



Florida & International Corporate & Financial Fraud Investigators

ORACLE International

PO Box 10728, Naples, FL. 34101 :: Tel: 239 304 1639 :: Fax: 239 304 1640

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HEADLINE: Get-rich pitch 'bogus';
Seven states have determined Global Prosperity is an illegal pyramid scheme

BYLINE: Karen Dorn Steele and Bill Morlin Staff writers

BODY:

A controversial company is bringing its anti-tax, hide-your-assets message to Spokane after being ordered to halt its deceptive pitch in seven states.

Regulators from Oregon to Massachusetts call Global Prosperity a purveyor of an illegal pyramid scheme and have acted to stop it.

"What this company really does is tell people how to commit tax evasion and fraud," said North Dakota Securities Commissioner Syver Vinje.

"The tapes and seminars of Global Prosperity are worse than worthless. They could put you in jail," he said.

Global is under investigation by the Internal Revenue Service and the Federal Trade Commission.

Better Business Bureau chapters in the United States and Canada also warn of Global's "unsatisfactory" practices.

Global Prosperity's founders say it's a legitimate, direct-sales company that unveils secrets of wealth-building for the struggling middle class.

"Are we a pyramid? Of course not. We are very proud of the organization," said Dan Andersen, 33, a former Massachusetts construction worker who founded Global with two other men in the mid-'90s.

But disillusioned former members say it's a scam that exploits people's greed and hatred of taxes and the government.

Global Prosperity sponsors expensive offshore training seminars where vendors - some of whom got their start in Global - hawk various get-rich-quick schemes, some of which violate U.S. laws.

Global Prosperity has taken in an estimated \$ 300 million in the last four years, according to figures provided by its founders.

"They prey on gullible people," said Aaron Bazar of Rockville, Md., a 26-year-old computer worker who lost \$ 8,000 to Global this year before backing out.

Dozens of Spokane-area enthusiasts are involved in Global's marketing network, which operates in 21 countries. It's promoted on the Internet, through work-at-home ads and among members of fundamentalist churches.

For an initial \$ 1,250 payment, Global offers a set of Level I tapes telling people how to break free of the U.S.

tax system and become rich. Some 70,000 people have bought the tapes, Andersen said last week.

After an initial tape-buyer sells the cassette package to seven other people, the initial buyer is awarded a marketing niche - and an 80 percent profit on subsequent tape sales. Global also offers its tape marketers costly offshore trips where they hear more investment pitches on sheltering their money overseas.

The seminar speakers aren't Global employees and Global doesn't endorse the overseas pitches, Andersen said.

"We think of ourselves as a smorgasbord. We make the introductions and if someone chooses to get involved, they do it of their own accord," he said.

Spokane carpet business owner Royce Herschberger won't say who persuaded him about a year ago to buy Global tapes.

"For me, it's like lifting a fog," he said. "The program says, 'Here's the truth, here's the real information.' You do what you want with it."

Since his introduction, he's completed Global's three-day Level II seminar in Cancun at a cost of \$ 6,250, plus airfare, lodging and meals. He plans to spend \$ 18,750 to attend Level III training in the Bahamas in September.

At the Cancun seminar, he heard about asset protection, tax avoidance, trusts, offshore banking, health issues and various venture capital offers.

"I don't mean to be secretive about this, but there are some concepts that just can't be discussed within the boundaries of the United States," Herschberger said. "Down there, U.S. laws don't apply."

Global's critics have a different view.

The group's seminars in Cancun and the Caribbean are "a bazaar for every con man from here to Timbuktu," said David Marchant, a Miami-based investigative reporter who tracks investment scams in his Internet newsletter, Offshore Alert.

Jay Adkisson of Irvine, Calif., a tax attorney with an anti-fraud Web site, agrees with Marchant.

"Anybody involved at any level with Global Prosperity is a scam artist," he said. "The products they are selling are bogus."

Another Global co-founder, David Struckman, operated for a time from a drop box in Renton and is now in Bellevue. He didn't respond to an interview request. Oregon ordered him to stop doing business within its borders in 1998.

The Washington State Attorney General's Office, which has received 50 complaints about Global's tactics, has taken no formal action.

It's illegal to sell investment contracts in Washington state without registering as a securities dealer or investment adviser, authorities say.

State securities regulators are investigating Global, and appear to be moving toward issuing a cease and desist order.

"For us, the Department of Financial Institutions seemed to be the appropriate body," to take action, said Steve Larsen, assistant attorney general for consumer protection in Seattle.

But such civil orders don't appear to have slowed down Global, which frequently changes its name and continues to do business.

