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## Naji Nahas

Naji Nahas comes to the Brazilian telecommunications scene in 2001, when Pirelli and Benetton assumed TI. At this period – right after the mobile telephony auction – TIM would not be allowed to start its operations in Brazil as planned due to some rules that had to be accomplished inside the country. TI would have to hold less than 30% of the share capital of the company in order to grant the certificate from ANATEL – National Agency for Telecommunications.

Appointed as a consultant to solve the query above, Nahas who had (and has) a close relationship within both parts in control of TIM, arranged an agreement between Marco Tronchetti Provera – CEO of TI - and Opportunity in which TI would then sell 19% of its partnership in BrT to Opportunity through Solpart. Opportunity became then the controller shareholder of BrT, what would bring judicial discussion among the parts in the future. Such agreement was enclosed with a buy back option. (insert meeting in Mediterranean details, super yacht – TV)

It is known that Naji Nahas has connection with the here mentioned names and dealings, as well as his close contacts (“friends”) with Brazilian powerful political figures. Nahas is involved in numerous illegal actions connected to a famous fraud perpetrated to Sao Paulo’s stock market – BOVESPA - in 1989. One by one, he has been acquitted from all charges filed against him, buying out all justice officials responsible for the cases – according to intelligence sources. He was also involved in fraudulent operations involving stocks from Banco Noroeste S.A., Société Générale and Cia. Internacional de Seguros on 1986, Banco Cidade and later, among many others, Petrobras and Vale do Rio Doce. Concerning Petrobras, he was able to manipulate the stock market by raising the stocks up to 860%.

On the last week of May 2004 (day of 25), he would have been behind a transaction in the amount of R\$ 290 million that occurred at Bovespa. Two small stockbrokers - named Master Corretora and Bonus Banval CCTVM Ltda - negotiated 5 thousand contracts in Bovespa futures index totalizing more than R\$ 290 million. Bovespa future index contracts is a leverage market where the payment is done according to the profit/loss from the operation done, its volume of transactions is around 30 to 40 thousand per day. According to sources at Bovespa, Nahas would have made such operations in the name of a third individual through these two stockbrokers which are now apparently ‘broken’ once he did not pay the bill. The name of this individual is still unknown.

### Background

Naji Robert Nahas was born in Lebanon on November 3<sup>rd</sup> 1945, son of Robert Selim Nahas and Renee Kalil Achkar. Lived in Egypt, studied in Oxford, England and went to Liban, where he married a Brazilian woman, Sueli Aun Nahas. Arrived in Brazil in 1968, with 23 years old. Their sons still live in Sao Paulo. His son, Fernando Nahas deals with real estate incorporation and is his partner in some companies. His only daughter, Nathalie, is currently living abroad, in the USA.

Searches into Brazilian data bases showed that Nahas is registered on the Brazilian Tax Payer authority under three different tax payer numbers. Between the existing three, there is only one valid register # 000.726.168-30.

Nowadays he lives at Rua Guadalupe, 709, Jardim America, Sao Paulo, SP, Brazil. And has an apartment in Paris, France at 6, rue Murillo – 8<sup>ème</sup> Arrondissement.

Nahas used a \$5 million yacht called Pamynouche, which was based in Monaco. The vessel belongs to the West German Prince Furstemberg. (according Europe intelligence)

Around 1982 Nahas headed an empire composed of 27 companies inside Brazil.

In 1984 Nahas and Antoine Georges Areas, controlling partners of Selecta Comercio, pledged a large amount of the company's nominal shares - issued through Banco Noroeste S.A - to secure a loan agreement with Société Générale. According to the mortgage term, all shares eventually acquired, subscribed or received by the partners could in the future be included in the repayment of the value lent.

At this time, between 1981 and 1985, Nahas was partner of the Bank Sogeral, a subsidiary of Société Générale in Brazil. Such partnership had reached its end in 1986, when some media sources appoint Nahas as the one who would have caused huge losses to Sogeral.

A year and a half later, January 1986, Nahas sold additional shares to Cia Internacional de Seguros – CIS - through a stock purchase and sale agreement. It is worth to note that one of the terms of such agreement conditioned the validity of the operation through Bovespa – Sao Paulo Stock Exchange.

In February Société Générale filed for the canceling of the pledge made by Nahas with the condition that the pledged shares should be transferred to CIS. The same procedure touched the other partner's pledged shares with the condition that they should first be transferred to Naji Nahas and subsequently to CIS. In May - same year - Société Générale ratified the annulment decision, on the above-described terms and conditions, through an official document issued to Banco Noroeste.

With a 51% plus capital control on Banco Noroeste, Nahas neglected to inform CVM – Comissao de Valores Mobiliarios (Securities Commission) - about the operation, therein breaking a significant number of dispositions of CVM regulations.

In June 1986 Bovespa Daily Bulletin announced a public auction for nominal shares issued by Banco Noroeste. These shares, amounting to 60% of the bank's stock capital, were offered at CZ\$ 80,00 minimum by thousand. SN Crefisul S.A. Sociedade Corretora was the broker in charge of the auction occurred at Bovespa, on 1<sup>st</sup> July 1986.

Nahas and Cia. Internacional de Seguros – CIS were accused of conjointly simulate the purchase and sale operation at the above-mentioned date. The claim was that, by this operation, Nahas would have sold shares he did not own and CIS would have bought shares already owned by itself. From January to the date of the auction Nahas acquired 93,5% of Banco Noroeste's capital offered on the market.

Privileged by classified information, namely the coming auction and the minimum offer (CZ 82,00), Naji Nahas acquired the shares from market investors for lower values, thus generating losses for them. Through this procedure it became clear that Nahas actively influenced the raising of Banco Noroeste share values. At the time, CVM officially declared this operation to be a fraud because such procedures obstructed the market competition since the nominal shares would have to be sold exclusively to CIS, which already owned them. What the whole operation was planned to take advantage of tax benefits for open market operations.

It is relevant that in 1987 Société Générale is privatized.

As far as 1988 (two years after the operation described above) Nahas was still considered to be the hottest investor in the Brazilian stock market. But on June of the next year (1989) he became known for "melting" the whole market at a national level, causing about US\$ 300 million in losses, issuing approximately US\$ 50 million in bank checks lacking funds to pay for his operations. Bovespa's CEO at the occasion - Eduardo Rocha Azevedo - altered the market

liquidation definitions from D+5 to D+3 in order to obstruct Nahas' liquidation scheme and protect the market's interests at a critical moment when all investors could have been broken by Nahas' exceedingly aggressive and fraudulent procedures. Eduardo Rocha Azevedo was sued by acting in his own interests as well and contributing to the crash of Rio de Janeiro Stock Exchange.

His way of acting was always by acquiring stocks in a lower price than the established in selling and buying agreements due privileged information granted. Which other investors did not have access. In possession of those information, Nahas was able to manipulate the price of stocks, disabling the normal procedures as the interference of competitive offer of purchase once that the stocks could only be alienated to Cia. Internacional de Seguros or similar. It means he used to buy and sell the paper to himself or to investors by his side in order to increase the prices. He was accused by CVM of fraudulent operations at the Stock Exchange from Sao Paulo and Rio de Janeiro. In which his objective was to enjoy benefits from tax exemption attributed to stock exchange's negotiation.

When the scandal went public Nahas had his financing channels cut up by the banks, leaving the stockbrokers' positions uncovered.

In 1997 he was found guilty and sentenced to a 4 (four) year imprisonment term, his sentence was "reviewed" on the next day.

Nahas was accused also of being involved with the *Cayman dossier*, a document resuming investigation on corrupt activities in the Brazilian government. Besides Nahas, this dossier cites the following names: Fernando Collor de Mello, the infamously impeached Brazilian president; his brother, Leopold Collor de Mello; Paulo Maluf, former governor of the state of Sao Paulo; and former senator, Gilberto Miranda.

Presently Nahas is acting as a business counselor. He would have taken part in (among others) negotiations involving the sale of a public service company named Vega to the French Suez and the acquisition of Gaspart – Distribuidora de Gás at northeast (Gas Company) by Enron. Nahas would have taken part also in the dealings held between Italia Telecom and BrT, serving as a connection, by invitation of Marco Tronchetti Provera, to Opportunity Bank in the TIM case. It is believed that Samir Traboulsi was also an intermediary for this transaction.

