



ÆGIS e-journal

Addressing threats that affect your bottom line

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Business in Bogotá or other high-threat areas? Call us!

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1. Due Diligence — A fool and his money are soon popular

In the last 6 months we have been approached by people, and companies, who have invested in *High Yield Programs*. These HYPs are a hype. The total losses we have investigated in the last 6 months are now well over USD 800 million. Clues that you are getting involved in a HYP are the use of words like *Money Center Banks, Mid Term Notes, Documentary Letters of Credit, International Chamber of Commerce Bank Debenture Trading, and Trading Cycles Forfeiting Transactions*. The idea is to get another Rube into the program so the program can pay off the first investors. This is the very definition of a pyramid or Ponzi Scheme: They are a rip off, a lie, a hoax, and a way to loose a great deal of money quickly without having any fun.

When making an investment in these programs, you will be lured into the wide world of real money and monetary secrecy. You must sign a *non-circumvent, non-disclosure* agreement (like this scam is a secret fraternity handshake). The reason for the veil of secrecy is... it helps with the hype and sale. And when you try to get your money and go to an attorney or law enforcement to help, well, whoops, you just broke your agreement to keep this program a secret, and thus you forfeit your money. SURPRISE!

We do a lot of work in the Bahamas, and they hate this type of fraud. Their central bank, their police, and their Attorney General's office all agree that this type of fraud is a crime, that it violates many laws in the Bahamas, and that they will engage in a vigorous prosecution of these crimes. This stuff is a crime. Do your homework first, and call us if you have any questions.

2. OPSEC, Economic Espionage, and Competitive Intelligence — What the barber knew

Chuck is a good man. Chuck mustered out of the US Armed in 1945 and came west to a little town which is now a suburb of Phoenix. Chuck didn't know quite what to do, so he became a barber. His barber shop is now about to close, a victim of the redevelopment of an older section of town. People wondered what poor old Chuck was going to do. He never had a big car or a boat or any outward appearances of wealth beyond that of a barber. But signs of wealth are not necessarily the indication of wealth. And when Chuck gets used to something, he doesn't like to change it: Not his barbershop location, not his cars. And not his wife. But what did Chuck do with the money he earned as a barber?

It turns out that Chuck had amassed a portfolio of real-estate all over the Phoenix Metro area, owned vacation spots in Arizona, and had a home in San Diego. How did he do that? Well, according to Chuck “I learned to cut hair, keep my mouth shut, and just listen.” It seems people would come into his shop and talk about a new development they were going to buy out east. Or west. Or south. Or north, for that matter. And how they were going to develop it. What Chuck did was to research each new development proposal, and buy land that was in the way or that was adjacent to the property. If the land was in the way, then it got bought out. If the land was adjacent to the property, he would wait a few months and go see the developer, plead poverty, and sell the property for 2 to 3 times what he paid, and would carry the financing himself. He would let the developers put a few percent down, and then would carry the rest for a few years at the going rate of interest. He could do this because he himself always bought the property for cash.

Chuck used the best skills of a CI professional. He shut-up and listened to what others were saying, and positioned himself for prosperity. The land he had was either going to be bought out immediately, or it was going to sell for 2-3 times what he paid for it, with interest. He did his homework and would ask the person in the chair “Hey, you got your financing in place? Ya gonna need any more approvals from the city or county? Ya pre-selling the units yet? Are ya gonna buy more land to expand the development, or build business to serve the community?” He qualified his interest, he did his research, and used this information strategically to place his investments and return a handsome profit.

According to Chuck the Barbershop hasn’t made much a profit in the last ten years — maybe 15 to 20 K a year — but the information was invaluable. “Hell, I had to keep the barbershop open and the backroom stocked with a little beer and liquor and a deck of cards just to keep in the loop!”

3. Executive Protection — Point Shooting

We have long made a case against carrying guns on protective details, preferring, instead, to assign that task to local police or military. This does not mean that the protective agent should not know *how* to shoot. Thus, for example, this author, who does not keep or carry a gun for self-protection, and who never carries a gun on protective details, nonetheless shoots every day

Much of the training we have seen is inappropriate for the real world of reactive gun use, where you will be under attack in the dark and from someone very near to you. Because of this, we favor training in point

shooting, which is aimed, but not sighted shooting, designed to be used under conditions of high stress.

