

## Government files Suit against former Prime Minister Bird and eight defendants to account for millions

On 1st March, Attorney General and Minister of Legal Affairs Justin L. Simon QC, announced that he has filed a claim in the High Court by the Government against nine defendants including the former Prime Minister Lester Bryant Bird, the former Minister of Finance John E. St. Luce, Opposition Member of Parliament Asot Michael, former Ambassador to Israel and Russia and West Indies Oil Co. principal Bruce Rappaport and five companies two of which are associated with Mr. Asot Michael and the other three with Mr. Bruce Rappaport.

The claim is asking for an account of monies alleged to have been misappropriated from the government's account formerly at Swiss American National Bank and latterly at Antigua and Barbuda Investment Bank, special damages in the sum of US\$41,414,904.00 and general damages for misrepresentation and misfeasance in public office.

We reproduce in full the text of the Attorney General's Statement:

"Against the background of the present headlines today, I wish to inform the general public that last week Monday the 20<sup>th</sup> day of February 2006, a claim was filed in the High Court by the Government against nine defendants including the former Prime Minister Lester Bryant Bird, the former Minister of Finance John E. St. Luce, Opposition Member of Parliament Asot Michael, former Ambassador to Israel and Russia and West Indies Oil Co. principal Bruce Rappaport and five companies two of which are associated with Mr. Asot

Michael and the other three with Mr. Bruce Rappaport.

The claim is in the main asking for an account of monies alleged to have been misappropriated from the government's account formerly at Swiss American National Bank and latterly at Antigua and Barbuda Investment Bank, special damages in the sum of US\$41,414,904.00 and general damages for misrepresentation and misfeasance in public office.

This claim has been filed as a result of investigations conducted by Mr. Bob Lindquist who you will recall was appointed in the latter part of 2004 by this Administration to investigate certain questionable financial transactions conducted or executed by Ministers and other public officials in the last administration.

Allow me to briefly explain the basis of this High Court claim.

In October 1984 the Government and APUA contracted with a Japanese company "IHI" for the construction of the Crabbs desalination and Power Plant at a cost of US\$33 million. 85% of the cost or US\$ 29,750,000.00 was to be financed by IHI the Japanese company and repaid by Government under a guarantee at 8% interest over a period of ten years from November 1986 to May 1997. The total amount that Government would have had to pay over that ten-year period was US\$42,245,000.00.

Government fell behind in its repayment of that debt along with its repayment on two other debts: one to Foster Wheeler in relation to the desalination plant and the other to Credit Suisse in respect to the expansion of Halcyon Cove Hotel.

In March 1990 Government appointed Bruce Rappaport to negotiate the three outstanding debts on its behalf

and to obtain better repayment terms. That was done and Credit Suisse and Foster Wheeler debts were subsequently paid in full. Government however again fell behind with the IHI debt repayment arrangements.

In November 1996 Government authorized Bruce Rappaport to again renegotiate the IHI debt to allow for repayment within an extended period of at least twenty years. Mr. Rappaport subsequently reported that he had reached an agreement with IHI to repay the debt by monthly payments of US\$403,334.00 over 25 years beginning December 31, 1996 until November 2021. An Agreement was signed on September 11 1997 on behalf of the Government by Lester Bird and John St. Luce to pay the monthly sum of US\$403,334.00 for the next 25 years to Mr. Rappaport's company in Bermuda, IHI Debt Settlement Co. Ltd., for onward payment to IHI. The monthly sum was to be paid from the consumption tax revenue paid to Government by West Indies Oil Company in respect of the sale of petroleum products. At that time WIOC was enjoying a monopoly on the importation of petroleum products into Antigua along with concessions, which were to expire in April 2001. Government then agreed to an extension of all rights, privileges, and concessions that had previously been granted to WIOC for a further 20 years to April 2021 – the very year that debt payments to IHI would end.

