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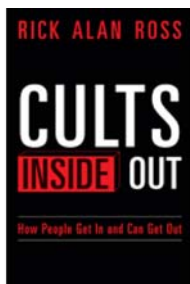
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Court documents claim NXIVM is 'a cult'

Lawsuit suggests leader Keith Raniere lost millions from Bronfman fortune in trading system

Albany Times-Union/January 31, 2010

By James M. Odat

New documents filed in a lawsuit claim that NXIVM, an Albany County personal growth organization, is actually a cult whose leader is a compulsive gambler and investor who risks other people's money -- especially that of a pair of wealthy sisters tapped for about \$100 million in recent years.

One court dispute, in Los Angeles County, Calif., involves a \$26 million real estate deal gone sour and reveals what one ex-NXIVM member described as a "crazy" scheme to make money in commodities trades that lost \$65 million.

Court documents claim that Keith Raniere "is the absolute leader of a cult called NXIVM" who "exercised complete control" over Sara and Clare Bronfman. The sisters are heiresses to the Seagram Company liquor fortune and have been bankrolling Raniere's investments and his substantial legal fees, court documents say.

For several years, the sisters have been trainers and followers of Raniere's philosophies on ethical life and paths to self improvement. Raniere's organization, NXIVM (pronounced like the patented drug "NEXIUM"), also known as Executive Success Programs, has given many people, including celebrities, instruction in personal improvement through courses and seminars.

Raniere's NXIVM biography says he is a Rensselaer Polytechnic Institute graduate who made "The Guinness Book of World Records" for his high IQ. He once ran Consumers Byline, a buying club.

Accusations in the Jan. 11 filing in California are "salacious" and "malicious" and filled with false statements, said Robert D. Crockett, a lawyer representing the Bronfman sisters. He said NXIVM is not a cult. He acknowledged the heavy losses the Bronfmans have incurred from investments in commodities and real estate in Los Angeles and said the Bronfman sisters are believers in Raniere's ideas.

Concerns about NXIVM have surfaced in the past from critics of the group and about Raniere, the most recent last year when Raniere and the Bronfmans arranged for the Dalai Lama to visit Albany.

The difference this time is a deposition attached to the motion in the California case from Barbara Bouchee, a financial manager from Saratoga County who had been one of Raniere's confidants and who served on NXIVM's board for about nine years. Crockett and the court papers also describe her as one of Raniere's many former girlfriends.

Bouchee, who managed tens of millions of dollars of the Bronfman sisters' assets, was also a consultant to NXIVM for many years before breaking with Raniere and the group last year, Crockett said, although Crockett alleges Bouchee has been improperly pressuring NXIVM for payments she and eight other women believe are due them -- collectively, about \$2 million.

Bouchee declined an interview, saying she cannot discuss matters involving clients. But in court statements, she said she gave Raniere \$1.7 million starting around 2000 so he could test his formula for investing in the commodities market.

Only part of Bouchee's testimony is included in new documents in Los Angeles County Superior Court. The case is Precision Development LLC vs. Yuri Plyam, a claim first brought two years ago by NXIVM principals. The initial suit alleged Plyam embezzled some of \$26 million the Bronfman sisters had invested in a failed real estate venture in which Plyam was supposed to manage the construction of residential homes around Los Angeles.

Plyam had been Raniere's commodities trader, the motion says. Plyam countersued, and the case has become a complicated argument involving him, Raniere, other NXIVM leaders and the Bronfmans.

In Plyam's countersuit, in which the new complaint emerges, his attorney seeks to highlight Raniere, portray him as a commodities market loser and list him as a defendant.

"Because of the nature and extent (of control) he exercises over his followers, including the Bronfman sisters, and the control he exercised over the real estate venture, in order for justice to be done in our case, he should be in the middle of it," said Ford Greene, Plyam's lawyer, in an interview early last week. Late Friday, he said in a phone call that he is revisiting his court motion as it pertains to Raniere "wielding total control."

Bouchee, who worked on the Bronfmans' financial affairs for years during her relationship with Raniere, alleges in a deposition that Raniere called the shots on real estate and commodities investments that lost money for the Bronfmans.

