

At the heart of Martin
Kenney's determination
are the victims, and
getting their money back

The Man Who Makes the Fraudsters Pay

BY NICK RYAN



PHOTOGRAPH BY JEFFREY SALTER

WHEN JACK CHAUVET*, a small businessman from northern California, first encountered Art Ferdig in the summer of 2001, the financial advisor—and evangelical preacher—seemed like a decent man. A friend had suggested Chauvet contact Ferdig about the impressively-performing “Tradex” foreign-currency trading scheme he was running. “He was so mild and Christian,” says Chauvet. “Just someone running a business, promising steady results.”

Chauvet pushed several hundred thousand dollars into the scheme and for a while things went well, with Tradex’s monthly reports showing healthy profits.

Then in March 2003, Ferdig wrote to say that the money had disappeared and that a trader he employed to broker his deals, Susan Lok, was to blame.

“It was an extraordinary surprise,” says Chauvet. “But disbelief was swiftly replaced by anger.” Some 327 investors, most of them ordinary Americans, had lost a total of \$21 million. “I was still young enough to earn some of it back,” says Chauvet, now 71. “But others weren’t so lucky.”

Ted and Dolores Landkammer from Santa Cruz, California, had invested almost \$150,000. “I’m a tough guy, but I felt pretty down,” says Ted, 84, a retired probation officer. “Holidays, trips, all the things you dream about doing in retirement were out of the window.”

Chauvet and the other investors were convinced that Ferdig was to blame for the lost money. “We needed to unravel the mystery,” says Chauvet. So a small group of them contacted

Martin Kenney, a hotshot fraud lawyer.

Kenney, a Canadian based in the British Virgin Islands, was keen to help. “Losing the money had stolen the investors’ dignity,” he says. “Pursuing Ferdig to get it back would empower them again.”

With Tradex in liquidation, Kenney unleashed a blizzard of litigation. One of his investigators, a former US Secret Service agent, began tailing Ferdig as he moved between Boca Raton, Florida, London, Montenegro and other locations. Others piled through thousands of pages of bank statements, telephone records and other pieces of data. Kenney knew that untangling Ferdig’s complex fraud would take years. Most lawyers would shy away from such complicated and lengthy cases, but Kenney is no ordinary lawyer.

MARTIN KENNEY, 54, grew up in Saskatchewan, Canada 23, the eldest son of a headmaster. Martin did well at school, but his father—a huge influence on him—was determined to “put some leather” on his hands and

insisted he work as a roughneck on oil rigs in the Rocky Mountains for three summers while at university before starting his career.

“It was horrendous, that first summer. The men were violent, often drunk, always getting thrown into jail,” says Kenney. “It was 12 to 14 hour shifts, seven days straight.”

As his father intended, the experience helped give Kenney a steely determination and after qualifying as a lawyer, he moved rapidly through the world of commercial practice.

Then in 1987 an associate stole \$400,000 from a company bank account—using a card Kenney had entrusted to him. Kenney was knocked for six. “To this day, I feel terribly responsible for what happened,” he

a fellow fraudster and befriend the suspect while wearing a body wire. He went on to help recover a \$5 million casino debt for Donald Trump by using complex legal procedures to freeze a Japanese real estate investor with links to organized crime’s main asset—his palace.

Fellow New York lawyer Irving Cohen recalls meeting the “hard-nosed” young advocate when they were representing opposite sides in a legal battle in 1992. “I watched him retrieve \$5 million in 90 days. It was the most remarkable thing I’d ever seen.”

The pair formed an asset-recovery firm together, Interclaim, which they ran until 2002, before Kenney struck out alone with Martin Kenney & Co.

At the heart of his work are the fraud

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says, a solid figure in a pin-stripe suit. The shock was the first step on Martin’s path to dedicating his career to fighting fraud.

Soon after, while working at a New York law firm, he was called in to investigate an international banking fraud at a prominent Canadian investment house. Kenney tracked down tens of millions of dollars by hiring a former CIA agent to pose as

victims. “The media call [conmen] rogue traders, as if they’re something nice, but they are vituperative characters,” he says. “People lose their edge and faith in themselves when they’re conned. It’s a violation—as bad or worse than violent crime.”

He recounts visiting one of his first clients in hospital in 1992. The banker had had a heart attack after losing \$2.8 million in a cheque fraud.

"I will never forget the terror that was visited all over his face. He had been an ebullient man with a great sense of humour and self confidence. But what was left was a crushed soul."

ART FERDIG'S FRAUD had already claimed its first fatality—an investor from Maine had been wiped out financially and committed suicide. But, a year into the investigation, Kenney was tightening his net. He flew in forensic IT specialists to crack the server of one Ferdig's shell companies—set up with no function other than to launder investors' money—and recover deleted emails. Kenney discovered that Ferdig had spent millions on homes, boats and travelling by private jet. Much of it was paid for with no-name credit cards, identified

the FBI that Lok was largely to blame for the fraud and she was imprisoned for ten years in 2006. Ferdig was eventually arrested in California—where he was giving talks on angels to local groups—and was jailed for 18 months for tax evasion in 2008. But by now it was clear that the 327 ordinary American investors taken in by Ferdig's foreign-currency Ponzi scheme had lost their money when new investors' cash ran out. "He should have got 30 or 40 years," says Kenney.

