

CORPORATE SCANDALS, INTERNATIONAL CRIMINALS... and a Yeshiva Student?

"Your accounts are frozen until further notice, no other information is available. Thank you for banking with Chase."

This is the message David Rabi heard on November 20, when he called his bank to verify his account balance before writing a check to purchase, ironically enough, more checks. The 24 year old Yeshiva student who routinely teaches at the Ahi Ezer Torah Center, Yad Yosef, Ateret and Keter Torah, was understandably puzzled by the development and frustrated when no one from the bank was able to provide any explanation for the freeze on his two personal bank accounts and a charitable Education Fund account which he is involved with.

The crisis couldn't come at a more inopportune time for David and his family. His wife Leora had just given birth to their first child and they were scheduled to take delivery of and pay for baby furniture for their home. Without a crib for the baby or even means to purchase food for the week, the Rabis camped out by Leora's parents while David grappled with the mystery. Recalling the nuisance phone calls from the prior week asking for "David Rabi, CEO of internet company 800America", David began to realize that this case of mistaken identity which he previously dismissed as an insignificant annoyance was at the root of his problem.

On November 13, the Justice Department arrested David Elie Rabi, on two counts of securities fraud. Described by the Securities and Exchange Commission (SEC) as a "recidivist and hardened criminal", David Elie Rabi, who has used at least 13 different aliases, including "Elie Rabi", is of no relation to the young Talmid Hacham, David Rabi, who does not have a middle name.

Having been in trouble with the law since trying to extort securities from an Israeli company in 1953, the debonaire swindler, whose real age is not even known (between 62 and 79 according to different sources) has been in and out of prison for the past 4 decades. In 1962, he conned Canadian stockbrokers out of \$4 million in a single day by creating forged certified checks. The authorities caught up with him and he was jailed, but managed to escape soon after by simply pretended to fall down one morning and screaming hysterically that he was paralyzed. Prison officials promptly transferred him to a hospital where he miraculously regained his mobility – before ever being examined, and slipped out of the country.

Prolific and daring, Elie was wanted simultaneously in Italy, Canada, Switzerland and the U.S. at one time in the 1970s. In the early 1980s Elie found his way to New York, where he was convicted of larceny and fraud, and sentenced to prison for two to seven years. Some ten years later he ended up in Tennessee and Kentucky where in 1997 he pleaded guilty to state felony charges of securities fraud, acting as an unregistered broker-dealer, and selling unregistered securities. He was sentenced to four years imprisonment, which was commuted, based on the four years already served in Tennessee state prison fighting extradition to Kentucky on these charges.

A few years later Elie hooked up with 55 year old Tellie Ruth Steeples whose past was equally steeped in criminal misconduct. On November 14, 1996, in Nashville, Tennessee, Tellie pleaded guilty to delivering cocaine to the prison cell of her late husband, Thomas, an accused triple-murderer. Thomas overdosed on the cocaine and died leaving the widow Tellie to collect \$500,000 on the insurance policy. Tellie was sentenced to six years imprisonment, and served from January 1, 1997 to November 24, 1999 at which time she was released on parole.

In clear violation of SEC rules which prohibit convicted felons and parolees from controlling public companies, Elie and his alleged girlfriend Tellie, created 800America and merged it with a defunct Nevada penny stock outfit called World House Entertainment which was already traded on the Over The Counter Stock Exchange. Elie assumed the role of chief executive officer, chief financial officer, and a director of the supposed internet moneymaker, while Tellie, who used the alias of a dead woman, Ruth Walley, to hide her criminal record, assumed the office of Secretary within the corporation. According to the SEC the two “Fraudulently reported millions in fictitious earnings, revenues, expenses, and assets to create the image of a vibrant enterprise. To conceal the true results, they created fictitious periodic bank statements, checks, invoices and a general ledger, which they supplied to 800America’s auditor.” For example, the 21 page complaint reveals that the pair concocted a phony bank statement reflecting approximately \$12.67 million in cash-while the actual bank statement exposed that such account never contained more than \$640.66 for that entire period.

The falsified records drove the price of the penny stock as high as \$5 a share while Elie illegally sold some of his stock through secret nominee accounts at a handsome profit. The charges allege that the pair raked in as much as \$8 million including a sizable amount from world class investment firm Lazard, which sold inshop.com, a members-only online shopping network, to Elie for 1.8 million shares or roughly ten percent of 800America. Elie continued to use the artificial value of 800America to buy other companies using only shares of his valueless stock.

The alleged fraud was uncovered, after several standard filings for 800America were late. At the time Elie was arrested, the SEC ordered trading of the stock, which was valued at \$1.80 on Nov. 12, to be temporarily halted. They also obtained a court order also providing various injunctive measures including that, the defendants’ assets and certain nominee brokerage accounts be frozen. That’s

where our friend David Rabi suddenly found himself in a financial house of mirrors. According to attorney Terry Oved, of Oved and Oved LLP, who generously volunteered to handle the case pro-bono in light of the circumstances, “When the SEC issued an order to banks to freeze 800America’s accounts, Chase Manhattan may have overzealously made a connection to our David Rabi.” After several exasperating days being stonewalled by the bank, David finally got through to the legal department at Chase where he was told that only with a direct instruction from the SEC would his accounts be released. Meanwhile, checks that David and his wife wrote before learning that the account was frozen began to bounce one by one, leaving the couple with the uncomfortable task of explaining to each payee the unlikely circumstances. Finally, the SEC called David and asked him to come to their downtown Manhattan office to prove that he had no association with David Elie who was already in custody. Mr. Oved, who provided legal counsel for David at the meeting, pressed the SEC to issue the order to release David’s accounts immediately. Sure enough the accounts were reinstated later that day. In return for his services, amounting to several thousand in billable hours, Mr. Oved asked only that David speak to him about Torah during the car ride from Brooklyn to Manhattan. After several more hours of wrangling, the bank agreed to reverse the charges for checks that bounced while the accounts were frozen. For David and his wife, life went back to normal. They took delivery of the baby furniture and moved back into their house.

On the other hand, Elie faces up to 15 years in prison if convicted on the criminal charges and disgorgement of all ill-gotten gains plus prejudgment interest and penalties on the civil suit. Meanwhile, Jerry Kavoun, an 800America vice president who founded a web technology company, cs-live.com, which was bought out by Elie with \$5 million in 800America stock that is now almost worthless, is struggling to save the company, which he believes has a viable business plan. 