

GLOBAL FACT GATHERING

Investigative Resources, Due-Diligence Tips and Useful War Stories For Doing Business in a Complex World

Welcome to the first issue of the James Mintz Group's Global Fact Gathering newsletter. Each issue will offer some tips and resources for conducting investigations around the world. As the world flattens and companies do more business far from home, increased due-diligence is clearly necessary, but the fact-gathering challenges are tougher, too. We hope this newsletter helps our clients and friends gather their own information, and reminds them that the Mintz Group conducts investigations in every corner of the world – before relationships, during disputes and after frauds.

NORMAN HSU: CASE HISTORY OF A FAILED BACKGROUND CHECK

Five Lessons for Due-Diligence Professionals

This era of globalization, while offering opportunities to savvy businesses, also opens doors for scam artists who cross borders and return home with self-laundered identities. Take former Democratic Norman Hsu, who was adept at running from his past, even as he vaulted himself to the pinnacle of silk-stocking political networking. Ultimately, he embarrassed top Democrats for whom he raised more than \$1 million.

We use Hsu as a case study for due-diligence professionals, and offer in five lessons some thoughts on avoiding the mistakes made in the Hsu story. Along the way, we reconstructed how we would have found this fugitive hiding in plain sight, by reconstructing an

investigation relying entirely on publicly available materials.

Hsu presented an appealing immigrant story. Moving to the U.S. from China in the 1960s, he received degrees from Berkeley and Wharton, then went into apparel importing. But in 1991 he was charged in San Mateo, Calif., in an 18-count indictment for allegedly luring investors into deals in which he bought and sold latex gloves — the only problem being that the gloves evidently didn't exist. In 1992 he pled "no contest" to felony grand



continued on page 2

TABLE OF CONTENTS

- 1 NORMAN HSU: CASE HISTORY
- OLYMPIC BLOGGER WINS GOLD
- 3 HERE'S WHAT A FAKE OXFORD DIPLOMA LOOKS LIKE
- 4 LITTLE-KNOWN EGMONT GROUP KICKS UP A SCANDAL

TIP OF THE MONTH



OLYMPIC BLOGGER WINS GOLD

How a Cyber Sleuth Uncovered Purged Data on Chinese Gymnasts

At this summer's Olympics, when journalists expressed doubts that the elfin Chinese gymnasts who won gold medals in the women's events were the required age of 16, Chinese officials brought forward their passports, clearly showing they were old enough.

But in the case of two of the medal-winning Chinese girls, anybody in the world could have shot holes in that claim, as long as they could locate the right computer cache file. The job fell to Washington, D.C.-area computer security specialist Mike Walker, 32, who blogs under the name Stryde Hax. Here's how he did it, according to Walker's own online account.

By the time the gold medals in women's gymnastics were awarded — and worldwide sports fans expressed doubts about the gymnasts' ages — lists of Chinese female competitors and their ages had disappeared from the official Web page of China's General Administration of Sport. Registration spreadsheets from 2006, with names and ages of athletes, had been removed. It appeared Chinese officials were erasing evidence, news accounts said.

continued on page 3

NORMAN HSU: FIVE LESSONS FOR DUE-DILIGENCE PROFESSIONALS *continued from page 1*

theft, for which he was to receive three years in jail. Then he skipped out, and the judge issued an arrest warrant for him.

Hsu went to Hong Kong for a number of years, and in the late 1990s returned to this country, obviously hoping to obscure all ties to that unpleasantness in San Mateo. **Lesson 1 for the due-diligence community: Cross-border vanishing acts, especially extending over years, can result in personal dry-cleaning because of the thinness of international identity checks.**



There was something different about Hsu this time. Years before he — and the prosecutors — had used his middle names: Norman Yung Yuen Hsu, or Norman Y. Hsu. But once he left Hong Kong, he was just plain Norman Hsu. Dropping his middle names allowed him to melt in among the 10 or so other Norman Hus in the U.S. **Lesson 2: People with bad pasts may try to hide in a forest of individuals with the same or similar names.**

Hsu also befogged the public record with contradictory data about himself. While his birth date appears in the criminal case as June 26, 1951, numerous other birth dates appear elsewhere, such as October 1951 and June 1953. **Lesson 3: Most government agencies rely on dates of birth and Social Security numbers as identifiers, so using variations can leave the world clueless about who's who.**

In 2003 he gave his first political donation, \$2,000, to John Kerry's presidential campaign. Soon he was bundling big sums for Democrats, and pressuring investors to donate with him if they wanted in on his deals. On his checks, he listed various companies with which he claimed affiliation (later made public in Federal Election Commission records). But most were not registered with state authorities.

