

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

IN RE: PVO 18 U.S.C. § 1349 (Rojas)

MISC. NO. _____

UNDER SEAL

_____/

**DECLARATION IN SUPPORT OF APPLICATION TO
TOLL STATUTE OF LIMITATIONS**

I, Special Agent Christopher Derks, declare as follows:

INTRODUCTION AND AGENT BACKGROUND

1. I make this declaration in support of the United States' ex parte application to toll the statute of limitations related to the loan fraud scheme involving Arnold Rojas and Frank Rojas, principals of Corporativo Papelero y De Suministros Basicos (COPASBA), and pursuant to Title 18, United States Code, Section 3292.

2. I am a Special Agent ("SA") with the Federal Bureau of Investigation ("FBI"), and have been since May 2002. I am currently assigned to the FBI's Washington Field Office and work on a squad that investigates economic crimes. I have experience investigating financial fraud as a Special Agent and, prior to entering on duty with the FBI, I spent approximately 4.5 years working as a forensic chemist for the Drug Enforcement Administration.

3. The facts in this declaration come from my personal observations, my training and experience, and information obtained from other investigators and witnesses. This declaration is intended to support the requested application to toll the statute of limitations and to show that there is sufficient reason to believe that relevant evidence of the offenses is located in Mexico. On or about May 24, 2012, the United States made an official request to the Central

Authority of Mexico (“MLAT”) for such evidence. This declaration does not set forth all of my knowledge about this matter.

FACTS

4. COPASBA was founded by Arnold Rojas Rivas, also known as Arnold Rojas, and incorporated on May 19, 1998. The principals of COPASBA are Arnold and his brother, Frank Rojas Rivas, also known as Frank Rojas. COPASBA produced toilet paper and napkins for the Mexican market by converting large rolls of raw paper into final products. The company grew over ten years from a start-up company to the fifth largest producer of toilet paper and napkins in Mexico.

5. In December 2005, COPASBA sought funding from WorldBusiness Capital, Inc. (“WBC”) to finance the expansion and operation of COPASBA’s toilet paper business in Mexico.

6. WBC is a commercial finance company based in Hartford, Connecticut, that specializes in long-term loans to businesses with operations and expansion projects in Developing Markets overseas and Rural Communities throughout the United States.

7. On July 15, 2003, WBC and the Overseas Private Investment Corporation (“OPIC”), an agency of the United States government, entered into a Framework Agreement setting forth the terms by which OPIC would guarantee a portion of the loans issued by WBC to finance projects in eligible countries.

8. In March 2006, COPASBA initiated an application for financing by submitting an OPIC Application for Financing (hereafter referenced as OPIC 115). In the application,

COPASBA stated the loan proceeds would be used to expand COPASBA's toilet paper and napkin manufacturing operations. Specifically, COPASPA would use loan proceeds to construct a new warehouse on land owned by Arnold Rojas and Frank Rojas; to purchase paper converting equipment; and to provide permanent working capital to fund projected sales growth (The three loan proceed uses are further referenced as the "Project"). The Credit Agreement states in SECTION 6.01 that the borrower shall apply the proceeds of the Loan exclusively to the Project and Project costs in accordance with the provisions of the Agreement. Arnold Rojas and Frank Rojas signed this March 2006 application, certifying that the information provided in the application was true and correct to the best of their knowledge.

9. On July 18, 2006, WBC and COPASBA entered into a credit agreement (further referenced as "Credit Agreement"), pursuant to which WBC agreed to loan up to \$10 million to COPASBA. OPIC agreed to guarantee 97.5% of loans made by WBC to COPASBA under the Credit Agreement. WBC sold the OPIC-guaranteed portion of the loan to the Private Export Funding Corporation ("PEFCO"), pursuant to a master participation agreement between WBC and PEFCO.

10. In a side letter (further referenced as "Comfort Letter"), dated July 18, 2006 and signed by Arnold Rojas and WBC, Arnold Rojas provided WBC with written assurance that he personally would "take all commercially reasonable measures (other than the payment of money, the incurring of any monetary obligation or the promise to guaranty any other person's performance or to pledge any property for any purpose) to ensure: (a) the Company promptly and completely installs all new equipment associated with the Project (the "New Equipment"); (b) that the Company operates the New Equipment in accordance with its design; and (c) the

Company uses reasonable commercial efforts to cause the warehouse that is to be constructed as part of the Project to be constructed by the Contractor and ready for occupancy on or before December 31, 2007.”

11. Between July 2006 and June 2007, WBC and PEFCO disbursed \$7,968,616.25 in loan proceeds pursuant to three Promissory Notes between WBC and COPASBA (WBC, PEFCO and OPIC, when referenced collectively, will further be referenced as the “Lender”).