It is told that Nahas acted as counselor to Roberto Mangabeira, a law expert appointed by Daniel Dantas to determine conceptual parameters to litigations involving Opportunity and BrT, particularly regarding a legal action filed by Opportunity claiming indemnity for losses allegedly caused by the Italians on the acquisition of a local telephone company (CRT). Sources would indicate that Nahas is suspected of laundering some of the alleged profits from CRT Telecom. Nahas connection to currency exchange houses in Foz do Iguaçu and Paraguay should be examined as well as money transfer to different banks and foreign location, such as Bahamas and BVI. Where Nahas would apparently have companies until nowadays.

It was also told that Nahas is negotiating stock options for Telemar in the market. As to his involvement with the involved parts, sources speculate for a possible fusion between BrT and Telemar's local operators, with the creation of a new corporation competitive enough even for foreign markets' standards. Upon the reported, we are taken to believe that Nahas is apparently now serving exclusively the goals and interests of Italia Telecom.

Nahas relationship with Carmelo Furci is thought to be important in the scheme, intelligence searches point to a relationship between Nahas and Telepar – BrT, located at Paraná in the south of Brazil.

Concerning Nahas actual litigation, please see item Litigation below.

According to confidential sources, Nahas would have been considered exempt from taxes in the year of 2002 in Brazil. Still according to such sources, Nahas would have a debt in the amount of UDS 5,475,896.00 approximately against an asset of USD 439,000.00 in 2001.

## Partnership in Brazil

It was possible to identify ownership/shareholding records in the following companies in Brazil:

- **Selecta-Comercio e Industria S.A.**

Selecta would have been the holding, controlling over 20 Brazilian corporations. It has been filed for bankruptcy.

- **Selecta Participações e Serviços**

The company was created in December 1982, located at Al. Santos, 1357, 5<sup>th</sup> floor, Sao Paulo, SP. Tax payer number 52.078.615/0001-34.

- **Granja Selecta Comercio e Exportação**

The company was created in July 1983, located at Itu, SP. Its tax payer number is 52.721.560/0001-39. Its shareholders are Selecta Comercio e Industria and Naji Nahas.

- **Brasilmec Commodities Corretora Brasileira de Mercadorias S.A.**

Created on February 1980 and located at Av. Paulista, 1765, 17th floor, Sao Paulo, SP. It was not able to identify Nahas as its current shareholder. But Brasilmec traded commodities on Nahas's behalf via an Omnibus account at Thomson McKinnon Securities, Financial Square, New York 10005.

Enquiries revealed that the bulk of business done by Brasilmec in the U.S. markets would have been instructed by Nahas.

- **Companhia Internacional de Seguros (CWAS or CIS)**

One of Nahas's largest Brazilian investments was an 80% shareholding at this insurance company, which he purchased in 1987. The remaining 20% of the company's shares are controlled by the Royal Insurance Company Plc ("Royal") of London, England. Prior to Nahas's purchase, Royal provided much of CIS's management. Subsequent to Nahas's purchase, Royal terminated its operational involvement.

CIS was involved in actions regarding Société Générale, Bovespa and other banks and entities as described before.

It is believed that Royal's only income from CIS was dividend income. The last dividend paid by CIS was \$600,000 in 1988. Royal was at the time considering ways of extracting itself from its association with CIS and Nahas. One of Royal's alternatives was to sell its shares in CIS. Royal had then difficulty finding a purchaser other than Nahas himself and Nahas offered to sell out for approximately \$100 million, when Royal estimates the whole of CIS to be worth only \$65 million; while CIS's annual income was \$100-\$120 million.

Additionally, the buyout option raises the question of where the shares in the company actually resided. It was believed at the time that the shares were pledged to Societe Generale ("SG") of France. Approximately 87,000,000 CIS preference shares owned by Nahas were subject to a lien secured by SG. During negotiations with Royal, SG expressed a preference for Royal to purchase these shares. However, the negotiations were severed as SG believed that compelling the sale would have caused Nahas to institute costly legal proceedings to block the sale.

The composition of the share capital from CIS at June 30, 1989 was:

Ordinary	Preference
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Naji Robert Nahas	3.45%	18.68%
280 shareholders	4.71%	5.61%
*Selecta Part e Serv Ltda	43.25%	35.64%
*SIP – Int Part S.A.	25.25%	18.69%
Royal Empreend Adminwastr	20.00%	18.11%
*Selecta Com e Ind S.A.	2.99%	2.82%
11 shareholders	0.35%	0.45%
	100.00%	100.00%
Issued shares – ordinary	477,500,000	
- preference	167,500,000	
- Total	645,000,000	

(\*reportedly controlled by Nahas)

- **Banco Sogeral S.A.**

Nahas was reported to have had a controlling interest in Banco Sogeral. In 1981, Societe Generale took a 25% shareholding in Banco Sogeral S.A. of Sao Paulo. Banco Sogeral experienced difficulties when Nahas speculated in Petrobras shares. Certain transactions caused Societe Generale to become the guarantor of a \$70 million debt contracted by Nahas. Banco Sogeral was eventually rescued by Boa Esperanca, the holding company for the Ipiranga group of petroleum companies. Prior to this transaction, reports appeared in press that the Brazilian police were looking into a \$200 million transfer from Brasil to Arab banks in London. The money allegedly came from funds of Sogeral.

- **Banco de Investimento Planibanc S.A.**

Banco de Investimento Planibanc S.A. (“Planibanc”) was reported to have financed certain undisclosed transactions for Nahas. The bank was 49% owned by Bankers Trust Corp. It was believed that Bankers Trust recently had to inject \$57 million into Planibanc to support its operations.

- **Oilbras Industria e Comercio de Oleos e Derivados**

The company’s previous name was PEBB Industria e Comercio de Oleos, his partners at the business are Carlos Alberto Salvatore Filho and Marcia Freitas de Paula. It is relevant that according to privileged sources, Nahas would have a personal debt in 2001 in the amount of USD 850,000.00 with Alvaro Luiz de Alvares Otero, the CEO from PEBB Bank.

- **Empreendimentos Sunaco Comercial Agricola**

The company was created on 1977 and it is located at Paulista Av., 1357, 5<sup>th</sup> floor, Sao Paulo, SP. Sucano field of activity is animal breeding, probably it concerns a farm with its managing office at Av. Paulista.

- **Hayat Comercial e Exportadora Ltda.**

No records besides that Nahas is its representative.

- **Litex Comercio e Industria Ltda.**

No records besides that Nahas is its shareholder. The company is active and located at Al. Santos, 1357, Sao Paulo, SP.

- **Natex Empreendimentos Imobiliarios Ltda.**

No records besides that Nahas is its shareholder. The company is active and located at Al. Santos, 1357, Sao Paulo, SP.

- **Agro Agropecuaria Inshalla Ltda.**

No records besides that Nahas is its shareholder together with Manuel Justino Netto. The company is active and located at Rua Horacio Lafer, 200, Sao Paulo, SP.

- **Rofer Administração e Construção Ltda.**

Nahas is a shareholder together with his son, Fernando Naji Nahas and Jean Daher. The company is active and located at Rua Angelina Maffei Vita, 667, Sao Paulo, SP.

It was possible to identify ownership/shareholding records linked to Nahas in the following companies in BVI and Bahamas:

- **Yukon River Ltd., in BVI;**
- **Avenida Company Ltd., in Nassau, Bahamas.**

Beyond that, it was identified that Nahas has relationships with Banco Multiplo SA, partly owned by Lloyd's Bank Plc; Banco Cidade SA, partly owned by Banque Nationale de Parwas; Banco Crefwasul de Investimentos, partly owned by Citibank; Banco de Ril del Balcoy, owned partly by Pedro Conde, his friend.

#### Litigation in Brasil

On 1989 the Judge Luis Gomes da Silva of the Sao Paulo Federal District Court ordered Nahas's Brazilian assets to be put on lien for future auctioning to guarantee payment of \$6.7 million to ContiCommodity Services Inc. of Chicago.

Paulo Eduardo Bueno was the Federal District Attorney in Sao Paolo who made the original request for Nahas's detention.

Nowadays, Nahas is being accused of capital outflow, with 2 ex mayors of Sao Paulo: Paulo Maluf and Celso Pitta; and an ex governor of São Paulo: Luiz Antonio Fleury Filho. By using CC5 accounts to movement the money deviated from public budget.

Nahas would be partner from his son, Fernando Nahas and C. Pitta in a company in BVI, named Yukon River Ltd.

Yukon River Ltd was on 23<sup>rd</sup> February 1987 in BVI, registered under the number 2.953, with a share capital in the amount of USD 50,000. This company was created by another one named Insinger Corporate Formation Ltd., its financial agent.