While a skill such as shooting cannot be learned from the printed page, we would like to share our approach to point shooting. Here, then, is the training outline we use, and which we presented at the 1998 conference of the *American Society of Law Enforcement Trainers* in Mobile, Alabama. The outline should be clear to most experienced shooters, but if you have any questions or comments, please feel free to address them to *training@lubrinco.com*.

POINT SHOOTING: AIMED — BUT NOT SIGHTED — SHOOTING.

- I Gun Safety:
- II Circumstances of the typical gunfight:
 - a Close range.
 - b Low light.
 - c Extreme stress.
- III Instinctive reactions to extreme stress:
 - a Crouching.
 - b Squaring body with threat.
 - c Visually focusing on threat.
 - d Convulsive muscle contraction.
- IV Point shooting relies on our ability to point at nearby objects with reasonable accuracy.
 - a This response is so ingrained that it is not overly affected by stress.
 - b When the gun is properly gripped and aligned with the arm, this ability to point accurately allows us to quickly aim the gun at close-range targets without using the sights.
 - c Ideal for guns with small sights or no sights.
 - d Allows accurate delivery in low light.
 - e The barrel of the gun simply replaces your finger, allowing you to deliver quickly and at close range in low light under stress.
- V Mechanics of point shooting (NO GUN):
 - a Eyes focus on target.
 - b Arm is raised until hand breaks line of sight. This gives an accurate and consistent alignment of the line of sight and the pointing hand.
 - 1 Keep elbow and wrist locked.

- 2 Raise arm like a lever attached to the shoulder.
- VI The instinctive crouch (NO GUN):
- a From a natural posture take one natural step forward and flex your knees to assume a balance crouch. It is a good idea to alternate practice with both feet. The step can actually be taken forward or backward or to the side, and can include a step-and-drag. It should be practiced all three ways, and, ideally, will be a step that allows you to move slightly from where you were, thus exiting the kill zone.
 - b Gun hand should extend 45 degrees down.
 - c Free hand extends out to side for balance.
- VII The body point for extremely close range (GUNS INSPECTED TO ENSURE EMPTY):
- a Place gun firmly in web of hand, aligned with forearm.
 - b Assume instinctive crouch.
 - c Grip gun convulsively.
 - d Keep gun arm elbow pressed to rib cage.
 - e Both eyes open and focused on target.
 - f Raise forearm straight ahead and level it at the target.
- VIII First practice:
- a Single shots.
 - b Multiple shots.
- IX For multiple targets (GUNS INSPECTED TO ENSURE EMPTY):
- a Place gun firmly in web of hand, aligned with forearm.
 - b Assume instinctive crouch.
 - c Grip gun convulsively.
 - d Keep gun arm elbow pressed to rib cage.
 - e Both eyes open and focused on target.
 - f Raise forearm straight ahead and level it at the target.
 - g Pivot on balls of feet to squarely face target.
- X Second practice:
- a Single shots.
 - b Multiple shots.
- XI. Point Shooting (GUNS INSPECTED TO ENSURE EMPTY):
- a Place gun firmly in web of hand, aligned with forearm.
 - b Assume instinctive crouch

- c Grip gun convulsively
 - d Gun arm down 45 degrees with elbow and wrist locked.
 - e Both eyes open and focused on target.
 - f Raise arm straight ahead and level it at the target.
- XII. Third practice (Key is maintaining locked wrist & elbow, and raising gun to line of sight. Reaction hand can be used for flashlight):
- a Single shots.
 - b Multiple shots.
- XIII Multiple targets (GUNS INSPECTED TO ENSURE EMPTY):
- a Engage target.
 - b Lower gun while pivoting to next target.
 - c Pivot smoothly on balls of feet until your body squarely faces next target.
 - d Raise gun to line of sight.
- XIV Fourth practice:
- a Single shots.
 - b Multiple shots.
- XV While walking - Practice with either foot forward (GUNS INSPECTED TO ENSURE EMPTY):
- a Assume instinctive crouch.
 - b Walk while retaining this posture.
 - c When target comes into sight stop and pivot to target.
- XVI Two-Handed Point Shooting - Used at greater distances, when the threat is less imminent. (GUNS INSPECTED TO ENSURE EMPTY):
- a Assume standard one-handed point shooting position.
 - b Raise reaction hand and wrap tightly around front of weapon hand.
- XVII Fifth practice:
- a Single shots.
 - b Multiple shots.
- XVIII Off-Range Practice:
- The critical aspect of point shooting is to be able to raise the gun to cut into the line of sight and discharge it using gross motor skills. This can be practiced using the widely available heavy tension

Gripmaster® training device. This will allow you, at home, to practice raising a simulated handgun until it cuts into your line of sight, and convulsively discharging it.

