

MORE BLOTTERS AND DOCKETS

MAY 2006

More Trouble from the Firm with the Aging Hippies in Their Ad Campaign

The *Wall Street Journal* reported that a group of Exxon Mobil Corp. employees who claimed that their broker pushed them into unsuitable risky investments were awarded \$22 million, including \$3.5 million in punitive damages. This happens to be one of the largest awards of its kind ever levied against a Wall Street firm. The culprit...Ameriprise!

According to the groups' statement of claim the broker pushed all the employees to retire early, and told them "they would be able to live a lifestyle equal to or superior to the one they had while working." The broker told the Exxon employees that they were going "*to need to learn how to spend money.*" The bulk of the money was put into high commission variable annuities that were unsuitable because they would allow investors to defer taxes on their money. The Exxon employees' funds were already tax deferred so there was no benefit, except for the broker.

The losses incurred by the employees were severe. *The Wall Street Journal* states the case of one individual whose \$992,208 investment to \$302,265 from 1998-2003. The variable annuity investment garnered the broker a \$66,679 commission.

This Is What Happens When You Cancel *Walker Texas Ranger*

The NASD announced that it has expelled Dallas-based brokerage firm Salomon Grey Financial from the securities industry. They are charged with extensive supervisory failures, anti-money laundering violations, email retention violations, customer complaint reporting violations, unauthorized searches of NASD's CRD system, and failure to wash their hands after going to the bathroom. (I made that last one up.) Once again, in another example of Wall Street justice, Salomon Grey neither admitted nor denied the allegations. Chuck Norris wouldn't have stood for this nonsense.

Dirty Rotten Scoundrel II

A Fayetteville, NC broker/con-artist named Anthony Allen was sentenced last month after ripping-off and destroying many lives in the Fayetteville community. It is estimated that Mr. Allen bilked over \$18 million from over 150 people, most of which were elderly and retired. Greg Barnes, a reporter for the local station WRAL stated, "*Some people lost their life savings. One woman said she was forced into bankruptcy and had to go back to work to make ends meet. But Allen stole more than money. He stole his victims' pride and dignity. Today, many are so embarrassed about how they were taken in that they won't talk about their losses, not even with their closest friends.*"

Allen pleaded to 85 counts of defrauding people through his jobs as an insurance broker, estate planner and publisher of *Fifty Plus* magazine. Area lawmen say that Allen is a master of deceit, a chameleon that began his career at age 19 by robbing a bank while working as a chaplains assistant at Fort Bragg. After his release from prison, he duped an elderly woman into believing that he was an ordained minister, he loved her, then took all of her money. He then realized he would be a natural fit for the insurance and annuity business and got his broker's license. (Nice work on the background check.) Allen curried favor with the local churches and senior citizen groups who allowed him to hold estate planning meetings for their members. Allen lived the high life, and was a gracious host. Greg Barnes states that he tipped waiters with \$100 bills. He took clients to places like Las Vegas and San Francisco and bought them expensive gifts which was

all a part of the scam. One victim, a minister, stated, *"It was our money he was doing it with, but we didn't realize it."*

The Dark Sith Lords Pay a Parking Ticket

Smith Barney/Citigroup/Dark Sith Lords have agreed to pony up \$50 million to settle a class action law suit that alleges the firm loaded up customers of its broker-managed fee-based accounts with stocks of investment clients according to *Investment News*. The lead plaintiff in the case stated that he opened his account in November 1999 and during the next two and a half years; at least two-thirds of the stocks in his account were Smith Barney/Citigroup/Dark Sith Lord investment banking clients. Shocker! Did you think you were going to get unbiased advice?

By no means am I sticking up for the Dark Sith Lords and their peers, my contempt for them is well-documented, however if one walks into a Honda dealership, one is not going to be sold a Toyota. I don't care what the big wirehouse firms are telling you, they are not, have never been, and probably never will be objective. They make the bulk of their money in investment banking and proprietary product. What do you think they are going to sell you?

Matt Foley Returns as Investment Advisor.

Indianapolis based Retirement Planners of America Inc. has filed for bankruptcy. RPA, a firm that advised more than 100,000 clients on how to build their nest eggs, couldn't pay its \$1.5 million in bills despite the fact that it sold only high commission annuities according to Paul Tharp of the *New York Post*. Something smells fishy.

RPA and its founders Jerry K. Scott and Thomas J. Coughlin both motivational speakers, (**Invest with us or live in a van down by the river!**) used infomercials that preached that stocks overall produce hardly any returns and bonds throw off meager returns, so buy annuities. The firm that billed itself as *"The Home of Retiring Younger With More Security"* turned out to have founders that were embezzling funds.

Merrill Lynch Will Not Be Outdone By the Dark Sith Lord.

The *Wall Street Journal* reported that Japan's Securities and Exchange Surveillance Commission has accused Merrill Lynch Investment Managers of violating the nation's investment-trust law and will be punished. We reported in the September 2004 edition of the Markowski Monthly on how Smith Barney/Citigroup/Dark Sith Lord was thrown out of the country for ripping off Japanese citizens.

Talk about irony...this past month MSNBC.com reported that the top brass of Merrill Lynch has warned staff they will not tolerate unethical behavior. MSNBC.com didn't say whether or not the respective fingers of the Merrill Lynch executives were crossed when making the statement.