According data searches, Yukon has a bank account at MTB Bank in New York, account # 70.245.

Beyond that, it was possible to identify through privileged that Nahas would have bank account at Santander Bank (Noroeste is its predecessor) and funds invested (around R\$ 6 thousand). Also a bank account at Banco Real, agency 0413, account # 4007381. And funds invested in several Brazilian Banks.

Whilst according confidential sources there would exist a borrow at his name with Norton D. Waltuch, in order to acquire Avenida Company Ltd., at Sasson House Northwestern corner of Shirley Street and Victoria Avenue, Nassau, Bahamas.

According to privileged information, apparently there would be no funds or payments related to the entity TI directly.

Still according to sources, Nahas would have a debt with Alvaro Luiz de Alvares Otero in the amount of R\$ 2.377.787,00, approx. USD 850,000.00. Alvaro is the CEO from PEBB Bank and Broker, in which Nahas would have an account, and from which colligate company he is a shareholder as mentioned at partnerships item.

(insert detail of law suit from January – TV)

Actual searches are under way regarding details of his judicial suits at PF.

#### Professional Association in Brazil

Below you will find possible professional association from Nahas:

Research at the 1990's identified a number of individuals reported to be close associates of Nahas including Elmo de Araujo Camoes, the former president of Brazil's Central Bank at the time. Camoes was a majority shareholder in the Capitanea brokerage company that made many speculative investments.

Murilo da Silva Freire and Jose Carlos Dias had been identified on the public record as attorneys who acted for Nahas.

Antoine George Abbas was a cousin of Nahas who was known to have participated in share trading in concert with Nahas.

Teofilo Rocha was Nahas's lawyer, according to press reports at the time.

Jose Augusto MacDowell Leite de Castro was a director of both CIS and Selecta.

#### Partnership in Europe

It was possible to identify ownership/shareholding records in the following companies in Europe:

- **Socofinace S.A.**

Nahas was apparently thought to be a shareholder in Socofinace S.A. The company was owned 70% by Charbel Ghanem, a Lebanese; 20% by the French corporation Thomson CSF; and 10% by individual investors believed to be Nahas, Samir Traboulsi and Roger Tamraz.

Officers and directors of Socofinace include Ghanem, William Haddad, and two Swiss, Roger Merkli and Pierre Fauconnet.

Research revealed that Socofinace traded 91,000 shares of Triangle stock and was reported to be a part of the Pechiney-Triangle affair. It was believed that Bank & Trust (Anguilla), an offshore bank owned by two Lebanese, Georges Samia and Chaker Houry.

Socofinace, with an address at 20, Route de Pré-Bowas, Meyrin (Geneva), has the under mentioned directors and executives, according to local research:

- Mr. Roger MERKLI - Director/President  
(Swiss)
- Mr. Pierre FAUCONNET - Director/Secretary  
(Swiss)
- Mr. Charbel GHANEM - Joint Manager  
(Lebanese)

- Mr. William HADDAD - Joint Manager  
(Lebanese or U.S.A.)

Corporate activity was described as that of dealers in precious metals, currency and securities.

The official report, dealing with the investigation by the French stock exchange regulatory agency (C.O.B.) refers to Socofinance S.A. as having played a prominent part in the PECHINEY-TRANGLE insider dealing scandal. In fact, Socofinance S.A. dealt in a total of 91,000 triangle shares, allegedly on behalf of an obscure offshore entity International Dwascount Bank & Trust, Anguilla (W.I.), owned at the time in question by Messrs. George Samia and Chaker Khourt, both Lebanese nationals.

Although Mr. William Haddad still remains to be properly identified, it was pointed out that Socofinance S.A. president Roger Merkli was a Swiss fiduciary. One of the numerous Swiss companies of which he was a director with individual signature was Goldfinger S.A., a small entity with a Swiss capital Frs. 50,000 capital. Goldfinger S.A. was reported to have been used a channel to siphon off funds generated by the De Lorean motor car fraud. De Lorean's communications director at the time was a certain Bill Haddad.

Other Socofinance S.A. links and subject's possible involvement are subject of pending investigation and will be elaborated on in the next report.

On 1999 SEC Settles with two fronts \$4.2 million in Triangle industries insider trading case: total recoveries now \$ 5.7 million - On February 8 1999, Judge Robert P. Patterson, Jr., federal district judge for the Southern District of New York, entered final judgments by consent against defendants Socofinance, S.A. and Charbel Ghanem. The Commission's complaint charged the defendants, along with six other foreign nationals and another foreign entity, with insider trading before the 1988 tender offer for Triangle Industries, Inc. by Pechiney Corporation. The Commission's complaint alleged that Ghanem was tipped about the negotiations by his friend, defendant Samir Traboulsi, who served as an advisor to Triangle during the tender offer negotiations. The complaint alleged that Ghanem thereafter directed the purchase of 91,000 shares of Triangle stock in an account he controlled at Socofinance, a company he directed, for illegal profits of \$3.6 million. Those profits are being retained by order of the government of Switzerland pursuant to a request by the Commission. The judgments, to which Socofinance and Ghanem consented without admitting or denying the allegations in the Commission's complaint, provide for permanent injunctions against future violations of Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 (Exchange Act) and Rules 10b-5 and 14e-3 there under, disgorgement of the approximately \$3.6 million in illegal profits frozen in Switzerland and prejudgment interest totaling \$720,000.

- **Crisol Holding S.A.**

A Geneva based lawyer, Pierre Gasser, who was known to have acted as a company incorporator for Nahas, incorporated a company in Panama called Crisol Holdings S.A.

It was believed that Crisol was used by Nahas in dealings with certain Swiss banks.

- **Advicorp Advisory & Financial Corp. S.A.**

Advicorp Advisory & Financial Corp. S.A., a Geneva-based trading company, was established in the late 1970's supposedly by Mr. Waltau to trade silver on Nahas's account.

Advicorp was run by two Geneva bankers, Jean Jacques Bally and Pierre Alain Hirschy. Although Advicorp was believed to be dormant, it was still registered at Place Du Molard, having Bally and Hirschy recorded as its directors.

- **Hoogewerf, Usher & Co. S.A.**



According intelligence searches Hoogewerf, Usher & Co. was a firm of accountants that established many of Nahas's original offshore companies in Panama.

Thaws company changed its name to Usher & Co., when the Hoogewerf partner left. Its services were subsequently taken over by Ilex Trust Services S.A.

Hoogewerf and Usher's relationship with Nahas and the Hunts dates from between 1979 and 1983.

Hoogewerf and Usher dealt through Selim Nassif in Canada. It was believed that Nassif was retired and ailing in Cannes, France.

- **Unigestion S.A.**

It was believed that Nahas has had a relationship with Unigestion S.A. located at Rue Du Marche, 12 Geneva 1204.

#### Professional Association in Europe

Below you will find possible professional association from Nahas in Europe:

Maurice Zilbert was reported to be Nahas's racing manager.

Assaf Bitar was a close friend of Nahas whose son works at Thomson McKinnon, where Brasilmec was reported to have had a trading account.

Zaid El Khiory, a Lebanese based in Paris, was a close friend of Nahas.

Pierre Gasser was a senior partner in the Geneva law firm of Guinand Courvoisier Bercher Zoelly & Gasser, which has represented Nahas in Switzerland. Gasser also was listed as president of Cristol Holdings, a Panama corporation controlled by Nahas.

Mr. Pierre Gasser was a director of the Geneva-based Bozzo Brazil Trading S.A. and Bozzo Commerce de Cafe S.A. A certain Mr. Luigi Bozzo, resident in Geneva, was chairman of Bozzo Commerce de Cafe S.A. He was also a director of the Geneva-based company Sofigest Societe Financiere S.A. Other directors of the latter named entity are Messrs. André Guinand and his partner Jacques Bercher. Bercher was equally a director of the two Bozzo coffee companies. Another director of Sofigest Financiere S.A. and Bozzo Commerce de Cafe S.A. was certain Mr. David Hodara.

Mr. David Hodara and Sofigest Societe Financiere S.A. had been associated for about 20 years. In fact, their association goes back to 1968 when Sofigest served as a vehicle for the now defunct I.O.S. Investment Fund in the context of a major stock swindle involving Commonwealth United Corporation, an entity well known to the United States Securities and Exchange Commission.