FEC records also listed various New York addresses, yet there was no sign in databases that he had lived there. That meant he was either in the witness protection program or was taking extraordinary steps to avoid creating a public profile. He likely would have had to avoid having a bank account in his name, or a land-line telephone, or a credit card,

and avoided engaging in a number of other humdrum financial transactions. Strange for a magnate tinkling cocktails with top politicians.

Lesson 4: A person's complete absence from the public record can be a red flag, like Sherlock Holmes' dog that didn't bark.



A year ago, Hsu's improper fund-raising was exposed by the Wall Street Journal and his old felony warrant emerged. Campaign donor-checkers acknowledged failing to find the old criminal case because they never knew of his middle initial Y.

Would a trained investigator have figured him out? We conducted our own ex post facto probe, proceeding as if all we knew about Hsu was the FEC records. Like the Democrats, we couldn't know which of the 10 or so Norman Hus in the U.S. he was. We hit Google, and found one Norman Hsu who had been named a trustee of New York's New School for Social Research. Its Web site contained a bio of him, mentioning degrees from Berkeley and Wharton, and a company called Next Components Ltd. That was a break — Next was one of the companies Hsu had cited with the FEC.

Googling "Hsu" and "Wharton," we soon found a Wharton Web site mentioning Norman Y. Hsu. Bingo! Now we had a middle initial. A few more mouse clicks took us to the old felony case.

Meanwhile, federal prosecutors in New York charged him with defrauding investors of \$60 million since 2000 by guaranteeing high rates of return on short-term investments — few of which actually existed, allegedly.

It has been getting harder for due-diligence gnomes to do their jobs — more people spend parts of their lives off the digital grid, such as young people who use cell phones, and global nomads whose jobs keep them on the move. What does all this mean for anyone seeking to vet a prospective director, business partner or the like? **Lesson 5: If you're staking your reputation on a person, do your due-diligence homework — and if there's any question about your ability to do it right, don't hesitate to seek professional help. ■**

We connect the dots
and prove the connections

The Mintz Group is an investigative services firm that gathers hidden business facts all over the world for corporations, law firms, financial institutions and non-profits. We connect the dots by finding the critical facts our clients need **before relationships, during disputes, and after frauds.**

Contact Us:

Telephone: 1-800-366-2503 Email: contact@mintzgroup.com
www.mintzgroup.com

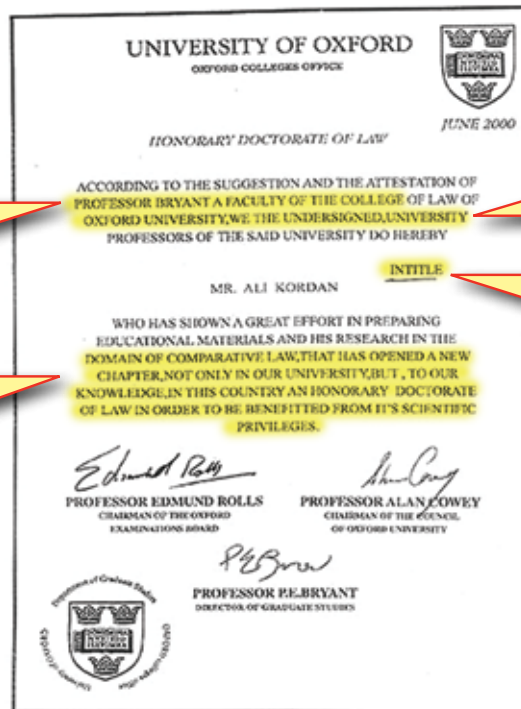
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HERE'S WHAT A FAKE OXFORD DIPLOMA LOOKS LIKE

