

# Stock-Options Scandal Fugitive Puts Roots Down in Namibia

Converse CEO Kobi Alexander  
Buys a Golf-Course Home,  
Invests in Auto-Body Shop

Fighting Extradition to U.S.

By STEVE STECKLOW

WINDHOEK, NAMIBIA—Wolfgang Balzer, general manager of the Hotel Thule, now realizes there was something unusual about the Israeli family who checked in this summer for a month, identifying themselves as the Jacobs.

Saying they were planning on settling here, they didn't use credit cards and paid their bill in advance. The husband, who usually kept to himself, became extremely agitated when CNN wasn't available for a few days on their television.



*Jacob 'Kobi' Alexander*

"I personally thought he was a lawyer or something and he was going to work

here," the hotel manager says. He learned otherwise in late September.

That's when it emerged that the husband was Jacob "Kobi" Alexander, a fugitive wanted in the U.S. on fraud charges related to stock-options backdating. The former chief executive of Converse Technology Inc., a New York software company, had skipped out on the chance to begin talks with U.S. prosecutors that his own New York lawyers had initiated, according to a person familiar

## On the Run

A look at former Converse Technology Inc. CEO Kobi Alexander's life on the lam:

**March 18:** WSJ first reports suspiciously timed stock-option grants to Alexander.

**May 2:** Alexander resigns amid internal probe of stock-options backdating.

**June:** Alexander and his family go to Israel.

**Aug. 9:** U.S. unseals fraud charges against Alexander in connection with backdating.

**Sept. 27:** Alexander is arrested and jailed in Namibia. U.S. begins extradition proceedings.

**Oct. 3:** Alexander posts \$1.4 million bail.

**Nov. 16:** Extradition hearing set for April 2007

with the discussions.

He was arrested at U.S. prosecutors' request on Sept. 27 during lunch with his wife at a country club, even though Namibia has no extradition treaty with the U.S. A Namibian bank regulator had noticed large transfers to Mr. Alexander's local account and tipped off U.S. authorities. Mr. Alexander already had received a two-year work permit under his own name, even though he used an alias at the hotel. The Namibian government asked him to invest \$43 million to help qualify for permanent residency.

Life on the lam has been full of bizarre twists for Mr. Alexander, a 54-year-old Israeli citizen and wealthy ex-CEO who abandoned his family's life in Manhattan for this remote, arid spot in southern Africa.

He was released from jail six days after his arrest on \$1.4 million bail, a record amount in this country. Now he continues to live here, out in the open, sometimes buying ice cream in a local mall for his three children. If extradited and convicted

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in the U.S., he faces up to 25 years in prison. While his team of local lawyers have been fighting extradition, he appears to be trying to settle in Namibia for the long haul.

He has bought a house that backs onto a golf course, put his children into private school here, and invested in local businesses including an auto-body repair shop called Monarch Panelbeaters. One of his new business partners is a former Namibian military official linked to a scandal involving a collapsed asset-management company.

Yesterday, Mr. Alexander won at least five more months in Namibia. In a closed-door meeting, a local magistrate scheduled a three-day hearing on the extradition request to begin next April 25. "Nothing will happen until April," Johnny Truter, the Namibian government's prosecutor, said afterward.

He added that even if the ex-CEO loses the case, the appeals process could allow him to stay here for years.

Mr. Alexander, dressed for court in an open-necked blue sport shirt and dark sports jacket, declined to comment for this story. One of his attorneys, Rudi Cahrssen, said, "Things will get clearer in April."

Mr. Alexander's new life in Namibia marks one of the most unusual chapters in the stock-options backdating scandal, which has embroiled more than 130 companies, cost the jobs of more than 50 top executives and directors and led to more than \$5 billion in financial restatements. Mr. Alexander is accused in a 35-count criminal indictment of engaging in a fraudulent scheme to backdate Converse options to days when the stock was trading at low points, generating millions of dollars in extra compensation for himself and other executives.

Prosecutors say that Mr. Alexander realized \$138 million from options whose grant dates were backdated. They allege he misled auditors and shareholders and used fictitious names to generate thousands of backdated options that were parked in a secret slush fund, dubbed "I.M. Fanton" (an apparent reference to "Phantom of the Opera"), and awarded to favored employees. The indictment also charges him with witness tampering by allegedly offering millions of dollars to a Converse executive, whom people familiar with the matter have identified as former chief financial officer David Kreinberg, "to falsely take sole responsibility for the fraud scheme."

Mr. Kreinberg and Converse's former general counsel, William Sorin, recently pleaded guilty for their roles, naming Mr. Alexander as the scheme's mastermind. The timing of Mr. Alexander's option grants was first reported by The Wall Street Journal in March, sparking investigations by the Securities and Exchange Commission and the Justice Department. Converse announced on May 2 that Mr. Alexander had resigned as CEO amid an internal probe of



**Kobi Alexander** and his wife, **Hana**, at a Namibian court after he posted bail in October.

backdating.