12. On June 25, 2007, COPASBA failed to make a scheduled interest payment in the amount of \$127,072.98. As a result, WBC provided COPASBA with a letter dated July 17, 2007 entitled “Notice of Event of Default”. In a meeting between the borrower and the Lender on August 9, 2007 at OPIC’s office in Washington, DC, Arnold Rojas told OPIC and WBC that an ongoing labor dispute prevented COPASBA management access to both COPASBA facilities and management offices. In the same meeting, Rojas claimed that a court-ordered embargo prevented Rojas from making the scheduled payment due June 25, 2007 and obtaining COPASBA bank account records. Arnold Rojas stated that much of the cash appearing on the March 2007 financial statements for COPASBA (in excess of \$3,000,000) had been converted into inventory physically located at COPASBA’s warehouse and under a court order not to be moved. Arnold Rojas also asserted that construction on the warehouse had begun.

13. COPASBA made an additional payment on August 15, 2007. Two additional payments totaling \$461,678.69 were later made toward the three outstanding loans from a reserve fund account in the name of COPASBA controlled by WBC and funded with initial loan proceeds. COPASBA defaulted on three Promissory Notes and the terms of the Credit Agreement, with a total outstanding loan balance as of March 10, 2008 of \$7,981,743.87.

14. On March 10, 2008, WBC Executive Vice President and Chief Financial Officer Leslie Galbraith sent an email to OPIC's offices in Washington, DC requesting payment of the OPIC-guaranteed portion of the outstanding loans. OPIC, which guaranteed 97.5% of this amount, incurred a loss of \$7,782,200.28. WBC, which owned the remaining 2.5% of the outstanding loans, incurred a loss of \$199,543.60. OPIC officials approved the application for payment on March 24, 2008 and payment in the amount of \$7,782,200.28 was made to WBC shortly thereafter.

15. The investigation has revealed that COPASBA, represented by Arnold Rojas and Frank Rojas, made material misrepresentations in the loan application and other documents submitted in support of the application for financing, as well as in subsequent certifications to induce the loan origination and the loan disbursements. After inducing disbursements, Arnold Rojas and Frank Rojas immediately used a substantial portion of each disbursement for their personal benefit, rather than for the purposes represented in the application and certifications they submitted.

FIRST DISBURSEMENT

16. On July 27, 2006, WBC made the first of three disbursements authorized by the Credit Agreement and pursuant to a Promissory Note between the Lender and COPASBA. The first disbursement was comprised of 9 separate wire transfers from WBC and PEFCO bank accounts. Of the total disbursement of \$5,578,691, \$1,964,892.34 was wire transferred from PEFCO to COPASBA's bank account number *****0853 at Banco Grupo Financiero HSBC in Puebla Puebla, Mexico.

17. Arnold Rojas received \$1,822,164.98 in funds from COPASBA bank accounts in Mexico between July 18, 2006 and January 19, 2010 related to the first loan disbursement. Arnold Rojas received these funds in four different US-based bank accounts in his name and directed one COPASBA wire transfer to an account controlled by Cessna Finance Corporation for payment of a personal airplane loan. During 2006, Arnold Rojas wired \$783,000 directly related to the first loan disbursement to COPASBA bank accounts located in Mexico. Therefore, the net total of funds from the first loan disbursement sent from COPASBA bank accounts in Mexico to Arnold Rojas-controlled bank accounts in the United States or on behalf of Arnold Rojas was \$1,039,164.98.

18. Frank Rojas received \$329,945.00 in funds from COPASBA bank accounts in Mexico between August 4, 2006 and June 4, 2009 related to the first loan disbursement. Frank Rojas received these funds in two US-based bank accounts in his name. Between 2006 and 2007, Frank Rojas wired \$24,500.00 back to COPASBA bank accounts located in Mexico. Therefore, the net total of funds from the first loan disbursement sent from COPASBA bank accounts in Mexico to Frank Rojas-controlled bank accounts in the United States is \$305,445.00. Between July 28, 2006 and June 25, 2009, Frank Rojas spent approximately \$310,000.00 on various expenses, all but \$17,000 of which was unrelated to COPASBA or the OPIC-guaranteed loans in question.

SECOND DISBURSEMENT

19. On September 28, 2006, WBC made the second of three disbursements on the loan. The second disbursement was comprised of 5 separate wire transfers from WBC and

PEFCO bank accounts. Of the \$541,211 disbursed by the Lender, COPASBA directly received a wire transfer in the amount of \$500,000.

20. That same day, on September 28, 2006, COPASBA wire transferred \$500,000 to a Wells Fargo account controlled by Arnold Rojas. Approximately eight days after this transfer, Arnold Rojas used about \$415,000 of the money obtained by COPASBA to pay off a line of credit Arnold Rojas had opened with Merrill Lynch. The amount due on the Merrill Lynch line of credit was driven by two expenses: i) approximately \$400,000 in money that had been wired to COPASBA controlled account; and ii) \$40,000 in property taxes for property owned by Arnold Rojas.

21. Of the approximately \$85,000 that remained after paying off the line of credit, Rojas spent \$73,000 on two wires to a COPASBA bank account in Mexico in November 2006 and \$12,000 on mortgage payment, checks to others, Visa bills, and account fees.

THIRD DISBURSEMENT

22. On June 21, 2007, WBC made the third of three disbursements on the loan. The third disbursement was comprised of 5 separate wire transfers from WBC and PEFCO bank accounts. Of the \$1,848,713.58 disbursed by the Lender, COPASBA directly received \$1,656,691.32 at COPASBA's Banco Nacional de Mexico, S.A. account number 45487.

