



The Riser Report

Asset Protection
Tax Planning
Offshore News

by Christopher M. Riser, J.D., LL.M.

[HOME](#)

[ARCHIVES](#)

[RESEARCH LINKS](#)

[STORE](#)

[SUBSCRIBE](#)

November 2002 (Vol. 2 / No. 1)

In this issue:

- [Welcome - Readers to Get More Frequent Information](#)
- [Section 412\(i\) Plans for Tax and Asset Protection Planning](#)
- [IRS Issues Ruling on Private Placement Life Insurance](#)
- [Second Citizenship: Dominica's Economic Citizenship Program](#)
- [Book Review: F'd Companies: Spectacular Dot-Com Flameouts](#)
- [Future Offshore Planner Arrives](#)

The Riser Report is a periodic publication with articles and opinions on asset protection and estate and tax planning topics authored by Christopher M. Riser, J.D., LL.M., of Axis Risk Consulting LLC in Atlanta and London and The Riser Law Firm PLLC in Highlands, North Carolina and Atlanta. Mr. Riser is a North Carolina Attorney and an English Solicitor. The Riser Report is available for free and is posted on this Web site in HTML format with e-mail notices sent to its own subscribers and to subscribers of [The Adkisson Analysis](#).

The Riser Report also is available in the convenient (and easy-to-print) [Adobe Acrobat Portable Document File \(.pdf\) format](#) as well. If you don't have the free Adobe Acrobat Reader installed on your computer, you can download it from the [Adobe Web site](#).

Subscribers to The Riser Report receive the in-depth periodical as well as weekly e-mail news briefs and tips related to tax and asset protection planning.

To subscribe to The Riser Report, sign up on the [Subscribe page](#). All back issues are [archived](#) on this site. Be sure to check out [The Adkisson Analysis](#) for in-depth critical analysis of risk management and asset protection issues and [Quatloos!](#) for comprehensive coverage of financial scams and frauds.

Author/Editor:

Christopher M. Riser, J.D., LL.M.
Axis Risk Consulting LLC
1230 Peachtree St. NE
19th Floor
Atlanta, GA 30309 USA
404.942.3553
404.942.3401 fax
criser@axiusgroup.com
www.axiusgroup.com
www.riserlaw.com

Welcome

Welcome to the November 2002 edition of The Riser Report. The Riser Report is a periodic publication covering issues and opinions related to asset protection and estate and tax planning. The Riser Report is published by Christopher M. Riser, of [Axis Risk Consulting LLC \(http://www.axiusgroup.com\)](#) an international tax and asset protection planning consulting firm with offices in Atlanta and London and [The Riser Law Firm PLLC \(http://www.riserlaw.com\)](#), with offices in Atlanta, Georgia and Highlands, North Carolina.

The Riser Report is sent by electronic mail to subscribers of our companion publication, [The Adkisson Analysis](#), and vice versa. If you aren't already a subscriber to The Riser Report, please subscribe at www.riserreport.com/subscribe.htm. Please subscribe to The Adkisson Analysis at www.falc.com.

Beginning in November 2002, subscribers of The Riser Report will receive the in-depth online periodical (like this one, i.e., with in-depth feature stories) and weekly e-mail news briefs and tips related to tax and asset protection planning. If you are familiar with past editions of The Riser Report, the new weekly e-mail briefs will contain information and stories such as were formerly covered in the "Briefly Noted" section of The Riser Report. Additionally, the new weekly e-mail briefs will contain asset protection and tax planning tips and information.

The future for tax planning and asset protection planning with tax-qualified retirement plans looks bright. I provide [an overview of the Section 412\(i\) defined benefit plan](#), a particularly useful tax and asset protection planning tool. However, in the spirit of "if it sounds too good to be true, it probably is" I also give some warning signs of a potentially abusive 412(i) plan.

The IRS recently issued Private Letter Ruling 200244001 dealing with private placement variable life insurance. [I review the ruling](#) and its implications for planning in this area.

More and more people from around the world, whether driven by tax motives, privacy motives or otherwise, are seeking second passports. Read on as [I review the second citizenship program offered by the Caribbean country of Dominica](#).

Winding up this issue is [a review of Philip Kaplan's F'd Companies: Spectacular Dot-Com Flameouts](#). Reading *F'd Companies* is sort of the businessperson's equivalent of watching the Jerry Springer Show, but it's such a wickedly fun, quick and entertaining read about the spectacular greed and audacity of a hundred internet Dot-Bombs.