Global Prosperity grew out of Investors International, whose chairman is Rudolph Linschoten of Newport Beach, Calif.

Linschoten and British lawyer Marshall Ronald are accused of cheating 170 investors out of more than \$ 6 million in a secret bank trading scheme.

The pair await trial in Los Angeles federal court on charges of securities and mail fraud and money laundering.

In May 1999, Linschoten, also known as Rudolph Van Lin, was ordered to repay \$ 5.8 million in a civil suit brought by the U.S. Securities and Exchange Commission.

Linschoten took investors on Caribbean cruises, where they were told they could double their money in 90 days by buying U.S. currency at less than face value, according to SEC investigators.

Andersen says he and Struckman initially worked with Linschoten, who used the alias Van Lin, but left because of his "unethical business practices."

"I told Dave, we'd better watch out for Rudy. So we pulled out" five years ago, he said.

While federal authorities appear to have stopped Investors International, similar offshore investment schemes and what the IRS calls "abusive trusts" are flourishing under a networking umbrella provided by Global Prosperity.

In Seattle and Phoenix, federal courts have frozen the assets of three people tied to Oakleaf International, Rosewood International and Meliorations Management Team.

The FBI and a federal grand jury are investigating various crimes, but no indictments have been issued.

The three entities have been promoted through a "private investment" club on the Internet and at Global Prosperity seminars.

In the Spokane-Coeur d'Alene area, at least three dozen "qualified retailers" who have sold seven or more tape packages are pitching Global Prosperity .

Denny Kluver, a retired community college instructor who owns Anchor Management in Spokane, has a downtown office and a telephone answering machine that says the caller has reached "Global Prosperity."

Kluver said he sells the \$ 1,250 Global tape package, but couldn't recall how many he's sold.

"I'm involved simply because I enjoy what they're all about," he said of Global.

"My interest is asset protection," Kluver said. That concept teaches people how to move their assets to various trusts or offshore bank accounts in an effort to keep them beyond the grasp of tax collectors, creditors, liens or court judgments.

Some asset protection plans are legal; others aren't. Moving money offshore expressly to avoid U.S. taxes and failing to report accounts of more than \$ 10,000 overseas is illegal, according to the Internal Revenue Service.

Herschberger knows at least 25 other people from Spokane involved in Global, some of whom he met at the Cancun seminar last December, but he declined to identify them.

"I've talked to people here in Spokane who say their financial life began with Global Prosperity," he said. "That doesn't mean I agree with everything I've heard. There are programs talked about there that I absolutely don't agree with, that I wouldn't touch with a 10-foot pole."

Spokane Valley flooring store owner Randy Gallion also is a Global retailer.

"This is not a pyramid scheme," Gallion said last week. "It's direct sales. I've got to tell you these are the most ethical, honest people I've ever dealt with.

"They're impacting a lot of lives, for the good, so don't believe all that negative stuff you're hearing," he said.

Gallion said he wasn't aware that seven states have issued civil edicts ordering Global to stop its operations. "Do you believe that? I don't," he said.

He has completed Global's first three training levels, beginning with the tapes. They are for personal use only and can't be copied or given away under a contractual agreement with Global.

Global offers a 10-day, money-back guarantee, but afterward is "held harmless" of all financial liabilities. Refund disputes will be settled not by state courts, but by the "courts of Common Law" between the contracting parties, the Global contract says.

The 12 hours of taped lectures opened his eyes, Gallion said. "You won't get this education at any university. These are things a lot of people don't want you to know."

After becoming qualified, Global retailers can purchase the tape packages for \$ 280, making \$ 970 for every set they sell, Gallion said. He said he's sold eight sets.

Now, he's about to take the fourth level of Global training - Global's first-ever week of lectures in November on Jekyll Island, Ga.

The island was selected because of its significance in "The Creature from Jekyll Island," the bible for those promoting Global Prosperity.

Its thesis: The Federal Reserve System, set up on Jekyll Island by a secret cartel of bankers in 1910, only benefits the wealthy, who maximize their riches at the expense of the common man.

"At age 65, 90 percent of Americans are broke," author G. Edward Griffin writes. He's a contributing editor of The New American Magazine, published by the John Birch Society.

The United Nations, the Council on Foreign Relations and the World Bank are plotting a system of world military and financial control to destroy American sovereignty, he writes.

The book warns about the dangers of the New World Order and preaches that the United States should get out of the United Nations.

"We thought it was a neat idea for our next meeting" to convene on Jekyll Island, Andersen said Thursday. The cost: \$ 37,000 per participant. Ninety people have signed up so far.