The most-current version of this training outline can always be found at:
<http://www.lubrinco.com/lgptsht.html>

4. Technical Issues — Cybercrime on the increase

Cybercrime is on the increase, with financial losses at US companies more than doubling to \$266 million last year, according to the FBI.

According to the survey 7 out of 10 US corporations, banks and government agencies suffered "serious" breaches of computer security last year, while 74 per cent acknowledged financial losses.

Only 42 per cent of respondents to the survey quantified their losses, however these organizations reported that total losses were more than double the losses for the previous three years.

Sabotage of computer networks emerged as one of the fastest growing problems, while theft of proprietary information and financial fraud still remain as the two of the biggest areas of cybercrime.

While computer crime came from both inside and outside, internet connections were the most frequent point of attack.

25% of respondents said their systems had been penetrated via the internet. Figures for this year look set to be higher.

The threat of computer crime reached new prominence when several well-known internet sites including *Yahoo!*, *eBay*, and *Amazon.com* were hit with a denial of service type attack. It is estimated that this disruption cost \$1.2 billion USD.

The potential for large losses is rising. The industry fear is that the next attack will be on e-commerce. However, their memory is very short. Several months ago a Russian hacker gained access to the e-commerce site of a music store and tried to blackmail the store in to paying him, or he would distribute all of the credit card number to the Russian Mob for use. Business to business systems are vulnerable. But so are cash registers and bank tellers.

Cracking, or computer crime, has been evolving from amateurs, who are challenged by the systems, to professional criminals. A longer term concern is the potential for cyber-terrorism. Such as what was tried on NATO and the UN during the bombing of Yugoslavia.

5. Real Stories from the Field — Blockbuster Video cards, rude waiters, and e-commerce web sites

My friend John recently sold his trendy East Side apartment overlooking Manhattan, and moved into a small apartment near me until he moves to France. As is typical of many small apartments, there are two locked doors to get through before you are in the hallway of the building.

As it happens, the building doors swing in, and they use cheap locks on the doors, and, while they did mount angle-irons, they didn't quite understand their function, and mounted them on the door, not the jamb. This means that, using my Blockbuster Video card, I can not only get the most current videos, but I can also 'loidy John's door and get into his apartment building faster than when I use the set of emergency "help: I'm locked out" keys he prudently gave me.

Does the fact that virtually anyone interested in being able to rent videos has access to his building make it less safe? In theory, yes. In practice, most casual burglars merely note the two locked doors and the angle iron, and, in fact, there have been no robberies. Thus, justified or not, most residents have some feeling that security is adequate in the building. Does the building face potential liability for failing to exercise due diligence in protecting the building? Probably.

Much along the same lines, I heard a story about someone in the alarm business going to lunch with his foreman, and getting bad service from the waiter. He complained to the waiter, who didn't care, and then to the manager, who also didn't care. On the way out, he noticed the keypad of the alarm system. Assuming, correctly as it turned out, that whoever installed the keypad probably left all the factory default passwords in place (something we never do!), he had his foreman distract everyone with a slight commotion, and quickly reprogrammed the system to reduce the arm-time from 1 minute to 5 seconds. This meant that the manager would not be able to arm the alarm and exit, but would set the alarm off, and would have the choice of either leaving the restaurant unprotected or waiting several hours until someone from the company showed up to reprogram the system.

Putting aside the fact that this trick was mean-spirited and unprofessional, the truth is that on many site surveys we have done, we have found there to be default passwords left in place. Which means that any knowledgeable alarm profession would be able to break in, turn off the alarm, rob the place, and turn the alarm system back on.