Oh - and last, but certainly not least, not in my house anyway - there's [an important family announcement](#) regarding a little future offshore planner.

Comments and suggestions are always welcome. Email them to comments@riserreport.com or use the feedback form on The Riser Report Web site at www.riserreport.com/feedback.htm.

Section 412(i) Plans for Tax and Asset Protection Planning

Contributions made to a tax-qualified retirement plan are tax-deductible to the employer, and are not taxable to the employee at the time of contribution. The investment growth in the plan is tax-deferred. When the employee retires and begins withdrawing funds from the plan, the withdrawals are taxed as ordinary income.

There are two basic types of tax-qualified retirement plans:

- Defined contribution plans; and
- Defined benefit plans.

A **defined contribution** plan specifies an **amount of contribution** (e.g., 10% of salary, up to some maximum amount) that will be made during the participant's time in the plan. However, the amount of the retirement benefit that the employee will receive can vary greatly depending on the amount of future contributions, time, and investment performance.

A **defined benefit** plan specifies the **amount of benefit** the employee will receive at retirement. It is the "old-fashioned" pension plan, like those often (or that used to be often offered) by very large corporations. The defined benefit might be a specific dollar amount (e.g., \$3000 per month for life starting at age 62). It might be a percentage of salary (e.g., 60% of your last month's salary).

Because a **defined benefit** plan is designed to provide certain plan balances of specific dollar amounts for participants of varying ages, most defined benefit plans require complex actuarial calculations to be performed by the plan administrator in order to ensure that the plan meets the requirements for a tax-qualified plan and is not underfunded or overfunded. On the other hand, the value of a **defined contribution** plan at retirement simply is what it is. If it is less than the participant hopes to have to meet his lifestyle needs, then the participant has to work longer, hope for better investment performance, or reconsider his lifestyle.

A **“412(i) plan” is a type of defined benefit plan**. As with any other qualified plan, the employer gets a deduction for contributions made to the 412(i) plan and the employee is taxed when plan benefits are paid. A 412(i) plan is different from other qualified plans only in the requirements for funding the plan.

To meet the rules of Section 412(i), the plan must be **funded exclusively with annuity contracts or a combination of life insurance and annuity contracts issued and guaranteed by a life insurance company**. The plan must provide for level annual premium payments that start when the employee begins participating in the plan and are reduced by any policy dividends paid (i.e., policy dividends don't increase the amount of funding - they simply decrease the amount of premium payable). Finally, a 412(i) plan must prohibit policy loans and must prohibit an employee from granting a security interest in plan assets to secure a third-party loan.

I can hear future readers groaning as I type -- so what's so great about 412(i) plans – they have to be funded with life insurance and annuities?

OK, then, **here's what's so great** about them:

- There are **no limitations on contributions** other than the amounts required by the insurance and annuity policies to fund the plan. So, for example, if the particular insurance and annuity contracts used to fund the plan require \$400,000 premiums, the allowed contribution and attendant deduction is \$400,000. This generally means that **MUCH larger contributions** are allowed than with traditional defined benefit plans, and **MUCH MUCH MUCH MUCH MUCH (get the idea?) larger contributions** are allowed than with defined contribution plans.
- There can be **no possible overfunding or underfunding of the plan** as long as it stays a 412(i) plan. The plan will be adequately funded for retirement and won't be subject to IRS penalties to which other types of defined benefit plans might be if overfunded.
- The assumptions underlying the plan funding are those guaranteed by the insurance company, so the plan should hold up to IRS scrutiny with no trouble. **Beware, however, of abusive plans** with assumptions that simply don't make sense (such as a plan to which \$1,000,000 in premiums have been contributed over three years, but which has a cash value of \$100,000 at the end of the third year (part of a design to allow a “roll out” the policies to the participant at a low tax cost). Does that make economic sense to you? It doesn't to me. It won't to the IRS either. The IRS is actively looking for abusive 412(i) plans. **Stick to an economically sound plan**.
- The plan is **protected from the claims of creditors** under the Employment Retirement Income and Security Act (ERISA), one of the strongest means of protecting assets. Normally, ERISA qualified plans are of limited utility in short-term asset protection planning because of funding limits. 412(i) plans can be **excellent asset protection vehicles** because because 412(i) plans can often allow for quick funding with large amounts of cash.
- **Benefits are guaranteed** by the insurance company, which means:
 - The insurance company bears the investment risk.
 - The benefits are not affected by market fluctuations.
 - The guaranteed rates of return are almost always conservative, which means that high premiums likely will be required in the early years of the plan, which also means high deductions and the ability to protect large amounts of assets from creditors' claims.
- It is possible to **completely fund in a short period of time** all of the benefits under the plan. If for example, a doctor who made relatively little money in the first several years of practice begins to make considerably more money in the later years of his

practice and wants to fund a guaranteed retirement plan completely as quickly as possible, the 412(i) plan would be an excellent choice.

