A tale of fraud, bankruptcy and murder for hire

By David Allison

Alan Richardson of Douglasville is luckier than most. When a salesman from an Atlanta company called Reliance Capital Services Corp. called to sell Richardson Western oil lease investments, he invested only $500.

Eugene Christianson, a retired Smyrna resident, isn't so lucky. He invested a total of $14,900 through Reliance Capital.

Neither ever saw his money again. "I haven't ever gotten a thing out of it," says Christianson. "I haven't gotten the first penny yet."

Neither have hundreds of other people from around the country who invested in Reliance Capital or a successor company called Reliance Petroleum Inc. And whether they ever will is questionable. One partnership is trying to recoup its investment in Reliance Petroleum and is scheduled

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Reliance Capital story one of fraud, intrigue

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for a court hearing Oct. 11.

Reliance Capital has, on the surface at least, been out of business since last year when its president, Bruce M. Gastwirth, was convicted of 32 counts of mail and wire fraud and sentenced to 10 years in jail. Also charged in the scheme were Gastwirth's brother Loren and another man.

The Reliance Capital scheme, the court found, duped 650 investors out of at least $6.5 million over a three-year period. Much of the money is still unaccounted for. Evidence presented by the government indicates as much as $2.8 million may have been siphoned off into money market accounts, and at least one Swiss bank account owned by Gastwirth was identified.

(Gastwirth appealed his conviction, only to be arrested earlier this year on charges that he took part in the 1985 machine-gun slaying of a business associate. He is now in the Douglas County jail awaiting trial, which probably won't start before the end of the year.)

But despite Gastwirth's fraud conviction, Reliance Capital may not have gone out of business altogether.

Some investors' money was apparently transferred from Reliance Capital to another company of Gastwirth's, Reliance Petroleum, which was supposedly in the business of drilling oil wells in Kentucky rather than selling Western oil leases. Reliance Petroleum was incorporated in 1983, five years after Reliance Capital, according to records at the Secretary of State's office.

Whether Reliance Petroleum ever actually drilled for oil is not clear.

According to court testimony last February by John R. Kingston, a Federal Bureau of Investigation special agent who investigated Gastwirth, Reliance Petroleum investors "have called recently and complained again that nothing seems to be done as far as the oil wells. They're not being pumped or drilled and no oil is being received."

William L. McKinnon Jr., the assistant U.S. attorney who prosecuted Gastwirth, says that to his knowledge the Securities and Exchange Commission hasn't investigated Reliance Capital or Reliance Petroleum. And since Gastwirth was convicted on fraud charges stemming from Reliance Capital, it wasn't feasible for his office to expend the resources investigating Reliance Petroleum, he says.

Reliance Petroleum, which shared Reliance Capital's office at 2255 Cumberland Parkway near Cumberland Mall, filed for protection from creditors under federal bankruptcy laws Aug. 11.

A partnership which invested $80,000 in Reliance Petroleum is now trying to have Reliance Petroleum's assets liquidated. A hearing is scheduled Oct. 11.

In court documents, the partnership contends that only $16,000 of its money was ever spent on oil wells, the other $64,000 being unaccounted for. Of a total of approximately $4 million collected by Reliance Petroleum, $3.5 million is unaccounted for, the partnership contends.

The investors say Reliance Petroleum defrauded them by either not drilling any oil wells at all, or representing that an old, unproducing well was the one owned by the investor. The investors say that wells drilled by

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Reliance Petroleum that did produce were wrongfully transferred to parties other than those who invested in them.

In addition, they say that some wells the company did drill were drilled to as little as 100 feet in depth.

Gastwirth wasn't available for comment, according to Frank J. Petrella, the Atlanta attorney representing Gastwirth on the murder charges. Gastwirth is facing a possible life sentence if convicted. No trial date has been set.