Mr. David Hodara holds two other directorships jointly with a certain Dr. Kaloyan Stoyanov, a Lausanne lawyer of Bulgarian origin and past involvements in securities dealings. These directorships relate to the Lausanne-based Midland International Trade Services (Swiss) S.A. and the affiliated and equally Lausanne-based Mits Credex S.A. The first, with a capital of Swiss Frs. 21.24 million; the second, with a capital of Swiss Frs. 1 million. Preliminary enquiries show these two entities to be subsidiaries of Midland Bank.

#### Partnership in North America

It was possible to identify the following:

Research revealed that numerous companies were established in Panama during the late 1970's and early 1980's, presumably to facilitate various transactions. These companies include Rasistra Group Inc., Pontamar Investments S.A., Aldabi Trading Corp., Reticorp Securities S.A. and Compania Financia Caldas S.A. each of which was formed in January of 1980 and dissolved in 1982.

Gulf Port S.A., formed in July 1979, has maintained a bank account at BAll.

Other companies formed in the 1970's include: Sociedad Inmobiliaria de Inwestimento S.A., Gillion Financial Inc. and Litardex Traders Inc.

Nahas was not known to have other business interests or activities in North America. Information was developed regarding possible bloodstock or racehorse holdings, but proved to be without foundation after additional research.

#### Relation with Banks in 1990's

In 1989 Nahas had an active account with TDB American Express Bank in Geneva and London.

Nahas has also had banking relationships within the last eighteen months at Banque Parisian Internationale (42 Avenue Montaigne in Paris), Lloyds Bank International (Geneva), Banque Populaire Suwasse, Banque de Paris et des Pays-Bas (Suisse) SA, Fininformatic SA (Geneva) and Societe General (Lille).

Fidelity Trust Bank in New York, Bankers Trust in New York and Manufacturers Hanover Trust in New York had each operated accounts for Nahas in 1989.

Research revealed that in August 1989, Brasilmec maintained an Omnibus Account at Thomson McKinnon Securities, Financial Square, New York 10005. The account was handled by George Bitar.

Enquiries revealed that Bitar's father, Assaf Bitar, a retired Lebanese living in Paris, was a close friend of Nahas. It was believed that Bitar's father arranged for Bitar to be placed in the New York brokerage firm to handle Nahas's business.

It was believed that several wealthy Brazilians traded through thaws account, but that bulk of the business done by Brasilmec in the U.S. markets was done at the instruction of Nahas.

It was possible that Nahas has moved the account. In March 1990, Thomson McKinnon Securities filed for protection from creditors under Chapter XI of the U.S. Bankruptcy Code. The firm sold its retail brokerage business to Prudential-Bache Securities Group in 1989.

Preliminary research has revealed that Jim Ferro was responsible for Nahas's account at E.F. Hutton.

#### Specific Information

According privileged sources a loan in the amount of pounds 3 million was paid to Nahas into Account Number 10343 001-15 at Banque Parwasienne Internationale, 42 Avenue Montaigne, Paris. This banking establishment, claiming assets of FF 810 million, was controlled by Lebanese interests. Shareholdings are as follows:

WWASAKA HLDINGS SAL (Lebanese)	- 35%
CAUIL HOLDINGS SAL (Lebanese)	- 20%
BANQUE PARIBAS	- 20%
BANQUE DE BEYROUTH	- 12%
BANQUE COMMERCIALE DE QATAR	- 10%
Others	- 3%

Information made available refers to partial loan repayments through Republic National Bank, New York, as well as through a New York based banking establishment Manfra Tordella. In addition, some funds are stated to have had been received from Trade Development Bank, Geneva.

Republic National Bank was controlled by Mr. Edmond Safra and his family. Trade Development Bank was originally also controlled by the Safra family but later sold to American Express. Mr. Edmond Safra was appointed president of the American Express Trade Development Bank group. He subsequently resigned and concentrated on running Republic National Bank and its various affiliates, including the Geneva-based Safra S.A.

Attention was drawn to the circumstance that a certain Mr. Pierre Guinand was a director of both Safra S.A. and Trade Development Bank, Geneva. Mr. Pierre Guinand was the brother of Geneva lawyer Mr. André Guinand, senior partner in the law firm Guinand, Courvowasier, Bercher, Zoelly & Gasser. Mr. Pierre Gasser, a partner in the letter law firm acts for Mr. Naji Robert Nahas.

## NAHAS MEMO

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Naji Robert Nahas is a controversial character, well-known to the Brazilian financial establishment especially because of his involvement in a series of fraudulent operations perpetrated on the Sao Paulo stock exchange. He has faced numerous law suits, some of which sentenced him to prison, and is banned from trading activities on the Brazilian money market until next year.

In the Brazilian telecoms industry Nahas is often referred to as a “friend”, serving as a link between corporations and other entities, such as companies, regulators, financial markets and the government. In short, a powerful and well-connected lobbyist; in the case of Telecom Italia in Brasil, his approach apparently reached the presidential level.

### **Telecom issues**

At a time of radical restructuring of the Brazilian telecommunications sector, Telecom Italia (TI) appears to be the key piece of the puzzle. In other words, much of the future structure of Brazilian telecoms will depend from the decisions and actions that TI will decide to implement in the ambit of its corporate strategy, and there exists a general understanding that Naji Robert Nahas, a controversial character well known to the Brazilian financial establishment, is the man in charge of TI's moves in Brasil.

Naji Nahas is a personal friend of Marco Tronchetti Provera (MTP), the President of Telecom Italia, whom he has known for over 20 years. Evidence relating to his involvement as an appeaser between TI and Brasil Telecom (BrT) goes back to the summer of 2002, when it was reported that Nahas had brokered an agreement “to end a bloody battle between TI and BrT”. In this deal, Nahas had contacted a lawyer called Kevin Mundy to negotiate an agreement by which TI would lower its stake in BrT in order to allow TIM to exploit its GSM licenses.

The effectiveness of Nahas's intervention together with the personal friendship between Nahas and MTP are possibly the underlying reasons for which Nahas has been appointed *de facto* as the TI representative in Brasil. He appears to be involved in decisions at the highest level, and his word may well influence TI's strategy in the ambit of the restructuring of Brazilian Telecoms.

Confirmation of this is found in the rumours according to which Nahas has taken part in a meeting that was held in Europe in May 2003, during which MTP and Carlos Jeiresati, CEO of Telemar, spoke about the sale of the mobile operator Oi to Telecom Italia.

In addition to the friendship and relationship with MTP, it appears that Nahas also has a relationship with the former head of TI Brasil, Carmelo Furci. Moreover, it is believed that there is a link between Nahas and Samir Traboulsi, who may possibly act as an intermediary for TI as well.

Notwithstanding the fact that currently Nahas appears to be serving exclusively the goals and interests of Telecom Italia, there are elements suggesting that he is not new to the Brazilian telecoms industry, with which he has been involved recently from a series of side angles.

It is rumoured that Nahas acted as a counselor to Roberto Mangabeira Unger, a Harvard professor of law that had been appointed by Dantas as an advisor to Opportunity in the litigation proceedings between BrT and TI, with specific reference to the losses originating from the overpayment – allegedly caused by TI – of CRT.

There is speculation that Nahas may have been involved in laundering the under-the-table proceeds of the CRT acquisition, possibly in agreement with Carmelo Furci.

There are also rumours that Nahas is negotiating Telemar stock options.

## **Biography**

### Personal Details

Naji Robert Nahas was born in Lebanon on November 3<sup>rd</sup> 1945, from Robert Selim Nahas and Renee Kalil Achkar. He spent his early years in Egypt and went Oxford to study.

Following the completion of his studies, Nahas moved to Lebanon, where he married a Brazilian woman, Maria Latife Aun Simao. He moved to Brasil in 1968, at age 23.

The couple have two children; Fernando, who lives in Sao Paulo and is involved in the real estate sector as well as being a partner in some of his father's companies; and Nathalie, who currently lives in the US.

A search of the Brazilian tax registry reveals that Nahas is registered on the Brazilian Tax Payer authority under three different TIN (Tax payer Identification Number) numbers. Only one of the three appears to be valid, specifically #000.726.168-30.

Nahas' current place of residence is at Rua Guadalupe, 709, Jardim America, Sao Paulo, SP, Brazil. He also has an apartment in Paris, at rue Murillo 6 – 8<sup>ème</sup> Arrondissement.

It is reknown that several years ago Nahas chartered or borrowed a \$5 million yacht called Pamynouche, which was based in Monaco. The vessel belonged to the German Prince Furstemberg.