The ideal candidate for a 412(i) plan generally would fit the following profile:

- High income - \$200,000+ /yr
- Age 40 to 75
- Few employees
- Stable income
- Wants or needs to maximize tax-deferred income
- Wants or needs strong asset protection that can be implemented as quickly as possible

Of course, nothing is perfect. The 412(i) plan has **a few potential drawbacks**, including:

- No investment control by the participant (although the plan assets can later be rolled into a self-directed IRA)
- There is no flexibility in the amount or timing of the premiums which fund the plan; and
- No loans are allowed.

The maximum retirement benefit for any qualified plan is limited to \$160,000 per year (for 2002). There are limitations on maximum lump sum payments as well, which are based on age and current long-term interest rates. 412(i) plans usually are designed to fund for the maximum annuity amount, despite the fact that the plan will accumulate excess assets that cannot be paid as a lump sum. This maximum funding continues until the contract values projected at an actual expected rate of return (as opposed to the guaranteed rate) would grow to be equal to the lump sum maximum at retirement. Then the annuity and life contracts in the plan could be continued as paid up policies or surrendered. In any event, the plan would cease to be a 412(i) plan and would become a traditional defined benefit plan. Later, the plan can be "unfrozen" and the defined benefit formula increased to use up the excess value in the plan. Also, because the maximum amounts allowed as lump sum payouts are increased by an annual cost of living adjustment, what were once excess assets may become allowable over time.

Another approach is to fund a 412(i) plan at the maximum level for a limited number of years and terminate the plan before retirement while the assets do not exceed the lump sum limit. Then the **412(i) plan assets could be rolled over** into an IRA or to another qualified defined contribution plan.

Planning Example:

Dr. Jones is a 60-year old physician in a solo medical practice. He consistently earns \$400,000 to \$500,000 per year. Until now, he has been contributing the maximum amount to a defined contribution plan. His after-tax discretionary income is invested in a portfolio of stocks and fixed income securities held in a brokerage account. In today's litigious climate and in an era of skyrocketing malpractice premiums, he fears that he may soon be unable to afford or even find any suitable malpractice insurance. He fears that his salary -- both in the years it is earned and while sitting exposed in a brokerage account -- may be subjected to the claims of a judgment creditor.

Certainly, there are a number of potential asset protection tools Dr. Jones' advisor may suggest (a family limited partnership or LLC, proper ownership of real estate, awareness and utilization of Dr. Jones' state law exemptions, customized insurance solutions, etc.). One of the most useful tools in his situation, particularly if there may be imminent claims, would be the use of a 412(i) plan. The 412(i) plan would allow Dr. Jones to shelter from tax and from creditors perhaps as much as \$350,000 or more this year and similarly substantial amounts

for the next several years until retirement.

For more information on how a Section 412(i) plan might improve the tax and asset protection situation for you or your clients, please contact Chris Riser at criser@axiusgroup.com or (404) 942-3553.

IRS Issues Ruling on Private Placement Life Insurance Arrangement

The issue of who is considered the owner, for income tax purposes, of assets held in the subaccounts of a private placement variable life insurance policy was addressed recently in [Private Letter Ruling 200244001](#). The ruling was the result of a request (by the Bermuda and U.S. subsidiaries of a large publicly traded life AA+ rated insurance company) to rule specifically on a private placement variable life insurance arrangement where the subaccounts of the life insurance policies would be invested in hedge funds organized as partnerships the interests of which were offered in exempt securities offerings to 100 or fewer accredited investors. This was to be the first entry into the private placement market for this family of insurance companies.

