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IN THE MONEY: Some 'Need To Know' For Investco Holders
By Carol S. Remond
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A Dow Jones Newswires Column

NEW YORK -(Dow Jones)- There's an old saying among investors in financial-services firms that goes something like this: A company is only as good as the assets that walk in and out of the front door each day.

With that in mind, investors in Investco Inc. (IVSO) would be well served to learn more about its "assets," and especially about the chairman of a firm that owns a controlling interest in Investco.

In other words, when looking at Investco, forget for the moment that it's next to impossible to figure out how many shares the company really has outstanding.

And forget the fact that just a few months ago the company was in entirely another business - voice recognition.

Likewise, pay no attention for the time being to the changing circumstances around its acquisition of a Costa Rican surety and insurance business.

Instead, begin with Michael Zapetis, the man who controls Investco through another company and a man who has had a few run-ins with the law.

This is important for a number of reasons, not the least of which is another major tenet of financial services firms: trust.

A little background: Investco, formerly known as Intraco Systems Inc., is a small Florida-based company that reinvented itself into a provider of financial services in January when it began offering financial guarantees to help would-be-borrowers secure loans.

Zapetis is the chairman of First International Finance Corp., or FIFC, a privately held investment company that last December acquired 1 million shares of series C convertible preferred stock of what was called Intraco in exchange for $15 million of stock in Anglo American PLC (AAUK). Following a name change, the preferred stock is now convertible into 7.5 million common shares of Investco. According to a January 30 filing with the Securities and Exchange Commission, FIFC holds about 94.4% of Investco's common shares after conversion.

What regulatory filings don't say, however, is that in 1987, Gerald Lewis, then Florida state comptroller and head of the department of banking and finance, charged Zapetis and three others in a civil suit alleging sale of unregistered securities, sale of securities by unregistered persons, operation of an unlicensed bank and other violations.

Lewis charged that Zapetis and others through four unlicensed companies - First Union Guaranty Trust, First International Trust Corp., First Houston Trust Co. and Marine Trust Corp - operated an advance-fee scheme, collecting funds upfront from customers and then failing to honor letters of credit issued by the companies.

Court documents show that just one month after Lewis filed his civil suit, Zapetis agreed to an order permanently restraining and enjoining him and others in the case from a variety of actions including: acting as a bank; doing business under any name or title containing the words "bank," "banker," "banking" or "trust company," and selling or offering for sale securities without first registering them. Under the order, Zapetis, with no admission of guilt, and others also agreed to make restitution to any party who can demonstrate that they had paid improper expenses or fees in connection with the procurement of, or the commitment for letters of credit.

After seemingly staying out of trouble for almost a decade, Zapetis caught the eye of regulators once again. This time, in 1995, he was charged in a criminal case involving collecting advance fees from a would-be-borrower. Zapetis pleaded no contest to a charge of petty theft and to a charge that he violated Florida law by collecting an advance fee while acting as a loan broker. He was convicted on the petty-theft charge but received a withhold of adjudication on the more serious advance fee charge for which he was put on probation and forced to make restitution.

In this case, court documents filed with the 11th Judicial Circuit Court of Florida show that back in 1993, Zapetis told Robert Searles, an individual who was seeking a $5 million loan, that he could arrange such financing through Merrill Lynch & Co. The same documents show that later that year Zapetis requested $25,000 as a fee to arrange the loan, demanding half in cash upfront. Searles paid Zapetis $12,500 in cash in July but soon discovered that Zapetis never supplied a promised line of credit and that Merrill wouldn't provide the loan. A Merrill employee testified against Zapetis in 1995. Merrill declined to comment on the case.

This, by the way, was not the first criminal case filed against Zapetis. In 1982, he was convicted by the U.S. District Court of the Northern District of Florida of "knowingly and intentionally importing (a) quantity of marijuana into the United States." He was sentenced to a 15-year jail term. His sentence was later amended, and he was released after spending just eight months in federal prison.

Karen Carazo, Zapetis' wife and corporate secretary of FIFC, said that Zapetis wasn't available to comment.

Known: There ARE Shares

Meanwhile, if Zapetis' past indiscretions are not enough to make investors hesitate to endorse Investco's new line of business, lax information about the company's shares may.

A Feb. 13 SEC filing shows that Investco had 946,901 common shares outstanding as of Jan. 31 as well as 2.2 million in preferred shares which would convert into 7.512 million shares of Investco.

