

BLOFELD RULES THE STREET

JANUARY 2006

In a stunning announcement which will consolidate power on Wall Street, Citigroup, Merrill Lynch, Morgan Stanley, CSFB, UBS Paine Weber, and Goldman Sachs have announced that they are combining their client management divisions (brokerage) under the leadership of Ernst Stavro Blofeld.

Blofeld is the ex-CEO of the now defunct SPECTRE organization (Special Executor for Counter Intelligence Revenge and Extortion). Blofeld said in a prepared statement that he is *"thrilled to be working with institutions as nefarious and well capitalized as these, and is looking forward to furthering their ultimate goal of world domination. It is a dream come true."* Blofeld will be the leader of an army of *"financial advisors"* across the globe and has stated that they will all be taught the SPECTRE way of doing business. *"Lets face it, these organizations have done a tremendous job in pilfering assets world-wide, and I am just here to take them to next level."* Consensus opinion on Wall Street is that Blofeld has all the right tools and expertise to take the firms to the next level. *"He is a natural he will fit right in,"* said one Goldman Sachs investment banker.

Ernst Stavro Blofeld is known for his many close calls and failures in his quest for world domination, power and money.

In 1963 he was thwarted in an attempt to steal a Soviet decoder that would steal state secrets and cause war. He was stopped by British Secret Service and the KGB.

In 1965 he successfully stole two nuclear warheads in an attempt to extort 100 million pounds. Blofeld threatens to detonate both bombs unless demands are met killing millions. The British Secret Service and the CIA track down the bombs in Nassau and stop attempt.

In 1967 Blofeld took his plans to outer space where he used a SPECTRE developed rocket to intercept U.S. and Soviet manned spacecraft in an effort to start a war between the superpowers. British Secret Service and an army of Japanese Ninjas put a stop to it all.

In 1969 Blofeld builds a germ warfare facility in Switzerland and once again is thwarted by Her Majesty's Secret Service.

Blofeld returned to the scene in 1971 when he started stockpiling diamonds for use in a deadly satellite that can destroy any target on land, sea or air. Once again British Secret Service and the CIA put an end to Blofeld's plans.

In a side note, Blofeld was rumored to have been killed in 1981 when a British Agent dropped him and his white Persian cat down a 400 foot chimney. People for the Ethical Treatment of Animals (PETA) have filed a multi-million dollar law suit against the British government despite the fact that they both survived. The decorated British Agent involved in this incident has been put on leave without pay pending an investigation.

When asked about his many failures in the past Blofeld acknowledged that mistakes were made but states that he has learned from them. *"..lets face it, the NASD and SEC are not the British Secret Service nor the CIA, plus I have learned that once you capture your nemesis instead of killing them through a slow complicated process, you do it quickly. I feel very comfortable here on Wall Street, it is always a pleasure being able to work side-by-side with so many individuals like myself. I have some tremendous operations that will have a tremendous result on Wall Street's bottom line."*

OPERATION BLOOD SUCKER

To target and capture money from retirees and baby boomers.

Kaye Falls retired after hearing a seminar given by two brokers at her office. Diane Shytle took a retirement package after co-workers told her that the brokers were retirement experts. Hugh Smith did the exact same thing after getting a promotional flyer from the brokers and attending a seminar. All three are former employees of the BellSouth Corp, all three took early retirement under the advice of Smith Barney Brokers, all three became high commission clients of Smith Barney, and all three lost the bulk of their lump sum retirement money under the *watchful* eye of Smith Barney.

Susan Antilla, columnist for *Bloomberg* reports in her January 13th piece on the extent of the scam. These three individuals along with 60 other former BellSouth employees are asking a North Carolina state court to grant them status as a class of "employees of BellSouth or other places of employment" who received retirement advice and income projections from Smith Barney and made the decision to retire based on that advice.

This early retirement package is the latest "*search and destroy asset gathering game*" being played by Wall Street. The hustle goes like this...

