Heist Matrioshka

Before humans conceived of time, I was here. You may not recognize me. But you've felt my presence. We'll meet again at the End of Time. I'll be your accuser when you plead your case before the throne of God.

Don't mistake me. No red horns or pitchfork. I'm God's chosen angel – the only of the heavenly host who refused at God's command to bow down to humans. You're not God's equal, believe me. My divine assignment is to test you. I conjure temptation for you to choose – so you can come before your Maker with objective stats on the Day of Doom, faith metrics, measuring whether you've earned entry to heaven.

You wonder how I do this. Well, it's not really my doing. Humans have evolved to tempt each other in ingenious ways. I'm here to take notes, to record evidence, like the true story I'll share with you about a matrioshka doll of heists.

It began with a cold call. In December 1994 attorney Bill Bertram, age 56, was a scion of Darke County, Ohio, trustee of the Greeneville Public Library and the Wayne Hospital, happily married (or so he told friends), let's correct that to married, as I promised you non-fiction. His days were filled with minutiae of title exams and debt collections. He felt like a janitor of human dust. He'd built a title agency called Secured Equity that generated more income than his law practice. Mistakenly thinking of himself as middle aged, Bill took annual trips to St. Barts with second wife Jennifer, played country club golf. He was depressed, medicated. 33 years of a small-town treadmill. It was not enough. For many humans, I have found, enough is never enough.

And so, when the voice of David Levy called as a winter storm howled that the sap might never rise again, temptation stroked Bill Bertram.

"William, Dave Levy, Monroe Parker. I promised to call you with a stock you can't pass up, remember?"

"Yes," lied Bill, intrigued.

A trained salesman knows that any "yes" is a bass' nibble at a baited hook. Levy tugged on the line. "We have one that's about to pop. Buffet's buying it. Let's start small so I can show you what we can do together. Ready to get started?"

Was it the thrill of a call from New York? The dangle of greed?

"Yes," said Bill. He wired $15,000 to buy a stock whose name was like a precious secret shared during pledge week to test whether he would be admitted to an elite fraternity of finance. Two weeks later Levy called again. "You doubled your money. Ready for an IPO? Dualstar Technologies. It's going to explode."

Explode? That's one way of putting it. Had Bill seen the prospectus, he could have read that Dualstar was being taken public by Stratton Oakmont, a broker dealer under sanction for chronic fraud. $7 a unit would produce two shares of stock and warrants to buy more. A few months before the Initial Public Offering, the IPO, Stratton's mastermind Jordan Belfort paid 14 cents a share and stood to cash out $2.7 million. Dualstar's book value was 13 cents a share, and the cash Dualstar would get from the IPO wouldn't last a year. But Levy had proven that

Monroe Parker knew how to make money. Why wait to read a prospectus? “Yes,” said Bill. He poured over $100,000 of his savings into Dualstar.

In days Levy called to report Dualstar’s price had rocketed. Three months later Bill made $111,700 on Dualstar.

“Bill, I’ve proven what we can do together, right?”

“Yes,” said Bill.

“We’ve got IDM coming out in March and Aqua Natural in April. I think I can get you 100,000 of IDM and 350,000 of Aqua if we act fast. No guarantee. I’ll have to beg for it. Can you wire half a mil?”

Bill didn’t have a half million dollars to invest. But Secured Equity did – in its escrow fund. Bill’s title agency held funds in trust that were advanced by lenders and held in escrow until payments came due to contractors for home improvements or to close a house purchase. The average float in Secured Equity’s escrow fund was about $5 million. At the time Ohio law allowed an agency’s owner to keep interest earned on escrowed funds. At 4%, the float generated for Bill $200,000 a year. *I’ll put the float into higher earning investments,* thought Bill*, and keep the profits for the life I deserve. No more DUI defenses for my clients’ pimple-faced kids.* Dreams I love to record. I take notes about your thoughts.

So Bill merged his personal account into a new one for Secured Equity and by May had invested $1.5 million of Secured Equity’s escrow fund in four companies not familiar to the Wall Street Journal.

These stocks did not perform like Dualstar. By the time the temperature hit 95 degrees that July, Secured Equity's account was down $560,000 on the four stocks.

