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CHAPTER 1

The Miscreants' Global Bust-Out (Chapter One): Was the United States Attacked By Financial Terrorists?

Posted on 29 April 2011 by Mark Mitchell
Tags: bear stearns, Department of Defense, ETF, Financial Terrorism, Irregular Warfare, Lehman, market manipulation, short selling, stock manipulation

I did not know if Zuhair Karam was violent, but I telephoned him because I thought his biography was interesting. For example, it was interesting that soon after making a home in Illinois, Zuhair Karam obtained finance to publish a semi-famous work of jihadi propaganda, and soon thereafter, became (without any relevant experience) a proprietary day trader of equities and derivatives at a small, unregistered brokerage in Chicago called Tuco Trading.

Most of the other people who operated through Tuco Trading also had interesting biographies. Among them (just to name a few) were a Russian Mafia figure who is knowledgeable about a brutal gangland-style murder in New Jersey; the top lieutenants of a Russian Mafia kingpin and oligarch who have been accused by U.S. officials of having ties to the Russian government's intelligence apparatus; and an Iranian fellow whose family has high-level ties to Palestinian Islamic Jihad, and the terrorist-sponsoring Revolutionary Guard in Tehran.

Meanwhile, Zuhair's little brokerage, Tuco Trading, maintained partnerships with several other brokerages, all of which had close business relationships with people of similarly colorful backgrounds. Among them were multiple associates of La Cosa Nostra; numerous traders with ties to the Russian Mafia; and a jihadi who not only was Al Qaeda's most important financier, but also operated a secret bomb factory in a Chicago warehouse district before the U.S. government named him a "Specially Designated Global Terrorist".

Many top employees of these partner brokerages were similarly colorful. They included a fellow who once worked for a man who commands a private army in Lebanon; another guy who had participated in an ill-fated scheme to topple the government of Afghanistan in league with heroin-smuggling warlord who worked closely with Iran; and an Iranian trader whose family was, for much of the 1990s, flying cargo planes filled with gem stones from a remote Illinois runway, in partnership with a money launderer tied to Hezbollah, the jihadi outfit that receives support and direction from the regime in Tehran.

Aside from the amazing backgrounds of this cast of characters, it was also interesting that Tuco Trading was closed by an "Emergency Order" of the SEC on March 9, 2008 — just a few days before the March 13 collapse of Bear Stearns. Not that the SEC had any idea what was happening at Tuco; the Commission seemed primarily concerned that the brokerage was massively exceeding margin limits.

What the SEC seems to have missed (though a report by Tuco's bankruptcy receiver

made it clear) was that in the month before it was shut down, this tiny, unregistered brokerage transacted trading equal to more than 20 percent of the volume of the largest brokerage on the planet. Moreover, data and other evidence obtained by Deep Capture suggests that most of this massive deluge was aimed at manipulating the stock prices of America's largest financial institutions, including Bear Stearns.

In other words, there is good reason to believe that Zuhair's strange, little brokerage with all of its odd connections, contributed to the 2008 financial cataclysm that nearly brought the United States to its knees.

As for Zuhair Karam – well, I didn't know enough about him, but I knew a little. For example, I knew that he was born in Lebanon, and had recently spent some time in South Africa, where he had told people that he was a recovering drug addict. There is some doubt as to the accuracy of that claim. Some say Zuhair never touched drugs. But there is no doubt that he was doing something in South Africa when he came to be attached to an Islamic cleric named Sadathullah Khan, who tells the media that he is "moderate" – a term that, of course, has different connotations depending on your perspective.

From the perspective of Osama bin Laden, Sadathullah Khan might be moderate. Some people, though, say that Sadathullah Khan is an extremist. Certainly, he has close ties to an outfit called the Supreme Council of Global Jihad, which espouses violence. And one of Sadathullah Khan's closest associates is a cleric named Zakir Naik, who has preached that "Every Muslim should be a terrorist."

When he talks to the Western press, Zakir Naik, says he is not fond of Al Qaeda, but in a video made for his followers, he said, "If Osama bin Laden is fighting the enemies of Islam, I am for him…If he is terrorizing America the terrorist, the biggest terrorist, I am with him." Backing his words with actions, Imam Naik served as the mentor to Najibullah Zazi, an Al Qaeda operative who was arrested in 2009 shortly before carrying out a plan to plant explosives in the New York City subway system.

Imam Naik was banned from entering the United Kingdom after he was deemed to be immoderate, but the United States still grants him visas (he hasn't blown up anything yet) and it is just a matter of time before he will return to Chicago, where he once gave what he calls "my most famous speech" at a gathering organized by an outfit linked to the Bridgeview Mosque, a house of worship in Bridgeview, a middle-class neighborhood on Chicago's south side.

When he returns to Chicago, Imam Naik will likely meet Zuhair Karam, who, in addition to his work as a financial operator, has been fairly prominent among the small band of jihadis who congregate at the Bridgeview Mosque, where Zuhair's relative helps run day-to-day operations. The Bridgeview Mosque, it should be said, serves thousands of ordinary people, most of whom probably harbor no politics other than a desire for peace. But there was a time not long ago when the mosque's imam regularly gave fiery sermons urging jihadi freedom fighters to take up arms.

The sermons were toned down after the FBI began investigating, but it is still widely assumed by terrorism experts that the Bridgeview Mosque's top officials (including Zuhair's relative) are members of the Muslim Brotherhood, an outfit whose leaders in the West have provided material support (including money, personnel, and sometimes weapons) to Al Qaeda. Since the Muslim Brotherhood is a secretive organization, there is no way to confirm with absolute certainty that the Bridgeview Mosque's directors are, indeed, members, but there are plenty of reasons to suspect that they are.

One reason is that the Bridgeview Mosque has been among the chief benefactors of jihadi groups closely tied to the Muslim Brotherhood. For example, according to the Chicago Tribune and others, the mosque was one of the most important funders of Palestinian Islamic Jihad, an outfit that was spawned by the Muslim Brotherhood and also takes directions from the regime in Iran.

Zuhair Karam and his relatives are close family friends of Sami al-Arian, who was the U.S. leader of Palestinian Islamic Jihad until his 2003 indictment on terrorism charges. As Rachel Ehrenfeld, the director of the American Center for Democracy first reported, FBI investigators suspect that Sami al-Arian provided support to the Al Qaeda hijackers who carried out the 9-11 attacks on the World Trade Center and the Pentagon.

The Bridgeview Mosque was also one of the principal supporters of the Holy Land Foundation, which was indicted on terrorism charges in 2007 after prosecutors demonstrated that it was the principal U.S. front for Hamas, another Muslim Brotherhood creation that receives support from Iran. The mosque's directors, meanwhile, help administer investment funds worth billions of dollars controlled by the North American Islamic Trust, an investment bank that has been tied to the Muslim Brotherhood and was named as an unindicted co-conspirator in the government's case against the Holy Land Foundation.

The Bridgeview Mosque and the Muslim Brotherhood were also involved with a "charity" called The Benevolence International Foundation, which was actually an Al Qaeda front, founded by Osama bin Laden's brother-in-law. According to federal prosecutors, Benevolence was "involved in terrorist activities" and had contacts with "persons trying to obtain chemical and nuclear weapons on behalf of Al Qaeda."

More to the point of this story, Mark Flessner, a former U.S. prosecutor who was at the front lines of the government's "war on terrorism", says that the Bridgeview Mosque is a "gold mine of information about terrorist finance." So, obviously, I wanted to know more about Zuhair Karam's little brokerage, Tuco Trading. Not only because of its ties to jihadis, but also because of its ties to La Cosa Nostra and, more importantly, to Russian Mafia figures who have become quite politicized and are eminently hostile to the United States.

Unfortunately, when I called Zuhair for the first time in September of 2010, our conversation did not go well. Zuhair began by demanding to know how I had come to possess his telephone number. I told him, quite honestly, that I had found his phone number in the White Pages, but he refused to believe me. When I explained that I had some questions about the little brokerage where he had worked, he insisted that he didn't know anything about the brokerage, and he said that he did not know anyone else who worked there.

After some additional prodding, Zuhair began to plead. He said, "Look, man, I'm just one of the little guys." I said, "Yes, I know, but let's meet anyway, I can tell you more about this investigation." Zuhair seemed already to know about some investigation. He said, "Shit, man, I thought this was over." Which seemed strange to me because the only investigation I knew about was the investigation that I was conducting. But I wanted to be helpful, so I said, "Let's meet, I can tell you more about it."

Zuhair paused. He seemed to be figuring it all out. Finally, he said, "You're not a journalist, that's for sure, man, tell me who you are…Are you an Arabian?" No, I am not an "Arabian" – that's what I told Zuhair Karam. I said there's this investigation, I have information. I told Zuhair I could come down to the mosque to meet him. And I said I'd also like to meet Zuhair's father, Haaz Karam, who helped run the mosque.

Zuhair said, "He's not my father." So I said, "Sorry, your relative." And Zuhair said, "Yeah, so…what is this? Man, the FBI — you say you're a journalist, why do you know about the investigation? That just isn't right…the FBI…man, I'm telling you, I'm just one of the little guys…the FBI…the FBI can come, let them come, they know

where I live, let them come, let them try – see if I care."

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In his 2010 report to Congress, Admiral Dennis Blair, who was then the U.S. director of national intelligence, outlined one of the biggest threats to America's economic well-being and national security. He began by noting that a number of organized crime outfits are closely intertwined with the intelligence services and government leaders of some countries (such as Russia) that are considered to be adversaries of the United States. He then stated that "the nexus between international criminal organizations [the Mafia] and terrorist groups [including Al Qaeda]…presents continuing dangers."

In the same breath, the national intelligence director warned that organized criminal outfits [the Mafia] are "undermining free markets," and "almost certainly will increase [their] penetration of legitimate financial and commercial markets, threatening U.S. economic interests and raising the risk of significant damage to the global financial system."

Let me stress the implications of what the national intelligence director was saying. He was saying that the Mafia (and, by inference, the jihadi groups and rogue states that maintain ties to the Mafia) have the capability to disrupt the financial markets and harm the American economy. The only question is: have they already done so?

While America's media and financial regulators seem largely uninterested in that question, some in the national security community are devoting a lot of attention to it. A 110 page report commissioned by the Department of Defense Irregular Warfare Support Program even goes so far as to state that there is a reasonably high likelihood that the economic cataclysm of 2008 was worsened by politically motivated "financial terrorists intent on wiping out the American financial system."

The report (a copy of which can be found at DeepCapture.com) states with good reason that the weapons most likely to be used by prospective financial terrorists are so-called "naked" short selling and other forms of short-side market manipulation.

Short selling is a perfectly legitimate practice. It involves traders borrowing shares and then selling them, hoping the price will drop so that they can repurchase the shares at a discount, return them to the lender, and pocket the difference.

In “naked” short sales, traders do not borrow or purchase stock before they sell it. They simply sell what they do not have – phantom stock. You probably can imagine how easy it is for someone to suppress the price of a security if they are able to swamp a market with artificial supply.

Of course, by definition, if people are selling a phony supply of a security, then they cannot be delivering what they are selling. Regulators and Wall Street folks call this “failure to deliver.”

There are, in fact, a variety of methods that can be deployed to create “failures to deliver.” There are technical differences among the methods, but all share this one basic idea: generate “failures to deliver” that act as phony supply to drive down a security’s price. Because “naked short selling” is the most famous of these methods, and because the differences among it and the other methods are generally so technical as to interest only experts, I intend to refer to this whole class of methods as “naked short selling”, or even more generally, “market manipulation.”

As the report commissioned by the Defense Department correctly points out, foreign governments or terrorist groups wishing to manipulate the markets would not have to do the dirty work themselves. They would need only to invest in one among the multitude of American hedge funds that have ties to organized crime and that have demonstrated that they are willing to deploy financial weapons of mass destruction for fun and profit.

Under one scenario described in the Defense Department report, “a terror group could direct investments to a feeder hedge fund. The feeder fund would locate a Cayman Islands based hedge fund on their behalf that was predisposed to sell short financial shares. With sufficient new money, the hedge fund would expand its short selling activity (naked and traditional) and trade through dark pools or with sponsored access. At the same time, the same terror group might invest heavily in [credit default swaps] of the targeted short sales…”

Experts painted similar scenarios in testimony before a September 2010 informal meeting of the House Committee on Homeland Security. These experts were unanimous in their opinion that a hostile foreign entity could crash the U.S. financial markets. And to do so, it would most likely engage in manipulative trading through one of several shady brokerages that offer platforms – such as dark pools or so-called “sponsored access” – that enable miscreant financial operators to trade in

anonymity.

Partly because such trading platforms exist, and for several other reasons (see Patrick Byrne's Deep Capture story, "A Peace Sign to Wall Street"), SEC data reflects only a fraction of the naked short selling that occurs in the markets. But even the SEC's partial data show that an average of 2 billion shares "failed to deliver" nearly every day in the months and weeks leading up to the 2008 market meltdown. Those shares, as I have explained, "failed to deliver" because they were phantom shares – artificial volume that drove down stock prices.

The SEC's incomplete data also shows that more than 13 million shares of Bear Stearns sold short during the week before that bank's demise in March 2008 failed to deliver. Soon after Bear Stearns collapsed, the CEOs of Morgan Stanley, Merrill Lynch, Lehman Brothers, and other major financial institutions began complaining to the SEC that naked short sellers had caused the demise of Bear Stearns and were now targeting their own banks.

We need to take seriously the complaints of the Wall Street CEOs because they were intimately familiar with the crime of naked short selling. Many of their own brokerages had engaged in it. When people are raising hell about a crime that has previously lined their pockets, it is reasonable to assume that they have some idea what they are talking about.

Moreover, the Wall Street CEOs continued to demand that the SEC take action against the market manipulators even after their high-paying hedge fund clients (some of whom might themselves have been naked short sellers, others of whom were merely inclined to object to stronger regulation of any sort) asked the CEOs to stop their campaign. When the CEOs continued to complain about the naked short selling, many of their big hedge fund clients began to pull their business in protest. It goes without saying that Wall Street CEOs do not sacrifice large chunks of their profits to speak out against crimes that do not exist.

On July 15, 2008, the SEC responded to the Wall Street CEOs by issuing an "Emergency Order" that temporarily protected 19 of the nation's largest financial institutions from naked short selling. The banks' stock prices immediately soared in value, and it looked like a major crisis had perhaps been averted.

Amazingly, though, the SEC lifted its "Emergency Order" just weeks later, on August 12. The next day, the naked short sellers resumed their attacks. The SEC's own data

(which, again, incompletely reflects the full magnitude of the problem) shows failures to deliver rising steadily from August 12 onwards, and these failures to deliver correspond directly to the downward spiral of stock prices. According to the SEC's partial data, Lehman Brothers saw an astounding 30 million of its shares fail to deliver during the week before the bank collapsed on September 15, 2008.

And make no mistake: Lehman may well have survived if it were not for the naked short selling and other attacks (such as the seemingly deliberate insertion of damaging false rumors into the marketplace) that hammered its stock price. In the weeks before its collapse, the bank had plenty of liquidity to remain a going concern, and it had deals in the pipeline that would have enabled it to raise capital. But the freefall of Lehman's stock price and other maneuverings by short sellers derailed those deals, and panicked clients pulled their cash. Only then was Lehman forced to declare bankruptcy.

Lehman was not a healthy bank, to be sure, but it had survived plenty of bouts of ill health. It had also survived worse economic downturns, though it had never faced a stock market crash of such magnitude.

And nearly every other major bank, regardless of its health, faced precisely similar fates during the gory month of September, 2008. All seemed doomed to collapse until the SEC issued another "Emergency Order" on September 18, this time banning all forms of short selling, legal or otherwise.

There was no reason to ban legal short selling (a crackdown on illegal naked shorts would have been enough), but the Emergency Order gave the markets some breathing room while the Treasury Department prepared the massive bailouts that signified that the government would not allow any more banks to collapse, no matter what sort of attacks might be directed at them.

As the authors of the report for the Defense Department's irregular warfare unit conclude, there is no question that short-side market manipulators contributed to the collapse or near-collapse of many of America's largest financial institutions in 2008. The report states further that "the [short selling] attacks on [America's biggest banks] were so brazen that it is difficult to imagine that they were uncoordinated."

And it wasn't just the banks that were attacked. The SEC's partial data shows that there was also massive naked short selling of exchange traded funds, or ETFs. These are publicly listed funds that are often highly leveraged and typically trade a basket

of multiple stocks across a given industry. When market manipulators attack an ETF, they inflict damage on the entire industry that the fund indexes – and the high leverage magnifies the impact.

Meanwhile, there is strong evidence that the markets for U.S. government debt have also come under attack. The first naked short selling assault on U.S. Treasuries was launched in September 2001, at the time of Al Qaeda's attacks on the World Trade Center and the Pentagon. In the months and weeks before the 9-11 tragedy, a daily average of $1.5 billion worth of U.S. government bonds failed to deliver. On the days immediately before 9-11, the daily failures to deliver soared to an astounding average of $1.5 trillion and continued to rise in the days after the attacks.

This was new and unusual market manipulation on a Herculean scale, but it was even worse during the months leading up to and following the 2008 crisis, when an average of $2.5 trillion worth of U.S. Treasuries failed to deliver every day. The authors of the report for the Defense Department speculate that financial terrorists, having precipitated the financial crisis, might have intended to attack the government bond markets in an attempt to bankrupt the national treasury.

The media fails to give sufficient attention to these problems, insisting instead on reinforcing the narrative that the financial crisis was in essence caused by "reckless" lending to home buyers who could not pay back their mortgages. It is correct that the financial crisis of 2008 had its proximate cause in the collapse of the mortgage and property markets a year earlier, but that is only the surface of the story.

The Financial Crisis Inquiry Commission (FCIC) made clear in its January 2011 report to Congress that the principal cause of the mortgage and property disaster was the freakish collapse in 2007 of the market for collateralized debt obligations (CDOs), which are packages of mortgages that trade like securities. And as the FCIC also made clear, the collapse of the CDO market was by no means inevitable. Nor did it have much to do with "predatory" lending or the quality of most subprime mortgages. Rather, the problem was that more than half of the CDOs issued in 2006 and 2007 were so-called "synthetic" CDOs, every single one of which was deliberately designed to self-destruct.

That is, just a few firms that specialized in marketing "synthetic" CDOs worked with a select number of bankers and short sellers to hand-pick a relatively small number of mortgages that were certain to default. The miscreants then packaged bets against those relatively few toxic mortgages into so many self-destruct CDOs that

they came to account (I must repeat) for more than half of the overall market.

It is not quite correct to say this was phantom supply similar to what is generated by naked short selling. But there is no question that the "synthetic" CDOs created a market that was, alas, "synthetic." It was a market overwhelmed by a supply of instruments that purported to contain representative samplings of an underlying asset (subprime mortgages) that a reasonable person might expect to have some value, but which actually contained (as only the short sellers knew) assets that were worth zero. That is, a small number of miscreants effectively flooded the market with massive volumes of synthetic toxicity.

As these miscreants surely knew, the self-destruct CDOs would, indeed, self-destruct, and thereby wipe out the overall market for CDOs, causing property values to crash. And when that happened, the banks that owned a lot of CDOs or property would be weakened. They would not be so weak that they had to die. But their weakness would create negative sentiment that could be turned into a panic if miscreants were to circulate exaggerated rumors about the banks' problems and unleash waves of naked short selling that would send stock prices into death spirals.

In short, the report commissioned by the Department of Defense Irregular Warfare unit was correct to note that the financial crisis that nearly destroyed the nation went "far beyond normal expectations…" The authors of this report were also right to note that all of the events that precipitated the financial cataclysm raise "serious questions about whether this was a purposeful attack and if so, by whom, and why?"

By whom? And why? Over the next several weeks, Deep Capture will be publishing the remaining chapters of this book-length story, which is the product of a year-long investigation into the underworld of financial crime and the vulnerability of the U.S. economy to malicious attacks. To that first question – by whom? – we do not have all the answers, but we have quite a few. That is, our investigation has led us down many paths, but they all seem to circle back to a distinct network of miscreant financial operators. Some of these miscreants work for obscure, unregistered outfits like Zuhair Karam's brokerage, Tuco Trading. Others are powerful American hedge fund managers.

In coming installments of this story, I will name all of the colorful characters affiliated with Tuco Trading, and tell you who was responsible for its massive short selling deluge in 2008. (I am not trying to create suspense; it is simply that there is other ground that we have to cover for you to understand the significance of who

these Tuco characters were).

And Tuco is not the only strange financial firm in America. A surprising number of people in the broader network that I will describe have ties to jihadi groups, including, in some cases, Al Qaeda. In addition, a number of financial operators in this network have disturbing ties to the governments of rogue states, such as Russia and Iran. And nearly all the people in this network have ties to the Mafia.

In other words, this is a colorful network. And though it would be a stretch to say these people were the cause of the financial crisis, there is no doubt that many of them contributed to that cataclysm. The rest, meanwhile, have both the capability and the inclination to do considerable more damage.

As to the Defense Department report's second question – why? – I have no good answers. And ultimately, the question might be irrelevant. The damage to the economy is the same whether it has been done in the name of profit or jihad; in the name of terror, geopolitics, another billion bucks, or nothing more than the fun of the game The miscreants who will be described in this story come in many stripes, but they are all, every one of them, a threat to American prosperity and our national security.

In our next installment, we learn a bit more about Zuhair Karam* and his friends, including a jihadi who inserted Al Qaeda spies into the U.S. military and then set up a financial weapon of mass destruction for use against the markets.

CHAPTER 2

The Miscreants' Global Bust Out (Chapter Two): The "Money Weapon" and a Jihad Bigger than Bin Laden

Posted on 03 May 2011 by Mark Mitchell

Tags: Abu Dhabi, Al Qaeda, Al Safi Trust, Anthony DeLorenzo, Arboon, Dawood Ibrahim, Dubai, Financial Terrorism, Golden Chain, Hamas, Holy Land Foundation, Islamic Society of North America, ISNA, Khalid bin Mahfouz, Mohammed bin Rashid Al Maktoum, NAIT, Osama bin Laden, Palestinian Islamic Jihad, Sami al Arian, Shariah Capital, Sterling Management, terrorist financiers, Victor Bout, Viktor Bout, Yaqub Mirza, Yasin al Qadi

This is Chapter Two of a multi-chapter story…

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Al Qaeda's supporters are "aware of the cracks in the Western financial system as they are aware of the lines in their own hands."

– Osama bin Laden, in a 2001 interview with a Pakistani Journalist

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After my first unsuccessful conversation with Zuhair Karam, I called him again, but he still refused to admit that he knew anything about Tuco Trading, and he declined to tell me anything about the goings on at the Bridgeview Mosque. He continued to insist that he was "just one of the little guys" and refused even to meet me for a cup of coffee.

I have no doubt that Zuhair is "just one of the little guys" and it is possible that he himself has done nothing worse than engage in entirely legal political activities in support of jihadi causes. But I kept calling Zuhair because I knew that his friends and business associates included some people who were far from being "little guys". Indeed, they were among the most dangerous jihadis and financial criminals in the world.

Zuhair and his family are tied to such characters as Palestinian Islamic Jihad leader Sami al-Arian and to the folks at Benevolence International, the Al Qaeda front that had contacts with people trying to obtain nuclear weapons for Osama bin Laden. Another of Zuhair's closest associates is Imad E Kharda, the director of the Indiana-based Greater Lafayette Islamic Center, whose one-time imam, Juma Al-Dosari, recruited six Yemeni-American men and set them to an Al Qaeda training camp in Afghanistan.

Upon their return, the Yemeni-Americans, known as the "Lackawanna Six" (because they all hailed from a town in Pennsylvania by that name), moved to Buffalo, New York, allegedly to establish an Al Qaeda sleeper cell. There has been much controversy concerning the Lackawanna Six, with some journalists complaining that there was no conclusive evidence that the six Yemeni-Americans posed a serious danger.

Be that as it may, their recruiter, Juma Al-Dosari, was certainly a threat. In fact, when he was later captured in Aghanistan, it was determined that he was full-fledged Al Qaeda operative. While working as a cleric at another mosque in Indiana, he recruited a disciple who was found with manuals detailing methods for wiping out a portion of the American citizenry with anthrax, plague, and small pox.

Of course, this is a free country, and people have the right to hate it. They even have the right to get their kicks from collecting manuals about mass murder. So let me be clear about something before I continue. I will be referring to a number of financial operators in this story as "jihadis," but I do not believe it is a crime simply to adhere to the jihadi ideology.

That said, the media fails us if it does not report on people who are not only jihadi ideologues, but also engaged in activities that threaten or harm the United States. Osama bin Laden is dead. But the jihad was always bigger than him. And some surviving jihadis are richer, smarter, and, perhaps, just as dangerous.

If nothing else, such people make for interesting reading. So let's meet some more of Zuhair Karam's jihadi friends. These friends do not possess nukes or manuals for biological warfare. They do, however, create financial weapons of mass destruction.

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In the summer of 2003, customs agents at London's Heathrow airport inspected the luggage of a man named Abdurrahman Alamoudi, and found hidden in a secret compartment of one of his suitcases a total of $350,000 in cash. Mr. Alamoudi failed to adequately explain why he was hauling large stacks of $100 bills in a secret compartment, so there was an investigation. This investigation yielded some startling facts.

Mr. Alamoudi, a member of a wealthy family in Saudi Arabia, had been a long time resident of the United States, where he was among the most prominent members of the Muslim community, and a close associate of Zuhair's family and the directors of the Bridgeview Mosque. Given those associations, it is not surprising that he was an outspoken supporter of Hamas and Hezbollah. Nor is it a surprise that one of his closest friends was Palestinian Islamic Jihad leader Sami al Arian.

Some people believe that groups like Palestinian Islamic Jihad, Hamas, and the

Muslim Brotherhood have legitimate political grievances, and perhaps they do. But given that the stated missions of these outfits is to wipe Israel off the map, it is also fair to say that they are extreme. And while many jihadi groups seem to be focused on faraway lands like Palestine, most of them have ties to Al Qaeda, and all of them are united in their hostility to the United States. Moreover, they pay close attention to the U.S. markets – and they see the economy as key to undermining American power.

When the financial crisis hit in 2008, Hamas leaders reacted with glee and issued an official statement proclaiming that the economic cataclysm marked the "End of the American Empire." Meanwhile, outfits like the Muslim Brotherhood regularly preach the glory of Al Jihad bi-al-Mal, or the "Financial Jihad."

Government investigators generally interpret Financial Jihad as "contributing money to jihadi groups like Hamas." But as was noted by the authors of the report commissioned by the Defense Department's Irregular Warfare Support Program, there are good reasons to believe that an important component of the Financial Jihad is attacking the Western financial markets.

Muslim Brotherhood leader Hamud bin Uqla al-Shuaibi implied as much when he stated in 2007 that jihadis must resist the West, but do not necessarily need to do so with violence. He suggested that "Financial Jihad" was a viable alternative to violence and was indeed "more important than self sacrificing [in armed battle]." He did not specify what he meant by "Financial Jihad" but he was certainly not talking about giving to charity. Rather, he said, "Money is a weapon of Jihad,"

Similarly, Muslim Brotherhood spiritual leader Yussuf al Qardawi has spoken of the need for Muslims to deploy Silah al Naft – i.e. "the weapon of oil" – against the U.S. economy. This was precisely in line with the thinking of Osama bin Laden, who had stressed "the absolute necessity to use the oil weapon."

In another typical manifesto, Osama bin Laden and his deputy wrote that "it is very important to concentrate on hitting the U.S. economy through all possible means." In 2007, bin Laden released a video on which he taunted the U.S. for having too much mortgage debt.

Although Osama bin Laden is dead, his words remain important. Indeed, among jihadis, the words of the fallen "martyr" might have more resonance than ever. And, again,the jihad is bigger than bin Laden. It is a global movement that has clearly

articulated its goals, and remains intent upon acheiving them.

Al Qaeda and many other outfits have repeated over and over that jihadis should wage economic warfare any way they can. They don't mean knocking down buildings – they mean wiping out the markets. As Al Qaeda operative Monin Khawaja wrote in 2003, "We have to come up with a way that we can drain their economy of all its resources, cripple their industries, and bankrupt their systems…"

Then there is the Muslim Brotherhood document, which is quoted all too frequently, and often to the wrong purposes. It says that Muslims "must understand that their work in America is a kind of Grand Jihad in eliminating and destroying the Western civilization from within and `sabotaging' its miserable house by the hands of the believers…"

When I say that the document is quoted to the wrong purposes, I am referring to those who point to it as evidence that the Islamism is taking over America, which it is not. Certainly, we should not be hysterical about Muslims calling America a "miserable house", which is a relatively accurate description of our current state of affairs. However, it is possible that jihadis are, in fact, "sabotaging" our miserable house from within.

As early as 2003, the Department of Homeland Security warned that Al Qaeda was interested in infiltrating American financial institutions, and that Al Qaeda operatives possibly had already obtained jobs at American brokerage houses and banks. Said DHS spokesman David Wray: "There is new intelligence that indicates specific interest [on the part of Al Qaeda] in financial services and indirect indication…that led us to believe that threats could come from within as well as without."

Osama bin Laden, meanwhile, liked to brag (as he did in the statement with which I opened this chapter) that his supporters understand the weaknesses in the American financial system. In another statement, he was even more explicit, saying not only that his supporters knew how to "exploit" the "cracks inside the Western financial system", but also that the "faults and weaknesses are like a sliding noose strangling the [American economy]."

Which brings us back to Mr. Alamoudi, the fellow caught with $350,000 stuffed in

his suitcase. Mr. Alamoudi was a central figure in what FBI investigators have come to call the SAAR Network, or sometimes the Safa Group, a complex web of companies, investment funds, banks and charities alleged to have funded a host of jihadi outfits, including Al Qaeda. Shortly after the 9-11 attacks in 2001, the SAAR Network became the principal target of Operation Green Quest, the U.S.. government's effort to shut down the flow of money to terrorists.

One SAAR Network outfit was called the Ficq Council, where Mr. Alamoudi served as a trustee. The founder of the Ficq Council, Taha Jaber Al-Alwani, was named as an "unindicted co-conspirator" in the government's case against Mr. Alamoudi's friend, Sami al-Arian, who was himself a central figure in the SAAR Network until he was jailed for his activities as U.S. leader of Palestinian Islamic Jihad. (Although Sami al-Arian was suspected of providing support to the 9-11 hijackers, he was never charged for doing so).

The secretary and board director of the Ficq Council was a man named Sheikh Yusuf Talal DeLorenzo, who is another one of Sami al Arian's close associates. Sheikh DeLorenzo and Mr. Alamoudi (the fellow with the suitcase full of cash), meanwhile, co-founded a SAAR Network outfit called the Graduate School of Islamic and Social Sciences (GSISS). Amazingly, while FBI agents were diligently investigating this network, U.S. politicians convinced the FBI's press office to describe the GSISS as "the most mainstream Muslim organization in America."

On that recommendation, Mr. Alamoudi and Sheikh DeLorenzo earned a contract from the U.S. Department of Defense to screen and hire Muslim Army chaplains who would accompany U.S. troops in Afghanistan. After that, it was learned that Sheikh DeLorenzo and Mr. Alamoudi were not, in fact, the "most mainstream Muslims" in America. To the contrary, Mr. Alamoudi was a full-fledged Al Qaeda operative.

That became apparent soon after the Heathrow customs agents found the $350,000 in cash hidden in a secret compartment of Mr. Alamoudi's suitcase. The investigation that ensued revealed that Mr. Alamoudi had received the cash from Libyan dictator Moammar Qaddafi, and that he planned to use it to finance a plot that he had hatched with another Al Qaeda operative to assassinate Crown Prince Abdullah of Saudi Arabia. At the time, many jihadis worried that when the crown prince (who is now king) took the throne, he would crack down on prominent terrorist financiers (people like Mr. Alamoudi, who delivered boat loads of money to Al Qaeda).

After it became clear that Mr. Alamoudi (who is now serving a 23-year prison sentence) was an Al Qaeda operative, the U.S. Senate held a hearing to discuss how it came to be that an Al Qaeda operative and his partner, Sheikh DeLorenzo, were hiring chaplains to accompany American troops to Afghanistan. Echoing the words of most everyone else at that hearing, Senator Jon Kyl of Arizona said that it was pretty "remarkable" that "people who have known connections to terrorism are the only people to approve these chaplains."

It took some time for the government to realize just how "remarkable" it was, but the Defense Department did ultimately conclude that the GSISS had probably been inserting Al Qaeda spies into the U.S. Army. At least one of the chaplains that Mr. Alamoudi and Sheikh DeLorenzo hired for the Army was eventually charged and convicted for passing U.S. military secrets to Al Qaeda. Other GSISS clerics were suspected of espionage and merely fired.

Three years later, a lot of people still thought it was "remarkable" that Sheikh DeLorenzo and an Al Qaeda operative had managed to insert spies into the U.S. military. But that didn't stop Sheikh DeLorenzo (a sophisticated financier who looks the part in his pin-striped suits) from seeking permission from the Securities and Exchange Commission to set up a trading platform called Al Safi Trust, the ostensible purpose of which was to enable Muslim traders to engage in short selling without violating shariah law.

In 2007, the SEC granted permission, which is pretty "remarkable" because Al Safi Trust creates precisely the sort of crack in the financial system that would likely be exploited by people looking to crash the markets. Traders who engage in legal short selling (as opposed to illegal naked short selling) first borrow stock, then sell it, hoping the price will fall. This is a perfectly legitimate practice because it does not manipulate the markets. The stock that is borrowed and then sold is real stock; it is not phantom stock that artificially increases supply and drives down prices.

When Sheikh DeLorenzo set up Al Safi Trust, he explained that Muslim traders cannot borrow stock because shariah law prohibits paying interest. This claim is, to begin with, extremist. Shariah law does not ban interest. It merely warns against "excessive" interest, or usury. Nobody ever said that Muslims cannot pay interest until the radical jihadi movement started to take off in the 1980s. And one goal of this movement is to create a separate, jihadi financial system. This is about politics, not religion.

Regardless, the interest problem could have been resolved in any number of ways. For example, Al Safi Trust could have worked out a fee structure whereby the prime broker, rather than the jihadi traders themselves, paid the interest on the borrowed stock. Instead, Al Safi Trust provides an altogether novel service, known as Arboon, the amazing feature of which is that nobody locates or borrows any real stock. The clients of Al Safi Trust can simply sell as much stock as they like even if there is no stock available to sell.

Of course, if there is no stock available, they are not selling actual stock. They are simply hitting the "sell" buttons on their computers, indicating to the markets that stock has been sold, and creating phantom supply that drives down prices. According to Sheikh DeLorenzo, Al Safi Trust's short sellers enter into an agreement to eventually buy stock so that they can deliver what they have sold. But an agreement to buy stock at some indeterminate point in the future is a far cry from having actual stock before selling it.

Presumably, Al Saft Trust's clients do fulfill their agreements by eventually purchasing stock and delivering it to whomever bought it. But by that time, the phantom stock that was sold would have already done its damage to the markets. With the damage done, Al Safi Trust's traders can buy shares at lower prices, deliver them, and then unleash another blast of phantom stock, futher driving down prices.

In short, Al Safi Trust is nothing more than a cloak for another form of naked short selling, embroidered in Islamic jurisprudence so that regulators will not see through it.

Criminals (or, for that matter, financial terrorists) looking to inflict damage on the markets now have a service, Al Safi Trust, that allows them to conduct their mischief without fear that American regulators will pay even the least bit of attention to what they are doing. I shudder to think who the clients of Al Safi Trust might be, but we should probably consider the possibilities. And towards that end, maybe we should know more about Sheikh DeLorenzo's background.

* * * * * * * *

Sheikh DeLorenzo was born in Massachusetts as Anthony DeLorenzo, the son of upper-class parents, and the grandson of Italian immigrants from Sicily. At the age of twenty, he dropped out of Cornell University, and converted to Islam. Soon after, he moved to Pakistan, gradually making his way to Karachi, where he spent several

years receiving religious training at Jamiah Ulum Islamia, a maddrassah led by scholars who, like the Taliban, subscribe to the strict Deobandi school of Islam.

According to the International Crisis Group, a well-known non-profit organization that studies war zones and political conflict, the Jamiah Islamia maddrassah has "carried the mantle of Jihadi leadership," since the days of the Soviet invasion of Afghanistan, and now serves as "the fountainhead of Deobandi militancy countrywide."

The International Crisis Group notes further that the Jamiah Islamia "boasts close ties with the Taliban" and has played a "major role in helping to establish and sustain" Pakistan's most violent jihadi outfits, including Harkat ul-Mujahideen, Jaish-e-Mohammed, and Sipah-e-Sahaba.

All of these groups have close ties to Al Qaeda, and Jaish-e-Mohammed, along with the intimately affiliated Lashkar-e-Tayiba, have become, for all intents and purposes, Al Qaeda subsidiaries.

As evidence of this, investigators note, as just one example, that Omar Sheikh, a leading member of Jaish-e-Mohammed, wired money to Mohammed Atta, the ring-leader of the Al Qaeda hijackers who carried out the 9-11 attacks. Omar Sheikh was also responsible for kidnapping Wall Street Journal reporter Daniel Pearl, who was subsequently killed, his head sliced off with an ornate, Yemeni knife and held up to be filmed for jihadi propaganda video. Khalid Sheikh Mohammed, the mastermind of the September 11 attacks, has said that he committed the murder himself.

This was a great tragedy because Daniel Pearl (whom I knew by phone when I worked for the Wall Street Journal) was one of the few journalists to understand the threat to the United States is not just Al Qaeda, but a much larger, complex web of interlinking jihadi groups, shady financiers, agents of rogue states, narcotics smugglers, nuclear weapons traffickers, and Mafia kingpins. We'll dig into that web in future chapters, but I'll note now that Jaish-e-Mohammed, one of the outfits spawned by Sheikh DeLorenzo's madrassah, has been implicated in multiple terrorist plots, including one to fire Stinger missiles at passenger planes in New York.

There is no question that Sheikh DeLorenzo — who is also known as Usama DeLorenzo, and Usama a-Ali, and Usama Ashraf Ali, and a lot of other aliases — is on familiar terms with jihadi groups. Indeed, in the 1980s, Sheikh DeLorenzo worked as key advisor to Zia ul-Haq, who was then the dictator of Pakistan. Sheikh DeLorenzo's

job was to implement the Pakistani government's most pernicious program — the further development of the country's network of madrassahs in order to strengthen relationships between the government and jihadi paramilitaries, including many that are now plotting the demise of the West.

As part of Shiekh DeLorenzo's program, many of these jihadi groups became closely intertwined with Pakistan's spy agency, the ISI. And, to this day, these entanglements cause conniptions among U.S. government officials who rely on Pakistan as an American ally, but acknowledge that the ISI is sheltering and nurturing jihadi groups who are among America's most dangerous enemies.

The nexus between the ISI, the jihadis, and key Mafia figures (such as the Indian Mafia kingpin Dawood Ibrahim, who lives under the protection of the ISI and is a key money man for Al Qaeda, according to multiple U.S. government reports) is a genuine threat to global stability, and to the financial system that underlies the American economy. Forbes Magazine ranks Ibrahim one of the 50 most powerful people in the world.

The extent to which Sheikh DeLorenzo remains part of the Pakistani nexus is unclear, but his experience in Pakistan might be less worrying than his time in America, where he came to be on close terms not only with the leader of Palestinian Islamic Jihad and the Al Qaeda operative who was his partner in the GSISS spy scandal, but many other important jihadis, most of them key figures in the SAAR Network of alleged terrorist financiers.

For example, in addition to his high-level positions with the Ficq Council, Sheikh DeLorenzo was a board member at the International Institute of Islamic Thought (IIIT), another outfit identified by FBI investigators as being part of the SAAR Network. Other top officials of IIIT have been linked directly to Al Qaeda and provided logistical support to at least two of Al Qaeda's biggest achievements – the simultaneous attacks on the U.S. embassies in Tanzania and Kenya; and the bombing, in 2000, of the USS Cole, an American destroyer that was parked at the Yemeni port of Aden.

One top IIIT officer, Tarik Hamdi, hand delivered the satellite phone that Osama bin Laden used to order the assault on the USS Cole. The IIIT was also the largest "donor" to the World and Islam Studies Enterprise, which simply handed the money over to Sami al-Arian's Palestinian Islamic Jihad and other terrorist groups.

After Sami al Arian's arrest, the secretary general of the Palestinian Islamic Jihad (who was once a professor, along with Sami Al-Arian, at the University of South Florida, and is now based in Syria) identified IIIT as the group's most important source of funding.

In addition, Sheikh DeLorenzo was a top executive (and continues to serve as a key consultant for) a large investment fund called the Amana Trust, which is interesting on several levels. For one, the Amana Trust was founded by a Muslim Brotherhood figure named Yaqub Mirza, who is the most important U.S.-based operative in the SAAR Network of terrorist financiers.

Mr. Mirza was the incorporator or manager of more than a dozen SAAR Network hedge funds, charities, and financial entities, including Mar-Jac Investments, Mena Investments, Sterling Management Group, and Reston Investments. In addition, Mr. Mirza ran the SAAR Network's centerpiece, an outfit called the SAAR Foundation, which advertised itself as a charity, but was allegedly an important vehicle for laundering money raised in the United States for jihadi groups.

In 1998, the SAAR Foundation reported that it had an astounding $1.8 billion in annual revenue. After the 9-11 attacks, when the authorities began investigating the foundation for alleged ties to Al Qaeda, the foundation issued new books that stated that it had zero income. In other words, $1.8 billion simply vanished, and officials suspect that the money ended up in the hands of terrorist outfits, including Al Qaeda. In another instance, the SAAR Foundation transferred $9 million to an off-shore account held in the name of Humana Charitable Trust, an entity that did not exist.

Mr. Mirza has also been named by FBI investigators and terrorism experts as the principal U.S.-based bagman for Yasin al-Qadi, a Saudi billionaire who was, until recently, one of a select number of people labeled by the U.S. government as a "Specially Designated Global Terrorist." Although the State Department recently removed that designation under pressure from the Saudi government, which did not want the world to know that one of its most prominent citizens had been linked to Al Qaeda, I will continue to refer to Yasin al-Qadi as a "Specially Designated Global Terrorist" because the evidence is clear that he is, in fact, a "Global Terrorist" who needs to be "Specially Designated."

In fact, as upcoming chapters will make clearer, it is probably correct to say that Yasin al Qadi was Osama bin Laden's favorite financial operator. As evidence of this,

we need only to know that in addition to being a major league hedge fund manager and market manipulator, Yasin al-Qadi ran the Muwaffaw (Blessed Relief) Foundation, which was, according to the U.S. Treasury Department, an “Al Qaeda front” and one of the most important sources of funding to Osama bin Laden’s operation.

In addition, Yasin al-Qadi was a major investor, along with a man named Sulaiman al-Ali, in a Chicago company called Global Chemical, which was ostensibly involved in warehousing chemicals for the manufacturing of soap. But the chemicals had nothing to do with making soap. When Global Chemical was raided in 1997, government experts said that the chemicals were likely for use in manufacturing explosives or even chemical weapons.

The president of Global Chemical was Mohammed Mabrook, who used the alias Mohamed Elhazeri, and who was, in the 1990s, the director of an outfit called Mercy International. Given that U.S. authorities have accused Mercy International of funding Al Qaeda and providing logistical support for Al Qaeda’s 1998 bombing of the U.S. embassy in Kenya, one might be suspicious of the intentions of Global Chemical’s operation.

Meanwhile, Global Chemical co-investor Sulaiman al-Ali incorporated, along with Yasin al-Qadi’s bagman, Mr. Mirza, a company called Sana-Bell Inc. As far as anyone can tell, Sana-Bell’s only purpose was to generate and manage money for the U.S. arm of the International Islamic Relief Organization (IIRO).

Among the principals of the IIRO was Mohammed al-Zawahiri, who was the leader of the military wing of Egyptian Islamic Jihad (which has since merged with al Qaeda). Mr. al-Zawahiri is also the brother of Ayman al-Zawahiri, who was Osama bin Laden’s deputy, and is now presumed to be the new leader of Al Qaeda.

Given these connections, it should not be surprising to learn that IIRO has been identified by authorities as an organization that funds terrorism. The United Nations, at one point, officially declared that the IIRO’s branch offices in the Philippines and Indonesia were Al Qaeda subsidiaries. For a long time, the Philippines office was directed by Mohammad Jamal Khalifa, a high-ranking Al Qaeda figure who is Osama bin Laden’s brother in law.

The IIRO, meanwhile, is a subsidiary of the Muslim World League, which Osama bin Laden identified (in a recorded conversation with Al Qaeda lieutenant Jamal Ahmed

al-Fadl) as one of his primary sources of funding. The Muslim World League, which was also a big backer of Sami al Arian's Palestinian Islamic Jihad, Hamas and other jihadi outfits, was incorporated in the United States by Yasin al-Qadi's bagman, Mr. Mirza, chairman of Sheikh DeLorenzo's Amana Trust.

While Mr. Mirza handled affairs in the U.S., the Muslim World League's Peshawar office was managed by Wael Jalaidan, one of Al Qaeda's founding members. The Muslim World League's vice president in the U.S., Mr. Hassan Bahfazallah, was a member, along with Mr. Mirza, of Sana-Bell's board of directors.

Mr. Bahfazallah, meanwhile, was also the executive director of Benevolence International, which received considerable support from "Specially Designated Global Terrorist" Yasin al-Qadi. Benevolence, recall, is the outfit that was (according to the U.S. embassy in Moscow and the FBI) in close contact with people who were trying to obtain nuclear bombs for Al Qaeda by buying them from Chechens with ties to the Russian Mafia.

Given the increased scrutiny that Yasin al-Qadi has faced from U.S. law enforcement, it is possible that he is no longer able to deliver money directly to Al Qaeda. But his expertise as a major league hedge fund manager with deep experience in the U.S. markets might be of service to the Grand Jihad. Same goes for bagman Mr. Mirza, who seems to be a first rate financial operator and has billions at his disposal.

I do not know whether Yasin al-Qadi, Mr. Mirza and the other jihadi financiers are clients of Sheikh DeLorenzo's naked short selling phantom stock machine, but these people certainly operate in the same circles. Tax returns show that one investor in Sheikh Delorenzo's Saturna Capital, which owns the Al Safi Trust naked short selling operation, was the Holy Land Foundation, named by U.S. prosecutors as the principal U.S. front for Hamas.

Sheikh DeLorenzo also ran (and continues to serve as a consultant to) the Saturna Brokerage, which is affiliated with the Islamic Society of North America (ISNA), a Saudi funded outfit tied to the Muslim Brotherhood. Mr. Mirza's Amana Trust also operates under the ISNA umbrella, as does the NAIT investment bank and Tuco trader Zuhair Karam's Bridegview Mosque, whose directors help run the operations of all of these financial entities.

The current president of Saturna Brokerage is Monem Abdul Salam, who was formerly a principal at Dickinson & Co., a brokerage that was a unit of the Stotler

Group, which received a pile of subpoenas in 1989 as part of Operation Sour Mash and Operation Hedge Clipper – two famous FBI investigations into financial firms suspected of laundering money for narcotics kingpins and organized crime.

Mr. Salam was not directly implicated in those investigations, but there is no doubt that Dickinson was a dubious brokerage. Several of its leading traders left to found MB Trading, which never bothered to register itself with the authorities until it became the first brokerage ever sanctioned by the U.S. government for catering to a customer in Iran in violation of laws that prohibit doing business with state sponsors of terrorism.

As of 2008, the president of ISNA (the outfit that controls NAIT, Saturna, and Amana Trust) was Muzammil Siddiqi, who also served as president of the Ficq Council, where Sheikh DeLorenzo served as secretary and as a director of the board. Mr. Siddiqi has since been named as an unindicted co-conspirator in the Holy Land Foundation's terrorist financing case.

There are many other reasons to be concerned about the brokerages and other financial outfits operating under the ISNA banner, one of which is that ISNA was co-founded by Palestinian Islamic Jihad leader Sami al Arian, who (we know) has been accused of providing support to the 9-11 hijackers, and was (according to court documents) taking directions from agents of the Iranian regime operating out of the UN headquarters in New York. This is one reason why NAIT, the multi-billion dollar investment outfit, was named as an unindicted co-conspirator in the government's case against Sami al-Arian.

ISNA, meanwhile, was named as an unindicted co-conspirator in the government's case against the Holy Land Foundation. According to United Press International, U.S. government investigators believe that ISNA has transferred money directly to Al Qaeda, but ISNA has not been charged on that account and likely wouldn't be charged in deference to the Saudi government, which is one of ISNA's big donors and would be embarrassed by any association with Al Qaeda.

The best the FBI can do, apparently, is occasionally mention ISNA officials as "unindicted co-conspirators" in cases related to Al Qaeda. As just one example, ISNA vice president Siraj Wahhaj was named by the U.S. government as an "unindicted person who may be alleged" to have participated in the 1993 "Day of Terror" plot, hatched by a diverse assortment of jihadis, all with ties to Al Qaeda.

The mastermind of both the “Day of Terror” plot and the 1993 bombing of the World Trade Center was a religious scholar and cleric named Omar Abdel Rahman, otherwise known as the “Blind Sheikh” – and he is one of the most important people in the world because his words, more than those of any other Islamic clerics, inspire the actions of Al Qaeda and other leaders of the Grand Jihad.

The Blind Sheikh was until his imprisonment the leader of Al-Gama’a al-Islamiyya, an Egyptian jihadi group. It was long assumed that Al-Gama’a al-Islamiyya was a fierce rival of Egyptian Islamic Jihad, led by Ayman al-Zawahiri, who merged his outfit with Al Qaeda and is now expected to take over bin Laden’s position. To be sure, al-Zawahiri and the Blind Sheikh had their differences when it came to tactics and strategy (especially with regard to Egypt), but they were nonetheless united in their mission to wage jihad against the United States.

Meanwhile, nearly all jihadis are united in their admiration for the Blind Sheikh because his PhD. from Egypt’s prestigious Al Azhar University, the fount of Muslim Brotherhood thought, gives his fatwahs legitimacy. Moreover, his fatwahs are bolder than those of any cleric, and they have a particular ring to them. “Tear the Americans and Jews to pieces! And kill them wherever you find them. Ambush them. Take them hostage…Kill these infidels! Until they witness your harshness. Fight them, and God will torture them…”

And so on…

In his most famous fatwah, the Blind Sheikh was the first to call for the use of airplanes as weapons. In this same fatwah (issued from his prison cell after the 1993 attack on the World Trade Center) the Blind Sheikh was also the first prominent jihadi to publicly declare that jihadis the world over should join forces to attack the American economy.

The lengthy fatwah is worth a read, but one line can give you a general idea. The Blind Sheikh began with the usual command to “tear [the Americans and Jews] to pieces”. He then specified how this could be done: “destroy their economies, burn their corporations, destroy their peace, sink their ships, shoot down their planes and kill them on air, sea, and land.”

At the press conference where Osama bin Laden announced his declaration of war against the United States, the Al Qaeda leader gave the assembled journalists laminated cards printed with a photo of the Blind Sheikh and a few words of his

famous fatwah – namely, the words that I quoted above. Meanwhile, many of the polished jihadi financiers in the SAAR Network had advocated for the Blind Sheikh's release from prison.

That was in the 1990s, and nobody paid much attention. Given what we now know, however, maybe the SEC or somebody should pay attention to jihadi financiers who might, indeed, be working to "destroy [our] economies" and "burn [our] corporations" – not with fire, but with the weapons of high-finance.

Weapons such as Sheikh DeLorenzo's phantom stock machine, also known as Al Safi Trust, which is, in fact, a unit of Saturna Capital — which is, in turn, an affiliate of ISNA. But to the extent that the SEC does pay attention to ISNA (or to the former ISNA officials who are alleged accomplices of Al Qaeda and the Blind Shiekh), it is only to give the SEC stamp of approval to ISNA's financial empire.

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The leaders of the jihad are often portrayed as primitive bumpkins who live in caves and are armed with nothing more dangerous than a few maniacs willing to blow themselves up. This is to ignore the power of the jihadi ideology, which is articulated with great eloquence by countless people who are eminently learned scholars of both Islam and global politics.

It is also to ignore the jihad's fighting capabilities. The jihadis have done much more than dispatch a few terrorists here and there. They have organized and commanded insurgent armies with thousands of soldiers. And these armies have fought, with considerable success, two all-out wars (Afghanistan and Iraq) against the world's most powerful military.

Perhaps even more importantly, the notion that jihadis are backward thinkers right out of the seventh century grossly underestimates the jihad's sophistication as a modern-day global financial operation. And it is not just sophisticated; it is a massive criminal undertaking that has, according the United Nations, laundered more than $1 trillion through the global banking system in the last five years alone.

As one report prepared for the French Directorate of Military Intelligence explains, "the financial network of [Osama] bin Laden, as well as his network of investments, is similar to the network put in place in the 1980s by BCCI [Bank of Credit and Commerce International] for its fraudulent operations, often with the same

people…The dominant trait of bin Laden's operations is that of a terrorist network backed up by a vast financial structure." [Italics are mine.]

For those who do not know, the Bank of Credit and Commerce International (BCCI) was a massive and complex financial institution, founded by a Pakistani wheeler-dealer named Agha Hasan Abedi in partnership with Sheikh Zayed bin Sultan al-Nahyan, then leader of Abu Dhabi. Among the other founding shareholders who helped run the operation were the Gokal family of Pakistan; a close-knit network of Saudi billionaires; and the ruling family of Dubai, which is (like Abu Dhabi) part of the United Arab Emirates.

In 1991, BCCI was forced to close its doors after New York District Attorney Robert Morgenthau declared that it was the "largest bank fraud in world financial history." Eventually, prosecutors demonstrated that it had done illegal business with everyone from La Cosa Nostra and Colombian drug cartels to shady arms dealers and rogue intelligence agents.

BCCI, as we will see, was also a major player, along with U.S. financiers tied to the Mafia, in the savings and loan bust outs that wrought havoc on the U.S. economy in the late 1980s. Meanwhile, several of BCCI's subsidiaries, such as First Commerce Securities, specialized in manipulating the U.S. markets. By most accounts, some of BCCI's principals even played a major role in masterminding the 1973 OPEC oil embargo that quadrupled the price of oil, causing the inflationary recession ("stagflation") that crippled the United States for the remainder of that decade.

The 1970s oil embargo is evidence enough that the U.S. economy is vulnerable to attack by politically motivated financial operators. BCCI co-founder Sheikh al-Nahyan of Abu Dhabi initiated the embargo as a way to retaliate against the United States for providing military aid to Israel, which had just fought a coalition of Arab states in a war that broke out in October 1973. As Sheikh al-Nahyan has said, the idea for retaliating against the United States with an embargo came to him in consultations with his BCCI co-founder, Abedi.