Brokers set their marks on a group of workers who qualify for early retirement packages. The brokerage firms first get them to attend seminars where they are tempted with glorious Power Point presentations that project a life of champagne wishes and caviar dreams. Once the hook is set the brokers get the young retirees to part with their nest-eggs at a final meeting at the office. Unless you happen to bring your own microscope and securities attorney you will be unable to decipher the many nano-sized disclaimers. "Don't pay attention to any of that legalese" says the broker as he distracts his marks with talk of international vacations, boats, cars and new homes. The brokerage firms are astute at who they target, individuals that may be fantastic at what they do but with little knowledge of the markets and finance.

An exact quote from Smith Barney brokers in this case that was recorded on tape. *Bloomberg News* was given a copy of a tape-recording of the meeting. "*You will never outlive this money; I can generate more take-home income than what you are taking home right now. I'm telling you 12 percent is all I want you to expect out of the growth side of the portfolio, the reality is it's done much better than that.*"

Brokerage firms are putting on the full-court press on baby-boomers and their retirement packages. The "never have to work another day in your life" pitch is becoming quite popular at brokerage firms around the country. We reported in the November 2005 edition of the *Markowski Monthly* how insurance salesmen targeted employees of Georgia-Pacific with high commission equity indexed annuities. This past April A.G. Edwards settled a case with the State of Georgia very quietly regarding another early retirement scheme that took advantage of Procter & Gamble employees. William F. Gibbs stockbroker extraordinaire invited dozens of Procter & Gamble employees to a swanky country club where not only did food and drinks flow, but irresponsible predictions and promises of worry-free early retirement did as well. The A.G. Edwards pitch was that they could make anybody's portfolio grow at rates exceeding 20% a year using a "blue chip stock proprietary investing strategy!" Walt Duka of the *AARP Bulletin* wrote about one P&G employee that fell for the pitch. Andrew Green was 50 years old and worked for the company for 30 years but wasn't ready to retire. His nest egg had grown to \$1.3 million in the P&G employee-stock program. After the wine and dine seminar Gibbs of A.G.Edwards told Green that he could make a "bigger salary" by retiring than by staying on the job, an offer he couldn't refuse. So Green retired and rolled his portfolio over to A.G. Edwards where they changed everything that he had. Green states, "*I must have asked him 10 times, is my principal going to be safe?*" Gibbs told him, "*In five years you'll probably have four times your principal.*" For the first two years things went fairly well, then Green watched as their account dropped like a rock losing over \$1

million as A.G. Edwards invested in high tech stocks. They were not alone; millions of dollars in assets of P&G early retirees were wiped out in the same manner.

Merrill Lynch is currently under the gun from United Parcel Service retirees who state that they were ripped off by their broker. Merrill Lynch used an aggressive option strategy targeting UPS retirees and unlocking some commission dollars from their UPS stock. Retiree Arthur Weyrauch of Marco Island, FL was told that the option strategy Merrill Lynch was using was "risk free." The reality was that he lost \$3.2 million and paid \$96,000 in commission to Merrill. Roddy Boyd of the *New York Post* reports that Merrill Lynch used luxury yacht cruises around New York Harbor and seminars in communities across the country where retired UPS workers lived.

Seminars that promise people all the world's riches are not meant to educate or help you in any way, shape or form. Their sole purpose is to sell you something. If they are providing the free food and drinks, their *guidance* is worth what you paid for it and the more expensive the vintage and cuisine the more skeptical one should be.

OPERATION HIDDEN FEES

To rob people through the utilization of fees and charges.

Individuals who have been using their debit cards to purchase items over the Christmas holiday may notice a surprise when they get their bank statement. Citigroup, Bank of America and Wells Fargo have been found to manipulate the way deductions are taken from accounts linked to debit cards to generate millions in ill-gotten fees, according to Paul Tharp of the *New York Post*. Banks have been using computer programs to shuffle debit withdrawals to deplete a customer's account prematurely so they can collect "insufficient funds" fees. The scam works like this...

Your checking account has \$1,500 balance. First, you buy a \$500 watch, and later you buy four gifts at \$50 a piece. You want to put the remaining \$800 toward a Plasma TV, but the cost is \$1,000. You swipe the card again so the remaining balance is covered by your bounced check overdraft protection plan. You take your goods and head home with the expectation that either you make a quick deposit to cover the overdraft or at worse face an overdraft fee. Instead those crafty banks change the chronology of your charges. In this case the \$1,000 TV is charged first, then the \$500 watch. At that point your account is empty, and then the bank runs the four \$50 purchases through and smacks you upside the head with a penalty for each one. Merry Christmas!

