

Swindling Homebuyers in Georgia

By [Paul Rimple](#)

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Georgia's latest high-profile indictments are of former vice speaker of parliament, Rusudan Kervalishvili; her sister, Maia Rcheulishvili; and their associate, Ivane Tsaguria, who have been accused of fraud and embezzlement of \$6.7 million. This will not go down well in the West because Georgia's Western partners have a selective way of looking at selective justice.

Kervalishvili embodied the image of former government's Westernization principles. She helped amend the criminal code to criminalize domestic violence and championed the enhancement of women's participation in politics. Yet while this darling of gender equality was being commended by the European Union, USAID and Human Rights House, her construction company, the Center Point Group, was allegedly bilking millions of dollars from thousands of victims in Georgia's largest construction scandal ever.

The Center Point Group was founded in 1999 by Kervalishvili, Rcheulishvili and her husband, Vakhtang Rcheulishvili, an official of the government of former President Eduard Shevardnadze. Together, they used their prestige to make the company one of Georgia's largest housing developers, but what they really created was a giant Ponzi scheme.

By establishing 70 limited-liability companies and individual partnerships in charge of writing up contracts and doing construction, Center Point had a legal cushion from any liabilities. In many cases, these companies couldn't cover the increasing costs of building materials, so they would stop construction. Center Point then began a more aggressive advertising campaign to attract new investors to cover the initial projects.

Because the companies could not meet the demand of the new investors, the scheme soon caved in. 6,158 families paid full or half price in advance for newly built apartments, but when it came time to move in, there was nothing but rebar and cinder blocks on building sites. Meanwhile, Center Point Group walked away with \$310 million in profit.

One victim was Guram Zarnadze, who decided to return to Georgia after the Rose Revolution promised a corrupt-free future for the nation. He had been slaving as a taxi driver in the U.S. to send money home when he signed a contract in 2005 for a 105-square-meter flat, which was supposed to be completed in three years. He paid \$43,000 in installments to Center Point City, which had abandoned the construction site and taken his money with them.

In 2010, Maia and Vakhtang Rcheulishvili announced they would fix this mess by handing over the management of all Center Point Group companies and projects to Dexus, a company established two weeks before the announcement with starting capital of about \$60. Ivane Tsaguria was one of its founders.

Dexus fixed things by adding costs and making victims pay an additional value-added tax, which is 18 percent of the total cost of each apartment. The buyers had been lead to believe that value-added tax was included in their original contracts. Perhaps the dirtiest thing Dexus is accused of is secretly selling property that victims of the alleged fraud were entitled to back to Maia Rcheulishvili.

Despite the amount of evidence to start a criminal investigation, the prosecutor claimed this was a civil, not a criminal, case. Apparently, he forgot his office prosecuted one contractor in 2010 who was sentenced to 10 years for duping 27 customers to the tune of \$486,000. That's a far cry from nearly 6,200 families. Another difference is that the Center Point Group donated more than \$500,000 to President Mikheil Saakashvili's ruling party between 2007-08.

Saakashvili's government looked the other way as thousands of people were scammed out of their life savings. And nobody said a word. But when the new government pursues due process, it's called "selective justice." How is that again?

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