Does the fact that virtually any alarm professional has access to a wide variety of protected buildings make them less safe? In theory, yes. In practice, most alarm installers are honest, and, in fact, rarely commit robberies. Thus, justified or not, most people and businesses protected by alarm systems have some feeling that security is adequate. Do those responsible for the alarm system installation — and possibly the facility owners — face potential liability for failing to exercise due diligence in changing the default codes? Probably.

Along much the same line, part of what *The LUBRINCO Group* does includes security audits of web sites. Many people with web sites that deal with sales and customer data make some effort to secure the site. However, the prime rule of data processing is “Never time to do it right. Always time to do it over,” and security is generally very much a second thought.

Because of this, and because of the confidence in the security measures taken, few shops go to the seemingly-needless expense of installing software which pre-checks requests before the web site acts on them. Why bother, after all: The web site security is designed to handle these issues.

The people we use to check the sites do so using an ordinary browser with ordinary access via an ordinary internet connection. They do not come in as systems users, nor do they use any of the sophisticated tools of the hacker and cracker community. As a rule of thumb, in a secure web site we expect them to be able to order any product sold at a substantial discount, get all the user data they want, and to transfer funds freely from one account to another.

How successful are they? So far their success rate is 100%, and if you think that your web site is actually secure, you might consider bringing us in to test it. On the one hand, we’d love to finally find a secure site. On the other hand, you might be in for a *very* rude surprise; one which will induce you to ask us to recommend software to protect your site.

Does the fact that many sites offer virtually unlimited online access to sensitive transactions make them less safe? In theory, yes. In practice, most users are honest, and, in fact, rarely steal from web sites. Thus, justified or not, most people and businesses running e-commerce web sites have some feeling that security is adequate. Do the companies running these sites face potential liability for failing to exercise due diligence in protecting customer data and transactions? Probably.

6. Book and Product Reviews

Offshore Financial Services, an Introduction

J. Kevin Higgins

Counselors, Ltd. 1 (242) 322-1000. (\$22.00)

The author is a well known offshore professional, regulator, and instructor. This book is an important tool for anyone who either wants to use offshore financial services, or to understand how the whole “offshore tax advantaged jurisdiction” thing works. The book is a comprehensive treatment of the offshore industry, and includes the development and history of the offshore concept. It also contains some of the best material describing structures, their histories, and how they are to be formed that this reviewer has ever read. This book is well-focused and is already an important reference in this reviewer’s library.

The Offshore Money Book: How to Move Assets Offshore for Privacy, Protection, and Tax Advantage

Arnold J. Cornez, priced at \$18.00

NTC/Contemporary Publishing

The book is a direct and comprehensive treatment of offshore, or tax advantaged, financial planning. Unlike many other books that are a mere come-on or a thinly-disguised advertisement, this book is educational and a must for any person looking to use the offshore realm for financial planning reasons. This is a revised edition of an already well known book. This reviewer has seen this book in many offshore regulators’ offices: This book is used by them both as a reference tool and as a teaching aid for their supervisory staff. It also contains a priceless review of all current offshore financial centers, plenty of telephone numbers and internet resources (both in print and on a disk that comes with the book) for research and self study. The author, Cornez, has long been a champion of compliance with laws and of scam busting. It is a good read and a great reference book. It is priced fairly and is worth every dime.

Offshore Alert and Inside Bermuda

David Marchant, Offshore Business News and Research, Inc.

<http://www.offshorebusiness.com/>

OBNR is run by David Marchant, an international investigative journalist who specializes in busting liars and fraudsters. As a direct result of his work, regulators from Isle of Mann to the Cayman Islands have taken action. That is how well thought-of are his newsletters, and is testimony to the accuracy

of the information. OBNR can be found at <http://www.offshorebusiness.com/>. The newsletters are the *Offshore Alert* and *Inside Bermuda*. He has also compiled some very impressive data bases on Bermuda and Cayman legal cases that not even the governments of these islands have computerized. OBNR has also thoughtfully compiled a searchable index of previous issues so the subscriber can search previous issues and find information that is truly not available anywhere else. If you are doing business offshore or working in the “tax advantaged” jurisdictions (as the EU likes to call them), his publication, and access to the legal records he has thoughtfully compiled, is a must.

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 - Anti-economic espionage.
 - OPSEC: The identification and protection of information that would give your competitors and adversaries an advantage.
- **International financial investigations and due diligence consulting.**
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 - When traveling and living overseas.

- When transporting items of substantial value.

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