But earlier this month, Investco announced that it had received a tender offer from FIFC at $10 a share. The press release told investors that "FIFC planned to acquire at least 95% of Investco stock that is not presently owned by FIFC (26%) and Mercury Surety & Insurance Company (70%)." The announcement went on by telling readers that FIFC intends to acquire at least 950,000 shares of the company's stock for cash. The 950,000 shares would come from the approximately 499,114 shares in the public float and approximately 500,000 shares of restricted shares currently being held by investors.

If FIFC and Mercury hold 96% of Investco stock and only the remaining 4%, or about 950,000 shares, is up for grabs, that would mean that the company has about 23.75 million shares outstanding and not the 8.5 million showing up in the Feb. 13 filing (7.512 million from the convertibles and 946,901 common shares).

Asked about the inconsistencies in the amount of shares outstanding, a spokesman for Investco referred all questions to Joseph Lents, interim chief executive of Investco, who has so far been unavailable for comment. Carazo also declined to comment.

The number of shares outstanding isn't the only peculiarity when it comes to Investco's press releases and public SEC filings.

Information about Investco's most recent acquisition, Mercury Surety & Insurance Company of Costa Rica, is hard to decipher.

In a Jan. 31 press release, Investco told investors that it would acquire 100% of Mercury from Capitales Tres De America S.A. with promissory notes and restricted stock worth a total of $50.5 million. In the release, Lents said that the company planned to keep Mercury intact and use the $50 million in certificates of deposits on the Costa Rican insurance firm's balance sheet to provide guarantees. By March 7, Investco had changed its mind, saying in a press release that it would acquire Mercury for $100 million in promissory notes and restricted stock. According to that release, Mercury had $250 million in certificates of deposit on its balance sheet that would help Investco meet increasing requests for asset guarantees and collateral enhancements.

So is it $50 million or $250 million? Well, according to yet another press release issued by Investco on March 14, Mercury has $100 million in certificates of deposit on its balance sheet. Again, Lents wasn't available to comment.

Given FIFC's Zapetis charged past when it comes to loans and guarantees and Investco's apparent inability to clearly state its intentions, perhaps investors should be well advised to wait for clarifications from the company before investing in Investco stock.

The company is late in filing its annual report for the year ending Dec. 2001, a document that will hopefully include information about FIFC and its officers. (Investco's or rather Intraco's past filings are of little value to investors since they deal with the company's previous business, voice recognition).

Investco stock was recently trading at $1.35 a share. The stock spiked to $8.50 a share in early January before slowly retreating to its current level.

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IN THE MONEY: Investco And The Missing Insurance Company

By Carol S. Remond
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A Dow Jones Newswires Column

NEW YORK -(Dow Jones)- It was an important acquisition for Investco Inc. (IVSOE).

By issuing $100 million in restricted stock, the startup provider of financial services was hoping to use the purchase of Mercury Surety & Insurance Co. Ltd. in March of this year as a springboard for bigger and better things.

"The additional assets will now allow us to move even faster to begin generating revenue to start building shareholder value based on profits and not promises," crowed Joseph Lents, the company's chief executive.

But there's only one little problem. The acquisition never went through and the company has never bothered to tell anyone that not-so-insignificant fact. It is even uncertain whether there really is a company called Mercury Surety & Insurance.

In an interview with Dow Jones Newswires, the finance minister of Costa Rica, the country where Mercury is supposedly based, said the company doesn't exist. "There is only one insurance company (called the National Insurance Institution) in this country

and it's owned by the government," Costa Rica Finance Minister Alberto Dent said. He added there is no insurance company called Mercury Surety & Insurance licensed to do business in Costa Rica.

And the plot thickens.

Hernan Carazo, the owner of Capitales Tres De Americas S.A., the Costa Rican company identified in Investco press releases as the seller of Mercury, agreed with the finance minister. Mercury "doesn't exist in Costa Rica," Carazo said in a phone interview from San Jose, the capital of Costa Rica.

Nonetheless, Carazo said that Capitales and Investco did have negotiations over the purchase of Mercury by the U.S. company but that these talks fell through earlier this year. He wouldn't say if it exists elsewhere.