Variable life insurance

Variable life insurance is a type of permanent life insurance that provides flexibility of premium payments and death benefit coverage along with a rate of return on the savings portion of the policy that varies depending on the performance of the underlying investments (held in "subaccounts" for each policy). Tax-qualified variable life insurance policies allow for tax-free buildup of investment value inside the policy. Depending on the type of policy issued, the policyholder may have tax-free access to the investment value by means of policy loans, and at death, the beneficiaries of the policy receive the death benefit proceeds (less any outstanding policy loans) free of income tax.

Among the requirements for a variable life insurance policy to achieve tax-deferral on the buildup of investment value, the Treasury Regulations interpreting section 817(h) of the Internal Revenue Code (the section requiring adequate diversification of investments) require that insurance companies not invest variable account assets alongside the public in publicly available mutual funds. If an insurance company wants variable account assets invested in mutual funds, the fund manager must carve out a special "life insurance policy only" fund.

What the IRS said

In short, the IRS held in the letter ruling that because the hedge funds in which the policy subaccounts would be invested are available to the public and are not funds in which only life insurance company subaccounts, then too much "investor control" exists and thus the policies fail the diversification rules of section 817(h) of the Internal Revenue Code. The result is that the owner of such an insurance policy would be deemed to be the owner of the underlying assets in the policy subaccounts and would be taxable on the income thereof. Ouch.

What's odd about it

What first struck me as particularly odd was not the IRS's position. Large variable life insurance policies, particularly private placement policies which offer customized investment choices, save policy owners billions of dollars in income tax on policy investments each year. Congress allows them under the Internal Revenue Code. The IRS doesn't like them. That's simple enough to understand.

What is more difficult to understand was why the ruling was issued at all. Negative private letter rulings are rarely issued. Private letter rulings are IRS rulings requested by taxpayers and directed solely at the requesting taxpayer. Typically private letter rulings are negotiated by the requesting taxpayer's counsel and IRS counsel. If the IRS's position appears immovably contrary to the taxpayer's position, and the taxpayer knows he is not going to get a favorable ruling, then usually the taxpayer simply withdraws the ruling request and no ruling is issued. However, that did not happen here. Why not?

First, we can rule out ignorance. The firm that represented the insurance companies in this ruling is a well-respected Washington D.C. firm with a great deal of experience in the taxation of investment and insurance products and investment and insurance product design. The insurance companies had to have wanted the negative ruling to be issued.

A more cynical group believes that the insurance companies allowed the ruling to be issued in order to sabotage other insurers who had already entered the private placement market. If the ruling caused a stir in the high net worth client estate planning and offshore planning community -- which it indeed has -- then the insurers offering

private placement life insurance might look foolish and the companies that requested the ruling, now firmly on the other side of the fence having never entered the market, would look brilliantly conservative to potential clients and advisors.

The less cynical among us believe that perhaps the insurance companies and their counsel wanted the ruling issued because it would force the IRS to stake out a position which the insurance companies could then pick apart in future litigation.

What might the ruling mean?

In any event the ruling was issued. So, what does it mean? There appear to be three views:

- The ruling means the end of private placement variable life insurance.
- The ruling means nothing. The IRS has the law all wrong.
- The ruling is worthy of attention, but:
 - the second view may be right - the IRS may be entirely wrong; and
 - properly designed private placement policies will survive in any event;

Could it mean the end of private placement policies?

How might the ruling mean the end of private placement variable life insurance? Well, the ruling clearly calls on insurers to require fund managers to create separate life-insurance-only mirror funds for variable life insurance policy subaccounts. There aren't many private placement variable life insurance policies out there. There may not be enough demand for fund managers to agree to supply mirror funds. If not, the market for private placement policies as hedge fund investment vehicles may dry up.

I don't believe that this will be the case. I have talked to several small fund managers who have indicated a willingness to establish insurance-only mirror funds for variable life insurance policies.

It might mean nothing

How could it be that the ruling means nothing? There is a very credible argument that the whole notion of "investor control" is inapplicable to variable policies and that only the mechanical objective diversification rules found in the applicable treasury regulations should apply to variable life insurance policies. The following summary is based on the work of two prominent attorneys in the field of the taxation of private placement life insurance products, Robert Colvin, of counsel to [Chamberlain Hrdlicka White Williams & Martin](#), in Houston, and Jay Walker of J.A. Walker & Associates, P.C. in Atlanta.

The IRS's "investor control" argument is primarily based on the common law doctrine of "constructive receipt." The IRS has stated in published revenue rulings that a policy owner will be considered the owner of subaccount assets if the owner possesses incidents of ownership in those assets. Generally, under these revenue rulings, in order for the insurance company to be considered the owner of the assets in a subaccount, control over individual investment decisions must not be directly or indirectly in the hands of the policy owner.

