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Colorado Securities Attorney Pleads Guilty in Stock Scheme That
Swindled More Than \$15 Million From Investors

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CAMDEN – A Denver, Colo., securities attorney pleaded guilty today to his role in two intricate stock fraud and money laundering schemes, one of which cost public investors more than \$15 million in losses, U.S. Attorney Christopher J. Christie announced.

Peter G. Futro, 53, of Denver, pleaded guilty before U.S. District Judge Jerome B. Simandle to a four-count Information that charges two counts of conspiracy to commit securities and wire fraud and two counts of conspiracy to commit money laundering. Futro is a securities attorney who was a name partner in a Denver law firm and served as corporate counsel for TeleServices Internet Group, Inc. (TSIG). Judge Simandle scheduled sentencing for June 1.

At his plea hearing, Futro admitted his involvement in securities and wire fraud schemes involving the stocks of TSIG and U.S. Medical Systems Corp. (“UMSY”), both publicly traded companies.

Futro admitted that beginning in December 1996 and continuing through November 2001, he, Robert P. Gordon, who was the chairman of TSIG, and others operated a scheme which used deceptive and manipulative practices in connection with the fraudulent issuance, purchase and re-sale of shares of stock of TSIG, which were publicly traded on the Over the Counter Electronic Bulletin Board System (OTC Bulletin Board).

Futro admitted that the conspiracy involved Gordon and at least three licensed securities brokers. Furthermore, Futro admitted that two co-conspirators, who were not charged in an Indictment returned on September 28, 2005, which charges Gordon and four co-conspirators, included a New Jersey securities broker who formerly owned the brokerage firm of DiMedio Kirchoff & Co., and a Canadian securities broker employed at Union Securities in Vancouver, British Columbia.

In pleading guilty, Futro admitted that he and his co-conspirators listed below secretly gained control of nearly 100 million free-trading shares of TSIG stock and sold those shares in the public marketplace to unsuspecting investors. Futro further admitted that substantial profits were generated by the sale of the TSIG stock and those profits were repatriated into the United States using his attorney trust account as a conduit to send the profits to each of the co-conspirators.

- Robert P. Gordon, 56, of St. Petersburg, Fla., who was the major shareholder of TSIG and the company’s CEO, CFO, chairman and director. Gordon was also the founder and chairman of Phoenix;
- Bernard Deutsch, 72, of Brooklyn, N.Y., who was the president and chairman of an entity called Lexus Partners, Ltd., with offices in Brooklyn. Deutsch also controlled two entities called Basic Investments, Ltd. and IRA Group, Inc., both with offices in Brooklyn. Deutsch purportedly performed capital raising and promotion activities for TSIG;
- Robert Pozner, 62, of Ridgewood Park, N.J., who was licensed to sell securities by the NASD. During the time period alleged in the Indictment, Pozner was employed at various

securities brokerage firms, including Investors Associates, Inc. and Glen Michael Financial, Inc., both New Jersey brokerage firms.

- Joseph F. Morgan, 60, formerly of Stafford in Ocean County and currently residing in St. Pete Beach, Fla., pleaded guilty on Oct. 16, 2006, to a four-count Superseding Information that charges two counts of conspiracy to commit securities and wire fraud and two counts of conspiracy to commit money laundering. Morgan is scheduled to be sentenced on June 15, 2007.

- Thomas S. King, 48, of Cherry Hill, who was licensed to sell securities by the National Association of Securities Dealers (NASD), pleaded guilty on Jan. 26, 2007, to one count of conspiracy to commit securities and wire fraud, one count of conspiracy to commit money laundering and one count of failure to file an income tax return. King is scheduled to be sentenced on May 25, 2007.

Additionally, Futro admitted that he conspired in the TSIG stock scheme with unindicted co-conspirator Rhet Howard Kirchhoff, 42, of Upper Township, who was licensed to sell securities by the NASD. From 1995 until 1998, Kirchhoff owned and controlled DiMedio Kirchhoff & Co., Inc. and was an employee of the Kirchhoff Organization, Ltd. Both companies were registered securities brokerages with offices in Cherry Hill, Marlton and Ocean City. Kirchhoff pleaded guilty to an Information on March 13, 2006, and is awaiting sentencing.

Futro admitted that he, Gordon and others caused cash and free-trading TSIG stock to be given to Kirchhoff, King, Morgan, and Deutsch as compensation for their participation in the stock manipulation, via off-shore nominee companies. For example, Futro admitted that, at Gordon's direction, Kirchhoff and King were compensated with free-trading shares of TSIG stock in exchange for investing their clients' money in TSIG – often without the client's prior authorization. Additionally, Futro drafted a fraudulent consulting agreement between Morgan's nominee company and TSIG, thereby enabling Morgan to be compensated with free-trading TSIG stock for promoting TSIG stock and providing capital raising activities. Likewise, Deutsch, who had been previously barred from the securities industry by the National Association of Securities Dealers (NASD), received millions of free-trading TSIG stock shares, via nominee companies and individuals, in exchange for capital raising and promotional activities, by virtue of a fraudulent consulting agreement with TSIG, drafted by Futro, he admitted.

As part of his guilty plea, Futro agreed to forfeit at least \$6,828,142 in U.S. currency, which represents proceeds derived from the scheme.

Counts One and Two charge Futro in connection with the TSIG stock fraud scheme. Counts Three and Four charge Futro in connection with a stock fraud scheme involving the stock of UMSY, in which the scheme was operated similarly to the TSIG stock fraud scheme.

Counts One and Three of the Information, which both charge conspiracy to commit securities and wire fraud, each carry a statutory maximum penalty of 5 years in prison and a fine of \$250,000 or twice the aggregate loss to the victims or gain to the defendants. Counts Two and Four both charge conspiracy to commit money laundering and each count carries a statutory maximum penalty of 20 years in prison and a fine of \$500,000 or twice the aggregate loss to the victims or gain to the defendants.

In determining an actual sentence, Judge Simandle will consult the advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines in determining a sentence.

Parole has been abolished in the federal system. Defendants who are given custodial terms must serve nearly all that time.

Gordon, Deutsch, and Pozner are all free on bail pending trial, which is scheduled before Judge Simandle on March 12, 2007. Each of the defendants is charged in Count One of the Superseding Indictment, which alleges a conspiracy to commit securities and wire fraud. Additionally, Gordon and Deutsch are charged in Count Two of the Indictment, which alleges a conspiracy to commit money laundering.

Christie credited Special Agents of the FBI's Atlantic City Resident Agency, under the direction of Special Agent in Charge Leslie G. Wiser, Jr., the IRS Criminal Investigation Division, under the direction of Special Agent in Charge Patricia J. Haynes, the FBI's Denver Field Office, under the direction of Special Agent in Charge Richard C. Powers, and the National Association of Securities Dealers, Washington, D.C., with the investigation.

The government is represented by Assistant U.S. Attorneys R. Stephen Stigall and Deborah Prisinzano Mikkelsen of the Criminal Division in Camden.

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Defense Attorney: Robert E. Welsh, Jr., Esq. Philadelphia