The details of the plan were worked out with Sheikh Ahmad Turki Yamani, then the Saudi minister of petroleum; and Sheikh Abdel Hadir Taher, the governor of the Saudi state oil company Petromin. Both of those Sheikhs were also shareholders in BCCI. And the mammoth oil profits that these Sheikhs earned from the embargo were, to a large extent, delivered to BCCI, which opened for business just before the embargo went into effect. It was, in fact, this new oil money that made BCCI a

powerhouse in the world of finance and a giant criminal enterprise capable of plundering the U.S. economy throughout the latter half of the 1970s and the 1980s.

Henry Kissinger once said that the oil embargo was “one of the pivotal events in the history of the [twentieth] century.” Kissinger was not referring to BCCI, but the emergence of BCCI as destructive criminal element was certainly an important outcome. And it is not out of the question that some of the acts that BCCI subsequently perpetrated against the United States were, like the oil embargo, motivated to some extent by ideology and the by the resentment that the sheikhs felt as a result of the 1973 Arab war with Israel. After all, a principal tenet of both Salafi Islam (the brand of Islam subscribed to by the sheikhs behind both BCCI and the oil embargo) and radical Shiite Islam (subscribed to by a number of BCCI’s key executives) is that Muslims should fight their enemies by “plundering their money.”

Regardless of what the motives of BCCI’s founders were in the past, it is clear that most of them are, to this day, major players in the global financial system. They have more than enough firepower to inflict damage on the U.S. markets. And, as the French intelligence report noted, “directors and cadres of the bank [BCCI] and its affiliates, arms merchants, oil merchants, Saudi investors” have been among the most important financial supporters of America’s Enemy Number One – Al Qaeda.

By way of introducing just a few of the billionaire BCCI figures who support Al Qaeda, I need to relate a story about Benevolence International, the Al Qaeda front that was accused by the U.S.. government of having contacts with people trying to obtain nuclear weapons for Osama bin Laden.

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In 2002, U.S. soldiers stationed in Sarajevo raided the local offices of Benevolence International and found a document that referred to the “Golden Chain” – an elite club of twenty Saudi billionaires whom Osama bin Laden had identified as his most important financiers. These financiers not only delivered large sums of money to the prospective nuclear weapons proliferators at Benevolence International, but can correctly be understood to have been among Al Qaeda’s founding fathers.

Some highly regarded authors, such as Steve Coll, who is otherwise quite reliable (though arguably a bit over-reliant on his Saudi sources), have suggested that the Golden Chain members funded Al Qaeda only in its early years. This is false. Most of them continued to support Al Qaeda after bin Laden declared war against the United

States and after Al Qaeda carried out the 9-11 attacks.

The Golden Chain document has, meanwhile, received virtually no attention from the media, perhaps because it would seem a bit “crazy” to suggest that Al Qaeda is a movement whose most important operatives are not rag-tag fringe fanatics living in caves, but rather the crème de la crème of Saudi society – the people who control much of the world’s oil wealth, the people who own the most powerful manufacturing conglomerates, and the biggest Saudi banks, and the biggest hedge funds, and the biggest stock brokerages, and the Saudi stock exchange itself.

There is something in the wiring of American brains that makes it impossible for even the smartest people in this nation to accept surprising or unpleasant realities. There are a few exceptions, such as Glenn Simpson, who was once The Wall Street Journal’s finest investigative reporter, and who did write about the Golden Chain. But Simpson has left The Journal, and the newspaper has since failed to investigate Saudi ties to terrorism. In fact, it has failed to investigate much of anything at all.

Nowadays, it almost seems like the media is under under strict orders not to write anything surprising whatsover. When I mentioned the Golden Chain document to a former colleague of mine at The Wall Street Journal, he first insisted that there was no proof that the document even existed. When I sent him evidence that it did exist, he did a quick Google search and concluded that the document was not reliable because an American judge had said the document was not admissible in court since it was not clear who had authored it.

The Journal reporter was not interested in investigating the facts; a judge had spoken, and that was enough. It didn’t used to be like this. But now it’s how our media works – nothing is to be reported unless it represents the thinking of some recognized fixture of the establishment.

Never mind that there is a vast body of additional evidence that most of the people identified as members of the Golden Chain have actively participated in the Grand Jihad on multiple fronts. And never mind that the Golden Chain document had been confirmed to be authentic by, among others, American intelligence officials, multiple FBI agents, Al Qaeda’s most reliable defector Jamal al-Fadl, and the nation’s most learned terrorism experts, including Steve Emerson of the Investigative Project for Terrorism, which possesses the world’s largest non-governmental database of intelligence on Al Qaeda and other jihadi groups.

So we must know more about Al Qaeda's Golden Chain. For starters, we must understand that these extremely wealthy financiers are bound together by the sorts of relationships that many Americans do not understand. These are not mere business relationships. They are the bonds of brotherhood and blood. They are the bonds of fervor and ancient grievances. They are, moreover, the bonds between people who are united in their disdain for the prevailing order, and whose financial crimes have, in many cases, helped subvert that order.

One billionaire member of the Golden Chain, according to the Benevolence International document, was Sheikh Khalid Bin Mahfouz, who had been among the masterminds and co-founders of BCCI, and had paid more than $200 million to settle charges for his role in that massive criminal enterprise. Sheikh Mahfouz, who passed away under somewhat mysterious circumstances in 2009 (there were unconfirmed rumors that he was murdered), had also founded National Commercial Bank, which is the single largest financial institution in the Middle East.

Some of Sheikh Mahfouz's companies – such as Al Khaleejia, SEDCO, and the Saudi Sudanese Bank – have done business directly with companies that were founded by Osama bin Laden. And it was Sheikh Mahfouz who originally set up the Muffawaw Foundation, the outfit that was managed by Yasin al-Qadi until the U.S. government declared Muffawaw to be an "Al Qaeda front" and labeled Yasin al-Qadi as a "Specially Designated Global Terrorist."

There are some American pundits who claim that Saudi billionaires like Sheikh Mahfouz donate to Al Qaeda only to avoid being attacked, like frightened shop owners paying protection money to the local Mafia thug. These pundits misunderstand the nature of Saudi society, the two most important features of which are Salafi Islam (one of the foundations of the jihadi ideology) and the inviolability of personal relationships.

Sheikh Mahfouz not only believed in the Grand Jihad, but his relationship with the bin Laden family went back decades. Osama bin Laden's father, Mohammed, and Sheikh Mahfouz were best friends, and it was Sheikh Mahfouz who provided the original finance that allowed Mohammed to build Saudi Arabia's largest construction company. To cement these ties and to further demonstrate his commitment to the Grand Jihad, Sheikh Mahfouz tried (unsuccessfully) to arrange for his sister to marry Osama bin Laden.

While he was still alive, Sheikh Mahfouz filed lawsuits against the few journalists

who sought to expose his ties to Al Qaeda. Meanwhile, the families of the victims of the 9-11 attacks filed lawsuits against Sheikh Mahfouz for providing financial support to the people who killed their loved ones.

And I am thinking I might file a lawsuit against Sheikh Mahfouz's estate seeking damages for all the stress that I have endured as a result of learning that Sheikh Mahfouz and his friends not only have ties to the world's most skilled financial criminals, but also billions of dollars that might come in handy to people like Shiekh Mahfouz's friend, Mohamed Loay Bayazeed, who tried, according to the FBI, to "obtain uranium for Osama bin Laden for the purpose of developing a nuclear weapon."

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Another member of Al Qaeda's Golden Chain is Sheikh Saleh Abdullah Kamel, owner of Dallah Albaraka, a conglomerate involved in banking, stock trading, construction, and jihadi media. In addition, Sheikh Kamel, who is linked to the Muslim Brotherhood and Sami Al-Arian's Palestinian Islamic Jihad, owns the powerful Saudi al-Baraka Bank, which, according to U.S. government investigators, provided much of Al Qaeda's financial infrastructure in Sudan. Shiekh Kamel also gave Hamas, the jihadi outfit that controls the Gaza strip, more than $20 million so that Hamas could open a bank of its own.

The new Hamas financial institution, which is called al-Aqsa Bank, quickly formed a joint venture with Citibank. That joint venture was quite lucrative for Citibank, which may have been willing to turn a blind eye to illicit financial transactions until 2001, when it cut off relations with Al-Aqsa on the advice of the U.S. Treasury Department. Unfortunately, the U.S. Treasury, though quick with advice, never officially labeled any of the banks or financial institutions linked to Shiekh Kamel as fronts for jihadi groups.

U.S. authorities have also taken no substantive action against Sheikh Ibrahim Muhammad Afandi, a member of Al Qaeda's elite Golden Chain club who owns some of Saudi Arabia's most influential businesses, including the Saudi Industrial Services Company, the Great Saudi Development & Investment Company, and the Arabian Company for Development and Investment Limited. Sheikh Afandi also controls BSA Investments, a big private equity fund active in the U.S.

Then there is Abdel Qader Faqeeh, a member of the Golden Chain club and chairman

of major corporations and financial institutions, including Bank Al Jazeera and the Savola Group, which recently merged with Azizia Panda to become Saudi Arabia's 13th largest company. A business partner of Sheikh Faqeeh is Golden Chain member Sheikh Saleh al-Din Abdel Jawad, who is the CEO of the blue chip General Machinery Agencies manufacturing company in Jeddah.

Sheikh Faqee also had a joint venture business with the above-mentioned Sheikh Mahfouz. Indeed, each Golden Chain member has some sort of business partnership with each of the other Golden Chain members – one reason why I say that these people need to be viewed as not just a club, but as a family. I will not bore the reader with a long recitation of every financial transaction that ties Al Qaeda's financiers together, but I will mention a few, just to erase any question as to whether the relationships exist.

For example, National Commercial Bank, owned until recently by Sheikh Mahfouz, is a partner in a multi-billion dollar investment outfit called the Middle East Capital Group, which is partly controlled by Sheikh Rahman Hassan Sharbatly – who is another member of Al Qaeda's Golden Chain club. Sheik Sharbatly is also a partner, with Sheikh Faqee, in a unit of Sheikh Faqeeh's Savola Group. In addition, Sheikh Sharbatly is a board member and major shareholder of Beirut Ryad Bank SAL, Egyptian Gulf Bank, and several other major financial institutions.

Meanwhile, Sheik Sharbatly and Sheikh Mahfouz were both board members of the Saudi Arabian Refinery Company, which refines much of the world's oil supply. This brings to mind the report that I mentioned at the outset of this story – the one commissioned by the U.S. Defense Department's Irregular Warfare Support Program. That report speculates that one component of the possible financial attack on the U.S. economy in 2008 might have been the manipulation of oil prices to excruciating highs in the summer of that year.

I do not know if oil prices were manipulated, but it seems like a possibility that is worth considering, especially in light of Osama bin Laden's proclamations about the "absolute necessity of using the oil weapon." Another reason to ask whether oil prices might have been manipulated is that the membership of Al Qaeda's elite Golden Chain club includes Sheikh Abdel Hadir Taher and Sheikh Ahmad Turki Yamani – the two former BCCI shareholders who masterminded the 1973 oil embargo with Sheikh al-Nahyan of Abu Dhabi.

Sheikh Taher, in addition to being an Al Qaeda Golden Chain member and the

former governor of the Saudi state oil company Petromin, has also served as director of Saudi European Bank, a big financial institution that is important to the stability of global economic order. Al Qaeda Golden Chain member Sheikh Yamani, we know, is a former Saudi minister of petroleum. He is also a former director of Saudi Aramco, which is the largest oil company in the world.

In addition, Sheikh Yamani presides over Investcorp, an investment firm that he founded. Actually, it's not just an investment firm; it's a market-moving behemoth – one of the largest hedge fund and private equity outfits in the world, with more than $50 billion under management. Investcorp has made a deep imprint in the American markets, and has been involved in everything from short selling to the trading of self-destruct CDOs. As for what sort of short selling Investcorp engages in, we need only know that Ivestcorp is a client of Sheikh DeLorenzo's Al Safi Trust phantom stock machine.

Investcorp was also a pioneer, and continues to be one of the few major players in the shady world of so-called PIPEs deals, also known as "death spiral" finance. PIPEs, or "Private Investments in Public Equity" are simply transactions that see the investors buying stock directly from companies rather than on the open markets. But far from being investors who want the companies to succeed, PIPEs investors often scheme to destroy the company to which they are supposedly serving as benefactors.

Since PIPEs finance dilutes shareholder value, a company that does a PIPEs deal often sees its stock price decline. When this happens, short sellers (often naked short sellers who are colluding with the outfit that provided the PIPEs finance) attack the company, causing its stock price to drop. The more it drops, the greater the number of shares are owed to the PIPEs financier. The greater number of shares, the greater that drop; and so on. Hence the term, "death spiral" finance.

Once the stock price of a PIPEs victim is mauled, the finance is cut off, and the company goes bankrupt, delivering big profits to the short sellers (i.e. profits that far exceed the cost of providing the PIPEs finance in the first place).

The emergence of the PIPEs industry has, without doubt, been a scourge on the markets. As numerous court cases attest, it has destroyed countless companies and countless jobs. Basically, it is a not-insignificant reason why America's "miserable house" (as that Muslim Brotherhood document called it) is, in fact — miserable.

Sheikh Sulaiman Abdul Aziz al-Rajhi is not miserable. He's the patriarch of the wealthiest family in Saudi Arabia, and thus one of the 100 richest people in the world. He is jolly and well. So, naturally, he is also a member of the Golden Chain, the elite club of Al Qaeda's 20 most important financiers.

Maybe because the twenty members of the Golden Chain club are the most prominent people in Saudi Arabia, the U.S. government does not label them as "Specially Designated Global Terrorists." It does not take steps to shut down their bank accounts or bar them from trading in the U.S. markets. It does not even dare utter their names, perhaps because to do so would embarrass the Saudi government, which is ostensibly a U.S. ally.

When the U.S. government's "9-11 Commission" issued its final report on the Al Qaeda attacks on New York and Washington, it contained 28 pages that reportedly detailed Saudi ties to Al Qaeda. But when the report was released to the public, the 28 pages about the Saudis were censored, so ordinary people could not read them. A full 28 pages – with no words; nothing but big blocks of black ink.

Thus, it is left to independent jihad experts to sort out many of the connections. Steve Emerson and his Investigative Project on Terrorism have done especially heroic work in this regard. Some former top government officials have said that Emerson is better informed about the jihad than the government itself. But Emerson and other people who have done excellent research are largely ignored by the media, which will not report the facts unless they have been stated explicitly by some official spokesman.

At any rate, you won't read about it in the media, but it is clear that Sheikh al-Rajhi, the wealthiest man in Saudi Arabia, is an important leader of the Grand Jihad. Aside from being an Al Qaeda Golden Chain member, he is the principal force behind the U.S.-based SAAR Network of jihadi financiers that I began to dissect earlier in this chapter and will describe in greater detail in later chapters. In fact, the SAAR Network is named after Sheikh al-Rajhi himself. The initials, S.A.A.R., stand for Sulaiman Abdul Aziz al-Rajhi.

Most of the other Golden Chain members are also involved with the SAAR Network financiers operating in the United States. For example, Shiekh Afandi and Sheikh Kamel were board members of Sana-Bell, the outfit run by "Specially Designated Global Terrorist" Yasin al Qadi's bagman, Mr. Mirza. Also a board member of that outfit, you will recall, was Mr. Bahfzallah, head of Benevolence International, the

outfit that was dealing with people who were shopping for nukes.

Yasin al Qadi's lawyer, Cherif Sedky also worked for Sheikh Mahfouz. And this same lawyer represented Shiekh Rajhi when the FBI began to ask how it came to be that $1.8 billion dollars from the SAAR Foundation disappeared, most likely into the hands of other jihadis.

Given his important role in the Grand Jihad, it is fair to assume that Shiekh al-Rajhi (who, like all the Golden Chain members is also on familiar terms with Tuco trader Zuhair Karam's crowd at the Bridgeview Mosque) harbors some disdain for the global financial order. At the same time, Sheikh al-Rajhi is one of the most important players in the global financial order, a person who is perfectly capable of transforming or even undermining it. Indeed, it is fair to say that few men have more sway over "the system" than Sheikh Sulaiman Abdul Aziz Rajhi.

Said to be a whiz with numbers, Sheikh Rajhi directs multiple hedge funds that manage many billions of dollars, several stock brokerages, and the massive Al Rajhi Bank, which is the most venerable of the elite financial institutions that control the Stock Exchange of Saudi Arabia, also known as the Tadawul. Sheikh Rajhi's companies have around $100 billion in cash at their disposal. All told, the financial fire power of Al Qaeda's Golden Chain exceeds that of most mid-sized nations.

But, rest assured, jihadis are just bumpkins in caves.

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Despite the death of Osama bin Laden, the jihad's sophisticated financial operation remains entirely in place. Moreover, it is doubtful that the Securities and Exchange Commission is monitoring the activities of the billionaire financial wizards who are members of Al Qaeda's Golden Chain. Certainly, it has never charged any member of the Golden Chain for engaging in financial schemes (such as self-destruct CDOs and "death spiral" finance) that have done damage to the U.S. economy.

Indeed, as we know, the SEC has made it easier for these people to manipulate the markets by allowing characters such as Sheikh DeLorenzo (who, as a prominent member of the SAAR Network, is certainly on good terms with the Golden Chain) to operate trading platforms such as Al Safi Trust's naked short selling machine. Meanwhile, Wall Street's largest institutions stumble over themselves to do business with other financial behemoths that might not be entirely committed to keeping the

U.S. economy in good health.

One such behemoth is the financial empire of Dubai's ruler, Sheikh Mohammed bin Rashid Al Maktoum — or "Sheikh Mo," as he is affectionately called in the West. Sheikh Mo, whose family members were among the controlling shareholders of BCCI's criminal enterprise, now operates, among other entities, the Dubai International Finance Center, which houses Sheikh DeLorenzo's Al Safi Trust (set up in partnership with Sheikh Mo) and countless hedge funds, most of them intertwined with Dubai's sovereign wealth fund.

The Dubai International Finance Center's stated mission is to advance shariah compliant finance (such "compliance" being demanded only by radicals who misinterpret shariah law), and it has at its disposal more than a trillion dollars. Frank Gaffney, former assistant secretary of defense for international security, insists that shariah compliant financial products "threaten what is left of the integrity of our free market system. Worse yet, they – and the theo-political-legal doctrine, Shariah, from which they spring – pose a real threat to our society and form of government."

On the surface, it seems that there is nothing wrong with people creating shariah compliant financial products, even if they cater to an interpretation of Islam that is radical in the extreme. People have a right be radical and to create radical financial products. Indeed, it took me a long time to believe that Shariah finance posed any threat whatsover. My instinct was to believe that it was merely an effort to cater to people who are devoutly religious, no more dangerous than Halal beefsteak.

However, it is prudent to consider whether there is more than religion behind the astounding growth of shariah compliant finance in recent years. Indeed, we must understand that the new and radical interpretation of shariah "compliance" is overtly anti-American, and was invented by jihadi leaders as a means to challenge the U.S. financial order. This is well-documented in a book called "Understanding Sharia Finance", by Patrick Sookhdeo, Director of the Institute for the Study of Islam and Christianity.

Paul Bracken, professor of management and political science at Yale University, notes that shariah compliant finance has become a powerful force and raises "the prospect that Wall Street could be knocked out of action [with] strategic implications for the United States and for the entire global system of finance."

As for Sheikh Mo, the eminence grise of shariah "compliant" finance, many in

Washington consider him to be an important ally of the United States. But Sheikh Mo considers one of his most important allies to be the regime in Iran, which would like to see the United States obliterated. Meanwhile, Sheikh Mo and his family have been among the biggest supporters of organizations that are carrying out the Grand Jihad.

For example, Sheikh Mo's family, along with the Muslim Brotherhood, the Golden Chain Saudis, and some factions of the Saudi government are among the biggest contributors to ISNA, an organization whose depredations I have partially described.

A charity founded by Sheikh Mo also donated $50 million to the Council on American Islamic Relations, an ISNA-tied outfit that grew out of the Islamic Association of Palestine, which was the U.S. propaganda arm of Hamas. Numerous CAIR officials have been allegeged to have ties to Al Qaeda, which might explain why CAIR has plotted ways to secure the release from prison of the Blind Sheikh.

In Europe, where Sheikh Mo is received warmly (the BBC recently called him an "enlightened dictator"), Muslim Brotherhood spiritual leader Yousef al-Qaradawi (the cleric who has issued calls for "Financial Jihad") runs the European Council for Fatwa and Research, which has played a key role in fostering the development of shariah "compliant" finance. That outfit was funded almost entirely by Sheikh Mo and his family until it was implicated by authorities for having ties to violent jihadis.

Meanwhile, Dubai, with Sheikh Mo's acquiescence, has long served as an important operational hub for some the world's most notorious organized crime figures, some with direct ties to jihadi groups. For example, Indian Mafia kingpin Dawood Ibrahim was, until he moved to Karachi to live under the protection of the Pakistani spy services, one of Dubai's most honored and ostentatious residents, regularly holding lavish parties at his landmark white mansion – parties attended by prominent figures in the world of high finance (some of whom I will introduce in upcoming chapters), and also by members of Sheikh Mo's royal family.

Mr. Ibrahim had the full protection of Sheikh Mo until Dubai was pressured by the international community to send him packing. And Mr. Ibrahim was no ordinary Mafioso. He was, as I mentioned, intimately intertwined with the operations of Al Qaeda and other jihadi groups – the only person in the world to be labeled by the United States government as both a "Global Narcotics Kingpin" and a "Specially Designated Global Terrorist."

Former ABC News journalist Gretchen Peters, a friend and work colleague of mine when we both lived in Cambodia, has published an excellent book about the nexus between jihadis and the heroin trade. One CIA official whom Peters interviewed for the book noted that "if you want to know what Osama bin Laden is up to, you have to understand what Dawood Ibrahim is up to."

Another close friend of Sheikh Mo was Viktor Bout, a Russian Mafia figure who was, for a long time, flying cargo planes filled with weapons from Dubai to Taliban and Al Qaeda redoubts in Afghanistan and Pakistan. Viktor Bout, like Dawood Ibrahim, operated with the full support and protection of the Dubai government until Interpol put out an arrest warrant for him. Then he moved to Moscow, where he enjoyed the protection of Russian prime minister Vladimir Putin until he was lured to Thailand and arrested by the FBI.

Viktor Bout was also closely tied to Abu Dhabi's ruling family, whose leading members (like Dubai's ruling family) probably first came into contact with organized crime while they were presiding over the criminal operations of BCCI. Some cargo planes that Bout used to smuggle weapons to Afghanistan were registered as belonging to a company called Flying Dolphin, which was owned by Sheikh Mansour Al Nayan, the present ruler of Abu Dhabi.

Then there is the famous story of why President Bill Clinton failed to kill Osama bin Laden. Soon after Al Qaeda's 1998 attacks on U.S. embassies in Tanzania and Kenya, the CIA located Osama bin Laden and reported that the Emir of Jihad was hosting some of his closest friends at a party in a remote corner of Afghanistan. The Al Qaeda leader and his friends were spending their days hiking in the mountains and hunting with falcons, then retreating to an Al Qaeda training camp to drink tea and talk of subversive notions.

Figuring that there would not be much time before Osama would vanish again, the U.S. military told President Clinton that this was the ideal moment to blow the Al Qaeda leader to smithereens with a precision-guided Hell-Fire cruise missile. The generals were ready to pull the trigger, but Clinton and his cabinet stopped them. They aborted the mission because Osama bin Laden and his friends were having a party. And these friends were all from Dubai. In fact, they were among the most prominent members of Sheikh Mo's ruling family.

Sheikh Mo's family and the leaders of Al Qaeda had finished hunting and were relaxing in the tents that Shiekh Mo's family members had brought with them to

Afghanistan – house-sized luxury tents equipped with giant electricity generators, and decorated with fine carpets, and fabrics laced in gold. No doubt, Osama bin Laden regaled the Dubai ruling family with stories of his exploits, and the Dubai ruling family members no doubt responded with praise for their host's glorious victories against the United States, perhaps even noting that America's "miserable house" had gotten what it deserved.

At any rate, the CIA watched the satellite images. The generals asked Bill Clinton if they should fire the missile. And Bill Clinton said, "No" — because, of course, Dubai's royals were American allies. As George Tenent, who was then the director of the CIA, later put it, Clinton could not take this rare opportunity to kill Osama bin Laden because the missile strike "might have wiped out half the royal family of the UAE."

Put differently, one might say that "half the royal family of [our ally] the UAE" was partying with Osama bin Laden.

That's some ally.

Well, never mind, say America's elite – if Sheikh Mo is supporting jihadis, it is only a matter of political expediency. Perhaps. But, in the end, it doesn't matter whether the politics are expedient or not. What matters is the end result. And it is probably safe to assume that the Dubai royals who went on hunting expeditions in Afghanistan with Osama bin Laden may be (at least to some extent) sympathetic to the jihad. That is, they have, to a degree, been possessed by a subversive notion – that "the system", as epitomized by the United States, can be undermined.

Unfortunately, the billionaire sheikhs of the Middle East – whether they be members of ruling families, members of the SAAR Network, or members of Al Qaeda's Golden Chain – are not the only potential threats to America's economic well-being. As I mentioned at the outset of this story, there is nexus between jihadi groups and organized crime, and there is a network of financial operators that illustrates this nexus nicely.

So we need to examine this network and what role it might have had in the 2008 financial crisis. But to know the network in more detail we must first go back in history a few decades – back to the time when BCCI was at the height of its power and a singularly destructive financial criminal named Michael Milken was the most formidable operator on Wall Street.

CHAPTER 3

The Miscreants' Global Bust Out (Chapter 3): Michael Milken and the BCCI Criminal Enterprise

Posted on 05 May 2011 by Mark Mitchell
Tags: 650 Fifth Ave, Abbas Gokal, Alavi Foundation, Alfred Hartmann, Ali Nazerali, Antonio Commisso, BCCI, Capcom, Cecil Kirby, CenTrust, Charles Keating, Drexel Burnham, First Commerce Securities, Gokal, Iran, Irving Kott, ISI, Ivan Boesky, Lincoln Savings and Loan, Mafia, Mahfouz, Marc Rich, Michael Milken, Ndrangheta, organized crime, Pakistan, Saudi intelligence, Swaleh Naqvi, Vic Cotroni

This is Chapter 3 in a multi-chapter story…

The year was 1979, and the outsized profits derived from the OPEC oil embargo had fueled the rise of BCCI, whose massive criminal enterprise was now expanding its operations into the United States. Meanwhile, radical Islamists had just taken control of Iran, and a man named Ivan Boesky was about to fly to Tehran, where he planned to spend a year developing relationships with the new regime.

These seemingly unrelated events would have figured in the thoughts of a man named Irving Kott, who one day that year got into his car and started the engine. But Kott suddenly remembered that he forgot something in the house, and he jumped out of the car. Lucky for him, because that's when a powerful bomb exploded, turning Kott's car into giant fireball of mangled metal. Kott took some shrapnel, but he survived, and the first thing he did, according to some of his associates, was call his friend, Ali Nazerali.

Kott was livid – he wanted to know what the deal was with the car bomb. Ali Nazerali said he'd ask around. After a few hours, Nazerali called back and said the word on the street was that a hit man named Cecil Kirby planted the bomb, and Kirby worked for Canadian mob boss Vic Controni. It seemed Kott had run a stock scam with Controni, who was then one of North America's biggest market manipulators, and Kott stole Controni's share of the deal.

Later court filings revealed that Kirby (and Kott) had also done some work for Antonio Commisso, a.k.a. L'avvocatu, or The Lawyer – a Toronto boss of the Ndrangheta Mafia organization, also known as the Siderno Group, because it has its origins in Siderno, Italy. One way or another, Nazerali offered to patch things up with the Mafia – and he did a good job of it. Commisso ordered Kirby to lay off, and a couple of years later Kott, Nazerali and the Mafia were all in business together, running a brokerage called First Commerce Securities.

Nazerali had spent his formative years working in key positions for the powerful Gokal family of Pakistan. According to "False Profits" (one of the definitive books on the BCCI scandal), as of the early 1980s, the Gokals (who were closely intertwined with Pakistan's intelligence services) controlled the Gulf Group, which was BCCI's most important satellite company. The Gokals had also become the most important business partners of the Iranian regime, and served that regime as semi-official financial advisers, handling everything from budgets to the procurement of

sophisticated weaponry.

Nazerali was also a blood relative of Swaleh Naqvi, the chief executive officer of BCCI, and through his relative and his dealings with the Gokals, he had come to be a trusted business associate of the Iranian regime and of BCCI's other principals. He was especially close to Sheikh Mahfouz, the future Al Qaeda Golden Chain financier, but he also sealed business relationships with the ruling families of Abu Dhabi and Dubai. It was through Sheikh Mahfouz that Nazerali came to be an important business partner of Yasin al Qadi, the future "Specially Designated Global Terrorist."

Nazerali dabbled in arms dealing, delivering weapons to war zones in Africa and to the mujahedeen in Afghanistan, but his primary line of business in the early 1980s was his Mafia brokerage, First Commerce Securities, which soon became an important component of the BCCI syndicate. The importance of First Commerce to BCCI was evidenced not only by Nazerali's relationship to BCCI's CEO, but also by the fact that the CEO dispatched his relative, Kazem Naqvi (who is also Nazerali's relative), to visit First Commerce's offices almost every day.

Meanwhile, according to "False Profits", a number of First Commerce's top executives were simultaneously employees of BCCI, or had worked for BCCI affiliates before joining the Kott-Nazerali operation. At least two of First Commerce's top executives – Sinan Raouff and Walter Bonn – had previously worked, along with Nazerali, for the Gokal family in Pakistan. Raouff, who was not only a stock manipulator, but also an arms dealer, had previously worked for the Iraqi foreign ministry, and helped BCCI traffic weapons to both Iraq and Iran.

The Gokals brokered many of the weapons sales to Iran, laundering the money through BCCI, and skimming large amounts of the bank's profits for themselves. The Gokal family patriarch, Abbas Gokal, would eventually be sentenced to 14 years in prison for his role in the BCCI scandal, and at his sentencing, the judge said that Gokal was among the most destructive criminals ever to be prosecuted. Gokal and his associates (including Sheikh Mahfouz, who paid a $200 million fine to settle charges for his role in the BCCI fraud) had, according to the judge, almost single-handedly "shattered the integrity" of the global financial system.

BCCI's contribution to this destruction was accomplished with considerable help from Mafia-tied entities such as the Nazerali and Kott operation, First Commerce Securities, which is often referred to as "penny stock" brokerage, though that is to underestimate the extent to which it was involved not only in manipulating penny

stocks, but also in undermining the broader markets.

One of First Commerce's former business partners, himself an associate of the Mafia, says that the brokerage was a major player in the "death spiral" finance game, and that it took down many good companies. These were mostly small to mid-sized companies, but Nazerali and his associates would in later years move on to bigger prey.

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Around the time that Nazerali opened First Commerce, Syed Ziauddin Ali Akbar, who had served as BCCI's treasurer, formed Capcom Financial Services, a commodities futures and investment management firm. Akbar's sister was married to Nazerali's relative, Swaleh Naqvi, the chief executive officer of BCCI, and all of Capcom's key shareholders were BCCI people. Soon, the firm, like First Commerce (and probably trading in concert with First Commerce), became one of BCCI's most important affiliates.

Later, much of Capcom's money would disappear into the hands of Saudi intelligence operatives who used the money to buy shares in and penetrate American communications companies, including Western Tele-Communications and American Telecommunications Corporation. A Congressional Subcommittee would later state that the purpose of this operation was probably to gain the capability to track communications in the United States.

Another purpose was to manipulate the companies' stock prices, and the operation could not have succeeded without the full support and complicity of a man named Michael Milken, who was then the most powerful financial operator on Wall Street. Milken's operation at the Beverly Hills offices of Drexel Burnham Lambert, which was, in the 1980s, one of the largest investment banks in America, brokered much of the trading conducted by BCCI's Capcom unit. All told, according to Capcom's former president, Milken's operation transacted Capcom securities contracts worth more than $90 billion, an astounding sum at that time.

If you believe what you read in the press, Milken is a financial genius who revolutionized the markets for high-yield debt, also known as "junk bonds." Most journalists refer to him as the "junk bond king" while noting with admiration that he is also a "prominent philanthropist." Even the usually reliable Economist magazine published an article in September 2010 that hailed Milken as an "innovator" whose

junk bond finance helped build some of America's greatest companies.

It is true that Milken's finance contributed to the growth a few major companies – Ted Turner's CNN and Rupert Murdoch's News Corp., for example – but Milken and his cronies destroyed far more companies than they built. Among the many corporations that they wiped out were a number of America's biggest savings and loans companies – massive financial operations whose collapse triggered the famous savings and loan crisis that inflicted serious damage on the economy and cost American tax-payers billions of dollars.

As was later noted by the Federal Deposit Insurance Corp (one of the government agencies that cleaned up this mess), Milken and his closest associates "willfully, deliberately, and systematically plundered certain S&Ls." And while Milken's impressive public relations machine has successfully convinced America's financial journalists to forget the past, it should be remembered that Milken was, in 1989, indicted on 99-counts of securities fraud, market manipulation, and insider trading. He was sentenced to ten years, two of which he served in a federal penitentiary. At the time, most people in America knew Milken as the greatest financial criminal ever to operate on Wall Street.

It is important to understand how the Milken criminal enterprise functioned, because some of the same tactics (and some of the same people) contributed to the financial collapse of 2008.

A principal feature of the Milken operation was a variation on what mobsters refer to as a "bust out."

In the olden days, Mafia thugs would take over, say, the corner bar, load it up with debt, siphon out the cash, and declare bankruptcy. Milken elaborated on the "bust out" and brought it to the world of high finance. The best book on this is Ben Stein's "License to Steal", though Connie Bruck's "The Predators' Ball" describes Milken's larger scheme as well.

The scheme worked as follows: Milken issued junk bonds to finance about a dozen of his closest associates, who used the finance to take over good companies. Under the direction of Milken's cronies, the companies took on ever greater amounts of Milken's junk bond debt. But rather than use the finance to grow the companies, the Milken cronies simply looted the companies of their cash.

To create the illusion that there was a liquid market for the junk bonds, the Milken cronies traded their bonds amongst each other at stair-stepping prices, in an illegal process known as “daisy-chaining.” As the government’s indictments of Milken made clear, this junk bond merry-go-round was conducted with Mafia-like secrecy – nobody other than Milken’s closest associates knew that the only buyers for the junk bonds were Milken’s other closest associates.

Meanwhile, Milken presided over a nationwide network of brokerages and fund managers who traded on inside information about these companies and manipulated their stock prices.

When the Milken junk bond cronies were done looting their companies, Milken would cut off access to credit and other traders in his network would attack the companies with waves of short selling. This sent the companies’ stock price spiraling downwards, so that even if the companies’ boards were to remove the Milken cronies, the company would be unable to raise finance from more reputable sources.

When the companies went bankrupt, Milken and the other short sellers would make a fortune. Other Milken cronies would make still more money by purchasing the companies’ assets at fire-sale prices in the bankruptcy proceedings. And then they would repeat the process all over again, assured that junk bond merry-go-round would supply a constant stream of lootable finance.

But, of course, this scheme eventually collapsed – and it must be stressed, the vast majority of the companies that Milken financed ultimately disappeared.

In later years, the “bust out” concept was refined into such schemes as the “death spiral” PIPEs finance that was pioneered with help from Al Qaeda Golden Chain member Shiekh Yamani’s Investcorp and other outfits. Always, the basic idea is to finance a company, load it with debt, and then take it down.

In the 1980s, Milken and his cronies orchestrated a number of bust outs in league with BCCI and its proprietors, including future Al Qaeda Golden Chain member Shiekh Mahfouz, who remained one of Milken’s closest associates until Sheikh Mahfouz’s death in 2009.

I need to be specific about what I mean by “closest associate.” Milken has thousands of associates and not all of them are bad. But the three dozen or so people who are

his closest associates are, every one of them, criminals. These include the dozen or so people who benefited the most from his junk bond merry go-round; his former top employees at Drexel Burnham; and a select number of brokers and fund managers, many of them best known as short sellers.

One of the outfits that benefited the most from Milken's junk bond merry-go-round and the subsequent bust outs was, as I mentioned, BCCI. For example, Milken's junk bonds financed the take-over of a savings and loan called Centrust, which became a BCCI subsidiary. Centrust was eventually looted and destroyed, but not before it played a role in the larger panoply of BCCI crimes.

Another key participant in Milken junk bond "bust out" schemes was a monumental criminal named Charles Keating. With Milken's finance, Keating seized control of the giant Lincoln Savings and Loan, and began looting the company with help from two BCCI big wigs – Alfred Hartmann (a BCCI board member and head of BCCI's Swiss subsidiary, Banque de Commerce et de Placements), and Abbas Gokal (the BCCI conspirator, adivsor to the the Iranian regime, and Pakistani intelligence asset who had formerly employed Ali Nazerali).

Meanwhile, back at First Commerce Securities, Ali Nazerali and BCCI's Kazem Naqvi were busy stuffing cash and checks into large sacks that they tossed into the back of a white van, and then drove to Schiphol Airport, where they loaded the sacks onto a private jet destined for Geneva. When the sacks of proceeds of various stock manipulation schemes arrived in Geneva, they were delivered to Milken crony Charles Keating's partner in crime, Alfred Hartmann, who laundered the money through BCCI's Swiss subsidiary, Banque de Commerce et de Placements.

Later, the Senate Foreign Relations Committee began investigating BCCI for its role in financing Pakistan's nuclear program. In announcing the investigation, the Committee said that it intended to take close look at Keating's relationships with the Gokal family.

While it is unclear what came out of that investigation, it is certain that BCCI did, in fact, play a major role in Pakistan's nuclear profliferation efforts. The top two scientists for that program, Abdul Qadeer Khan (known as the "Father of the Islamic Bomb") and Bashiruddin Mahmood, have since both met with Al Qaeda. Mahmood especially is believed to have shared nuclear know-how directly with Osama bin Laden.

Of course, this is not to suggest that Keating himself had anything to do with Al Qaeda, which had not yet been created , but he was definitely a major figure in the overall BCCI criminal enterprise. It is also certain that Lincoln and Savings and Loan was one of the biggest bust outs in history. When Keating was finished looting Lincoln and Savings, the multi-billion dollar financial institution was an empty husk. And by way of complicated foreign exchange transactions, much of Lincoln's money was diverted to an outfit called TrendInvest, which was, in effect, another subsidiary of BCCI.

The Senate Foreign Relations Committee, meanwhile, investigated the business relationships between BCCI and another of Michael Milken's closest associates, Marc Rich, who was (and is) the most powerful commodities trader in the world. In 1983, Rich had been indicted for illegally trading with Iran during the Iran hostage crisis. Key to Marc Rich's transactions with Iran was the Gokal family and probably BCCI itself.

While Rich was illegally trading with Iran, his office was located in a New York building at 650 Fifth Avenue that was owned by the Alavi Foundation, which advertised itself as a charity. The FBI later discovered that the Alavi Foundation was not a charity – it was a front for the Iranian regime's covert activities in the United States. In 2009, the Justice Department convicted the Alavi Foundation and its subsidiary, the Assa Corporation, which was a vast business enterprise, with espionage and funding Iran's covert nuclear weapons program.

Also working out of the Alavi Foundation's building in the 1980s was Ivan Boesky, the fellow who had spent a year in Tehran in the late 1970s. Boesky ran what was then one of the nation's most powerful arbitrage funds (today it would be called a hedge fund), and quickly gained a reputation on the Street as a mysterious character who liked to operate in the shadows – a guy known to deliver suitcases full of cash to gorillas with handguns holstered on their hips. Boesky often told people that he had spent his time in Iran working as a CIA agent.

In 1989, when Boesky was indicted on multiple counts of stock manipulation and insider trading, prosecutors described in colorful detail his suitcases full of cash, but Boesky's claims to have been working as a CIA agent in Iran were dubious to say the least.

Boesky is the most famous of Michael Milken's criminal co-conspirators, and prosecutors made it clear that he was a key figure in the stock manipulation network

that Milken ran in the 1980s. It is more than likely, as one of Boesky's former business colleagues confirmed in an interview with Deep Capture, that Boesky (like Marc Rich, the Gokals, and the other BCCI figures in Milken's network) had deep ties not to the CIA, but to one of America's most dangerous foes – the regime in Iran.

There might, in fact, be something to be gleaned from the court documents that were made public during the prosecution of the Alavi Foundation, the Iranian outfit that owned the building where Boesky and Marc Rich kept their offices. The court documents describe how the Iranian agents who ran the Alavi Foundation and its subsidiary, the Assa Corporation, took their orders from Iranian diplomats, including the Iranian ambassador, assigned to United Nation's mission in New York.

These are the same diplomats who helped direct the activities of Palestinian Islamic Jihad leader Sami al-Arian, who was among the more important figures in the SAAR Network of terrorist financiers that included some BCCI principals, such as the Al Qaeda Golden Chain member Shiekh Mahfouz. The court documents also describe notes found by the FBI in the files of the Alavi Foundation's one-time director, Ali Ebrahami. The stream-of-consciousness notes are strange and hardly conclusive, but they nonetheless worth considering.

They say, in part, "Conspiracy…to tell the truth > lie > risk > Imam's birthday gathering…urgent situation > talk > everything > Mafia…"

The word "Mafia" was italicized in the original.

After the word "Mafia," Ebrahami wrote – "Duty."

It is not clear to what Ebrahami was referring, but if Iranian agents (or, for that matter, Al Qaeda financiers, Pakistani intelligence assets, and Saudi spies such as those who traded with Milken) ever desired to carry out a "conspiracy" with the "Mafia", there would certainly be an abundance of Mafia-tied financiers for them to contact. Indeed, they already have made contact with Mafia-tied financiers, many of whom are close associates of Michael Milken.

In upcoming installments, we will explore these contacts in detail. And we will see what this network might have had to do with the financial crisis of 2008. First, though, I must present evidence that the Milken network is, in fact, tied to organized crime, and that these relationships are by no means incidental.

Regular readers of Deep Capture will know that this point has been proved and proved again. But the Milken network's ties to organized crime are deeper than what we have previously revealed. Indeed, as we will begin to see in the next chapter, it is not an exaggeration to say that Michael Milken's closest associates were, more than anyone else, responsible for bringing La Cosa Nostra and the Russian Mafia to Wall Street.

A little additional background ...

Glencore

Glencore International AG

Privately held company
Industry : Raw materials / Merchant

Founded : 1974

Headquarters

Baar, Switzerland

Key people

Ivan Glasenberg, CEO
Steven Kalmin, CFO

Revenue

US $ 144.9 billion (2010)[1]

Net income

US $ 3.799 billion (2010)

Total assets

US $ 79.8 billion (2010)

Employees

2,000 in marketing, 50,000 in industrial production through subsidiaries (2006)

Website

www.glencore.com

Glencore International AG (management buy out of Marc Rich & Co AG) is a Swiss-based company, which is one of the world's largest suppliers of commodities and raw materials, and is also among the world's largest privately held companies.

In 2011, the company is reported to be planning an IPO. The scale and significance of the IPO compares to that of Goldman Sachs in 1999. The company's IPO may raise $9 to $11 billion at London and Hong Kong market and will be the world's biggest IPO this year.[2][3]

As of 2006, it was Europe's sixth-largest company in terms of turnover.[4] According to The Sunday Times,[5] the company had USD 10.9 billion in shareholders' equity at the end of 2006 and is completely owned by its management.

With production facilities around the world, Glencore supplies metals, minerals, crude oil, oil products, coal, natural gas and agricultural products to international customers in the automotive, power generation, steel production and food

processing industries.

In 2006, the company had more than 50,000 employees across the world, both directly and in affiliated companies.

History

According to an Australian Public Radio report, "Glencore's history reads like a spy novel".[6] The company was founded as Marc Rich & Co. AG in 1974 by now-billionaire commodity trader Marc Rich, who was charged with tax evasion and illegal business dealings with Iran in the U.S., but pardoned by President Bill Clinton in 2001.[7] He was never brought before U.S. justice before his pardoning, therefore there was never a verdict on these charges.

In 1993 and 1994, after failing to control the zinc market, losing $172 million and nearly bankrupting the company, Rich was forced[8] [9] to sell his majority share in Marc Rich & Co. AG back to the company.[10] The enterprise, renamed Glencore, is now owned and run by Marc Rich's secretive inner-circle of "lieutenants", including founding Glencore CEO Willy Strothotte and present CEO Ivan Glasenberg.

In 2005, proceeds from an oil sale to Glencore were seized as fraudulent, in an investigation into corruption in the Republic of Congo.[11]

[edit] Dealings with "rogue states"

ABC Radio reported that Glencore "has been accused of illegal dealings with rogue states: apartheid South Africa, USSR, Iran, and Iraq under Saddam Hussein", and has a "history of busting UN embargoes to profit from corrupt or despotic regimes".[6] Specifically, Glencore was reported to have been named by the CIA to have paid $3,222,780 in illegal kickbacks to obtain oil in the course of the UN oil-for-food programme for Iraq. The company denied these charges, according to the CIA report quoted by ABC.[5][6]

[edit] Investments in Colombia

Moreover, Swiss public television (TSR) reported in 2006 that allegations of corruption and severe human rights violations were being raised against Glencore on account of the alleged conduct of its Colombian Cerrejón mining subsidiary. Local

union president Francisco Ramirez was reported to have accused Cerrejón of forced expropriations and evacuations of entire villages in order to enable mine expansion, in complicity with Colombian authorities. According to TSR, a representative of the local Wayuu Indians also accused Colombian paramilitary and military units, including those charged with Cerrejón mining security, of forcibly driving the Wayuu off their land, in what she described as a "massacre".[12]

Glencore/Xtrata's "huge coal operation in Colombia, Prodeco, was fined a total of nearly $700,000 in 2009 for several environmental violations [running in earlier years], including waste disposal without a permit and producing coal without an environmental management plan."[9]

[edit] Investments in Bolivia

Through its Bolivian subsidiary, Sinchi Wayra (which it acquired in 2005), Glencore operates six businesses in Bolivia that mine and process tin, silver, gold and zinc.;[13][14] notable among these has been Empresa Metalurgica Vinto, reportedly the world's largest privately-run smelter complex, located in the department of Oruro, which was seized and nationalized by Bolivian President Evo Morales on February 9, 2007. At the time of the seizure there were no plans to compensate Glencore.[15]

[edit] Investments in Ecuador

"In Ecuador, the current government has tried to reduce the role played by middle men such as Glencore with state oil company Petroecuador" due to questions about transparency and follow-through, according to Fernando Villavicencio, a Quito-based oil sector analyst.[9]

[edit] Investments in Zambia

"[O]fficials in Zambia believe pollution from Glencore's Mopani mines is causing acid rain and health problems in an area where 5 million people live."[9]

[edit] Associations with mining companies

Glencore is also noted for its association with the publicly traded Xstrata mining group, also headquartered in the low-tax[9] Canton of Zug, Switzerland. Glencore is reported to serve as a marketing partner for Xstrata.[5][16] As of 2006, Glencore

leaders Willy Strothotte and Ivan Glasenberg are on the board of Xstrata, which Strothotte chairs.[17] According to The Sunday Times in 2005, Glencore controlled 40% of Xstrata stock and has appointed the Xstrata CEO, Mick Davis.[5][18] In 2011, Reuters put the ownership stake at 34.4%, and said that the IPO being discussed would facilitate a full merger between the two companies. Alternatively, if a merger were not consummated, "a messy competitive battle" between the affiliated companies could ensue, the report speculated.[9] Relationships also exist with Century (44% economic ownership interest in Century Aluminum Co. (CENX)[3]) in the U.S.; Glencore partial subsidiary Minara Resources Ltd (AU:MRE), a 70.5% stake in one of Australia's top three nickel producers[3]);[19]; and 8.8% in United Company Rusal (HK:486), the Russian aluminum giant that went public in 2010.[3]

In 1993 several managers of Glencore left the company to establish their own trading and marketing company, Trafigura.[citation needed] As physical commodities traders, along with Trafigura, Glencore's main rivals in 2011 were identified as Vitol and Cargill,[9] amongst a number of others.[20]

In a 2011 survey of Glencore, Reuters reviewed an example of its opportunistic, contrarian, well-funded investment approach -- focusing on equity participation, controlling interest, and working upstream from trading relationships:

The acquisition was the culmination of 18 months of deal-making in Congo... [including fighting off a counterbid by] former England cricketer Phil Edmonds.... [Starting i]n June 2007, Glencore and partner Dan Gertler, an Israeli mining magnate, paid 300 million pounds for a quarter-stake in mining company Nikanor, which was seeking to revive derelict copper mines next to Katanga [Mining (CA:KAT)'s properties]. That deal gave Glencore exclusive rights to sell all Nikanor's output -- an "offtake" agreement.... [Then, o]n Christmas Eve 2008, ... [having] lost 97 percent of its market value over the previous six months ... in the depths of the global financial crisis and ... running out of cash, Katanga accepted a lifeline it could not refuse. [Glencore] wanted control. For about $500 million in a convertible loan and rights issue, Katanga agreed to issue more than a billion new shares and hand what would become a stake of 74 percent to Glencore. ... [By early 2011], with copper prices regularly setting records above $10,000 a ton, Katanga's stock market value [had reached] nearly $3.2 billion.... [Since the Glencore acquisition], Katanga ... is reaping the benefit of the surging markets and its wealthy, powerful owner. After losing $108 million in 2009, it posted an annual profit of $265 million in 2010.[9]

In the course of the Congo events, Nikanor was merged into Katanga in late 2007 in a transaction valued at $3.3Bn.[21]

In May 2009, Glencore announced it would manage Brazilian bankrupted agricultural products company Agrenco [22]

In early 2011, the Reuters report included speculation that, after an IPO, Glencore could develop an interest in London/Kazach Eurasian Natural Resources Corporation.[9]

[edit] Prospective initial public offering

In early 2011, "[s]ources familiar with Glencore's plans say it may list 20 percent of the company, possibly split between the London Stock Exchange and Hong Kong. Such a listing could yield up to $16 billion and value the firm at as much as $60 billion."[9][3] At May 4, 2011 Glencore IPO will give a current valuation between $48 billion and $58 billion.[23]

A $2.2 billion convertible bond issued in December 2009 gave an indication of the possibility of an IPO. The convertibles pay a 5 percent annual interest rate until they mature in 2014. However, if by December 2012 Glencore has not gone public or merged with another company, bondholders can sell their bonds back to Glencore at a price which would give investors an annualized return of 20 percent -- "in line with the sort of returns you might expect from equities. This payment could take place from mid-2013, though Glencore will not be penalized if markets turn lower and an IPO is not attractive." Investors in the issue included energy-focused private equity firm First Reserve Corporation, Government of Singapore Investment Corporation (GIC), China's Zijin Mining Group Company, financier Nathaniel Rothschild plus U.S. fund managers BlackRock, Fidelity Investments and Capital Group.[9]

An IPO would entail substantial changes in the operations as well as in the public profile and posture of the company. As such, amongst other actions, it is "preparing a sustainability report to bring it into line with mining majors and using Finsbury, a public relations firm whose clients include Royal Dutch Shell and Rio Tinto, for strategic advice. Former Shell spokesman Simon Buerk has been taken on to reinforce in-house communications."[9]

[edit] Corporate assets

As of 2006 (updated 2011), assets fully or partly controlled by Glencore included:[24]

[edit] Production facilities

Area

Facility

Product

Location

Employees ('06)

Glencore ownership ('11)

North America

Evergreen Aluminum

Aluminium

Washington, USA

10 (plant idle)

No interest indicated

Columbia Falls Aluminum Co.

Montana, USA

145

No interest indicated

Century Aluminum Company

HQ: Monterey, USA

44% economic interest (39% voting)

Windalco

Jamaica

1,200

No interest indicated

Alpart

1,300

No interest indicated

Sherwin Alumina

Texas, USA

550 ('11)

100%

South America

Prodeco

Coal

Santa Marta (port) and Calenturitas (mine), Colombia

256

100% 1

Carbones de La Jagua (formerly Caribe)

La Jagua, Colombia

350

No interest indicated

Los Quenuales

Zinc, lead

Yauliyacu, Peru

1,998

97%

Iscaycruz, Peru

1,271

97%

Perubar

Rosaura, Peru

444

No interest indicated

Sinchi Wayra

Zinc, lead, tin

5 mines, Oruro and Potosi regions, Bolivia

3,427

100%

Aguilar mine/AR Zinc Group

Zinc, lead, sulphuric acid

North west of Argentina

1,725

100%

Moreno

Sunflower oil and meal

Crushing plants: Necochea, Daireaux, Villegas and Grainer; Argentina

575

100%

Europe

Portovesme

Zinc, lead

Sardinia, Italy

773

100%

Eurallumina

Aluminium

575

No interest indicated

Kubikenborg Aluminium AB (Kubal)

Sundsvall, Sweden

470

No interest indicated

Aughinish Alumina

Alumina

Ireland

472

No interest indicated

Africa

Mopani Copper Mine

Copper

Zambia

8,848

73%

Shanduka

Coal

South Africa

1,500 ('11)

70%

Eurasia

OAO Russneft

Oil

Oil fields across Russia

10,000

40-49% in joint interests w/OAO

Rostov on Don grain export elevator and wheat flour mill

Cereals

Rostov on Don, Russia

470

No interest indicated

Kazzinc

Zinc

Kazakhstan

21,000

50.7%

Asia

PASAR

Copper

The Philippines

1,047

78%

Australia

Murrin Murrin Joint Venture

Nickel, cobalt

Western Australia

671

82.3% (effective)

Cobar Copper Mine

Copper

Cobar, Central Western NSW, Australia

267

100%

1 The Prodeco stake has been sold to XStrata as part of XStrata's 2009 rights issue. Glencore retains a 100% re-purchase option, it is expected to exercise this option in 2010;[25] 100%-owned by Glencore, per link in chart, April, 2011.

[edit] Other subsidiaries, participations and joint ventures

Name

Activity

Location

Glencore ownership

Notes

Xstrata plc

Mining

HQ: Zug, Switzerland

ca. 14%, controlling 40%[5] 34.5%

See also text above.

Minara Resources Ltd

HQ: Perth, Australia

70.5%

Operates the Murrin Murrin project.