Carazo declined to comment on his relationship with Karen Carazo, the corporate secretary of a private investment company called First International Finance Corp., or FIFC. That company, run by Michael Zapetis, a man who has had a few run ins with the law, claims it owns 94.4% of Investco. Zapetis is married to Karen Carazo.

"She asked me not to talk about it," Hernan Carazo said.

Florida Department of State documents show Karen Carazo as corporate secretary and registered agent for an inactive corporation called Mercury Insurance Agency Inc. The company was dissolved in September 1999 for failing to file an annual report with the state.

Neither Investco CEO Lents nor other Investco officials could be reached for comment. Karen Carazo and her husband Michael Zapetis were also not available for comment.

Investco's stock surged to $8.50 earlier this year after this tiny Florida-based company was taken over by FIFC. Investco and FIFC quickly announced that the company would focus on providing financial services and forgo its former voice recognition business. It now trades at $2.09, which is nearly 19% higher on Wednesday.

An "In The Money" column earlier this month highlighted some interesting facts about Investco that the company hadn't disclosed via press releases or regulatory filings. One was the seeming discrepancy in the number of shares the company really has outstanding. Different filings with the Securities and Exchange Commission showed different numbers.

Another was the fact that Zapetis, FIFC's chairman, had been convicted in the 1980s for drug distribution charges and that he had run-ins with Florida regulators for illegally collecting fees upfront from would-be-borrowers. He was convicted on a petty theft charge but received a withhold of adjudication on the more serious advance fee charge for which he was put on probation and forced to make restitution.

But let's go back to Investco's "purchase" of Mercury from Capitales Tres De Americas S.A.

Key to Investco's new incarnation as a financial services provider were some $100 million in certificates of deposits that Investco said were on Mercury's balance sheet. These were going to be used to provide guarantees to potential borrowers in the U.S.

Commenting on Investco's purchase of Mercury, Investco's Lents told investors in a March 14 press release announcing the close of the Mercury acquisition: "The market has been very stable and we have had an overwhelming request for proposals for our asset guarantee and collateral enhancement services."

At the very minimum, it looks like Investco has to find another way to get that business started.

By the way, this wouldn't be the first time that Lents and Zapetis were part of a deal that involved mysterious foreign assets.

SEC filings show that in 1995 Morgan Stanley Dean Witter (MWD) sued a company run by Lents called International Standards Group in the New York State Supreme Court to recover damages or rescind Morgan Stanley's purchase from International Standards of what turned out to be counterfeit bonds that appeared to have been issued by the central bank of Venezuela.

Lents later countersued Morgan Stanley and Zapetis in the U.S. District Court for the Southern District of Florida, claiming that Morgan's failure to verify the bonds' authenticity led to the rescision of an agreement by a foreign insurance company to take a controlling interest in International Standards Group, substantially damaging his company's interest and that of his shareholders. It is unknown what Zapetis' role was in this case.

Morgan Stanley later dismissed its suit without prejudice. The Florida case filed by Lents was settled in October 1996. Morgan Stanley declined to comment citing a confidentiality agreement.

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IN THE MONEY: Investco CEO's Link To 'Mob On Wall Street'

By Carol S. Remond
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A Dow Jones Newswires Column

NEW YORK (Dow Jones)- Joseph Lents has a problem.

U.S. securities regulators have halted trading in the shares of the latest company he runs, a financial startup called Investco Inc. (IVSOE).

That trading halt follows a report by this newswire that a key acquisition the company says it made never happened.

But it's not the first time a company headed by Lents has caught the attention of federal authorities. In the mid-1990s, Lents entered into a deal with a man who was later identified as a figure in the infamous "Mob on Wall Street" affair.

The Lents involvement in that case began in the summer of 1994 after an aggressive short seller named Philip Gurian began putting pressure on the shares of the company Lents ran at that time called International Standards Group Inc.

Gurian recalls having his first talk with Lents while Gurian was vacationing at the swanky Byblos Hotel in St. Tropez on the French Riviera.

During that telephone conversation, according to Gurian, the two agreed that Gurian would stop short selling shares of International Standards Group. In exchange for that promise, Lents would issue shares of International Standards Group at a steep discount to firms in the Bahamas controlled by Gurian and his associates under a U.S. securities provision called Regulation S, which allows sales of unregistered stock to foreign investors.

