenneth Cobb was sentenced to 78 months in prison. On April 13, 2001, a federal jury found Matz and Cobb guilty of money laundering, conspiracy to commit wire fraud and securities fraud.

The federal judge ordered Matz, who operated an international fraud scheme from his Scottsdale home, to pay more than \$9 million to an SEC Receiver for distribution to victims. He was also ordered to forfeit his Mercedes automobile, \$23,000 in cash, a \$5,000 bond and any interest in insurance policies, which purported to protect investors. Cobb was ordered to pay restitution of over \$25 million.

A six-week trial beginning in March 2001, led to the convictions of six defendants, three of whom are Phoenix-area residents. Besides Matz, Federal District Court Judge Lacey A. Collier of Pensacola, also convicted Kenneth Cobb and Phillip Nesmith of Phoenix. Other defendants included Melody Rose and B. David Gilliland of Memphis, Tennessee, William West of Niceville, Florida, and David Bishara of New York, New York. B. David Gilliland pled guilty prior to trial.

The defendants were accused of running three bogus trading companies, Hammersmith Trust and two others, offering high yield, no-risk opportunities for high-dollar investors. From 1996 through early 1999, the defendants swindled over \$64 million from investors around the world. West and Cobb ran the operation under the name of Bridgeport Alliance, based outside of Pensacola, while Bishara and Rose ran Continental Management, a related offshore banking business. Bishara laundered the stolen money through his offshore “bank” called AMPAC. Operating from his Scottsdale home as United States Holdings, Matz sold interests in Hammersmith Trust, misrepresenting the legitimacy of the program to investors.

William West was sentenced July 19 to 136 months in federal prison and ordered to pay in excess of \$25 million in restitution. Melody Rose was sentenced July 23 to 97 months in prison and ordered to pay victims more than \$20 million. Gilliland’s sentencing is set for August 3. Nesmith and Bishara await their sentencing dates.

Investigators from the Arizona Corporation Commission’s Securities Division alerted Federal authorities in Pensacola to the presence of this international fraud operation. This led to the execution of a search warrant to raid the Pensacola area offices. “The Florida raid was an incredibly successful operation,” said Mark Knops, senior staff attorney in the Commission’s Securities Division. “We were able to participate in both the Florida and Arizona stings and seize a rich archive of documents that were essential in shutting down this operation.” Knops was the lead contact in Arizona for the Federal proceedings.

U.S. Attorney Thomas Kirwin commended the initial investigation conducted by the Arizona Corporation Commission in conjunction with the Arizona Office of the Attorney General. He also lauded the cooperation of United States Customs, the Florida Department of Banking and Finance, and the Internal Revenue Service, which led to the convictions.

Arizona Corporation Commissioner Bill Mundell reaffirmed the mission of the Corporation Commission in preventing fraud and protecting investors from con artists. “This is the second major case in which our Securities Division initiated the recovery of unprecedented sums of money. This money WILL be distributed to the investors who were defrauded by these very sophisticated criminals.” [The Benjamin Franklin Cook/Dennel Financial case was the first case involving the seizure of millions of dollars in cash and assets.]

Commissioners Jim Irvin and Marc Spitzer credited the efforts of the Commission’s Securities Division and the Attorney General’s office with the success of this case. The interagency cooperation, they said, helped close down the scam and recover assets for investors.

In a separate matter, the U.S. Attorney for Arizona is conducting forfeiture proceedings against \$8.78 million seized in 1999 from domestic and overseas institutions. Matz raised this money for a second fraudulent investment program. Most of these funds are being returned to victims as well.

The Chairman and Commissioners encourage Arizona investors to contact the Securities Division prior to investing in “offshore” or “prime bank” investments or anything touted as “a no risk investment.” Investors have lost untold millions in fraudulent investment schemes touted this way. For further information on making safe investments, contact the ACC Securities Division at (602) 542-4242 or toll free at 1-877-811-3878. Additional information is available at the Division’s website at www.ccsd.cc.state.az.us.

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