Cerrejón

Coal mining

Guajira department, Colombia

33.3% up until Q2/2006

BHP Billiton plc, Anglo American plc and Xstrata plc each own 33.3%. In 2006, Xstrata acquired Glencore's share.[26] See also text above.

Rusal

Aluminium, alumina

Russia

8.8%

Announced merger / joint venture with RUSAL (66%) and SUAL Group (22%). World's largest aluminum and alumina producer with 110,000 employees in 17 countries.[27]

Katanga Mining Limited

Copper and cobalt

Democratic Republic of Congo

74.4%

See also text above.

Chemoil

Marine fuels and clean fuels

Worldwide

51.5%

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A visual Relationship Map of Glencore executive board and stakeholders with their connections

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Book on Marc Rich Details His Iran Oil Deals

October 15, 2009

Marc Rich, the former fugitive oil trader long criticized for his business ties to nations like Iran, South Africa and Cuba, has acknowledged in a new book that his dealings with those nations were more extensive than previously disclosed.

In more than 30 hours of conversations with a Swiss journalist, Daniel Ammann, the usually tight-lipped Mr. Rich gave an extensive account of his oil trading from the 1970s through the 1990s.

Those dealings, which straddled ideological lines from Ayatollah Khomeini’s Iran to Fidel Castro’s Cuba and from the apartheid regime of South Africa to the leftist Sandinista government in Nicaragua, are recounted in Mr. Ammann’s book, “The King of Oil: The Secret Lives of Marc Rich,” released this week by St. Martin’s Press.

In 1983, Mr. Rich was indicted by the United States on charges of tax evasion as well as trading with an enemy state, Iran. He fled the United States and became one of the nation’s most infamous fugitives over the next two decades.

Mr. Rich told the author that while on the run, he provided intelligence to American diplomats about Iran, the Soviet Union and other countries. He was granted a controversial pardon by President Bill Clinton on the last day of his presidency.

In the interviews with Mr. Ammann, Mr. Rich claimed that South Africa was his largest and most important client. The author estimated that Mr. Rich earned over $2 billion trading with South Africa from 1979 to 1993.

Mr. Rich also offered details about how much oil he bought from Iran — before and after the Islamic revolution — even as President Jimmy Carter imposed sanctions on the country after 53 Americans were taken hostage in November 1979.

After the Iranian revolution, the national oil company continued to sell 40 million to 75 million barrels of oil a year to Mr. Rich's company, abiding by previous agreements with the government of Shah Mohammad Reza Pahlavi. Mr. Rich continued to buy oil from Iran until 1994, when he sold his company.

"They respected the contracts," Mr. Rich told Mr. Ammann. "We performed a service for them. We bought the oil, we handled the transport and we sold it. They couldn't do it themselves, so we were able to do it."

At the same time, Mr. Rich kept Iranian oil flowing to Israel even after the new government in Tehran severed diplomatic relations with Israel.

From 1973 to 1993, Mr. Rich said he was Israel's most important oil supplier, delivering 7 million to 15 million barrels a year.

"Being Jewish, I didn't mind helping Israel," Mr. Rich is quoted as saying. "On the contrary."

Mr. Ammann, the business editor at the Swiss weekly magazine Die Weltwoche, said Mr. Rich remained unapologetic, adding in an interview: "He showed no remorse whatsoever."

Throughout that period, Mr. Rich claims he provided valuable information to the State Department as well as the Mossad, Israel's intelligence service.

"Its agents were in regular contact with the fugitive trader," according to the book. "They wanted his opinions on various 'key people in power' in some of the politically sensitive countries where he did business," especially Iran, Syria and Russia.

Mr. Ammann also recounts attempts to bring Mr. Rich to justice in the United States. After failing to secure an extradition from Swiss authorities, American agents unsuccessfully tried to kidnap Mr. Rich, according to the book. The author cites one plan, which was never carried out, that involved landing a helicopter in Zug to snatch Mr. Rich away.

Asked why Mr. Rich had chosen to confide in him, Mr. Ammann said: “There is a funny word in German for this — altersmilder — which means the kindness of old age. Marc Rich is now 74, and maybe he realized that if he didn’t talk, no one would see his side of the story.”

http://www.nytimes.com/2009/10/16/business/media/16rich.html

Marc Rich :

Marc Rich (born December 18, 1934) is an international commodities trader.[1] He was indicted in the United States on federal charges of illegally making oil deals with Iran during the late 1970s-early 1980s Iran hostage crisis and tax evasion. He was in Switzerland at the time of the indictment and has never returned to the U.S.

He subsequently received a presidential pardon from U.S. President Bill Clinton on January 20, 2001, Clinton's last day in office

Early life, marriage and career

Marcell David Reich was born in 1934 to a Jewish family in Antwerp, Belgium. His family emigrated to the United States in 1941 to escape the Nazis. Rich attended high school at the Rhodes Preparatory School in the Manhattan borough of New York City. He later attended New York University, in Manhattan, but dropped out after one semester to go work for Philipp Brothers (now known as Phibro LLC). He worked as a commodities trader for his father, who sought to build an American manufacturing fortune through burlap-sack production.

Mark Rich married Denise Eisenberg, a songwriter and an heiress to a New England shoe manufacturing fortune, in 1966. They divorced in 1996; she continues to use the name Denise Rich. They had three children, one of whom, Gabrielle Rich Aouad, predeceased her parents.[2][3]

He worked with Philipp Brothers, a dealer in metals, learning about the international raw materials markets and commercial trading with poor, third-world nations. One of his biggest market coups came during the 1973-1974 Arab oil embargo, when he used his Middle Eastern contacts to circumvent the embargo and buy crude oil from Iran and Iraq. After purchasing the crude for roughly US$12 per barrel, Rich doubled the price and sold it to supply-starved U.S. oil companies. In 1974 he and co-workers

Pincus Greenand Joseph Zientek set up their own company.[citation needed]

Rich has been credited with having created the spot market for crude oil in the early 1970s, revolutionizing commodity trading.[4] His tutelage under Philipp Brothers afforded Rich opportunities to strike deals with various dictatorial régimes and embargoed nations, such as Iran, using a special relationship with Ayatollah Khomeini, the leader of the 1979 Iranian Revolution which saw the overthrow of Mohammad Reza Pahlavi, the Shah of Iran. Despite the American embargo, Iran would become Rich's most important supplier of crude oil for more than 15 years.[5] He earned billions selling oil for the Iranian ayatollahs.

His company, Marc Rich Real Estate GmbH, is involved in large developer projects (e.g., in Prague, Czech Republic).[6] Rich was also accused of being involved with the Bank of Credit and Commerce International.

[edit] Net worth

Forbes ranked Rich as the 242nd-richest American in 2006 with a net worth of US$1.5 billion.[1]

[edit] U.S. indictment and controversial pardon

In 1983 Rich and Green were indicted by then-U.S. Federal Prosecutor (and future mayor of New York City) Rudolph Giuliani, on illegal trading with Iran and charges of tax evasion. They were indicted while they were in Switzerland. The pair failed to return to the U.S. following the indictment, and were on the Federal Bureau of Investigation's Ten Most-Wanted Fugitives List for many years.

In 1989 the U.S. Justice Department ceased using statutes of the Racketeer Influenced and Corrupt Organizations Act in tax cases such as the one in which Rich and Green were indicted, and relied instead on civil lawsuits.[7] However, Marc Rich remained on page 1 of the Justice Department's Most Wanted International Fugitives.[8]

On January 20, 2001, hours before leaving office, Clinton granted Rich a presidential pardon. Because Rich's former wife had made large donations to the U.S. Democratic Party and the Clinton Library during Clinton's time in office, Clinton's critics alleged that Rich's pardon had been bought. Marc Rich had made substantial donations to Israeli charitable foundations. Clinton explained his decision by noting

that similar situations were settled in civil, not criminal court, and cited clemency pleas from Israeli government officials, including then-Prime Minister Ehud Barak. Federal Prosecutor Mary Jo White was appointed to investigate. She stepped down before the investigation was finished and was replaced by James Comey. Comey was critical of Clinton's pardons and Eric Holder's pardon recommendation.[9]

As a condition to the pardon, it was made clear that Rich would drop all procedural defenses against any civil actions brought against him by the U.S. upon his return there. That condition was consistent with the position that his alleged wrongdoing warranted only civil penalties, not criminal punishment. As of November 2010, Rich has not returned to the U.S. During hearings after Rich's pardon, Lewis "Scooter" Libby, who had represented Rich from 1985 until the spring of 2000, denied that Rich had violated the tax laws but criticized him for trading with Iran at a time when that country was holding U.S. hostages.[10]

In his February 18, 2001, op-ed essay in The New York Times, Clinton (by then out of office) explained why he pardoned Rich, noting that U.S. tax professors Bernard Wolfman of the Harvard Law School and Martin Ginsburg of Georgetown University Law Center, concluded that no crime was committed, and that Rich's companies' tax-reporting position was reasonable.[7] In the same essay Clinton listed Libby as one of three "distinguished Republican lawyers" who supported Rich's pardon.

Clinton's pardon was also supported by the Spain's King Juan Carlos I.[citation needed] Speculation about another rationale for Rich's pardon involves his alleged involvement with the Israeli intelligence community.[11][12] Rich claims he provided valuable information to the Mossad, Israel’s intelligence service.[5]

[edit] Legacy

Glencore International AG and Trafigura AG, headquartered in Baar, Switzerland, are corporate successors to Marc Rich & Co AG.

[edit] Citizenship

Although Rich believed that he had relinquished his United States citizenship when he became a citizen of Spain, an appeals court ruled in 1991 that for purposes of U.S. law Rich remains a citizen and therefore is still subject to U.S. income taxes.[13] In order to renounce U.S. citizenship, a citizen must "appear in person before a U.S. consular or "diplomatic officer" outside the U.S. and "sign an oath of

renunciation".[14] Today he holds Spanish and Israeli passports.[15]

[edit] Private life

After spending several years in Zug, Switzerland, Rich moved to Meggen, a city in the Canton of Lucerne, Switzerland, residing in a house called "La villa rose" (the pink villa) on the shores of Swiss Lake Lucerne, where he zealously guards his privacy. Rich also owns property in the ski resort of St. Moritz, Switzerland, and in Marbella, Spain. He is an important art collector and friends say he lives surrounded by Renoirs, Monets and Picassos.[16]

[edit] Awards

In May 2007 Rich received an honorary doctorate from Bar Ilan University, Ramat Gan, Israel, in recognition of his contribution to Israel and to the university's research programs.[17][18] He received the same honor from Ben-Gurion University of the Negev, Beersheba, Israel, on November 18, 2007.[19] The Chaim Sheba Medical Center at Tel Hashomer in suburban Tel-Aviv, Israel, honored Rich with the "Sheba Humanitarian Award 2008". Former recipients of this award include actor Michael Douglas, actress Elizabeth Taylor and former U.S. President Gerald R. Ford.[citation needed]

[edit] See also
Bank of Credit and Commerce International
Bill Clinton pardons controversy
List of people pardoned by Bill Clinton
The Rich Boys
Marc Rich &Co v Bishop Rock Marine Co Ltd [1996] AC 211

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Wednesday, February 28, 2001

Former U.S. fugitive has local ties
Marc Rich pardon at center of latest Clinton controversy

By Michael Mainville

Two years ago, the founders of Real Estate Karlin -- now considered one of Prague's hottest real-estate development firms -- went trolling for foreign investors. Their search ended in Switzerland, where Marc Rich Real Estate agreed to become a 50 percent silent partner.

But Rich, as anyone who's been following the American press knows, is no run-of-the-mill businessman -- he's a former high-profile fugitive from the United States and is now at the center of the latest controversy to engulf former President Bill Clinton.

Clinton pardoned Rich during his final hours as president, 17 years after Rich fled the country to avoid prosecution on more than 50 charges of tax evasion, racketeering and illegal oil trading with Iran.

But the director of Marc Rich Real Estate, Hans Jorg Brun, said he doubts the controversy surrounding Rich will have any impact on the company's success in Prague or anywhere else.

"The case has been totally overblown," he said. "There's been a lot of false information with regard to what the case really is.

"The accusations that you hear and read are all totally wrong. I think Mr. Rich has excellent lawyers and these lawyers, because of their history, had good access to the president," Brun said, referring to, among others, Jack Quinn, a former White House counsel who was one of Clinton's closest confidants and who Rich hired to orchestrate his pardon. "The president read the information he received, he evaluated and he came to, in my point of view, the correct conclusion."

The pardon has ignited another controversy for the scandal-prone Clinton and is the

subject of investigations by U.S. federal law enforcement agencies and two congressional panels.

Clinton's opponents have accused him of granting the absolution because of more than $1 million in campaign and other contributions made by Rich's ex-wife, Denise Rich. In a recent New York Times opinion piece Clinton denied those charges, saying he pardoned Rich and his former business partner, Pincus Green, for "legal and foreign policy reasons" and because other oil companies that carried out similar transactions faced civil charges and not criminal ones.

In the nearly two decades since he left the U.S., the Belgian-born Rich has built a formidable financial empire from his base in Zug, Switzerland, and now has an estimated net worth of more than $1 billion. He first established a highly successful trading firm specializing in oil and mineral products, Glencore International AG, which he later sold. He set up shop again with the Marc Rich Group, another international trading firm that recently announced a merger with Swiss-based Crown Resources. The 66-year-old former fugitive has been ill and is said to be thinking about retirement.

Rich, however, seems to have no interest in dumping the real estate arm of his financial empire, which has interests in Spain, Portugal, Germany and now the Czech Republic.

In fact, Brun said the company is very excited about the market here.

"We really believe in the country," Brun said. "The country presents an excellent opportunity because of its geographic location, because of the excellent economic history it had prior to communism and, obviously, because of the future outlook with respect to the [European Union]," which the country hopes to join when the 15-nation bloc accepts its next wave of new members in 2004.

Brun said Marc Rich Real Estate got involved in the Prague market because the company was impressed by the plans of Real Estate Karlin's two directors, Charles Butler and Serge Borenstein. The two men co-founded the company in 1998 and have set their sights on transforming post-industrial Prague 8 into the city's hottest office-development center.

Real Estate Karlin's two projects to date, Palac Karlin and Corso Karlin -- opened in early February -- have both reached more than 90 percent occupancy. The company

has three more projects scheduled to begin this year.

Both Borenstein and Butler were out of the country and could not be reached for comment. Real Estate Karlin's marketing manager, Milorad Miskovic, said no one else at the company would comment.

But Rich's presence hasn't raised many eyebrows with officials here.

Rene Samek, a spokesman for CzechInvest, a government body that works to attract foreign investment to the country, said the government doesn't monitor the activities of foreign companies operating here. Questions raised about a company or individual's business practices in another country are not considered relevant to whether they can do business in the Czech Republic.

"Foreign companies do not need to seek the government's permission in order to invest here," except in a few specific industries, such as banking, insurance and arms manufacturing, according to Samek. "And the government does not monitor the activities of foreign companies here. That would be discriminatory."

At the American Embassy, an official said they were unaware of Rich's recent business activities in Prague.

http://www.praguepost.cz/busi022801c.html

Who are the 'Ndrangheta?

Wed August 15, 2007

BERLIN, Germany (CNN) -- Six Italian men were shot dead in the German city of Duisburg on Wednesday in an execution-style killing linked to a mafia feud.

Police remove a body from the scene.

Italian Interior Minister Giuliano Amato said the shootings appeared to be linked to a feud between two mafia clans in the southern region of Calabria, home to the 'Ndrangheta organized crime group.

Here are some key facts about the group:

ORIGINS:

-- The Calabrian "Honored Society", known as "'Ndrangheta", in the Calabria region of south Italy is the equivalent of the Sicilian Mafia.

-- 'Ndrangheta began as a defense network for impoverished rural peasants against aristocratic landlords. Members emigrated to Canada and the United States, and were discovered running an intimidation scheme in Pennsylvania mining towns in 1906.

HOW DOES IT WORK?

-- They are known as "The Honored Society", Fibbia or Calabrian mafia. Instead of the pyramid structure of bosses used by other mafia, The 'Ndrangheta" uses families based on blood relationships, inter-marriages, or being a Godfather. Each group is named after their village, or after the family leader.

TWENTIETH CENTURY EXPANSION:

-- When Calabria began the process of industrialization and urbanization in the late 20th century, the 'Ndrangheta became interested in drug trafficking, weapons sales and public works and construction.

THE PRESENT:

-- In 2004, authorities uncovered an international drugs trafficking network involving gangs in South America, Australia, and Europe. Drugs from Colombia were destined for countries such as Greece and Bulgaria.

-- Italian officials estimated at the time that 80 percent of Europe's cocaine had arrived from Colombia via Gioia Tauro's docks in Reggio Calabria.

-- Italian anti-organized crime agencies have estimated that the 'NDrangheta earns

about $30 billion annually, mostly from illegal drugs, but also from ostensibly legal businesses such as construction, restaurants and supermarkets.

-- There are believed to be about 100 'Ndrangheta families in Calabria, who have become more successful than their Sicilian counterparts because their family ties are closer

http://www.cnn.com/2007/WORLD/europe/08/15/germany.ndrangheta.reut/index.html

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The 'Ndrangheta

The ' 'draŋgeta])[p] is a criminal organization in Italy, centered in Calabria. Despite not being as famous abroad as the Sicilian Cosa Nostra, and having been considered more rural compared to the Neapolitan Camorra and the Apulian Sacra Corona Unita, the 'Ndrangheta managed to become the most powerful crime syndicate of Italy in the late 1990s and early 2000s. While commonly lumped together with the Sicilian Mafia, the 'Ndrangheta operates independently from the Sicilians, though there is contact between the two due to the geographical closeness of Calabria and Sicily. A US diplomat estimated that the organization's drug trafficking, extortion and money laundering activities accounted for at least 3 per cent of Italy's GDP.[1]

History

[edit] Origin and etymology

Map of the province of Reggio Calabria
In 1861 the prefect of Reggio Calabria already noticed the presence of so-called camorristi, a term used at the time since there was no formal name for the phenomenon in Calabria (the Camorra was the older and better known criminal organization in Naples).[2][3] Since the 1880s, there is ample evidence of 'Ndrangheta-type groups in police reports and sentences by local courts. At the time they were often being referred to as the picciotteria, onorata società (honoured society) or camorra and mafia.[4]

These secret societies in the areas of Calabria rich in olives and vines were distinct from the often anarchic forms of banditry and were organized hierarchically with a code of conduct that included omertà – the code of silence – according to a sentence from the court in Reggio Calabria in 1890. An 1897 sentence from the court in Palmi mentioned a written code of rules found in the village of Seminara based on honour, secrecy, violence, solidarity (often based on blood relationships) and mutual assistance.[5]

In the folk culture surrounding 'Ndrangheta in Calabria, references to the Spanish Garduña often appear. Aside from these references, however, there is nothing to substantiate a link between the two organizations. The name 'Ndrangheta derives from the Greek word andragathía (ἀνδραγαθία) for "heroism" and "virtue" or andragathos (ἀνδράγαθος) a blend of andròs (man) and agathòs (good), meaning a courageous man. In many areas of Calabria the verb 'ndranghitiari, from the greek andragatizomai, means to engage in a defiant and valiant attitude.[6] The Griko language, an ancient Greek dialect, is spoken by people in Calabria.

[edit] Modern history

Until 1975, the 'Ndrangheta restricted their Italian operations to Calabria, mainly involved in extortion and blackmailing. Then a gang war started, killing 300 people. The prevailing faction began to kidnap rich people from northern Italy for ransom. It is believed that John Paul Getty III was one of their victims. The Second 'Ndrangheta war raged from 1985 to 1991. The bloody six-year war between the Condello-Imerti-Serraino-Rosmini clans and the De Stefano-Tegano-Libri-Latella clans left more than 600 deaths.[7][8] In the 1990s, the organization started to invest in the illegal international drug trade, mainly importing cocaine from Colombia.[9]

Francesco Fortugno, popular center-left politician and deputy president of the regional parliament, was openly killed by the 'Ndrangheta on 16 October 2005, in Locri. Demonstrations against the organization ensued, with youthful protesters carrying banderoles of "Ammazzateci tutti!"—"Kill us all!"[10] The government started a large-scale enforcement operation in Calabria and arrested numerous 'ndranghetisti including the murderers of Fortugno.[11]

In March 2006, the national anti-Mafia prosecutor announced the discovery of a narco submarine in Colombia; it was being constructed on behalf of the 'Ndrangheta for smuggling cocaine. [12]

The 'Ndrangheta has recently expanded its activities to Northern Italy, mainly to sell drugs and to invest in legitimate businesses which can be used for money laundering. The mayor of Buccinasco was threatened when he tried to halt these investments; in May 2007 twenty members of 'Ndrangheta were arrested in Milan.[11]

On 30 August 2007, hundreds of police raided the small town of San Luca, the focal point of the bitter San Luca feud between rival clans among the 'Ndrangheta. Over 30 men and women, linked to the killing of six Italian men in Germany, were arrested.[13]

In September 2009 'Ndrangheta was accused by a former member of the gang of sinking dozens of ships loaded with radioactive waste off the Italian coast and of shipping radioactive waste to developing countries for dumping.

[edit] Characteristics

Italian anti-organized crime agencies estimated in 2007 that the 'Ndrangheta has annual revenue of about € 35–40 billion (US$50–60 billion), which amounts to approximately 3.5% of the GDP of Italy.[9][11] This comes mostly from illegal drug trafficking, but also from ostensibly legal businesses such as construction, restaurants and supermarkets.[14] The 'Ndrangheta has a strong grip on the economy and governance in Calabria. According to a US Embassy cable, Calabria would be a failed state if it were not part of Italy. The 'Ndrangheta controls huge segments of its territory and economy, and accounts for at least three percent of Italy's GDP through drug trafficking, extortion, skimming of public contracts, and usury. Law enforcement is hampered by a lack of both human and financial resources.[15]

The principal difference with the Mafia is in recruitment methods. The 'Ndrangheta recruits members on the criterion of blood relationships resulting in an extraordinary cohesion within the family clan that presents a major obstacle to investigation. Sons of ‘ndranghetisti are expected to follow in their fathers' footsteps, and go through a grooming process in their youth to become giovani d’onore (boys of honor) before they eventually enter the ranks as uomini d’onore (men of honor). There are relatively few Calabrians who have opted out to become a pentito; at the end of 2002, there were 157 Calabrian witnesses in the state witness protection program.[16] Unlike the Sicilian Mafia in the early 1990s, they have

scrupulously avoided a head-on confrontation with the Italian state.

Prosecution in Calabria is hindered by the fact that Italian judges and prosecutors who score highly in exams get to choose their posting; those who are forced to work in Calabria will usually request to be transferred right away.[9] With weak government presence and corrupt officials, few civilians are willing to speak out against the organization.

[edit] Organizational structure

Formulas from the code of the ‘Ndrangheta: The three handwritten pages describe the text for the speech held when a member is promoted to a higher ranking. The text reads awkwardly for a native speaker—it is composed in an uncertain Italian with many grammatical and orthographic mistakes.[16]
Both the Sicilian Cosa Nostra and the 'Ndrangheta are loose confederations of about one hundred mafia groups, also called cosche or families, each of which claims sovereignty over a territory, usually a town or village, though without ever fully conquering and legitimizing its monopoly of violence.[17]

There are approximately 100 of these families, totaling between 4,000 and 5,000 members in Reggio Calabria.[14][18][19] Other estimates mention 6,000-7,000 men, worldwide there might be some 10,000 members.[9]

Most of the groups (86) operate in the Province of Reggio Calabria, although a portion of the recorded 70 criminal groups based in the Calabrian provinces Catanzaro and Cosenza also appears to be formally affiliated with the 'Ndrangheta.[20] The families are concentrated in poor villages in Calabria such as Platì, Locri, San Luca, Africo and Altomonte as well as the main city and provincial capital Reggio Calabria.[21] San Luca is considered to be the stronghold of the 'Ndrangheta. According to a former 'ndranghetista, "almost all the male inhabitants belong to the 'Ndrangheta, and the Sanctuary of Polsi has long been the meeting place of the affiliates."[22] Bosses from outside Calabria, from as far as Canada and Australia, regularly attend the meetings at the Sanctuary of Polsi.[20]

A 'Ndrangheta crime family is called a locale (place). A locale may have branches,

called 'ndrina (plural: 'ndrine), in the districts of the same city, in neighbouring towns and villages, or even outside Calabria, in cities and towns in the industrial North of Italy in and around Turin and Milan. Sometimes sotto 'ndrine are established. These subunits enjoy a high degree of autonomy – they have a leader and independent staff. In some contexts the 'ndrine have become more powerful than the locale on which they formally depend.[22] Other observers maintain that the 'ndrina is the basic organizational unit. Each 'ndrina is "autonomous on its territory and no formal authority stands above the " 'ndrina boss", according to the Antimafia Commission. The 'ndrina is usually in control of a small town or a neighborhood. If more than one 'ndrina operates in the same town, they form a locale.[20]

Blood family and membership of the crime family overlap to a great extent within the 'Ndrangheta. By and large, the 'ndrine consist of men belonging to the same family lineage. Salvatore Boemi, Anti-mafia prosecutor in Reggio Calabria, told the Italian Antimafia Commission that "one becomes a member for the simple fact of being born in a mafia family," although other reasons might attract a young man to seek membership, and non-kin have also been admitted. Marriages help cement relations within each 'ndrina and to expand membership. As a result, a few blood families constitute each group, hence "a high number of people with the same last name often end up being prosecuted for membership of a given 'ndrina." Indeed, since there is no limit to the membership of a single unit, bosses try to maximize descendants.[20]

At the bottom of the chain of command are the picciotti d’onore or soldiers, who are expected to perform tasks with blind obedience until they are promoted to the next level of cammorista, where they will be granted command over their own group of soldiers. The next level is known as santista and higher still is the vangelista, upon which the up-and-coming gangster has to swear their dedication to a life of crime on the Bible. The quintino is the second highest level of command in a 'Ndrangheta clan, being made up of five privileged members of the crime family who report directly to the boss, the capobastone (head of command).[23]

[edit] Power structure

For many years, the power apparatus of the single families were the sole ruling bodies within the two associations, and they have remained the real centers of power even after superordinate bodies were created in the Cosa Nostra beginning in the 1950s (the Sicilian Mafia Commission) and in the 'Ndrangheta a superordinate

body was created only in 1991 as the result of negotiations to end years of inter family violence.[17]

Unlike the Sicilian Mafia, the 'Ndrangheta managed to maintain a horizontal organizational structure up to the early 1990s, avoiding the establishment of a formal superordinate body. Information of several witnesses has undermined the myth of absolute autonomy of Calabrian crime families, however. At least since the end of the 19th century, stable mechanisms for coordination and dispute settlement were created. Contacts and meetings among the bosses of the locali were frequent.[24] A new investigation, which ended in July 2010 with an arrest of 305 'Ndrangheta members revealed that the 'ndrangheta was extremely "hierarchical, united and pyramidal," and not just clan-based as previously believed, as said by Italy's chief anti-mafia prosecutor Piero Grasso.[25]

At least since the 1950s, the chiefs of the 'Ndrangheta locali have met regularly near the Sanctuary of Our Lady of Polsi in the municipality of San Luca during the September Feast. These annual meetings, known as the crimine, have traditionally served as a forum to discuss future strategies and settle disputes among the locali. The assembly exercises weak supervisory powers over the activities of all 'Ndrangheta groups. Strong emphasis was placed on the temporary character of the position of the crimine boss. A new representative was elected at each meeting.[24] Far from being the "boss of the bosses," the capo crimine actually has comparatively little authority to interfere in family feuds or to control the level of interfamily violence.[20]

At these meetings, every boss "must give account of all the activities carried out during the year and of all the most important facts taking place in his territory such as kidnappings, homicides, etc."[24] The historical preeminence of the San Luca family is such that every new group or locale must obtain its authorization to operate and every group belonging to the 'Ndrangheta "still has to deposit a small percentage of illicit proceeds to the principale of San Luca in recognition of the latter’s primordial supremacy."[22]

Security concerns have led to the creation in the 'Ndrangheta of a secret society within the secret society: La Santa. Membership in the Santa is only known to other members. Contrary to the code, it allowed bosses to establish close connections with state representatives, even to the extent that some were affiliated with the Santa. These connections were often established through the Freemasonry, which the santisti - breaking another rule of the traditional code - were allowed to

join.[17][26]

Since the end of the Second 'Ndrangheta war in 1991, the 'Ndrangheta is ruled by a collegial body or Commission, known as La Provincia. Its primary function is the settlement of inter-family disputes.[27]

[edit] Activities

According to Italian DIA (Direzione Investigativa Antimafia, Department of the Police of Italy against organized crime) and Guardia di Finanza (Italian Financial Police and Customs Police) the "'Ndrangheta is now one of the most powerful criminal organizations in the world."[citation needed] Economic activities of 'Ndrangheta include international cocaine and weapons smuggling, with Italian investigators estimating that 80% of Europe's cocaine passes through the Calabrian port of Gioia Tauro and is controlled by the 'Ndrangheta.[9] However, according to a report of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) and Europol, the Iberian Peninsula is considered the main entry point for cocaine into Europe and a gateway to the European market.[28] The United Nations Office on Drugs and Crime (UNODC) estimated that in 2007 nearly ten times as much cocaine was intercepted in Spain (almost 38 MT) in comparison with Italy (almost 4 MT).[29]

'Ndrangeta groups and Sicilian Cosa Nostra groups sometimes act as joint ventures in cocaine trafficking enterprises.[30][31] Further activities include skimming money off large public work construction projects, money laundering and traditional crimes such as usury and extortion. 'Ndrangheta invests illegal profits in legal real estate and financial activities.

The business volume of the 'Ndrangheta is estimated at almost 44 billion euro in 2007, approximately 2.9% of Italy's GDP, according to Eurispes (European Institute of Political, Economic and Social Studies) in Italy. Drug trafficking is the most profitable activity with 62% of the total turnover.[32]

Total turnover of the 'Ndrangheta in 2007

Illicit activity

Income

Drug trafficking

€ 27.240 billion

Commercial enterprise & public contracts

€ 5.733 billion

Prostitution

€ 2.867 billion

Extortion & usury

€ 5.017 billion

Arms trafficking

€ 2.938 billion

Total

€ 43.795 billion

[edit] Outside Italy

The 'Ndrangheta has had a remarkable ability to establish branches abroad, mainly through migration. The overlap of blood and mafia family seems to have helped the 'Ndrangheta expand beyond its traditional territory: "The familial bond has not only worked as a shield to protect secrets and enhance security, but also helped to maintain identity in the territory of origin and reproduce it in territories where the family has migrated". 'Ndrine are reported to be operating in northern Italy, Germany, Belgium, the Netherlands, France, Eastern Europe, the United States, Canada, and Australia.[20] One group of 'ndranghetistas discovered outside Italy was in Ontario, Canada, several decades ago. They were dubbed the Siderno Group by Canadian judges as most of its members hailed from Siderno.[33]

Magistrates in Calabria sounded the alarm a few years ago about the international scale of the 'Ndrangheta's operations. It is now believed to have surpassed the traditional axis between the Sicilian and American Cosa Nostra, to become the major importer of cocaine to Europe.[34] Outside Italy 'Ndrangheta operates in several countries, such as:
Argentina: In November 2006, a cocaine trafficking network was dismantled that operated in Argentina, Spain and Italy. The Argentinian police said the ‘Ndrangheta had roots in the country and shipped cocaine through Spain to Milan and Turin.[35]
Australia: Known by the name "The Honoured Society", The 'Ndrangheta controlled Italian-Australian organized crime all along the East Coast of Australia since the early 20th century. The 'Ndrangheta began in Australia in Queensland, where they continued their form of rural organized crime, especially in the fruit and vegetable industry. After the 1998–2006 Melbourne gangland killings which included the murder of 'Ndrangheta Godfather Frank Benvenuto. In 2008, the 'Ndrangheta were tied to the importation of 15 million ecstasy pills to Melbourne, at the time the world's largest ecstasy haul. The pills were hidden in a container-load of tomato cans from Calabria. Australian 'Ndrangheta boss Pasquale Barbaro was arrested. Pasquale Barbaro's father Francesco Barbaro was a boss throughout the 1970s and early 1980s until his retirement.[36]
Belgium: 'Ndrangheta clans purchased almost "an entire neighbourhood" in Brussels with laundered money originating from drug trafficking. On 5 March 2004, 47 people were arrested, accused of drug trafficking and money laundering to purchase real estate in Brussels for some 28 million euros. The activities extended to the Netherlands where large quantities of heroin and cocaine had been purchased by the Pesce-Bellocco clan from Rosarno and the Strangio clan from San Luca.[37][38]
Canada: In Canada, the 'Ndrangheta is believed to be involved in the smuggling of unlicensed tobacco products through ties with criminal elements in cross-border

Native American tribes.[39] According to Alberto Cisterna of the Italian National Anti-Mafia Directorate, the ‘Ndrangheta has a heavy presence in Canada. "There is a massive number of their people in North America, especially in Toronto. And for two reasons. The first is linked to the banking system. Canada's banking system is very secretive; it does not allow investigation. So Canada is the ideal place to launder money. The second reason is to smuggle drugs." Like most organized crime, the 'Ndrangheta have found Canada a useful North American entry point given its porous ports and proximity to the United States.[40] A Canadian branch labelled the "Siderno Group" – because its members primarily came from the Ionian coastal town of Siderno in Calabria – is based in Canada at least since the 1950s. Siderno is also home to one of the 'Ndrangheta's biggest and most important clans, heavily involved in the global cocaine business and money laundering.[40] Antonio Commisso, the alleged leader of the Siderno group, is reported to lead efforts to import "...illicit arms, explosives and drugs..."[41] Elements of 'Ndrangheta have been reported to have been present in Hamilton, Canada as early as 1911.[42]
Colombia: 'Ndrangheta clans were closely associated with the AUC paramilitary groups led Salvatore Mancuso, a son of Italian immigrants; he surrendered to Álvaro Uribe's government to avoid extradition to the U.S.[43] According to Giuseppe Lumia of the Italian Parliamentary Antimafia Commission, 'Ndrangheta clans are actively involved in the production of cocaine.[44]
Germany: According to a study by the German foreign intelligence service, the Bundesnachrichtendienst (BND), 'Ndrangheta groups are using Germany to invest cash from drugs and weapons smuggling. Profits are invested in hotels, restaurants and houses, especially along the Baltic coast and in the eastern German states of Thuringia and Saxony.[45][46] Investigators believe that the mafia's bases in Germany are used primarily for clandestine financial transactions. In 1999, the state Office of Criminal Investigation in Stuttgart investigated an Italian from San Luca who had allegedly laundered millions through a local bank, the Sparkasse Ulm. The man claimed that he managed a profitable car dealership, and authorities were unable to prove that the business was not the source of his money. The Bundeskriminalamt (BKA) concluded – seven years ago – that "the activities of this 'Ndrangheta clan represent a multi-regional criminal phenomenon."[47] In 2009, a confidential report by the BKA said some 229 'Ndrangheta families were living in Germany, and were involved in gun-running, money laundering, drug- dealing, and racketeering, as well as legal businesses. Some 900 people were involved in criminal activity, and were also legal owners of hundreds of restaurants, as well as being major players in the property market in the former East. The most represented 'Ndrangheta family originated from the city of San Luca, with some 200 members in Germany.[48][49] A war between the two 'Ndrangheta clans Pelle-Romeo (Pelle-

Vottari) and Strangio-Nirta from San Luca that had started in 1991 and resulted in several deaths spilled into Germany in 2007; six men were shot to death in front of an Italian restaurant in Duisburg on 15 August 2007.[50][51][52] (See San Luca feud.)
Netherlands: Sebastiano Strangio allegedly lived for 10 years in the Netherlands, where he managed his contacts with Colombian cocaine cartels. He was arrested in Amsterdam on 27 October 2005.[53][54][55] The seaports of Rotterdam and Amsterdam are used to import cocaine. The Giorgi, Nirta and Strangio clans from San Luca have a base in the Netherlands and Brussels (Belgium).[56]
Mexico - Working in conjunction with a Mexican drug cartel mercenary army known as Los Zetas in the drug trade.[57]
United States: The earliest evidence of 'Ndrangheta activity in the U.S. points to an intimidation scheme run by the syndicate in Pennsylvania mining towns; this scheme was unearthed in 1906.[58] Current 'Ndrangheta activities in America mainly involve drug trafficking, arms smuggling, and money laundering. It is known that the 'Ndrangheta branches in North America have been associating with the Italian-American organized crime. The Suraci family from Reggio Calabria has moved some of its operations to the U.S. The family was founded by Giuseppe Suraci who has been in the United States since 1962. His younger cousin, D'Agostino, runs the family in Calabria. This family is known to be extremely ruthless and violent when dealing with their enemies.[citation needed]

[edit] 'Ndrangheta in popular culture

Beginning in 2000, music producer Francesco Sbano released three CD compilations of Italian mafia folk songs over a five-year period.[59] Collectively known as La Musica della Mafia, these compilations consist mainly of songs written by 'Ndrangheta musicians, often sung in Calabrian and dealing with themes such as vengeance (Sangue chiama sangue), betrayal (I cunfirenti), justice within the 'Ndrangheta (Nun c'è perdono), and the ordeal of prison life (Canto di carcerato).[60]

[edit] See also
Sebastiano Pelle
List of 'ndrine
List of most wanted fugitives in Italy
'Ndranghetisti
Radioactive waste dumping by the 'Ndrangheta

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[p] - The word 'Ndrangheta is pronounced "en-drahng-eh-ta" as respelled, although the first syllable is silent in Calabrian unless immediately preceded by a vowel.[9]

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THE SECRET LIFE OF JB OXFORD

By LARRY GURWINMonday, Dec. 09, 1996

For years, the securities industry in the U.S. and elsewhere has been host to fast-buck brokerage firms that have ridden the back of the bull market like so many parasites. Typically, they hype penny stocks in tiny companies that are all promise and no delivery and then close up shop when the market hiccups or the regulators catch on, leaving gullible investors to count their losses.

No one has been a better practitioner of the craft than Irving Kott, a sharp operator who has played a powerful, behind-the-scenes role at brokerage firms in his native Canada, Continental Europe, Britain and the U.S. In his biggest caper, Kott's brokerage customers lost as much as $400 million. His operations have been run out of a number of countries, but now he is back in the U.S., operating right under the noses of government regulators, including the Securities and Exchange Commission and the National Association of Securities Dealers (NASD).

Kott is a powerful figure behind the scenes at JB Oxford & Co., a small discount brokerage with big pretensions whose parent company, JB Oxford Holdings, has become a darling of a group of online investors, to the point that many of them have bought stock in the brokerage company. Hundreds of messages about the company, based in Beverly Hills, California, have been posted in America Online's Motley Fool electronic forum, which has been prominent in boosting prices of a number of issues. Last year the company's stock opened at $1 a share and shot up to nearly $4 in December, ending the year at $2. This year, despite a torrid market, the stock has not done as well as its online admirers might wish. At week's end it closed at $1.75.

Few of the mostly small investors who have put money into JB Oxford's stock know about Kott's ties to the firm, because his name appears nowhere in the company's SEC filings. Why? According to JB Oxford, Kott is nothing more than a consultant to the brokerage company. Kott too, in faxed communications with TIME, reiterated the company's official explanation. In reality, he wields so much influence that several former employees told TIME they regarded him as the de facto CEO. There have also been allegations--hotly denied by Oxford--that the firm is engaging in some of the same dubious practices that were employed by other Kott-related

brokerages in the past. Stephen Rubenstein, Oxford's chairman and CEO, insists that despite Kott's association with the company, JB Oxford is a clean operation making an honest living in one of the hottest markets in history.

But making an honest living is not an Irving Kott hallmark. Although he claims Canadian residency, Kott spends much of his time in California and lives at a rented 4,000-sq.-ft. mansion in Beverly Hills with a swimming pool and tennis court that was once the home of Cary Grant. Officially, the tenant is Rhoda F. Kott, Irving's wife, and there's a reason: by claiming Canadian residency, Kott has been able to avoid being served with subpoenas at JB Oxford's headquarters. Until a few months ago, Oxford reimbursed Kott's consulting firm for the rent.

Kott gets around. In 1976 he was convicted of stock fraud in Ontario and fined Can$500,000--believed to be the largest personal fine in Canadian history up to that time. In 1979 he was sentenced to four years in prison in another case, a conviction that was overturned on appeal. By the '80s, he had set out for Europe to help run an Amsterdam-based company called First Commerce Securities, which became mired in scandal. The operation was a classic boiler room--a brokerage firm that used high-pressure sales tactics to push dubious securities. Telemarketers dialed for dollars around the clock to all points of the globe.

First Commerce's main product was stock of an outfit called DeVoe-Holbein International, a company that boasted a very interesting technology: one that could essentially extract gold and other valuable minerals from wastewater and seawater. It was a lure reminiscent of the medieval alchemists who claimed to be able to transform base metals into gold, with equally unimpressive results. Dutch authorities raided First Commerce in 1986 and forced it into bankruptcy the following year. Thousands of investors lost money, including many Americans living abroad.

Although Kott told TIME he was only a consultant to First Commerce, Dutch prosecutor Jan Koers says he found overwhelming evidence that Kott owned the company and played a major role in running it. He accused Kott of fraud, tax evasion and various other crimes. The criminal investigation stalled because Kott could not be extradited from Canada. Kott settled the case against him and other operators of the boiler room for about $4 million. This was pocket change in comparison with what First Commerce collected. Prosecutor Koers estimates that investors lost a bare minimum of $100 million. Jan van Apeldoorn, the bankruptcy receiver, believes the total damage was as high as $400 million. Having been made unwelcome in the

Netherlands, Kott, together with some of his associates, continued to push highly speculative stocks using brokerage firms in other countries, including Britain, Luxembourg and the U.S. One such outlet was Greentree Securities, a now defunct New York City firm run by Kott's son Michael, an alumnus of First Commerce. (Another son, Ian, is a senior official of JB Oxford.)

JB Oxford Holdings used to be called RKS Financial Group, and it was the parent company of a sketchy brokerage firm called Reynolds Kendrick Stratton. In the spring of 1993, Kott helped arrange for a group of investors to acquire a controlling interest in the brokerage company, and Kott was hired as a consultant. Reynolds Kendrick Stratton aggressively promoted Kott-related stocks, notably shares of a NASDAQ-listed company called Hariston Corp.

For many years Hariston was a Kott plaything. Hariston's stock had been sold by First Commerce Securities. The company was once called Western Allenbee Oil & Gas and later renamed Convoy Capital. Whatever the label, Hariston bore an odd resemblance to First Commerce's main piece of merchandise, DeVoe-Holbein International. It too boasted technology that could squeeze minerals from water, and one of the same scientists was involved: Irving W. DeVoe, a Canadian professor who had co-founded DeVoe-Holbein. In the early 1990s, a Hariston unit announced a project to extract minerals from mining waters in Butte, Montana, and many local people who believed in the project bought stock. The scheme came to naught, as did much of the money invested. (In its current incarnation, Hariston is a computer software company.)

Reynolds Kendrick Stratton's practices touched off a spate of litigation by investors as well as a probe by the nasd, forcing the company to pay out settlements, arbitration awards and fines. A March 1994 expose in BusinessWeek highlighted Kott's "consulting" role and revealed that Kott and some of the investors he had helped bring into the brokerage company were major shareholders of Hariston.

Shortly after that story appeared, RKS announced that it was pulling out of the full-service brokerage business. RKS shut down Reynolds Kendrick Stratton, and a new brokerage firm took its place: JB Oxford & Co.

Unlike its predecessor, JB Oxford & Co. would be a discount stockbroker--essentially a passive order taker for customers who wanted to save money on commissions.

In the two years since then, JB Oxford has expanded aggressively, hiring dozens of

stockbrokers and opening branch offices in New York City, Boston, Miami, Dallas and Basel, Switzerland. Customers have been solicited through television commercials on cnbc in the U.S. and nbc Super Channel, an English-language cable channel in Europe. An Asian marketing group runs ads in Japanese, Chinese and Korean newspapers in California, and there are plans to open offices in Hong Kong and Taipei. Oxford has also plunged into cyberspace with its own Internet site, enabling investors to trade online.

Oxford CEO Rubenstein insists that Oxford is "vastly different" from its predecessor, Reynolds Kendrick Stratton, "with new management, new personnel and an entirely different business focus. There is simply no comparison between the two firms." One thing hasn't changed, however: the Kott connection. Several major JB Oxford shareholders have been closely associated with Kott or with stocks pushed through Kott-connected boiler rooms. Felix Oeri, a Swiss financier who is Oxford's biggest stockholder, bought a large block of Hariston stock a few years ago after it was recommended to him by Kott. (Oeri says he's lost money on the stock.) Arabella, a Luxembourg company that is Oxford's second-ranking stockholder, is currently the controlling shareholder of Hariston.

"Kott was the key: he made the decisions," recalls a former employee. When asked whether Kott gave orders to Rubenstein, this source replied, "Definitely." Said another ex-employee: "Kott called the shots. Everyone made suggestions to him, but [I think] his word was the final one. Nothing went on without his knowledge." A former broker said flatly, "It's his place. He runs it, he makes the decisions, he does the hiring and firing."

Early this year, several Oxford branch managers and employees from various parts of the country held at least two meetings at Kott's Beverly Hills mansion. Rubenstein, according to a former employee, was at both meetings, but they were chaired by Kott. A source in the brokerage business says Kott has actually described himself as the "owner" of JB Oxford. When TIME asked Kott about his relationship with JB Oxford, he denied owning any stock and described himself as a consultant.

Rubenstein likewise rejects the notion that Kott is anything more than a consultant, and he adds that a two-year consulting agreement expired at the end of June and that Kott is now used only on an ad hoc basis. And yet Rubenstein's own comments about Kott make it clear that Kott has played a central role in the company, making him, at the very least, one of the two or three most important people there.

Kott not only has ties to several major shareholders, but he has also helped launch the discount-brokerage business, restructured the company's debt and supervised advertising and marketing. Until a few months ago, he spent 50% to 60% of his time at JB Oxford's headquarters--in an office that was larger than Rubenstein's own digs. (Although Rubinstein points out, "I have the corner office.")

Rubenstein's statements about Kott's office and the amount of time Kott spent there seem to contradict assertions that Oxford made in a civil case filed last year against Oxford, Kott and other defendants. After the plaintiffs tried to serve a summons on Kott at Oxford's offices, he and Oxford persuaded an appeals court judge to quash the summons. The main reasons: Kott had no office at JB Oxford, and he lived in Canada, not California. (Rubenstein says this isn't a contradiction because the office was provided to employees of Kott's consulting firm. Yet he acknowledges that the consulting-firm employee who occupied it was Irving Kott.)

The Kott connection may be disturbing, but does it matter to JB Oxford's clients? After all, Oxford portrays itself as little more than a passive order taker for customers who make their own investment decisions. In fact, Oxford customers can have their own "personal" brokers, and some of the brokers steer clients to specific stocks, especially stocks in which Oxford is a market maker, since the firm makes much bigger profits that way. (A market maker can sell out of its own inventory, rather than as a middleman between buyer and seller.) Brokers have every incentive to recommend such stocks because part of their compensation comes from the "spread"--the difference between the price paid by Oxford for the stock and the price charged to the customer. One of the stocks in which Oxford is a market maker is the controversial Hariston Corp.

Even if customers make their own decisions, there can be room for abuse. Former employees and customers say the firm sometimes overcharged for stocks through price-manipulation schemes. At least three disgruntled clients complained to state-securities regulators about such abuses; one of them claimed to have lost his life savings. Rubenstein, for his part, insists that Oxford's sales and trading practices are in line with industry standards and that there have been few customer complaints.

There's no question that Oxford brokers have recommended at least one speculative stock to their customers: Legacy Software. It's an obscure company in the Los Angeles area that develops edutainment software, and when it went public last May, JB Oxford arranged the deal. Edutainment is a promising area, but Legacy was in very poor financial shape. The tiny software developer had a record of losses, and its

accountants said there was "a substantial doubt as to the company's ability to continue as a going concern." In plain English, Legacy was on the verge of bankruptcy.

Yet the deal was a major success for Legacy: the offer price of $6 a share gave the struggling software house a market capitalization of more than $14 million on a fully diluted basis. Perhaps the biggest winner was an obscure Monaco company called EBC Trust. Some months before the deal, EBC provided a loan to Legacy to keep it going, and is now one of the company's biggest single stockholders, with millions of dollars in paper profits.

Who's behind EBC? Legacy's prospectus states that EBC is owned by Monaco-based businessmen Michael Woolf and Richard MacLellan. TIME has learned that MacLellan is apparently no stranger to Irving Kott: the two men were co-defendants in a suit filed in California last year accusing them of having misappropriated shares of a Canadian company. (The suit was settled, and TIME has no evidence of wrongdoing by any of the defendants.)

Other co-defendants included Felix Oeri, Oxford's largest stockholder, and Financial Strategies International, a now defunct company that published a newsletter that often touted Kott-related stocks. (Oeri told TIME that he did not know he had been sued.) A former FSI employee, Ian Clay, worked for two Kott-connected boiler rooms in Europe. For the past two years, Clay has been working for JB Oxford.

It's likely that the most actively traded stock connected to Kott is not Legacy or even Hariston but JB Oxford Holdings. Trading volume has at times been extraordinarily high for a company of Oxford's size ($39.6 million in revenues last year); there were times last year when Oxford was one of the most actively traded stocks on nasdaq's Small-Cap market.

To date, JB Oxford has never seen fit to inform its shareholders of the key role Kott plays at the company. Although most of Oxford's customers and stockholders are in the dark, U.S. securities regulators have known for years that Kott is connected to JB Oxford. When regulators have looked into the matter, Oxford has assured them that Kott is nothing more than a consultant.

Long before arriving at JB Oxford, Kott ran other brokerage firms by operating through front men. Authorities weren't fooled. In his native Quebec, for instance, regulators yanked the license of one brokerage, L.J. Forget, citing Kott as the secret

mastermind. Dutch authorities came to the same conclusion about First Commerce. Kott-related bucket shops have also been shut down in Britain and Luxembourg. In the U.S., by contrast, by calling himself a consultant, Kott has an ongoing license to work his stock-market alchemy.

http://www.time.com/time/magazine/article/0,9171,985660-1,00.html

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BIN LADEN'S BROTHER-IN-LAW 'AN IRISH CITIZEN'

By Mark Sage, PA News

Irish Foreign Minister Brian Cowen was tonight forced to admit that the Government had granted Irish citizenship to a brother-in-law of Osama bin Laden.

Sheikh Khalid bin Mahfouz was given an Irish passport along with nine associates in 1990 by the then Prime Minister Charlie Haughey in "dubious" circumstances, the Irish Parliament heard.

Sheikh Mahfouz went on to channel millions of dollars into bin Laden's network through front charities, it was claimed.

When opposition Fine Gael foreign affairs spokesman Jim O'Keeffe raised the issue with Mr Cowen last week, the minister said no such citizenship was granted.

But today, Mr Cowen was forced to apologise to the Dail (Irish Parliament) and explained that a misspelling by one of his officials had brought up wrong results on a computerised search.

"I made a statement on Wednesday in good faith on the basis of information supplied to me by my officials. A more extensive search of the passport office records on the following day revealed that passports were issued to this group on December 8, 1990," Mr Cowen said.

"All the passports expired on December 8, 2000, consequently the issue of revoking them, that was also raised by Deputy O'Keeffe, does not arise," he added.

But Mr O'Keeffe tonight demanded that even though the passports had run out, the citizenship of Sheikh Mahfouz, whom he described as a "major international crook", should be revoked.

"Evidence has been produced that Sheikh Mahfouz has been a major financial backer of the international terrorist network headed by his brother-in-law, Osama bin Laden," he said.

"It is bad enough that the name of Ireland should be have been besmirched by granting citizenship to international crooks. It is totally unacceptable that we should issue passports, giving Irish citizenship to those who are associated with and financially supporting Osama bin Laden."

Mr O'Keeffe told the chamber that Sheikh Mahfouz has channelled millions of dollars to bin Laden through the front organisations Islamic Relief and Blessed Relief.

And he described the "dubious" circumstances in which the passports were granted.

It has been claimed that Mr Haughey handed the passports to the Sheikh personally in a central Dublin hotel.

The Moriarty Tribunal has been set up to probe allegations of a passports for sale scandal between 1989 and 1994.

"What is clear at this stage is that in a matter of about three days between December 6 and 9, 1990, the applications were completed, naturalisation finalised and passports issued, despite the fact that the applicants did not comply with the requirements in relation to residency or production of evidence of good character."

He added: "If Ireland is to have any credibility in the fight against international terrorism the Minister for Justice must immediately revoke the Irish citizenship granted in dubious circumstances."

Mr Cowen said the reason for the error was that the search capabilities of the computer system were outdated and the misspelt name could not be picked up by the software unless a date of birth was given.

The system is being upgraded.

http://www.propagandamatrix.com/bin_laden_brother_in_law_irish_citizen.html

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’’Bahrain: The Possible victory of blood’’.

by Shia News ÃÎÈÇÑ ÇáÔíÚÉ on Thursday, March 17, 2011 at 3:39am

The next step for the opposition will be to focus on the foreign occupation and the latest atrocities committed by the Bahraini and Saudi forces to ...

Ali Rizk

- "Foreign occupation of Bahrain" that is what members of the Bahraini opposition parties are saying is the new problem with the ruling Khalifa family of Bahrain. After being able to finally contact Sheikh Mohammad Ali Mahfouz who heads the Islamic Action society (one of the three main opposition parties) he made it clear that this latest clampdown on the protestors will not make the opposition parties or the protesters for that matter, back down from their demands. In fact Sheikh Mahfouz even hints that the next step for the opposition will be to focus on the foreign occupation and the latest atrocities committed by the Bahraini and Saudi forces (the Saudi forces constitute the huge bulk of the occupation forces) to further corner the ruling Monarchy in Manama.

In another strategy which Sheikh Mahfouz speaks about and which clearly intends to expose the Saudi role in all of this, he says that there will also be a focus on the disagreements amongst the Gulf Cooperation council members."Look at the Kuwaiti position" he says, "the Kuwaiti leadership has come out against the violence against the protesters and has even said it intends to send doctors and medical staff to attend to the wounded". (One gets the sense here that the opposition plans to present what is going on as a joint Bahraini Saudi royal family plan aimed at silencing significant percentages of populations throughout the Persian gulf who feel they are subject to marginalization and discrimination).