There's little that's accurate in Griffin's book, says journalist Marchant. "These people don't have a clue how the world works. Any educated person would laugh when he reads this book. But people who are thick take it as the bible of international finance. They think, 'I'm poor because the rich man is keeping me down and the government is keeping me down,'" Marchant said.

Last December, Aaron Bazar was hooked by that message. "They reached me through an e-mail spam, and I replied. I was intrigued by the money," Bazar said from his home in Maryland.

"I got a call from New Mexico. I was told it was a legitimate business that would show me how to get out of paying taxes legally," he said.

Bazar charged the tapes to his credit card. He set up work-at-home phone lines through a Global agent. He bought Global's Web site link for \$ 300. Then he was hit up for cash for the Cancun seminar.

"They encourage you to use your credit cards and take out big loans to get the cash," Bazar said.

Bazar finally balked at the Cancun trip. In April, four months after he started with Global, he quit, \$ 8,000 in debt. Last week, still despondent over his losses, he struggled to explain how he got in so deep.

"People who join this group are leery of the government to begin with. In the first week, all they talk about is how you have no rights and you have to break away from the masses," he said.

"They brainwash you. If you don't make money, they tell you you're lazy, your mindset is not right," Bazar said.

Last month, he called Washington state authorities to complain about being ripped off. He chose Washington authorities because Struckman is a resident.

"They told me they wanted to talk to Struckman, but they couldn't find him," Bazar said.

In 1998, Oregon's Department of Justice issued cease and desist orders to Struckman at a Renton address, and to Andersen at a mail address in Henderson, Nev. Struckman now lives in Bellevue, Wash. Andersen and a third co-founder, Zo LaMantia, live in California.

Also in 1998, North Dakota Securities Commissioner Vinje moved against Global.

Global's pitch, he said, appeals to more than extreme, anti-government activists.

"It appeals to people who are fundamentalist Christian, people who otherwise believe in the Ten Commandments and the notion, 'Thou shall not steal.'

"What's ironic is that they're buying into a scheme where, ultimately, someone is being stolen from," Vinje said. "It's got to be people who just aren't that good at math."

Other states that have acted against Global are Michigan, Massachusetts, Nebraska, Oregon, Missouri and South Dakota. In each case, cease and desist orders were lodged against the company, alleging deceptive practices. The company didn't fight the filing of the orders.

Andersen said he was served only with Michigan's order, and he refused to supply Global records to Michigan authorities.

"It's none of their business," he said. "Our only black eye has come from uneducated people who've made assumptions about us."

Global marketers recently ignored Michigan's cease and desist order, persuading a 65-year-old Lansing woman to join.

Doris Burnham invested \$ 2,000 in the tapes, phones and the Global Web site before she decided to pull out. She charged her expenses on her credit card.

"They said I could make \$ 5,000 to \$ 10,000 a month. I made nothing. My husband just had a stroke, and I could really use that money," she said.

This sidebar appeared with the story:

The company's pitch

Here's the Global Prosperity pitch:

Working at home, part time, using your telephone and computer, you can make up to \$ 10,000 a month.

Global promises to reveal secret paths to wealth known only by the banking interests behind the so-called New World Order.

Global's Web site and court orders filed against the company in seven states offer these details:

Level I, called "G-1" by Global Prosperity, is 12 hours of cassette tapes that cost \$ 1,250. The tapes can't be copied or used by a second person.

A purchaser is eligible to start selling the tape package, and keeping 80 percent of the sales price, after selling seven sets, Global literature says.

G-1 members also are encouraged to advance to the next level and must pay \$ 35 "association service fees" every six months.

Global associates also face telephone and Internet site charges and are urged to buy lists of prospective buyers.

Level I tapes sales, about 70,000, have generated an estimated \$ 87 million, Global says. It offers a 10-day "money back" guarantee, but some purchasers say they haven't gotten refunds.

Those who want to learn more secrets to financial success must pay \$ 6,250 for Level II, or G-2, which is a three-day seminar held quarterly in Cancun, Mexico.

A dozen of these seminars have been held, Global founders say, and each one has attracted 2,500 to 3,000 participants.

The Cancun seminars have produced \$ 187 million, according to figures provided by Global.

The Level III course is a weeklong seminar where even more-detailed financial secrets are revealed, costing each participant \$ 18,750. Two have been held, in 1998 in Bermuda and last year in the Bahamas.

In November, for the first time, Global founder Dan Andersen said Global will offer a G-4 seminar at Jekyll Island, Ga. Each participant will buy a \$ 37,000 ticket.

NOTES:

Karen Dorn Steele can be reached at (509) 459-5462, or by e-mail at karend@spokesman.com. Bill Morlin can be reached at (509) 459-5444, or at billm@spokesman.com.