

## **ALABAMA SECURITIES COMMISSION**

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### **State of Alabama Vs. Gregory Aziz Results in Settlement**

MONTGOMERY, ALABAMA (Nov. 14, 2014) Bryce Graham, District Attorney for the 31<sup>st</sup> Judicial Circuit, Colbert County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that State of Alabama Vs. Gregory Aziz, Case No. CC-2013-000624, has resulted in a settlement that requires Aziz to pay \$21,000,000 in damages to the Retirement Systems of Alabama (RSA), and to reimburse the Alabama Securities Commission and the Colbert County District Attorney's Office for investigative costs associated with the case. Aziz was charged in November 2013 with 11 Counts of Securities Fraud. According to the indictment and the settlement agreement Aziz was granted a three year loan of \$350,000,000 dollars by RSA to construct a railcar plant in Colbert County, Alabama. Aziz was to have paid interest to RSA on the loan at 9%. The plant was supposed to employ 2200 people and was, at the time, thought to be a major industrial development project for the State of Alabama. At the conclusion of the construction, Aziz was to obtain long term financing through an alternate source.

To induce RSA to make the loan, Aziz represented that he could build the plant for \$350,000,000, that he owned a railcar manufacturing company in Canada worth over \$200,000,000 that was debt free, that he had access to an unused line of credit of \$100,000,000, and that he owned the unencumbered rights to the patents necessary to build numerous types of railcars in Alabama. Aziz failed to disclose to RSA that before he spent any of the original loan proceeds he knew that the plant would cost well in excess of \$350,000,000, or that his company had incurred over \$100,000,000 in long term debt, no longer had the \$100,000,000 line of credit, and had granted liens on the railcar patent rights which would have required him to get permission from a third party to build the railcars in Alabama. As a result of Aziz's failure to notify RSA of these events, RSA was required to expend an additional \$215,000,000 to complete the railcar plant and in 2010 took over ownership of 100% of the stock in the plant from Aziz.

A forensic audit and the criminal investigation conducted by the ASC reflects that of the \$565,000,000 ultimately spent by RSA on the railcar plant, \$554,000,000 was, in fact, expended to construct the plant, to buy state of the art equipment necessary to build railcars, and thereby to make the plant completely ready to construct railcars. Aziz and related parties were to receive approximately \$3,600,000 to oversee the construction of the facility. However, the audit revealed that Aziz actually received approximately \$11,400,000, approximately \$7,800,000 more than originally agreed. The \$21,000,000 paid to RSA in damages is to reimburse them for all money paid to Aziz and includes an additional \$10,000,000 in damages. The \$21,000,000 received by RSA will be transferred back to the retirement funds managed by RSA on behalf of teachers and state employees. Because Aziz has repaid the \$11,400,000 received by him from RSA to manage the construction of the railcar plant, paid approximately \$10,000,000 in additional damages to RSA (for a total of \$21,000,000), and has voluntarily forfeited all right, title and interest in the railcar plant, prosecutors have agreed that the charges against Aziz will be dismissed. Aziz spent 12 months confined on an ankle bracelet in Colbert County, Alabama, during which this settlement agreement was proposed by Aziz and agreed to by the ASC.

ASC Director Joseph Borg said, "This settlement was entered into after extensive forensic investigation and only after conferring with the Colbert County District Attorney's Office and RSA, the victim in the case. The recovery of \$21,000,000 by the teachers' and employees' retirement systems, the fact that Aziz paid double

damages on any profit he made, and that RSA now owns 100% of the plant they paid to build should discourage others in the future from making inaccurate financial representations when doing business in the State of Alabama.” ASC Director Joseph Borg and Colbert County District Attorney Bryce Graham said, “We are proud to have been able to work together in an outstanding collaborative effort and we commend our staffs for their hard work on this case.”

For further information contact Dan Lord, Education and Public Affairs manager, 334-353-4858.

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