Gurian and four others were charged in 1999 in a 21-count federal indictment including charges of mail fraud, wire fraud, securities fraud, interference with commerce by extortion, conspiracy to commit money laundering and witness tampering. Lents has never been charged with wrongdoing although the stock transactions with firms controlled by Gurian and others were mentioned in the federal indictment. Lents has not been available to answer questions. A lawyer representing Lents has declined to comment on Lents' previous involvement with Gurian.

Gurian pleaded guilty to one count of conspiracy to commit mail fraud, wire fraud and securities fraud and one count of mail fraud. He is awaiting sentencing.

According to the indictment by the U.S. District Court for the Middle District of Florida, here's a typical way the scam worked:

Several small U.S. companies issued deeply discounted stock under Regulation S to several mob-controlled firms in the Bahamas. These firms would turn around and, through two Florida companies secretly controlled by Gurian - Sovereign Equity Management Corp. and Falcon Trading Group Inc.- sell the shares back to the U.S. public at market value, reaping a huge profit.

Published reports have indicated that Gurian controlled Sovereign Equity and Falcon Trading on behalf of Philip Abramo, a man who federal investigators identified as a captain in the DeCavalcante organized crime family from New Jersey.

The 1999 indictment alleges that around November 1994, Lents filed false and fraudulent subscription agreements for a Regulation S distribution of stock to Caspian Consulting Ltd., one of the Bahamas corporations set up by Gurian and others.

The indictment also states that between Jan. 1, 1995, and July 23, 1997, Lents filed false and fraudulent Regulation S registration statements with the Securities and Exchange Commission, selling International Standards Group stock for 50 cents a share to Caspian Consulting, Maraval & Associates Ltd. and Limelight Ltd., two other Bahamas corporations.

The SEC declines to comment on International Standards Group and its issuance of Regulation S shares.

Lents later told the government that Gurian threatened his life if he told the truth to federal agents, according to the indictment. Gurian told Dow Jones Newswires he never threatened Lents.

SEC filings show that from September 1995 to December 1996, International Standards Group and its successor company, Total World Telecommunications Inc., sold $37.9 million worth of stock under Regulation S.

So much stock that by September 1996, Caspian Consulting and another Bahamian firm called Reinerman Holdings Ltd., had become major shareholders of International Standards Group, seemingly controlling 3% and 6% of the company's stock, respectively.

International Standards Group's transactions with mob-controlled offshore companies didn't stop at Regulation S stock issuance. A press release shows that Lents' company entered into a joint venture with Maraval in September 1995 to market real estate and

financial services via the Internet through Florida Homes Info-Net, a wholly owned subsidiary of International Standards Group.

The SEC amended Regulation S in early 1998, acknowledging in a release to the public that it's "been used as a means of perpetrating fraudulent and manipulative schemes, especially schemes involving the securities of thinly capitalized or 'microcap companies'." Specifically, the SEC lengthened the period during which offshore buyers of U.S. securities must hold shares bought under Regulation S to one year from 40 days, making it much more difficult to quickly profit by reselling those securities.

The 1999 Federal indictment that detailed Lents' Regulation S activity named five defendants: Gurian, Abramo, Glen Vittor, Louis Consalvo and Barry Gesser. Abramo and his bother-in-law Consalvo were separately indicted in 2000 in New York on charges including securities fraud and murder. Abramo and Consalvo are trying to withdraw their Florida plea agreements.

Now, Lents is chief executive of Investco. Trading in Investco's shares has been halted by the SEC until May 10. As reported by Dow Jones Newswires last month, the reported acquisition of a Costa Rican insurance company by Investco never took place, a fact the company failed to tell investors. The company had touted the purchase in press releases as the cornerstone to its plan to transform itself into a financial services provider.

Dow Jones Newswires also raised a number of questions about the number of Investco shares outstanding and about Michael Zapetis, chairman of Investco's controlling shareholder, First International Finance Corp. Zapetis is a convicted drug smuggler who had a couple of run-ins with Florida state banking regulators, none of which was disclosed to Investco shareholders in any of the company's public SEC filings or press releases.

Lents has not been available for comment about Investco's activities. And the SEC declined to comment further about the trading halt.

On Monday, the SEC halt of trading in Investco stock appears to have cost the company its listing on the Over-The-Counter Bulletin Board. Nasdaq delisted the company because there was no active quote for Investco shares for four consecutive days.

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