### Controversies

Nahas has been arrested and sentenced to prison for insider trading and for dubious financial transactions, some of which are described below.

He has also been accused of corruption several times.

There are elements suggesting that Nahas is being accused of tax evasion together with two former mayors of Sao Paulo, namely Paulo Maluf and Celso Pitta, and an ex-governor of Sao Paulo, one Luiz Antonio Fleury Filho. The accusation revolves around the use of CC5 accounts to transfer the money from public budget.

Nahas and his son Fernando, together with Celso Pitta, are also involved in a BVI company called Yukon River Ltd, which is suspeceted of carrying out money laundering operations.

## The BOVESPA fraud

In 1984 Nahas and Antoine Georges Areas, controlling partners of Selecta Comercio, pledged a large amount of the company's nominal shares, issued through Banco Noroeste S.A, to secure a loan contracted with Société Générale. According to the mortgage terms, all shares eventually acquired, subscribed or received by the partners in the future would have been included in the repayment of the value lent.

At this time, between 1981 and 1985, Nahas was a partner of the Bank Sogeral, a subsidiary of Société Générale in Brazil. When the partnership ceased to exist, in 1986, there was speculation that Nahas had caused the huge losses incurred by Sogeral.

In January 1986, Nahas sold shares to Cia Internacional de Seguros – CIS by a stock purchase and sale agreement. It is worth noticing that according to the terms of this agreement the operation had to be conducted through the Bolsa de Valores de Sao Paulo – BOVESPA.

In February, Société Générale filed for the canceling of the pledge made by Nahas on the condition that the pledged shares were transferred to CIS. The same procedure touched the other partner's pledged shares, on the condition they were first transferred to Naji Nahas and subsequently to CIS. In May, the same year, Société Générale ratified the annulment decision, on the above-described terms and conditions, by an official document issued to Banco Noroeste.

With a 51% plus capital control on Banco Noroeste, Nahas neglected to inform CVM (Brazilian stock authority) about the operation, thus breaking a significant number of dispositions of CVM regulations.

In June 1986 BOVESPA Daily Bulletin announced a public auction for nominal shares issued by Banco Noroeste. These shares, amounting to 60% of the bank's stock capital, were offered at CZ\$ 80,00 minimum by thousand. SN Crefisul S.A. Sociedade Corretora was the broker in charge of the auction occurred at BOVESPA, on the first of July 1986.

Nahas and Cia. Internacional de Seguros – CIS were accused of conjointly simulate the purchase and sale operation at the above-mentioned date. The claim was that, by this operation, Nahas would have sold shares he did not own and CIS would have bought shares it already owned. From January to the date of the auction Nahas acquired 93,5% of Banco Noroeste's capital offered on the market.

Privileged by classified information, namely the coming auction and the minimum offer (CZ 82,00), Naji Nahas acquired the shares from market investors for lower values, thus generating losses for them. By this procedure it became clear that Nahas actively influenced the raising of Banco Noroeste share values. At the time, CVM officially declared this operation to be a fraud because such procedures obstructed the market competition since the nominal shares would have to be sold exclusively to CIS, which already owned them. Also, the whole operation was planned to take advantage of tax benefits for open market operations.

It is relevant that in 1987 Société Générale is privatized.

As far as 1988 (two years after the operation described above) Nahas was still considered to be the hottest investor in the Brazilian stock market. But in June the next year (1989) he became

know for “melting” the whole market at a national level, causing about US\$ 300 million in losses, issuing approximately US\$ 50 million in bank checks lacking fund to pay for his operations. BOVESPA’s CEO at the occasion, Eduardo Rocha Azevedo, altered the market liquidation definitions from D+5 to D+3 in order to obstruct Nahas’ liquidation scheme and protect the market’s interests at a critical moment when all investors could have been broken by Nahas’ exceedingly aggressive and fraudulent procedures. But Eduardo Rocha Azevedo was sued by acting in his own interests and contributing to the crash of Rio Stock Exchange.

His way of acting was always by acquiring stocks in a lower price than the established in selling and buying agreements due privileged information granted. Which other investors did not had access. In possession of those information, Nahas was able to manipulate the price of stocks, disabling the normal procedures, as the interference of competitive offer of purchase once that the stocks could only be alienated to Cia. Internacional de Seguros or similar. It means he used to buy and sell the paper to himself or to investors by his side, in order to increase the prices. He was accused by CVM – Comissao de Valores Mobiliarios – of fraudulent operations at the Stock Exchange from Sao Paulo and Rio de Janeiro. In which his objective was enjoy benefits from tax exemption attributed to stock exchange’s negotiation.

When the scandal went public Nahas had his financing channels cut up by the banks, leaving the stockbrokers’ positions uncovered.

In 1997 he was found guilty and sentenced to a 04 (four)-year imprisonment term; his sentence was “reviewed” the next day.

### The Cayman Dossier

Nahas was accused also of being involved with the *Cayman dossier*, a document resuming investigation on corrupt activities in the Brazilian government. Besides Nahas, this dossier cites the following names: Fernando Collor de Mello, the infamously impeached Brazilian president; his brother, Leopold Collor de Mello; Paulo Maluf, former governor of the state of Sao Paulo; and former senator, Gilberto Miranda.

### Current activities

Presently Nahas is acting as a business counselor. He would have taken part in (among others) negotiations involving the sale of a public service company named Vega to the French Suez and the acquisition of Gaspart – Distribuidora de Gás at northeast (Gas Company) by Enron. Nahas would have taken part also in the dealings hold between Italia Telecom and Brasil Telecom, serving as a connection, by invitation of Marco Tronchetti Provera, to Opportunity Bank in the TIM case. It is believed that Samir Traboulsi was also an intermediary for this transaction.

It is told Nahas acted as counselor to Roberto Mangabeira, a law expert appointed by Daniel Dantas to determine conceptual parameters to litigations involving Opportunity and Brasil Telecom, particularly regarding a legal action filed by Opportunity claiming indemnity for losses allegedly caused by the Italians on the acquisition of a local telephone company (CRT). Sources would indicate that Nahas is suspected of laundered some of the alleged profits from

CRT Telecom. Nahas connection to currency exchange houses in Foz do Iguazu and Paraguay should be examined as well as money transfer to different banks and foreign location, such as Bahamas and BVI. Where Nahas would apparently have companies until nowadays.

It was also told Nahas is negotiating stock options for Telemar in the market. As to his involvement with Opportunity, our sources account for a possible fusion between Brasil Telecom and Telemar's local operators, with the creation of a new corporation competitive enough even for foreign markets' standards. All things reported, it is worth noticing that Nahas is now serving exclusively the goals and interests of Italia Telecom.

Nahas relationship with Carmelo Furci is thought to be important in the scheme, in order to verify eventual money deviation or laundering that could be prejudicial to Italy interests. But we could not identify any relationship yet, analysis of telephone records are being made with the objective to confirm such suspicion. It is believed that such relationship might exist, as said above about mentioning a meeting from all Telecom Head in Europe.

Concerning Nahas actual litigation, please see item Litigation below.

Nahas would have been considered exempt from taxes in the year of 2002 in Brazil. He would have only declared his assets (apparently part of them) in 2001 in Brazil, noting that at the referred declaration it is told that he would have a debt in the amount of UDS 5,475,896.00 approximately. Against an asset of USD 439,000.00.

### ***Shareholdings in Brasil***

It was possible to identify ownership/shareholding records in the following companies in Brazil:

- **Selecta-Comercio e Industria S.A.**

Selecta would have been the holding, controlling over 20 Brazilian corporations. It filed for bankruptcy.

- **Selecta Participações e Serviços**

The company was founded in December 1982, located at Al. Santos, 1357, 5<sup>th</sup> floor. Its Tax Roll ID Number is 52.078.615/0001-34.

- **Granja Selecta Comercio e Exportação**

The company was founded in July 1983, located at Itu, Sao Paulo, Brazil. Its Tax Roll ID number is 52.721.560/0001-39. Its shareholders are Selecta Comercio e Industria and Naji Nahas.

- **Brasilmec Commodities Corretora Brasileira de Mercadorias S.A.**

Founded in February 1980 and located at Paulista Av., 1765, 17th floor, Sao Paulo, SP. He were not able to identify Nahas as its shareholder. But Brasilmec traded



commodities on Nahas's behalf via an Omnibus Account at Thomson McKinnon Securities, Financial Square, New York 10005.

Enquiries revealed that the bulk of business done by Brasilmec in the U.S. markets had been instructed by Nahas.