Sheikh Mahfouz also points out in a somewhat optimistic way to the resignations of sunni ministers and close advisors to the King following the latest atrocities. Another senior opposition figure Ibrahim Sharif who heads the secular "Democratic Action Society" says that what is happening is something expected and is "the price to pay for freedom". He also says that it is necessary for the uprising to continue in order

for the ruling family to cede to more demands to the people."The more the people continue to protest and the more these images of violence against protesters is seen around the world the more the ruling family will be forced to make concession to the demands of the people and the opposition".

Put in another way the recent violence against protesters will backfire on the regime and the blood of the Bahraini civilians who were killed and wounded will actually serve to realize the demands of the people and maybe in a quicker process. In this regard Sharif points to how these images made the front pages and leading headlines of world media outlets and how this will oblige the world to pay more attention to the situation in Bahrain and to the legitimate demands of the people.

So in brief after speaking to the high ranking members of the Bahraini opposition one does get the sense that they are optimistic that things will turn out in their favor. However one also gets the sense that in order for this to happen the protesters must not give up and must continue with their uprising which after all aims nothing more than to end the political and economic hegemony of the ruling family, bring about a better economic situation for the people of Bahrain and bring about a system where all citizens are treated equally regardless of religious affiliation.

http://www.facebook.com/note.php?note_id=10150436872030094&comments

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Michael Milken

Michael Robert Milken (born July 4, 1946) is an American financier and philanthropist noted for his role in the development of the market for high-yield bonds (also called junk bonds) during the 1970s and 1980s, for his 1990 guilty plea to felony charges for violating US securities laws, and for his funding of medical research.[2]

Milken was indicted on 98 counts of racketeering and securities fraud in 1989 as the result of an insider trading investigation. After a plea bargain, he pled guilty to six securities and reporting violations but was never convicted of racketeering or insider trading. Milken was sentenced to ten years in prison and permanently barred from

the securities industry by the Securities and Exchange Commission. After the presiding judge reduced his sentence for cooperating with testimony against his former colleagues and good behavior, he was released after less than two years.[3]

His critics cited him as the epitome of Wall Street greed during the 1980s, and nicknamed him the Junk Bond King. Supporters, like George Gilder in his book, Telecosm, note that "Milken was a key source of the organizational changes that have impelled economic growth over the last twenty years. Most striking was the productivity surge in capital, as Milken … and others took the vast sums trapped in old-line businesses and put them back into the markets."

Milken has also been engaged in philanthropic activities since the early 1980s. He is co-founder of the Milken Family Foundation, chairman of the Milken Institute, and founder of medical philanthropies funding research into melanoma, cancer and other life-threatening diseases. In a November 2004 cover article, Fortune magazine called him "The Man Who Changed Medicine" for his positive influence on medical research.[2]

Milken's compensation, while head of the high-yield bond department at Drexel Burnham Lambert in the late 1980s, exceeded $1 billion in a four-year period, a new record for US income at that time.[4] Drexel went bankrupt in 1990. With an estimated net worth of around $2 billion as of 2010, he is ranked by Forbes magazine as the 488th richest person in the world.[5] Much of that wealth comes from his success as a bond trader; he only had four losing months in 17 years of trading.[6]

Education

Milken was born to a Jewish family in Encino, California.[7] He graduated from Birmingham High School, where his classmates included actresses Sally Field and Cindy Williams.

Milken is a 1968 University of California, Berkeley graduate with a B.S. with highest honors, and was elected Phi Beta Kappa and was a member of the Sigma Alpha Mu fraternity.[8] He received his MBA from the Wharton School at the University of Pennsylvania.

While at Wharton, he was influenced by credit studies authored by W. Braddock Hickman, a former president of the Federal Reserve Bank of Cleveland, who noted

that a portfolio of non-investment grade bonds offered "risk-adjusted" returns greater than that of an investment grade portfolio.

[edit] Career

Through his Wharton professors, Milken landed a summer job at Drexel Harriman Ripley, an old-line investment bank, in 1969. After completing his MBA, he joined Drexel (by then known as Drexel Firestone) as director of low-grade bond research. He was also given some capital and permitted to trade. According to legend, he was so devoted to his work that he wore a miner's headlamp while commuting on the bus so that he could read company prospectuses.

Drexel merged with Burnham and Company in 1973 to form Drexel Burnham and Company, with Milken as one of the few prominent holdovers from the Drexel side of the merger. He persuaded his new boss, Tubby Burnham (a fellow Wharton alumnus), to let him start a high-yield bond trading department—an operation that soon earned a remarkable 100% return on investment.[6] By 1976, Milken's income at what was at the time Drexel Burnham Lambert was estimated at $5 million a year.

One weekend in 1978, Milken moved the high-yield bond operation to Century City in Los Angeles. The transition went so smoothly that many clients were unaware that the department had moved between Friday and Monday. Later, the operation moved to Beverly Hills at 9560 Wilshire Boulevard. On the fourth floor, he set up an X-shaped trading desk—designed to maximize his contact with traders and salesmen—from which he worked very long hours, invariably starting his day before 5 am Pacific (8 am Eastern, prior to the opening of the markets in New York). The department grew and, in 1986-87, moved up to the fifth floor, where there were eventually three of the famous X-shaped trading desks.

[edit] The high-yield market and the 1980s buyout boom

History of private equity
and venture capital

Early history
(Origins of modern private equity)
•
The 1980s
(LBO boom)
•
The 1990s
(LBO bust and the VC bubble)
•
The 2000s
(Dot-com bubble to the credit crunch)

v · d · e

See also: Private equity in the 1980s

By the mid-1980s, Milken's network of high-yield bond buyers (notably Fred Carr's Executive Life Insurance Company and Tom Spiegel's Columbia Savings & Loan) had reached a size which enabled him to raise large amounts of money very quickly. Both these buyers subsequently failed as a result of their junk bond investments. It was said, for example, that Milken raised $1 billion for MCI Communications, then an upstart provider of long-distance telephone services, in the space of one hour on the telephone. Cable TV companies like John Malone's Tele-Communications Inc., were also favorite clients, as were Ted Turner's maverick Turner Broadcasting, cellphone pioneer Craig McCaw, and casino entrepreneur Steve Wynn, and before long the CEOs and CFOs of many smaller and mid-sized companies previously limited to the slow and expensive private-placement market were making early-morning pilgrimages to Beverly Hills seeking to issue high-yield and/or convertible bonds through Drexel Burnham. Without question, many leading entrepreneurs of the 1980s owe their success at least partly to Milken's perception of this market opportunity. One of his favorite sayings: "There is no shortage of capital; there is

only a shortage of management talent".

Milken was largely involved with kick-starting investments in Nevada, which for many years was the fastest-growing state in the U.S. Milken funded the gaming industry, newspapers and homebuilders, and among the companies he financed were MGM Mirage, Mandalay Resorts, Harrah's Entertainment and Park Place.

This money-raising ability also facilitated the activities of leveraged buyout (LBO) firms like Kohlberg Kravis Roberts and of so-called "greenmailers." Armed with a "highly confident letter" from Drexel (in which Drexel promised to get the necessary debt in time to fulfill the buyer's obligations), these firms and greenmailers were able to profit by merely threatening LBOs of large, blue-chip companies in which they had built up equity positions. Milken's task was perhaps made easier by the fact that the top-tier Wall St investment banks were unwilling to compete with him for fear of jeopardizing their longstanding and lucrative relationships with many of these blue-chip companies who were potentially his targets, although latterly companies like Salomon Brothers, Morgan Stanley and First Boston did enter the high-yield market. Notable buyouts financed by Drexel of companies previously thought invulnerable included Beatrice Companies and the cosmetics firm, Revlon.

Amongst his significant detractors have been Martin Fridson formerly of Merrill Lynch and author Ben Stein. Milken's high-yield "pioneer" status has proved dubious as studies show "original issue" high-yield issues were common during and after the Great Depression. Others such as Stanford Phelps, an early co-associate and rival at Drexel, have also contested his credit as pioneering the modern high-yield market. This is, however, quibbling, as Drexel was for all intents and purposes unchallenged as essentially the only underwriter and trader of high-yield bonds throughout almost the entire decade of the 1980s.

Despite his influence in the financial world (at least one source called him the most powerful American financier since J.P. Morgan),[9] Milken was an intensely private man who shunned publicity. Hence, citing the power behind the most aggressive firm on Wall Street, Drexel bankers often said "Michael says ..." to justify their tactics.[6]

[edit] Scandal

Dan Stone, a former Drexel executive, wrote in his book, April Fools, that Milken was under nearly-constant scrutiny from the Securities and Exchange Commission from

1979 onward due to unethical and sometimes illegal behavior in the high-yield department.[9] His own role in such behavior has been much debated. Stone claims that Milken viewed the securities laws, rules and regulations with a degree of contempt, feeling they hindered the free flow of trade. However, Stone said that while Milken condoned questionable and illegal acts by his colleagues, Milken himself personally followed the rules.[9] He often called Drexel's president and CEO, Fred Joseph—known for his strict view of the securities laws—with ethical questions.[6] On the other hand, several of the sources James B. Stewart used for Den of Thieves told him that Milken often tried to get a higher markup on trades than was permitted at the time.

Harvey A. Silverglate, a prominent defense attorney who has represented Milken during the appellate process, disputes that view in his book Three Felonies a Day: “Milken’s biggest problem was that some of his most ingenious but entirely lawful maneuvers were viewed, by those who initially did not understand them, as felonious, precisely because they were novel – and often extremely profitable.” [10]

[edit] Ivan Boesky and an intensifying investigation

The SEC inquiries never got beyond the investigation phase until 1986, when arbitrageur Ivan Boesky pleaded guilty to securities fraud as part of a larger insider trading investigation. As part of his plea, Boesky purported to implicate Milken in several illegal transactions, including insider trading, stock manipulation, fraud and stock parking (buying stocks for the benefit of another). This led to an SEC probe of Drexel, as well as a separate criminal probe by Rudy Giuliani, then United States Attorney for the Southern District of New York. Although both investigations were almost entirely focused on Milken's department, Milken refused to talk with Drexel (which launched its own internal investigation) except through his lawyers.[6][9]

For two years, Drexel insisted that nothing illegal occurred, even when the SEC formally sued Drexel in 1988. Later that year, Giuliani began seriously considering an indictment of Drexel under the powerful Racketeer Influenced and Corrupt Organizations Act, which he had previously used against organized crime. Drexel management immediately began plea bargain talks, concluding that no financial institution could survive a RICO indictment. However, talks collapsed on December 19 when Giuliani made several demands that Drexel found too harsh, including one that Milken leave the firm if indicted.[9]

Only a day later, however, Drexel lawyers discovered suspicious activity in one of the

limited partnerships Milken set up to allow members of his department to make their own investments. That entity, MacPherson Partners, had acquired several warrants for the stock of Storer Broadcasting in 1985. At the time, Kohlberg Kravis Roberts was in the midst of a leveraged buyout of Storer, and Drexel was lead underwriter for the bonds being issued. One of Drexel's other clients bought several Storer warrants and sold them back to the high-yield bond department. The department in turn sold them to MacPherson. This partnership included Milken, other Drexel executives, and a few Drexel customers. However, it also included several managers of money funds who had worked with Milken in the past. It appeared that the money managers bought the warrants for themselves and didn't offer the same opportunity to the funds they managed.[9] Some of Milken's children also got warrants, according to Stewart, raising the appearance of Milken self-dealing.

However, the warrants to money managers were especially problematic. At the very least, Milken's actions were a serious breach of Drexel's internal regulations, and the money managers had breached their fiduciary duty to their clients. At worst, the warrants could have been construed as bribes to the money managers to influence decisions they made for their funds (and indeed, several money managers were eventually convicted on bribery charges). The discovery of MacPherson Partners—whose very existence had not been known to the public at the time—seriously eroded Milken's credibility with the board. On December 21, 1988, Drexel pleaded nolo contendere to six counts of stock parking and stock manipulation, and agreed that Milken had to leave the firm if indicted.[6][9]

[edit] Indictment and sentencing

In March 1989, a federal grand jury indicted Milken on 98 counts of racketeering and fraud. The indictment accused Milken of a litany of misconduct, including insider trading, the concealment of the real owner of a stock, a practice known as stock parking, tax evasion and numerous instances of repayment of illicit profits. The most intriguing charge was that Boesky paid Drexel $5.3 million in 1986 for Milken's share of profits from illegal trading. This payment was represented as a consulting fee to Drexel. Shortly afterward, Milken resigned from Drexel and formed his own firm, International Capital Access Group.[6][9]

This was one of the first times RICO was used against an individual with no ties to organized crime. Milken originally planned to fight the charges against him, hiring one of Ronald Reagan's former campaign aides, Linda Goodson Robinson (the wife of

American Express president James Robinson) to launch a public relations campaign prior to the trial. Milken and other Drexel figures hired Edward Bennett Williams as their attorney. Williams was well known for representing Watergate figures as well as major Mafia figures including Frank Costello. After Williams died of cancer, Milken's handlers hired various other attorneys and his case became more difficult.

On April 24, 1990, Milken pleaded guilty to six counts of securities and tax violations.[5] Three of them involved dealings with Ivan Boesky to conceal the real owner of a stock.[10]
Aiding and abetting another person's failure to file an accurate 13d statement with the SEC since the schedule was not amended to reflect an understanding that any loss would be made up.
Sending confirmation slips through the mail that failed to disclose that a commission was included in the price.
Aiding and abetting another in filing inaccurate broker-dealer reports with the SEC.

Two other counts were related to tax evasion in transactions Milken carried out for a client of the firm, David Solomon, a fund manager.[10]
Selling stock without disclosure of an understanding that the purchaser would not lose money.
Agreeing to sell securities to a customer and to buy those securities back at a real loss to the customer, but with an understanding that he would try to find a future profitable transaction to make up for any losses.

The last count was for conspiracy to commit these five violations.

The estimated injury for all counts combined was by the judge's account $318,000 and by the US Probation Office's account $685,000.[11]

As part of his plea, Milken agreed to pay $200 million in fines. At the same time, he agreed to a settlement with the SEC in which he paid $400 million to investors who had been hurt by his actions. He also accepted a lifetime ban from any involvement in the securities industry. In a related civil lawsuit against Drexel he agreed to pay $500 million to Drexel's investors.[12][13] In total this means that he paid $1.1 billion for all lawsuits related to his actions while working at Drexel.

Critics of the government charge that the government indicted Milken's brother Lowell in order to put pressure on Milken to settle, a tactic condemned as unethical by some legal scholars. "I am troubled by - and other scholars are troubled by - the

notion of putting relatives on the bargaining table," said Vivian Berger, a professor at Columbia University Law School, in a 1990 interview with the New York Times.[14] As part of the deal, the case against Lowell was dropped. Federal investigators also questioned some of Milken's relatives—including his aging grandfather—about their investments.[6]

At Milken's sentencing, Judge Kimba Wood told him:

You were willing to commit only crimes that were unlikely to be detected.... When a man of your power in the financial world... repeatedly conspires to violate, and violates, securities and tax business in order to achieve more power and wealth for himself... a significant prison term is required.[15]

Milken's sentence was later reduced to two years from ten; he served 22 months.[1]

[edit] Prostate cancer

In January 1993, Milken received the results of a PSA test from a routine medical exam. Because prostate cancer is relatively rare for men in their 40s Milken's doctor didn't recommend the PSA test, he asked for it. The results came back with a level of 24 which is extremely high. Milken repeated the PSA test twice and a subsequent biopsy revealed advanced prostate cancer which had spread to his lymph nodes. At that time, doctors considered prostate cancer that advanced to indicate that a man had less than 2 years to live. Milken opted for prostatectomy but a subsequent test showed that the cancer had already spread to his lymph nodes. Milken started hormone therapy to shut down production of testosterone. Hormone therapy cut his PSA over the course of several months to zero. He also opted to have radiation therapy. Subsequent scans showed the swelling in his lymph nodes had disappeared. Milken's cancer was in remission and still was in 2004 when he was profiled in Fortune.[2][16]

[edit] Philanthropic activities

This section needs additional citations for verification.
Please help improve this article by adding reliable references. Unsourced material may be challenged and removed. (January 2011)

In 1982, Milken and his brother Lowell founded the Milken Family Foundation to support medical research and education. Through the Milken Educator Awards (founded in 1985), the MFF has awarded a total of more than $60 million to more than 2,500 teachers. Among the other initiatives of the Milken Family Foundation are the:
Milken Institute, a non-profit, non-partisan economic think tank whose scholars publish research papers and conduct conferences on global and regional economies, human capital, demographics and capital markets. Each spring, the Institute hosts a Global Conference in Los Angeles;
Milken Scholars, a program provides outstanding high school graduates with a commitment of four years of college financial assistance, counseling, volunteer opportunities and preparation for graduate studies;
TAP: The System for Teacher and Student Advancement, a comprehensive research-based strategy to attract, develop, motivate and retain high quality teachers for America's schools;
Mike's Math Club, a curriculum enrichment program that shows students in inner-city elementary schools that math is not only useful, but entertaining;
Festival for Youth, a school-based community service program that engages students in yearlong service projects to help build vibrant communities; and the
Milken Family Foundation Epilepsy Research Awards Program, which funds research to understand and conquer epilepsy;
The Prostate Cancer Foundation works closely with Major League Baseball through its Home Run Challenge program to promote awareness of prostate cancer and raise money for medical research. Each season in the weeks leading up to Father's Day, Milken visits many ballparks and appears on TV and radio broadcasts during the games.

Upon his release from prison in 1993, Milken founded the Prostate Cancer Foundation for prostate cancer research. Milken himself was diagnosed with advanced prostate cancer in the same month he was released from the prison. His cancer is currently in remission.

In 2003, Milken launched the Washington, D.C.-based think tank called FasterCures, which seeks greater efficiency in researching all serious diseases. A key initiative of

FasterCures is Biobank Central, which is advancing life sciences research in areas as diverse as autism, psoriasis and breast cancer.

The Melanoma Research Alliance (MRA) was launched in 2007 to support innovative translational studies that advance the diagnosis, staging and treatment of melanoma, the deadliest skin cancer.

Fortune magazine called him "The Man Who Changed Medicine" in a 2004 cover story on his philanthropy.[2]

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CHAPTER 4

The Miscreants' Global Bust-Out (Chapter 4): Michael Milken, the Mafia, and Some Powerful Hedge Funds

Posted on 09 May 2011 by Mark Mitchell

Tags: A.R. Baron, Al Qaeda, Andrew Redleaf, Anthony "Fat Tony" Salerno, Anthony Salerno, Apollo, Arnold Kimmes, Ascot Partners, Barber Shop Hit, Bernard Madoff, Blinder Robinson, Carl Icahn, Cerberus, D.H. Blair, Drexel Burnham, Eli Black, Ezra Merkin, Felix Sater, Felix Satter, FN Wolf, Fred Carr, Gruntal, Howard Silverman, Investors Overseas, Ivan Boesky, Jack Catain, John Lattanzio, John Mulheren, La Cosa Nostra, Leon Black, Lindsay Rosenwald, Mafia, Marc Rich, Maurice Gross, Meyer Blinder, Michael Catain, Michael Milken, Michael Steinhardt, Morty Davis, nuclear, organized crime, Osama bin Laden, Ralph Mafrici, Reliance, Rooney Pace, Russian mafia, SAC Capital, Salvatore Lauria, Sam Israel, Samuel Israel, Saul Steinberg, Semion Mogilevich, Stephen Feinberg, Steve Cohen, Steve Wynn, Steven M Cohen, Thomas Quinn, United Fruit, uranium, White Rock Partners, Whitebox Partners, Yakuza, Zev Wolfson

This is Chapter 4 of a multi-chapter story…

When Michael Milken and his famous co-conspirator, Ivan Boesky, were convicted on multiple counts of stock manipulation and insider trading, the media reported that Boesky not only cooperated with prosecutors, but delivered the key evidence that resulted in Milken receiving a prison sentence of ten years, three of which he served.

These reports were false. As was first noted by Pulitzer Prize winning author James Stewart in "Den of Thieves" (the seminal work on the government's prosecution of Milken), a careful reading of Milken's 99-count indictment makes clear that Boesky provided little information to the government. To the contrary, he explained that he could not testify against Milken because he was afraid of what might happen to him. As Boesky put it, Milken had "friends in Vegas" – an apparent reference to the Mafia.

Soon after Boesky expressed his fears, one of Milken's closest associates, John Mulheren, got into his car and headed towards Boesky's house. Police officers had been watching Mulheren, and knew that he had in his car a gym bag loaded with two handguns, a 12-guage rifle, and a semi-automatic machine gun.

Suspecting that Mulheren planned to murder Boesky, the cops arrested Mulheren and put him in jail, where, according to James Stewart, he spent most of his time conversing with Anthony "Fat Tony" Salerno, who had been the top boss of the Genovese Mafia family until he was jailed on charges of manslaughter.

Nobody has produced evidence that Milken had anything to do with Mulheren's attempted assassination of Boesky. In fact, it seems unlikely that Milken would kill his old friend Boesky. As we will see, the two men remain on close terms today.

Milken also remained close with Mulheren until Mulheren's death of a heart attack in 2003. To this day, Millennium Management, a major hedge fund founded by Mulheren and now run by Izzy Englander, remains a key component of the Milken network.

Perhaps Mulheren (whom the government was investigating for his role in the nationwide stock manipulation network that Milken operated in the 1980s) only meant to threaten Boesky. Or perhaps, as some have said, Mulheren was taking the wrong psychiatric medications. Whatever the case, there is no question that Boesky

was right when he said that Milken had “friends in Vegas.”

Milken’s best friend in the world, according to Milken, is Steve Wynn, the Las Vegas casino mogul. Meanwhile, Wynn’s best friends in the world, according to Scotland Yard, are Michael Milken and the dons of the Genovese Mafia family.

Indeed, according to a declassified report written in the late 1980s by Scotland Yard investigators, Wynn had “been operating under the aegis of the Genovese Mafia since he first went to Las Vegas in the 1960s.” Scotland Yard noted that both Wynn and his father had a long standing relationship with the above-mentioned Anthony “Fat Tony” Salerno.

Another of Milken’s closest associates was Fred Carr, who was one of the select friends who helped perpetrate Milken’s junk bond merry-go-round scam. Carr used Milken’s junk bond finance to seize control of Executive Life, a massive insurance and S&L conglomerate that was looted and later demolished (that is, “busted-out”). Prior to taking control of Executive Life, Carr had been a principal with Investors Overseas Service, which was, at the time, the biggest Ponzi scheme in history.

One of Investors Overseas’ key feeders (that is, the person who fed the Ponzi much of its money, which he had raised from unwitting investors) was John Pullman, whom the U.S. government had named as a close associate of that same Genovese Mafia boss – Anthony “Fat Tony” Salerno. Meanwhile, Sylvian Ferdman, a Genovese Mafia courier, was routing money into the Investor’s Overseas racket from clients in South America.

Another key component of Milken’s junk bond merry-go-round in the 1980s was MDC Global, an insurance and investment company that controlled a brokerage called Blinder, Robinson. The eponymous head of Blinder, Robinson was Milken crony Meyer Blinder, whose diamond-encrusted pinky ring and thick, gold chains marked him as one among the new breed of financial operators who had descended upon Wall Street.

Blinder, Robinson was first indicted in 1989. Afterward, it came to be known as “Blind’em and Rob’em” because it was not only a key player in Milken’s nationwide stock manipulation network, but also among the most crooked Mafia brokerages in America.

Among the miscreants who manipulated stocks in league with Blinder, Robinson was

Thomas Quinn, a capo in the Genovese Mafia family. Another Milken network man who manipulated stocks with Blinder, Robinson was Arnold Kimmes, also known as Charlie Kimmes. Since Kimmes had been named in a widely disseminated 1978 New York crime task force report as a “major organized crime figure”, Milken likely knew whom he was dealing with.

Quinn spent part of the year manipulating stocks in New York, and part of the year in Cannes, where he had a pink villa overlooking the Mediterranean – a pink villa that he had named Le Mas des Roses, or Farmhouse of the Roses, suggesting that some ruthless Mafia figures appreciate things that are cute and pretty. In 1989, as authorities in the U.S. were closing in on Milken, French police stormed Le Mas des Roses, kicking down doors, shouting, ransacking the place, hauling away evidence, and arresting Quinn, who ended up in prison.

Kimmes was arrested soon after. He escaped prison by ratting on Meyer Blinder, who did not escape prison. In 2000, Richard Walker, then the SEC’s director of enforcement, gave testimony to Congress in which he described Blinder, Robinson as being part of a network of brokerages — including D.H. Blair, Rooney Pace, FN Wolf, A.R. Baron, and many others – that were tied to organized crime. Most of these brokerages had been financed by Michael Milken or his closest associates.

The proprietor of Rooney, Pace, which was financed directly by Milken, was Randolph Pace, who was later indicted for running a $200 million stock manipulation scheme with another Milken crony, Judah Wernick. Both Pace and Wernick were also tied to a massive scandal that saw Russian Mafia figures, including Semion Mogilevich — described by British authorities as the “most dangerous mobster in the world” — launder upwards of $7 billion through the Bank of New York in the late 1990s.

Many of the other brokerages mentioned in the SEC’s Congressional testimony – including D.H. Blair, A.R. Baron, and FN Wolf — were financed by Zev Wolfson, a Milken crony who also financed Millennium, the hedge fund founded by Boesky’s prospective assassin John Mulheren.

D.H. Blair was particularly close to Milken. It was founded by Morty Davis, and run with help from Davis’s son-in-law, Lindsay Rosenwald, who served as vice chairman. After Milken went to prison in 1991, one of Milken’s top Drexel, Burnham employees, Richard Maio, became president of D.H. Blair.

In 2000, D.H. Blair was charged on multiple counts of stock manipulation and forced to shut its doors. To describe the full extent of D.H. Blair's relations with La Cosa Nostra and the Russian Mafia, I would have to bore you with a list of names so long that this story would begin to read like a telephone directory.

But to give you just a small sampling, I will mention that the people indicted in just one of the hundreds of stock manipulation schemes perpetrated by D.H. Blair included: Frank Coppa, a capo in the Bonanno Mafia family; Edward Garafola, a soldier in the Gambino Mafia family; Daniel Persico, a capo in Colombo Mafia family; and Ernest Montevecchi, a soldier in the Genovese Mafia family.

After Milken got out of prison, he hooked up again with D.H. Blair's former vice chairman, Lindsay Rosenwald, who is now one of the most powerful hedge fund managers in America, and perhaps the single biggest player in the world of biotech stocks.

I have written a book-length Deep Capture article ("The Story of Dendreon") describing how Milken and Rosenwald, in cahoots with other Mafia-tied miscreants and hedge funds, including Millennium, have sought to destroy biotech companies that are developing promising medicines while promoting Rosenwald companies whose medicines are killing people. That story is a good introduction to the Milken network, but it doesn't begin to describe the destruction this network has wrought.

Many other powerful hedge fund managers operating today got their start in the 1980s working for Milken-financed Mafia brokerages. And these hedge fund managers are among Milken's closest associates. Again, when I refer to "closest associates," I mean no more than a few dozen people who are intimately tied together.

SEC filings and other evidence compiled by Deep Capture show with perfect clarity that all of the hedge fund managers in this network regularly trade in unison, investing in (or, more often, attacking) the same companies. Press reports suggest that the biggest players in this network are, in fact, currently the targets of the largest FBI insider trading investigation in history.

One of the principle hedge fund managers in this network is Steve Cohen, who has been described by BusinessWeek magazine as "The Most Powerful Trader on the Street." Cohen, who now runs the giant hedge fund SAC Capital, previously was among the select traders who effectively ran Gruntal Securities, a Mafia brokerage

that received much of its finance from Michael Milken. While he was at Gruntal, Cohen was investigated by the SEC for trading on inside information that was delivered to him by Milken's shop at Drexel, Burnham.

There were just a few other traders who had special partnership agreements with Gruntal, and who effectively ran the place. I will name them all, beginning with Maurice Gross, who handled the accounts of the Gambino Mafia family. Gross later founded his own operation with a Pakistani trader named Mohammad Ali Khan, who (according to a case filed by the New York attorney general) alighted with some of the Gambino's cash. This was no doubt much to the dismay of Gruntal CEO, Howard Silverman, who had come to depend on the Mafia's good graces.

As of 2008, Silverman was running one of the nation's biggest "dark pool" trading platforms, an outfit that enabled his hedge fund clients to conduct manipulative trading in total anonymity. It should be a matter of concern that a guy with ties to the Mafia was running a major "dark pool" – especially since experts (such as the authors of the report commissioned by the Department of Defense) say that such platforms could easily be deployed by financial terrorists. And make no mistake: Silverman and all the other principals at Gruntal are, in fact, tied to the Mafia.

One of the people Silverman brought in to help run his brokerage – another of the select traders with special partnerships at Gruntal – was a fellow named Felix Sater, who is a high ranking Russian Mafia boss with ties to the Mogilevich organization. (I will refer throughout this story to the "Russian Mafia" because that is the most common term for it and its most notable feature is its ties to Moscow, but experts and government investigators often use the term "Eurasian organized crime" because it includes a number of mobsters from countries that are no longer part of Mother Russia. The Mogilevich organization, for example, is dominated by Ukrainians.).

Felix Sater is a criminal who was once charged with stabbing a Wall Street trader in the face with the broken stem of a wine glass, and who has threatened to kill multiple people.

The man who runs the Mogilevich organization, Semion Mogilevich, is not only the "most dangerous mobster in the world", but also sits as #2 on the FBI's list of "Most Wanted" criminals, behind only Osama bin Laden. A declassified FBI report states that the Mogilevich organization is involved in everything from major league market manipulation to prostitution, Afghan heroin, and trafficking in nuclear weapons

materials.

On at least one occasion, the Mogilevich organization tried to sell highly enriched (nuclear bomb grade) uranium to Al Qaeda. This is a matter of dispute for some "experts", but European Union officials confirm that it is true, and the evidence is indisputable that members of the Mogilevich organization did, at a minimum, claim in meetings with Al Qaeda operatives in Europe that they could obtain the nuclear materials.

Indeed, it is highly probably that Felix Sater, the former Gruntal Securities trader, himself had long-standing business relationships with Al Qaeda. After he left Gruntal Securities, Felix and another top Gruntal trader, Salvatore Lauria, started their own outfit – a brokerage called White Rock, which was indicted in 2001 for orchestrating stock manipulation schemes in league with D.H. Blair and a whole slew of Russian Mafia and La Cosa Nostra figures including the above-mentioned Genovese Mafia soldier Ernest Montevechi.

According to Felix's White Rock partner, Salvatore Lauria, Felix himself escaped indictment (he was named only as an unindicted co-conspirator) because Felix offered to help the CIA get to Osama bin Laden if the Justice Department were to drop its stock manipulation charges against him. As Salvatore tells it, Felix had long been selling weapons from the Russian military arsenal to Al Qaeda, and the U.S. government accepted Felix's offer to help track the terrorist group.

So shortly after the September 11 attacks, Felix was on a plane to Pakistan, where he planned to buy Stinger missiles from local jihadi outfits and find out where Osama bin Laden was located. Salvatore's has told part of this story in a book, "The Scorpion and the Frog."

Mafia figures often like to brag about their ties to the CIA, even when they have no such ties, so perhaps the CIA aspect of the story is false. But it is entirely possible that Felix was, in fact, selling weapons to Al Qaeda.

Certainly, Felix has never denied Salvatore's claims. And according to multiple reports from law enforcement, the United Nations, non-governmental organizations in Russia, and the mainstream media in London (distinct from the mainstream media in the United States, which has a peculiar reluctance to publish anything interesting), Felix's colleagues in the Mogilevich organization have been selling conventional weapons to Al Qaeda for many years.

If Felix really did go on a mission for the CIA, he likely had no intention of succeeding and merely wished to escape stock manipulation charges. At any rate, he didn't go to prison, so now he is a dangerous criminal on the loose.

Jody Kriss, the former CFO of Bayrock, a real estate outfit owned by Felix, has filed a lawsuit claiming that Felix threatened to have him tortured to death because Kriss had discovered that Bayrock was a massive money laundering operation.

Someone close to Bayrock's former executives, meanwhile, say that Felix has laundered money for Steve Cohen, his former trading partner at Gruntal Securities (and now the "Most Powerful Trader on Wall Street"). This has not been proven beyond a shadow of a doubt, and innocent until proven guilty, but there is no doubt that Cohen remains on close terms with Felix.

There are other indications that Felix remains to this day an important figure in the Milken network. For example, his alleged money laundering outfit, Bayrock, has partnerships with several investment funds, nearly every one of which is controlled either by Milken's former top employees at Drexel, Burnham, or by others among the small band of people who are Milken's closest associates. One of Felix's partners, for example, is Apollo, a fund controlled by Leon Black, who is one of the most powerful investors in America.

Leon Black is the son Eli Black, who was, in the 1970s, the head of United Brands, formerly known as United Fruit, a company that has been accused of everything from bribing tin-pot dictators to dealing with La Cosa Nostra and funneling money to Latin American narco-terrorists.

In 1975, Carl Linder, another of Milken's closest associates and a key participant in Milken's junk-bond merry-go-round scam, used Milken finance to take over United Brands. In the midst of this takeover, Eli Black crashed through a plate glass window on the 44th floor of the Pan Am Building in New York, and fell to his death.

After this incident, Leon Black was named head of mergers and acquisitions at Drexel Burnham, the investment bank effectively controlled by Milken. The two men became friends, and after Milken's criminal indictments, Black insisted that Drexel defend his friend at all costs. Even after Milken's indictments and Drexel's defense of the criminal resulted in Drexel's collapse, Black continued to insist that Milken was innocent, and today the two men are close friends, involved in multiple business

ventures together. Milken's son, Lance, is partner at Apollo, the Leon Black fund that maintains a partnership with Felix Sater.

Another of the most powerful financiers in America (and also among Milken's closest associates) is Carl Icahn. In the early 1980s, Icahn was the head of the options department at Felix Sater's Gruntal Securities. After leaving Gruntal, Icahn started his own investment outfit, funded mostly by Michael Milken and Zev Wolfson (Wolfson being the guy who funded Mulheren and the above-mentioned Mafia brokerages).

As soon as he launched his investment fund, Carl Icahn hired several key employees: Harvey Houtkin, Allen Barry Witz, Gary Siegler, and Alan Umbria. Meanwhile, Umbria, who represented Icahn on the floor of the American Stock Exchange, served as the front-man for the Genovese Mafia in a New York restaurant called Crisci's, which featured in the movie "Donnie Brasco"—a movie about an undercover FBI agent who infiltrates the Mob. Umbria was also the Mafia's front-man in another New York restaurant — The Court of the Three Sisters.

One day in the late 1980s, Umbria's close business associate walked into The Court of the Three Sisters and found Umbria presiding over a meeting in one of the restaurant's private rooms. The business associate was asked to leave before he could hear what was discussed at this meeting, but the businessman knows who was in attendance – namely, Alan Umbria, a collection of Genovese Mafia thugs, and Louis Micelli, who is a stock broker.

In addition to being a stock broker, Micelli is a major league narco-trafficker with deep connections to the drug cartels of Colombia, and to a Paraguay cell of Hezbollah, the jihadi-mafia outfit that takes its directions from the regime in Iran. It was the Paraguay cell of Hezbollah that helped Iran blow up a synagogue in Argentina, and for a long time, this cell trafficked in cocaine from bases in Ciudad del Este and other cities in the "tri-border" region where Brazil, Argentina, and Paraguay meet.

That region has since come under greater scrutiny, so Hezbollah's drug kingpins have moved deeper inside Paraguay, but they continue to traffic coke, working with Hezbollah jihadis resident in North America – especially in Toronto, Detroit, and New York. Hezbollah's trafficking operation continues to be a partnership with La Cosa Nostra, the Russian Mafia, and (yes) some stock brokers, more of whom we will meet later.

Now, back to Gruntal. There were just a few other traders who effectively ran that outfit in the 1980s, and one of them was Andrew Redleaf, whose wealthy family did a lot of business with Milken's operation at Drexel. Redleaf got his job at Gruntal on Milken's recommendation, and after leaving Gruntal, Redleaf went into business with some of Milken's friends.

For example, Redleaf invested in Sun Country Airlines in partnership with Tom Petters, who was arrested in 2008 and indicted for orchestrating a massive Ponzi scheme in cahoots with Michael Catain, the son of a famous Genovese Mafia enforcer named Jack Catain. Redleaf currently runs a large hedge fund called Whitebox Partners, one of around twenty hedge funds, including SAC Capital, that regularly trade in unison.

Another one of the hedge funds in this network is the massive and eminently powerful Cerberus Capital, run by Stephen Feinberg and Ezra Merkin. In the early 1980s, Feinberg was one of Michael Milken's top employees at Drexel, Burnham. In the mid-1980s, Milken asked Feinberg to move to Gruntal Securities to help the others (namely, Russian Mafia boss Felix Sater, Gambino Mafia broker Maurice Gross, and Steve Cohen) oversee Gruntal's operations, which had become important to Milken's nationwide stock manipulation network.

But aside from the SEC's investigation of Steve Cohen, regulators did not catch on to Gruntal's criminality until the mid-1990s, when it was forced to pay the largest fines in SEC history after a series of scandals that saw its managers charged with embezzlement and cooking the books. By then, the traders who really ran the place in the 1980s had moved on to much bigger projects, one of which, we know, was Feinberg's Cerberus Capital.

In 2006, Mainichi Shimbum, Japan's most respected business newspaper, reported that Cerberus was tied to the Japanese Yakuza. Feinberg said it wasn't true and he sued the Japanese newspaper, but there is no doubt that Mafia outfits worldwide are becoming more closely intertwined, and obviously Feinberg has come into contact with quite a few Mafia outfits, including those that were involved with Gruntal.

In addition, Feinberg's partner in Cerberus, Ezra Merkin, has been charged with civil fraud for his role in the massive Ponzi scheme perpetrated by the infamous Bernard Madoff. One of Merkin's other funds, Ascot Partners, was the second biggest

“feeder” to the Madoff criminal operation.

Among the other big Madoff feeders, according to court documents, were some “made” members of the Mafia, such as Ralph Mafrici, who had a joint account with Madoff’s hedge fund in the name of Eleanor Cardile, a relative of Madoff’s right hand man, Frank DiPascali. Mr. Mafrici was a Genovese Mafia capo who allegedly ordered the assassination of another Mob boss named Albert Anastasia. Since Anastasia was getting his hair cut at the time, the assassination was famously dubbed “The Barber Shop Hit.”

The last of the traders who effectively ran Gruntal was Sam Israel. He later went to work for Michael Steinhardt, who was (and still is) one of the most powerful hedge fund managers in America. In 1991, Steinhardt’s fund cornered the market for U.S. Treasuries, posing a threat to economic stability until the government threatened to press criminal charges, convincing him to back off.

John Lattanzio, the manager of Steinhardt’s hedge fund, was extremely secretive. There wasn’t much information on him until a court case stated that Lattanzio once proposed marriage to a Russian hooker and gave her $289,275 diamond ring.

Nothing wrong with that (marriage is a wonderful thing), but the interesting development in this case was that the lovers quarreled, Lattanzio wanted his ring back, and the hooker-wife told the judge that Lattanzio had big-time Mafia connections. She also said that Lattanzio “would not hesitate to use [the Mafia] to harm me.” Which is not surprising because the man who launched Lattanzio’s career, Michael Steinhardt, also has big-time Mafia connections.

When it became evident that Steinhardt’s ties to the Mafia might become public, Steinhardt preemptively published a book in which he revealed (as if were no big deal) that his father, Sol “Red” Steinhardt, had done time in Sing-Sing prison because he was, in the words of a Manhattan District Attorney, the “biggest Mafia fence in America.” In fact, Steinhardt’s father was effectively the chief financial officer for the Genovese Mafia family.

Of course, the Steinhardts were also among Milken’s closest associates. Nowadays, Michael Steinhardt runs a big exchange traded fund (ETF) outfit called Wisdom Tree Investments. His partner in that operation is Jonathan Steinberg, son of Saul Steinberg, who was a key player in the junk bond scheme that Milken ran in the 1980s. Steinberg used Milken junk bonds to seize Reliance, a giant insurance and

financial services firm, which was subsequently looted and destroyed ("busted out").

In his book, Steinhardt admitted that the first and most important investors in the major hedge fund that he ran in the 1970s-1980s were: the Genovese Mafia family; Ivan Boesky (Milken's most famous criminal co-conspirator); and Milken crony Marc Rich.

When Rich was convicted for trading with Iran during the Iran hostage crisis, Steinhardt testified on Rich's behalf. Later, Steinhardt, a big contributor to the Democratic Party, pressured then President Bill Clinton to pardon Rich for most of his crimes, and Clinton complied, stirring up large controversy. Although Rich was pardoned, he still owes the U.S. government taxes, so he lives in Switzerland, where his palatial home is guarded by a private army of mercenaries.

Rich has done quite a lot of business with companies, such as Highland Capital, that were under the control of Russian Mob boss Semion Mogilevich, and he was linked to the scandal that saw Mogilevich and other Russian Mafia figures launder more than $7 billion through the Bank of New York.

The consensus among organized crime experts and FBI investigators is that the Genovese Mafia family brought the Russian Mafia to America – and perhaps the reader is just beginning to understand the importance of the Milken network to both the Russians and the Genovese.

At any rate, it should be no surprise to learn that Sam Israel, the Gruntal trader who went to work for Steinhardt, later went into business with Robert Booth Nichols, whom the FBI had indentified as a close associate of the Genovese Mafia family. The business was a criminal hedge fund called Bayou, and Israel was sentenced for his crimes in 2008. When it came time for him to show up for prison, Israel parked his car on a bridge and left a note in the window that said, "Suicide is Painless." Then he ran away.

After that, Israel had second thoughts and decided to turn himself in. But he no longer had his car, so he had to drive to prison on a little red motor scooter, which must have been embarrassing. But at least he was famous – the media was reporting that Bayou was the "biggest Ponzi scheme in history".

Before that, the biggest Ponzi schemers in history had been the above-mentioned Milken and Mafia cronies Fred Carr and Tom Petters. Unfortunately, in December of

2008, the Mafia-tied Milken crony Sam Israel's Ponzi was topped by the Mafia-tied Milken crony Bernard Madoff, who turned himself in to the FBI and announced that his Ponzi scheme (which absconded with upwards of $50 billion) was, in fact, bigger.

But that is only the tip of the icerberg so far as the Milken network's ties to organized crime are concerned. Upcoming chapters will make this abundantly clear.

To be continued…

Some Players...

John A. Mulheren

Born : June 20, 1949
The Bronx, New York

Died : December 15, 2003 (aged 54)
Rumson, New Jersey

Nationality

United States

Alma mater

Roanoke College

Occupation

Financier

John A. Mulheren, Jr. (June 20, 1949 in The Bronx, New York — December 15, 2003 in Rumson, New Jersey) was an American financier and philanthropist.

[edit] Biography

Born in the Bronx, Mulheren was a Wall Street icon who earned hundreds of millions in the 1980s as a stock and option trader. Known for his charismatic personality and generosity, Mulheren became a managing director for Merrill Lynch at age 25 and later became the chief executive of Bear Wagner Specialists, one of seven NYSE specialist trading firms. He owned the Chapel Beach Club located in Sea Bright, New Jersey and Crazies Ice Cream in Rumson, New Jersey.

A protege of Ivan Boesky, Mulheren was implicated in the insider trading scandals of the late 1980s and was convicted on fraud and conspiracy charges in 1990. Mulheren's involvement in the scandals and his relationship with Boesky are discussed with great detail in Den of Thieves by James B. Stewart. Upon learning that Boesky had implicated him in the scandal, Mulheren reportedly set out to kill Boesky. Mulheren's conviction was overturned by the Second Circuit Court of Appeals in 1991.

Mulheren graduated from Roanoke College in 1971. He donated millions to the college naming several buildings after former professors and mentors. The entrance to the college is named "John's Bridge" in his honor. Mulheren's widow, Nancy, is a college trustee.

Mulheren suffered from Bipolar Disorder. He died of a heart attack at his farm in Rumson, New Jersey on December 15, 2003. Bruce Springsteen, a close friend, performed at the funeral.

http://en.wikipedia.org/wiki/John_A._Mulheren

Maria Bartiromo

From Wikipedia, the free encyclopedia

Maria Bartiromo

Bartiromo moderating a session at the World Economic Forum.

Born

September 11, 1967 (age 43)
Brooklyn, New York

Education

New York University

Occupation

Journalist, columnist, news anchor

Title

CNBC's The Wall Street Journal Report anchor, Closing Bell co-anchor

Spouse(s)

Jonathan Steinberg (1999-)

Ethnicity

Italian-American

Official website

Maria Bartiromo (born September 11, 1967) is an American author and television journalist. Bartiromo is a native of New York and attended New York University. She worked at CNN for five years before joining CNBC television. At CNBC, she became the co-host of the Closing Bell program as well as the host and managing editor for The Wall Street Journal Report and is credited as being the first reporter to broadcast live from the floor of the New York Stock Exchange daily.[1] She has been a guest on various television shows and the recipient of several journalism awards. In addition Bartiromo is a magazine columnist and author of three books: Use the News: How to Separate the Noise from the Investment Nuggets and Make Money in Any Economy, The 10 Laws of Enduring Success, and The Weekend That Changed Wall Street.

Contents

[edit] Early Life and Education

Bartiromo grew up in the Bay Ridge section of southern Brooklyn. As a teenager, she worked in the coat check room of her parents' Italian restaurant where her father was the chef.

Bartiromo attended Fontbonne Hall Academy, an all girls Roman Catholic high school in Bay Ridge and graduated from New York University with a Bachelor of Arts degree with majors in journalism and economics.[2]

[edit] Career

Maria Bartiromo advertisement in Times Square.

Maria Bartiromo at World Economic Forum Annual Meeting Davos 2008

[edit] Television

Before joining CNBC in 1993, Bartiromo was a producer and assignment editor with CNN Business News for five years.[3]

Bartiromo replaced analyst Roy Blumberg when she began reporting live from the floor of the New York Stock Exchange. During her time with CNBC she has hosted the segment Market Watch and been a contributor to the Squawk Box segment.

Bartiromo is the anchor and managing editor of CNBC's Wall Street Journal Report with Maria Bartiromo which features interviews with financial experts, entertainers, athletes, and politicians.[2] Since 2007, Bartiromo has been the host of the TV show The Business of Innovation. In the past she has hosted several other programs including Closing Bell (2002–present), Market Wrap (1998–2000), and Business Center (1997–1999).

Bartiromo has also appeared on the television shows: NBC Universal's The Tonight Show with Jay Leno, The Oprah Winfrey Show, Real Time with Bill Maher, Late Night with Conan O'Brien, The Caroline Rhea Show, McEnroe, and The Colbert Report, as well as guest-hosting on Live with Regis and Kelly.[citation needed]

Bartiromo was nicknamed the "Money Honey" in the late 1990s due to her striking looks and for being the first woman to report live from the raucous floor of the New York Stock Exchange.[3][4] She also received the nickname "Econo Babe".[5] In January 2007, Bartiromo filed trademark applications to use the term "Money Honey" as a brand name for a line of children's products including toys, puzzles and coloring books to teach kids about money.[6][7] and was also the subject of a conflict of interest controversy triggered by questions about her relationship with Todd Thompson, then a senior executive of Citigroup.[8]

Bartiromo has anchored the television coverage of New York City's world famous New York City Columbus Day Parade.[9] since 1995 and was the Grand Marshall in 2010.

She appeared as herself in in the following films: Risk/Reward, the documentary about the lives of women on Wall Street (2003), The Taking of Pelham 1 2 3, an action film about armed men who hijack a New York City subway train (2009), the drama film Wall Street: Money Never Sleeps (2010) [10] and in the documentary Inside Job (2010).

Bartiromo is the subject of the Joey Ramone song "Maria Bartiromo".[11]

[edit] Books

Bartiromo is the author of three books:[12]
Use the News: How to Separate the Noise from the Investment Nuggets and Make Money in Any Economy (2001) ISBN 978-0-06-662086-2 – on The New York Times, The Wall Street Journal and USA Today bestseller lists

The 10 Laws of Enduring Success (2010) ISBN 978-0-307-45253-5
The Weekend That Changed Wall Street (2011) ISBN 978-1-59184-351-1

[edit] Awards
Excellence in Broadcast Journalism Award, presented by the Coalition of Italo-American Associations, 1997.[12]
Lincoln Statue Award, presented by the Union League of Philadelphia, 2004.[12]
Gracie Award, for Outstanding Documentary, Greenspan: Power, Money & the American Dream, broadcast on CNBC, 2008.[2][13]
Emmy Award, for Outstanding Coverage of A Breaking News Story, "Bailout Talks Collapse", NBC Nightly News, 2008.[2][14]
Emmy Award, for Outstanding Business and Economic Reporting, "Inside The Mind of Google", CNBC, 2009.[2][15]
Financial Times 50 People Who Shaped the Decade, named in the "Culture" category, 2009.[2][16]
Cable Hall of Fame, inducted for her impact on the cable industry, the first journalist inducted, 2011.[2][17]

[edit] Personal life

Bartiromo married Jonathan Steinberg on June 13, 1999. Steinberg, the son of investor Saul Steinberg, is the founder and chief executive officer of WisdomTree Investments, a financial investment services company.[18]

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ty joye

Steve Wynn (entrepreneur)

From Wikipedia, the free encyclopedia

For persons of a similar name see Steve Wynn or Steve Winn

Stephen Wynn

Born

Stephen Alan Weinberg
January 27, 1942 (age 69)
New Haven, Connecticut, U.S.

Occupation

Real-estate developer

Net worth

US$2.3 billion (2011)[1]

Stephen Alan "Steve" Wynn (born January 27, 1942) is an American casino resort/real-estate developer who has been credited with spearheading the dramatic resurgence and expansion of the Las Vegas Strip in the 1990s. His companies refurbished or built some of the most currently widely recognized resorts in Las Vegas such as the Golden Nugget, The Mirage, Treasure Island, Bellagio, Wynn, and Encore.

As of 2011, Wynn is the 512th richest man in the world with a net worth of $2.3 billion (up from $1.5 billion).[1] He made his debut in the Forbes 400 at #377 with a net worth of $650 million in September 2003, but was reported to be worth $1.1 billion only six months later in Forbes' list of world billionaires published in March 2004.

In April 2010, Wynn caused a stir when he chided the government on CNBC and said he was considering moving the company's global headquarters from Las Vegas to Macau. A few weeks later, amidst criticism from his rivals, he clarified that he meant a greater allocation of time spent in Macau because of the substantially higher profits made there.[2][3]

Early life, Frontier, and the Golden Nugget

Wynn was born Stephen Alan Weinberg in New Haven, Connecticut. His father, Michael, changed the family's last name in 1946 from "Weinberg" to "Wynn" when Steve was six months old "to avoid anti-Jewish discrimination" according to several sources.[4] Wynn was raised in Utica, New York, and graduated from The Manlius School, a private boys' school east of Syracuse, New York, in 1959. Steve Wynn studied cultural anthropology and English literature at the University of Pennsylvania, where he was a member of the Sigma Alpha Mu fraternity.

Wynn's father ran a string of bingo parlors in eastern United States. In 1963, his father died of complications from open heart surgery in Minneapolis, leaving $350,000 of gaming debts, shortly before Wynn graduated from Penn with a Bachelor of Arts degree in English Literature.

Wynn took over running the family's bingo operation in Maryland. He did well enough at it to accumulate the money to buy a small stake in the Frontier Hotel and Casino in Las Vegas, where he and his wife Elaine moved in 1967. Between 1968 and 1972 Wynn also owned a wine and liquor importing company. He managed to parlay his profits from a land deal in 1971 (the deal involved Howard Hughes and Caesars Palace) into a controlling interest in the landmark downtown casino, the Golden Nugget Las Vegas[5] (he also owned Golden Nugget Atlantic City in Atlantic City, New Jersey). Wynn renovated, revamped and expanded the Golden Nugget from a gambling hall to a resort hotel and casino with enormous success, in the process attracting a new upscale clientele to downtown Las Vegas.

[edit] The Mirage, Treasure Island and Bellagio

Wynn had previously acquired interests in various existing casinos. His first major Strip casino, the Mirage, which opened in 1989, set a new standard for size, opulence and construction costs. The Mirage featured an indoor forest and an outdoor "volcano"; and with high-quality room appointments and an emphasis on

service, the Mirage was another major success. The Mirage was the first project in which he was involved in the design and construction of a casino. The $630 million cost to build the facility was financed largely with junk bonds issued by Michael Milken. The property was considered a high-risk venture by the standards then prevailing in Las Vegas because of its expensiveness and emphasis on luxury. However, it became enormously lucrative and made Wynn a major part of Las Vegas history.

Wynn's next project was Treasure Island Hotel and Casino, which opened in 1993 at a cost of $450 million. With its live pirate show and location next to the Mirage, Treasure Island was another victory for Wynn. The Cirque du Soleil show at the Treasure Island was the first permanent Cirque du Soleil show in Las Vegas.

Wynn expanded further on his concept of the luxury casino with Bellagio, a $1.6 billion resort, including an artificial lake, indoor conservatory, a museum-quality art gallery and branches of high-end boutiques and restaurants from Paris, San Francisco, and New York City. The architect was the famous American Jon Jerde of The Jerde Partnerships. When built, Bellagio was the most expensive hotel in the world. The Bellagio is credited with starting a new spree of luxurious developments in Las Vegas. Among these developments include The Venetian, Mandalay Bay, and Paris Las Vegas.

[edit] Beau Rivage

He also designed and built a luxury resort, the Beau Rivage, in Biloxi. Beau Rivage was originally the name he wanted to give to the Bellagio. He then went to Italy on vacation and decided Bellagio was a better name for the hotel.

[edit] Wynn Las Vegas to Wynn Macau to present and Encore

Mirage Resorts was sold to MGM Grand Inc. for $6.6 billion ($21 a share) in June 2000 to form MGM Mirage. Five weeks before the deal was closed (April 27, 2000) Steve Wynn purchased the Desert Inn for $270 million. He closed the Inn in only 18 weeks, and with the money he made on that deal, and with his ability to secure ever-greater financing, Steve Wynn took Wynn Resorts Limited public in 2002. Wynn became a billionaire in 2004, when his net worth doubled to $1.3 billion.[6] On April 28, 2005 he opened his most expensive resort to that date, the Wynn Las Vegas, on the site of the former Desert Inn.

Wynn successfully bid for one of three gaming concessions that were opened for tender in Macau, a Special Administrative Region (SAR) of China, which has a long history of gaming and is the largest gaming market in the world, having surpassed Las Vegas in 2006.[7] This property, known as Wynn Macau, opened on September 5, 2006.