Bill was trapped. "We'll make it back in no time," said Levy, though Bill should have sensed that Monroe Parker issued stock recommendations as though they were disposable diapers. Like Brer Fox with the tar baby, Bill sank more and more into a sinkhole that swallowed about $3 million of Secured Equity's funds. The buzzer sounded on the death spiral when an assistant in Bill's office tipped off the agency's insurer that escrow funds were missing.

Investigators and prosecutors swung into action. "I'm a victim. I was going to pay it back," he told his lawyer. But when federal Judge Walter Rice asked if he pled guilty to a single count of wire fraud, "Yes" was Bill's subdued reply. He wore an orange jump-suit for 33 months in a Kentucky prison for high-risk offenders, bunking with murderers, rapists, child molesters. A thief, especially a lawyer in that guild of crime, gets no mercy in earthly courtrooms.

I didn't invent Monroe Parker, the boiler room that sent Bill Bertram's soul my way. It was a human invention of two protégés of Jordan Belfort. You met a caricature of Belfort in Leonardo DiCaprio if you saw the film *The Wolf of Wall Street.* Boiler rooms aren't my creation. They're the invention of men. I use the masculine because I've yet to find a woman operating a decent boiler room, though they have the talent for it.

I'll tell you how they work. Maybe you'd like to start one. Tempted? It's a $10 billion a year American industry.

Pump and dump. That's the heart of it. Take Czech Industries. On that stock alone Secured Equity lost $1,300,605. Czech Industries claimed to own a 51% interest in a Prague hotel and had a contract to buy 51% of a loss plagued retail operation in Brno. Stratton and Biltmore were the IPO's underwriters. Stratton was the mother ship, run by Jordan Belfort. A federal judge decreed it as "highly dangerous to the investing public." Stratton cloned Biltmore and Monroe Parker as sisters, setting up confidantes of Jordan Belfort as owner operators, feeding from the trough of garbage Stratton disguised as IPO's.

Czech Industries opened at $7 a unit. Except most real investors don't get that opportunity. Instead, the owners of Stratton, Biltmore and Monroe Parker keep Favored Few books, lists of family and other cronies penciled in to acquire units at $7 who don't deposit a cent. A few outsiders, like Bill Bertram with Dualstar, are let in at the opening as a way to bait them with a quick profit before the big switch. The outsiders wire actual money for their units.

Then the boiler room springs to life. Picture an open floor of testosterone with headphones, 200 guys in their late teens and 20's, pitching crap to unsuspecting customers.

Czech Industries opens at $7 a unit to the Favored Few. The boiler room troops are ordered to make the next sale at $27. Jordan Belfort and his wife, Nadine, each make $500,000 with a pseudo-purchase of 25,000 units at 7 sold minutes later at 27 without putting up cash. For a few weeks Monroe Parker's phone militia keeps the price propped up. It drifts downward over a few weeks, as the Favored Few bank their quadruple gains and the boiler room exhausts its list of customers lured into buying at unsustainably manipulated prices.

Then the dump. The sales soldiers are ordered to pump the next IPO. With no market maker and nothing to justify a valuation, Czech Industries collapses. Within a year it evaporates, not even worth a bankruptcy filing fee. That's how it works. Ingenious.

This saga would not have unfolded without the active support of those whose responsibility is to protect investors, the Securities Investor Protection Corporation, the SIPC. Boiler rooms need capital to operate, which they get from clearing brokers that execute their trades. A firm called Adler Coleman cleared for Stratton, Biltmore and Monroe Parker, but it went bankrupt in February 1995. That left these boiler rooms unable to function. The SIPC's trustee put the Adler Coleman business up for bids, but no one was interested. Jordan Belfort and clones turned to a small broker-dealer called JB Oxford that had a negative net worth. They teamed with a clandestine group including the only person convicted of securities fraud on two continents, and together the scammers magically transformed JB Oxford into a clearing firm. The SIPC's trustee awarded Adler Coleman's business to JB Oxford, knowing boiler room money was its capital source. A federal judge blessed it, letting the three sisters continue their pillage through a now-captive clearing firm. Had the transfer not been sanctified by the SIPC, Monroe Parker would have closed its doors and Bill Bertram would have had a net profit instead of a ticket to prison.