- **Companhia Internacional de Seguros (CWAS or CIS)**

One of Nahas's largest Brazilian investments was an 80% shareholding in the insurance company, Companhia Internacional de Seguros which he purchased in early 1987. The remaining 20% of the company's shares are controlled by the Royal Insurance Company Plc ("Royal") of London, England. Prior to Nahas's purchase, Royal provided much of CIS's management. Subsequent to Nahas's purchase, Royal terminated its operational involvement.

CIS was involved in actions regarding Société Générale, Bovespa and other banks and entities as described before.

It is believed that Royal's only income from CIS was dividend income. The last dividend paid by CIS was \$600,000 in 1988. Royal was at the time considering ways of extracting itself from its association with CIS and Nahas. One of Royal's alternatives was to sell its shares in CIS. Royal had then difficulty finding a purchaser other than Nahas himself and Nahas offered to sell out for approximately \$100 million, when Royal estimates the whole of CIS to be worth only \$65 million; while CIS's annual income was \$100-\$120 million.

Additionally, the buyout option raises the question of where the shares in the company actually resided. It was believed at the time that the shares were pledged to Societe Generale ("SG") of France. Approximately 87,000,000 CIS preference shares owned by Nahas were subject to a lien secured by SG. During negotiations with Royal, SG expressed a preference for Royal to purchase these shares. However, the negotiations were severed as SG believed that compelling the sale would have caused Nahas to institute costly legal proceedings to block the sale.

The composition of the share capital from CIS at June 30, 1989 was:

	Ordinary	Preference
Nagi Robert Nahas	3.45%	18.68%
280 shareholders	4.71%	5.61%
*Selecta Part e Serv Ltda	43.25%	35.64%
*SIP – Int Part S.A.	25.25%	18.69%
Royal Empreend Adminwastr	20.00%	18.11%
*Selecta Com e Ind S.A.	2.99%	2.82%
11 shareholders	0.35%	0.45%
	100.00%	100.00%
Issued shares – ordinary	477,500,000	
- preference	167,500,000	
- Total	645,000,000	

(\*reportedly controlled by Nahas)

- **Banco Sogeral S.A.**

Nahas was reported to have had a controlling interest in Banco Sogeral. In 1981, Societe Generale took a 25% shareholding in Banco Sogeral S.A. of Sao Paulo. Banco Sogeral experienced difficulties when Nahas speculated in Petrobras shares. Certain transactions caused Societe Generale to become the guarantor of a \$70 million debt contracted by Nahas. Banco Sogeral was eventually rescued by Boa Esperanca, the holding company for the Ipiranga group of petroleum companies. Prior to this transaction, reports appeared in French press that the Brazilian police were looking into a \$200 million transfer from Brasil to Arab banks in London. The money allegedly came from funds of Sogeral.

- **Banco de Investimento Planibanc S.A.**

Banco de Investimento Planibanc S.A. ("Planibanc") was reported to have financed certain undisclosed transactions for Nahas. The bank was 49% owned by Bankers Trust Corp. It was believed that Bankers Trust recently had to inject \$57 million into Planibanc to support its operations.

- **Oilbras Industria e Comercio de Oleos e Derivados**

The company's previous name was PEBB Industria e Comercio de Oleos, his partners at the business are Carlos Alberto Salvatore Filho and Marcia Freitas de Paula. It is relevant that Nahas declare to have a personal debt in the amount of USD 850,000.00 with Alvaro Luiz de Alvares Otero, the CEO from PEBB Bank, in the year of 2001.

- **Empreendimentos Sunaco Comercial Agricola**

The company was founded in 1977 and it is located at Paulista Av., 1357, 5<sup>th</sup> floor, Sao Paulo, SP. Sucano pourpose is animal breeding, but in a office in Paulista Av. Which is the economical center in Sao Paulo town.

- **Hayat Comercial e Exportadora Ltda.**

No records besides that Nahas is its representative.

- **Litex Comercio e Industria Ltda.**

No records besides that Nahas is its shareholder. The company is active and located at Al. Santos, 1357, Sao Paulo, SP.

- **Natex Empreendimentos Imobiliarios Ltda.**

No records besides that Nahas is its shareholder. The company is active and located at Al. Santos, 1357, Sao Paulo, SP.

- **Agro Agropecuaria Inshalla Ltda.**

No records besides that Nahas is its shareholder together with Manuel Justino Netto. The company is active and located at Horacio Lafer Str., 200, Sao Paulo, SP.

- **Rofer Administracao e Construcao Ltda.**

Nahas is a shareholder together with his son, Fernando Naji Nahas and Jean Daher. The company is active and located at Angelina Maffei Vita Str., 667, Sao Paulo, SP.

It was possible to identify ownership/shareholding records in the following companies in BVI and Bahamas:

- **Yukon River Ltd., in BVI;**
- **Avenida Company Ltd., in Nassau, Bahamas.**

Beyond that, it was identified that Nahas has relationships with Banco Multiplo SA, partly owned by Lloyd's Bank Plc; Banco Cidade SA, partly owned by Banque Nationale de Parwas; Banco Crefwasul de Investimentos, partly owned by Citibank; Banco de Ril del Balcoy, owned partly by Pedro Conde, his friend.

### ***Litigation in Brasil***

In 1989, the Judge Luis Gomes da Silva of the Sao Paulo Federal District Court ordered that Nahas's Brazilian assets be put on lien for future auctioning to guarantee payment of \$6.7 million to ContiCommodity Services Inc. of Chicago.

Paulo Eduardo Bueno was the Federal District Attorney in Sao Paolo who made the original request for Nahas's detention.

Nowadays, Nahas is being accused of capital outflow, with 2 ex mayors of Sao Paulo: Paulo Maluf and Celso Pitta; and an ex governor of São Paulo: Luiz Antonio Fleury Filho. By using CC5 accounts to movement the money deviated from public budget.

Nahas would be partner from his son, Fernando Nahas and C. Pitta in a company in BVI, namely Yukon River Ltd.

Yukon River Ltd was founded in February 23. 1987 in BVI, registered under the number 2.953, with a capital stock in the amount of USD 50,000. This company was created by another one namely Insinger Corporate Formation Ltd., its financial agent.

There is a bank account from Yukon at MTB Bank in New York, account # 70.245.

Beyond that, it was possible to identify that Nahas has bank account at Santander Bank (Noroeste is its predecessor) and some funds invested (around R\$ 6 thousand). Also bank account at Banco Real, agency 0413, account # 4007381. And funds invested in several Brazilian Banks.

Most important is that was verified a borrow with Norton D. Waltuch, in order to acquire Avenida Company Ltd., at Sasson House Northwestern corner of Shirley Street and Victoria Avenue, Nassau, Bahamas.

It was not identified funds or payments related to the entity TI directly.

Nahas has a debt with Alvaro Luiz de Alvares Otero in the amount of R\$ 2.377.787,00, approx. USD 850,000.00. Alvaro is the CEO from PEBB Bank and Broker, in which Nahas has account, and from which colligated he is a shareholder as mentioned above.

### ***Professional Associations in Brazil***

Research at the 1990's identified a number of individuals reported to be close associates of Nahas including Elmo de Araujo Camoes, the former president of Brazil's Central Bank at the time. Camoes was a majority shareholder in the Capitanea brokerange company that made many speculative investments.

Murilo da Silva Freire and Jose Carlos Dias had been identified on the public record as attorneys who acted for Nahas.

Antoine George Abbas was a cousin of Nahas who was known to have participated in share trading in concert with Nahas.

Teofilo Rocha was Nahas's lawyer, according to press reports at the time.

Jose Augusto MacDowell Leite de Castro was a director of both CIS and Selecta.

### ***Shareholdings in Europe***

It was possible to identify ownership/shareholding records in the following companies in Europe:

- **Socofinace S.A.**

Nahas was apparently thought to be a shareholder in Socofinace S.A. The company was owned 70% by Charbel Ghanem, a Lebanese; 20% by the French corporation Thomson CSF; and 10% by individual investors believed to be Nahas, Samir Traboulsi and Roger Tamraz.

Officers and directors of Socofinace include Ghanem, William Haddad, and two Swisss, Roger Merkli and Pierre Fauconnet.

Research revealed that Socofinace traded 91,000 shares of Triangle stock and was reported to be a part of the Pechiney-Triangle affair. It was believed that Bank & Trust (Anguilla), an offshore bank owned by two Lebanese, Georges Samia and Chaker Khoury.