There were a few revenue rulings issued in the early 1980s and another in 1999 in which the IRS staked out its argument. In the one case (*Christofferson*) dealing with the issue (in the context of a variable annuity) in 1984, the IRS won its argument that the taxpayers had enough control over the policy to render the income in the subaccount taxable to them.

There is, however, a fundamental difference between a life insurance policy and an annuity. In order for a policy owner to realize the full value of the investment subaccount under an insurance contract before death, he must give up the right to a substantial death benefit. In contrast, the owner of an annuity policy can surrender it and receive the full value of the investment subaccount (less surrender charges), but without having to give up any substantial rights other than the right to receive income beyond his life expectancy; however, that right is practically fungible - he can purchase that right again at any time from any insurer. On the other hand, if he gives up insurance coverage, he may not be able to get that coverage again for reasons of health or age.

Since the mini-flurry of activity in the early 1980s, Internal Revenue Code Section 817(h) was enacted and accompanying regulations were issued. Code Section 817(h) and the Section 817 regulations provides that the investments of each subaccount underlying a variable life insurance contract must be adequately diversified in accordance with Treasury regulations in order for the policy to qualify as an annuity or life insurance policy. There are fairly simple mechanical rules that are applied to determine if a subaccount is adequately diversified.

Following the enactment of Section 817(h) and the issuance of the 817 regulations, investor control rules may be applicable no longer for the following reasons:

- Congress intended that the Section 817 regulations would address issues of diversification and investor control; the regulations do address diversification, but do not address investor control (in the explanation to the temporary IRC Section 817 diversification regulations, Treasury noted that it would issue guidance under Section 817(d) on investor control issues in final regulations. Final regulations have never been issued under IRC Section 817(d)).
- Section 817(h)(2) provides that a subaccount will be considered "diversified" if it satisfies the diversification requirements applicable to regulated investment companies (RICs) which permit the taxpayer to invest up to 50% of the assets of a segregated account in companies controlled by the taxpayer as long as no single investment in controlled companies exceeds 25% of the total value of the segregated account. Therefore, a certain degree of investor control appears to be expressly permitted by Congress.
- The partnership look-through rules found in the Section 817(h) regulations expressly refer to permitted investment in a partnership "if the partnership interest is not registered under a Federal or State law regulating the offering or sale of securities."

Indeed, the Code and regulations ***practically invite*** investment in private partnerships and in other investments over which the policy owner may have some control.

However, in Rev. Rul. 99-44 the IRS reasserted its view that investor control is still an issue, and clearly, in PLR 200244001, it is staking out that position once again. So, even if the argument seems like a good one - and it is quite logical and sensible given the current state of the law - one must be prepared to do battle with the IRS. Although the IRS has not litigated the investor control issue since 1984 (despite the explosive growth of variable annuity and variable life insurance products), the issuance of PLR 200244001 may be the harbinger of litigation to come.

It simply might mean *proceed with caution*

So, is there a middle ground that allows us to use private placement variable life insurance in planning for our clients and that allows us all to sleep well at night? I think so.

The IRS has issued a favorable ruling (PLR 9433030) on a private placement variable corporate-owned life insurance ("COLI") arrangement in which, among other things, no employee would communicate directly or indirectly with the insurer or investment advisor about the investments, the owner could not select the investments to be made and the owner could not change the pre-established investment guidelines. Quite conservative, but it worked.

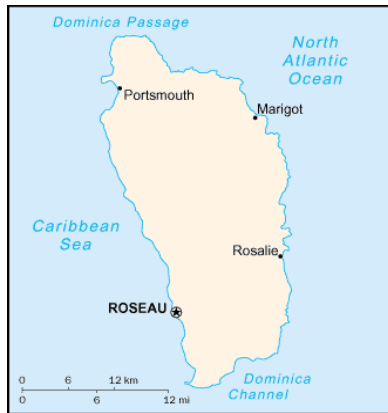
Furthermore, the IRS has ruled in the past (PLR 9839034 and PLR 9851044) that variable contracts can invest in public mutual funds under "fund of funds" arrangements (as contrasted with direct investment in otherwise publicly available funds, such as the privately offered hedge fund partnership interests involved in PLR 200244001). Shares of such funds of funds must be offered solely to insurance company subaccounts. A variable contract that invests in such a fund of funds should not fail for investor control issues merely because the fund of funds invests in publicly available funds. Unless a policyowner is prepared to do battle with the IRS on this issue, the solution will have to be that investment advisors associated with the subaccounts will have to establish mirror funds solely for variable subaccounts. Because the amounts invested in most private placement policies are substantial, the annual costs incurred by an investment advisor to set up and run a mirror fund (perhaps \$5,000 to \$10,000 annually) should not dissuade an advisor from participating in a private placement arrangement.

