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**Double trouble: How did a man revered for his devout philanthropy in Toronto's Sephardic Jewish community find himself at the centre of a vicious stock swindle?**

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**Jack Banks** sweated over every little detail on the blueprints. When he was satisfied, he went out with the plans in hand to look for the money to build his dream: a new synagogue and Jewish community centre. It was to be his gift to Toronto's Sephardic Jewish community and, perhaps privately, a monument to his piety.

In September, 1997, when the doors to the imposing three-storey Kehila Centre were finally opened to the public, everybody, including Jean Chretien, the Prime Minister, and Mike Harris, the Ontario Premier, certainly knew who to thank. Among the region's tightly knit Sephardic community, where Mr. **Banks** is renowned for his acts of generosity and devotion, the centre is affectionately known as the house that **Jack** built.

But it is safe to assume the dignitaries who lent their names to his big day were unaware of another house that **Jack** has built: a stock-market house, using an ever-changing array of companies that he and associates controlled. One after another, the companies' stock prices soared briefly, only to thud back to earth, by which time Mr. **Banks** and his associates had moved on, leaving behind a trail of debt, lawsuits and angry investors across the United States and Canada.

In his other life, respected community leader **Jack Banks** also has another name. To law-enforcement officials he is Jacques Benquesus, a 51-year-old stock promoter who has recently admitted to committing fraud on investors in the United States and, as a result, agreed to a ban that barred him from entering the United States, from working in the giant U.S. securities industry for five years, and from holding a controlling interest in a public company anywhere in the world.

Mr. **Banks**-Benquesus is a man of many houses but a man without a country. He says his roots are in Canada, where he lives with his wife Biba, their four children and three grandchildren. Mr. **Banks** owns two houses north of Toronto, but he hasn't paid taxes in Canada in years. His legal residence is a rental apartment in the British colony of Gibraltar, where he spent six days last year to meet the legal requirement for residency. He is said to have 22 properties in Florida,

and when he isn't in that state he's living in Spain or Israel.

But even though Mr. Benquesus has been able to avoid the tax man, the law is starting to catch up with him. In September, he pleaded guilty to securities fraud in New York and agreed to pay US\$1-million in fines and restitution. Now, the National Post has learned, Mr. Benquesus is under investigation by the Ontario Securities Commission for possible securities violations in Canada.

Wherever they set up to do business, Mr. **Banks** and his associates appear to have applied much the same formula for their elaborate stock-promotion schemes.

In a nutshell, they would take over obscure companies with puny stock prices and turn them into stock-market darlings by dressing them up as promising companies with engaging business plans. At the height of their trading, these companies had a combined stock market value of about \$1.5-billion.

As each company was trolled by investors, it usually didn't take long for many to bite. But Mr. **Banks** always made sure to take care of his friends, so much so that one Toronto resident said some in the community referred to Mr. **Banks** as The Godfather. "People became very rich because Mr. **Banks** has the hand of gold. Whatever he touched made money."

Not everybody became rich. Not even most people. Just insiders like Mr. **Banks**, who had tied up the blocks of controlling shares for pennies, became multi-millionaires during the stocks' price run-up. Eventually the hype would subside and the price would plunge, but by then Mr. **Banks** would already have begun dumping his shares, leaving regular shareholders holding worthless paper.

It was a brilliant albeit simple plan, and it worked over and over again with such companies as GalaxiWorld.Com Ltd. (formerly known as Gaming Lottery Corp. and Laser Friendly Inc.); Instant Publisher Inc. (now known as Diversinet Corp.) and Warp 10 Technologies Inc. (now BrandEra.com Inc.).

Mr. **Banks** made plenty of money on all of them. At one time, he and his wife had an estimated financial worth of as much as \$450-million -- most of it concealed in offshore bank accounts. Unfortunately, most investors weren't as lucky as Mr. **Banks**. They lost it all.

But Mr. **Banks**, despite his very public posture of humanitarianism, never seemed to have much sympathy for those who lost money through investments in his companies. "Should I feel sorry [for investors who lost millions of dollars]?" he asked a Southam News reporter two years ago. "I lost millions myself. I'm the biggest loser in this thing."