Socofinace, with an address at 20, Route de Pré-Bowas, Meyrin (Geneva), has the under mentioned directors and executives, according to local resaerch:

- Mr. Roger MERKLI - Director/President  
(Swiss)
- Mr. Pierre FAUCONNET - Director/Secretary  
(Swiss)
- Mr. Charbel GHANEM - Joint Manager  
(Lebanese)
- Mr. William HADDAD - Joint Manager  
(Lebanese or U.S.A.)

Corporate activity was described as that of dealers in precious metals, currency and securities.

The official report, dealing with the investigation by the French stock exchange regulatory agency (C.O.B.) refers to SOCOFINANCE S.A. as having played a prominent part in the PECHINEY-TRANGLE insider dealing scandal. In fact, SOCOFINANCE S.A. dealt in a total of 91,000 TRANGLE shares, allegedly on behalf of an obscure offshore entity INTERNATIONAL DWASCOUNT BANK & TRUST, Anguilla (W.I.), owned at the time in question by Messrs. George SAMIA and Chaker KHOURY, both Lebanese nationals.

Although Mr. William HADDAD still remains to be properly identified, it was pointed out that SOCOFINANCE S.A. president Roger MERKLI was a Swiss fiduciary. One of the numerous Swiss companies of which he was a director with individual signature was GOLDFINGER S.A., a small entity with a Swiss capital Frs. 50,000 capital. GOLDFINGER S.A. was reported to have been used a channel to siphon off funds generated by the DE LOREAN motor car fraud. DE LOREAN's communications director at the time was a certain Bill HADDAD.

Other SOCOFINANCE S.A. links and subject's possible involvement are subject of pending investigation and will be elaborated on in the next report.

In 1999 - SEC Settles with two for \$4.2 million in Triangle industries insider trading case: total recoveries now \$ 5.7 million - On February 8 1999, Judge Robert P. Patterson, Jr., federal district judge for the Southern District of New York, entered final judgments by consent against defendants Socofinance, S.A. and Charbel Ghanem. The Commission's complaint charged the defendants, along with six other foreign nationals and another foreign entity, with insider trading before the 1988 tender offer for Triangle Industries, Inc. by Pechiney Corporation. The Commission's complaint alleged that Ghanem was tipped about the negotiations by his friend, defendant Samir Traboulsi, who served as an advisor to Triangle during the tender offer negotiations. The complaint alleged that Ghanem thereafter directed the purchase of 91,000 shares of Triangle stock in an account he controlled at Socofinance, a company he directed, for illegal profits of \$3.6 million. Those profits are being retained by order of the government of Switzerland pursuant to a request by the Commission. The judgments, to which Socofinance and Ghanem consented without admitting or denying the allegations in the Commission's complaint, provide for permanent injunctions against future violations of Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 (Exchange Act) and Rules 10b-5 and 14e-3 there under, disgorgement of the approximately \$3.6 million in illegal profits frozen in Switzerland and prejudgment interest totaling \$720,000.

- **Crisol Holding S.A.**

A Geneva based lawyer, Pierre Gasser, who was known to have acted as a company incorporator for Nahas, incorporated a company in Panama called Crisol Holdings S.A.

It was believed that Crisol was used by Nahas in dealings with certain Swiss banks.

- **Advicorp Advisory & Financial Corp. S.A.**

Advicorp Advisory & Financial Corp. S.A., a Geneva-based trading company, was established in the late 1970s by a Mr. Waltau to trade silver on Nahas's account.

Advicorp was run by two Geneva bankers, Jean Jacques Bally and Pierre Alain Hirschy. Although Advicorp was believed to be dormant, it was still registered at Place Du Molard, and Bally and Hirschy are recorded as its directors.

- **Hoogewerf, Usher & Co. S.A.**

Hoogewerf, Usher & Co. was a firm of accountants that established many of Nahas's original offshore companies in Panama.

Thaws company changed its name to Usher & Co., when the Hoogewerf partner left, and its services were subsequently taken over by Ilex Trust Services S.A.

Hoogewerf and Usher's relationship with Nahas and the Hunts dates from between 1979 and 1983.

Hoogewerf and Usher dealt through Selim Nassif in Canada. It was believed that Nassif was retired and ailing in Cannes, France.

- **Unigestion S.A.**

It was believed that Nahas has had a relationship with Unigestion S.A. located at Rue Du Marche, 12 Geneva 1204.

### ***Professional Associations in Europe***

Maurice Zilbert was reported to be Nahas's racing manager.

Assaf Bitar was a close friend of Nahas whose son works at Thomson McKinnon, where Brasilmec was reported to have had a trading account.

Zaid El Khior, a Lebanese based in Paris, was a close friend of Nahas.

Pierre Gasser was a senior partner in the Geneva law firm of Guinand Courvoisier Bercher Zoelly & Gasser, which has represented Nahas in Switzerland. Gasser also was listed as president of Cristol Holdings, a Panama corporation controlled by Nahas.

Mr. Pierre GASSER was a director of the Geneva-based BOZZO BRAZIL TRADING S.A. and BOZZO COMMERCE DE CAFE S.A. A certain Mr. Luigi BOZZO, resident in Geneva, was chairman of BOZZO COMMERCE DE CAFE S.A. He was also a director of the Geneva-based company SOFIGEST SOCIETE FINANCIERE S.A. Other directors of the latter named entity are Messrs. André GUINAND and his partner Jacques BERCHER. BERCHER was equally a director of the two BOZZO coffee companies. Another director of SOFIGEST FINANCIERE S.A. and BOZZO COMMERCE DE CAFE S.A. was certain Mr. David HODARA.

Mr. David HODARA and SOFIGEST SOCIETE FINANCIERE S.A. had been associated for about 20 years. In fact, their association goes back to 1968 when SOFIGEST served as a vehicle for the now defunct I.O.S. Investment Fund in the context of a major stock swindle involving COMMONWEALTH UNITED CORPORATION, an entity well known to the United States SECURITIES AND EXCHANGE COMMISSION.

Mr. David HODARA holds two other directorships jointly with a certain Dr. Kaloyan STOYANOV, a Lausanne lawyer of Bulgarian origin and past involvements in securities dealings. These

directorships relate to the Lausanne-based MIDLAND INTERNATIONAL TRADE SERVICES (Swiss) S.A. and the affiliated and equally Lausanne-based MITS CREDEX S.A. The first, with a capital of Swiss Frs. 21.24 million; the second, with a capital of Swiss Frs. 1 million. Preliminary enquiries show these two entities to be subsidiaries of MIDLAND BANK.

### ***Shareholdings in North America***

It was possible to identify the following:

Research revealed that numerous companies were established in Panama during the late 1970s and early 1980s, presumably to facilitate various transactions. These companies include Rasistra Group Inc., Pontamar Investments S.A., Aldabi Trading Corp., Reticorp Securities S.A. and Compania Financia Caldas S.A. each of which was formed in January of 1980 and dissolved in 1982.

Gulf Port S.A., formed in July 1979, has maintained a bank account at BAIL.

Other companies formed in the 1970s include: Sociedad Inmobiliaria de Inwestimento S.A., Gilion Financial Inc. and Litardex Traders Inc.

Nahas was not known to have other business interests or activities in North America. Information was developed regarding possible bloodstock or racehorse holdings, but proved to be without foundation after additional research.

### ***Relationships with Banks in 1990's***

In 1989 Nahas had an active account with TDB American Express Bank in Geneva and London.

Nahas has also had banking relationships within the last eighteen months at Banque Parisian Internationale (42 Avenue Montaigne in Paris), Lloyds Bank International (Geneva), Banque Populaire Suwasse, Banque de Paris et des Pays-Bas (Suisse) SA, Fininformatic SA (Geneva) and Societe General (Lille). Fidelity Trust Bank in New York, Bankers Trust in New York and Manufacturers Hanover Trust in New York had each operated accounts for Nahas in 1989.

Research revealed that in August 1989, Brasilmec maintained an Omnibus Account at Thomson McKinnon Securities, Financial Square, New York 10005. The account was handled by George Bitar.

Enquiries revealed that Bitar's father, Assaf Bitar, a retired Lebanese living in Paris, was a close friend of Nahas. It was believed that Bitar's father arranged for Bitar to be placed in the New York brokerage firm to handle Nahas's business.

It was believed that several wealthy Brazilians traded through thaws account, but that bulk of the business done by Brasilmec in the U.S. markets was done at the instruction of Nahas.