In the summer of 2008, hiring began for Encore Las Vegas, the newest in Steve Wynn's collection of resorts (the tower of Encore is modeled after the Wynn Las Vegas tower, and in fact, they share the same "property" though they are separate hotels). Wynn hired 3500 employees for this property. Encore opened on December 22, 2008.

Wynn Encore Macau opened on April 21, 2010.

Recently he spent a record price for a painting by J. M. W. Turner, $35.8 million for the Giudecca, La Donna Della Salute and San Giorgio and spent $33.2 million on a Rembrandt, the auction record for the artist.[8]

Many of the collection's pieces were on display at the Bellagio. The collection was on display at the Nevada Museum of Art in Reno while the Wynn Las Vegas was being constructed and was installed in the resort shortly before it was opened. The Wynn Las Vegas gallery, which had charged an entrance fee, closed shortly after the start of 2006. The artwork from the former gallery is now scattered around the resort. Although the artwork is owned personally by Wynn, Wynn Resorts pays an annual lease of $1. As part of the lease agreement, insurance and security are the responsibility of the company.

The centerpiece of the collection is Le Rêve, the Picasso portrait that was the working name of the resort project. Wynn purchased the painting in 1997 for $48.4 million at the Christie's auction of the Ganz-collection on November 11, 1997. In 2006 he reportedly was to sell it to Steven A. Cohen for $139 million, which would at that time have been the highest price paid for any piece of art. However, he put his elbow through the canvas while showing it to his guests, including the screenwriter Nora Ephron and her husband Nick Pileggi, the broadcaster Barbara Walters, the art dealer Serge Sorokko and his wife, the model Tatiana Sorokko, the New York socialite Louise Grunwald and the lawyer David Boies and his wife, Mary.[9] This canceled the sale, and after a $90,000 repair, the painting was estimated to be worth $85 million. Wynn sued his insurance company over the $54 million difference with the virtual selling price, possibly exceeding his own buying price. The case was

settled out of court in April 2007.[10][11][12][13]

[edit] Personal life

Wynn met Elaine Farrell Pascal when Wynn's father Mike and Elaine's father were joking around about both their kids meeting and going on a date. Wynn and Elaine became college sweethearts, married in 1963, divorced in 1986, married a second time in 1991, and filed for divorce again in 2009.[14] Elaine Wynn remains a director of the company's board. Wynn once said he bought the Desert Inn casino, the site of his Wynn Las Vegas, as a birthday gift for his wife.[15]

They have two daughters, Kevyn and Gillian. Kevyn was kidnapped in 1993[16] and Wynn paid $1.45 million in ransom for her safe return. The kidnappers were apprehended when one attempted to buy a Ferrari in Newport Beach, California, with cash. Kevyn was found unharmed several hours later.

Steve Wynn also suffers from the degenerative eye disease retinitis pigmentosa (RP), which cripples night vision and reduces visual ability in the periphery until the sufferer essentially has "tunnel vision." Many people with RP eventually become legally blind.

His cousin John was named CEO of Benison International in March of 2010.

In 2010, Wynn switched to a vegan diet after watching the documentary Eating by Mike Anderson.[17][18]

In December 2010, Prince Albert II of Monaco has bestowed Monegasque citizenship to Wynn. Oddly Wynn never resided in Monaco which is the main pre-condition of Monegasque citizenship. Usually, one must reside in the Principality for a minimum of ten continuous years, and contribute in some major way, to qualify for Monegasque citizenship. Wynn, however, has not renounced his U.S. citizenship and remains both an American citizen and taxpayer, said a statement issued by Wynn Resorts Ltd. spokeswoman Jennifer Dunne. News of Wynn's Monegasque citizenship was initially spread by Robert Eringer, a blogger critical of the Monaco government who has been in litigation with Monaco.

According to the Las Vegas Sun, this unusual naturalization has been accorded when Wynn has agreed to serve as outside director for a joint venture between the governments of Monaco and Qatar. The company Wynn accepted to be a director of

has been announced in August as Monaco QD International Hotels and Resorts Management, it would acquire and manage hotels and resorts in Europe, the Middle-East and North America.

On April 29, 2011, Wynn married Andrea Hissom in a ceremony at the Wynn Las Vegas.

[edit] Accolades

In May 2006, Time magazine included Wynn as one of the World's 100 Most Influential People.

Wynn was appointed to the Board of Trustees of the John F. Kennedy Center for the Performing Arts by President George W. Bush on October 30, 2006.[19]

In November 2006, Wynn was inducted into the American Gaming Association Hall of Fame.

Wynn has received honorary doctorates from the University of Pennsylvania, the University of Nevada, Las Vegas and Sierra Nevada College.

On July 26, 2009, a segment on Wynn was aired on the CBS News series 60 Minutes.

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Genovese crime family

The Genovese crime family is one of the "Five Families" that dominates organized crime activities in New York City, within the nationwide criminal phenomenon known as the American Mafia (or Cosa Nostra). The Genovese crime family has been nicknamed the "Ivy League" and "Rolls Royce" of organized crime. They are rivaled in size by only the Gambino crime family and Chicago Outfit and are unmatched in terms of power. They have generally maintained a varying degree of influence over many of the smaller mob families outside of New York, including ties with the Patriarca, Buffalo, Syracuse, Albany and Philadelphia crime families.

Finding new ways to make money in the 21st century, the Genovese family took advantage of lax due diligence by banks during the housing spike with a wave of mortgage frauds. Prosecutors say loan shark victims obtained home equity loans to pay off debts to their mob bankers. The family found ways to use new technology to improve on old reliable illegal gambling, with customers placing bets through offshore sites via the Internet. The modern family was founded by Lucky Luciano, but after 1957 it was renamed after boss Vito Genovese. Originally in control of the waterfront on the West Side of Manhattan (including the Fulton Fish Market), the family was run for years by "the Oddfather", Vincent "the Chin" Gigante, who feigned insanity by shuffling unshaven through New York’s Greenwich Village wearing a tattered bath robe and muttering to himself incoherently.

Although the leadership of the Genovese family seemed to have been in limbo since the death of Gigante in 2005, the family still appears to be the most organized family and remains powerful.[2] The family, now named after Vito Genovese, has endured like no other. Unique in today's Mafia, the family has benefited greatly from members following the code of Omertà. While many mobsters from across the country have testified against their crime families since the 1980s, the Genovese family has only had five members turn state's evidence in its history.[3]

History

[edit] Origins

Main article: Morello crime family

Morello

The Genovese crime family originated from the Morello crime family of East Harlem, the first Mafia family in New York City. The Morellos started arriving in New York from the village of Corleone, Sicily around 1892, when only a few thousand Italians lived in New York. The family was run by Giuseppe Morello, a ruthless Mafioso in Sicily, and his associate Ignazio "Lupo the Wolf" Saietta. Morello's lieutenants were his brothers Antonio Morello and half brothers Nicholas Morello (Terranova), Vincenzo "Vincent" Terranova and Ciro "The Artichoke King" Terranova. By the early 1900s, the Morello family was involved with counterfeiting, extortion, kidnapping, and other traditional Mafia activities in Manhattan.

As the Morello family increased in power and influence, bloody territorial conflicts arose with other Italian criminal gangs in New York. Their new rival was the Neapolitan Camorra organization, which consisted of two small Brooklyn gangs run by Pellegrino Morano and Alessandro Vollero. Unlike the Sicilian Morellos, the Camorra was composed of immigrants from Naples, Italy. Initially the Morellos and the Camorra collaborated to divide up criminal activities in Manhattan. However, when Giuseppe Morello and Saietta went to prison in 1909 for counterfeiting, Morano decided that he could kill the remaining Morello leadership and take the family's more lucrative rackets. Morano's move resulted in the bloody Mafia-Camorra War from 1914 to 1918. By 1918, law enforcement had sent many Camorra

gang members to prison, decimating the Camorra in New York and ending the war. Although the Morellos had won this gang conflict, they had suffered losses also, including the 1916 assassination of boss Nicolo Morello. The Morellos now faced stronger rivals than the Camorra.

With the passage of Prohibition in 1919 and the outlawing of alcohol sales, the Morello family regrouped and built a lucrative bootlegging operation in Manhattan. However, by the early 1920s, the Morello family no longer existed. A powerful Sicilian rival, Salvatore D'Aquila, had declared a death sentence on Giuseppe Morello and Saietta, both recently released from prison, forcing them to flee to Italy for safety. When the two men returned to New York, they relied on Giuseppe "Joe the Boss" Masseria, a new Morello ally, to kill D'Aquilla. However, the price of Masseria's help was to essentially take over the Morello Family.[4]

[edit] The Castellammarese era

During the mid-1920s, Massaria continued to expand his bootlegging, extortion, loansharking, and illegal gambling rackets throughout New York. To operate and protect these rackets, Massaria recruited many ambitious young mobsters. These mobsters included future Cosa Nostra powers Charlie "Lucky" Luciano, Frank Costello, Joseph "Joey A" Adonis, Vito Genovese, Albert Anastasia and Carlo Gambino. Masseria was willing to take all Italian-American recruits, no matter where they had originated in Sicily or Italy.

Masseria's strongest rival in New York was Salvatore Maranzano, leader of the Castellammare del Golfo Sicilian organization in Brooklyn. A recent arrival from Sicily, Maranzano had strong support from elements of the Sicilian mafia and was a traditionalist mafiosi. He recruited Sicilian mobsters only, preferably from the Castellammarese clan. Marangano's top lieutenants included future family bosses Joseph "Joe Bananas" Bonanno, Joseph Profaci, and Stefano Magaddino. By 1928, the Castellammarese War between Masseria and Maranzano had begun. By the late 1920s, more than 60 mobsters on both sides had been murdered.[4] On April 15, 1931, Masseria was murdered in a Coney Island, Brooklyn, restaurant, reportedly by members of Luciano's crew. Angry over broken promises from Masseria, Luciano had secretly conspired with Maranzano to plot Masseria's assassination. On the day of the murder, Luciano was allegedly eating dinner with Masseria at a restaurant. After Luciano went to the restroom, his hitmen arrived and murdered Masseria. With Masseria's death, the Castellamarese War had ended.

Now in control of New York, Maranzano took several important steps to solidify his victory. He reorganized the Italian-American gangs of New York into five new families, structured after the hierarchical and highly disciplined Mafia families of Sicily. Maranzano's second big change was to appoint himself as the boss of all the families. As part of this reorganization, Maranzano designated Luciano as boss of the old Morello/Masseria family. However, Luciano and other mob leaders privately objected to Maranzano's dictatorial role. Maranzano soon found out about Luciano's discontent and ordered his assassination. Discovering that he was in danger, Luciano plotted Maranzano's assassination with Maranzano trustee Gaetano "Tommy" Lucchese. On September 10, 1931, Jewish gangsters provided by Luciano ally Meyer Lansky shot and stabbed Maranzano to death in his Manhattan office. Luciano was now the most powerful mobster in the United States.[5]

[edit] Luciano and the Commission

"Lucky" Luciano in a police photo

After Maranzano's murder, Luciano created a new governing body for the Cosa Nostra families, the Commission. The Commission consisted of representatives from each of the Five Families, the Chicago Outfit and the Magaddino crime family of Buffalo, New York. Luciano wanted the Commission to mediate disputes between the families and prevent future gang wars. Although nominally a democratic body, Luciano and his allies actually controlled the Commission throughout the 1930s. As head of the new Luciano family, Luciano appointed Vito Genovese as his underboss, or second in command, and Frank Costello as his Consigliere, or advisor. With the new structure in place, the five New York families would enjoy several decades of peace and growth.

In 1935, Luciano was indicted on pandering charges by New York district attorney Thomas Dewey. Many observers believed that Luciano would never have directly involved himself with prostitutes, and that the case was fraudulent. During the trial, Luciano made a tactical mistake in taking the witness stand, where the prosecutor interrogated him for five hours about how he made his living. In 1936, Luciano was convicted and sentenced to 30 to 50 years in prison. Although in prison, Luciano continued to run his crime family. His underboss Genovese now supervised the day-to-day family activities. In 1937, Genovese was indicted on murder charges and fled

the country to Italy. After Genovese's departure, Costello became the new acting boss of the Luciano family.

During World War II, federal agents asked Luciano for help in preventing enemy sabotage on the New York waterfront and other activities. Luciano agreed to help, but in reality provided insignificant assistance to the allied cause. After the end of the war, the arrangement with Luciano became public knowledge. To prevent further embarrassment, the government agreed to deport Luciano on condition that he never return to the United States. In 1946, Luciano was taken from prison and deported to Italy, never to return to the United States. Costello became the effective boss of the Luciano family.

[edit] The Prime Minister

Frank Costello at the Kefauver hearings.
During the reign of Frank Costello, the Luciano family controlled much of the bookmaking, loansharking, illegal gambling and labor racketeering activities in New York City. Costello wanted to increase the family involvement in lucrative financial schemes; he was less interested in low grossing criminal activities that relied on brutality and intimidation. Costello believed in diplomacy and discipline, and in diversifying family interests. Nicknamed "The Prime Minister of the Underworld", Costello controlled much of the New York waterfront and had tremendous political connections. It was said that no state judge could be appointed in any case without Costello's consent. During the 1940s, Costello allowed Luciano associates Meyer Lansky and Benjamin "Bugsy" Siegel to expand the family business in Southern California and build the first modern casino resort in Las Vegas. When Siegel failed to open the resort on time, his mob investors allegedly sanctioned his murder.

While serving as boss of the Luciano family in the 1950s, Costello suffered from depression and panic attacks. During this period Costello sought help from a psychiatrist, who advised him to distance himself from old associates such as Genovese and spend more time with politicians. In the early 1950s, U.S. Senator Estes Kefauver of Tennessee began investigating organized crime in New York in the Kefauver hearings. The Committee summoned numerous mobsters to testify, but they refused to answer questions at the hearings. The mobsters uniformly cited the

Fifth Amendment of the U.S. Constitution, a legal protection against self-incrimination. However, when Costello was summoned, he agreed to answer questions at the hearings and not take the Fifth Amendment. As part of the agreement to testify, the Special Committee and the U.S. television networks agreed not to broadcast Costello's face. During the questioning, Costello nervously refused to answer certain questions and skirted around others. When the Committee asked Costello, "What have you done for your country Mr. Costello?", he famously replied, "Paid my tax!". The TV cameras, unable to show Costello's face, instead focused on his hands, which Costello wrung nervously while answering questions. Costello eventually walked out of the hearings.

[edit] The return of Genovese

Costello ruled for 20 peaceful years, but that quiet reign ended when Genovese was extradited from Italy to New York. During his absence, Costello demoted Genovese from underboss to capo and Genovese determined to take control of the family. Soon after his arrival in the United States, Genovese was acquitted of the 1936 murder charge that had driven him into exile.[6] Free of legal entanglements, Genovese started plotting against Costello with the assistance of Mangano crime family underboss Carlo Gambino. On May 2, 1957, Luciano family mobster Vincente "Chin" Gigante shot Costello in the side of the head on a public street; however, Costello survived the attack. Months later, Mangano family boss Albert Anastasia, a powerful ally of Costello, was murdered by Gambino's gunmen. With Anastasia's death, Gambino seized control of the Mangano family. Feeling afraid and isolated after the shootings, Costello quietly retired and surrendered control of the Luciano family to Genovese.[7]

Vito Genovese in a police photo

Having taken control of what was now the Genovese crime family in 1957, Vito Genovese decided to organize a Cosa Nostra conference to legitimize his new position. Held on mobster Joseph Barbera's farm in Apalachin, New York, the Apalachin Meeting attracted over 100 Cosa Nostra mobsters from around the nation. However, local law enforcement discovered the meeting by chance and quickly surrounded the farm. As the meeting broke up, Genovese escaped capture by running through the woods. However, many other high-ranking mobsters were

arrested. Cosa Nostra leaders were chagrined by the public exposure and bad publicity from the Apalachin meeting, and generally blamed Genovese for the fiasco. Wary of Genovese gaining more power in the Mafia Commission, Gambino used the abortive Apalachin Meeting as an excuse to move against his former ally. Gambino, former Genovese bosses Lucky Luciano and Frank Costello, and Lucchese crime family boss Tommy Lucchese allegedly lured Genovese into a drug distribution scheme that ultimately resulted in his conspiracy indictment and conviction. In 1959, Genovese was sentenced to 15 years in prison on narcotics charges. Genovese, who was the most powerful boss in New York, had been effectively eliminated as a rival by Gambino.[8] Genovese would later die in prison.

[edit] The Valachi Hearings

Joseph Valachi at the McClellan Hearings

The Genovese family was soon rocked by a second public embarrassment: the United States Senate McClellan Hearings. While incarcerated at a federal prison in Atlanta, Genovese soldier Joseph "Joe Cargo" Valachi believed he was being targeted for murder by the mob on the suspicion that he was an informer. On June 22, 1962, Valachi brutally murdered another inmate with a pipe. Valachi told investigators that he thought the victim was Joseph "Joe Beck" DiPalermo, a Genovese soldier coming to kill him.

To avoid a capital murder trial, Valachi agreed to cooperate with federal prosecutors against the Genovese family. He thus became the first Cosa Nostra mobster to publicly affirm the organization's existence. With information from prosecutors, the low-level Valachi was able to testify in nationally-televised hearings about the Cosa Nostra's influence over legal enterprises in aid of racketeering and other criminal activities to make huge profit. Valachi also introduced the name "Cosa Nostra" as a household name. Although Valachi's testimony never led to any convictions, it helped law enforcement by identifying many members of the Genovese and other New York families.

[edit] Front bosses and the ruling panels

New York Police Department mugshot of Thomas Eboli
After Genovese was sent to prison in 1959, the family leadership secretly established a "Ruling Panel" to run the family in Genovese's absence. This first panel included acting boss Thomas "Tommy Ryan" Eboli, underboss Gerardo "Jerry" Catena, and Catena's protege Philip "Benny Squint" Lombardo. After Genovese died in 1969, Lombardo was named his successor. However, the family appointed a series of "Front Bosses" to masquerade as the official family boss. The aim of these deceptions was to confuse both law enforcement and rival crime families as to the true leader of the family. In the late 1960s, Gambino boss Carlo Gambino loaned $4 million to Eboli for a drug scheme in an attempt to gain control of the Genovese family. When Eboli failed to pay back his debt, Gambino, with Commission approval, murdered Eboli in 1972.

After Eboli's death, Genovese capo and Gambino ally Frank "Funzi" Tieri was appointed as the new front boss. In reality, the Genovese family created a new ruling panel to run the family. This second panel consisted of Catena, Michele "Big Mike" Miranda, and Lombardo. In 1981, Tieri became the first Cosa Nostra boss to be convicted under the new Racketeer Influenced and Corrupt Organizations Act (RICO). In 1982, Tieri died in prison.[9] After Tieri went to prison in 1981, the Genovese family reshuffled its leadership. The capo of the Manhattan faction, Anthony Salerno ("Fat Tony"), became the new front boss. Lombardo, the defacto boss of the family, retired and Vincent "Chin" Gigante, the triggerman on the failed Costello hit, took actual control of the family.[10] In 1985, Salerno was convicted in the Mafia Commission Trial and sentenced to 100 years in federal prison.

After the 1980 murder of Philadelphia crime family boss Angelo "Gentle Don" Bruno, Gigante and Lombardo began manipulating the rival factions in the war-torn Philadelphia family. Gigante and Lombardo finally gave their support to Philadelphia mobster Nicodemo "Little Nicky" Scarfo, who in return gave the Genovese mobsters permission to operate in Atlantic City in 1982.[10]

[edit] The Oddfather

FBI mugshot of Vincent Gigante in his bathrobe.
After Vincent Gigante took over the Genovese family, he instituted a new "administration" structure. Former Salerno protègé Vincent Cafaro had turned informer and identified Gigante as the real boss to the FBI, so the use of front bosses no longer protected the real leader of the family. In addition, Gigante was unnerved by Salerno's conviction and long sentence, and decided he needed greater protection. Gigante decided to replace the front boss with a new street boss position. The job of the street boss was to publicly run the family operations on a daily basis, under Gigante's remote direction. To insulate himself even further from law enforcement, Gigante started communicating to his men through another new position, the messenger. As a result of these changes, Gigante did not directly communicate with other family mobsters, with the exception of his sons, Vincent Esposito and Andrew Gigante, and a few other close associates.

Another Gigante tactic to confuse law enforcement was by pretending insanity. Gigante frequently walked down New York streets in a bathrobe, mumbling incoherently. Gigante succeeded in convincing court-appointed psychiatrists that his mental illness was worsening, and avoided several criminal prosecutions. The New York media soon nicknamed Gigante "The Oddfather".[11] Gigante reportedly operated from the Triangle Social Club in Greenwich Village in Manhattan. He never left his house during the day, fearing that the FBI would sneak in and plant a bug. At night, he would sneak away from his house and conduct family business when FBI surveillance was more lax. Even then, he only whispered to keep from being picked up by wiretaps. To avoid incrimination from undercover surveillance, family members were forbidden to speak Gigante's name under penalty of death. When necessary, mobsters would only point to their chins when referring to him. In this way, Gigante managed to stay on the streets while the city's other four bosses ended up getting long prison terms.

While the public and media were watching Gigante, other family leaders were running the day-to-day operations of the family. Underboss Venero "Benny Eggs" Mangano operated out of Brooklyn and ran the family's Windows Case rackets. Consigliere Louis "Bobby" Manna, who operated out of the New Jersey faction of the family, as well as supervising four captains around that area during the 1980s.

In 1985, Gigante and other family bosses were shocked and enraged by the murder of Paul Castellano, the Gambino family boss. An ambitious Gambino capo, John Gotti, had capitalized on discontent in that family to murder Castellano and his

underboss outside a Manhattan restaurant and become the new Gambino boss. Gotti had violated Cosa Nostra protocol by failing to obtain prior approval for the murder from The Commission. Ironically, as mentioned above, Gigante had been the triggerman on the last unsanctioned hit on a boss--the hit on Costello. With Castellano dead, Gigante now controlled the Commission and he decided to kill Gotti. Gigante and Lucchese crime family boss Vittorio "Vic" Amuso and underboss Anthony "Gaspipe" Casso hatched a scheme to kill Gotti with a car bomb. On April 13, 1986, a bomb exploded in Gambino underboss Frank DeCicco's car, killing DeCicco. However, Gotti was not in DiCicco's car that day and escaped harm.[11] Although Gigante eventually made peace with Gotti, Gigante remained the boss of the most powerful crime family in New York. The Genovese family dominated construction and union rackets, gambling rackets, and operations at the Fulton Fish Market and the waterfront operations. During this period, Gigante used intimidation and murder to maintain control of the family.

During the early 1990s, law enforcement used several high profile government informants and witnesses to finally put Gigante in prison. Faced with criminal prosecution, in 1992 Gambino underboss Salvatore "Sammy the Bull" Gravano agreed to testify against Gotti and other Cosa Nostra leaders, including Gigante. Philadelphia crime family underboss Phil Leonetti also became a government witness and testified that during the 1980s, Gigante had ordered the murders of several Philadelphia associates. Finally, Lucchese underboss Anthony Casso implicated Gigante in the 1986 plan to kill John Gotti, Frank DeCicco and Eugene "Gene" Gotti. While in prison, Gigante was recorded as saying that he'd feigned insanity for 40. In 1997, Gigante was convicted on racketeering and conspiracy charges and sentenced to 12 years in federal prison. While Gigante was in prison, the Genovese family was run by acting bosses Ernest Muscarella, Dominick Cirillo, and Gigante's brother Mario. On December 19, 2005, Gigante died in prison from heart disease.

Since the 1990s, infamous mobsters in top positions of the other Five Families of NYC have become informants and testified against many mobsters, putting bosses, capos, and soldiers into prison. The most prominent government witness was Bonanno crime family Boss Joseph "Big Joe" Massino, who started cooperating in 2005. Genovese Underboss Venero "Benny Eggs" Mangano, Consigliere Louis "Bobby" Manna, capo James Ida ("Little Jimmy") and street boss Liborio "Barney" Bellomo received lengthy prison sentences on murder, racketeering and conspiracy convictions. During the last decades, US law enforcement systematically broke down the Genovese crime family, as well as the other Mafia families. Despite these

indictments the Genovese family remains a formidable power with as approximately 250 made men and 14 active crews as of 2005, according to Selwyn Raab.

[edit] Current position and leadership

When Vincent Gigante died in late 2005, the leadership went to Genovese capo Daniel "Danny the Lion" Leo, who was apparently running the day-to-day activities of the Genovese crime family by 2006.[12] In 2006, Genovese underboss and former Gigante loyalist, Venero "Benny Eggs" Mangano was released from prison. That same year, former Gigante loyalist and prominent capo Dominick Cirillo was allegedly promoted to consigliere in prison. By 2008, the Genovese family administration was believed to be whole again.[13] In March 2008, Leo was sentenced to five years in prison for loansharking and extortion. Underboss Venero Mangano is reportedly one of the top leaders within the Manhattan faction of the Genovese crime family. Former acting consigliere Lawrence "Little Larry" Dentico was leading the New Jersey faction of the family until convicted of racketeering in 2006. Dentico was released from prison in 2009. In July 2008, one-time Gigante street boss Liborio "Barney" Bellomo was paroled from prison after serving 12 years. What role Bellomo plays in the Genovese hierarchy is open to speculation, but he is likely to have a major say in the running of the family once his tight parole restrictions are over.

A March 2009 article in the New York Post claimed Daniel Leo was still acting boss despite his incarceration. It also estimated that the family consists of approximately 270 "made" members.[14] The Genovese family maintains power and influence in New York, New Jersey, Atlantic City and Florida. It is recognized as the most powerful Cosa Nostra family in the United States.[2] Since Gigante's reign, the Genovese family has been so strong and successful because of its continued devotion to secrecy. According to the FBI, many family associates don't know the names of family leaders or even other associates. This information lockdown makes it more difficult difficult for the FBI to gain incriminating information from government informants.[15]

According to the FBI, the Genovese family has not had an official boss since Gigante's death.[16] Law enforcement considers Leo to be the acting boss, Mangano the underboss, and Cirillo the consigliere. The Genovese family is known for placing top caporegimes in leadership positions to help the administration run the day-to-day activities of the crime family. At present,capos Bellomo, Ernest Muscarella, Cirillo, and Dentico hold the greatest influence within the family and play major

roles in its administration.[15] The Manhattan and Bronx factions, the traditional powers in the family, still exercise that control today.

[edit] Historical leadership

[edit] Bosses (official and acting)
1892–1898—Antonio Morello—died of natural causes
1898–1909 — Giuseppe "The Clutch Hand" Morello — imprisoned in 1910
1910–1916 — Nicholas "Nick" Morello — murdered in 1916 during the Mafia-Camorra War
1916–1920 — Vincenzo "Vincent" Terranova — murdered in 1922
1920–1922 — Giuseppe "The Clutch Hand" Morello — became underboss to Giuseppe Masseria in 1922
1922–1931 — Giuseppe "Joe the Boss" Masseria — murdered in 1931 during the Castellammarese War
1931–1946 — Charles "Lucky" Luciano — imprisoned in 1936, deported to Italy in 1946 Acting 1936–1937 — Vito Genovese — fled to Italy in 1937 to avoid murder charge
Acting 1937–1946 — Frank "the Prime Minister" Costello — became official boss after Luciano's deportation

1946–1957 — Frank "Frankie the Prime Minister" Costello — resigned in 1957 after assassination attempt
1957–1969 — Vito "Don Vito" Genovese — imprisoned in 1959, died in prison in 1969 Acting 1959–1962 — Anthony "Tony Bender" Strollo — disappeared in 1962
Acting 1962–1969 — Thomas "Tommy Ryan" Eboli — lost effective authority around 1965. Became front boss upon death of Genovese.
Effective 1965–1969 — Philip "Benny Squint" Lombardo — promoted to official boss

1969–1981 — Philip "Benny Squint" Lombardo — retired in 1981, died of natural causes in 1987
1981–2005 — Vincent "Chin" Gigante — imprisoned in 1997, died in prison in 2005[17] Acting 1990–1992 — Liborio "Barney" Bellomo — promoted to street boss
Acting 1997–1998 — Dominick "Quiet Dom" Cirillo — suffered heart attack and resigned 1998
Acting 1998–2005 — Matthew "Matty the Horse" Ianniello — resigned when indicted in July 2005

Acting 2005–present — Daniel "Danny the Lion" Leo [18] — Imprisoned in 2008.

Projected release date is January 25, 2013

[edit] Front bosses and street bosses

After Philip Lombardo replaced Thomas Eboli as effective boss in the mid-1960s, Lombardo decided that Eboli should continue to perform the outward functions of the boss while Lombardo secretly made all the decisions. Lombardo created this deception so as to divert law enforcement attention from himself to Eboli. The family maintained this "front boss" deception for the next 20 years. Even after government witness Vincent "Fish" Cafaro exposed this scam in 1988, the Genovese family still found this way of dividing authority useful. So in 1992, the front boss position was replaced by that of "street boss". From 1998 to 2006, a committee of capos known as the "administration" conducted decision making for the family.[19]

Front boss
1969–1972 — Thomas "Tommy Ryan" Eboli — murdered in 1972
1972–1980 — Frank "Funzi" Tieri — indicted under RICO statutes and resigned, died in 1981.
1981–1992 — Anthony "Fat Tony" Salerno — imprisoned in 1987, died in prison in 1992.

Street boss
1992–present — Liborio "Barney" Bellomo — imprisoned from 1996–2008. Co-Acting 1998–2002 – Ernest Muscarella and Frank Serpico [20][21] – in 2002 both were indicted,[22] and Serpico died of cancer.[23]
Acting 2003–2005 — Dominick "Quiet Dom" Cirillo — imprisoned in 2006
Acting 2005–2008 — Mario Gigante [24][25]

[edit] Underbosses

Underboss - the number two position in the family (after the boss). Also known as the "capo bastone", the underboss ensures that criminal profits flow up to the boss. The underboss also oversees the selection of caporegimes and soldiers to carry out murders and other crimes for the family. When the boss dies, the underboss normally assumes control until a new boss is chosen (which in some cases is the underboss).
1898–1910 — Ignazio "Lupo the Wolf" Saietta (controlled Little Italy, Manhattan until his 1909 arrest for counterfeiting.)

1910-1916 — Vincenzo "Vincent" Terranova (Brooklyn leader in Morello gang)
1916-1920 — Ciro "The Artichoke King" Terranova (Manhattan/Bronx leader in Morello gang)
1920-1922 — Vincenzo "Vincent" Terranova (killed in Morello-Masseria-Valenti conflict on May 8, 1922)
1922-1930 — Giuseppe "Peter the Clutch Hand" Morello (killed August 15, 1930)
1930-1931 — Joseph Catania (murdered on February 3, 1931)[26]
1931-1931 — Charles "Lucky" Luciano (Became boss April 1931)
1931-1936 — Vito Genovese (Promoted to acting boss in 1936, fled to Italy in 1937)
1936-1936 — Frank "Chee" Gusage
1937-1951 — Guarino "Willie" Moretti (Murdered in 1951)
1951-1957 — Vito Genovese (second time as underboss)
1957-1972 — Gerardo "Jerry" Catena (also boss of New Jersey faction; jailed from 1970 to 1972)
1972-1974 — Frank "Funzi" Tieri (Promoted to front boss in 1974)
1974-1975 — Carmine "Little Eli" Zeccardi
1975-1980 — Anthony "Fat Tony" Salerno (Promoted to front boss)
1980-1981 — Vincent "Chin" Gigante (Promoted to official boss)
1981-1987 — Saverio "Sammy" Santora (Died of natural causes)
1987–present — Venero Mangano (imprisoned in 1991, released December 2006)
Acting 1990-1997 — Michael "Mickey Dimino" Generoso
Acting 1997-2003 — Joseph Zito
Acting 2003-2005 — John "Johnny Sausage" Barbato (Imprisoned in 2005)

[edit] Consigliere

Consigliere - Also known as an advisor or "right-hand man," a consigliere provides counsel to the boss of the crime family. The consigliere ranks just below the boss in the family power structure, but does not have any family members reporting to him. Each family usually has one consigliere.
1931 - 1937 — Frank Costello (Promoted to acting boss in 1937)
1937 - 1957 — "Sandino" (mysterious figure mentioned once by Valachi)
1957 - 1972 — Michele "Mike" Miranda (Retired in 1972)
1972 - 1975 — Anthony "Fat Tony" Salerno (Promoted to underboss in 1975)
1975 - 1978 — Antonio "Buckaloo" Ferro Acting 1978 - 1980 — Dominick "Fat Dom" Alongi

1980 - 1981 — Dominick "Fat Dom" Alongi

1981 - 1989 — Louis "Bobby" Manna (Imprisoned in 1990) Acting 1989 - 1990 — James "Little Guy" Ida (Promoted to official consigliere in 1990)

1990 - 1996 — James "Little Guy" Ida (Imprisoned in 1997)
2003 - 2005 — Lawrence "Little Larry" Dentico (Imprisoned in 2006)
2008–present — Dominick "Quiet Dom" Cirillo

[edit] Messaggero

Messaggero – The messaggero (messenger) functions as liaison between crime families. The messenger can reduce the need for sit-downs, or meetings, of the mob hierarchy, and thus limit the public exposure of the bosses. Boss Vincent Gigante was credited with inventing the messaggero position to avoid law enforcement attention.
1957-1970s - Michael "Mike" Genovese (Vito Genovese's younger brother)[27][28][29]
1981-1997 - Dominick "Quiet Dom" Cirillo
1997-2003 - Andrew Gigante

[edit] Administrative capos

If the official boss dies, goes to prison, or is incapacitated, the family may assemble a ruling committee (or panel) of capos to help the acting boss, street boss, underboss, and consigliere run the family, and to divert attention from law enforcement.
1997-1998 -(eight-man committee) - Frank "Farby" Serpico, Ernest "Ernie" Muscarella, Pasquale "Patsy" Parello, Lawrence "Little Larry" Dentico, John "Johnny Sausage" Barbato, Alan "Baldie" Longo, Federico "Fritzy" Giovanelli and Daniel "Danny the Lion" Leo
1998-2001 -(seven-man committee) - Dominick "Quiet Dom" Cirillo, Ernest Muscarella, Pasquale Parello, Lawrence Dentico, John Barbato, Alan Longo and Daniel Leo
2001-2002 -(five-man committee) - Dominick Cirillo, Ernest Muscarella, Lawrence Dentico, John Barbato and Alan Longo
2002-2003 -(four-man committee) - Dominick Cirillo, Lawrence Dentico, John Barbato and Daniel Leo
2007–2010 — (three-man panel) — Tino "The Greek" Fiumara (died 2010)[30] the other two are unknown.

[edit] Current family members

[edit] Current administration
Boss Vacant
Acting Boss Daniel "Danny the Lion" Leo - belonged to the Purple Gang of East Harlem in the 1970s. In the late 1990s, Leo joined Vincent Gigante's circle of trusted capos. With Gigante's death in 2005, Leo became acting boss. In 2008, Leo was sentenced to five years in prison on loansharking and extortion charges. In March 2010, Leo received an additional 18 months in prison on racketeering charges and was fined $1.3 million. Leo is currently in prison.[31][32]
Street Boss Liborio Bellomo - replaced Front Boss Anthony "Fat Tony" Salerno in 1992 as the first Genovese street boss. Bellomo was imprisoned from 1996 until July 2008.
Underboss Venero "Benny Eggs" Mangano - became underboss in 1986 under boss Vincent Gigante . A Gigante loyalist, Mangano belonged to the West Side Crew. Mangano was sentenced to 15 years in prison for his involvement in the 1991 "Windows Case". He was convicted of extortion and attempting to manipulate the bidding process of window replacements within municipal housing projects. Released from prison in November 2006, Mangano is reportedly still a Manhattan faction leader.
Consigliere Dominick "Quiet Dom" Cirillo - former capo and trusted aide to boss Vincent Gigante. Cirillo belonged to the West Side Crew and was known as one of the Four Doms; capos Dominick "Baldy Dom" Canterino, Dominick "The Sailor" DiQuarto and Dominick "Fat Dom" Alongi. Cirillo served as Acting Boss from 1997 to 1998, but resigned due to heart problems. In 2003, Cirillo became acting boss, resigned in 2006 due to his imprisonment on loansharking charges. In August 2008, Cirillo was released from prison. Law enforcement believes that Cirillo is still active in the family.
New Jersey Faction Boss - Vacant - was Tino Fiumara until his death on September 16, 2010.[33][34]

[edit] Capos

[edit] New York

Bronx faction
Liborio "Barney" Bellomo – capo and current Street Boss, was also the acting boss and protégé of Vincent Gigante. He controls one of the most influential crews in the crime family, the Manhattan East Harlem and Bronx-based 116th Street Crew. Bellomo, in his early 50s, was released from prison in July 2008 and is a top

candidate to become the new official boss.[35]
Joseph "Joe D" Dente Jr. – capo, operating in the Bronx. In December 2001, Dente and capos Rosario Gangi and Pasquale Parrello were indicted in Manhattan on racketeering charges. Dente was released from prison on April 29, 2009.[36][37][38]
Pasquale "Patsy" Parello – capo operating in the Bronx, owns a restaurant on Arthur Ave. In 2004, Parello was found guilty of loansharking and embezzlement along with capo Rosario Gangi.[39] Parello was released from prison on April 23, 2008.[40][41]

Manhattan faction
Matthew "Matty the Horse" Ianniello – capo and former acting boss for Vincent Gigante, Ianniello is a longtime Manhattan faction leader who also operates in Brooklyn, Staten Island, Long Island, New Jersey and Connecticut.[42] Iannello was imprisoned on extortion and racketeering charges and released on April 3, 2009.[43]
Rosario "Ross" Gangi – capo operating in Manhattan, Brooklyn, and New Jersey. Gangi was involved in extortion activities at Fulton Fish Market. He was released from prison on August 8, 2008.[44][45]
John "Johnny Sausage" Barbato – capo and former driver of Venero Mangano, involved in labor and construction racketeering with capos from the Brooklyn faction. He was imprisoned in 2005 on racketeering and extortion charges, and released in 2008.[46][47]
James "Jimmy from 8th Street" Messera – capo of the Little Italy Crew operating in Manhattan and Brooklyn. In the 1990s, Messera was involved in extorting the Mason Tenders union and was imprisoned on racketeering charges.[48][49]

Brooklyn faction
Alphonse "Allie Shades" Malangone – capo operating from Brooklyn and Manhattan. Malagone was very powerful in the 1990s, controlling gambling, loansharking, waterfront rackets and extorting the Fulton Fish Market. Malangone also controlled several private sanitation companies in Brooklyn through Kings County Trade Waste Association and Greater New York Waste Paper Association. Malagone was arrested in 2000 along with several Genovese and Gambino family members for their activities in the private waste industry.[50][51]
Anthony "Tico" Antico – capo involved in labor and construction racketeering in Brooklyn and Manhattan. In 2005, Antico and capos John Barbato and Lawrence Dentico were convicted of extortion charges. In 2007, Antico was released from prison.[52][53] On March 6, 2010, Antico was charged with racketeering in connection with the 2008 robbery and murder of Staten Island jeweler Louis Antonelli.[54] He was acquitted of murder charges, but found guilty of racketeering.
Frank "Punchy" Illiano – capo operating in Brooklyn and Staten Island. Illiano was a

high-ranking member of the Gallo crew in the Colombo crime family before switching to the Genovese family in the mid-1970s.
Charles "Chuckie" Tuzzo – capo operating in Brooklyn and Manhattan. Tuzzo was involved in pump and dump stock schemes with capo Liborio "Barney" Bellomo. Tuzzo and acting street boss Ernest Muscarella infiltrated a International Longshoreman's Association (ILA) local in order to extort waterfront companies operating from New York, New Jersey and Florida.[55][56] On February 2, 2006, Tuzzo was released from prison after serving several years on racketeering and conspiracy charges.[57]

Queens faction
Anthony "Tough Tony" Federici – capo in the Queens faction with alleged money laundering, bribery and loansharking activities. Owner of a Queens restaurant, Federici was honored in 2005 by Queens Borough President Helen Marshall for his community service.[58]

[edit] New Jersey

Main article: Genovese crime family New Jersey faction

The Genovese crime family is operating in New Jersey with five crews.[59] According to the State of New Jersey Commission of Investigation, several other New York based Genovese family members run criminal activities in New Jersey. The family's power has traditionally been base in New York, but in recent years some of the New Jersey faction members have risen to acting positions within the family's hierarchy.
(Acting) Stephen Depiro – acting capo of the "Fiumara crew". Depiro was overseeing the illegal operations in the New Jersey Newark/Elizabeth Seaport before Fiumara's death in 2010. It is unknown if Depiro still holds this position.[60]
(In prison) Angelo "The Horn" Prisco – capo of a "crew" operating in Hudson County waterfronts citys of Bayonne and Jersey City; Monmouth County and Florida. In 2009, Prisco was sentenced to life [61] and is currently imprisoned in Florida.[62]
Ludwig "Ninni" Bruschi – capo of a "crew" operating in South Jersey Counties of Ocean, Monmouth, Middlesex, and North Jersey Counties of Hudson, Essex, Passaic and Union. He was indicted in June 2003 and paroled in April 2010.[63]
Unknown – after the death of capo Joseph "The Eagle" Gatto in April 2010 [64] it is unknown who is controlling the old "Gatto crew" operating in Bergen and Passaic Counties.
Silvio P. DeVita – capo of a "crew" in Essex County.
Lawrence "Little Larry" Dentico – capo operating in South Jersey and Philadelphia.

Dentico was acting consigliere from 2003 through 2005, when he was imprisoned on extortion, loansharking and racketeering charges. Released from prison on May 12, 2009.[65][66]

[edit] Soldiers

New York
Salvatore "Sammy Meatballs" Aparo – former acting capo of the Gangi crew who operated large loansharking and labor rackets. In October 2002, he was sentenced to five years in federal prison for racketeering.[67] On May 25, 2006, Aparo was released from prison.
Ralph Anthony "the Undertaker" Balsamo (born in 1971) - Bronx and Westchester soldier who works closely with Liborio Bellomo. Runs an funeral parlor where family meetings are held and is known as "the Undertaker". Pleaded guilty in 2007 to narcotics trafficking, firearms trafficking, extortion, and union-related fraud and sentenced to 97 months in prison.[68] Currently imprisoned in a low security prison facility in Petersburg and is set to be released on March 9, 2013.[69]
Louis DiNapoli - soldier with his brother Vincent DiNapoli's 116th Street crew.
Vincent "Vinny" DiNapoli - soldier and former capo with the 116th Street Crew. DiNapol is heavily involved in labor racketeering and has reportedly earned millions of dollars from extortion, bid rigging and loansharking rackets. DiNapoli dominated the N.Y.C. District Council of Carpenters and used them to extort other contractors in New York. DiNapoli's brother, Joseph DiNapoli, is a powerful capo in the Lucchese crime family.[70][71]
Albert "Kid Blast" Gallo – acting capo of the Illiano crew in the South Brooklyn neighborhoods of Carroll Gardens, Red Hook, and Cobble Hill. Gallo runs gambling and loan sharking operations in Brooklyn, Manhattan and Staten Island. In the mid-1970s, Gallo transferred from the Gallo crew of the Colombo crime family to the Genovese family and became a made member.
John "Little John" Giglio - soldier involved in loansharking.[72]
Federico "Fritzy" Giovanelli - soldier who was heavily involved in loansharking, illegal gambling and bookmaking in the Queens/Brooklyn area. Giovanelli was charged with the January 1986 killing of Anthony Venditti, an undercover NYPD detective, but was eventually acquitted. One known soldier in Giovanelli's crew was Frank "Frankie California" Condo. In 2001, Giovanelli worked with soldier Ernest "Junior" Varacalli in a car theft ring.
Alan "Baldie" Longo – acting capo of the Malangone crew, he was involved in stock fraud activities and white-collar crime in Manhattan and Brooklyn. He was imprisoned on loansharking and racketeering charges, sentenced to 11 years,

released in June 2010.[73][74]
Ernest "Ernie" Muscarella – former acting capo of the 116th Street crew in the Manhattan faction. Muscarella served as acting street boss for Vincent Gigante and Dominick Cirillo in 2002 until his racketeering conviction. He was released from prison on December 31, 2007, and is still active in the family.[75]
Joseph Olivieri - soldier, operating in the 116th Street Crew under Capo Louis Moscatiello. Olivieri has been involved in extorting carpenters unions and is tied to labor racketeer Vincent DiNapoli.[76] Was convicted of perjury and was released from Philadelphia CCM on January 13, 2011.[77][78]
Daniel "Danny" Pagano - former acting capo of the Westchester County-Rockland County crew. Pagano was involved in the 1980s bootleg gasoline scheme with Russian mobsters.[79] In 2007, Pagano was released after serving 105 months in prison.[80]
Charles Salzano - A soldier released from prison in 2009 after serving 37 months on loan sharking charges.[68]
Joseph Zito - soldier in the Manhattan faction (the West Side Crew) under capo Rosario Gangi. Zito was involved in bookmaking and loansharking business.[81] Law enforcement labeled Zito as acting underboss from 1997 through 2003, but he was probably just a top lieutenant under official underboss Venero "Benny Eggs" Mangano. In the mid-1990s, Zito frequently visited Mangano in prison after his conviction in the Windows Case. Zito relayed messages from Mangano to the rest of the family leadership.

New Jersey
Anthony Palumbo - former acting capo in the New Jersey faction. Palumbo was promoted acting boss of the New Jersey faction by close ally and acting boss Daniel "Danny the Lion" Leo. On February 2, 2009, Palumbo was released from prison.[82][83]

Florida
Albert "Chinkie" Facchiano - operated in South Florida until his 2007 arrest, is now considered retired.[84]

[edit] Other territories

The Genovese family operates primarily in the New York City area; their main rackets are illegal gambling and labor racketeering.
New York City - The Genovese family operates in all five boroughs of New York as well as in Suffolk, Westchester, Rockland, and Orange Counties in the New York

suburbs. The family controls many businesses in the construction, trucking and waste hauling industries. It also operates numerous illegal gambling, loansharking, extortion, ,and insurance rackets. Small Genovese crews or individuals have operated in Albany, Syracuse, Delaware County, and Utica. The Buffalo, Rochester and Utica crime families or factions traditionally controlled these areas.
Massachusetts - Springfield, Massachusetts has been a Genovese territory since the family's earliest days. The most influential Genovese leaders from Springfield were Salvatore "Big Nose Sam" Curfari, Francesco "Frankie Skyball" Scibelli, Adolfo "Big Al" Bruno, and Anthony Arillotta (turned informant 2009).[85] In Worcester, Massachusetts, the most influential capos were Frank Iaconi and Carlo Mastrototaro. In Boston, Massachusetts, the New England or Patriarca crime family from Providence, Rhode Island has long dominated the North End of Boston, but has been aligned with the Genovese family since the Prohibition era. In 2010, the FBI convinced Genovese mobsters Anthony Arillotta and Felix L. Tranghese to become government witnesses.[3][86] They represent only the fourth and fifth Genovese made men to have cooperated with law enforcement.[3] The government used Arillotta and Tranghese to prosecute capo Arthur "Artie" Nigro and his associates for the murder of Adolfo "Big Al" Bruno.[86][87]
Connecticut - The Genovese family has long operated trucking and waste hauling rackets in New Haven, Connecticut. In 2006, Genovese capo Matthew "Matty the Horse" Ianniello was indicted for trash hauling rackets in New Haven and Westchester County, New York.
Las Vegas - The state of Nevada legalized gambling in 1931, but Sin City was without a doubt turned into a gambling mecca and paradise by the American Mafia. Once again, Genovese crime family members such as Frank Costello, Vincent Alo and associates Meyer Lansky and Benjamin "Bugsy" Siegel realized the opportunities that Las Vegas offered. Bugsy Siegel was one of the first New York mobsters sent out west in the 1930s to oversee the expansion of the Mob's race wire operations. By the mid 1940s various American mafia crime families, mainly New York's Genovese crime family and the Chicago Outfit were looking to invest heavily in new, swanky casinos and hotels. Soon other crime family leaders from Cleveland, Detroit, New England, Kansas City, Philadelphia, Northeastern Pennsylvania, Milwaukee and Pittsburgh came together in hopes of obtaining hidden ownership of a casino. This was always done through front men they chose to oversee the casino skim, usually Jewish associates or syndicate money men such as Morris "Moe" Dalitz and Joseph "Doc" Stacher. The Genovese crime family was one of the first to invest in Las Vegas casinos and the crime family maintained those investments through Lansky and his Jewish syndicate associates. By the 1960s the Chicago Outfit and the Cleveland Syndicate carried the most influence in Las Vegas, maintaining their casino

investments well into the 1980s. To this day Las Vegas is recognized as an open city where all Cosa Nostra. crime families can operate, but today their interests are focused outside of the casino count room and not on casino ownership. The crime families still generate a great deal of profits from gambling, loansharking, extortion and narcotics rackets. They also invest in legitimate businesses such as nightclubs, strip-joints and restaurants, along with food and service industry operations such as pizza and sandwich shops, and catering companies.

[edit] Family crews
116th Street Crew - led by Liborio "Barney" Bellomo (crew operates in Upper Manhattan and the Bronx)
Greenwich Village Crew - (former crew of Vincent Gigante) (crew operates in Greenwich Village in Lower Manhattan)
Broadway Mob - (operated in Manhattan)

[edit] Hearings
Valachi hearings - (McClellan hearings) 1963.

The Vito Genovese Family Chart - of the Valachi hearings [88]

Boss: Vito Genovese, the successor to: Frank "Frankie the Prime Minister" Costello and Charles "Lucky" Luciano

Acting Boss: Thomas "Tommy Ryan" Eboli, the successor to: Anthony "Tony Bender" Strollo

Underboss: Gerardo "Jerry" Catena

Consiglieri: Michele "Mike Miranda" Miranda

Messenger: Michael Genovese

Coppola Regime: Capo - Michael "Trigger Mike" Coppola, the successor to: Ciro "The Artichoke King" Terranova; Soldiers-Buttons Charles Albero, Alfredo Cupola, Anthony DeMartino, Benjamin DeMartino, Theodore DeMartino, Pasquale Erra, Anthony Ferro, Joseph Lanza, Frank Livorsi, Philip "Benny Squint" Lombardo, Felix Monaco, Louis Pacella, Joseph Paterra, Joseph Rao, Al Rosato, Anthony "Fat Tony" Salerno, Anthony "Blackie" Salerno, Ferdinand Salerno, Angelo Salerno, Dan Scarglatta, Giovanni Schillaci, Frank Serpico, Joseph Stracci, Joseph Tortorici, and Joseph Gagliano

Eboli Regime: Capo - Pasquale "Patsy Ryan" Eboli, the successor to: Dominick "Dom the Sailor" DiQuatro; Soldiers-Buttons: Dominio Alongi, Joseph Bruno, Michael Barrese, Edward Capobianco, Steve Casertano, John DeBellis, Joseph DeNegris, Cosmo DiPietro, Alfred Faicco, Anthony Florio, Mario Gigante, Vincent "Chin" Gigante, Michael Maione, Vincent Mauro, Peter Mione, Pasquale Moccio, Gerardo Mosciello, Sabastian Ofrica, Joseph Luco Pagano, Pasquale Pagano, Armando Perillo, Girolamo Santuccio, Fiore Siano, John Stopelli, and Joseph Valachi

Miranda Regime: Capo - Michele "Mike Miranda" Miranda- the current Consigliere; Soldiers-Buttons John Ardito, Lorenzo Brescia, Anthony Carillo, Frank Celano, Salvatore Celembrino, Alfred Criscuolo, Peter DeFeo, Joseph DeMarco, Joseph Lanza, Alfonso Marzano, Barney Miranda, Carmine Persico Jr., David Petillo, Mathew Principe, Frank Tieri, Eli Zaccardi, Joseph Agone, Philip Albanese, Ottilio Caruso, Mike Clemente, George Filippone, Joseph Lapi, George Nobile, Michael Spinella

Alo Regime: Capo - Vincent "Jimmy Blue Eyes" Alo, the successor to: Joseph "Joe Adonis" Doto; Soldiers-Buttons: of the Alo Regime Nicholas Belangi, Joseph Bernava,

Lawrence Centore, Francesco Cucola, Aniello Ercole, Frank Galluccio, Angelo Iandosco, August Laietta, Gaetano Martino, Aldo Mazzarati, Louis Milo, Sabato Milo, Thomas Milo Sr., Rocco Perrotta, James Picarelli, Louis Pardo, Rudolph Prisco, Nicholas Ratenni, Satisto Salvo, George Smurra and Gaetano Somma

Boiardi Regime: Capo - Richard Boiardi; Soldiers-Buttons: of the Boiardi Regime Settimo Accardi, Albert Barrasso, Anthony Boiardi, Paul Bonadio, Thomas Campisi, Antonio Caponigro, Charles Tourine Sr., Peter LaPlaca, Ernest Lazzara, Andrew Lombardino, Paul Lombardino, Anthony Marchitto, Anthony Peter Real, Salvatore Chiri

Angelina Regime: Capo - James "Jimmy Angelina" Angelina, the successor to: Rocco "The old man" Pelligrino; Soldiers-Buttons Louis Barbella, Joseph Barra, Morris Barra, Earl Coralluzzo, Tobias DeMiccio, Mattew Fortunato, Paul Marchione, Michael Panetti, John Savino

Greco Regime: Capo - Thomas "Tommy Palmer" Greco; Soldiers-Buttons unknown

Former Caporegimes: John Biello, Generosos Del Duca, Gaetano Ricci, Guarino "Willie Moore" Moretti, Anthony "Little Augie Pisano" Carfano, and John De Noia [88]

[edit] In popular culture

The 1971 film The French Connection (film) is about smuggling narcotics (heroin) from Marseille, France to New York City. In the real French Connection, the heroin was shipped from Sicily to France, then to New York City. Top members of the Genovese family, and the others four families in New York controlled the heroin trade in the United States.[89]

In the 1991 film Mobsters, Genovese boss Charlie "Lucky" Luciano was played by Christian Slater. Patrick Dempsey played Meyer Lansky, Costas Mandylor played

Frank Costello), and Richard Grieco played Bugsy Siegel). The film was about the formation of the Mafia Commission in the United States.[90]
In the 1991 film Bugsy, Genovese boss Lucky Luciano was played by actor Bill Graham. Warren Beatty played Bugsy Siegel) and Ben Kingsley played Meyer Lansky.
In the 1999 film Bonanno: A Godfather's Story, Genovese boss Charlie "Lucky" Luciano was played by actor Vince Corazza and boss Vito Genovese by Emidio Michetti.[91]
The 2010 to present HBO U.S. television series Boardwalk Empire takes place in 1920s Atlantic City, New Jersey. Mobster Charlie "Lucky" Luciano is played by actor Vincent Piazza.[92]

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Genovese crime family

The family is named after Vito Genovese, who was boss from 1957-1969.