He continued to pursue the fraudster through the civil courts and by March 2013 he had seized back some \$7 million for Ferdig's victims, and since Ferdig died in the summer of 2014, he is pursuing land owned by Ferdig in Jamaica.

There is real satisfaction among the

ers, able to track down the conmen and assets that have eluded police or government agencies. Working on everything from headline-grabbing cases such as Bernie Madoff (who stole \$20 billion from wealthy investors) to investigations into corrupt insurers and Russian crime lords, Kenney employs a multinational staff of 27 including multi-jurisdictional lawyers like himself, forensic accountants and handwriting experts.

KENNEY USUALLY operates by becoming the legal counsel of a receiver or liquidator of a conman's "failed" company. This gives him powers to pursue assets in other countries and call on complex anti-fraud legislation, such as the Anton Piller Order (which allows his team to enter and search premises and seize evidence) or the Norwich Pharmacal Order (granting access to documents and information held by third parties, including banks). Kenney also uses a variety of surveillance and sting operations to build up a picture of where a conman is channelling his cash.

He calls on leading expert on the

psychology of business fraud, Alexander Stein founder of Dolus Counter-Fraud Advisors, to help him work out how a con artist's mind works, the sort of people he's likely to rely on and what his weak points might be. "Fraudsters are very adept in psychological manipulation," says Stein. "So fraud recovery is psychological warfare."

Ultimately, when Kenney's team have located a criminal's assets, they



Kenney's first home is in the British Virgin Islands. His second is on board an airplane pursuing evidence.

PHOTOGRAPH BY JEFFERY SALTER



OFTEN IT'S IMPORTANT TO KNOW HOW THE CONMAN'S MIND WORKS. FINDING HIM CAN BE PSYCHOLOGICAL WARFARE.

by number only, linked to secret offshore bank accounts.

Ferdig had also left behind a complicated trail of women, including a Dominican girl he'd married when she was just 18 and he was 61, putting her in a flat purchased with his ill-gotten gains—another laundering opportunity.

Still, Ferdig managed to convince

investors, says Chauvet, that with Kenney's help they haven't let Ferdig get away with his devastating dishonesty.

"It means I'm no longer a helpless victim," says Ted Landkammer.

DESCRIBED BY the Canadian Lawyer magazine as having a "Robin Hood reputation", Martin Kenney is one of the world's leading fraud hunt-

freeze them via civil courts. They are then liquidated and the proceeds given to the victims—with Kenney's firm taking a cut for fees. (1)

One of Kenney's more challenging cases involved Canadian James Blair Down, who conned hundreds of American pensioners in a \$240 million telemarketing lottery scam. One old lady suffering from dementia became so convinced she had won that she invited local media to her house and laid on a big party to celebrate... Of course, she never received a penny.

Blair Down was found guilty of conspiracy to defraud in 1999, yet was jailed for just six months because he pleaded guilty and paid \$12 million restitution. But at the request of the FBI, Kenney traced much of his laundered money—some of it had made

million cut. It looked as if the victims and Kenney would be seriously out of pocket—pushing his company, which had spent five years on the case, to the point of bankruptcy. But in 2003 Kenney had the last laugh, suing Ness Motley for \$36 million, the largest payout of its kind in US legal history, allowing him to return a large chunk of the pensioners' money.

Martin Kenney has a success rate that, for the industry he's in, is astounding: in two-thirds of cases, assets are retrieved. Consequently, fraudsters fear and loathe him. One conman, forced to the point of bankruptcy by Kenney, "frothed and used many unkind expletives," when they met, Kenney recalls. "He explained that he had lain awake at night, every night, thinking of ways to kill me!" In

legations and put the firm to a lot of expense to defend itself. It's part of their strategy to try to frighten us off."

"It becomes personal when you get the guy by the pocketbook," says Kenney. "But it just washes over me. It doesn't stick."

Yet those on the right side of the law take a very different view of Kenney. Fraud victim Mark Secrist says Kenney's team contains "some of the most remarkable men and women you could find on the planet." Psychoanalyst Alexander Stein calls him "brilliant, a trailblazer". In June 2014, Martin Kenney received the Cressey Award, the highest honour for a lifetime achievement in the combat against fraud from the Association of

Certified Fraud Examiners.

At present, Kenney is dealing with, amongst other things, 14 massive Brazilian fraud cases—totalling more than \$12 billion in stolen assets. He's also working on behalf of 22,000 victims of Texas banker and cricket mogul Sir Allen Stanford who operated the second largest reported Ponzi scheme in world financial history.

"I spend up to half the year away on cases and conferences," says the divorced father of two, rubbing tired eyes. "My second home is a seat on American Airlines." As he heads off for yet another pan-global investigation, yet another airport, there seems little stopping the man known to many as "the fraud buster".



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it as far as a forestry project in Papua New Guinea—and in a synchronised series of raids on Down's businesses everywhere from the Caribbean to the Channel Islands, Kenney was able to freeze \$150 million in assets.

Kenney was then double-crossed by the case's class-action lawyers, Ness Motley, who agreed to return the cash to Down for a promised \$4

Sao Paulo, Brazil, while taking on an organized criminal gang, Kenney and his team were protected by armed guards around the clock.

"Martin was accused of being an international economic terrorist 'who practises extortion by court order' by the lawyers of one fraudster," laughs Dan Wise, Kenney & Co's head of litigation. "People make very serious al-