

**STATE OF ARIZONA
OFFICE OF THE ATTORNEY GENERAL
SPECIAL INVESTIGATIONS SECTION
REPORT**

DATE SUBMITTED TO SUPERVISOR: October 08, 2019

CASE NUMBER: SIS-2019-0402

DATE APPROVED BY SUPERVISOR: October 16, 2019

CASE NAME: Syed Mohammad-Ali Karim

REPORT TYPE: Background / Victim Interview Summary - Supplement #3

AGENT: Knuth, William

SUPERVISOR: Supervising Special Agent John White

Background:

Ethan Sasz and Brandon Wallace, the owners of Paradigm Laboratories, contacted the Attorney General's Office. The owner of Atlantis Health Systems, Syed Karim, approached Sasz and Wallace expressing an interest to acquire Paradigm as he was creating a network health system. During talks, Sasz and Wallace opened their "books" to Karim. Karim used financial information obtained to obtain loans by falsely representing himself as the owner of Paradigm.

Victim Interview - Summary:

September 24, 2019 0932 Hours

Offices of Simmons and Gottfried, 8160 E. [REDACTED] Dr. STE 7, Scottsdale

In attendance:

Ethan Sasz

Jared Simmons

Brandon Wallace

Sasz began by giving background of how he and Wallace first became involved with Karim. They were introduced to Karim by a subject Nadia, unknown last name spelling. Nadia advised Sasz and Wallace that she was working with an organization which was interested in acquiring laboratories. The organization was described as a multi-state organization by the name of Atlantis Global Health. Sasz and Wallace own laboratories that provide support for clinical diagnostics; Sasz compared it to a Sonora or a Lab Corp. In Arizona the labs are Paradigm, in Denver they are called Red Mountain. Karim was reportedly the owner of Atlantis Global Health.

Sasz and Wallace consulted their attorney, Simmons, who warned them that he was already involved in litigation with Karim in another matter. Sasz and Wallace proceeded with the process of the possible acquisition of their labs by Atlantis. The process began with a due diligence process of determining the legitimacy of Karim and Atlantis. Karim began referring clinical specimens to Paradigm from health offices that he reportedly either owned or had interest in. According to Sasz and Wallace, this was encouraging. However, as the relationship continued, Sasz and Wallace began to get suspicious of Karim, mainly due to Karim's hesitance to provide them with requested information. Sasz stated that they began to "drag their feet" on the deal in hopes of getting more information to ease their minds about Karim and Atlantis.

Sasz and Wallace explained that while operating under non-disclosure they provided Karim with financials which is customary. It was with this information that Karim represented himself as an owner of Paradigm and secured loans. Sasz and Wallace stated that they became aware of this activity when their staff began getting phone calls referring to Karim as the owner of the business. Ultimately, Chris Flores, who had been working with Karim in a CFO capacity, revealed to Sasz and Wallace what was occurring. He had been provided documentation from Karim showing that he had acquired Paradigm, making Flores feel comfortable in moving ahead with the opening of bank accounts and other financial matters. When Flores realized that Karim had not legally acquired Paradigm, he contacted Sasz and Wallace.

Simmons explained what he has been able to determine through the incident with Sasz and Wallace and by speaking to other parties involved in dealings with Karim. Karim approaches legitimate businesses that are performing well financially and brokers deals to acquire their businesses. With the financials provided from the businesses, he is able to secure loans against the businesses. Once Karim has secured the loans, he clears out all bank accounts and fails to pay employees, rent on buildings, etc. I was provided information regarding a doctor who operated an Urgent Care which has since closed following dealings with Karim. Simmons also explained that Karim's explanation that a deal with Sasz and Wallace was "imminent" could not be true, as Karim admitted that Sasz and Wallace did not attend the closing and did not provide signatures to the legal documents.

Karim's method was described as a four-agreement strategy:

1. Non-Disclosure
2. Management Agreement (Carefully worded to give Karim total control)
3. Operational Agreement
4. Purchase Agreement

I discussed with the parties to continue providing any further information that they have not provided up to this point.

Chris Flores joined the meeting

Flores explained that Karim had a model to build a series of integrated health networks, soliciting physicians to be part of the network and seeking a lab to also be part of the network. He stated that Karim was operating with no financial guidance so he stepped in as the CFO for Atlantis Health Care. Flores stated that Karim had a "standard protocol" for putting deals together; a letter of intent, parties would execute non-disclosure agreements, develop a management services agreement, then set a close date. Flores explained that he informed Karim that purchasing Paradigm was a critical piece of the plan and that Karim needed to get a management service agreement (MSA) in place as soon as possible. The next week, Karim informed Flores that he had worked out an MSA with Sasz and Wallace and that they could move ahead. Sasz and Wallace had never signed any agreement, and Flores stated that he should have confirmed the information given to him by Karim. Flores stated that he began to work more closely with Sasz and Wallace and had good dialogue with them which ultimately led him to believe that "something wasn't right" with what was going on with the deal. Flores began to question why Sasz was interested in selling the lab at that point in time. Flores stated that he had a plan to go to Tucson to meet with Sasz following the 4th of July holiday, however, prior to that Flores received calls from employees that they had not been paid. This was the second time this had happened. Flores stated he told Sasz he was not coming to Tucson and told Karim that he was not moving forward with his assistance in the deal until Karim could work out the financial issues. After a couple of days, Flores was informed by Karim that he had access to some loans and that the payments would be made. Karim also informed Flores that he had spoken to Sasz and that Sasz was on board with the plan. Sasz stated at that time that Karim was telling Flores that the money was acquired through loans that Sasz agreed to while telling Sasz that the money was Karim's own funds.

Flores stated that Karim asked him to set up three bank accounts; one for operations, one for employees, and one for AR. Karim stated that he would draw up bank letters as manager of the company to allow Flores to have access to the accounts. Flores stated that Karim contacted the IRS and informed them that he was the owner of Paradigm and changed the record with them. Flores stated that once money from the loans Karim had secured hit Sasz's account, Sasz questioned where the money had come from. Flores advised him that a loan had been secured against Paradigm's financials. Sasz informed Flores at that time that he could not do that because a deal had not been reached. At that time, Flores and Sasz began to share information and Flores showed Sasz forms that Sasz was reportedly aware of and agreed to which he actually had no knowledge of. Flores contacted Karim by phone and told him he was not comfortable with the situation, advising him that Sasz had no knowledge of the documents Karim had supplied to Flores. Flores stated that Karim continued to lie and Flores resigned from his employment with Karim. Since that time he has been working "off and on" with Sasz and Wallace. Flores stated that Karim consistently operates under the same protocol; he acquires an income stream from one entity, takes as much as he can from it then moves it to the next entity leaving the previous one to "burn".

Recording was stopped at 1023 hours. There was further administrative discussion about the investigative process, etc.

Investigation Continues
END OF REPORT



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