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When Jacques Benquesus arrived in Canada from Morocco 35 years ago, he knew little about his adopted country and had few contacts except for people in Toronto's Sephardic community.

Friends, however, were easier to find than a good job. The newcomer was young and inexperienced, so he tried an entry-level job at Canadian

Imperial Bank of Commerce in Toronto. However, he found the work dull and he left after a short time.

Instead of a career in banking, he chose printing. And, in 1970, he opened a small print shop in Toronto.

It was his calling. By 1982, Mr. **Banks** controlled a chain of print shops called Print Three Franchising Corp., which managed three print shops in Toronto. In fact, he was doing so well he boldly proclaimed in the late 1980s that his print business would expand to 2,000 shops by 1995. (That never happened.)

In the mid-1980s, Mr. **Banks** and his wife, Biba, founded Laser Friendly, an outfit involved in the development and marketing of desktop publishing software known as Office Publisher. Years later, Mr. **Banks** decided to take Laser Friendly public and sought the help of Leonard Latchman, a senior partner at Yorkton Securities Inc. in Toronto, to help him raise money on the stock market.

Mr. Latchman, a Bay Street veteran of independent firms, would be sanctioned two years later by the OSC -- an event widely reported in the media -- in connection with the stock manipulation of four penny stocks unrelated to Mr. **Banks**.

The two men decided not to take Laser Friendly public at that time, but their initial meeting would prove fruitful.

Mr. Latchman, who is currently president of a small Bay Street investment dealer called Taurus Capital Markets Ltd., also had a wealth of connections in the financial world, where Mr. **Banks** was a relative stranger.

One of them was Richard Genovese, a 43-year-old multi-millionaire and a former executive at Vancouver-based Investor Relations Group Inc. who had previously worked in Yorkton's Vancouver office and LOM Western Securities. In 1989, Mr. Genovese left the Howe Street brokerage business and became an investor-relations executive with his younger brother Bobby. Bobby created IRG in 1987 and later left Vancouver to start another company in Florida.

When Laser Friendly finally did go public in 1992 on the Alberta Stock Exchange -- it switched over to the Toronto Stock Exchange in 1993 -- one of Mr. **Banks**'s first acts was to put people he could trust on the company's board of directors. People such as Larry Weltman and Amram Assayag, Chief Rabbi of the Sephardic Rabbinate of Ontario. The pair would be constant business companions of Mr. **Banks**.

Mr. Genovese was one of the first people Mr. **Banks** turned to for help to promote Laser Friendly. Both Mr. Genovese and brother, Bobby, a polo-playing entrepreneur described by a Palm Beach, Fla., newspaper columnist in 1997 as one of South Florida's 10 most fascinating bachelors, were hired to make the company palatable to investors. And the Genoveses didn't let him down.

"It all clicked for them with Laser Friendly," said John Woods, editor of the Canada Stockwatch newsletter in Vancouver. "They found the right guy [in Mr. **Banks**]; a guy who could really move a stock."

In 1995, Laser Friendly made several acquisitions and moved south to the Nasdaq small-cap market so it could tap into the huge pool of U.S. investors. At the same time, Laser Friendly was reborn as Gaming Lottery, a company that printed and supplied tickets for lotteries, bingo and charitable gaming markets in Canada and the United States. The company's board remained the same, though Rabbi Assayag was now referred to on company documents as a "spiritual leader."

To help spread the word about its expansion plans to industry analysts and investors, Gaming Lottery once again hired the Genoveses. The promotional methods were elaborate and powerful. IRG generated high-profile publicity for Gaming Lottery by schmoozing with analysts, who told the story to institutional investors and journalists. The Genoveses also tapped into their vast network of brokerage buddies to talk up the stock with their clients. And sources say IRG also organized so-called boiler rooms from which hundreds of telemarketers informed potential investors about stocks, without crossing the regulatory barrier against soliciting purchases. Gaming Lottery's stock price hit a high of \$12.88 in 1995 from a low of \$4.05, and ended the year at \$9.88.

