

JUSTICE CLAUS

NOVEMBER 2006

My son Stephen is quite fascinated about how Santa Claus keeps and maintains his naughty and nice list. I don't know whether he is looking for loopholes in the deal or is genuinely concerned about his status for December 25th. What I do know is that I would like to thank Santa for making it a lot easier to get the kids in bed on time this time of year. Anyway...this past month was a busy one for financial frauds and scams; the following is a small sample of the jerks that Santa will most definitely be ignoring this Christmas. (*Light bulb turns on in my head.*) In fact, I think Santa needs a new partner...Justice Claus! Forget coal in the stocking. If you have been really, really bad Justice Claus slides down the chimney on Christmas Eve and opens up a can of whoop ass. I like this idea.

Hey...If Madonna can write children's books, I certainly could.

The Wonderful World of Forex Pts. One and Two

PART ONE: James E. Brown churned and burned more than 350 investors to the tune of millions of dollars. The self-proclaimed foreign currency trading guru promised to double their money every six weeks. Mr. Brown President of Brown Investment Services held investment seminars in the Richmond, VA area. Tom Campbell, of the *Times Dispatch* reported that Brown actually offered a written guarantee that he would double investors' investments every 30 business days trading on the Foreign Currency Exchange Market (FOREX).

Do you realize that if Brown could actually do what he said he could do a \$1000 investment would be worth \$4,016,000 in one year?

Authorities are now trying to sort out where the money went in order to try to provide some restitution. Brown bought \$2.9 million in automobiles, one being a Mercedes Benz SLR McLaren worth about \$450,000. Brown bought \$154,000 in jewelry and paid himself \$640,000 between April and September. Salaries of the employees of Brown Investment Services averaged \$115,000 with one employee being a fashion consultant whose job was to pick out Brown's attire and set it out for him each morning (I have a sinking suspicion her duties were a little more extensive). Investors can expect pennies on the dollar in restitution.

PART TWO: *Crain's New York Business* reported that the FBI arrested seven traders and accused eleven others of running a Manhattan Forex "boiler room" operation fleecing millions from investors from around the country. *The New York Post* reported that the targets of the fraud were primarily the elderly. In convincing senior citizens to fork over their savings the crooked firm, Holston, Young, Parker and Associates lied and told prospective marks that they had offices in New York, London, Zurich and Tokyo and their clients included CEO's of Fortune 500 companies and numerous celebrities. The victims were provided with the usual fake monthly financial statements reporting 5% growth over the first several months, when in reality the con-artists were sending money overseas to Cyprus and Russia. After six months investors were sent letters stating that 90 percent of their money had been lost due to a year of unprecedented market losses. Basically, they collected as much money as possible over a six month period of time, sent it overseas and shut the operation down.

Wire and mail fraud charges carry a maximum sentence of 20 years. However, in my opinion from watching other similar situations like this unfold for years, these crooks will be locked up for five years and be out in three with good behavior, doing time in a Club Fed facility. They will leave prison with multi-million dollar offshore bank accounts waiting for them.

Bleeding Heart Scam

A.G. Edwards & Sons broker Brian Christensen had a *unique* way of investing client's money. Instead of the prudent mix of stock, bonds, cash and real estate, Christensen invested in a sole nonprofit company. Playing on the heartstrings of investors, Christensen convinced people that they could invest in a nonprofit company that was suppose to aid children in the community and get a safe return as well. The pitch that Christensen used probably went something like this...

"You are going to be investing in a nonprofit group that will aid children in the local community and you will see a nice safe return as well. This is a way you can give back to the community and provide for your retirement as well. It is a damn shame that other brokers do not bring opportunities like this to their clients."

*Back to reality...*Nonprofit groups cannot make money to pay investors. They wouldn't be nonprofits.

Todd Ruger of the *Sarasota Herald Tribune* reported Christensen did what many investment crooks do to facilitate their conspiracy, utilize word processing software. Christensen forged documents, letterhead, posted phony numbers and returns. What is truly amazing about this fraud is that A.G. Edwards actually found out about the scam, fired Christensen, but neglected to tell his clients that they were being duped and allowed Christensen to transfer them out. *"Thank you sir, may I have another."*

One of Christensen's victims, a retired couple who retired to Venice, FL lost more than \$1 million which was the proceeds from the sale of their business. One of the victims stated to the *Herald Tribune* that Christensen was supposed to be the "Boy Scout" of A.G. Edwards. *"He came across very honest, very sincere and would go out of his way to meet you, under the roof of A.G. Edwards we felt very secure."*

Tip: All good con-artists make people feel safe and secure, if they didn't, they wouldn't be good con-artists.

You Are So Money

Actor Vince Vaughn's mother has been conned, and subsequently, her clients have been conned out of \$25 million after falling for an investment scam. Sharon Vaughn, 64, put her clients into a phony hedge fund that guaranteed 10% a month plus donating a portion of the profits to charity. The scary thing is that Sharon Vaughn called herself one of *America's Top Money Managers*. What a crock. A rookie manager with a shiny brand new license and Jay-Z in his or her I-Pod would know that a guaranteed return of 10% a month is impossible. Vaughn has been helping investigators trap the con-artists, and thankfully has been barred from managing people's money.

Justification for Gratuitous Violence

After reading this story I fully understood what was going through Butch Coolidge's (Bruce Willis) mind when he was contemplating on what weapon would be appropriate to dispense of Maynard and Zed in the film *Pulp Fiction*.

The *New York Post* reported that a Long Island Money Manager, Peter Dawson and his wife Lisa are accused of destroying the nest eggs of many middle-class and disabled retirees upwards of \$50 million. One victim, John Haslbauer, a retired auto mechanic in his late sixties not only lost his entire \$374,000 nest egg, but was convinced by the Dawson's to take out a \$75,000 home equity loan that the Dawson's transferred to themselves. Another victim was a legally blind retired New York City fireman who was fleeced out of \$810,000.

The claim alleges that the Dawson's using an investment firm called BMG Advisory Services began misappropriating funds back in 2000 by "*transferring client funds into his own name.*" The claim also alleges that Lisa Dawson used her role as the client's tax preparer to "*mislead and hide the clients true financial and tax situation.*" The Dawson's convinced many clients to take mortgages out on their homes and have the equity payments sent to their office. The lawyer for John Haslbauner told the *New York Post* that it appeared to him that the Dawson operation was an affinity scam where they signed up retirees from specific locales, like a Verizon office, church, or firehouse.

In this situation I would concur on Butch Coolidge's choice of a Samurai sword, I would also follow up with Marcellus Wallace decision to call in the boys and get medieval.