It was possible that Nahas has moved the account. In March 1990, Thomson McKinnon Securities filed for protection from creditors under Chapter XI of the U.S. Bankruptcy Code. The firm sold its retail brokerage business to Prudential-Bache Securities Group in 1989.



Preliminary research has revealed that Jim Ferro was responsible for Nahas's account at E.F. Hutton.

### **Financial Information**

A loan in the amount of pounds 3 million was paid to Nahas into Account Number 10343 001-15 at BANQUE PARWASIENNE INTERNATIONALE, 42 Avenue Montaigne, Paris. This banking establishment, claiming assets of FF 810 million, was controlled by Lebanese interests.

Shareholdings are as follows:

WWASAKA HLDINGS SAL (Lebanese)	- 35%
CAUIL HOLDINGS SAL (Lebanese)	- 20%
BANQUE PARIBAS	- 20%
BANQUE DE BEYROUTH	- 12%
BANQUE COMMERCIALE DE QATAR	- 10%
Others	- 3%

Information made available refers to partial loan repayments through REPUBLIC NATIONAL BANK, New York, as well as through a New York based banking establishment MANFRA TORDELLA. In addition, some funds are stated to have had been received from TRADE DEVELOPMENT BANK, Geneva.

REPUBLIC NATIONAL BANK was controlled by Mr. Edmond SAFRA and his family. TRADE DEVELOPMENT BANK was originally also controlled by the SAFRA family but later sold to AMERICAN EXPRESS. Mr. Edmond SAFRA was appointed president of the AMERICAN EXPRESS TRADE DEVELOPMENT BANK group. He subsequently resigned and concentrated on running REPUBLIC NATIONAL BANK and its various affiliates, including the Geneva-based SAFRA S.A.

Attention was drawn to the circumstance that a certain Mr. Pierre GUINAND was a director of both SAFRA S.A. and TRADE DEVELOPMENT BANK, Geneva. Mr. Pierre GUINAND was the brother of Geneva lawyer Mr. André Guinand, senior partner in the law firm GUINAND, COURVOWASIER, BERCHER, ZOELLY & GASSER. Mr. Pierre GASSER, a partner in the letter law firm acts for Mr. Naji Robert NAHAS.

## **THE ROLE OF NAHAS**

### **Role of Naji Nahas**

**Naji Robert Nahas** is a controversial businessman of Lebanese origin, who is well-known to the Brazilian financial establishment for his involvement in a series of allegedly fraudulent transactions on the Rio and São Paulo Stock Exchanges in 1989. He has faced numerous lawsuits, some of which resulted in convictions of up to 24 years in prison, although these were later overturned. He was also involved in the **Hunt Brothers'** attempts to corner the global silver market in the 1980s and was one of the private investors in **Socofinance SA**, the company at the centre of a notorious insider

trading scandal in France – the so-called ‘Pechiney-Triangle affair’. His partners in Socofinance were **Samir Traboulsi** and **Roger Tamraz**, both convicted fraudsters.

Nahas has been accused of corruption and tax evasion several times and was publicly linked to a scandal involving the alleged diversion and laundering of public funds by **Paulo Maluf** and **Celso Pitta**, both former mayors of São Paulo.

Nahas continues to be embroiled in financial scandal and has recently been linked to a failed R\$ 290 million transaction on **Bovespa**, the main stock exchange in Brazil. According to confidential sources, Nahas, who has been banned from trading in the financial markets in Brazil until 2005, used two small stockbrokers, **Master Corretora** and **Bonus Banval CCTVM Ltda** to negotiate 5 thousand contracts on the Bovespa futures index. Sources maintain that Nahas failed to cover the transaction with sufficient funds, causing the brokers to default.

Nahas has also been publicly linked to **Luis Favre**, the husband of São Paulo's controversial Mayor **Martha Suplicy** (PT). Nahas and Favre are reported to have acted together in obtaining the garbage collection concession for the city of São Paulo on behalf of **Vega Engenharia Ambiental**, a company that was subsequently sold to the French group, **Lyonnaise des Eaux**.

Despite his many legal problems, Nahas has remained a powerful and well connected businessman and lobbyist, partly due to his connections in the international business community. Sources have suggested that he maintains strong links with the current PT Government and recently accompanied President Lula on a trip to India. He is a close friend of TI CEO **Marco Tronchetti Provera**, **Robert-Louis Dreyfus**, the French billionaire who owns **Coinbra**, one of the largest agro-industrial groups in Brazil and the **Lagardère** family, with interests in media and armaments. Media reports also suggest that nobody in Brazil has closer ties to the Saudi Royal family. *Istoe Dinheiro* recently claimed that Nahas hosted **Prince Bandar Bin Sultan**, the Saudi ambassador to Washington, during *Carnival* this year and introduced him to President Lula, Chancellor Celso Amorim, Ministers Antônio Palocci and Dilma Roussef, and the President of **Vale do Rio Doce**, a Brazilian mining company. The article says that Lula was pleased and decided that Saudi Arabia would prospect for minerals jointly with Vale. According to the same article, Lula confided after the reception that he had found Nahas to be quite different from what he had imagined.<sup>1</sup>

Nahas is known to have acted on TI's behalf as a lobbyist following TIM's decision to launch nationwide mobile services in 2001. According to a source, Nahas was recruited by TIM's **Giorgio della Setta** soon after Pirelli's takeover of TI. A separate source, the former CEO of a supplier to TIM Brasil, told Kroll that Nahas was used by TI to peddle influence in high circles and corrupt certain Brazilian officials. The source also named **Ludgero Pattaro**, Director of Institutional Relations, as another TI executive in charge of making corrupt payments to politicians.

Nahas currently acts as Tronchetti Provera's preferred intermediary in negotiations with Opportunity related to the BrT dispute.

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<sup>1</sup> 'Nahas not guilty and thirsty for revenge'. *Istoe Dinheiro*, June 2004.

## TI — Telemar meeting in Spain

In May 2003, **Tronchetti Provera** and **Naji Nahas** reportedly met in Spain with **Carlos Jereissati**, the principal shareholder of **Telemar**, a large Brazilian telecom operator and one of BrT's major competitors. Sources suggest that at this meeting Jereissati offered to form a cartel with TI whereby TIM would acquire Telemar's mobile operations, and Telemar would acquire TI's stake in BrT.

Kroll has found no evidence to suggest that TI had any intention other than to keep its stake in BrT, which served as a bridgehead in its bid to control the entire company. However, the fact that the parties met at all and Naji Nahas acted as the intermediary, is highly significant for the following reasons:

In November 2002, Nahas related a conversation that he had had with Carlos Jereissati a few days earlier. Nahas claimed that Jereissati had outlined to him steps he was taking to influence the composition of the **newly elected PT Government**, due to take power on 1 January 2003. According to Nahas, Jereissati claimed that he had agreed with PT officials, the nomination of 150 people to prominent Government positions, including the Pension and Communications Ministries and **ANATEL**. Evidently, the scheme's objective was to create a position of influence in the new Government that would favour **Telemar** and act to the detriment of its competitors (such as BrT). Nahas alleges that Jereissati told him that he was a longstanding benefactor of PT.

The alleged conversation also referred to an apparent agreement between Jereissati and politicians on a change in the management of PREVI and other Pension Funds. Jereissati stated that in the context of this agreement, PREVI's principle task would be **to attack Opportunity**, the controlling shareholder of BrT, Telemig Celular and Amazônia Celular (PREVI was also a significant shareholder in these companies).

According to Nahas, Jereissati further claimed that PREVI would act to **remove Opportunity** from the management of the funds in which PREVI has invested, irrespective of their profitability and good financial health.

It is not possible to independently verify whether this conversation ever took place or whether Jereissati really made these claims to Nahas. However, immediately after the PT took power, numerous new appointments were made to Government positions (including the appointment of Casseb to Banco do Brasil) and the Pension Funds did indeed remove Opportunity from the management of the funds. Whether or not this was a result of Jereissati's alleged influence with the PT, it is evident that **Nahas knew about the plan**, which corroborates the view that the Pension Funds' actions against CVC/Opportunity were part of a well-constructed and pre-meditated strategy.

A few months later, Nahas arranged a meeting between Jereissati and Tronchetti Provera in Spain to discuss a plan to swap stakes in their respective companies to squeeze out CVC/Opportunity from BrT. One can only assume that although an agreement was evidently not reached, the sides did discuss matters of mutual benefit, which would further demonstrate TI's disingenuous attitude towards its partners in BrT.