For Aspiring Forgers of Official Documents, We Have a Few Pointers

Note to diploma counterfeiters: Try to avoid misspellings and bad grammar when passing off your scam credentials. This summer Ali Kordan, an Iranian hard-liner and former Revolutionary Guard, met initial resistance before Iran's parliament as he sought confirmation as interior minister. He tried to burnish his credentials by bringing forth an "Honorary Doctorate of Law" degree on Oxford University letterhead. It spelled the word "entitle" as "intitle," and contained a Borat-like run-on sentence stating Kordan "has shown a great effort in preparing educational materials." Queried about the degree by the Alef news Web site in Iran, <http://www.alef.ir/content/view/30946/>, Oxford replied in a news release that it "has no record of Mr. Ali Kordan receiving an honorary doctorate." It added that none of the three professors who supposedly signed the document work at the law school (they're in psychology), or can confer degrees. No matter — the government blocked the Web pages of Alef, the Web site that

broke the story, news reports said, and Kordan became interior minister. Then on Sept. 30 he said he has concluded with "disbelief" that the degree was fake, news accounts said. Kordan said that in 2000 a nameless man claiming to be an Oxfordian gave him the degree, and that he is now searching for that Oxford man. Parliamentary investigators now believe he lied about his bachelor's and master's degrees, too. ■



Needs a comma. Faculty member, no?

If you're concocting your own sham honorary doctorate, toot your horn, but try to make it intelligible.

Don't be afraid to hit Space Bar

Misspelled and bizarrely uncentered

TIP OF THE MONTH

continued from page 1



Walker set out to learn the real age of He Kexin, the gold medal winner on the uneven bars. Citing her passport, Chinese officials said she was born on January 1, 1992.

Using the Chinese search engine Baidu, Walker limited his search to Microsoft Excel documents posted on Chinese sites, and typed in the Chinese characters for the gymnast's name and "1994" (rumored to be her actual year of birth). While Chinese officials had scrubbed the relevant documents from the Web sites that originally published them, Walker searched the archived versions cached by Baidu. That's how he found two cached spreadsheets created by the Chinese government at sport.gov.cn, showing that He Kexin had been born on January 1, 1994, two years later than Beijing claimed. So she was 14 years old, and ineligible for Olympic competition.

Walker posted the results on his Web page, earning a place in the history of cyber sleuthing. The lesson? A deleted web page is not forever lost — it hides in the shadows, like the crouching tiger.

After examining documents provided by Chinese officials, the International Olympic Committee and the International Gymnastics Federation concluded this month that the gymnasts were indeed 16, an announcement Olympic officials in some other countries greeted with skepticism, news reports said. ■

LITTLE-KNOWN EGMONT GROUP KICKS UP A SCANDAL

Or Does It? Taiwan Authorities Dig Into Ex-President's Family's Funds

Global money-laundering cops recently blew the whistle on the suspicious movement of more than \$10 million among secret accounts in Switzerland, Singapore and the Caymans by family members of Taiwan's recently departed president, Chen Shui-bian.

The Taipei press — perhaps mistakenly — gives credit for unearthing the scandal to an organization little known outside anti-money laundering policy circles. The Egmont Group, based in Toronto with only four staffers, was created in 1995 as an umbrella organization of nations' financial intelligence units (FIUs), which track money laundering and terrorist financing. With 108 members including the U.S. Treasury's Financial Crimes Enforcement Network (FinCen), Egmont, which gets its name from the Belgian palace where it was formed, trains FIU staffers and links them by computer.

Taiwan newspapers have reported for months that it was Egmont that recently triggered the scandal when it sent its reports to prosecutors. (Chen had stepped down as president in May, after eight years.) Taiwan reporters persisted in crediting publicity-shy Egmont even after it said, in a rare break from its usual silence, that it is individual nations' FIUs, not Egmont, that tip off fellow FIUs about suspicious money moves.

Taiwan's FIU is enmeshed in this same scandal. Taipei newspapers say Egmont started sending the Taiwan FIU suspicions of money-laundering in Switzerland and elsewhere by Chen's relatives as early as 2006. But the FIU's boss, Yeh Sheng-mao, passed the official reports to his boss, then-president Chen, who allegedly sat on them. Yeh, who has been indicted for allegedly withholding information from prosecutors, apologized, saying, "I am sorry for creating chaos."

By the way, Egmont's Web site has an archive of 100 sanitized case studies of money-laundering cases, listed by tactics used (such as False Identities, and Straw Men), that were discovered by FIUs http://www.egmontgroup.org/files/library_sanitized_cases/100casesgb.pdf. ■

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J A M E S
M I N T Z
G R O U P

James Mintz Group, Inc.
32 Avenue of the Americas
21st Floor
New York, NY 10013