Like zombies on life support for feeding vampires, Monroe Parker and JB Oxford became a source of blood money for JB Oxford's owners. Beyond the reach of US authorities, the foreign investors in JB Oxford recouped their injected capital within weeks and gorged themselves through the boiler rooms' rigged offerings.

So there you have it – a Heist Matrioshka, a heist within a heist within a heist. Don't you love it? I have plenty of notes about Monroe Parker's and JB Oxford's operators. I have a whole book on Jordan Belfort. Time is one dimension they can't manipulate. Maybe they'll plead no contest on the Day of Doom.

You're probably wondering. Monroe Parker's owners kept substantial fortunes. David Levy earned over half a million a year at Monroe Parker. Bill Bertram died of prostate cancer months after parole. Mastermind Belfort served 22 months in a low security prison compared to Bill Bertram's 33 months. Today Belfort's a motivational speaker, basking in the glow of a Hollywood film and raking in royalties from his not so confessional books.

There's one more matrioshka to be revealed in this history. It's about a Cincinnati attorney, ten years younger than Bill Bertram. He was asked to take a case to recover the millions lost by Secured Equity. Would he recommend that the law firm take it on a contingent basis?

Temptation stroked the middle aged attorney. Win and collect and he's a hero. Lose and it's a waste of time, stupidly risking the firm's resources in a chase down rat holes.

He swallowed the bait. The attorney pursued Monroe Parker, but it disappeared after an FBI raid. Its kingpins hid from service and took the Fifth. He named the little guys. But what could David Levy pay? $10,000? That might cover the filing fee.

The attorney dug one hole after another seeking to uncover what I already knew. A hunt for documents took him to the cavernous US Post Office in the shadow of the World Trade Center shortly before September 11, 2001. In the dusty tomb encasing Monroe Parker's records seized by the FBI, he found the Favorite Few book, laying out the pump and dump scheme in handwritten entries, like the books I keep on each of you, except mine is for eternal time and this was about money. The Favored Few book revealed the names of JB Oxford's owners after it became Monroe Parker's clearing broker. He noticed they made fortunes in rigged sales of JB Oxford stock itself, while witless victims lost their underwear. Despite case law that it was virtually impossible to hold clearing brokers liable for the frauds of introducing brokers, the attorney pursued JB Oxford and its owners living in foreign havens. He enlisted the testimony of Monroe Parker's former Head of Sales, John Patrick Clancy. Clancy had been acquitted of criminal fraud when Monroe Parker's principal owner got leniency from the U.S. prosecutor and testified unpersuasively against Clancy. Clancy got revenge, as well as a release from the attorney, by testifying at Secured Equity's hearing. He detailed Monroe Parker's fraud. In a post-victory lunch in 2002, Clancy told the lawyer he was born again. The attorney asked what's next, and Clancy replied "Mortgage brokering." Did he use the word 'sub-prime"? I'll check my notes.

Eight days of hearings, 24 volumes of exhibits later, an arbitration panel awarded full restitution plus attorney fees. The award was collected in full. The law firm was satisfied.

But why did the attorney recommend that his firm take the case when it should have been obvious that investing time was as much a gamble as digging for gold in Alaska. Was it the seduction of career? The mirage that justice was his to bestow?

Regardless of why, it was a choice of how to use time. Time. It's yours to spend but not to save or accumulate or recapture. Each second is yours to lift up to your Creator or to squander. The attorney devoted a thousand hours to this pursuit. In the kingdom of money, it produced an improbable victory. But what in the realm of time?

How do you spend time? One day I will ask you the great questions, when you stand before your Maker. "Accused, account for your time on earth. With those who sought your love, those who loved you, did you spend enough time loving them? What did you do for and with the wounded, the unloved, the destitute, the refugee? When evil brushed its face against yours, did you turn away to check your cell phone or your 401k plan? Did you use time as a blessing or a heist?"

But my time with you is at its end, for now. I'll see you later. And I'm always taking notes.

Joseph J Dehner, For the Literary Club, November 30, 2015

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