Despite the fanfare, investors found Gaming Lottery could not walk the talk.

Angry shareholders took their case to court, alleging the company failed to make several publicly announced acquisitions and a US\$22-million private placement that the company had built into its revenue projections.

In 1996, Silva Run Worldwide Ltd., a company based in the British Virgin Islands, alleged in a statement of claim that Mr. **Banks** and Gaming Lottery had defrauded the two major shareholders of Silva Run when he sold them about US\$22-million worth of Gaming Lottery shares based on the bogus financial projections.

"Gaming Lottery and **Banks** were aware that they had fraudulently and materially overstated the financial prospects of Gaming Lottery in repeated public disclosures and advertisements regarding revenue and earnings projections," the court documents claimed. As a result, the company was alleged to have "created a misleading impression of a company that was making successful acquisition after successful acquisition and growing at a rate that was certain to attract the interest of potential common stock." That lawsuit is still pending.

"IRG was hired and it performed adequately," said a source familiar with the situation.

"If management of the company had delivered, then I think it would have been a whole new ball game."

By 1997, Gaming Lottery's stock price crashed to a low of \$3.30 and the TSE rejected the company's plans to pay a public dividend to investors using money to be raised by issuing shares in one of Mr. **Banks'** privately held companies.

In the wake of the lawsuits, Gaming Lottery voluntarily delisted its stock from the TSE and the Canadian Dealing Network in 1998 -- only to resurface the next year as Gibraltar-based GLC Ltd.

The new company's stock was listed on the Nasdaq national market, and began a quick ascent in 1999 amid news it was setting up an online Internet casino called GalaxiWorld.com. Once again, the money poured in. The stock skyrocketed to a high of US\$17 but closed the year at just less than US\$1.50. Again, millions were won and lost and, in December, 1999, GalaxiWorld .com delisted from Nasdaq.

But that was not the end of the matter. Last February, Messrs. **Banks** and Weltman were indicted by a grand jury in New York on charges that they had artificially inflated their company's stock. According to the New York indictment, Specialty Manufacturing, one of the acquisitions made by the company in 1995, was a division of a Washington state paper lottery company that is regulated by the state gaming commission. The two men were alleged to have completed the acquisition "without obtaining the required regulatory approval to operate a paper lottery company," which was a "material fact" not disclosed to Gaming Lottery's creditors and investors. As a result, the district attorney claimed these actions "artificially inflated the value of Laser Friendly's stock and the stock price paid by investors" because everyone was led to believe the necessary regulatory approval had been secured.

Messrs. **Banks** and Weltman were arrested on a Friday evening, but instead of being arraigned immediately they chose to observe the Sabbath in New York's city jail on Ryker's Island. On Sunday, they emerged for their first appearance before a judge.

During three weeks of hearings on whether the two accused would be freed on bail, their lawyers pleaded with the court to allow them to be moved under house arrest to a home in the Orthodox Jewish community in Brooklyn. The request was denied and the ensuing legal proceedings turned into the longest bail hearing ever in New York County history.

Friends of Mr. **Banks** in Toronto backed him. Rabbi Assayag, who had been a board member of Gaming Lottery in the mid-1990s when many of the transactions relating to the U.S. indictments took place, wrote to Judge Bernard Fried of the New York Supreme Court imploring him to release Mr. **Banks** during his bail hearing. But it did no good. Nor did the entreaties of Edward Greenspan, a friend and prominent Canadian criminal lawyer whose services Mr. **Banks** retained.

Eventually, Mr. **Banks** was released into the custody of two New York detectives and escorted from Ryker's Island to the Benjamin Hotel in Manhattan. But that was only after his good friend Sam **Serruya**, patriarch of the family that founded yogurt maker Yogen Frus World-Wide Inc. (now **Coolbrands** International Inc.) posted a US\$5-million bond using funds from a \$12-million numbered account controlled by the **Serruya** family trust. Michael **Serruya**, his son, had been a board member on one of Mr. **Banks**'s companies.