Mr. Alexander visited Windhoek, Namibia's hilly, picturesque capital, alone in early July, Mr. Truter says. He began signing documents to invest in land here and then returned to Israel, where he was vacationing with his family. The initial trip "was obviously just preparations for coming with his family," Mr. Truter said.

But Mr. Alexander's lawyers in New York also were approaching federal prosecutors. In a July 21 phone conversation, prosecutors for the Eastern District of New York in Brooklyn suggested that Mr. Alexander return to the U.S. as a show of good faith. Federal authorities agreed to meet him at John F. Kennedy International Airport in New York but not to arrest him. They offered to begin negotiations on July 31.

Mr. Alexander appeared to agree. He provided evidence that he was booked on an El Al flight that would arrive in New York on July 28. But on July 27, he flew instead from Israel to Frankfurt, and disappeared. Prosecutors now believe Mr. Alexander was deceiving his own lawyers. He also attempted to wire \$12 million out of the U.S. around July 31. He had already transferred \$57 million to Israel, before the U.S. froze \$48 million of his assets.

Robert Morvillo, a lawyer for Mr. Alexander in New York, said attorneys had approached prosecutors "to better understand what the allegations were, and to develop a presentation or arguments that this was not an appropriate criminal case." He declined to comment on other matters, saying they were already described in government papers.

After Mr. Alexander failed to return, prosecutors filed a criminal complaint under seal, charging him and the two other former Converse executives with fraud. They unsealed it on Aug. 9.

By then, Mr. Alexander and his family were ensconced in two adjacent,

ground-floor rooms at the Hotel Thule, which from its dining room offers a dramatic view of the dry, craggy hills that surround Windhoek. With the exception of a weekend journey to a famous Namibian safari park, hotel manager Mr. Balzer says the family spent most days in the city, traveling in a chauffeured van that picked them up each morning. Mr. Alexander's wife, Hana, sometimes would ask him questions about local schools upon their return. One of the two boys often kicked a soccer ball in the parking lot, he said, and the other son and the couple's daughter played hide-and-seek.

Mr. Alexander paid in advance for the family's two, \$143-a-night rooms through a local travel agent, Namibia Travel Connection, which had booked them under the name Jacobs, Mr. Balzer says. The fact that Mr. Alexander avoided using a credit card caused some complications: At one point, Mr. Balzer says, the agency said Mr. Alexander would pay his own bills going forward. Then the hotel was told one of Mr. Alexander's lawyers, Richard Metcalfe, would cover any charges. Later, the travel agency called back and said it would take care of them after all, and did.

Mr. Metcalfe didn't return phone calls seeking comment. A man and woman at the travel agency, which operates out of a private house behind a gate, declined to comment.

Mr. Balzer recalls that when CNN, the American news channel, stopped working on the hotel's television screens, "That stressed [Mr. Alexander] out completely. He was complaining about it badly." Because it was a weekend, it couldn't be fixed for a couple of days, frustrating Mr. Alexander further.

Mr. Balzer says he assumed that the hotel guest was monitoring developments of the Israeli war then being fought in Lebanon. But he now suspects Mr. Alexander had a different concern: whether U.S. authorities were closing in.

That wouldn't come for a few weeks. In the meantime, Mr. Alexander didn't waste any time establishing his family's new life in Namibia, a former German colony that later fell under the rule of South Africa. Previously known as South West Africa, it gained independence in 1990 after decades of armed struggle. A tourist destination for wildlife lovers, it recently generated headlines when actors Angelina Jolie and Brad Pitt came here for the birth of their daughter.

After visiting several private schools, the Alexanders enrolled their children in an international school. Mr. Alexander bought a 2006 Toyota Land Cruiser for \$107,000, he said in a sworn affidavit filed in Namibian court. He said he paid \$543,000 for a two-story, beige stucco house whose backyard faces Windhoek's only golf course and country club.

Mr. Alexander hired a full-time security guard to stand outside the front of the house, which is part of a small development of 57 homes behind a guarded, locked gate. A basketball hoop hangs over the garage, and a satellite dish sits on the roof.

On Aug. 29, court records show, the Namibian Ministry of Home Affairs and Immigration issued Mr. Alexander a two-year work permit, just a day after his lawyer, Mr. Metcalfe, filed an application. Mr. Alexander also applied for permanent residency. The ministry said in a letter it will consider the residency application provided he submits plans to transfer and invest \$43 million in the country. The Namibian official who signed the letter couldn't be reached for comment.

Mr. Truter, the local prosecutor, said foreigners essentially can "buy" work permits in Namibia by promising to invest in the country. "If you have a lot of money to invest, they will give it to you," he said.

Mr. Alexander said in his affidavit last month that he already had transferred more than \$17 million to banks in Namibia from Israel and had invested about \$1.6 million in various land deals, including a low-income housing project on the coast.