23. The next day, on June 22, 2007, the COPASBA account located at Casa de Cambio wire transferred \$1,655,925 (nearly the same amount as the June 21, 2007 proceeds received by COPABA) directly to a Merrill Lynch line of credit maintained by Arnold Rojas. It is noteworthy that this wire came from a COPASBA account other than the one that initially

received the wire transfer from PEFECO. Investigators suspect that the Lender's disbursement was transferred to this other account, but were are unable to determine if a transfer occurred from the COPASBA account at Banco Nacional de Mexico, S.A. to the Case de Cambio account without receiving bank records from Mexico. The amount due on the Merrill Lynch line of credit was \$625,463.21. The COPASBA loan proceeds were used to effectively pay down Arnold Rojas' personal debt on the line of credit to zero. Rojas transferred the remaining \$1,027,107.35 to another Merrill Lynch account he controlled on June 25-26, 2007.

24. On June 27, 2007, Arnold Rojas transferred \$500,000 of the \$1,027,107.35 to Frank Rojas. Of the \$500,000 he received, he sent \$7,500 back to COPASBA. The rest he spent in a variety of ways. He lost \$167,599.60 in investments. He sent \$40,000 to a Mexico-based bank account owned by a person named Jennifer Nefertiti. He sent at least \$110,000 to a company called Franciscan Partners II LLC owned by Arnold and Frank Rojas. This company was doing business as Mariachi Chicken Grill and its account at Lone Star Capital Bank was empty by December 2010. Mariachi Chicken Grill ceased doing business in December 2010 according to a bankruptcy filing by Arnold Rojas. Frank Rojas also spent Lender-derived funds on such things as ATM withdrawals, Visa bills, and checks/wires to others for various expenses.

25. On June 28, 2007, Arnold Rojas transferred his remaining COPASBA-derived funds—approximately \$750,000.00 to a Merrill Lynch account—so that he could use the funds to trade securities. Approximately three months later, on September 28, 2007, Rojas transferred securities worth \$989,221.12 from the Merrill Lynch account to an entity owned by Arnold Rojas called ASSDAR Limited Partnership. By November 2008, Rojas' securities had gone down in value by approximately \$537,000.

26. Between September and November 2008, Rojas sold his remaining securities and transferred the funds remaining in his ASSDAR LP investment account, approximately \$562,000.00, back to his Merrill Lynch line of credit to pay down debt accrued since the last time he used Lender-derived funds to pay down the line of credit in June 2007. The funds comprising the re-accumulated debt were spent in a variety of ways to include personal property tax, payments to SSSA Enterprises for expenses associated with a private aircraft, transfers to other Arnold Rojas accounts, and one payment of \$128,799.95 to the Lender in August 2007.

RELEVANT EVIDENCE IN MEXICO

27. As the above analysis indicates, investigation to date has identified approximately \$3,415,000.00 in non-project expenditures made with funds derived from the three loans given to COPASBA by the Lender. The investigators believe significant portions of these funds were transferred between Mexico-based bank accounts, which cannot fully be determined without the assistance of the Central Mexican Authority to provide the records related to these transfer, as requested by the MLAT filed on May 24, 2012. For instance, without such records we cannot account for the first transfer of the third disbursement funds (\$1,657,000) from COPASBA's Banco Nacional de Mexico account to COPASBA's Casa de Cambio account. We suspect this transfer occurred because a closely related amount of money (\$1,565,000) was subsequently transferred from COPASBA's Casa de Cambio account to Arnold Rojas' Merrill Lynch account #11331 the day after the third disbursement. This evidence reasonably appears to be in Mexico.

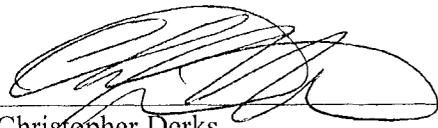
28. In addition, since \$4,121,583.66 was provided by the Lender directly to COPASBA, approximately \$706,000.00 of the loan disbursements have not been accounted for to date. Without obtaining the Mexico-based COPASBA account records between 2006 and

2010, it is impossible to determine the other ways in which COPASBA utilized loan proceeds that were not either sent to Rojas accounts in the US or paid to the Lender.

CONCLUSION

29. Based on my training and experience, and the facts as set forth in this declaration, there is probable cause to believe Arnold Rojas and Frank Rojas conspired to commit Wire Fraud in violation of Title 18, United States Code, § 1349 by making material false representations to induce the WBC loan and disbursements. Furthermore, there is a reasonable belief that relevant evidence of this offense, particularly records for the COPASBA bank accounts that initially received the three loan disbursements, is located in Mexico. The Government made an official request for these records on May 24, 2012. This declaration supports the Government's application to toll the statute of limitations from the date of the official request, pursuant to Title 18, United States Code, Section 3292(b).

Respectfully submitted,



Christopher Derks
Special Agent
Federal Bureau of Investigation

Dated: June 15, 2012