While wealth could post his bail, all the money in the world couldn't spare Mr. **Banks** the humiliation of admitting to a crime. During the court proceedings, John Moscow, the U.S. assistant district attorney, described Messrs. **Banks** and Weltman as men who "commit fraud for a living. They do it well. They get a lot of money out of it."

In the indictment, both Mr. **Banks** and Mr. Weltman were charged with two counts of first-degree grand larceny involving US\$32-million from the New York-based branch of a British bank and an additional count of securities fraud.

A plea agreement approved by Judge Fried in late September allowed both of the accused men to plead guilty to one count of securities fraud each and to pay a total of US\$1-million in fines and restitution. The plea bargain also prohibits the businessmen from ever holding a direct or indirect controlling management share in any public company and from entering the United States for five years. Those restrictions could seriously crimp Mr. Bank's business style.

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That court appearance in New York may not be Mr. **Banks**'s last. Angry investors have launched a series of lawsuits in Ontario and the United States against Mr. **Banks** as well as a number of his affiliated companies. And the OSC is just beginning to probe his actions.

In spite of what investors think of him or his guilty plea in court, Mr. **Banks** does not think he has done anything wrong. At least that was the case a few months ago in New York.

"It's very important for me to clear my name and the family name," he told Judge Fried, "I am not a criminal ... the community looks up at me and a lot of people look [up] at me ..."

Mr. **Banks** declined requests for interviews. Mr. Greenspan, his lawyer, says Mr. **Banks** refused to comment because "he has been dismayed on more than one occasion" about media reports involving him that "have been unfair and misleading." As a result, Mr. Greenspan said, his client will not participate in this article.

How Mr. **Banks** feels about the New York conviction now is a moot point. Most of his personal and business associates either refused to comment publicly about his financial dealings or have developed amnesia about the man. "He's had his own problems and issue and I don't want to get involved," said Marvin Igelman, a business associate of Mr. **Banks**, adding that Mr. **Banks** "has done a great deal of philanthropic work."

In a brief interview last week, Bobby Genovese would say only: "I haven't got anything good to say and I don't have anything bad to say. I just don't want to be associated with the guy."

In the end, some will remember **Jack Banks**, who performed selfless acts like building a synagogue. And some will remember Jacques Benquesus, who hastily puffed up companies from nothing and used them to entice investors into giving him millions of their dollars.

THE SPECTACULAR RISE AND FALL OF **JACK BANK'S** PUBLIC COMPANIES:

INSTANT PUBLISHER INC. DVNT, IN DOLLARS:

Instant Publisher Inc. was established in 1993 through a reverse takeover

of Lombard Consolidated Resources Inc. **Jack Banks** was a controlling

shareholder of Instant Publisher, a seller of high-end printers. The firm

first traded on the Canadian Dealing Network (only listing on Nasdaq in

1995). Mr. **Banks** name personal associates to the board: Amram Assayag,

Chief Rabbi of the Sephardic Rabbinate of Ontario; Larry Weltman, Instant

Publisher's executive vice-president, and Michael **Serruya**, whose family is

one of two controlling shareholders in **CoolBrands** International Inc.

(formerly Yogen Frusz World-Wide Inc.): From its inception, Vancouver stock

promoter Bobby Genovese began to publicize the company through Investor

Relations Group Inc. and later, BG Capital Group Inc. In 1995 Instant

Publisher was the subject of glowing articles in such prestigious U.S.

business magazines as Fortune, which predicted that company sales would

soar to about \$68-million and its stock would likely double from its price

of about \$8.75 (or \$35 on a split-adjusted basis) a share.

1. The stock hit a high of \$11.38 (or \$45.52 split-adjusted) in September,

1995, at which point Mr. **Banks** and his wife had a combined stake in the

company valued at \$278-million. Over the next two years, forecast sales

failed to materialize and the company fell short of plans to introduce new

products. The result was a collapse in Instant Publisher's stock price to

65 cents (or \$2.60 split-adjusted) a share. Adding to the company's

troubles were a series of contract disputes and lawsuits. In one case,

Instant Publisher was named in a suit that alleged Mr. **Banks** and Gaming

Lottery Corp. had defrauded investors' the case is continuing.