In

New York City

Founded by

"Joe the Boss" Masseria and Charlie "Lucky" Luciano named after Vito Genovese

Years active

1892-present

Territory

Various neighborhoods in New York City and throughout the USA.

Ethnicity

Made men (full members) are Italian or Italian-American. Criminals of other ethnicities are employed as "associates."

Membership

250 - 300 made members,[1] well over 1,000 criminal associates[1]

Criminal activities

Racketeering, conspiracy, loansharking, money laundering, murder, drug trafficking, extortion, labor racketeering, pornography, prostitution, bookmaking, and illegal gambling,

Allies

Lucchese, Gambino, Bonanno and Colombo crime families

Rivals

The Westies and various other gangs in New York City, including their allies

http://en.wikipedia.org/wiki/Genovese_crime_family

Junk Bond Financing and Financiers

The Network of Junk Bond Financiers

Meshulam Riklis (Rapid-American)

Riklis is a man of flamboyance and some mystery. He immigrated from Israel to Minnesota about 1947. There were conflicting stories of his early life. Some said he was originally Hungarian, others that he grew up in Turkey, others that he fought against Rommel in North Africa. Riklis is apparently the source of all these stories. In Minneapolis-St. Paul he worked as a stock broker and became famous for his aggressiveness. Later he organized a group of investors to acquire two printing companies, Rapid Electro-type and American Colortype, which became his major vehicle for "wheeling and dealing," Rapid-American. In the late 1950's Riklis used Rapid-American to acquire many small and medium-sized firms. In most cases he acquired these companies paying little or no cash. He traded exotic kinds of securities, such as high-paying preferred stock, high-yield bonds, and convertible bonds. These securities are sometimes called "Chinese money" because they were used by another innovative financier named James Ling. Ling was not Chinese but his name appeared to be, hence the name Chinese money.

In 1967 Riklis began a campaign to acquire Schenley Industries, the distributor of Dewar's White Label Scotch Whiskey and other popular brands of liquor. Riklis fought off competing offers and finally gained control. The takeover involved paying the Rosenstiel family (who held controlling interest in Schenley) a premium in cash for their shares and giving the other stockholders a much lower amount not in cash but in junk bonds. Riklis pioneered the type of takeovers that KKR and Michael

Milken carried out later. Riklis asserted that he never paid off a bond issue except with another bond issue. Riklis' bonds were not in good repute and there was a history of defaults.

Riklis later acquired the Riviera Hotel, a casino in Los Vegas. Riklis was accused of draining funds from some of his acquisitions, driving them into bankruptcy.

Riklis is also famous for being the husband of Pia Zadora, a beautiful model who made a few movies and adorned the pages of Playboy Magazine.

Milken and Riklis made acquaintance once Drexel Burnham junk bond operation became important. Riklis was very interested in Milken creating a secondary market for Riklis' low grade securities. It was getting more difficult to find someone who would take Riklis' bonds in trade for stock because they were so illiquid.

Carl Lindner (American Financial Corporation)

Carl Lindner and his brother Robert used their family's dairy business to build a chain of convenience stores in Cincinnati, Ohio. From there they went into the financial and communications fields. Through their holding company American Financial Corporation (AFC) they control Great America Insurance, a holding company for a group of property and life insurance companies that constitute the twenty third largest insurer in the country. AFC owns the fourth-largest bank in Cincinnati and the second-largest savings and loan. The Lindners also control seventy shopping centers around Cincinnati. They once owned Bantam Books and the major newspaper of Cincinnati, the Cincinnati Enquirer. Charles Keating, also of Cincinnati, was a close friend and colleague of the Lindners.

Carl Lindner also had major investments in United Brands (formerly known as United Fruit), Gulf + Western (now Paramount Communications), Warner Communications, Kroger (a major supermarket chain in the eastern U.S.), and Penn Central.

Whereas the Lindner companies and financial institutions once operated on conservative, cautious principles they later became involved in riskier ventures. Lindner insurance companies began to invest in junk bonds and other Lindner companies began to issue junk bonds. The SEC noted that Lindner companies were the single largest filers of new issues of securities in the U.S. Lindner was repeatedly accused of self-dealing in the corporations under his control; e.g. having such a corporation give him a private aircraft. He became closely associated with Milken

and the others in the junk bond field to the extent that his financial institutions invested in the junk bonds of of the others. He, like some the others, actively enraged in public relations efforts to present an image of fiscal propriety to the general public.

Victor Posner (Sharon Steel)

Posner was raised in Baltimore, worked in his father's dry goods store, and early went into real estate. He was said to be a major slumlord in Baltimore, but retired to Miami Beach in his forties. He came out of retirement, perhaps because of threatened takeovers of companies he held. He acquired a number of smaller companies and then he managed, through the use of leverage, to gain control of the reputable manufacturing firm of Sharon Steel. Posner drew salaries from the companies he controlled to the extent that he was the highest paid corporate executive in the U.S. during the late 1960's and early 1970's.

Posner used bizarre forms of notes and stock, which he sold to institutional investors, to carry out the acquisition of substantial shares of companies such as Southeastern Public Service, National Propane, and a clothing maker Wilson Brothers. But the illiquidity of Posner's securities was becoming a serious problem. When Posner took over Sharon Steel he arranged for the employee pension fund to sell off its blue chip portfolio and invest in the junk bonds Posner had used to acquire other companies.

He was sued by the SEC for diverting funds from the public corporations he controlled to members of his family. Posner developed a philosophy of unconcern about such suits; if he had good enough lawyers he didn't need to worry. The lawyers, of course, would be paid for by the corporations he controlled.

In 1988 Sharon Steel went into bankruptcy.

Saul Steinberg (Leasco, Reliance)

Saul Steinberg at a very young age decided he wanted a career in finance. He managed to attend the Wharton School of Business while only an undergraduate and wrote a senior paper on the profit opportunities in computer leasing. IBM had had a policy of not selling computers but only leasing them. This policy was challenged by the Justice Department and IBM started to sell computers as well as lease them. In setting the lease rate IBM used a depreciable life of only four years.

Steinberg realized that if the computers were depreciated over a longer period, say eight years, he could charge a far lower fee than IBM. The period for depreciation was not dictated by the physical life. The computers could easily become obsolete long before they wore out. Steinberg set up a company Leasco to carry out such a leasing operation. He tried to write the leasing contract so that the leasees would have to pay even if their leased computer became technically obsolete before the end of the lease contract. He further contracted for insurance against nonpayment on the lease. On the basis of such iron-clad leases Steinberg borrowed money to finance the purchase of computers. Furthermore, the accounting system put the present value of the lease payment on the books at the time the contract was signed. The accounting profit of Leasco looked quite impressive and the theory of the operation was acceptable to the financial world. The stock in Leasco traded at a price/earnings ratio of about fifty to one. With this inflated stock and a reputation as a financial wizard Steinberg was able to acquire many other companies, companies that were more conservatively valued.

In this way he acquired a very large insurance company Reliance in 1968 before he was thirty years of age. By the time the market had shown that the idea behind Leasco was not as solid as it seemed, Steinberg had acquired enough holdings and cash that his financial positions was only mildly affected. In 1969 he attempted a takeover of Chase Bank of Manhattan. The Rockefellers and the rest of the Establishment fought to prevent him from taking it over.

Like Riklis, Lindner, and Posner, Steinberg was often accused of self-dealing in the corporations that he came to control. His ex-wife charged that he used corporation money to renovate his apartment and to buy a jet aircraft.

By now Steinberg had learned that he could make money even from an unsuccessful takeover. After acquiring a substantial block of stock in a company he could demand "green mail;" i.e., pressure the company board of directors to pay a higher price for his stock than the general public could get. His acquaintance with Michael Milken gave him the clot to threaten companies with takeovers.

Laurence Tisch (Lorillard)

Laurence Tisch graduated with honors from New York University and went on to get his MBA at Wharton. After graduation Tisch served for three years during World War II in the Office of Strategic Services, which later became the CIA. After the war he joined his family in renovating old hotels. His family was a quite interesting one. His

father had been an All-American basketball player. In contrast to the other members of the network of junk bond financiers there was no seediness or underhandedness involved in his or his families operations.

One major acquisition of the Tisch family was Loew's, a theater chain. In 1968 the Tisch family acquired the cigaret manufacture P. Lorillard, the makers of Kent cigarets. These companies were acquired with securities that were subsequently proving to be illiquid. This was putting the damper on any further acquisitions by Tisch. Milken's junk bond operations were important in providing liquidity to the junk bond market.

In 1974 Tisch gained control of a Chicago insurance holding company, CNA Financial using some cash and a lot of securities. This gave Tisch control over a large amount of investment funds. The cost of acquisition of an insurance company is the equity in the company, but the funds held are many times this equity. Tisch is now chairman of the network CBS.

A social note: A niece of Laurence Tisch married the son of Saul Steinberg in a wedding in which the flowers alone cost one million dollars.

Fred Carr (First Executive)

Fred Carr was the son of an immigrant from Hungary who established a produce business in New York City. Later the family moved to Los Angles where Fred grew up and attended Cal State Los Angeles. He drove a truck and started his own driveway repair business to help put himself through college. By his early twenties he was trading in the stock market. Later he founded a very successful mutual fund called the Enterprise Fund. In two years the funds under his management rose from $20 million to $800 million. He was usually at the top of the list of high gain performers in the mutual fund field. However, there were charges that he drifted from the straight and narrow; e.g. buying unregistered "letter" stock and reselling it to others without registering it. By 1970 he had lost his touch and Enterprise Fund ranked 339th out of 379 mutual funds in performance. He abruptly left the Enterprise Fund and SEC temporarily shut it down because of irregularities and chaos in the record keeping. It later reopened under the direction of Gerald Tsai.

In 1974 Fred Carr was asked to run financially troubled First Executive Insurance. Carr went to Michael Milken to get funds to stave off collapse and started marketing a new product called Single Premium Deferred Annuity. A buyer makes a payment

now and starts receiving annuity payments a specified number of years in the future. This is great for an insurance company's cash flow in the immediate future. In return for the help Milken gave, Carr agreed to market junk bonds through First Executive.

The Single Payment Deferred Annuities (SPDA's) were a great success. First Executive had a total of $700 million of policies of all kinds when Fred Carr took control in 1974. By 1979 it was selling $1 billion worth of SPDA's each year. Saul Steinberg bought stock in First Executive and by 1981 had become the largest stockholder. First Executive began selling annuities to corporations linked to Milken to "refinance" their pension plans. The pension plans were declared "overfunded" and the assets sold off to be replaced by annuity contracts from Carr's First Executive. The contracts used in this refinancing were called "guaranteed investment contracts" (GIC's). The companies which bought these GIC's could count them as investment-grade bonds even though they were simply packages ofjunk bonds which First Executive guaranteed. By 1990 Carr's First Executives had $5 billion of GIC's outstanding. Institutions that otherwise would not have been able to hold junk bonds were allowed to once they were packaged and labeled as GIC's by virtue of First Executive's guarantee.

By the end of the 1980's First Executive was buying $2.5 billion of Drexel junk bonds each year. Furthermore, once First Executive had purchased a bond issue it gave those bonds a stamp of quality as being held by a major insurance company. Milken could also use First Executive as an example when trying to sell junk bonds to other insurance companies. Although there were other insurance companies which became important markets for Milken, Fred Carr was by far the most important player in Milken's junk bond game. First Executive had a representative at Drexel who bought anything Milken told him to, no questions asked. Milken and Carr also set up reinsurance firms together.

In 1980 insurance purchased about $22 billion in corporate bonds, by 1988 they were buying $180 billion.

The Savings and Loan Industry

The Savings and Loans were in difficulty long before Michael Milken came onto the American financial scene. Originally S&L's were restricted to holding mortgages on real estate. This restricted S&L's competitiveness with respect to bank which were not so restricted. But the interest rates that banks and S&L's could pay on deposits were regulated so S&L's did not have to match banks in a bidding contest on interest

rates. During the 1970's inflation rates went up and interest rates followed. This was especially hard on S&L's, which had their assets tied up in long term mortgages paying low interest rates but had to pay high current rates to keep depositors. Fundamentally at that stage the S&L's became bankrupt, but every one wanted to postpone the inevitable. The government's actions in trying to stave off the bankruptcy of the S&L's turned a bad situation into a disasterous one. The Garn-St. Germain Act of 1982 removed most of the restrictions on what S&L's could hold. From 1982 they could hold stocks, bonds, real estate, and commercial loans as well as mortgages. But at the same time that the restrictions on what S&L's could hold were removed, the interest rates restrictions for banks were also removed. Nevertheless the Federal Government continued to insure S&L deposits. Depositors did not have to concern themselves about the safety of an S&L. S&L's were another financial institution, like insurance companies, where a relatively small investment in equity gave the buyer control over a much larger amount of investible assets. The purchase of an S&L with a billion dollars worth of assets might require only $30 million to buy up its equity. Within months of the passage of Garn-St. Germain members of Milken's circle were taking over S&L's using Drexel junk bond money. The S&L's then became major markets for junk bonds. A $30 million outlay for a S&L could easily lead to the sale of $500 million of junk bonds by Drexel for which it would charge a commission of $20 million. Some of the S&L's taken over by friends of Milken were:

- 1. Imperial in San Diego (Saul Steinberg)
- 2. CenTrust in Miami (David Paul)
- 3. Gibraltar in Beverly Hills
- 4. City Fed in New Jersey
- 5. Ben Franklin in Texas
- 6. Lincoln Savings (Charles Keating)

Other S&L's, such as Columbia Savings in Beverly Hills under the direction of Tom Spiegel, joined the circle of junk bond buyers. By 1989 Columbia S&L had bought $10 billion in junk bonds. Spiegel's compensation for running Columbia was spectacular, $9 million in 1985. In addition, Milken let Spiegel in on some opportunities for spectacular capital gains, and, allegedly, for trading on insider information. By the late 1980's most of these S&L's were siezed by state or federal regulatory agencies.

Enstar

In 1969 Perry Mendel, a developer in Montgomery, Alabama, decided to use some

of his real estate to create a chain of day-care centers. Mendel brought in another Montgomery businessman, Richard Greengrass, to help him carry out his plan. The centers, called Kinder-Care, were a success and by 1987 employed 17 thousand people in 12 thousand centers. The gross revenue was $900 million with operating profits of $75 million (but a net profit of only $6 million).

In 1978 Mendel and Greengrass went to Milken to raise some capital. Milken convinced them to raise much more than they originally intended. They not only expanded Kinder-Care and bought up another chain, Sylvan Learning Centers, and expanded it, but also bought up an insurance company Pioneer Western. A few months later they bought CenterBanc, an S&L, in Florida. And then, they acquired American S&L in Miami. Mendel and Greengrass renamed their company Enstar. In the course of about 18 months a chain of day-care centers had been converted into a $3 billion banking and insurance company. This transformation had been financed by Drexel junk bonds, but strangely Enstar also bought $650 million in junk bonds. Enstar helped Milken finance the takeover Safeway, Revlon, and Gillette. In return, Milken let Mendel and Greengrass in on some very lucrative investments. The deals got shadier and shadier, and in 1991 Mendel and Greengrass were convicted of fraud by a federal court. Here is an example of one of their more outrageous ploys. Enstar sold the Kinder-Care portion of the company. In the selloff, Mendel and Greengrass told the Kinder-Care stockholders that they were giving them the day-care centers. They then announced that the IRS had objected to this transaction so the Kinder-Care stockholders would have to pay $4.75 per share to receive what they already owned. There had been no IRS objection.

The Default Rate on Junk Bonds

The Milken organization claimed the default rate on their high yield securities was only one percent. Critics claim the default was more like three or four percent. At this higher rate, junk bonds give a lower return than Treasury bills and no one would knowingly buy them. By 1983 there were hundreds of millions of dollars of junk bonds which had flatly defaulted. There were other cases where the default was concealed as an "exchange;" i.e., the bond was supposed to pay interest in cash but instead gave "stock" or "zero-coupon convertible bonds" or "payment-in-kind bonds" in lieu of interest.

The junk bonds market could have collapsed in the mid-1980's under the burden of the defaults and effective defaults, but Milken got a lucky break. Edward Altman of the Business School of New York University was hired by Morgan Stanley, the most

pretigious investment bank in the U.S., to do research on the default rate on junk bonds. Morgan Stanley wanted to enter the obviously lucrative field of marketing original issue junk bonds. It made the mistaken presumption that Drexel's position in the field was based upon knowledge and research when, in fact, it was, in Benjamin Stein's words, based "upon years of mutual backscratching in the back alleys of finance." Altman computed the ratio of the face value of the bonds that actually defaulted in a given year to the total face value of bonds in existence in that year. Although this procedure might seem reasonable, it did not allow for the tremendous growth in junk bonds over the period. Suppose all of the junk bond issues default after five years. This would be a 100 percent default rate. But if the first year there is $100 million issued and the amount doubles each year then this would be the record Altman's method would show:

Year	Amount Issued	Total Amount	Default	Default Rate (%)
1	100	100	0	0
2	200	300	0	0
3	400	700	0	0
4	800	1,500	0	0
5	1,600	3,100	100	3.2
6	3,200	6,300	200	3.2
7	6,400	12,700	400	3.1
8	12,800	25,500	800	3.1

A default rate of around 3 percent and declining looks a lot better than the actual 100 percent rate. Altman did not count the default-equivalents of giving "securities" in lieu of money for the interest payments as defaults. Altman concluded that the default rate on junk bonds was between 1 and 1.5 percent in most years, and through Morgan Stanley this value was publicized. Drexel, of course, gave this estimate of the default rate further publicity. This erroneous figure was accepted because of the academic credentials of Altman and the prestige of Morgan Stanley. Altman studied all bonds with a rating below investment grade. This lumped together "fallen angels" with Milken junk bonds. He also made the unjustified assumption that the residual value of defaulted Milken junk bonds was the same as that of "fallen angels"; i.e., thirty five to forty percent. Despite these and other major flaws, Altman's studies were accepted by various institutions, including the U.S. government, as vindicating investment in the junk bond market.

In 1988 a team of financial analysts at Harvard University under the direction of Paul Asquith undertood a study of junk bonds. In contrast to Altman they focused on the default rates of bonds over the bonds lifetimes. They concluded, "Buying and holding all [junk] bonds issued in 1978 and 1979 produces cumulative default rates exceeding 34% by November 1, 1988...Cumulative default rates rise markedly as the time since issue increases and are 0-8% three years after issue, increase to 18% to 26% seven years after issue ... and exceed 34% eleven years after issue."

Instead of a one percent default rate per year the Asquith group found an average default rate of about 3.4 percent per year. At this default rate junk bonds were a poor investment and it was foolish and irresponsible for insurance companies, pension funds, banks and S&L's to hold them.

Michael Milken

Michael Milken was born in the Los Angeles area and grew up on the border between Encino and Van Nuys. His father was a very industrious man who was an orphan and worked his way through college in Wisconsin to become an accountant. Michael and his younger brother Lowell were good sons, helping their parents where they could and excelling in school and sports. Michael played varsity basketball in highschool and was the head cheerleader in other sports. He did his undergraduate work in business at UC-Berkeley during the period 1964 to 1968. While other students were indulging in the radicalism of the 1960's Michael was studying accounting and economics. It was at Berkeley that he discovered the work of Walter Braddock Hickman, entitled Corporate Bond Quality and Investor Experience, on the bond market from 1900 to 1943. Hickman did find that by some measurement the average yield on the lower quality bonds was higher than that of the higher quality bonds but not by very much. Milken exaggerated this difference and chose not to allow for the special effects the Great Depression of the 1930's and World War II had on the bond market. The Depression severely depressed bond prices so that any bonds bought at the depths of the Depression showed extraordinary gains. World War II and the Federal Government's creation of a managed economy meant there were no defaults on bonds during the war years.

Milken graduated in 1968 as a Phi Beta Kappa with a degree in business administration. After graduation Milken married and moved to Philadelphia to go to the Wharton School of Business at the University of Pennsylvania. While pursuing his regular coursework (reportedly with straight A's) he continued to investigate

whether or not the bond market was pricing bonds of different risks efficiently. He left Wharton in 1969 to go to work for Drexel and three years later completed his MBA thesis. It was entitled, "Managing the Corporate Financial Structure." Stein characterizes it as, "an stonishing mishmash of basic, obvious facts," and "a lot of bluster to prove something everyone already knows."

At Drexel, later to become Drexel Burnham, Milken made contact with a number of prominent wheeler-dealers, such as Meshulam Riklis of Rapid-American and McCrory, Lawrence Tisch of Lorillard, and Carl Lindner of American Continental. Stein gives summaries of the careers of these financiers and others who became important to Milken in his career.

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Meyer Blinder -

The Prince of Penny Stocks
Fortune; 1/19/1987; Katz, Donald R.

EVEN AMONG DENVER'S free-L wheeling fraternity of penny stockbrokers, Meyer Blinder stands apart. The irrepressible founder of Blinder Robinson wears high-collared silk shirts open to the sternum, gold chains, a gold bracelet, and a diamond and gold pinky ring. Then there is his street-corner-tough Brooklyn accent, and a nose gnarled like a prizefighter's -- the result, he relates, of the time a customer slammed the door in his face during an earlier career selling vacuum cleaners door-to-door.

Blinder's style may be a long way from Wall Street. But plenty of people want him as their broker. More than 1,700 stockbrokers work for Blinder in 58 offices spread across 35 states. His firm brings public more new issues each year than any Wall Street house, and Blinder, 65, has made a personal fortune he estimates at nearly

$200 million by selling highly speculative stocks. Blinder says he underwrites only the brightest entrepreneurial dreamers and then sends his brokers out to sell pieces of the dream to investors willing to roll some dice.

He has built an empire by taking the necktie off the brokerage business, but detractors say he operates in the spirit of outlaws who once roamed the Rockies. Alarmed by Blinder Robinson's aggressive ways, the Securities and Exchange Commission has tried for six years to put the firm out of business, and local regulators in a score of states have challenged either the licensing status or sales practices of Blinder's brokers. In late December, the SEC suspended Blinder Robinson from the brokerage business for 45 days and suspended Blinder himself for two years. Blinder said he would appeal the ruling in federal court and ask for a stay of the SEC order while the appeal is pending. Meanwhile, trading was halted in the company's stock, Blinder International Enterprises Inc.

Blinder attributes most of his problems to his success. He said as much recently to a group of trainees he was teaching to sell stocks the Blinder way. ''You know why I got so much trouble with regulators,'' Blinder told them, his jewelry and his smile gleaming in the spotlights. '' 'Cause they come in here and look at my salary, and they get sick.'' Blinder expects to make $9 million in 1986, twice what he collected in 1985. He also controls 54% of the shares in Blinder International, which went public two months ago at $1.50 a share and was recently selling at $3.50. At that price his stake was worth $140 million. Blinder says his firm will report revenues of $125 million in 1986, more than double the 1985 figure. In 1987 he intends to open four new offices and train 200 new brokers every month, and then inspire each broker to establish one new account per day. ''There has to be a lot of ya here,'' Blinder told his 200, mostly young trainees, ''because the more of you there are and the more you sell, the more money I make. You are about to enter the greatest business in the world for making the most amount of money in the shortest span of time, and doing it honestly. Don't cheat. You know what happens if you cheat. I get in trouble.''

Even without a hint of cheating, the penny market, where stocks generally trade for less than a dollar, is wild and risky. Some say the business got its start a century ago, when miners sold off portions of their undiscovered finds in order to keep up the search. Since then, through good times and bad, Denver has been a town for fast deals. Denver money underwrote 308 public offerings between October 1985 and October 1986, more than double the number for the same period a year earlier. Many penny shares open with an astounding bang that sends the bid price up by several hundred percent within a matter of days. Frequently the bust is not far

behind.

The penny market has a lingo all its own. Stocks trading at up to 5,000 times their projected earnings get passed back and forth in what some penny players call the chaser market, the chase being after rumors. Though local brokers are often accused of high-pressure salesmanship, they say their tactics are simply less genteel than those practiced on Wall Street. In Denver there is still talk of crossing stocks -- of salesmen buying a stock from one customer and selling it to another without sending it back to the trading room -- a technique that winnows the market down to a broker's Rolodex. Robert Davenport, a regional director of the SEC in Denver, calls the penny trade a ''greater fools market,'' by which he means a customer had better find another fool to take a stock off his hands before the price falls.

Nobody plays the penny market harder or better or with more style than Meyer Blinder. ''Ya know,'' Blinder says, gazing into the palatial penthouse suite where he works, ''when I built the Blinder building four years ago, I sort of pictured myself sittin' here and staring out at Pike's Peak every so often.'' But his desk faces the other way, and he says that ''in all those years I can never remember turning around.'' His $1-million office covers the entire top floor of the building 15 miles outh of downtown. ''I modeled it after some of the suites I've seen in Las Vegas,'' he explains. ''The ones for high rollers.'' He has a circular bar with a golden sink. He has a kitchen, a cook, and a dining room. He has an exercise room with a sauna and a small swimming pool. The flick of a switch sends powerful jets of water coursing from one end of the pool toward the other, so when Blinder wants to exercise, he can get in the pool and swim perpetually against the stream.

BLINDER has been heading up stream all his life. ''I sucked wind for a long time,'' he says. ''I had my pauper days. I sold picture frames. I sold wedding albums. I sold magazines outside burlesque houses.'' He grew up in various working-class neighborhoods of Brooklyn, New York, as the short kid who could never back down from a fight. He got his first job when he was 8, helping out at his father's candy store. Instead of attending high school, he went to work across the river in Manhattan's garment district. ''For two years I was one of the guys who pushed those gigantic coffin-shaped boxes full of silk down 34th Street,'' he says. ''I couldn't even see over the top. I made $8 a week and went to night school.''

At 18, with $150 in capital, he started his first business, a textile remnants operation. After several years of door-to-door salesmanship, he began a food vending business that eventually grew large enough to require more capital. ''I went

to the bank,'' Blinder recalls. ''I needed $1,000, but the guy would only give me $150 and I had to put up my car and my business as collateral.'' Blinder then visited several New York underwriters in hopes of raising funds through a public offer- ing. They all turned him down. At that point, says Blinder, ''I went to an attorney whose name I took off some prospectus, and we sold stock in our vending company to our customers. We raised $150,000.''

Blinder continued to segue methodically from one business to another, moving each time to something that promised quicker rewards in a shorter amount of time. He was 49 when he finally discovered the securities business. After an abortive attempt to open a small brokerage in Jersey City, New Jersey, he and an old friend, Mac Robinson, began a storefront operation in Westbury, Long Island, in 1970. Rather than selling equity in large companies, they decided to specialize in small over-the-counter stocks. Blinder felt he understood small businesses and thought that in the OTC market a fellow could really make a play. He says Robinson couldn't stand the pace and sold out shortly thereafter.

In 1977 an acquaintance of Blinder's who ran a brokerage firm in Denver was slipping into bankruptcy. Blinder put up $50,000 to take over the outfit and, at 56, he and his wife Lillian moved to Denver. His second son, Larry, 35, followed soon after and now works with his father; Martin, 40, runs a Van Nuys, California, fine-art publishing company, Martin Lawrence Limited Editions Inc., which Blinder Robinson brought public in 1985. Blinder arrived in town at the start of a penny stock boom unlike any since the surge in uranium issues during the mid-1950s. This time the catalyst was oil and gas. In May of 1977 Blinder Robinson underwrote a company called Federal Energy and sold it as an initial public offering at 10 cents per share. Before long the price had doubled. From the beginning, Blinder backed small businesses that wouldn't qualify for loans from banks, insurance companies, or large venture capital firms. ''I wanted to give them a little capital to get started,'' he says. ''I kept thinking how much faster I would have been a success if somebody had given me $300,000 when I was young.''

Blinder figures he has raised over $200 million for the 78 companies he has brought public. But almost half have gone under or have been reconstituted as other businesses from empty shells. Although 52 of the firm's new issues more than doubled at some point after going public, only 21 currently sell above the offering price, and 22 have owners willing to sell but nobody willing to buy (see chart). Blinder argues that at least he gave investors a chance for significant gains, and struggling entrepreneurs an opportunity to succeed.

State and federal securities officials take a different view. The regulators who have dogged Blinder believe that, like several other firms specializing in the shares of small companies -- chiefL among them First Jersey Securities, whose chairman, Robert Brennan, resigned last September -- Blinder Robinson so domi nates the market in the securities it brings public that stock prices become open to manipulation.

Blinder's regulatory difficulties began in 1980 after a federal district court judge ruled that his brokers made ''misrepresentations and fraudulent price predictions'' when they sold shares in American Leisure, an Atlantic City casino and hotel company. The judge also ruled that Blinder violated antifraud statutes when he bought some of the stock at the time of the offering without publicly disclosing the purchase. Blinder claimed that his own attorneys and an SEC lawyer told him the maneuver was legal. Nevertheless, the district court issued an injunction barring Blinder Robinson from any future violation of securities laws. Subsequently, an administrative law judge ordered sanctions against the firm that would prohibit Blinder from associating with any broker or dealer for 90 days. Blinder appealed the ruling to the full SEC, which slapped on the even tougher sanctions in late December. Earlier Blinder had begun a still-pending appeal to quash the district court's ruling.

In 1983 the SEC regional office in Denver accused Blinder Robinson of delivering to other firms securities that customers had paid for, thus preventing shareholders from gaining access to them. Blinder says he relishes the court fight due to begin in early 1987. ''I can really drag the SEC through the mud on this one,'' he says. ''I want them to pick themselves up, say they made a mis- take, and walk away.''

OVER THE YEARS Blinder Robinson has been served with several fair-practice complaints by the Na- tional Association of Securities Dealers. The NASD refuses to comment, but SEC sources contend that four of them led to sanctions. The most recent complaint alleges that Blinder Robinson made outsized trading profits on one stock, Telephone Express. Even when Blinder Robinson's trades, and those of other thinly traded stocks, meet NASD guidelines, the ''spread'' -- the difference between the bid and ask price -- is often wider than for blue chip issues. A stock that can be bought for 7 cents on a given day can sometimes be resold the same day for only 4 cents. The vast divide would necessitate nearly a 60% price appreciation for a shareholder to escape with his original investment.

As for the other charges against Blinder, the SEC's Davenport says 30-odd states have actions pending against the firm -- mostly cases of overeager brokers selling securities by phone in states where the issues weren't registered. Blinder says his firm is fully licensed in 35 states, and that only two -- Iowa and Nebraska -- have flatly denied him entrance.

Blinder also got caught up in a mini-scandal involving an account he managed for Colorado Governor Richard Lamm that turned a $5,100 investment into $50,000. In June of 1985 Blinder ivested Lamm's money in a company called Source Venture. He sold the stock later that month and invested the proceeds in other Blinder Robinson issues. In July, Source Venture merged with Cattle Baron Inc. Blinder owned half of Cattle Baron, which wanted to build a casino near Las Vegas.

Last August the Rocky Mountain News revealed that long after selling his Source stock Lamm, a vocal opponent of gambling in Colorado, had written a letter on his official stationery to the Nevada State Gaming Commission recommending Blinder for a casino license. The letter stirred up a controversy that forced Lamm to withdraw his recommendation, drop Blinder as his broker, and promise to give his trading profits to charity. Lamm claims he didn't know anything about Source Venture until several months after it was sold. He also says he knew nothing about his other stocks, since the trades were handled by his lawyer. Blinder scoffs at the governor's protestations of ignorance. ''He knew about his trades,'' Blinder mutters. ''Guy's a jellyfish. We sent the confirmation tickets directly to his home. He gave me his card with his home phone on it. The son of a bitch never even thanked me for lending him my plane the day he was stuck in Mexico and had to get to a governors' meeting in Utah. He asked for that plane and I sent it. Probably cost me ten grand. Now he says he barely knows me. Guy's got no backbone.''

Some people who know Blinder believe he has been treated unfairly. One of those is Mark Goldstein, the former mayor of Gainesville, Florida, who counts himself among Blinder's satisfied customers. ''As someone experienced in politics,'' Goldstein says, ''I think it's clear that the Denver authorities are out to get Meyer. When they can't get you in court, they'll go after you in other ways. They don't like tough guys, and Blinder's a tough guy.''

In 1982 Goldstein went to Blinder Robinson to raise capital for a small broadcast and satellite TV system after being turned down on Wall Street. Blinder Robinson took ACTV public at 15 cents a share; recently the stock was selling for 12 1/2 cents. Goldstein came back to Blinder a year later to launch Mam matech, a company that

teaches women how to detect breast tumors. Mammatech stock opened at a penny, ran up over a dollar, then settled back to a recent bid of just under 2 cents a share.''Sure, the man talks like a bull from Brooklyn,'' Goldstein says, ''but he gave my companies a start. I'd like to know the cost to the taxpayers of the SEC actions against him. And I'd like to compare his financial work to the mergers on Wall Street that put people out of work and take prod- ucts out of the marketplace.''

TED ABBUZZESE, who founded Wall Street West, another Denver penny stock firm, seconds the motion that regulators have been hounding Blinder. ''All the penny brokers have been caught in the witch hunt,'' says Abbuzzese. The SEC regional office accused Abbuzzese of market manipulation in 1980, and the Colorado state commissioner of securities circulated the accusations throughout the country. When Abbuzzese appealed to the SEC in Washington, the charges were unanimously overturned. Abbuzzese says that, compared to Blinder, he took a ''turn the other cheek'' approach by appealing to the SEC rather than going to court. He adds that Blinder's troubles are making it ''hard on the others of us in Denver.''

A senior executive at a third penny firm is more outspoken about Blinder's effect on Denver houses. ''You want to know what we hold against him?'' asks this executive, who declines to be identified. ''We resent his supporting bad deals. He's giving us all a bad name. I'm a person of substance here. My great-grandfather has a mountain named after him. I just wish he'd take himself and his sleazo deals and get out of town.''

Blinder says he senses a great number of people backing away from him now. When he was taking so much heat last summer, the executives of Gateway Communications, a technology firm that stands as one of Blinder Robinson's success stories, defended him. But after Blinder's problems multiplied, the company would issue only a vague financial statement to a reporter seeking comment on its relationship to Blinder. And two small Long Island firms that were to be co-underwriters of Blinder Robinson's own public offering dropped out, one of them admitting openly that bad publicity was behind the decision. ''With the SEC you're guilty by association,'' explains the head of one of the firms.

WORST OF ALL, says Blinder, the leadership of local charities he supports -- specifically those in the Denver Jewish community -- have failed to back him publicly. ''I really tried to join in, but now I feel I'm being ostracized.'' Blinder is a prominent benefactor of charities, both locally and nationally. An emergency center at the Denver Children's Hospital bears his name, and he has become the nation's

principal sponsor of research into Crohn's disease, a degenerative gastro- intestinal illness that afflicts his wife and his son Larry. ''I won't give any money to the arts,'' he says. ''I'm tone deaf, and I happen to think it's more important to cure cancer than to have a ballet.''

Blinder admits that his inability to back away from a fight is hard on his wife, who would like to leave Denver. ''I just can't do that,'' he says. ''There are still a few things I want to do here.'' By that he means making the SEC turn tail, making his firm ''larger and more profitable than Merrill Lynch,'' and making himself a billionaire. Despite the charges hanging over Blinder, his brokers open hundreds of new accounts every day, and the firm intends to apply for membership on the Hong Kong stock exchange. ''It's a lot better to be up here gettin' shot at than being down low and gettin' stepped on,'' Blinder mused as the sun dropped behind the peaks to the west. ''You know what I really wish,'' he said, his voice momentarily losing its edge. ''I wish I could have 20 years back. I could make my money so much faster if I got to do it all over again.''

http://www.microcapmarkets.com/penny-stocks/prince-of-penny-stocks.html

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Meyer Blinder -

Penny-Stock Fraud, From Both Sides Now

By Diana B. Henriques
New York Times
February 16, 2003

Artley T. Bernstein spends his days exploring the piranha-infested shoals of the penny-stock market, where cheap, thinly traded stocks can be rigged to generate enormous profits for insiders.

In a spare bedroom of his eight-room Georgian-style apartment on Park Avenue in Manhattan, he searches the Internet for clusters of seemingly unrelated companies that use the same obscure accountants, lawyers and underwriters, and share the same mysterious offshore investors. He looks for flaws, fibs and fantasies in corporate documents — like one company's plan to sell stock and use it to take over AOL Time Warner, AT&T, General Electric and, for good measure, General Motors. Then Mr. Bernstein posts his conclusions on StockPatrol.com, his Web site, to warn investors away.

Some of his most faithful readers are market regulators. Following his road maps, federal investigators have found and shut down frauds they might have missed. Occasionally, he tips regulators in advance, before his targets realize that he is on their trail. One prosecutor called his assistance "singular."

His cooperation has helped the government build criminal cases against at least 34 people.

Mr. Bernstein is so good at what he calls "connecting the dots" of complicated penny-stock frauds for one good reason: five years ago, he was a formidable dot himself.

Through his law firm, Bernstein & Wasserman, he worked for some of the most notorious penny-stock manipulators of the past two decades: Stratton Oakmont, Biltmore Securities and Sterling Foster. He also worked for a host of forgettable little companies whose stocks those firms manipulated.

But in reality, he worked for Randolph Pace — a wily Wall Street veteran who, with Meyer Blinder and Robert E. Brennan, make up what one lawyer has called "the three tenors of the penny-stock world." (Mr. Blinder was jailed for securities fraud in 1992, after the collapse of his firm, Blinder, Robinson & Company. Mr. Brennan, the smiling force behind the equally infamous First Jersey Securities, is serving a nine-year prison term after being convicted of fraud in 2001.)

What makes Mr. Bernstein's apparent turnaround remarkable is its rarity. Recidivism is so common in the penny-stock world that some law enforcement experts are instinctively skeptical of anyone who claims to have left its temptations behind.

But several prosecutors and regulators have been persuaded by Mr. Bernstein, a small, dark, boyish-looking man of 51 who began to cooperate with the government in the fall of 1998. He spent hundreds of hours coaching investigators on how to decipher Mr. Pace's complex deals. He confirmed information from other sources and "gave the government sufficient confidence" to seek an indictment against Mr. Pace in November 1998, one prosecutor said.

The government later expanded its case to include two additional penny-stock firms and several new defendants. Mr. Bernstein also provided background information about Stratton Oakmont's deals with the shoe designer Steve Madden, who pleaded

guilty to fraud and money laundering in 2001 and was sentenced last spring to 41 months in prison.

In May 1999, Mr. Bernstein, too, pleaded guilty to securities fraud, conspiracy and perjury and agreed to forfeit $850,000 in illegal profits. He prepared to testify when Mr. Pace came to trial on charges of secretly controlling Sterling Foster and prospering from its roughly $200 million in fraudulent business. That did not become necessary. Mr. Pace pleaded guilty in 2000 and last April and was ordered to pay nearly $135 million in restitution to investors and was sentenced to eight years and four months in prison.

By the time Mr. Bernstein pleaded guilty, his career was in ruins. He had been disbarred. His law partners had walked out on him. He could not seek a new job while he faced prison, but he was desperate to keep busy.

In July 1999, after carefully sounding out his own lawyer and the government, he started StockPatrol, which he saw as a logical extension of the guidance he had been providing to investigators. He began by scanning hyberbolic chat groups and e-mail messages on the Internet for the latest hot penny-stock tip. Then he would scour the touted company's public paperwork, looking for red flags.

The found them — and regulators paid swift attention. Following are a few examples:

· On Jan. 31, 2000, he published the first of several articles questioning whether Wellness Universe, a small health services company, was really the target of a $1 billion takeover bid, as it claimed. Eleven days after the first article, regulators halted trading in the shares, and three months later, the company's founder, George Pappas, was indicted in Manhattan. In January 2001, Mr. Pappas pleaded guilty to charges that he concocted a phony takeover to drive up the stock price so he and his family could sell for a quick profit of $2.3 million. He is awaiting sentencing.

· On March 4, 2001, Mr. Bernstein advised regulators that he would be running an article the next day about the Ives Health Company, a little Oklahoma concern that claimed to have a new AIDS drug. On the next day, regulators halted trading and, a month later, the company and its founder, M. Keith Ives, were indicted in Manhattan on federal conspiracy and wire fraud charges. Mr. Ives denies the charges and is scheduled for trial in June.

· In September 2002, Mr. Bernstein questioned the growth prospects claimed by the Vector Holdings Corporation, whose primary business was a stuffed-potato booth at a Florida shopping mall. A month later, the Securities and Exchange Commission accused the company, its president and its transfer agent of violating securities laws — in part for not disclosing that the president, Allen E. Weintraub, had a criminal record. Mr. Weintraub and the companies have settled the cases without admitting wrongdoing, but the penalties have yet to be determined..

When Mr. Bernstein came before Judge Loretta A. Preska in Federal District Court in Manhattan for sentencing in June, the many letters submitted on his behalf included one from Cameron K. Funkhouser, a vice president of the NASD's regulatory arm. Speaking only for himself, Mr. Funkhouser cited his "very positive relationship" with Mr. Bernstein, adding, "My office has opened several successful cases" based on his leads.

Richard D. Owens, the assistant United States attorney who prosecuted Mr. Bernstein, also cited StockPatrol at the hearing, but added that when Mr. Bernstein first came to the government, "we, of course, raised our eyebrows a bit."

And no wonder. Mr. Owens knew that operating a "fraud detection" site is hardly an untainted concept. One notable effort, StockDetective.com, foundered two years ago after its parent company was found by federal prosecutors to have been the target of a stock manipulation scheme. And in May, a stock adviser, Amr Ibrahim Elgindy — whose Web sites, insidetruth.com and anthonypacific.com, promised to expose penny-stock schemes — was indicted in Brooklyn on federal charges of operating a stock manipulation and extortion racket. He denies the charges and is scheduled for trial in June.

But Mr. Owens told Judge Preska that he was impressed by Mr. Bernstein's effort. "Whatever doubts we had about his motives or his purposes or his intents have quickly fallen away," he said.

Judge Preska added her own endorsement. "You have used your time and your talent in a way to help investors avoid just the sorts of things that you had previously used your time and talents to impose," she said. "I applaud you for your work." She sentenced him to two years' probation.

His quiet days running StockPatrol bear almost no resemblance to his life as an adviser to Mr. Pace's raucous empire. Like Mr. Blinder and Mr. Brennan, Mr. Pace

was an intelligent, urbane, charming rogue. He survived many regulatory cases over the years and continued to prosper even after his firm, Rooney Pace, was expelled from the securities industry in 1988.

By then, Mr. Pace's business was thoroughly intertwined with Mr. Bernstein's law practice. After graduating from Columbia and the New York University Law School, Mr. Bernstein worked at two midsize firms in Manhattan and spent a few idealistic years on the city's special narcotics prosecution squad. But in 1982, at the age of 30 — "just young enough not to be afraid," he said — he set up on his own. A lawyer he knew had become general counsel for Rooney Pace and had tossed a bit of business to the eager Mr. Bernstein.

By the mid-1980's, Rooney Pace was nearly a quarter of his growing firm's business. Did Mr. Pace's reputation worry him? "I did not really see the penny-stock world as separate from the real world," he said. "I had customers who had problems with Shearson brokers or Merrill Lynch brokers that cost them far more money than some of my cases for Rooney Pace involved."

Even after Rooney Pace closed in late 1987, Mr. Pace's friends hired Mr. Bernstein. As the 1990's opened, Bernstein & Wasserman was growing like a weed.

Those were lavish, lunatic days. Mr. Pace and his friends "lived to party," Mr. Bernstein recalled.

"They had `boys' nights out' that would go on for weeks," he added.

There were binges at elegant restaurants, junkets to lush resorts, shopping sprees at Armani, recuperative weeks at some palm-studded spa.

Occasionally, Mr. Bernstein and his wife, Debra L. Cherney, were invited along. One New Year's Eve, they joined the Paces and three other couples for a Broadway show and dinner at Nobu, a top Manhattan restaurant. Another day, Mr. Bernstein was suddenly invited to join Mr. Pace's entourage for a private-jet excursion to Atlantic City.

Through it all, Mr. Bernstein said, he still thought of himself as an ethical person who just happened to represent "a bunch of people who were scoundrels." He concedes, "My business was so completely dependent on this group of clients — I was blinded by that."

Joel M. Cohen, a former federal prosecutor who worked on cases involving Stratton Oakmont, recalls his frustration with Mr. Bernstein's myopia. "Hartley was described by insiders as a `player,' somebody who, in one way or another, understood the game, knew the rules and went along with them," he said. "He was living in denial; he really was."

Even when government pressure forced Sterling Foster to close in 1997, Mr. Bernstein still felt immune. "My impression, looking back, is that Randy Pace tried to keep me at arm's length from anything that was actually unlawful," he said, almost wistfully.

But closing one eye to Mr. Pace's unsavory past clearly affected Mr. Bernstein's depth perception. He invested in several fraudulent deals and lied about those deals to regulators. He had crossed the line.

One afternoon in September 1997, he learned that several of Mr. Pace's friends were striking deals with prosecutors and talking — about him. Shocked and frightened, he hired a lawyer, Scott A. Edelman of Milbank, Tweed, Hadley & McCloy.

Looking back now, his days in the Pace empire seem to him to have occurred a lifetime ago — one specific lifetime ago: that of his daughter, Raine. She was born on Dec. 17, 1997, shortly after her father came under investigation, and died on June 3, 2001, of what is believed to have been an asthma-related seizure.

"When all this happened with Hartley, we thought it was the end of the world," mused his wife, herself a lawyer, the family breadwinner and a loyal defender of her husband's essential decency. "But I remember thinking that day: I thought I had problems — I didn't know what a real problem was."

They are both active in bereavement support groups and still hope for a family. Mr. Bernstein, meanwhile, says he is exploring ways to turn StockPatrol into a profitable, but still lawful, venture — perhaps by expanding it into a radio program or a book.

His admirers among the enemies of penny-stock fraud say they are confident that Mr. Bernstein's redemption is genuine and that he will resist future temptations. But even they cannot explain why he can see so clearly now what he could not see for so long: the dots that add up to fraud.

http://www.rgm.com/articles/nytimes2.html

Thomas F. Quinn -

MARCH 12, 2010

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The Last of the Golden Swindlers

In his five-decade criminal career, Thomas F. Quinn has stolen an estimated $500 million. He's served minimal jail time. Now the government is getting tougher on financial fraudsters, and his luck may be about to change.

Thomas F. Quinn's alleged aliases have included Georgios Samaras, Robert Dzigi, Tasos Douros and Pele Lechien. "Chien" is French for dog and Pele was supposedly the name of a Quinn pooch.

Even in the face of authorities, Mr. Quinn remained maddeningly elusive. At one Securities and Exchange Commission session, Mr. Quinn insisted on only answering questions by blinking his eyes, says a former agency attorney who was there. After a few questions and blinks, the proceeding was halted as a pointless exercise.

During his swindling career, Mr. Quinn helped run a giant boiler-room operation out of a villa overlooking the French Riviera, had a champion racehorse and was alleged to have helped former financier Martin Frankel pull off one of history's largest insurance frauds. U.S. authorities say he stole an estimated $500 million total.

His record, which includes three SEC injunctions and two federal criminal convictions, stretches back to 1966 when regulators barred the 28-year-old Mr. Quinn from the brokerage business for peddling shares of a bogus Florida land company. In 1992, a federal judge called Mr. Quinn an "incorrigible" recidivist whose business activities "appear to be devoted exclusively to securities fraud." Yet he has served a total of only about six years in prison—with most that in France.

All of that could change now. Last November, at the age of 72, he was arrested by federal agents as he stepped off a plane from Ireland at John F. Kennedy Airport and charged with helping orchestrate a $50 million telecommunications fraud. If convicted, Mr. Quinn could face more than 20 years in prison. He has pleaded not guilty to the charges and his attorney declined to comment. Mr. Quinn is currently in

a federal prison outside of Dallas, awaiting a trial that is scheduled for February 2011.

Mr. Quinn stands as one of the few remaining members of a class of swindlers who cut their teeth during a golden age of securities fraud. In the late 1950s and early 1960s, the stock market, having weathered the Great Depression and a world war, was flying high. The Dow Jones Industrial Average, after plunging to near 40 in the 1930s, soared to nearly 1,000 by early 1966. Expanding jet travel and telecommunications allowed financial criminals to set up in distant places to cheat victims near and far.

For much of the past half-century, people like Mr. Quinn could bank on the fact that even when caught they were unlikely to draw lengthy prison stays. Judges and others in law enforcement often viewed white-collar criminals as less of a threat to society than other types of offenders. Mr. Quinn's first criminal conviction for securities fraud in a New York federal court in 1970 earned him a six-month sentence. For his 1993 U.S. conviction in a Nevada federal court for securities fraud related to the international boiler-room operation, Mr. Quinn received no additional jail time beyond what he'd already served in Europe.

Many of Mr. Quinn's generation have passed. In more than a quarter-century of stock fraud, Ramon D'Onofrio collected six criminal convictions and seven SEC injunctions but only about 12 months in prison. Even after a 1990 heart transplant, he nabbed one last conviction on fraud-related charges—and no prison sentence. He died about a decade ago.

Arnold Kimmes, who law-enforcement officials say was a longtime Quinn confederate and was believed by the California attorney general to have ties to organized crime, died in 2008 after a fraud career that dated back to the 1940s, interrupted by only a few years in prison.

But Mr. Quinn faces his latest criminal case in a legal landscape that has grown increasingly intolerant of financial fraudsters, partly due to public anger over waves of financial scandals, from the Wall Street insider-trading schemes of the 1980s to Enron Corp.'s collapse in 2001. More law-enforcement resources are going to fight fraud, penalties are tougher and judges are more willing to hand out stiff sentences. Bernard Madoff got 150 years for his epic Ponzi scheme, while former Enron President Jeffrey Skilling got a quarter-century. The appeal of Mr. Skilling's conviction was recently argued before the Supreme Court.

During decades of pursuit, authorities found Mr. Quinn to be a tough nut to crack. Mr. Quinn frequently used aliases and fake passports, say investigators. Stan Whitten, a retired SEC official who spent a good chunk of seven years chasing the swindler, was never able to nab him, or even meet him. "Tommy seemed like a guy incapable of doing something in a legal manner," he says.

He could also be charming. Chicago attorney Steven Scholes deposed him while serving as a receiver for the SEC on a Quinn-related case in 1996. During a break, a plane pulling an advertising banner flew by and Mr. Quinn volunteered to read the distant message: "Leave Tommy alone," he intoned. Mr. Scholes says he couldn't help but laugh.

"Just forget me," Mr. Quinn said when this reporter reached him briefly in 1995 by calling a residence he was using in Long Island. "I've got a lot of trouble and a lot of personal grief. I'm just trying to get on with my life. I'm not in the securities business and never will be again."

Mr. Quinn was born and raised in a working-class Brooklyn neighborhood, the only son of an Irish-American truck driver and an Italian-American housewife.

He "was the focal point of the family," says Joseph Sorrentino, a boyhood friend who remained in touch with Mr. Quinn and went on to become a prosecutor in the Los Angeles District Attorney's office. Mr. Quinn's mother supplemented the family income by running three businesses, including selling jewelry and clothing out of the garage. Mr. Sorrentino recalls that he would sleep over at the Quinn home because it was one of the few that had air conditioning.

Mr. Quinn was an A-student at his Catholic school and an altar boy. He was known around the neighborhood as the local "genius," says Mr. Sorrentino, who himself went on to Harvard Law School. As an undergraduate at St. John's University in New York, Mr. Quinn studied philosophy and from memory "would quote passages from Thomas Aquinas on ethics," his friend adds.

Still, he once stole some beer for a party by passing himself as a delivery man at a supermarket, says Mr. Sorrentino. He also says his friend once bought hot dogs for the neighborhood kids by flashing the corner of a $10 bill to the vendor—who didn't discover until too late that all Mr. Quinn had was a fragment of the bill.

Mr. Sorrentino recalls once gazing at the Empire State Building with Mr. Quinn. "I saw a tall building. Tom saw himself in a suite at the top," he says.

Several years ago, Mr. Quinn came to Los Angeles for a visit. The two took a long walk that included a stop at the home of a former Quinn employee who was suffering from a serious illness. Mr. Quinn delivered an envelope with cash for him and his family. "For friends, he was like a one-man welfare state," says Mr. Sorrentino.

Mr. Quinn didn't talk business with his prosecutor friend. Instead, they reminisced about their Brooklyn days, which "seemed like a comfort zone for him," says Mr. Sorrentino.

With a law degree from St John's, Mr. Quinn was admitted to the New York bar in 1962 and that same year became the president of a small brokerage firm, Thomas Williams and Lee, Inc.

According to a 1966 SEC court filing, he peddled as a no-risk investment the stock of a Florida land company that had little revenue or cash and listed assets that "were almost completely illusory." The injunction barred him from the securities business for "flagrant fraudulent practices."

He married and divorced a childhood sweetheart. He met his second wife, Rochelle Rothfleisch, while she was working as a hairdresser, says Mr. Sorrentino. Mr. Quinn visited her shop in connection with a venture he had selling a new kind of hair-spraying device. His two marriages produced five children.

Though Ms. Rothfleisch's name showed up on brokerage and bank account records in Quinn-related deals, she was never charged with wrongdoing. Ms. Rothfleisch died in 2004. "She said she was just signing things when Tommy asked her to," recalls one investigator who interviewed Ms. Rothfleisch. "She was just enjoying the ride."

The ride included travel, fabulous homes and even a champion racehorse named Grey Swallow—which won the Irish Derby in 2004 along with a purse of €736,000 (almost $900,000 at the time).

During the 1980s he set up shop in France, where he helped run a boiler-room stock scam in which telephone salesmen pitched largely worthless stocks to investors

around the world, authorities say. The Quinns lived in a villa called Le Mas des Roses, in the hilltop village of Mougins. The villa had a waterfall, pool and gardens along with commanding views of Cannes and the Mediterranean, according to visitors. The couple also rented an apartment in Paris on the exclusive Avenue Foch.

But his boiler-room operation attracted the attention of French authorities, who in 1988 arrested Mr. Quinn and seized records from the villa. Copies of those records, photocopies of which were viewed by The Wall Street Journal, show a man who kept extensive, tightly packed handwritten notes of cash and stock transactions with a bevy of names, some of them alleged Quinn aliases. Yet occasional signs of more mundane interests surfaced. One page shows a list of U.S. utilities with their stock prices and notation "good for capital appreciation."