He also has invested \$843,000 in Monarch Panelbeaters, the local auto-body shop, which he said was owned by "previously disadvantaged Namibians" who

were saddled with debt and cash-flow problems, according to the affidavit. He called it "an example of a successful locally owned and operated business."

Under Namibian law, foreign investors must find local partners to invest with. Mr. Alexander's partners include Brigadier Mathias Shiweda, whom he described as "a well known Namibian business personality." Mr. Shiweda, a former Namibia Defense Force official who remains in charge of a state-owned military hardware manufacturer, is well known here. He's also the subject of some controversy. Last year, he was linked to a scandal in which Namibia's Social Security Commission invested and lost \$4.3 million in an asset-management company that collapsed.

According to local news accounts, at an inquiry, Lazarus Kandara, the head of the collapsed firm, named Mr. Shiweda among the shareholders, and as one of several recipients of a commission from the management company in connection with another deal. A few days later, Mr. Kandara died in what Namibian police ruled a suicide. Mr. Shiweda later testified that he received no money from the firm. He declined to comment for this story.

By late August, U.S. authorities had tracked down Mr. Alexander to Namibia. But they were in a legal bind because Namibia has no extradition treaty with the U.S. American authorities had to ask Namibia's president, Hifikepunye Pohamba, to issue a formal proclamation adding the U.S. to a list of countries that fall under the country's extradition act. Although the president issued the document on Aug. 31, it wasn't published until Sept. 27, when it took effect. "We had to lay low before they changed their law and we could arrest him," said one U.S. official.

At a bail hearing on Oct. 2., Mr. Alexander presented the sworn affidavit that challenged his arrest, saying he had acted above board, and discussed his investments in the country. "While in Namibia I have used my own name openly and publicly in all my encounters and ventures with government officials and private individuals alike," he said. "I entered Namibia openly and lawfully, and I have not in any manner tried to hide my whereabouts from anyone."

To the surprise of Namibian prosecutors, a local magistrate agreed to release Mr. Alexander on bail. The release was unusual. A German citizen living in Namibia has been fighting extradition here for four years, and has spent all of that time in jail.

Mr. Truter says Mr. Alexander offered to surrender his Israeli passport and post \$700,000 bail if he was released. The government asked for double that amount, and he agreed, Mr. Truter said, adding it was a record amount for bail. Dennis Khama, a government attorney who handles extradition cases, said the government has appealed Mr. Alexander's release, although no date has been set for a hearing. "Litigation can go on and go on and go on," Mr. Khama said. "There's no way of stopping that."

Mr. Khama says the fact that Mr. Alexander isn't a U.S. citizen should have no effect on whether he ultimately is extradited, nor should his investments in Namibia. But one issue may be whether stock-option backdating is a crime in Namibia, he added, noting that hasn't yet been decided. Mr. Cahrssen, Mr. Alexander's attorney, said: "There are many arguments" Mr. Alexander's defense team can make.

The arrest of the Israeli citizen had reverberations in the country's tiny Jewish community, especially when his bail hearing was scheduled for Oct. 2—which happened to be Yom Kippur, the holiest day in the Jewish calendar. Zvi Gorelick, a retired Namibian-born entrepreneur who offers kosher safari tours and performs some rabbinical functions, said he received calls from Namibia and Israel asking him to help Mr. Alexander get out of jail.

Mr. Gorelick said he quickly began "thinking like a Jew: I must get him some kosher food." But he learned that Mrs. Alexander was bringing her husband food in jail.

He said the Jewish community was divided over the fate of Mr. Alexander, though most have never met him. "On one hand you feel, 'Let's give the guy a break. He's going to bring money into the economy.' But on the other hand, you say, 'We don't need another dishonest person. There's enough dishonest people in the country,'" he said. He added that Mr. Alexander must be presumed innocent.

At the Windhoek Country Club Resort, some guests have also gotten wrapped up in Mr. Alexander's case. Sam Shapiro, owner of a fish company called Mazel Dagim in Monsey, N.Y., shook his head over Mr. Alexander's bid to stay in Namibia. "If you're asking me, it's the wrong choice to come here," he said, adding, "It's not New York, where there are movies, you can go to concerts."

—James Bandler in Boston  
contributed to this article.

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### Vedanta Resources PLC

#### Sterlite Industries Division Plans Power Plant in India

Metals and mining company Vedanta Resources PLC said it is diversifying into the power business as it posted a sharp jump in first-half net profit on higher metals prices and production volumes. London-based Vedanta's 76%-owned subsidiary Sterlite Industries Ltd. will invest \$1.9 billion to set up a 2,400-megawatt power plant in India. Sterlite will offer American depository shares to fund the investment. Net profit rose to \$447.6 million from \$107.9 million a year earlier. Revenue more than doubled to \$3 billion from \$1.38 billion.