2. In June of 1996, Mr. **Banks** resigned as chief executive and company

director: Rabbi Assayag, Mr. Weltman and Mr. **Serruya** also left the board.

3. In February, 1997, Instant Publisher changed its name to Diversinet

Corp. and took on a new focus in Internet security.

4. By August, 1998, Mr. **Banks** announced he was selling his block position

in the company to repay personal debts. Mrs. **Banks**, however, remained a

shareholder in the company with a 4.11% stake as of December, 1998.

Diversinet, which raised capital with help from investment dealer Yorkton

Securities Inc., is now headed by Nagy Moustafa and a new management team.

Current company officials deny any relationship with Mr. **Banks**. "To

Diversinet's knowledge, Mr. **Banks** has not appeared...as a registered

shareholder since 1998," the company said in a statement.

WARP 10 TECHNOLOGIES: YRN, IN DOLLARS:

Warp 10 Technologies Inc. was established by **Jack Banks** in 1994 as a

privately held company that aimed to develop systems for sending

high-resolution images over the Internet. Its board of directors

consisted

of Mr. **Banks** and Larry Weltman. In 1995, the firm amalgamated with former

oil and gas company Grand Empire Explorations Ltd., and listed publicly on

the Canadian Dealing Network. In 1996 it listed on Nasdaq.

Warp 10 proceeded to raise about \$12-million in private placement and

equity investments with the help of investment dealers Taurus Capital

Markets Ltd. and Griffiths McBurney & Partners, according to company

officials. Mr. **Banks** and his wife, Biba, were major shareholders of the

company through wholly owned subsidiaries they also controlled. Warp 10's

president was Marvin Igleman, a close associate of Mr. **Banks**.

1. Warp 10 stock reached a high of \$24 a share in 1996, giving it a market

capitalization of more than \$500-million. In July, 1996, Mr. **Banks** resigned

from the company's board, although he continued to be a major shareholder

through Le Print Express International Inc., another company owned by him

and his wife.

2. In 1997, Warp 10 changed its business focus from a provider of

so-called high-speed network service to digital asset management. Through

that year the stock traded at an average price of \$2.15 a share.

3. In 1998, Mr. **Banks** announced he would sell his 7.2% stake (1.83 million

shares) in Warp 10. "Unfortunately, due to my personal debt problems, I've

been forced to sell my Warp 10 position at a time when the company is

forging a leadership position in the emerging digital imaging market," he

said. At the time, the stock was trading at about \$2.30 a share.

4. By September, 1999, Warp 10's stock price had plummeted to the \$1.50

range. Mr. **Banks** and his wife were major shareholders in Warp 10 until

November, 1999, when they sold a 13.43% stake.

Warp 10 changed its name to BrandEra.com in January. Mr. Igleman, who

remains president of the new company, said in an interview that "Mr. **Banks**

is not involved with the company now and is not promoting it. To our

knowledge, we don't have him as a shareholder."

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Color Photo: Henry Ray Abrams, National Post / Stock promoter **Jack Banks**, right, emerges from a New York City court building following an appearance in September.; Black & White Photo: Bill Ingram, Palm Beach Post / Bobby Genovese, a polo-playing entrepreneur once described as one of South Florida's 10 most fascinating bachelors, was hired in the early 1990s by **Jack Banks** to promote his company, Laser Friendly Inc.; Black & White Photo: **Jack** Benqueses, once president of the Sephardic Kehila Centre, left, attended a reception in 1998 given at the Israeli Embassy in London to mark the 50th anniversary of Israel. The reception was also attended by Tony Blair, the British Prime Minister, far right.; Black & White Photo: Chris Bolin, National Post / **JACK BANKS'** LARGESSE: the Sephardic Kehila Centre in Thornhill, Ont.; List: The Specatular Rise and Fall of **Jack Banks'** Public Companies: (See print copy for complete chart/graph.)

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