

## Chronicle

Harris Dempsey 'Butch' Ballow leaves church services at the Abundant Life Christian Center in La Marque, Texas in this file photo from June 2001.

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## SEC claims Houston fugitive created new scam

**By KEVIN MORAN**

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After his release on bail in a federal criminal stock fraud case, Houston fugitive Harris Dempsey "Butch" Ballow organized another alleged scam that cost gullible investors at least \$3 million, according to a lawsuit filed by the U.S. Securities and Exchange Commission.

A federal judge in New York City already has ordered another Houston man, Bruce Charles Pollock, 42, to pay a fine of \$170,000 and forfeit \$80,000 in illegal profits that authorities say he made while aiding Ballow in the scam.

U.S. District Judge Louis L. Stanton entered the order on May 10, after attorneys for the SEC and Pollock reached an agreement in which Pollock neither admitted nor denied aiding the fraud.

Ballow, 64, is alleged to have directed the scam involving manipulation of the stock price of Oak Ridge, Tenn.-based AIMSI Technologies Inc. after Houston federal prosecutors agreed to set him free on bail in 2004.

Within months of his release, Ballow was working on the AIMSI stock scam, the illegal proceeds of which federal lawyers say they traced to accounts in Panama. Ballow has longtime business and real estate ties to Panama and Costa Rica, and many of his acquaintances believe he is hiding in Panama or elsewhere in Latin America.

A \$10,000 reward for information leading to Ballow's apprehension was announced on June 28 in a Panamanian newspaper. Houston private investigator John Moritz said today he posted the reward on behalf of a client who is a past victim of Ballow's. He declined to name the client.

Moritz said he was in Panama last week to arrange posting of the reward. Ballow has been reported to be living in a couple of places in Panama and has been sighted in public places, but no one has found him after the reports, Moritz said.

"We're in the hunt," Moritz said. "We're hoping to see some results soon."

The SEC filed a lawsuit in 2005 in Stanton's court naming Ballow, Pollock and others as defendants in the alleged fraud. The illegal activities included sending false information to promote AIMSI stock sales by fax and e-mail, and issuing false news releases, the SEC said.

The government still is negotiating settlements with Houstonians Winfred Fields and Everett R. Bassie, according to Richard G. Primoff, an SEC attorney in New York City. Fields is alleged to have helped Ballow set up a Panamanian corporation used in the AIMSI fraud. The corporation's Houston address was identical to Fields' address, the SEC said. Bassie was involved in the fraudulent trading and served on the AIMSI board of directors, the SEC said.

Dwight Jefferson, Bassie's Houston attorney, said Bassie is not a friend of Ballow and is a victim of Ballow's manipulations. As a board member, Bassie questioned the legality of AIMSI's relationship with one of the corporations set up by Ballow, Jefferson said.

"Mr. Bassie was brought in to do the accounting work on a legal reverse merger that allowed AIMSI to become a public company," Jefferson said of Bassie. "He had nothing to do with the fax and other promotions."

Bassie did not trade stock illegally, Jefferson said. Fields and his lawyers could not be reached for comment.

Also named in the lawsuit was AIMSI president Reginald Hall. The SEC alleged that Ballow and accomplices set up numerous "shell" corporations to get control of AIMSI so they could artificially pump up its stock price, then profit by dumping their own inflated shares in the market. The sudden large sales left other investors holding virtually worthless shares after the market price plunged.

Ballow and other organizers of the "pump-and-dump" stock scheme set up offshore accounts when they got control of the company's stock "solely for the purpose of protecting their unlawful gains from the regulatory authorities," the SEC alleged in the lawsuit.

On May 9, Stanton ordered Scotsdale, Ariz., resident William Watkins, another defendant in the case, to forfeit, \$250,000 from the AIMSI stock fraud, according to court records. Watkins returned that sum to the court's registry in October 2006. Stanton's order ratified a settlement agreement in which Watkins neither admitted nor denied the fraud allegations. Watkins and his attorney could not be reached for comment.

Ballow remains a defendant in the case, though he remains a fugitive. He failed to appear in a Houston federal court in December 2004 to be sentenced for his part in a stock fraud that cost investors more than \$10 million.

Ballow put up a \$10,000 cash bond on \$100,000 bail to get out of the Houston Federal Detention Center in November 2003.

Through spokeswoman Belinda Lovett, the Houston U.S. Attorney's office declined comment on Ballow's activities after federal prosecutors agreed to free Ballow on bond.

Ballow had pleaded guilty in September 2003 to one wire-fraud count in a stock scam that bilked major brokerages across the country of more than \$10 million and resulted in uncalculated losses nationally to ordinary investors. Ballow was released despite being rated as one of the people in federal custody most likely to flee.

On Dec. 16, 2004, Ballow failed to appear in U.S. District Judge David Hittner's court for sentencing, which had been delayed repeatedly by prosecutors and defense attorneys while he was free on bail. Ballow faced up to 10 years in prison and a \$500,000 fine at sentencing.

In return for his plea, federal prosecutors agreed to drop 11 other criminal counts against Ballow. Other possible bond terms to which federal prosecutors agreed remain sealed at their request.

While he was on bond, Ballow and others spent the first few months of 2004 setting up "shell" corporations through which he and his accomplices acquired control of Oak Ridge, Tenn.-based AIMSI Technologies, according to a lawsuit filed by the U.S. Securities and Exchange Commission in New York City.

AIMSI had developed an instrument designed to detect dangerous radioactive, chemical and biological agents called Automatic Large Area Radiation Mapper (ALARM).

"From July 2004 to at least November 2004, defendants ran a promotional campaign consisting of press releases, mass faxes and internet postings in which they repeatedly misrepresented AIMSI's financial prospects and touted AIMSI's stock," the government lawyers claimed.

From Panama, Ballow managed in May 2004 the creation of a Nevada corporation called China Global Distribution Corp. Much of the fraud was accomplished through publicity about China Global's association with AIMSI, the SEC said.

The fraud was based in part on a false press release claiming that China Global would pump \$225 million into AIMSI by selling thousands of its detection devices at a minimum 50-percent profit margin, federal lawyers maintained. At one point, Ballow dispatched a Panamanian lawyer to Houston to meet with Pollock, Fields and Bassie, the SEC said.

"Ballow directed this scheme," the SEC said in its lawsuit. "Among other things, Ballow provided financing for it and arranged for appointing an associate as AIMSI's chief financial officer."

Ballow's career in fraud came to light after a July 29, 2001, Houston Chronicle report centered on a 1999 Harris County jury award of \$8.5 million in damages to Houston oil man Jackie Sandefer and his former partner, Steve Smith, against Ballow.

The two spent \$2.5 million trying to collect that judgment. Private investigators and lawyers hired by the pair uncovered an international web of sham corporations and brokerage accounts through which they maintained Ballow conducted frauds. The officers of the corporations were almost all friends or family of Ballow. Court documents filed by attorneys for Sandefer and Smith alleged that Ballow moved more than \$100 million in assets through various accounts and corporations just between 1999 and 2001.

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