In the late 1990s, Mr. Quinn's name popped up as investigators poured through the records and wreckage of the giant insurance scam headed by Mr. Frankel, who is serving a 16-year federal prison sentence for looting over $200 million from insurance companies. Mr. Quinn wasn't criminally charged in that case. But a lawsuit filed in Mississippi federal court by five state insurance commissioners alleges he helped Mr. Frankel hide his scam.

Alan Curley, a Chicago attorney representing the insurance commissioners, says that records obtained through his investigations show that Mr. Frankel wired millions of dollars to Quinn-connected accounts, including $2.9 million sent to a bank on the Pacific island of Vanuatu. Mr. Quinn's lawyer declined to comment on the suit.

Now Mr. Quinn's long career could be drawing to a close.

In the current fraud case, Mr. Quinn and confederates allegedly stole millions in 2005 from giant telecommunications companies. The defendants allegedly bought on credit ever greater amounts of phone-line capacity from the big companies, resold it and then failed to pay their telecom suppliers—a scheme known as a "bust out." The scam cost victim companies over $50 million, according to government court filings, with about $21 million in pilfered funds ping-ponged around Europe before heading to bank accounts in Beirut. Mr. Quinn helped set up and finance the scheme, prosecutors say in court filings.

Officials at the U.S. Attorney's office in Dallas, which is prosecuting Mr. Quinn, decline to discuss how they developed the case. A court filing by prosecutors shows that the government used wiretaps to gather evidence. That filing said evidence

showed that Mr. Quinn tried to cover up his role in the scheme and was linked to an attempt to pay a witness to leave the U.S. to avoid being questioned.

Court documents show that a grand jury charged Mr. Quinn last May with 12 counts of conspiracy and fraud, but the indictment was sealed for fear he would go into hiding if he learned of the charges. U.S. authorities worked with British and French authorities to apprehend Mr. Quinn, including one attempt to arrest him at the Nice airport in October.

Mr. Curley says that he had never been able to find Mr. Quinn to serve him with the lawsuit papers. With Mr. Quinn back in federal custody, the attorney finally succeeded in January.

Another old case is getting new life, too. Upon learning of his recent arrest, the SEC filed papers in Chicago federal court to enforce a 1994 judgment against Mr. Quinn related to some of his alleged stock-fraud activities for $26 million, which the agency calculates is now at $56 million with interest. The agency court filing calls him "an incorrigible securities law recidivist and career criminal."

In a court filing, lawyers for Mr. Quinn challenged that characterization. Though he "made mistakes as a younger man," Mr. Quinn is "far from a career criminal" and has "fulfilled his debts to society and then some." The filing calls the current criminal case against him "cryptic at best."

Prosecutors and Mr. Quinn are currently fighting over whether he should be allowed out on bail. A filing by Mr. Quinn's attorneys argue that he has serious medical conditions, including melanoma and heart problems, that require care outside of prison. The filing also shows that relatives and friends have offered to pledge property towards a $5 million bond, giving "adequate assurance that Quinn will not flee."

Prosecutors contend that Mr. Quinn is a "serious flight risk." One government court filing estimated he has "likely pocketed" over $500 million in his "sordid history of perpetrating fraud scheme after fraud scheme against citizens of this country and Europe."

Mr. Quinn is believed to have properties in four countries and multiple bank accounts, the government said. While federal agents took two passports from him, Mr. Quinn could be in possession of others, said a government filing. In the months

before his arrest, prosecutors said Mr. Quinn had made trips to Turkey, the Maldives and the United Arab Emirates, which does not have an extradition treaty with the U.S. "Quinn is well-informed of countries having extradition treaties with the United States," said one filing.

http://online.wsj.com/article/SB10001424052748704187204575101863502272290.html

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D.H. Blair & Co. Indicted for Racketeering -

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Two years after D.H. Blair & Co. ceased operations, a New York grand jury indicted the retail brokerage firm and several of its executives and employees on racketeering charges, prosecutors said Thursday.

The executives, including Kenton Wood, the firm's chairman, and Alan Stahler and Kalman Renov, its vice chairmen, face up to 25 years in state prison if they are convicted on the felony charges.

The indictment also names 12 other D.H. Blair employees including Vito Capotorto, the firm's head trader, and Alfred Palagonia, the top-producing broker.

The 173-count indictment charges that the firm defrauded its own customers, other investors, other brokerage firms and securities regulators from 1989 through 1998. The charges include manipulating the prices of IPOs and engaging in illegal sales tactics, including dodging customers' orders to sell stocks.

Prosecutors noted that more than 50,000 customers invested with the firm and that it made "large profits," but they said the extent of customers' losses was unknown.

All defendants surrendered and pleaded not guilty Thursday afternoon.

"D.H. Blair & Co. and its executives are innocent of these charges, absolutely deny that they engaged in any criminal activity whatsoever and anticipate their ultimate vindication," said Andrew M. Lawler, a lawyer for the firm and its executives. "The indictment is erroneously based on novel theories of securities law which we believe

cannot be the basis for criminal charges."

Each defendant was also charged with securities fraud and scheme to defraud in the first degree. Both charges are felonies punishable by up to four years in state prison, but convictions on the racketeering charges would control the sentencing, prosecutors said.

J. Morton Davis, who joined Blair in 1961 and bought a majority stake seven years later, was not named in the indictments. Davis gave the retail brokerage arm of the company to his family in 1992, retaining control of the investment banking division, D.H. Blair Investment Banking, which continues to operate today. Stahler and Renov are his sons-in-law. Davis did not return calls for comment.

The indictments also accused some Blair employees of falsifying business records, suppressing complaints and giving false testimony. Brokers at D.H. Blair obtained boxes of computer printouts owned by the firm Salomon Smith Barney and containing the names of more than 10,000 of its customers, said Daniel J. Castelman, chief of the investigation division for the Manhattan District Attorney. Brokers from D.H. Blair cold-called many of the people named on the list, he said.

Castelman said Salomon Smith Barney is not involved in the investigation "except as the victim of a theft."

Duncan King, a spokesman for Salomon Smith Barney, declined to comment.

It was unclear whether investors could expect any restitution beyond $2.4 million obtained by NASD Regulation in 1998.

Castelman said in a telephone interview that restitution could be included in a plea agreement, or a judge could order it as part of a conviction.

"It is the policy of this office to try to return criminal proceeds to the victim," he said.

"It's clear to us that they have substantial assets," he said, referring to the defendants. "Some were making more than $1 million a year."

Prosecutors said they built a case from leads obtained in an investigation of A.R. Baron, a penny-stock brokerage firm that filed for bankruptcy protection in 1996.

Andrew Bressman, a top-producing broker at D.H. Blair, left the firm in 1992 to found Baron with a group of former Blair brokers. In 1997, he pleaded guilty to one count of enterprise corruption and one count of grand larceny, agreeing to cooperate with the district attorney. He has not yet been sentenced.

In 1997, the New York Stock Exchange censured Blair and fined it $250,000, alleging the firm did not take proper steps to prevent misconduct by its brokers. Later, the National Association of Securities Dealers censured the firm and fined it $4.3 million for allegedly overcharging retail investors. Concurrent with that action, Wood and Capotorto paid a combined $525,000 in fines, neither admitting nor denying wrongdoing. In 1998, Blair set up a $2.25 million restitution fund after settling state investigators' charges of abusive sales practices.

http://www.thestreet.com/brknews/brokerages/1018776.html

CHAPTER 5

The Miscreants' Global Bust-Out (Chapter 5): The Russians, their Friends, and Bernie Madoff's Bear Markets

13 May 2011 by Mark Mitchell

Tags: Bernard Madoff, Boris Berezovsky, BrokerKreditServis, economic warfare, Evraz, Felix Sater, Financial Terrorism, Litvinenko, Mahfouz, Man Financial, Man Group, MF Global, Michael Milken, Orange Diviner, polonium, Roman Abramovich, Rusal, SAC Capital, Semion Mogilevich, Steve Cohen, Tuco Trading, Vladimir Putin

This is Chapter 5 of a multi-chapter story…

As Bernie Madoff's former secretary noted in an article that she wrote for Vanity Fair magazine, right before Madoff turned himself over to the FBI, he made a point of flying to Switzerland to meet with Marc Rich. In fact, Marc Rich, the fellow who had been indicted for trading with Iran, was the last person Madoff met before going to jail.

Madoff and Rich would have had much to discuss. They had done business together for decades, going back to the time in the 1980s when Rich and a man named Edmund Safra were among the most important Western business partners of the regimes in Iran and Russia. Safra first came to fame in the Iran-Contra affair, which saw him selling his contacts with the Iranian regime to the Israelis, and he later became a billionaire due largely to the business he conducted with Marc Rich in Russia.

In the 1990s, Safra controlled the Republic National Bank and countless other financial entities that were heavily focused on Russia. And much of the business that Safra and Rich conducted in Russia was done with the people who were the real power in Russia, the people who make Russia's foreign policy and direct its economic activities. Safra has been widely credited with having been among the small clique of billionaires who orchestrated the 1999 rise to power of Russian president (now prime minister) Vladimir Putin.

That clique was led by two Russian oligarchs, Boris Berezovsky and Roman Abramovich. At the time, Berezovsky was the most powerful man in Russia, famously named the "Godfather of the Kremlin" by Forbes journalist Paul Klebnikov, who authored a book by that name and was then murdered on the street outside his Moscow offices.

In 1999, Abramovich was relatively obscure, but he was an important business partner for Berezovsky. The two men effective co-managed a single business empire. They were, as we will see, also involved in various ventures with the Russian Mafia kingpin Semion Mogilevich. Abramovich, like Mogilevich, earned billions siphoning money (with the apparent consent of Vladimir Putin) from the Russian state oil firm, Gazprom.

It should be understood that Gazprom is much more than an oil company. It is one

of the most important instruments of state power in Russia, a key tool of Putin's foreign policy and the source of cash that Putin uses to cement relationships between himself and shady businessmen, most notably Abramovich and Mogilevich.

Moscow police arrested Mogilevich in 2008, and some interpreted this as a sign that President Dmitry Medvedev was asserting his power by taking on the friends of Prime Minister Putin. More likely, the arrest was meant to placate the United States, which, after all, had Mogilevich as #2 on its Most Wanted list. Either way, Mogilevich was quickly released, with the Russian Interior Minister announcing that the charges against the world's most notorious Mafia boss were "not of a particularly grave nature."

As of 2011, reports from Moscow suggest that Mogilevich may face no charges whatsoever. This was not a surprise, given Mogilevich's importance to the Russian government. As I mentioned, Mogilevich was implicated in massive money laundering scheme that saw more than $7 billion laundered through the Bank of New York. Much of that money was said by prosecutors to have been filched by Russian government officials, including president Boris Yeltsin, who had just named Vladimir Putin as his successor thanks in large part to the support of Abramovich, Berezovsky, and quite likely, Mogilevich.

More recently, U.S. diplomatic cables obtained by Wikileaks in 2010 reinforced the statements (which I quoted at the outset of this story) of National Intelligence Director Admiral Blair that the Russian government and organized crime outfits (the most prominent of which is the Mogilevich organization) are closely intertwined.

As one cable from the U.S. embassy in Moscow noted, the Russian government "operates more as a kleptocracy than a government. Criminal elements enjoy a 'kryshna' (a term from the criminal/mafia world literally meaning roof or protection) that runs through the police [and] the Federal Security Service [Russia's spy agency]…"

Until his death, Edmund Safra was clearly part of this nexus. His Republic National Bank was among those that were implicated (though never charged) in the Russian Mafia and money laundering scandal that focused on the Bank of New York. Soon after that scandal became big news in 1999, two masked men arrived at Safra's home in Monaco, locked him in a bathroom, lit the place on fire, and left Safra to die a terrible death from smoke inhalation.

That murder has never been solved, but one theory is that it was part of the Russian government's effort to cover up a money laundering and stock manipulation network that was, in fact, much bigger than the Bank of New York scandal that broke in 1999. As we will see in an upcoming chapter, that theory is correct.

Many of the people involved were among Michael Milken's closest associates. Two of these associates were Bruce Rappaport and Abbas Gokal, owners of Inter Maritime Bank, which became the Bank of New York affiliate most responsible for building ties to Russia.

Gokal, you will recall, was also a key BCCI figure, closely linked to Pakistan's spy services and tied up in the Iran-Contra scandal. Later, Gokal (in addition to being an official advisor to the regime in Iran) would also be implicated in assisting Pakistan's nuclear weapons proliferation, including the transfer of nuclear weapons expertise to Iran.

One of the Russian oligarchs whom Gokal and Rappaport introduced to Bank of New York was Mikhail Fridman, head of Alfa Bank, who is a close associate of Abramovich and Mogilevich. Currently, Fridman and Alfa Bank are the principal financiers of Iran's Buhsher nuclear facility, which is widely believed to be part of Iran's efforts to obtain nuclear weapons. In 1999, Fridman, like Safra, was among the small clique of billionaires (led by Berezovsky and Abramovich) who orchestrated Vladimir Putin's rise to power.

After the Bank of New York scandal hit the front pages in 1999, Berezovsky purportedly had a falling out with Putin and went into "exile" in London. Some Russian journalists, noting that Putin has met with Berezovsky since then, argue that the falling out was not real – that it was yet another example of the smoke and mirrors that Putin uses to conceal the nature of his relationships. Aside from the meetings, there is no strong evidence to support this theory, but anything is possible when it comes to the affairs of Russia.

Whatever the case, Berezovsky and Abramovich split up their business empire in 1999 in a deal that is still being mediated by Abu Dhabi royal Sheikh Sultan bin Khalifa al Nahyan (he of the same family that co-founded BCCI). That same year, Putin's government charged Berezovsky with various crimes, and Berezovsky emerged as the leading figure in "the London Circle", a strange group of Russian exiles that seems to be opposed to Putin's regime.

Abramovich remained in Russia, and is now perhaps that nation's most powerful man. He is Russia's fourth richest oligarch, having earned billions not only from siphoning money from the Russian state oil company, Gazprom, but also from companies that are involved in everything from financial services to radioactive isotopes. And he maintains a private army of at least 100 former KGB operatives and mercenaries.

Such private armies are not mere security companies; they are the bonds that tie oligarchs like Abramovich to the siloveki – the former KGB operatives and current spies who feature prominently in Putin's government. Putin himself is a former KGB operative, and before becoming president, he was the head of the KGB's successor outfit, the FSB.

People like Mogilevich and Abramovich should be viewed as being part of the intelligence apparatus that controls Russia. Indeed, Russian commentators note that Putin and Abramovich have something approximating a father-son relationship, with there being some dispute as to which man is the father figure.

In 2010, I began to take an interest in Abramovich because he seemed to be tied to a network of brokerages in the United States, including the criminal operation run by Bernard Madoff, and also, Tuco Trading, the little, unregistered brokerage that employed the jihadi Zuhair Karam (whom I introduced at the outset of this story). Indeed, I had taken such a close interest that I was beginning to wonder whether someone was going to put radioactive polonium in my tea.

Of course, I joke – that seemed unlikely, but there was the odd case of a former KGB operative named Alexander Litvinenko, who had been an employee of Berezovsky and a member of the London Circle. In 2006, Litvinenko was making what seemed like outrageous claims about Putin, stating, for example, that Putin's government had extensive contacts with Al Qaeda.

Putin's government responded that it was, in fact, Litvinenko and Berezovsky who were funding jihadis, including the same Al Qaeda-tied Chechen terrorists who had, in 2004, taken hostage hundreds of children (many of whom were subsequently killed when Russian forces attacked the hostage-takers) at a school in the Russian city of Beslam.

Litvinenko, in turn, said that the Russian intelligence services had orchestrated the "Chechen" terrorist attacks as part of an effort to enhance Putin's power, the theory

being that the Russian people would embrace a strongman like Putin if they believed their children were being killed by Chechens. Litvinenko's claims were echoed by Russia's most prominent journalist, Anna Politkovskaya, who was promptly murdered in the elevator of her apartment building.

Since then, it has been concluded even by the Russian courts that the Russian intelligence services did stage at least one Chechen "terrorist attack", a bombing that killed an unspecified number of people and collapsed a bridge. The FSB says that it was merely a training exercise to prepare Russia's intelligence operatives for real Chechen attacks. As for the other attacks, the evidence remains circumstantial, and the truth may never be known.

Whatever the truth, though, Litvinenko (who was on close terms with Chechen nationalists) claimed again in 2006 that he had evidence that the Russian government had developed a working relationship with Al Qaeda. Soon before he was to release this evidence (or, at any rate, soon before the date on which he claimed he was going to release this evidence) Litvinenko was poisoned by radioactive substance called polonium-210, which had apparently been dropped in his tea. Two weeks later, in November 2006, Litvinenko was dead.

Berezovsky's spokesman said the murder was the work of Putin's thugs. Others said it was the work of Abramovich. Moscow newspapers aligned with Putin duly accused Berezovsky of orchestrating the radioactive polonium attack as part of a conspiracy to discredit the Russian government. Still others said that Litvinenko had been trying to blackmail some powerful business people in Moscow and was killed as a result. Meanwhile, the Russian government claimed that Litvinenko was building a nuclear bomb for Al Qaeda and accidentally poisoned himself with the polonium.

None of these theories have been supported by solid proof. Such are the mysteries of present day Russia. But even more concerning than the murder itself is the fact that the murderers were able to easily smuggle polonium 210 into Britain, suggesting that this substance could quite easily get into the hands of people such as "Specially Designated Global Terrorist" Yasin al Qadi (Osama bin Laden's favorite financier), Al Qaeda Golden Chain member Sheikh Mahfouz, and all the jihadis who not only supported outfits such as Benevolence International (which was in contact with people shopping for nukes) but also have close business relationships with leading Russians, including Abramovich and Berezovsky.

In 2003, the Nuclear Regulatory Commission issued a lengthy report on the real

possibility that terrorists could deploy “dirty bombs” made of radioactive material. The report listed polonium 210 (the substance used to kill Litvinenko) as one of the 10 radioactive materials of “greatest concern”. A dirty bomb would not be nearly as lethal as a full-fledged nuclear device, but one dirty bomb could contaminate much of lower Manhattan with cancer-causing radiation and precipitate wide-spread panic, with millions of people fleeing major cities.

A dirty bomb coupled with an effective attack on the financial markets could potentially bring the United States to its knees.

This is why I think it is generally a good idea to be on the lookout for people who are in any way mixed up with both radioactive polonium poisonings and unregistered little brokerages, like Tuco Trading, which transacted manipulative trading equal to twenty percent of the volume of the biggest brokerage on the planet. And this is why I kept telephoning Zuhair Karam, the jihadi who worked for Tuco Trading

I really did believe Zuhair when he said he was “just one of the little guys” but I figured he knew something about the big guys who were trading through Tuco in the month before the collapse of Bear Stearns in 2008. I also suspected that this trading might have been connected to trading through a larger network of brokerages that included not just Madoff’s crooked operation, but also ostensibly upstanding outfits like Credit Suisse, the giant investment bank.

In fact, the New York district attorney’s ongoing investigation of Assa Corporation seems to overlap with a current Justice Department investigation focused on Credit Suisse. The Assa Corporation, recall, is the Iranian espionage and business outfit indicted in 2009 for funding Iran’s nuclear program. It was a unit of the Alavi Foundation, which owned the building that had housed the offices of Ivan Boesky and Marc Rich. The Iranian agents who ran Alavi and Assa Corp., we know, took their orders from diplomats working out of Iran’s mission to the United Nations in New York.

The misdeeds of Credit Suisse could fill several books, but for our purposes, it is enough to know that the bank had several key relationships. One was with Bernard Madoff. Credit Suisse’s raised at least $1 billion for Madoff’s scam (the bank denies that it did so knowingly). Meanwhile, Credit Suisse’s most important client was Leon Black (the Milken crony whose father fell through a plate glass window in the Pan Am building). The relationship between Black and Credit Suisse is, to this day, so close that Black has played a role in deciding which executives should run its key

departments.

Credit Suisse's other key relationship is with the regime in Iran. Indeed, it is fair to say that the Islamic Republic has had few better friends than the executives of Credit Suisse. In December 2009, Credit Suisse was fined $536 million, or around 10 percent of the bank's profits for that year, for deliberately helping Iranian banks, including Bank Melli and Bank Saderat, hide their identities and conduct secret transactions valued at more than $1 billion. Amazingly, however, no Credit Suisse executives faced criminal charges.

It is amazing because Credit Suisse's executives conducted these secret transactions for Iran knowing full well that they were transferring the $1 billion directly to the Atomic Energy Organization of Iran and the Aerospace Industries Organization, the Iranian government entities responsible for the regime's covert production of nuclear weapons and long-range missiles.

According to the U.S. Treasury Department, while Credit Suisse was helping to finance Iran's nuclear weapons program, the bank was also using code names to conceal securities trading though other brokerages on behalf of financial firms in Sudan and Libya. A former employee of the Manhattan district attorney's office (who now runs a private intelligence firm that specializes in tracking suspicious financial transactions) suspects that the Libya and Sudan trading was tied to similar trading originating out of Iran and involving executives of the Alavi Foundation and the Assa Corporation, the Islamic Republic's espionage and business operations in New York.

So far, the Justice Department has not described the nature of that trading, nor has it revealed the names of the Credit Suisse employees and the other brokerages involved. But when I called Zuhair Karam of Tuco Trading, I knew that his family was on close terms with Palestinian Islamic Jihad leader Sami al Arian, the fellow who was, like the Assa Corp, taking directions from Iranian operatives working out of the UN headquarters in New York. I also had received a tip that much of the massive volume that went through Tuco in 2008 was tied to a certain Iranian fellow was an associate of the Palestinian Islamic Jihad leadership and Iran's Revolutionary Guard.

I figured Zuhair could tell me more about this, but he was not cooperative. Not yet, anyway. At this stage in 2010, I knew only that the report by Tuco's bankruptcy receiver stated that 2,000 anonymous accounts in China and one other account had traded 2 billion shares through Tuco in the month before the March, 2008 collapse

of Bear Stearns.

In fact, Tuco certainly traded far more shares than that, but the receiver's report only mentioned the trading out of the 2,000 anonymous accounts in China and that one other account. In any case, those 2 billion shares alone were, I must stress, equal to around 20 percent of the volume of the largest brokerage on the planet.

I knew that the people behind those anonymous accounts were not Chinese, and I suspected that Zuhair Karam could tell me more about the people who were behind the accounts. But, as I say, Zuhair was not initially cooperative. Only later would he provide the confirmation I needed to know the full story.

But while Zuhair was still refusing to cooperate, I had begun a discussion with another person tied to Tuco, a trader in Moscow by the name of Alexey Ivin, who, along with several other Russian traders, held an account at Tuco called "Orange Diviner." We do not know how many shares were traded through this account because Tuco's bankruptcy receiver had a stroke before he could finish his report, but Orange Diviner was interesting on many levels.

For starters, it seemed surprising to me that Tuco, an obscure, little brokerage in Chicago that had not even bothered to register with the authorities, had attained such international prominence . When Orange Diviner came on board at the beginning of 2008, Tuco had been in business for only a few months. And the international attention that Tuco had received was by no means insignificant. The Orange Diviner group was comprised of some seriously heavy players, most of whom appeared to be top henchmen of either Roman Abramovich (Putin's right-hand man) or Semion Mogilevich (the Russian Mafia kingpin).

One of the "Orange Diviner" Tuco traders was named Sergey Maksimov, and according to a man familiar with Orange Diviner, this was the same Sergey Maksimov (sometimes spelled "Sergei Maximov") who worked at a high level for Semion Mogilevich at an outfit called YBM Magnex, which was a massive stock fraud and one of the big reasons why Mogilevich ended up in second place on the FBI's Most Wanted list, just below Osama Bin Laden. YBM Magnex was tied to the larger stock manipulation and money laundering network that was identified after the Bank of New York scandal became public.

An FBI report from 1999 (since declassified) noted that Czech authorities had reported that Sergey Maksimov was dead, the victim of an execution-style murder.

However, he is alive and well. With help from Russian journalists and an organized crime expert in Boston who has provided assistance to the Deep Capture investigation, we located him in Ukraine, where he now runs a big financial institution called VAB Bank.

I couldn't get in touch with Mr. Maksimov, but Alexey Ivin agreed to answer my questions about Tuco and Orange Diviner with the stipulation that his answers would be translated into English by his girlfriend. His answers – well, to summarize, he said everything at Tuco was on the up and up, so far as he knew.

Later, I sent Mr. Ivin an email with the following question: "I notice that other people in Orange Diviner [all of whom had accounts at Tuco] include Sergey Maksimov of VAB Bank, Sergey Pavlov of EvrazRuda, and Evgeny Potapov, formerly of Evrazruda, and Alesandr Romanov of Evraz Group. A few others — altogether an impressive group. How did you all come together to form Orange Diviner?"

Mr. Ivin responded, "sergey maksimov – he was my friend who invite my person from orange-diviner and he is my partner of business. sergey pavlov and evgeny potapov – they was investors in orange-diviner. romanov was just a student. other people—was just students too, they don't have enough experience in trading business."

I couldn't think of any clever way to get more information out of Mr. Ivin, and though it seemed that he was lying about the students, I felt like he might be willing to help me, so I asked him rather bluntly, "Since Sergey Maksimov previously worked with Semion Mogilevich, do you think you could help me learn more about Mogilevich and mafia involvement in U.S. markets. I know this would be risky for you, but it would be a good deed…"

Mr. Ivin replied, "Maksimov never was work with Mogilevich, and we (maksimov and i) don't know this man…I don't know what you toking [sic] about". When I wrote back to Mr. Ivin, noting that he had not disputed that Maksimov worked for VAB Bank, and the Maksimov who worked for VAB was definitely the same Maksimov who worked for Mogilevich, Mr. Ivin replied that the Maksimov in Orange Diviner did not work for VAB Bank after all. Then Mr. Ivin sent me an email that said, "Sergey Mikhaylov, Timofeyev's heir to the leadership of Orekhovskaya, Igor "Max" Maksimov, was killed in February…"

I do not know what that was supposed to mean, and to make a long story short, I

never did get to the bottom of this. But I'll go out on a limb, and say that since Mr. Ivin did not initially dispute that Maksimov worked for VAB Bank, and since I am certain that Maksimov at VAB is the same guy who worked for Mogilevich, and since Mr. Ivin refused to tell me where his Maksimov currently worked (if not at VAB), it is likely the case that the Maksimov who co-founded Orange Diviner was, indeed, a top Russian Mafia boss with links to the Russian government.

As I continued to ask questions about the other members of Orange Diviner, Mr. Ivin became even less communicative, saying at one point that he had never heard of a fellow, Alexandr Lyssenko, who was listed clearly in Tuco's account books as being a member of Orange Diviner. When I followed up with questions stating that the other members of Orange Diviner were not students, but had, in fact, worked at high levels for Roman Abramovich's most important companies, including the Evraz Group, Mr. Ivin did not deny it. Rather, he answered vaguely, "I don't know about cooperation between [Orange Diviner] and Evraz."

In fact, one of the Orange Diviner traders at this obscure, unregistered brokerage in Chicago was the Moscow-based Evgeny Potapov. He had been president of Abramovich's Evraz Group. That is, he was the top-henchman to Russian prime minister Vladimir Putin's right-hand man, Roman Abramovich (the fellow who is like a father to Putin). Potapov has also served as a board member and head of overseas assets for the giant Russian metals concern Norilsk Nickel.

In that capacity, Potapov had Norlisk launch a program in 2007 with the Russian foreign ministry to combat terrorism and organized crime. That a metals company suspected of having ties to the Mafia and to jihadis (who use Russian metals like they use diamonds – as currency) is directing the Russian foreign ministry's battle against organized crime and terrorism should give you an idea of how things work in Russia.

Another member of Orange Diviner, Alesandr Romanov, had been the director of transportation at Abramovich's Evraz Group. Meanwhile, Orange Diviner member Sergey Pavlov had been both head of investment planning at Evraz, and head of investments at Rusal, another big company then owned by Abramovich.

As for Alexandr Lyssenko, the fellow whose name did not ring a bell with Mr. Ivin – he was working for Alfa Group, the outfit run by Mikhail Fridman. Alfa is best known for having helped Iraq skirt UN sanctions during the reign of Saddam Hussein. But, as I mentioned, Fridman, a close associate of Abramovich and Mogilevich, is also the

principal financier and developer of Iran's Bushehr nuclear power plant, the facility that has much of the Western world in hysterics because it is assumed to be a front for the Islamic Republic's secret efforts to acquire nuclear bombs in preparation for the coming of the Hidden Imam.

Yet another member of the Orange Diviner Tuco Trading group was Evgeny Chernov, who was working for ITP Rus AG, a company that has been linked to Gazprom scandals. Mr. Chernov also served for some time as Russia's deputy trade representative in Armenia. Then there was Orange Diviner member Maxim Mishin, who was working for MDM Group, a company that was implicated in the scandal that saw Mogilevich and the Russian government manipulating the markets and laundering money through the Bank of New York.

As for Mr. Ivin himself, he works as the "head of international" for BrokerKreditServis (BKS, sometimes called BCS), a Moscow brokerage that is a joint venture with Russia's state development bank, Vnesheconombank, or VEB. According to the Heritage Foundation, a respected think tank, VEB is an instrument of Russia's intelligence services. BKS's chief operating officer, Dmitry Peshnev Podolskiy was formerly the head of the above-mentioned Alfa Group, Iran's favorite nuclear proliferator.

All in all, this was an interesting group of "day traders" – traders who should be watched closely, especially given that they were, in 2008, availing themselves of the services of this strange brokerage in Chicago, Tuco Trading. Since Tuco Trading was shut down by an "Emergency Order" of the SEC soon after the Orange Diviner account was set up, it is possible that the account did not have a chance to conduct much trading through Tuco.

But, as we will see, there is good reason to believe that it might have done so, and even better reason to believe that these same people transacted large volumes through Tuco's partner brokerages, which were not shut down by the SEC.

In any case, we have to wonder why a group of illustrious Russians who sat at the nexus of the Russian Mafia-intelligence apparatus (an apparatus that also happens to have extensive ties to Iran) was involved with this obscure brokerage in Chicago.

So, yes, in the Fall of 2010, I found this odd, and I turned my attention back to trying to figure out who was behind those anonymous accounts in China. I was intrigued by the tip I had received that it was an Iranian with ties to the Revolutionary Guard, but

it would be another couple months before Zuhair Karam would help me confirm the identity of this Iranian, and his ties to the Russian Mafia.

Meanwhile, I learned more about Bernie Madoff's criminal operation, and it was beginning to look a lot like a massive market manipulation enterprise that catered to Russian oligarchs, the Mafia, and other people who are likely hostile to the United States.

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In December, 2008, shortly after Bernard Madoff went to lengths to pay one last visit to Marc Rich (friend of Iran) then turned himself in to the FBI, a Frenchman named Thiery Magon de la Villehuchet was found dead in his Manhattan office, Xanax on the desk, his wrists slit open, blood drained into a carefully placed garbage can. The police ruled it a suicide.

Monsieur de la Villehuchet has been described in the press as a "victim" of Bernard Madoff's famous Ponzi scheme. In other words, he put a lot of money into Madoff's hedge fund, lost all that money, and couldn't take the stress. As matter of honor, he killed himself, and did so with such composure that he thought to position that garbage can so nobody would have to clean up after him.

A few months after Monsieur de la Villehuchet's death, another maned named Jeffrey Picower was found dead, floating in the swimming pool at his Palm Beach mansion. They said it was a heart attack. The press reported that Picower was another "victim" of the Madoff Ponzi scheme.

Meanwhile, the press continued to report that while Madoff's Ponzi scheme was a colossal fraud, his giant brokerage and market making operation was legitimate. After all, Bernard Madoff was a "prominent" businessman. For a time, he had been the chairman of the Nasdaq stock exchange, and he even roamed the halls of the SEC, which invited him to help it write some of its rules governing brokerages and hedge funds. Surely, Madoff's rise to "prominence" suggested that his best-known business, the brokerage, was on the up and up.

This recalls Mark Twain's observation that "it has become a sarcastic proverb that a thing must be true if you saw it in a newspaper." Indeed, as Twain saw it, the fact that people believed what they read in the newspapers was evidence that civilization was in decline. I think it is fair to say that civilization has, indeed, taken a

beating since the time of Twain, and unless the media gets its act together, things will only become worse.

The truth is, Picower and Monsieur de la Villehuchet were not victims – they were perpetrators. As we now know from multiple lawsuits that have been filed against the Madoff estate, Picower alone personally pocketed more than $5 billion from the Madoff Ponzi fraud. Monsieur de la Villehuchet and Marc Rich also profited from Madoff's criminal operation.

What these men had in common was that they were, of course, among Michael Milken's closest associates. Monsieur de la Villehuchet had co-founded Apollo Management with Leon Black, the fellow who had helped Milken run Drexel, Burnham. This is the same Leon Black whose fund is now in business with Felix Sater, the Russian Mafia boss who seems to have sold weapons to Al Qaeda, and which employs Lance Milken (Michael Milken's son).

While he was selling weapons to Al Qaeda, Felix also tried to broker a deal whereby the U.S. investment bank Salomon Brothers would be bought by Felix's friend Boris Berezovsky (then still the "Godfather of the Kremlin" and Roman Abramovich's key business partner). Nothing came of the Salomon deal, but Felix's partner Salvatore Lauria says the deal almost closed, and Felix has not disputed Salvatore's account.

Mr. Picower, the fellow found floating in his swimming pool, had formerly been the largest investor in the arbitrage fund run by Milken's famous criminal co-conspirator, Ivan Boesky, who, with Marc Rich, had been among the biggest investors in the fund run by Michael Steinhardt (son of the "biggest Mafia fence in America"). Boesky and Rich, recall, also both worked out of the offices owned by the Alavi Foundation, the Iranian espionage outfit.

After Boesky was released from prison in the 1990s, he headed to Moscow and hooked up with Berezovsky, Abramovich and members of the Mogilevich organization.

Sources close to Felix Sater tell Deep Capture that as of 2008, Boesky, Felix and other Russian Mafia characters to be introduced shortly had become the key clients of an offshore hedge fund called Lines Overseas Management. Lines Overseas, meanwhile, was a key feeder to the Madoff criminal operation.

Another key client of Lines Overseas Management was Ali Nazerali, the fellow who

once worked at a high-level for the Gokal family (tied to the Iranian regime and Pakistani intelligence). This is the same fellow who ran the BCCI outfit First Commerce Securities with his relatives, one being the BCCI treasurer who set up the Capcom Saudi intelligence outfit that manipulated the U.S. markets in the 1980s with help from Michael Milken.

Another key Lines Overseas client, introduced by Nazerali, was Christopher Metsos, who was a Russian spy. In 2010, the FBI arrested Metsos along with nine other Russian spies, all of whom were charged with espionage and deported back to Moscow.

I realize that at this stage in the story, the mention of Russian spies, Milken cronies, the Mafia, and BCCI in the same breath will seem a bit nutty. But read on, and you will see that such relationships are by no means unusual or incidental.

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Another person who helped perpetrate Madoff's fraud was Ezra Merkin, who fed billions into the Ponzi scheme while concurrently running Cerberus Capital, the hedge fund founded by Stephen Feinberg, who had formerly been one of Michael Milken's top employees at Drexel Burnham before being reassigned to work with Felix Sater at Gruntal.

We also know that other big Madoff feeders included "made" members of the Mafia, such as Ralph Mafrici (perpetrator of "The Barbershop Hit"), who had a joint account with Madoff's hedge fund in the name of Eleanor Cardile, a relative of Madoff's right hand man, Frank DiPascali.

Meanwhile, one of the biggest feeders to the Madoff fraud was Bank Medici, an outfit in Austria that catered mostly to shady characters tied to Russian prime minister Vladimir Putin. One of Bank Medici's big clients – and a likely participant in the larger Madoff operation – was Roman Abramovich (the guy whose relationship with Putin is like that of a "son" or a "father", depending on whom you ask; the same guy whose top henchmen, along with some Mogilevich henchman, had those odd accounts at Tuco Trading).

After Madoff's fraud was exposed, and Bank Medici was implicated in the fraud, its founder, Sonja Kohn, disappeared. The Wall Street Journal speculated that she feared being killed by her Russian clients, who had lost money in Madoff's Ponzi

scheme. The speculation, however, was false. Ms. Kohn might well have been targeted for assassination, if only because she knew a great deal about Madoff's larger operation, but her Russian clients did not lose a dime in the Ponzi scheme. Nor did Sonja Kohn herself.

According to the Secretary of the Commonwealth of Massachusetts, in fact, Ms. Kohn and Bank Medici were receiving large payments from an outfit called Cohmad Securities, which was a unit of Madoff's brokerage.

That is an extremely important piece of information. It is one of several pieces of information that show that the Madoff's brokerage was tied into the criminal activities of Madoff's Ponzi scheme.

Cohmad Securities was co-owned by Madoff partner Robert Jaffe, and played an instrumental role in managing Madoff's brokerage services. According to the Boston Globe, Jaffe was a once a key money manager for the Angiulo Brothers, who were then the bosses of the Genovese Mafia family in Boston.

The other key figure in the Madoff brokerage was Genovese Mafia capo Ralph Mafrici's pal, Frank DiPascali, who seems to have been a point man for Madoff's larger criminal operation.

Jaffe also helped raise money for the Ponzi scheme. And, importantly, it is clear that a lot of the money from the Ponzi was used to finance the operations of Madoff's brokerage. By piecing together numbers cited in just a few lawsuits, it seems that at least $1 billion was diverted from the Ponzi to Madoff's brokerage. And since I haven't come close to getting through all the paperwork that has emerged from the Madoff case, it seems fair to assume that the figure might well be, in fact, much larger than $1 billion.

Why would Madoff transfer money from his fund to his brokerage? One hypothesis is that some of the Ponzi's feeders (i.e. the people whom I have just named and their clients) wanted Madoff's brokerage to engage in manipulative naked short selling, generating phantom stock to drive down the markets.

Indeed, an off-shore businessman who has seen some of Madoff's records says that Madoff's investment fund (his Ponzi) would place orders for stock, and these orders would be filled by Madoff's market making operation (his brokerage), which would sell the stock to the "buyer" without first purchasing or borrowing it, thereby

creating phantom supply.

Such naked short selling, though, creates large liabilities in the form of "securities sold but not yet delivered." The fraud that brought down the giant brokerage, Refco, in 2005, saw Refco CEO Santo Maggio hide precisely the same sorts of naked short selling liabilities with help from an Austrian Bank called BAWAG (another operation tied to Roman Abramovich, the Mogilevich organization, and other Milken cronies whom we will meet in an upcoming chapter).

Just as Refco tried to hide its naked short liabilities with help from the Austrian bank BAWAG, so too did Madoff, most likely with help from Bank Medici, which was receiving payments from Cohmad, a key component of the Madoff brokerage.

There are several other reasons to believe that the $1 billion or more that was transferred from the Madoff Ponzi to the Madoff brokerage was used to cover up naked short selling liabilities.

One reason is that Madoff's "stock loan" department (as Madoff's former secretary has testified) was housed on the same floor of the Lipstick building as his Ponzi fund. Multiple former employees of the Madoff operation have said that visitors were prohibited from visiting that floor, precisely because it was the center of Madoff's criminal enterprise. And "stock loan" – i.e. the brokerage function that was responsible for borrowing (or, in the criminal scenario, not borrowing) stock for (naked) short sellers — would have been key to any phantom stock scheme perpetrated in league with the Ponzi.

As confirmation that Madoff's brokerage was a criminal outfit dependent on the Ponzi, we need only know that Daniel Bonventre, the brokerage's director of operations, was charged in February 2010 with helping to ensure that "more than $750 million of [the Ponzi] investor fund were used to support [Madoff's] market making [i.e. brokerage] and proprietary trading operations, but were accounted…so as to conceal the true source of the funds." And Bonventre's chief function at Madoff's operation was, according to his indictment, to supervise "settlement and clearing of trades executed by the market making and proprietary trading operations."

In other words, the guy who secretly transferred a lot of the "Ponzi" cash to the brokerage seemed to be doing so specifically to cover "settlement and clearing" – i.e. to hide the fact that stock was not "settling and clearing" because it was stock

that had been sold “naked.” That is, it was stock that had been sold even though Madoff and his clients had not purchased or borrowed any stock to sell. It was phantom supply, meant to manipulate (and perhaps even crash) the markets.

No doubt, it was not a coincidence that Madoff had long courted the SEC and had even managed to wangle himself into the position of actually writing some of the SEC’s most important rules governing short selling. Indeed, SEC officials named one of its short selling rules after the SEC’s favorite crony – Bernard Madoff. The rule was called “The Madoff Exemption” – and it permitted market makers, such as Madoff, to sell short on a downtick.

The SEC rule prohibiting others to short sell on a downtick (which was scrapped entirely, at the behest of Madoff and others in his network, right at the inopportune moment in 2007 when the markets had begun to weaken) was meant to prevent traders from inducing death spirals and crashing the markets. But thanks to “The Madoff Exemption”, the clients of Madoff could induce death spirals without a word from the SEC.

Madoff also helped write the SEC rule that allowed market makers, such as Madoff, to engage in naked short selling so long as the purpose was to maintain “liquidity” in the markets, and so long as real stock was eventually delivered. Given that Madoff was, after all, a criminal of monumental proportions, it boggles the mind that neither the SEC nor the media ask whether Madoff might have “rented out” his market making exemption to hedge funds wishing to use naked short selling to drive down the markets.

It is more than likely that Madoff not only rented out his exemption, but abused it, never “clearing”, or delivering the stock he had “temporarily” sold naked.

The fact that Madoff actually helped write the SEC rules governing short selling (rules that contained precisely the sort of loopholes that would allow miscreant traders to crash the markets) should give you a sense of just what sort of agency the SEC was in 2008. In fact, the utter failure of the SEC and the all-important Depository Trust and Clearing Corporation, or DTTC, to prevent naked short selling caught the attention of the people who were hired by the Defense Department Irregular Warfare Support program to analyze the causes of the 2008 financial crisis.

The report that was produced for the Defense Department (the same report I cited at the outset of this story) states that there is a possibility that the SEC and the DTTC

(a self-regulating body responsible for ensuring settlement of short sales and other transactions) were compromised by organized crime or even foreign enemies of the state. The report concludes: “Implications that these parties [the SEC, the DTTC, and other Wall Street institutions] have been complicit [in acts of financial terrorism] or otherwise co-opted cannot be ruled out.”

That statement is not preposterous. Bernard Madoff was not the only suspect character roaming the halls of the nation’s regulatory bodies. We have seen that Sheikh DeLorenzo (he with the Al Qaeda partner linked to the military spy scandal) also received favorable treatment from the SEC, which allowed him to set up Al Safi Trust’s naked short selling machine in 2007. And as we will see, there were still other, equally dangerous people who “captured” officials at both the DTTC and the SEC.

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Given the people whom Bernard Madoff serviced, it is clear that he was not just a monumental criminal, he was also a threat to national security. Consider that he had just a few other key “feeders” who profited from his scam, one of whom was the Abu Dhabi royal family, another of whom was Al Qaeda Golden Chain member Sheikh Mahfouz. The Abu Dhabi royals and Sheikh Mahfouz, of course, came to be on close terms with Madoff and his network when they were perpetrating the BCCI criminal enterprise.

Sheikh Mahfouz is the man who set up Blessed Relief (an Al Qaeda front) with “Specially Designated Global Terrorist” Yasin al Qadi (Osama bin Laden’s favorite financier). Remember that he also had ties to the folks at Benevolence International (who tried to obtain nukes for Al Qaeda). Sheikh Mahfouz fed the Madoff Ponzi through EFG Bank in Dubai, an outfit with close ties to Dubai’s ruler, Sheikh Mo, who, in 2007, helped set up Al Safi Trust’s naked short machine with Sheikh DeLorenzo.

Some associates of the Milken network say that Sheikh Mahfouz had some ownership stake in EFG (which, like the other feeders, claims, improbably, to have been a “victim”), but I have been unable to confirm that. Whatever the case, in 2010, EFG’s affiliate, EFG Hermes, bought Credit Libonais, a bank that was majority-owned by Sheikh Mahfouz’s family. Given that the feeders to Madoff’s Ponzi were likely participating in this fraud in order to help cover up naked short selling, it seems probable that Sheikh Mahfouz and the Abu Dhabi royals were among

Madoff's short selling clients in 2008.

It is also likely that some of the naked short selling handled by Madoff's brokerage originated from Tuco Trading (the little outfit tied to the jihadi Zuhair Karam, the Russians and others to be discussed). This is because Tuco Trading had a partnership with Man Financial, which was a unit of Man Group, a giant hedge fund that was (though it, too, claims to be a "victim") one of the principal feeders to the Madoff Ponzi fund. Man Financial also had member accounts at Tuco and provided Tuco with one of its trading platforms.

The managing director of the Man Group, also known as MF Global, is Thomas Harte, and he (like Shiekh Mahfouz and the other Madoff feeders) is one of Michael Milken's closest associates. Mr. Harte had been a vice president of Milken's operation at Drexel Burnham. A number of MF Global's other top executives, such as senior vice presidents Fred Demler and Fred Ulmann, are also Drexel alumnae. Further evidence that the Man Group is part of the Milken network emerged when the media published reports in 2010 that the Man Group was thinking about buying Steve Cohen's SAC Capital.

Steve Cohen, we know, was investigated in the 1980s for trading on inside information given to him by Milken's shop while Cohen was running Gruntal Securities with Felix Sater, Feinberg and others. Nowadays, the media is reporting that Cohen is the main target of the largest FBI insider trading investigation in history. Most likely Man Group's stated plan to buy SAC Capital was designed to discourage the FBI from investigating the hedge fund and its role in a larger criminal enterprise.

This, we will see, is a familiar pattern – members of the Milken network purchasing or offering to purchase funds and companies run by other Milken cronies who are under federal investigation. The idea seems to be to keep investigators focused on individuals rather than the funds or companies. Once the funds or companies are purchased, investigators tend to assume the new owners will run them in a more honest fashion.

As for the Man Group's credentials, it is worth noting that its subsidiary, Man Financial, not only had a partnership with Tuco Trading, but also had a similar partnership with BrokerKreditServis, the Russian outfit where Orange Diviner's Mr. Ivin works as "head of international." BrokerKreditServis, you will recall, is run by the former head of Alfa Bank (financier to Iran's nuclear program), and Orange

Diviner's other traders were henchmen of Roman Abramovich and Mogilevich.

Meanwhile, Man Financial had other key clients. One key client was the Lucchese Mafia family. This has been well documented by lawyers representing a company called Eagletech, and it has been confirmed by others.

Another key Man Financial client in 2008 – Al Qaeda.

To be continued….

Litigation Release: Lines Overseas Management, LOM Securities, LOM Capital

Posted on October 17, 2010 by PennyStockHaven

Court Enters Final Judgments against Brian N. Lines, Scott G.S. Lines, Anthony W. Wile, Wayne E. Wew (formerly Wayne E. Wile), Lines Overseas Management Ltd., LOM Securities (Bermuda) Ltd., LOM Securities (Bahamas) Ltd., LOM Securities (Cayman) Ltd., and LOM Capital Ltd. in Market Manipulation Case

The Securities and Exchange Commission today announced that the Honorable Denise Cote of the United States District Court for the Southern District of New York entered judgments of permanent injunction and other relief against Brian N. Lines, Scott G.S. Lines, Anthony W. Wile, Wayne E. Wew, Lines Overseas Management Ltd., LOM Securities (Bermuda) Ltd., LOM Securities (Bahamas) Ltd., LOM Securities (Cayman) Ltd., and LOM Capital Ltd. on October 15, 2010. (The LOM companies collectively are referred to hereinafter as the "LOM Entities"). All of the foregoing defendants, with the exception of LOM Securities (Bahamas) Ltd. and LOM Securities (Cayman) Ltd., were enjoined by the Court from violating certain of the antifraud provisions of the federal securities laws, as described below. The Court also ordered broad ancillary relief against the defendants, including as to certain defendants, disgorgement, civil money penalties, and compliance with undertakings to not trade in penny stocks quoted on certain U.S.-based electronic quotation services and, for the LOM Entities, to not maintain accounts for U.S.-resident customers. Brian and Scott Lines and the LOM Entities were ordered to disgorge over $1.9 million in profits and prejudgment interest and pay civil penalties totalling $600,000.

Without admitting or denying the Commission's allegations, the defendants consented to the entry of the judgments against them. These judgments resolve the Commission's claims against these defendants in a civil action that was filed on December 19, 2007, in which the Commission alleged that that these defendants had participated in a fraudulent scheme to manipulate the stock price of Sedona Software Solutions, Inc. ("SSSI"), and, except for Wile and Wew, also had participated in a second stock manipulation scheme involving SHEP Technologies, Inc. ("SHEP") f/k/a Inside Holdings Inc. ("IHI").

In addition to entering permanent injunctions, the Court ordered Brian and Scott Lines, who are brothers and during the relevant time were the controlling persons of the LOM Entities, to pay, jointly and severally with the LOM Entities, disgorgement of $1,277,403, prejudgment interest of $654,918. The Court also imposed civil penalties in the following amounts: $450,000 for the LOM Entities, $100,000 for Brian Lines; and $50,000 for Scott Lines. In addition to entering permanent injunctions against Anthony Wile and Wayne Wew, the Court ordered Wile to pay a civil penalty in the amount of $35,000, and Wew to disgorge approximately $8000 and pay a $10,000 civil penalty.

In its Complaint in the civil action, the Commission alleged that, in early 2002, Brian and Scott Lines assisted two LOM customers, defendants William Todd Peever and Phillip James Curtis, to secretly acquire a publicly-traded OTCBB shell company named Inside Holdings, Inc. ("IHI"). Peever and Curtis then arranged for a reverse merger of IHI with SHEP Ltd., a private company that purportedly owned certain intellectual property. Peever and Curtis paid three touters to publish a series of highly positive reports recommending investments in the newly-merged entity, SHEP Technologies, Inc. The Commission's complaint alleged, in pertinent part, that during the first half of 2003, Peever, Curtis, and the Lines brothers sold over three million SHEP shares into this artificially-stimulated demand in an unregistered distribution of SHEP stock. As part of the alleged scheme, the Lines brothers, Peever, and Curtis failed to file required reports regarding their beneficial ownership of IHI and SHEP stock, and Brian Lines caused several false reports to be filed with the Commission in order to conceal that Peever and Curtis, among others, owned substantial positions in, and had been selling, SHEP stock.

As further alleged in the Commission's Complaint, in late 2002, Anthony Wile and another individual formed Renaissance Mining Corporation ("Renaissance") and thereafter engaged in substantial promotional activities that created the misleading impression that Renaissance had acquired three Central American gold mines and

was the “Leading Gold Producer in Latin America.” In fact, Renaissance had only executed a non-binding Letter of Intent to acquire those mines and lacked the funding necessary to consummate the acquisition. The Complaint further alleges that Wile acted in concert with the Lines brothers, who acquired a publicly-traded shell, Sedona Software Solutions, Inc., using LOM accounts in the names of nominees to disguise their ownership of the Sedona shell, as part of a plan to merge Sedona with Renaissance.

The Complaint alleges that, in early 2003, Wile and his associate primed the market for Renaissance/Sedona by disseminating materially false and misleading information that misrepresented the ownership of the gold mines and created the impression that the Renaissance/Sedona merger had been completed. Wile and his associate also arranged for the Renaissance/Sedona offering to be touted to prospective investors by Robert Chapman, the publisher of an on-line investment newsletter, and three other newsletter writers, all of whom purchased Renaissance shares for nominal sums. Through this deceptive promotional campaign, Wile and his associate informed the market that there would be an opportunity to invest in Renaissance by acquiring Sedona stock at approximately $10 per share beginning on January 21, 2003.

According to the Complaint’s allegations, on that date, Wile orchestrated a pre-arranged manipulative trade between his uncle, defendant Wayne E. Wile (who subsequently changed his name to Wayne Wew), and Brian Lines to artificially drive up the price of Sedona stock from $.03 per share to over $9.00 per share and stimulate trading in the stock. The Complaint alleged that Scott Lines solicited investors, including at least one LOM customer in the United States, to purchase Renaissance stock in anticipation of the merger between Renaissance and Sedona, without disclosing that he and Brian Lines owned the Sedona shell corporation. The Complaint further alleged that, after Renaissance and Sedona had announced their pending merger, the Lines brothers sold 143,000 shares of Sedona stock in an unregistered distribution to numerous public investors at between $8.95 and $9.45 per share, reaping over $1 million in illegal profits. On January 29, 2003, the Commission suspended trading in Sedona’s stock.