Gastwirth is accused in a criminal indictment handed down last February of conspiring to murder Richard F. Braun, a business associate of Gastwirth's who was employed at Reliance Capital. According to court documents, the government believes Gastwirth and Braun had a dispute about a sum of money Gastwirth owed Braun — a sum between $400,000 and $1 million — that Gastwirth didn't want to pay.

According to the indictment, Gastwirth allegedly began trying in late 1984 or early 1985 to hire someone to murder Braun, approaching three different individuals or groups. One attempt on June 9, 1985, in which a bomb was detonated in a van Braun was driving, failed. Another man hired by Gastwirth, John Horton Moore, then allegedly hired two Tennessee men to come to Atlanta to kill Braun.

Braun was shot to death on Aug. 26, 1985. The next day, Gastwirth allegedly paid Moore $10,000. Moore then allegedly paid $7,000 to the gunman, Richard M. Savage, according to the indictment.

In addition to paying to have Braun killed, Gastwirth also allegedly "threatened to have a co-conspirator and potential witness against him and the co-conspirator's ex-wife and son all killed if the co-conspirator did not leave the United States," the government contends in court documents.

When he was arrested Feb. 18, 1988, on the murder charges, Gastwirth was out of jail on the Reliance Capital charges after posting a $300,000 bond.

At hearings on Feb. 24 in which Gastwirth tried to keep himself out of jail pending trial on the murder charges, he presented numerous witnesses who testified that he wasn't a danger to the community. (The court denied him bail, saying he had the re-

Gastwirth's Businesses

Reliance Capital Services Corp.
Reliance Petroleum Inc.
M.M.I. Enterprises Inc.
Mass Marketing Inc.
First Atlanta Capital Corp.
Balco Inc.
Michaelson, Worth & Marks Inc.
MWM Electronics Inc.
Pooch's Hot Dogs Inc.
Michaelson, Worth & Marks Securities Inc.

SOURCE: Georgia Secretary of State's office.

country.)

Among the witnesses Gastwirth called was Donald Tam, a rabbi who knew Gastwirth through his affiliation with Temple Emanu-el. Rabbi Tam described Gastwirth as "a very personable, easy-going, likeable fellow" who "seemed to get along well with other members of the congregation." Gastwirth, a father of three, had his children religiously trained at the congregation.

Other witnesses testified that Gastwirth is a good family man. Gastwirth's wife Barbara, whom he married in Chicago about 15 years ago, described Gastwirth as "a wonderful father" who "abhors violence."

Gastwirth's parents have lived in Atlanta for more than 14 years. Bruce Gastwirth is the youngest of three sons. His father Harold, contacted at his home, declined to comment.

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Eugene Christianson, the Smyrna investor who invested $14,900, says that when he found out Reliance Capital was in Atlanta, he went to its office near Cumberland Mall and talked Gastwirth "was very congenial," Christianson recalls, making a number of calls to try to track down Christianson's money. "That's about as much as I could gain with him," Christianson says.

Like other investors, Christianson was solicited over the telephone by Reliance salesmen calling from California.

Alan Richardson, the Douglasville investor who invested the $500, says he learned about Reliance through a friend who had invested in it. He says he didn't invest more in Reliance Petroleum because of his suspicion of another oil drilling company he'd invested in.

Reliance salesmen told him his investment "was like putting straws in a cereal bowl," Richardson recalls. "All I wanted to do was to get a foot in the door. They were swearing up and down that these wells were already producing."

Jane D. Lawrence, a Marietta resident, invested $5,000 in Reliance Capital about six years ago after a salesman telephoned from California. The money bought her the rights to a portion of any oil found on an acre of land "if and when they ever decided to drill on it," she recalls.

"I wrote that off about a month after I did it," she says. "It was one of those things. I kicked myself as soon as I'd done it, saying 'How foolish.' " She says the company approached her about a year ago, saying she could secure her investment for another $100. She declined.

At this point it is still uncertain if those who invested in Reliance Capital and Reliance Petroleum will ever see their money again. A Roswell businessman who is very familiar with the situation is reportedly trying to salvage the companies and all the money