

# WATCHDOG'S BELIEVE IT OR NOT

## MAY 2005

An interesting dilemma I face being the host of the *Watchdog on Wall Street Radio Show* is the seemingly implausible nature of many of the stories I report. I receive countless e-mails and phone calls from astonished listeners regarding stories we cover on the show or here in the *Markowski Monthly*. The big investment firms with their tremendous *Donnie Deutsch* Madison Avenue advertising campaigns, coupled with their more or less literal ownership via monetary proxy of the mainstream press places most of Wall Street's high crime stories in the censored circular file. The lack of coverage has turned us into the Wall Street version of *Ripley's Believe it or Not*. Unfortunately, my Jack Palance imitation is lacking.

### Back in the HIGH Life.

Federal investigators are looking into whether some traders at Fidelity Investments accepted drugs from Wall Street brokers in exchange for directing Fidelity's trading business toward the brokers. What's even more astounding was the response from Fidelity spokeswoman Anne Crowley, "We've been cooperating fully with all inquiries concerning gifts and gratuities."

*Gifts and gratuities...* I want to know who took over the useless chatchkes department at Fidelity...Tony Montana? No more mouse pads, golf tees and coffee mugs, Fidelity's got cocaine.

### What, Marion Barry Wasn't Available?

J.P. Turner & Co. LLC, an Atlanta based broker-dealer, whose president was cited by the NASD in 2003 for failure to supervise "hot stock IPO's" and for failure to report brokers' histories of violations over 50% of the time, finally found a new leader to ride the ship. His name is Michael Bresner, a former big-shot at National Securities Corp. out of Seattle, WA. However, after further examination of Mr. Bresner's record we found out that the NASD fined him \$25,000 and suspended him for 30 days last year for his failure to supervise brokers. Evidently, it is becoming a bit difficult to find some honest executives on Wall Street. Peter Townshend was right... "Meet the new boss, same as the old boss."

### Scum of Queens

A Queens, New York broker fleeced over \$10 million from a client's account and used the cash to buy lots of "bling bling." Brian R. Mitchell created phony account statements and IRS 1099's to hide his fraud. His firm, Mitchell's Austin Securities has been shut down by Securities Industry Protection Corp. (SIPC). In addition to draining \$10 million from his clients' account, he also rang up a \$7 million margin balance. Besides destroying this client, Mitchell churned his other clients to the tune of \$196 million. I guess he needed some new rims.

### Return of Don Corleone.

In the last *Markowski Monthly* we told you about a Citigroup scam dubbed *Dr. Evil* by Citigroup itself. *Dr. Evil* was an illegal and complex bond trade that roiled the European bond markets and netted Citigroup a small fortune. In a scene reminiscent of the first **Godfather** movie, the German state prosecutor has changed his mind much like Johnny Fontane's former bandleader or Mr. Woltz the movie producer, and will not pursue a criminal market-manipulation case against Citigroup despite all the overwhelming evidence. We are waiting to find out if Citigroup made the prosecutor an offer he couldn't refuse, or left a horse's head in his bed. I will let you know.

### Another Example of Why We Need to Institute Public Flogging.

The NASD expelled another crooked Boca Raton, Florida brokerage firm LH Ross and barred its owner Franklyn Michelin, for life. We warned America about this cesspool over a year ago on the radio show. This firm and their brokers are guilty of the following transgressions: manipulation, fraud, excessive markups, sale of unregistered securities, record violations and supervisory violations just to start. I wouldn't be surprised if these guys tortured domestic animals in their spare time. The NASD stated this about the firm's investment offerings: "They appear to be little more than a scheme to defraud investors." Thank you NASD, you are the recipient of our **Master of the Obvious Award**. We warned everyone that LH Ross was engaged in extensive fraud by selling unregistered self-offerings a year ago. LH Ross operated 17 different crime dens with over 180 brokers, and everyone can be rest assured that after all fines are paid by Franklyn Michelin, LH Ross, and their brokers, they have all promised to be good boys and girls.

The fraud that these criminals perpetrated cost investors in the tens of millions of dollars. Let's recap: Steal \$50 million. Pay a fine. Walk away rich. Justice Wall Street style. That's right kids nobody from LH Ross is going to do any jail time.

Another boiler room we warned everyone about was the mob-tied Yankee Financial Group and their partners in crime, Sierra Brokerage Services and Argus Securities. According to the NASD, brokers employed by these outfits used high-pressure sales tactics, fraudulent misrepresentations, baseless price predictions and omissions of material facts to scam investors into penny stocks. The brokers made over \$17 million purposely targeting sales of these stocks to elderly persons who were obviously unsuitable. The victims included an 84-year-old who lost \$1.2 million and an 86-year-old who lost \$1.15 million.

On second thought, flogging is way too kind. I say we go medieval.

### **Selling Schlock.**

New Hampshire regulators accused American Express Financial Advisors of scamming their clients by giving its brokers secret incentives to sell under-performing garbage in-house mutual funds. American Express awarded their brokers higher commissions and bonuses for selling proprietary funds. Internal American Express e-mails showed supervisors praising brokers who sold American Express funds and ripping ones who didn't. In one sales contest American Express actually offered brokers a free one-year lease on a Mercedes-Benz for pushing a new in-house fund. We have reported on these practices by not just American Express but all of the other usual suspects for years. How one can expect unbiased advice by brokers at big firms that create their own proprietary product is beyond me. Firms make a lot more money when clients buy their junk.

### **Another Hedge Blow Up**

Triburon Asset Management should be a statistic, a bad statistic. However, its existence will soon be erased from the world of hedge funds. Why? Because it lost its clients everything. When one reads hedge fund performance indexes you would assume that blowups like Triburon would be included in the batting average. Well...they're not, that's why reading one of those performance indexes is about as useful as reading the New York Times or listening to Air America. Anyway, Hedge Fund Manager Vincent Montagna of Triburon used money from his investors to get some serious "**bling**". Monies sent to his hedge fund were used to purchase a Ferrari, personal property, pay off credit card bills, travel and purchase a mink coat. A "*mink coat*"? Didn't Puddy wear one of those on *Seinfeld*? I digress...please kids, stay off the hedge funds, or you too could be unwittingly buying some fund manager a fur coat.