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Trends, Tips and Lessons Learned

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This quarter, the Corporate Resolutions Inc. newsletter will focus on international investigations. Our clients are increasingly calling upon us to look into companies, individuals and off-site operations overseas. As a courtesy to you and your business, we would like to share with you the information we have gleaned about Asian law enforcement, terrorism, potential problems when doing business and the resources we rely on to complete our Asian investigations.

As always, I hope you find this letter helpful and informative. Thank you again for your continued trust in Corporate Resolutions Inc.

Kenneth S. Springer, President
Corporate Resolutions Inc.

Fraud Has No Boundaries

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CRI Trends & News

An article written by Ken Springer entitled "Digging for Disclosure" appeared in the March 2006 edition of the *MFA Reporter*, a publication of the Managed Funds Association.

While Enron and WorldCom are common examples of corporate fraud in America, few people are aware of the egregious examples of malfeasance abroad. One of the few examples of Asian fraud that made it to mainstream American media outlets is the story of Dr. Hwang Woo-suk, the prominent South Korean stem cell researcher who falsified numerous results on an innovative cloning study. Other than this disgraced researcher, one would be hard pressed to name other examples of individuals or companies, on any scale, that have been publicly denounced for their misconduct. The lack of attention of corporate fraud is in no way related to the commonality of the crime; fraud, indeed, has no boundaries.

In Asia, there are two common forms of criminal activity that threaten American corporate interests: counterfeiting and terrorism.

Counterfeiting is obviously most prevalent in industries that manufacture or distribute goods, such as the garment industry. A recent survey conducted by a local consulting firm in Asia determined that 20% of the shops surveyed were selling counterfeit

merchandise. These imitation products had been knocked off of American originals. The study also found that there were four major wholesalers and countless individual sources involved in these elaborate forgery schemes.

Terrorism in Asia is as prevalent as it is in other foreign countries. The terrorist networks that exist in Asia are extremist Muslim groups which have documented ties to Al Qaeda. Two of the most documented terrorist groups in this region are: Jemaah Islamiyah and Abu Sayyaf. Based on research presented by Asian intelligence companies and former intelligence and police officers, these terrorists have a penchant for kidnapping, bombing and piracy.

Jemaah Islamiyah, Arabic for "Islamic Organization", is believed to be responsible for the October 2005 suicide bombings in Bali that killed over 100 people. This band of terrorists has, thus far, focused its efforts in Thailand, Indonesia, Singapore and the

Philippines. Asian intelligence officials believe Jemaah Islamiyah is linked to several Thai terrorist groups such as the Pattani United Liberation Organisation, Barisan Revolusi Nasional and Gerakan Mujahadeen Islam Pattani. It has been reported that these organizations are already responsible for 1,000 deaths but local Thai intelligence officers believe that number is actually closer to 4,000.

Abu Sayyaf, "father of the swordsman" in Arabic, is most well-known for its guerilla activities in Mindanao, the southern island of the Philippines. Most recently, Abu Sayyaf kidnapped a group of tourists who were vacationing at a resort in Malaysia. It is also believed that Abu Sayyaf receives its arms and munitions from Afghanistan.

While both Jemaah Islamiyah and Abu Sayyaf are known for overt acts of terrorism it is not commonly known that these

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So, Now What Do You Do?

Great. You now know many of the risks associated with doing business internationally, specifically in Asia, but you must move forward with your deal/interests/operations.

So, what do you do now? How do you protect yourself and your company?

Corporate Resolutions Inc. routinely conducts inquiries in all parts of Asia to include Hong Kong, Mainland China, Japan, and Singapore. We are skilled at knowing where to go, what's available, who to call, what to look for, and how to get the information you need.

Through the use of our international

network of in-country investigators and other local sources, Corporate Resolutions Inc. can gather a plethora of information regarding your subject. However, unlike the data available in the public record here in the United States, there is much information in Asia that is not readily accessible by the public. To circumvent this obstacle, over the years we have developed a network of trusted confidential sources who participate in providing information on personal residences, civil records, education and employment histories. In certain regions, such as Hong Kong, we are able to obtain information from appropriate regulatory authorities as well as charac-

ter reports from former employers.

As you may know, the Chinese government has stern regulations regarding the foreign investment of Chinese currency. Our increasing investigative presence in that region, specifically in Hong Kong, has made us keenly aware of the role of the Chinese government and the sensitive compliance issues that are associated with committing Chinese dollars to a Hong Kong firm that is affiliated with American or European interests. In these types of situations, Corporate Resolutions Inc. is capable of implementing a compliance audit to help assess the circumstances of your interests.

What's Black and White and Read All Over?

That's correct, a newspaper. Now, what's black and white and grey all over? Much of the information developed during a background check.

In corporate investigations, as in many facets of life, issues are rarely black and white. While we hope that the results we find in every inquiry are cut and dry, it is often the case that our investigations uncover matters that require additional clarification. Lies, fraud and nondisclosure are all grey issues; they are never black or white. Whether it is an educational discrepancy on a resume, a lawsuit with controversial implications, a non-disclosed regulatory sanction or a criminal record, Corporate Resolutions Inc. not only finds the issues that fall into the grey area, but we also provide ways to resolve these issues.

We estimate that forty percent of all our investigations globally, require additional research or personal interviews to clarify or resolve a discrepancy or controversy. Sometimes the issue can be resolved by interviewing the subject and independently document their responses in the event the matter becomes an issue at a later date. This removes the client from having to ask the subject those potentially sensitive questions. Other times, there is a need to conduct research on other entities not previously disclosed, review court records in additional jurisdictions now known to be affiliated with the subject or engage in an in-depth corporate and forensic investigation.

The uncertainties identified in any investigation are always the issues

that are of most concern. It is only logical that the issues that people hope to hide are the ones that we are most focused on. An employment omission on a resume is frequently found to be the company where the subject had a problem. The business entity that the subject described to you as a "non issue" often turns out to be a former business in which they owned an interest that ran into problems and had to close down or had declared bankruptcy. In some cases, the subject may have held a key position in a company that was involved in unscrupulous or fraudulent activity. These are the grey areas: the areas that require additional investigation to give you the additional level of comfort you need before moving forward with your deal.

Fraud Has No Boundaries (Cont'd)

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groups frequently engage in maritime terrorism, or piracy. Piracy is a growing concern in Southeast Asia because of the increased presence of shipping and insurance companies. Local intelligence companies report that between 40 - 50% of worldwide episodes of

piracy have taken place in Southeast Asia. In 2004 alone, there were 93 reported attacks in Indonesian waters. In fact, Lloyd's, London's premier risk assessment company, declared the Malacca Strait a "war risk zone" based on the increase in maritime terrorism in this region.