So, within specific parameters, private placement policies are acceptable to the IRS, even when the issue of investor control is accepted as a given. PLR 9433030 provides a reasonable set of guidelines for private placement policy structures and PLR 9839034 and PLR 9851044 provide guidelines for achieving specific investment objectives using funds of funds to access publicly available funds.

If any reader has specific issues with an in-force or contemplated policy with regard to investor control or diversification, I would be happy to refer you to highly competent counsel in Houston or Atlanta. Please contact me at criser@riserlaw.com for further information.

Second Citizenship: Dominica's Economic Citizenship Program

Dominica lies in the center of the Caribbean Windward Islands, between Guadeloupe and Martinique. It is a very scenic and wild island with mountains, rivers, waterfalls, and even a boiling lake. Dominica is fairly large as Caribbean islands go - nearly 300 square miles. The island's population is just over 70,000.



There are two major towns in Dominica. The busy capital of Roseau on the southwestern coast, is the island's commercial and government center. Portsmouth on the northwestern coast is a scenic smaller town which is the local cultural center for the mostly American students, faculty and staff of the Ross University of Medicine.

Dominica is a democratic republic with a parliamentary system of government. As a former British colony, its legal system is based on English common law. Dominica has an independent judiciary with appeals being heard by the Eastern Caribbean Court of Appeals and finally by the Privy Council of the British Parliament.

Dominica's economy is predominantly agricultural, with bananas as the country's principal export. The preferential treatment of Dominican banana exports by the U.K. has come under attack in the World Trade Organization. As a result, recent governments have been attempting to diversify Dominica's economy into tourism and financial services.

Part of this diversification effort, Dominica's second passport and economic citizenship program, was launched in 1993. Dominica's program has been through numerous changes over the last several years, most recently in 2002 when the required investment amounts were substantially increased. The government of Dominica sees this program as a significant source of revenue, with several hundred economic citizenships being granted since the program's launch. The revenue from the program is directed toward public sector projects such as schools, health care, a national sports stadium and promotion of the offshore financial services sector. Private sector projects are also being funded with an emphasis on tourism, information technology and agriculture.

Since the Dominica Labour Party gained power in 2000, the government of Dominica has wavered on the issue of continuing its economic citizenship program. Questions over whether to continue the program resulted largely from the failure to complete a major hotel project which was funded by the economic citizenship program. However, in 2002, realizing that the revenue was too important to lose, the government affirmed its support for the continuation of the program.

Acquisition of Dominican economic citizenship confers nearly the same rights as citizenship by birth in Dominica. Dominican economic citizenship allows the passport holder visa-free travel to dozens of developed countries around the world.

Under the old program, a contribution to the Government of US\$50,000.00 would secure Dominican second citizenship for the applicant, the applicant's spouse and two children under 18 years of age. Each additional child under 18 years of age was required to pay US\$10,000.00 and each additional child between the ages of 18 and 25 was required to pay US\$15,000.00.

Now, there are two options for obtaining economic citizenship in Dominica: the family option and the single option.

The Family Option

- The applicant invests US\$150,000 which qualifies for citizenship:
 - the applicant
 - the applicant's spouse; and
 - two children under 18 years of age for citizenship
- An additional US\$25,000 per child is required for each child under 25 years old.

The Single Option

- A single applicant invests US\$100,000 to qualify for citizenship for himself or herself.

In addition to the total investment required, the following fees apply:

- A non-refundable application fee of US\$200
- A non-refundable agent fee of US\$1,000
- A Registration fee of US\$1,000; and
- A Stamp fee US\$50 per application.

The application process can be expected to take about 90 days. A considerable portion of this time is consumed by a background checks on the applicant which is handled by a private investigative agency. Furthermore, the applicant must travel to Dominica for an interview.