Almost everyone knows about late-payment penalties and credit cards. This year they have reached record levels. Make a late payment with J.P. Morgan Chase, Citigroup, or Bank of America and they may now beat you with a maximum penalty rate of more than 30% on outstanding balances. But wait...there's more! Even if you are responsible and pay your credit card bills on time, you may still be smacked with higher rates due to a practice called universal default. Credit card companies now impose penalty rates if you forget to pay your cable bill on time or any other creditor. Paul Richard, Executive Director of the Institute of Consumer Financial Education in San Diego stated in an interview with *The Wall Street Journal* that card companies typically drop the credit limit on consumers who are designated to be in universal default, which can trigger "over-the-limit" penalty fees. This Blofeld guy is pretty sharp.

OPERATION TAKING CANDY FROM A BABY

Charge high fees in college 529 accounts.

Ameriprise Financial, the new hippy friendly renamed brokerage firm (formerly American Express Financial Advisors) is the first firm to be fined by the NASD regarding sales practices with the 529 college savings plans. Ameriprise decided not to give its customers the tax advantages that come with investing in the 529.

From May 2001 through the end of last year, Ameriprise sold more than \$1.1 billion of 529 plans to more than 138,000 customer accounts. During that period of time many of Ameriprise clients lost out on a state tax benefit because they were sold only one 529 plan sponsored by the State of Wisconsin. The reason for so many assets heading the way of the badger state was simply higher commissions and fees.

OPERATION DOUBLE AGENT

Play both sides of the pension planning process making money on consulting and taking kickbacks from management groups.

Gretchen Morgenson of *The New York Times* has reported that Merrill Lynch has acknowledged that its pension consulting unit in Florida which currently advises 100 funds in the state has received a subpoena from the Securities and Exchange Commission as part of an investigation into some serious conflicts of interest regarding their advisors and pension funds.

We discussed extensively the nefarious habits of these advisors who act as double agents making money on both sides of a relationship. Pension consultants throughout the country, (not just Merrill) have been receiving compensation from the various fund managers they have been recommending to their pension fund clientele. This is despite the fact that pension funds have been told that their advice is objective. These underhanded arrangements are most often not disclosed to the pension fund.

This double-dealing is difficult to uncover because the compensation given to the brokerage firm can be done in undetected ways such as stock and bond trades. These trades are executed at prices that are far from competitive and consequently the brokerage firm drives up its transaction revenue, i.e. compensation. Another item is the fact that many of these consultants choose money managers that trade incessantly which, in turn drives commissions to the brokerage firm. Edward Siedle, President of Benchmark Financial Services, a company that investigates money managers on behalf of pension plans stated in an interview with *The New York Times*, *"the performance of pensions advised by broker-consultants generally is dismal and the reason is they are pursuing compensation from the money managers they select."*

OPERATION FIX IS ON

Create our own stock exchange so we no longer have to deal with exchange rules of fair play.

Citigroup just acquired the electronic communications network OnTrade from NexTrade Holdings in an effort to develop its own stock exchange. Citigroup states that the ECN will be enhanced and renamed during the first half of the year. *Enhanced how?*

In a prepared statement James Forese head of Citigroup Global Equities stated, *"We expect the new ECN will increase market efficiencies, deliver best execution and reduce transaction costs to the industry."*

It never ceases to amaze when executives make such bull excrement statements with a straight face. *Are business schools now requiring BS 101 as a requisite to graduate?* A huge portion of Wall Street's profits come from proprietary trading. Whereas most of the clientele at the big firms have seen lackluster to poor performance in their portfolios and told by their mind-numbed broker that it is because of market conditions; the firms have posted record profits on revenue generated from trading.

Question: If they can make it for themselves why can't they make it for their clientele?

Answer: Because they are making it on the backs of their clients.

A major firm owning an exchange would equate to a sports franchise owning the referees. (Note: After watching that Colts/Steelers playoff game I was convinced that the referees were on the Colts payroll.) Controlling a stock exchange is something truly worthy of Ernst Stavro Blofeld legacy and will further Wall Streets profits on their clients collective backs.