From September 1997 the Financial Secretary began questioning Government's arrangement with Mr. Rappaport but got no answers. He did his own calculations and concluded that the total debt figure as stated by Mr. Rappaport was highly inflated. He advised the Minister of Finance that

“under the circumstances therefore we cannot recommend signing of the agreement as the difference is too great.” In February 1999 in response to queries from APUA’s external auditors and senior accountant, IHI informed APUA that debt payment arrangement that they had reached with Mr. Rappaport was a reduced monthly payment by Government of US\$199,740.25 for 25 years commencing September 1997.

I remind you that Rappaport had advised and obtained from Government the monthly sum of US\$403,334.00 from December 1996 --- an excess monthly amount of US\$203,594.00. Further, Government’s monthly payments began in December 1996 while IHI stated that monthly payments were to begin in September 1997 and end in August 2022.

In June and again in August of 1999 the Financial Secretary sought an explanation from Bruce Rappaport for this great discrepancy and appealed to Lester Bird and Asot Michael. By letter dated November 3, 1999 Bruce Rappaport advised Lester Bird that out of the monthly payment of US\$403,334.00:

- US\$199,740.25 went to IHI for the debt repayment
- US\$133,837.14 was his monthly fee for settling the debts of Credit Suisse & Foster Wheeler
- US\$56,333.00 was his monthly costs for settling the IHI debt; and
- US\$13,244.00 was his “monthly success fee”

He further advised that as of February 1, 2001 Government could reduce its monthly payment from US\$403,334.00 to US\$269,317.00. Just like that! No explanations were given

and none was sought. The monthly excess payment was in 2001 reduced from US\$203,594.00 to US\$69,576.75, and that payment has continued until last month. We have estimated that Mr. Rappaport collected between December 1996 and January 2006 an amount of US\$14,414,904.00 in excess of the payments made to IHI to repay Government’s debt.

Where did that money go?

The payments were made from Antigua to Mr. Rappaport’s company’s account in a bank in Bermuda and later to a bank in Miami by way of a standing order given by Government firstly to Swiss American Bank and then to ABIB. The standing order could only be revoked or changed by the joint signature of Government and Mr. Rappaport. From the investigation it appears that some of the excess payments went to a Bermuda bank account of Bellwood Services, S.A. a Panamanian company whose directors are Asot Michael and his mother Josette Michael. And that from that account, monies were paid to the Antigua Labour Party, to Ron L. Lester, the ALP’s pollster, to the bank account of Patrick A. Michael Ltd., in Antigua, to a Florida company Giddie Ltd., and to Asot Michael personally, to name a few of the beneficiaries.

Finally, in May 2005 Mr. Rappaport’s company opened accounts at Antigua and Barbuda Investment Bank into which it deposited the aggregate sum of US\$1,500,000.00, and from June 2005 the monthly excess payment amount of US\$69,500.00. These monies had been transferred from its account at the Miami bank.

Last week Tuesday I obtained an Injunction against Antigua and Barbuda Investment Bank preventing the bank from transmitting any monies from the Government’s account; and from any of the Rappaport companies’ accounts on the instruction of any of the account holders or

their agents. That is the extent of ABIB’s involvement in the situation. On Thursday last week we obtained in Miami an Injunction against Mr. Rappaport’s companies and the Miami bank preventing disposal of any of the payments received from Government.

The investigation has been time consuming. The defendants are entitled to file their defence and to their day in court. The wheels of justice must now be allowed to take its course. For the time being no further statements will be made by Government on this matter.

The investigative attention of Mr. Lindquist will now be focused on the financial transactions of the Antigua and Barbuda International Ships Registry.

Hon. Justin L. Simon QC  
Attorney General and Ministry of  
Legal Affairs

March 1, 2006



## Antigua and Barbuda and Spain to strengthen relations

On March 1 Prime Minister Baldwin Spencer welcomed the Spanish Ambassador Jesus Silva to Antigua and Barbuda for wide-ranging discussions.

Ambassador Silva during the deliberations explained that Spain was seeking to strengthen relations with CARICOM countries at this time. He pointed out that the