She said in a deposition taken in Albany for the litigation that the Bronfman sisters gave up \$26 million for a Lake Arrowhead luxury home real estate project with Plyam near Los Angeles and \$65 million that Raniere needed after placing commodities trades with Plyam over several years. The pleading says Raniere was a compulsive gambler on the commodities market and had first lost \$1.7 million in Bouchee's funds before turning to the Bronfmans after they became associated with NXIVM.

The motion, filed by Greene for Yuri Plyam and his wife, Natalia Plyam, alleges that Raniere touted himself as one of the world's greatest intellects and had devised a mathematical solution that would be successful in commodities trading.

Instead, his trades through Plyam lost tens of millions of dollars, but Raniere was not deterred, the filing alleges. During his years of trading, and through dozens of calls a week, Raniere built a close friendship with the broker, Plyam claims. When Plyam diversified into real estate development, Raniere thought a joint venture would be good, the filing claims.

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That led to the Bronfmans funding a partnership called Precision Development. The deal ultimately destroyed their friendship and resulted in lawsuits charging Plyam with fraud.

Greene asserts that Raniere's access to funds started drying up so he had to choose between honoring his agreement with the L.A. County real estate venture or continuing his commodities trading. "When Mr. Raniere's addiction to the risk that the commodities trading offers started to collide with the commitment he made to the Plyams that Precision Development would receive the funding it needed, the Plyams lost," Greene's complaint concludes.

Greene replaced an attorney for the Plyams who declined to name Raniere as a defendant. He also is on the board of the Rick Ross Institute, which tracks cults. Ross, who has published material asserting that NXIVM has cult-like characteristics, has been sued by NXIVM in a case that is pending.

Crockett, who is also representing one of the NXIVM officials in the Ross case, said the Plyam litigation has entered new territory under Greene.

Greene paints the Bronfman sisters, who live in the Capital Region and are in their 30s, as naive and unsophisticated "girls" putting up funds at the direction of Raniere, 49, of Clifton Park.

"The girls knew nothing about real estate and they knew nothing about investing," Bouchey said in her deposition.

The sisters, however, have helped NXIVM purchase several of the roughly 17 residential and commercial properties in the Capital Region tied to NXIVM officials, including the headquarters building on New Karner Road in Colonie.

Bouchey's deposition refers to e-mails she had seen that showed Plyam and Raniere were engaged in the California real estate transactions. When that project and the commodities trading ran into trouble, she said, NXIVM officials panicked, including President Nancy Salzman, whose name was on some of the real estate records. But those who knew kept mum as Raniere came up with reasons for the market losses.

At one point, he directed Salzman to counsel Bouchey to clear her of negative thoughts so that the market would not keep crashing.

"It was very tight, tight constricted circle because what would the NXIVM community think if they found out that the leader of the mission was irresponsibly gambling millions and millions and millions of dollars and losing it?" Bouchey said in sworn testimony. "This would shake the confidence of many people. ... It looked crazy. It was crazy."

Raniere told them the losses were due to outside forces out to foil him, such as Edgar Bronfman, the father of the sisters, Bouchey testified. Raniere, she said, chalked up the losses as a learning experience that could help with dealing with world markets.

"Keith wanted to have our own country, our own currency and market, our own way of doing things," she said. "So he needed to learn how the cheaters in the world markets worked."

Crockett, the lawyer for the Bronfmans and for Salzman, said if the recent motion had not been filed as a public record he might be preparing a slander lawsuit.

He said the Bronfman sisters made the commodities investments, not Raniere, by loaning the \$65 million to an entity called First Principles LLC, whose sole stockholder was Salzman. "Mr. Raniere was giving the Bronfmans advice on what positions to take with their money," he said. He said it is not unusual for someone to claim he has a system to beat the market and for that system to fail.

He said Plyam deceived the Bronfmans and embezzled funds for his personal use, claims that are in the original suit against Plyam.

Crockett said the Bronfmans never said anything about Raniere being a compulsive gambler and he provided more of Bouchey's deposition transcript, which shows she would not answer when he asked her if she threatened in a letter to go to the press unless she and eight other women received a financial settlement on \$2 million they claimed to be owed. He said she threatened to expose NXIVM's vulnerabilities if she was not paid.

The Bronfmans, he said, are not under Raniere's control. "They are enamored with his ethical pursuits and his business pursuit," he said. "We're talking about people who have hundreds of millions of dollars to invest in speculative and non-speculative ventures."

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