Finally, as of July 2002, all applications for economic citizenship in Dominica must be made through a licensed agent, who need not be in Dominica. Axius Risk Consulting LLC can make introductions to qualified agents in Dominica.

The paperwork involved in the application process is extensive, including:

- Two completed and notarized copies of the application form
- A letter of recommendation from the head of the school for children between 16 and 18 years old
- A professional reference
- A letter of employment or, for self-employed persons, an audited financial statement
- A letter of recommendation from the applicant's banker
- Two personal references
- A declaration of the source of the applicant's funds
- A copy of the applicant's most recent income tax return
- A police report, with fingerprints, from the applicant's country of birth and country of residence (if different) for each applicant age 16 and over
- Four passport size photos for each applicant
- Birth certificate
- Marriage Certificate/Dissolution of Marriage
- Medical certificate attesting that the applicant is free of communicable diseases
- A letter addressed to the Minister of Legal Affairs requesting citizenship
- Detailed business background reports and a personal resume
- Notarized copies of university diplomas
- A notarized personal information disclosure form

In the next issue of The Riser Report, we will examine the second citizenship program of St. Kitts and Nevis.

Readers interested in pursuing second citizenship programs are invited to contact Chris Riser at criser@axiusgroup.com or by telephone at (404) 942-3553.

Book Review: *F'd Companies: Spectacular Dot-Com Flameouts*



F'd Companies: Spectacular Dot-Com Flameouts

by Philip J. Kaplan

Hardcover, 224 pages

Simon & Schuster

ISBN: 0743228626

Publisher's List Price: \$18.00

The fact that I bought and read this book on a business trip to San Francisco made it that much more entertaining. Reading about the internet flameout right smack in the middle of Dot Bomb Ground Zero made for a wickedly fun couple of hours. We've all heard a handful of stories about bad internet business ideas gone -- well, bad -- but Philip J. Kaplan's *F'd Companies*, published earlier this year, provides dozens more examples. This quick read

bluntly assesses the pretensions and audacity of the founders and backers of one hundred internet business disasters.

Sure, most of us knew about the high-profile implosions of Webvan and Pets.com (remember - we dog owners were supposed to jump at the chance to pay \$25 to order online and have a bag of dog food delivered a week later even though we could buy the same bag at the corner grocery store on the way home from work today for \$15). However, it's still fun to read the pithy truths (e.g, Webvan is "a classic example of PAYING more for products than they were SELLING them for") Kaplan drops on his readers. But Kaplan doesn't just retell the big stories, he relates scores of truly ridiculous ideas about which most of us never heard but for which tens of millions of dollars of capital were raised to be burned through in spectacular fashion, sometimes in a matter of months. Kaplan's concise, irreverent analysis is often laugh-out-loud hilarious and nearly always on the money (pun intended).

Kaplan's [F**kedCompany.com](http://www.f**kedCompany.com) Web site is where this all started a few years ago as a participatory rumor mill project among dot commers who were beginning to see the writing on the wall. It's a must-read for modern businesspeople. You'll read about rumored layoffs and other impending corporate doom, company failures, and sometimes funny, sometimes tragic internal memos. However, just because it is funny, cynical and sometimes downright bitchy, don't think it's not one of the most relevant sites on the web. It is. Unfortunately for many investors caught up in the internet frenzy of the late 1990s, much of the history of The New Economy© now can be found on F**kedCompany.com.

Order *F'd Companies* from [The Riser Report online bookstore at http://www.riserreport.com/store](http://www.riserreport.com/store).

Future Offshore Planner Arrives

My wife Betsy and I are proud and happy to announce (if a little late...) the arrival, on February 26 2002, of William Everett Riser. As you can see, we've already started Everett on his due diligence tour of the major offshore jurisdictions, these pictures having been taken poolside at the Elbow Beach Resort in Bermuda during some down time at the Insurance Distributors International (IDI) forum on offshore private placement life insurance.



Readers interested in Everett's offshore travels are invited to contact him at everett@axiusgroup.com.

View or download [The Riser Report November 2002 issue in Adobe Acrobat Format](#)

[CONTACT](#) | [DISCLAIMER](#) | [PRIVACY STATEMENT](#) | [SUBSCRIBE](#) | [REPRINTS & PERMISSIONS](#)

©2002 Axius Risk Consulting LLC. All Rights Reserved.

Limited permission is granted to readers to reproduce and forward this newsletter in electronic form for noncommercial purposes to individuals whom the reader reasonably believes would be interested in its content.