Final judgments were entered by the Court against each defendant and provide the following relief, respectively:

(i) Brian Lines is permanently enjoined from violating the antifraud, securities offering registration, and securities ownership disclosure provisions of the federal

securities laws, Sections 5 and 17(a) of the Securities Act of 1933 ("Securities Act") and Sections 13(d) and 16(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 13d-1, 13d-2, and 16a-3 thereunder; (2) ordered to pay disgorgement, jointly and severally with Scott Lines and the LOM Entities, in the amount of $1,277,403, plus prejudgment interest thereon in the amount of $654,918; (3) ordered to pay a civil penalty in the amount of $100,000; and (4) ordered to comply with an undertaking to not trade for a period of three years in penny stocks that are quoted or displayed on the OTC Bulletin Board Montage, Pink Sheets, or the ArcaEdge Electronic Limit Order File;

(ii) Scott Lines is permanently enjoined from violating the antifraud, broker-dealer registration, securities offering registration, and securities ownership disclosure provisions, Sections 5 and 17(a)(2) and (3) of the Securities Act and Sections 13(d), 15(a), and 16(a) of the Exchange Act and Rules 13d-1, 13d-2, and 16a-3 thereunder; (2) ordered to pay disgorgement, jointly and severally with Brian Lines and the LOM Entities, in the amount of $1,277,403, plus prejudgment interest thereon in the amount of $654,918; (3) ordered to pay a civil penalty in the amount of $50,000; and (4) ordered to comply with an undertaking not to trade for a period of two years in penny stocks that are quoted or displayed on the OTC Bulletin Board Montage, Pink Sheets, or the ArcaEdge Electronic Limit Order File;

(iii) Lines Overseas Management Ltd. is permanently enjoined from violating the antifraud, securities offering registration, and securities ownership disclosure provisions, Sections 5 and 17(a)(2) and (3) of the Securities Act, and Section 13(d) of the Exchange Act and Rules 13d-1, 13d-2, and 16a-3 thereunder; (2) ordered to pay disgorgement, jointly and severally with Brian Lines, Scott Lines and the other settling LOM Entities, in the amount of $1,277,403, plus prejudgment interest thereon in the amount of $654,918; (3) ordered to pay a civil penalty in the amount of $450,000, jointly and severally with the other settling LOM Entities; and (4) ordered to comply with an undertaking to: (a) not trade for a period of two years in penny stocks that are quoted or displayed on the OTC Bulletin Board Montage, Pink Sheets, or the ArcaEdge Electronic Limit Order File; (b) not accept or maintain any account for or on behalf of any United States customer for a period of two years; and (c) hire an independent consultant for two years to monitor compliance with these undertakings;

(iv) LOM Capital Ltd. and LOM Securities (Bermuda) Ltd. are permanently enjoined from violating the antifraud and securities offering registration provisions, Sections 5 and 17(a)(2) and (3) of the Securities Act and, in addition, LOM Securities

(Bermuda) is permanently enjoined from violating the broker-dealer registration provision, Section 15(a) of the Exchange Act; (2) ordered to pay disgorgement, jointly and severally with Brian Lines, Scott Lines and the other settling LOM Entities, in the amount of $1,277,403, plus prejudgment interest thereon in the amount of $654,918; (3) ordered to pay a civil penalty in the amount of $450,000, jointly and severally with the other settling LOM Entities; and (4) ordered to comply with an undertaking to: (a) not trade for a period of two years in penny stocks that are quoted or displayed on the OTC Bulletin Board Montage, Pink Sheets, or the ArcaEdge Electronic Limit Order File; (b) not accept or maintain any account for or on behalf of any United States customer for a period of two years; and (c) hire an independent consultant for two years to monitor compliance with these undertakings;

(v) LOM Securities (Bahamas) Ltd. and LOM Securities (Cayman) Ltd. are permanently enjoined from violating the securities offering registration provision, Section 5 of the Securities Act; (2) ordered to pay disgorgement, jointly and severally with Brian Lines, Scott Lines and the other settling LOM Entities, in the amount of $1,277,403, plus prejudgment interest thereon in the amount of $654,918; (3) ordered to pay a civil penalty in the amount of $450,000, jointly and severally among the settling LOM Entities; and (4) ordered to comply with an undertaking to: (a) not trade for a period of two years in penny stocks that are quoted or displayed on the OTC Bulletin Board Montage, Pink Sheets, or the ArcaEdge Electronic Limit Order File; (b) not accept or maintain any account for or on behalf of any United States customer for a period of two years; and (c) hire an independent consultant for two years to monitor compliance with these undertakings;

(vi) Anthony Wile is permanently enjoined from violating the antifraud and securities offering registration provisions, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 5 and 17(a) of the Securities Act; (2) ordered to pay a civil penalty in the amount of $35,000; (3) barred from serving as an officer or director of a public company for a period of five years; and (4) barred from participating in an offering of penny stock for a period of three years;

(vii) Wayne Wew (formerly Wayne E. Wile) is permanently enjoined from violating the antifraud provisions, Sections 17(a)(2) and (3) of the Securities Act; (2) ordered to pay disgorgement in the amount of $5,422, plus prejudgment interest thereon in the amount of $2,608; and (3) ordered to pay a civil penalty in the amount of $10,000.

As part of a global settlement with the LOM Entities, Brian Lines, and Scott Lines, the Commission agreed to dismiss with prejudice the pending civil enforcement action against LOM Holdings Ltd., which is the parent holding company for the LOM Entities.

The Court previously had entered permanent injunctive relief against defendants Peever, Curtis, and Chapman. The Commission's claims for monetary relief against those defendants remain pending before the Court.

http://pennystockhaven.com/active-penny-....s-lom-capit al/

Lucchese crime family

From Wikipedia, the free encyclopedia

Lucchese crime family

Current Boss Vittorio "Little Vic" Amuso

In

New York City

Founded by

Gaetano "Tommy" Reina and named after Tommy Lucchese

Years active

1920s-present

Territory

Various neighborhoods in New York City and New Jersey

Ethnicity

Made men (full members) are Italian or Italian-American. Other ethnicities are employed as "associates."

Membership

115-140 made members,[1] 1,100+ associates.

Criminal activities

Racketeering, Assault, Bookmaking, Burglary, Cargo theft, conspiracy, Contract killing, counterfeiting, Cigarette smuggling, Credit card fraud, drug trafficking, extortion, fencing, fraud, illegal gambling, hotel robbery, hijacking, jewelry heist, Labour Racketeering, Point shaving, loansharking, money laundering, murder and Robbery

Allies

Genovese, Gambino, Bonanno and Colombo Crime Families

Rivals

Various gangs in New York City and their allies

Sicilian Mafia

Commission ·Sicilian Mafia clans ·Sicilian Mafiosi

Second Mafia War ·History of the Sicilian Mafia

Antimafia

Italian Antimafia Commission · Addiopizzo · Maxi Trial

American Mafia (Commission)

Mafia crime families ·Italian-American crime families
Commission member families:
Bonanno ·Colombo ·Gambino ·Genovese ·Lucchese ·Chicago Outfit ·DeCavalcante

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Castellammarese War

Chain of Command

Commission
Family (Cosca)
Boss
Underboss
Consigliere (Advisor)
Caporegime or capodecina (Captain)
Soldato (Soldier)
Associate

Codes

Made man ·Omertà ·Vendetta

This box: view · talk · edit

The Lucchese crime family is one of the "Five Families" that controls organized crime activities in New York City, U.S., within the nationwide criminal phenomenon known as the Mafia (or Cosa Nostra).[2] Originally put together by Gaetano "Tommy" Reina in the early 1920s up until his murder in 1930, their illicit activities include profiting from labor and construction racketeering, illegal gambling, loansharking, extortion, drug trafficking, money laundering, hijacking, fraud, fencing and murder for hire.[2] The family was taken over by Gaetano "Tommy" Gagliano during the Castellammarese War until his death in 1951. The family under Gagliano was peaceful and low key, concentrating their criminal actives in the Bronx, Manhattan and New Jersey. The next boss was Tommy "Three-Finger Brown" Lucchese who turned the family around and became one of the most powerful Commission members. Lucchese teamed up with Gambino family boss Carlo Gambino to control organized crime in New York City together. When Lucchese died of natural causes in 1967, Carmine Tramunti controlled the family for a brief time; he was arrested in 1973. With his release from prison, Lucchese's successor Anthony "Tony Ducks" Corallo gained control of the family. Corallo was very secretive and soon became one of the most powerful members of the Commission. Corallo was arrested and tried in the famous Commission case of 1986.

Corallo decided to put Vittorio "Vic" Amuso and Anthony Casso in charge of the family. Casso was soon promoted to underboss and the family barely survived the reign. Casso, fearing arrest in the early 1990s, kept ordering those he felt unloyal to be murdered. The former street boss for Casso Alphonse "Little Al" D'Arco feared for his own life and turned informant. This led to the arrest of the entire Lucchese family hierarchy and Casso was finally caught. He quickly turned informant, trying to save his own life. The family lost power, respect and honor in the underworld. The family is still controlled by Amuso who is serving life and today is controlled by a three man panel of capos.

History

[edit] The Reina Gang

The early history of the Reina crime family can be traced to members of the Morello gang based in East Harlem and the Bronx. Gaetano "Tommy" Reina would leave the Morello's around the time of World War I and created his own family based in East Harlem and the Bronx. As the family's leader, Reina avoided the Mafia-Cammora War for control over New York City. He instead focused on controlling the home ice distribution business throughout New York City.[2] During the early 1920s, Reina

became a powerful prohibition era boss and aligned himself with Joseph Masseria, the most powerful Italian-American crime boss in New York. Masseria soon became involved in the Castellammarese War, a vicious gang war with rival Sicilian boss Salvatore Maranzano. At this point, Masseria started demanding a share of Reina's criminal profits, prompting Reina to consider changing allegiance to Maranzano. When Masseria learned of Reina's possible betrayal, he plotted with Reina lieutenant Tommy Gagliano to kill him. On February 26, 1930, gunman Vito Genovese murdered Reina outside his aunt's apartment.[2] With Reina dead, Messeria bypassed Gagliano, who expected to take control of the Reina gang, and installed his underling Joseph "Fat Joe" Pinzolo as boss. Furious with this betrayal, Gagliano and Tommy Lucchese secretly defected to Maranzano. In September 1930, Lucchese lured Pinzolo to a Brooklyn office building, where Pinzolo was murdered.

[edit] The Two Tommies

With Masseria's murder in early 1931, Maranzano won the Castellammarese War. He then outlined a peace plan to all the Sicilian and Italian Mafia leaders in the United States.[3] There would be 24 organizations (to be known as "families") throughout the country who would elect their own bosses. Maranzano also reorganized all the Italian-American gangs in New York City into five New York families to be headed by Maranzano, Lucky Luciano, Vincent Mangano, Tommy Gagliano and Joseph Profaci. Gagliano became the boss of the old Reina gang, to be later known as the Lucchese family, with Lucchese as his underboss and Stefano Rondelli as his consigliere. The final element of Maranzano's peace plan was that he would become the supreme leader of all the families, the Boss of all Bosses. However, Luciano and other mob members did not want another top leader. When Maranzano learned about Luciano's disaffection, he hired a gunman to kill him. However, in September 1931 Luciano struck first. Several Jewish assassins provided by Luciano associate Meyer Lansky murdered Maranzano in his office. Luciano now became the most powerful mobster in New York.

Luciano kept the family structure as created by Maranzano, but removed the Boss of Bosses in favor of a ruling body, The Commission. The Commission's responsibility was to regulate the families' affairs and resolve all differences between the families.[3] The first Commission members included Luciano family boss Luciano as head of the Commission, Mangano family boss Vincent Mangano, Gagliano family boss Tommy Gagliano, Profaci family boss Joseph Profaci, Chicago Outfit boss Al "Scarface" Capone, and Maranzano family boss Joseph Bonanno.[3] Although the Commission was technically a democratic institution, it was actually controlled by

Luciano and his allies.

During the 1930s and 1940s, Gaetano "Tommy" Gagliano and Lucchese led their family into profitable areas of the trucking and clothing industries.[2] When Luciano was sent to prison for pandering in 1936, a rival alliance took control of the Commission. The alliance of Mangano, Bonanno, Buffalo crime family boss Stefano Magaddino, and Profaci used their power to control organized crime in America.[3] Understanding his vulnerability, Gagliano was careful to avoid opposing this new alliance. Gagliano was a quiet man who avoided the media and stayed off the streets. He preferred to pass his orders to the family though Lucchese and a few other close allies. In contrast, Lucchese was the public face of the family who carried out Gagliano's orders. In 1946, Lucchese attended the Cosa Nostra Havana Conference in Cuba on behalf of Gagliano.[4] Gagliano remained the hidden boss of the family until his death in 1951 or 1953.

[edit] The Lucchese era

Boss Tommy Lucchese, during a July 1958 government hearing in Washington, DC
After Gagliano's death in 1951 or 1953, Lucchese became family boss and appointed Vincenzo "Vincent" Rao as his Consigliere and Stefano LaSalle as his Underboss. Lucchese continued with Gagliano's policies, making the now Lucchese family one of the most profitable in New York. Lucchese established control over Teamsters union locals, workers' co-operatives and trade associations, and rackets at the new Idlewild Airport.[3] Lucchese also expanded family rackets in Manhattan's Garment District and in related trucking industry around New York City. Lucchese built close relations with many powerful New York politicians, including Mayors William O'Dwyer and Vincent Impellitteri and members of the judiciary, who aided the family on numerous occasions. Throughout his regime, Lucchese kept a low profile for which he became lauded in Mafia circles. Remembering how the Mustache Petes treated their soldati like mere commodities, he saw to it that his men were well taken care of.[2]

When Lucchese became boss, he helped Vito Genovese and Carlo Gambino in their fights to take control of their families.[3] By 1962, Lucchese and Gambino controlled the Commission. Together they backed the Gallo crew from the rival Profaci family in

its war with their boss Joe Profaci. Gambino and Lucchese saw the war as a way to take over rackets from the distracted Profaci's. After uncovering a plot by Joe Bonanno to assassinate them, Lucchese and Gambino used the Commission to strip Bonanno of his role as boss. This power play started a war within the Bonanno family and served to strengthen both the Lucchese and Gambino families.

Lucchese led a quiet, stable life until his death from a brain tumor on July 13, 1967. At the time of his death, he had not spent a day in jail in 44 years.[2] Lucchese left his family in a very powerful position in New York City. The Lucchese family had a stronghold in East Harlem, the Bronx and consisted of about 200 made members.[5] After Lucchese's death, the Commission made Carmine Tramunti acting boss until Lucchese's chosen successor, Anthony Corallo, was released from prison.[3]

[edit] Tramunti and the French Connection

Carmine Tramunti

At the time of his appointment as temporary boss, Carmine "Mr. Gribbs" Tramunti was almost 70 years old and in ill health. With boss-in-waiting Anthony "Tony Ducks" Corallo in prison, Tramunti reign was to end upon Corallo's release. Tramunti faced a number of criminal charges during his time as acting boss and was eventually convicted of financing a large heroin smuggling operation, the infamous French Connection. This scheme was responsible for distributing millions of dollars in heroin up and down the East Coast during the early seventies.

After law enforcement busted the French Connection, the seized heroin was stored in the NYPD property/evidence storage room pending trial. In a brazen scheme, hundreds of kilograms of heroin were stolen from the room and replaced with bags of flour. The scope and depth of this scheme is still not known, but officials suspect it involved corrupt NYPD officer/officers who allowed mobsters to steal $70 million in heroin and replace it with white baking flour. Officers discovered the theft when they noticed insects eating the so-called heroin. Certain plotters received jail sentences, including Papa (he was later assassinated in the Atlanta Federal Penitentiary in Atlanta, Georgia). In 1974, after Tramunti's incarceration, Corallo finally took charge of the family.[2]

[edit] Tony Ducks and the Jaguar

Anthony Corallo
After Tramunti's incarceration in 1974, Anthony Corallo finally took control of the Lucchese family. Corralo came from the Queens faction of the family. Known as "Tony Ducks" from his ease at 'ducking' criminal convictions, Corrallo was a Boss squarely in the Tommy Lucchese mold. Corrallo had been heavily involved in labor racketeering and worked closely with Jimmy Hoffa, the Teamsters president, during the 1940s and 1950s. Corallo also enjoyed close ties to the Painters and Decorators Union', the Conduit Workers Union, and the United Textile Workers. Corrallo appointed Salvatore "Tom Mix" Santoro as the Underboss and supervisor of all labor and construction racketeering operations in New York, and Christopher "Christie Tick" Furnari as the reputed Consigliere. The family prospered under Corallo's leadership, particularly in the narcotics trafficking, labor racketeering, and major illegal gambling operations. As Corallo never discussed business during sit-downs, fearing U.S. government were monitoring the conversations, he discussed business in his bodyguard and chauffeur's Jaguar which had a phone in it, and reportedly drove around New York while on the phone discussing business. Salvatore "Sal" Avellino and Aniello "Neil" Migliore shifted as Corallo's chauffeurs during the 1970s and 1980s.[6]

Corallo, a huge fan of the New Jersey faction of the family, reputedly inducted and promoted Anthony "Tumac" Accetturo and Michael "Mad Dog" Taccetta into the organization and put them in charge of the Jersey Crew, which reportedly controlled most of the loansharking and illegal gambling operations in Newark, New Jersey at the time.[6]

In the early 1980s, the Federal Bureau of Investigation (FBI) finally managed to plant a bug in the Jaguar. The FBI recorded Corallo speaking at great length about mob affairs, including illegal gambling, labor racketeering, drug trafficking, and murder. Corallo was arrested and put on trial along with all the heads of the Five Families at the time. This trial became legendary as the Mafia Commission Trial. Corallo was convicted on numerous charges and January 13, 1987 was sentenced to 100 years in prison, where he died in 2000.

To succeed him as boss, Corallo originally chose acting boss Anthony "Buddy" Luongo. However, Luongo disappeared in 1986. Corallo's ultimate choice was Vittorio "Vic" Amuso.[6] Allegedly both Amuso and Anthony "Gaspipe" Casso were candidates for the job. Evidence suggests that Corallo wanted Casso, but Casso convinced him to select Amuso instead. After becoming boss, Amuso made Casso his underboss, allowing him to exert great influence over family decisions.

[edit] The iron fists of Amuso and Casso

FBI surveillance photo of Casso (right) with Lucchese family boss, Vittorio Amuso. During the late 1980s, the Lucchese family underwent a period of great turmoil. Vittorio "Vic" Amuso and his fierce underboss, Anthony "Gaspipe" Casso, instituted one of the most violent reigns in American Mafia history. Both men were heavily involved in labor racketeering, extortion, drug trafficking and committed many murders. Amuso and Casso were strong rivals of Gambino crime family boss John Gotti and strong allies of Genovese crime family boss Vincent "Chin" Gigante. Angry over Gotti's unauthorized murder of Gambino boss Paul Castellano, Amuso, Casso, and Gigante conspired to murder Gotti. On April 13, 1986 a car-bombing killed Gambino underboss Frank DeCicco, but missed Gotti. This assassination attempt sparked a long and confusing 'tension' between these three crime families with many deaths reported on all sides.[7][8]

During the late 1980s, Amuso began demanding 50% of the profits generated by the Jersey Crew. New Jersey leaders Anthony Accetturo and Michael Taccetta refused Amuso's demand. In retaliation, Amuso issued the "Whack Jersey" order, demanding that the entire Jersey Crew be killed. He summoned them to a meeting in Brooklyn. Fearful for their lives, all the Jersey crew members skipped the meeting and went into hiding.

Taccetta and Accetturo were later put on trial in 1990, as both Amuso and Casso were implicated in a case involving the fitting of thousands of windows in New York at over-inflated prices, and the pair went into hiding of that same year, naming Alphonse "Little Al" D'Arco as acting boss. For the next few years, Amuso and Casso ruled the family from afar and ordered the execution of anyone they deemed troublesome, either they were considered rivals or potential informants. All of this

convinced many Lucchese wiseguys that Amuso and Casso were no longer acting or thinking rationally.[7][8]

Alphonse D'Arco in a 1970s FBI surveillance photo

What followed next was a series of botched hits on family members suspected of being informants. Ironically, these hits caused several family members to actually turn informer. Amuso ordered the slaying of capo Peter "Fat Pete" Chiodo, who along with Casso was in charge of the Windows Case operation. He was shot 12 times, but still survived. After Amuso ordered hits on Chiodo's wife and sister in violation of longstanding rules against women being harmed, Chiodo turned state's evidence and provided the entire windows operation that eventually controlled $150 million in window replacements, sold in New York City. As Amuso also sanctioned the hit on Anthony Accetturo, who was on trial in 1990, he also cooperated with the government.[7][8]

The planned executions went as high as acting boss D'Arco. Furious over the failed hit on Chiodo, Amuso set up D'Arco to be killed at a Manhattan hotel. However, this hit also came undone after D'Arco saw a man hide a gun in his shirt, then slip it into the bathroom. D'Arco fled for his life and turned himself over to the authorities to spare him and his family from Amuso and Casso and their increasingly erratic demands. He was the first Mafia boss, acting or otherwise, to break his blood oath.[8]

Law enforcement eventually caught up with the two fugitives. On July 29, 1991, the FBI captured Amuso in Pennsylvania, and in 1993 Casso was caught in Greenwood, New York.[8] Amuso steadfastly refused all offers from the government to make a deal and become a government witness. In contrast, Casso quickly agreed to a deal and started revealing family secrets. One of the biggest secrets was that Casso had been paying two New York Police Department detectives, Louis Eppolito and Stephen Caracappa, to provide Casso with sensitive police information and even perform to contract murders. Casso related how Eppolito and Caracappa, on Christmas Day 1986, murdered an innocent Brooklyn man who had the same name as a suspected government informant.[9] Casso told the government that in 1992 Lucchese hit men tried to kill the sister of another suspected informant, violating the alleged Mafia “rule” barring violence against family members.[10] Unfortunately for

Casso, his testimony proved so inconsistent that prosecutors accused him of breaking the terms of his deal with them. As a result, the court ordered no leniency for Casso at his sentencing.

In 1991, Amuso was sentenced to life imprisonment. In 1994, Casso also received a life sentence. Casso had reportedly conspired with reputed consigliere Frank Lastorino and Brooklyn faction leaders George Zappola, George Conte, Frank "Bones" Papagni and Frank Gioia, Jr. into murdering Steven "Wonderboy" Crea, Amuso's acting underboss of the Bronx, as well as Gambino crime family acting boss John "Junior" Gotti, son of the imprisoned John Gotti, along with members of the Genovese crime family once again. But due to massive indictments, none of the plots were committed.[8]

[edit] Acting bosses

Steven "Wonderboy" Crea in a FBI photo

When Amuso went to prison, he chose Joseph "Little Joe" DeFede to be his acting boss. Throughout the mid 1990s Amuso continued to control the family from prison. DeFede, who supervised the powerful Garment District racket, reportedly earned more than $40,000 to $60,000 a month. DeFede placed Steven Crea in charge of the family's labor and construction racketeering operations. Crea increased the Lucchese family earnings from these rackets between $300,000 and $500,000 every year. But as US law enforcement kept pressuring the organized crime activities in New York, DeFede was arrested and indicted on nine counts of racketeering in 1998. DeFede pled guilty to the charges and was sentenced to five years in prison. Angry at DeFede's guilty plea, Amuso promoted Crea as the new acting boss.[11]

Steven Crea success with the labor and construction rackets convinced Amuso that DeFede had been previously skimming off these profits. In late 1999, Amuso placed a contract on DeFede's life. On September 6, 2000, Crea and seven other Lucchese members were arrested and jailed on extortion charges, mostly to the supervising of the construction sites with various capos Dominic "Crazy Dom" Truscello and Joseph "Joey Flowers" Tangorra. Crea was convicted in 2001 and sentenced to five years in prison.[11][12]

After Crea's conviction in 2001, consigliere Louis "Lou Bagels" Daidone, a prominent Lucchese family member from Queens, took control of the family. However, Daidone's tenure was short lived. After his release from the prison, the scared DeFede became a government witness and helped the government convict Daidone of murder and conspiracy. Daidone's conviction was also helped by the testimony from Alphonse D'Arco in September 2004.[11]

[edit] Mafia cops

Main article: Louis Eppolito and Stephen Caracappa

In April 2006, Casso revealed that two respected New York City police detectives worked as hitmen and informants for Casso during the 1980s and early 1990s before their retirement. They were Louis Eppolito and Stephen Caracappa, who spent much of their combined 44 years with the NYPD committing murders and leaking confidential information to the Lucchese family. Between 1986 and 1990, Eppolito and Caracappa participated in eight murders and received $375,000 from Casso in bribes and payments for murder 'contracts'. Casso used Caracappa and Eppolito to pressure the Gambino crime family by murdering several of their members. This is because Casso, along with the imprisoned Amuso and Genovese crime family boss Vincent Gigante, wanted their rival John Gotti out of the way. Caracappa and Eppolito are now seen as the main source of 'tension' between these three families during the late 1980s and early 1990s.[13][14]

For one contract, Eppolito and Caracappa kidnapped mobster James Hydell, forced him into their car trunk, and delivered him to Casso for torture and murder. Hydell's body was never found. The two detectives also shot Bruno Facciolo, who was found in Brooklyn in the trunk of a car with a canary in his mouth. After pulling Gambino crime family captain Edward "Eddie" Lino for a routine traffic check, the detectives murdered him on the expressway in his Mercedes-Benz. In 2006, Eppolito and Caracappa were convicted of murdering Hydell, Nicholas Guido, John "Otto" Heidel, John Doe, Anthony DiLapi, Facciolo, Lino, and Bartholomew Boriello on the orders of Casso and the Lucchese family. They were sentenced to life imprisonment.[14][15]

[edit] Three-man ruling panel

With the arrest of acting boss Louis Daidone in 2003 imprisoned boss Vic Amuso created a three-man ruling panel to run the family.[16] The panel consisting of three senior Bronx faction capos Aniello "Neil" Migliore, Joseph "Joey Dee" DiNapoli and

Matthew Madonna brought the power back into the Bronx's, while staying out of the media. According to a February 2004, New York Post article, the Lucchese family consisted of about 9 capos and 82 soldiers making the family the fourth largest in New York City.[17] In 2006, the former acting boss Steven Crea was released from prison after serving five years, under restrictive parole conditions that expired in 2009.[18][19] The three man panel jointly continued to maintain the power over the family, acting as street bosses.[19] On November 28, 2009, consigliere Joseph Caridi was released from prison after serving almost six years for extortion and loansharking.

On December 18, 2007, two members of the ruling panel Joseph DiNapoli and Matthew Madonna were indicted along with top New Jersey faction capos Ralph V. Perna and Nicodemo Scarfo, Jr..[20][21] In the New Jersey indictment a total of thirty-two members and associates of the New Jersey faction were arrested. Information obtained from New Jersey law enforcement agencies investigation "Operation Heat" revealed that the New Jersey faction controlled a $2.2 billion dollar illegal gambling, money laundering and racketeering ring from New Jersey to Costa Rica.[22][23]

On October 1, 2009, the Lucchese family was hit with two separate indictments charging 49 members and associates with bribery and racketeering.[24] In the first indictment 29, members and associates of the Lucchese family were arrested.[24] The indicted charged Joseph DiNapoli, Matthew Madonna and acting capo Anthony Croce with running operations that nearly grossed $400 million from illegal gambling, loansharking, gun trafficking, bribery and extortion.[25] In the second indictment obtained from investigation "Operation Open House" 12 more Lucchese mobsters were charged with bribery. Acting capo Andrew Disimone and others mobsters were charged with bribing New York Police Department (NYPD) detective and sergeant posing as crooked cops to protect illegal poker parlors.[24][26]

[edit] Current position and leadership

Although in prison for life, Victor Amuso remains the official boss of the Lucchese family. Although Amuso has led the family for almost a quarter-century, it is unclear how much influence he now has over its day-to-day affairs. In the last few years, a three-man ruling panel consisting of Joseph "Joey Dee" DiNapoli, Aniello "Neil" Migliore, and Matthew Madonna has been running the family. All three men are long time capos in the family, but Migliore is believed to be the most powerful. Migliore has been a major player in the family for more than 30 years and is said to

have huge respect on the street. Arguably, Migliore, DiNapoli and Madonna brought stability to the Lucchese family during the 2000s. The family's presence remains strong in the Bronx, Manhattan, Queens, and New Jersey. In 2009 the Lucchese family was handed three federal indictments showing that the family continues to be very active in organized crime, especially in labor racketeering, illegal gambling, and extortion.[24][25][27] In one of the indicitments ruling panel members Joseph DiNapoli and Matthew Madonna were charged with controlling an ring that extorted and bribed businesses and construction sites in Manhattan and the Bronx.[24][25]

A March 2009 article in the New York Post stated that the Lucchese family consists of approximately 100 "made" members,[19] possibly making it the smallest of the Five Families, although not the weakest. It is probably the third most powerful family (behind the Gambino and Genovese families). The Bonanno family has had to deal with their boss turning government informant and his successor being deported to Canada. Meanwhile, the Colombo family has been damaged ever since the family wars of the 1990s and a rash of indictments in the 2000s.[28]

[edit] Historical leadership of the Lucchese crime family

[edit] Boss (official and acting)

The boss is the head of the family and the top decision maker. Only the boss,underboss or consigliere can initiate an associate into the family, allowing them to become a made man. The boss can promote or demote family members at will. The Acting Boss is responsible for running the crime family while the boss is incarcerated or incapacitated. If the boss dies, the acting boss may become the new boss, or be stepped over and lose his position as Acting Boss.[29][30]
1922–1930 — Gaetano "Tommy" Reina [31] — during the 1920s created his family from members of the Morello gang. Reina's gang controlled operations in East Harlem and the Bronx. On February 26, 1930, Reina was murdered during the Castellammarese War by the Masseria faction. Some believe that Reina's murder sparked the shooting war between the Masseria and Maranzano factions, others believe the war truly started with the murders of Castellammarese Clan leaders in Detroit and Chicago later that year.
1930 — Bonaventura "Joseph/Fat Joe" Pinzolo [31] — murdered on September 5, 1930
1930–1953 — Gaetano "Tommy" Gagliano [31] — retired due to health in 1951, died either in 1951 or on February 16, 1953. Acting 1951–1953 — Gaetano Lucchese — promoted to boss

1953–1967 — Gaetano "Tommy Brown" Lucchese [31] — became one of the most powerful members of the Mafia Commission by expanding the family's interest in the trucking and production in the Garment District. Lucchese teamed up with Gambino family boss Carlo Gambino to control the Mafia Commission. By 1966, Lucchese was semi-retired due to his illness and died of a brain tumor on July 13, 1967.[32][33][34][35] Acting 1966–1967 — Carmine Tramunti — stepped down
Acting 1967 — Ettore "Eddie" Coco [31] — resigned

1967–1973 — Carmine "Mr. Gribbs" Tramunti [31] — apponited by the Commission; imprisoned in October 1973.
1973–1986 — Anthony "Tony Ducks" Corallo [31] — On February 15, 1985, Corallo was indicted in the Mafia commission case, was convicted on November 19, 1986 and on January 13, 1987 was sentenced to 100 years in prison.
1986–present — Vittorio "Vic" Amuso [31][36] — former Brooklyn faction leader and consigliere Chris Furnari convinced Corallo to make Furnari's protégés Amuso and Casso the new bosses in early 1987. Former Bronx faction leader and underboss Tom Santoro advised against it, knowing the succession of Amuso and Casso would be the biggest mistake in the crime family's history. In 1990, Amuso became a fugitive until his capture by the FBI on July 29, 1991 in Pennsylvania. In 1991, Amuso was sentenced to life imprisonment. Acting 1990–1991 — Alphonse "Little Al" D'Arco [31] — demoted in September 1991
Acting 1991 — Ruling Panel — Anthony Baratta, Alphonse D'Arco, Salvatore Avellino and Frank Lastorino [37] On September 21, 1991, D'Arco became a government witness.[38]
Acting 1991–1993 — Ruling Panel — Anthony Baratta, Salvatore Avellino, Steven Crea (made Underboss 1993) and Domenico Cutaia
Acting 1994–1998 — Joseph "Little Joe" DeFede [31][39] — imprisoned in 1998. Became a government witness after his release in early 2002, fearing that Amuso had sanctioned his murder.
Acting 1999–2001 — Steven "Wonderboy" Crea [31] — official underboss was promoted by Amuso. Crea was indicted and jailed on September 6, 2000 on extortion charges and convicted in 2001 was sentenced to five years in prison.[12]
Acting 2001–2003 — Louis "Louie Bagels" Daidone [31] — imprisoned March 2003, received life in prison in January 2004
Acting 2003–present — Ruling Panel — Aniello "Neil" Migliore, Joseph DiNapoli and Matthew Madonna [16][19]

[edit] Street Boss

The Street Boss position was created in the early 1990s by Genovese family boss Vincent Gigante. The main purpose was to distance the official boss from federal surveillance and enforce his orders to the other members of the administration. The street boss helps divide up the responsibility of the boss ensuring the official boss can devote more time to upper management. The street boss is considered the go-to-guy for the boss, by passing on his orders to lower ranking members.[40]
1990–1991 — Alphonse "Little Al" D'Arco – promoted to Acting Boss [38]
2003–present — Ruling Panel — Aniello "Neil" Migliore, Joseph "Joey Dee" DiNapoli and Matthew Madonna

[edit] Underboss (official and acting)

The underboss is the number two position in the family (after Don, Godfather, Boss). Also known as the "capo bastone" in some criminal organizations, this individual is responsible for ensuring that profits from criminal enterprises flow up to the boss and generally oversees the selection of the caporegime(s) and soldier(s) to carry out murders and other criminal activities. The underboss takes control of the crime family after the boss's death. Keeping this power until a new boss is chosen, which in some cases was the Underboss.
1920–1930 — Gaetano "Tommy" Gagliano – promoted to boss
1930–1951 — Gaetano "Tommy" Lucchese – promoted to acting boss
1951–1972 — Stefano "Steve" LaSalle –[41][42] retired
1973–1978 — Aniello "Neil" Migliore –[16] resigned
1978–1986 — Salvatore "Tom Mix" Santoro Sr. – imprisoned in the Commission Case
1986–1989 — Mariano "Mac" Macaluso –[36][43] retired in 1989
1989–1993 — Anthony "Gaspipe" Casso –[36] imprisoned, became government witness in 1993 Acting 1990–1992 — Anthony "Bowat" Baratta –[44] imprisoned

1993–present — Steven "Wonderboy" Crea – promoted to acting boss in 1998 [45]
Acting 1998–2001 — Eugene "Boopsie" Castelle – imprisoned
Acting 2001–2003 — Joseph "Joe C. Caridi – promoted to Consigliere
Acting 2003–2008 — Three Capos — Aniello "Neil" Migliore, Joseph "Joey Dee" DiNapoli and Matthew Madonna

[edit] Consigliere (official and acting)

Consigliere is an advisor to the boss and usually the number three person in a crime family.
1931–1953 — Stefano "Steve" Rondelli [46] – retired
1953–1973 — Vincenzo "Vinny" Rao [41][42] – imprisoned in 1965-1970,[47] retired
Acting 1965–1967 — Mariano "Mac" Macaluso
Acting 1967–1973 — Paul "Paulie" Vario [48] – imprisoned 1974-1978,[49][50][51]

1973–1981 — Vincent "Vinnie Beans" Foceri [52] – retired
1981–1986 — Christopher "Christie Trick" Furnari – imprisoned in 1986
1986–1987 — Ettore "Eddie" Coco [43] – retired
1987–1989 — Anthony "Gaspipe" Casso – promoted to underboss [36]
1989–1993 — Frank "Big Frank" Lastorino – imprisoned in April 1993[53]
1993–1996 — Frank Papagni [54] – imprisoned in September 1996[53]
1996–2003 — Louis "Louie Bagels" Daidone – promoted to Acting Boss in 2001
2003–present — Joseph "Joe C." Caridi – imprisoned 2003-2009 [55][56]

[edit] Current family members

[edit] Current administration
Boss Vittorio "Vic" Amuso – boss since the 1987 conviction of Anthony Corallo. One of the most feared mobsters from the old Brooklyn faction of the family. Jailed in 1992, Amuso is currently serving a life sentence [57]
Acting boss/Street boss – Three-man Ruling Panel – Aniello "Neil" Migliore, Joseph DiNapoli and Matthew Madonna. All three men are Bronx faction leaders who are apparently running the day-to-day activities of the family. Migliore is the most powerful member of the three man panel and has the final say in all decisions.[16][45]
Underboss Steven "Wonderboy" Crea – Current Underboss, and former acting boss was released from prison in 2006.[18][45] He is a Bronx faction leader and longtime construction racketeer. Crea is a longtime ally of imprisoned boss Vic Amuso.
Consigliere Joseph "Joe C." Caridi – operates out of the Long Island and Queens factions in extortion and labor racketeering. A former Amuso ally, Caridi was imprisoned on extortion and loansharking charges. Released from prison on November 27, 2009.[56]
New Jersey faction boss Michael "Mad Dog" Taccetta – leader of Jersey Crew and boss of the entire New Jersey faction of the Lucchese family. Currently imprisoned.

[edit] Capos

[edit] New York

Capo (Crew boss/captain/lieutenant/caporegime): a capo is appointed by the family boss to run his own borgata (regime, or crew) of sgarrista (soldiers). Each capo reports directly to the underboss, who gives the capo permission to perform criminal activities. If the family needs to murder someone, the underboss normally asks a capo to carry out the order. The capo runs the day-to-day operations of his crew. The capo's soldiers give part of their earnings to the capo, and the capo gives a share to the underboss. A capo can recommend to the underboss or boss that a recruit be allowed to join his crew as a mob associate.

Bronx faction
Joseph "Joey Dee" DiNapoli – Capo operating in the Bronx. DiNapoli is a member of a Ruling panel along with Migliore and Madonna running the family.[16] He has two younger brothers in the Genovese crime family, Vincent and Louis.
Matthew "Matt" Madonna – Capo operating in the Bronx. Madonna served 20 years in prison for narcotics trafficking. He is a member of the Ruling panel along with Migliore and DiNapoli running the family.[16]
John "Hooks" Capra – Capo operating in the Bronx and Manhattan. He was convicted of running an illegal gambling operation that earned more than $20 million every year with members of the Gambino family. Capra was released from federal prison on September 10, 2008.[58][59][60][61]

FBI mugshot of Joseph Lubrano. Joseph "Big Joe" Lubrano – Capo active on Arthur Avenue in the Bronx, Manhattan and Staten Island.[62] Lubrano is 40-years-old and is considered a rising member in the family. In 1994, he was wrongfully sent to prison for beating a police officer and was released four years later.[63] In May 2010, Lubrano was listed on the FBI Most Wanted List for several armed robberies, he was arrested on September 11, 2010.[64][65][66][67]
(Acting) Andrew DiSimone – an acting capo in the Bronx. DiSimone was arrested on October 1, 2009 for bribery and illegal gambling operations. He was convinced that he was paying off corrupt NYPD officers for protection on loansharking, sports bookmaking and illegal gambling activities. The two officers were actually undercover agents for two years the officers in a sting named Operation Open House receiving $222,000 in bribes.[24][26]

Manhattan & Long Island
Aniello "Neil" Migliore – Capo operating in Manhattan, Long Island and Florida. Migliore is a former rival of Amuso, he was shot in 1992 on orders from Amuso.[68][69] He is a member of a Ruling panel along with DiNapoli and Madonna running the family.[16]
Dominic "Crazy Dom" Truscello – Capo of the Prince Street Crew, members are active in Manhattan, Queens, Brooklyn and Long Island. Truscello operated in construction racketeering along with Steven Crea.[70][71]
(Acting) Anthony Croce – an acting Capo active in Manhattan, Bronx and Staten Island. Croce was arrested in November 2008 for running a sport gambling ring operating in the Bronx and Upper Manhattan.[72] He was charged in two separate indictments in 2009; the first was in October for bribery, loansharking, gun trafficking, extortion, gambling and racketeering [24] and the second in November for running a sports betting ring from his bar "Night Gallery" in New Dorp, Staten Island.[73][74]

Brooklyn faction
Eugene Castelle – Capo of the Bensonhurst Crew, operating from Brooklyn neighborhoods of Bensonhurst and Bath Beach. He was imprisoned in 2001 on racketeering and was released in 2008.[75]
(In prison) Domenico "Danny" Cutaia – Capo of the Brownsville Crew. Cutaia is a former messenger between the imprisoned Amuso and the crime family.[76] On October 25, 2009, Cutaia was sentenced to three years in prison for bank fraud. He is reportedly suffering from multiple sclerosis.[77]
(Acting) Carlo Profeta – acting Capo of the Brownsville Crew. On February 24, 2010, Profeta was indicted along with Lucchese soldier Salvatore Cutaia, associates Joseph Cutaia and Eric Maione, Bonanno capo Anthony Mannone and associate Jerome Carameilli on racketeering and extortion charges.[78][79][80] In February 2011, Profeta and associate Eric Maione pleaded guilty to extortion charges.[81]
Anthony "Blue Eyes" Santorelli – Capo operating in Brooklyn. Santorelli formerly led the The Tanglewood Boys, a recruitment gang for the Lucchese family.[82][83]

[edit] New Jersey

Main article: The Jersey Crew

The Lucchese family's Jersey Crew, is a faction that consists of three crews that operate in Newark's Down Neck section and Northern Jersey counties of Essex,

Union, Morris, Monmouth, Bergen, Passaic and Sussex.[1][84] In the 1970s into the 1980s, rackets were set up in Florida, South Jersey and Philadelphia.
(In prison) Michael "Mad Dog" Taccetta - Capo of the Jersey Crew and boss of the entire Lucchese's New Jersey faction.[85][86][87] Longtime rival of Victor Amuso. Taccetta is currently serving life in prison for conspiracy and drug trafficking convictions.[88][8][89] His younger brother Martin Taccetta was reportedly the acting boss of the Jersey Crew until he was sent back to prison.
Ralph Vito Perna - Capo in the Jersey crew. Was arrested in December 2007 with Joseph DiNapoli and Matthew Madonna. The Jersey crew ran an illegal gambling operation that earned approximately $2.2 billion overa 15-month period. The crew also worked with New Jersey correction officers and members of Nine Trey Gangster, a set in the Bloods gang. The Jersey crew used Bloods members to smuggle illegal drugs and pre-paid cell phones into the New Jersey state prisons.[22][90][91]
Robert "Bucky the Boss" Caravaggio - Capo in the Jersey Crew who oversees operations in Northern New Jersey, especially Morris County. Caravaggio also worked with Carlo Taccetta.[1]
Joseph "Joey" Giampa - Capo in the Jersey Crew. Giampa has a stepson named Gennaro Vittorio, a.k.a. Gerry Giampa who is also involved in organized crime.[92][93]

[edit] Soldiers

A soldier, also known as sgarrista, soldato, wiseguy, button, buttonman or goodfella, is a made man and has already proven himself to the family. He becomes a made guy after the voting of the captains, who then pass the message up to the boss or underboss. When he is made he takes an oath to honor the family. A soldier is one of the lowest ranks in the crime family but still has much power over associates and friends. The soldier is then assigned into a crew and given a capodecine (Captain). The caporegime gives orders and jobs from collecting money to hits.
Thomas "Tommy Red" Anzellotto – soldier in Lucchese family replaced legendary Lucchese soldier Samuel Cavalieri in 1988.[94]
Salvatore "Sal" Avellino Jr. - a soldier and former Capo in the Lucchese family in the 1980s. Longtime Amuso supporter and used to sit at the family’s Ruling Panel in the early 1990s. Currently operates under the Queens and Long Island factions in racketeering and extortion activities. Avellino is also the family’s current waste management executive in New York. Avellino is best known for being boss Anthony Corallo’s bodyguard and chauffeur in the 1980s.[95][96][97]
Carmine Avellino – soldier involved in illegal gambling, waste management

racketeering, and extortion. Carmine's older brother Salvatore "Sal" Avellino Jr. was a capo in the Lucchese family.[98][99]
Michael "Mikey Bones" Carcione - soldier and former acting capo for Domenico Cutaia's crew, formerly known as The Vario Crew. The crew operates around Brooklyn, Queens and Staten Island. In 2008 Carcione was arrested along with capo Domenico "Danny" Cutaia, soldiers John Baudanza (a son-in-law to Cutaia), Salvatore Cutaia (son of Domenico Cutaia), associates Steven Lapella, Victor Sperber, Louis Colello, and John Rodopolous for loansharking, illegal gambling among other illegal criminal activities.[100]
Alfonso T. "Tic" Cataldo - a soldier in the Lucchese family that is running the illegal gambling operations in northern New Jersey working with Eurasian organized crime groups. Cataldo was arrested in December 2007 on charges of promoting gambling, money laundering and racketeering charges along with two members of the Lucchese ruling panel Joseph DiNapoli and Matthew Madonna.[23][86]
John "Sideburns" Cerrella - soldier, former acting capo in the 1990s. Formerly a Genovese family associate operating in Broward County, Cerrella later became a made man in the Lucchese family. He is a Long Island faction leader who conducts racketeering, fraud, stocks and wire fraud in Queens and Long Island. The 69 year-old Cerrella was released from prison on November 27, 2009.[101][102][103]
Joseph "Joey Blue Eyes" Cosentino – soldier in the Lucchese family involved with murdering a man connected to drug dealer Constable Farace along with Lucchese soldier Anthony Mangano in 1997.[94][104]
Ralph Cuomo - soldier and owner of Ray's Pizza in Little Italy. In 1969, Cuomo was convicted of narcotics trafficking after being found with 50 pounds of high quality heroin. In 1998, Cuomo confessed to discussing heroin drug sales in the pizzeria with Lucchese soldier Frank Gioia, Jr. (In 1998 Gioia became a government witness and testified against Lucchese Capos and soldiers)[105][106]
Salavatore Cutaia – soldier whose father, Domenico Cutaia, is a high-ranking Lucchese capo. Salavtore's son Joseph Cutaia is considered to be an associate in the family. His son Joseph was charged on December 24, 2009 for an attempted robbery and stick up of a Bensonhurst, Brooklyn couple along with Nicholas Bernardo.[107]
Santo Giampapa – soldier, he and his brother Joseph were acquitted in the 1992 killing of Lucchese Capo Michael Salerno.[94]
Frank "Big Frank" Lastorino - soldier in the Bensonhurst, Brooklyn Crew. A former Capo and Consigliere,[53][108] Lasterino hatched the plot to kill both John A. Gotti and captain Steven Crea to take over the Lucchese family in the early 1990s. Lastorino was released from federal prison on December 23, 2008 after serving 14 years on racketeering, extortion and conspiracy to commit murder.[109]
Vincent "Vinny Casablanca" Mancione - soldier and former Acting Capo of a Queens

and Long Island Crew. Mancione is a close ally of Joseph Caridi. On December 12, 2002 Macione, Consigliere Joseph Caridi, and Capo John Cerrella and soldier Carmelo Profeta were arrested for extorting restaurants in Long Island. The 49 year-old Mancione was released from prison in August 2006 and continues to operate with the long Island faction.[110]
Anthony Mangano - soldier in the Lucchese family involved with murdering a man connected to drug dealer Constable Farace along with Lucchese soldier Joseph Cosentino in 1997.[94]
Frank Manzo - soldier with the Vario Crew.[111]
Anthony Pezzullo - soldier, former member of the "Lucchese Construction Group" involved in bid rigging, extorting construction companies, and corrupting union locals. The group consisted of (acting boss) Steven Crea, (capos) Dominic Truscello and Joseph Tangorra, (soldiers) Phillip Desimone, Joseph Datello (Truscello crew member), Joseph Zambardi and associate Andrew Reynolds.[112]
Nicodemo Scarfo, Jr. - son of former Philadelphia crime family boss Nicodemo Scarfo. He served as a soldier up until his fathers arrest in mid 1990s; he then joined the Lucchese crime family with his fathers help. Today he is a soldier with The Jersey Crew operating in South Jersey and Philadelphia. There are rumors that Scarfo is trying to take over the Philadelphia family.[113][114]

[edit] Imprisoned soldiers
Ray Argentina – soldier in the Lucchese family. In 2001 Argentina was charged along with Louis Gampero for illegal mortgage fraud activities in Brooklyn, up state New York and Long Island. He was also running an illegal cocaine ring in Long Island with Ken Cardona. Argentina is currently incarcerated and projected release date is October 4, 2024.[94][115][116]
Anthony "Bowat" Baratta - soldier and former capo in the Bronx. Ran large drug trafficking operations in the 1990s and sat on the family's Ruling Panel.[53] He is currently imprisoned on narcotics and racketeering charges with a projected release-date of September 25, 2012.
John Baudanza - a soldier, operating in his father-in-law Domenico Cutaia's crew.[117][118] His father Carmine and uncle Joseph are both members of the Colombo crime family. In 1997, John and his cousin Joseph M. Baudanza were involved in stock crimes.[119] On April 17, 2007, John, along with his father and uncle pleaded guilty to racketeering charges related to operating a "pump and dump" stock scam.[120][121] He is currently serving his sentence in the Allenwood prison with a projected release date of August 2, 2015.[122]
George "Goggles" Conte - a soldier, and former capo. In 1991, Conte along with other capos inducted five new members into the crime family.[53][108] In January

1995, Conte and George Zappola were indicted and convicted of murder and racketeering.[123][124][125] Conte is currently imprisoned, with a projected release date of March 10, 2014.[126]
Louis "Louie Bagels" Daidone - soldier a former acting boss, Consigliere and capo. He was convicted to life in prison in 2003.[127]
Christopher "Christie Trick" Furnari Sr. - soldier a former Consigliere in the Lucchese family, convicted in the 1980s Mafia Commission case. He is currently imprisoned with a projected release date is November 24, 2044.[128]
James "Jimmy Frogs" Galione – a soldier replaced late Lucchese soldier Pete DePalermo position. In 1997 he and Mario Gallo plead guilty to the murder of an associate to the Bonanno/Colombo families Constable "Gus" Farace in 1989. Farace was a drug dealer responsible for killing an undercover federal agent. He was also charged with running a crack ring that operated in Bay Ridge and Bensonhurst, Brooklyn since 1992. He is currently imprisoned due out on December 24, 2015.[94][129][130][131]
Joseph "Joey Bang Bang" Massaro - a soldier in the Harlem Crew reported to Capo Anthony Baratta. He was operating in Long Island forcing topless bar owners to book his strippers from Entertainment Plus Agency. Massaro would use threats of intimidations and arson to get his way. In summer of 1989 helped cover up a murder of Joseph Fiorito with Patrick Esposito he was arrested in 1993. At his trail FBI agent Joe Pistone discussed what he learned about a Bonanno-Lucchese family sit-down over the topless bars in Long Island. Former Lucchese family acting boss Alphonse D'Arco also testified against him, Massaro received a life sentenced.[132][133][134][135]
Frank "Bones" Papagni - soldier and former capo in the early 1990s,[53] with racketeering, illegal gambling and loansharking operations in the Brooklyn section. He is serving 20 years for the attempted murder conspiracy on John A. Gotti in 1993. Papagni's projected release-date is November 24, 2015.
Michael J. Perna - soldier and former Capo in the Jersey faction; he began working for the Lucchese families Jersey faction sometime in 1976; by the 1980s was serving as the Underboss of the Jersey Faction for Michael Taccetta; acquitted in the 21 month trail along with other Jersey faction members on August 26, 1988; in 1993 was convicted of gambling and extortion along with Michael and Martin Taccetta with the testimony of Thomas Ricciardi and Anthony Accetturo; relatives include his father Joseph Perna, younger brother Ralph; The 67 year-old is currently imprisoned at the Federal Correction Institution at Fairton, New Jersey his projected release date is August 2, 2015.[85][87][136][137][138]
Martin Taccetta - soldier and former Capo in the Jersey Crew was released from prison in 2005 due to lack of evidence in his trial, and wrongfully being accused of

murder charges in his older brother Michael Taccetta's trial in 1993. On July 30, 2009 the New Jersey Supreme Court reversed lower court decision that granted Taccetta release and reinstated Martin life sentence for racketeering and extortion.[139][139][140]
Joseph "Joey Flowers" Tangorra - soldier and former capo whose crew was based in Bensonhurst Brooklyn and was involved in extortion and racketeering activities. Tangorra is currently incarcerated and reportedly suffers from mental illness. His projected release date is December 9, 2014.[141][142][143]
George "Georgie Neck" Zappola - soldier and former capo under the regime of Amuso and Casso in the 1980s.[123][124] He operated out of the Brooklyn wing with racketeering, extortion activities. Zappola is currently imprisoned on murder-conspiracy charges in aid of racketeering with Frank Papagni. His projected release date is March 3, 2014[53][144][145]

[edit] Family crews

A crew is a group of soldiers and associates who operate in a specific area. The capo runs the crew and reports to the underboss. The soldiers run illegal activities such as illegal gambling, loansharking, bookmaking, extortion, and fencing of stolen goods. The soldiers pay tribute to the capo and the capo sends a portion of this tribute money to the boss and underboss. The soldiers are "made men", or full family members, and have associates (who are not made men) working for them. An associate works for a crew in hopes of proving his worth to the family and becoming a made man. To be eligible to become a made man, an associate must be of Italian ancestry on both sides of his family.
The Vario Crew – active in Brooklyn and Queens
The Jersey crew – a faction in the Lucchese crime family. The leader of the Jersey crew/faction is imprisoned Michael Taccetta, the acting boss/capo is Ralph Perna.[1][146]

Recruitment gangs
The Tanglewood Boys – a recruitment gang made up of young Italian men trying to prove themselves as associates. In the early 1990s, the crew was under the control of Anthony "Blue Eyes" Santorelli.[104][147] The gang operates Westchester, the Bronx and Manhattan.
East Harlem Purple Gang – was a group of Italian American hit-men and heroin dealers. The group was consider a semi-independent gang operating in East Harlem and the Bronx during the late 1970s. Members would join the Lucchese and Genovese families.[148]

[edit] Controlled unions

The Lucchese family has taken over unions across United States. The crime family has extorted money from the unions in blackmail, strong-arming, violence and other matters to keep their control over the market. Similar to the other four crime families of New York City they worked on controlling entire unions. With the mob having control over the union they control the entire market. Bid-rigging allows the mob to get a percentage of the income on the construction deal only allowing certain companies to bid on jobs who pay them first. The mob also allows companies to use non-union workers to work on jobs the companies must give a kickback to the mob. Unions give mob members jobs on the books to show a legitimate source of income. The mafia members get into high union position and began embezzling money from the job and workers.

Clothes manufacturing - In the Garment District of Manhattan, the Union of Needletrades, Industrial and Textile Employees Locals 10, 23, 24, and 25 were controlled by members of the Lucchese family. Lucchese Associates would extort the businesses and organize strikes. Today some unions still are working for the family.[149][150][151][152]

Kosher meat companies - In the early 1960s Giovanni "Johnny Dio" Dioguardi merged Consumer Kosher Provisions Company and American Kosher Provisions Inc. together.[153] Dio was able to control a large portion of the Kosher food market, forcing supermarkets to buy from his companies at his prices.[153]

Food distribution - At the Hunts Point Cooperative Market in the Hunts Point section of the Bronx, the Lucchese family controlled unions involved in the food distribution industry.

Airport services and freight handling - At John F. Kennedy International Airport, LaGuardia and Newark Liberty, the unions were controlled by the Lucchese family.

Construction - Teamsters unions in New York City and New Jersey have been under Lucchese control; Mason Tenders Locals 46, 48, and 66 were controlled by the old Vario Crew.[154]

Newspaper production and delivery - In November 2009, Manhattan District Attorney Robert Morgenthau sent search warrants to investigate the Newspaper Mail Deliverers Union. This union controlled circulation, production and delivery offices at The New York Times, The New York Post, The New York Daily News and El Diario La Prensa. When the Cosa Nostra took control over the union, the price and costs for newspapers increased. Charges were put against many union members as well as the former union President Douglas LaChance. LaChance is accused as being Lucchese crime family associate. In the 1980s LaChance was convicted on labor

racketeering charges and served five years in prison. He was also involved in the Manhattan 1990s case were New York Post was being strong-armed in to switching their delivery companies, but was acquitted in the case.[155][156]

[edit] Allied and Rival criminal groups

[edit] Mafia allies

The Lucchese-Gambino-Genovese alliance (1953–1985) between Tommy Lucchese, Carlo Gambino and Vito Genovese began with a plot to take over the Mafia Commission by murdering family bosses Frank Costello and Albert Anastasia. At that time, Gambino was Anastasia's new underboss and Genovese was the underboss for Costello. The first target of the conspiracy was Costello. On May 2, 1957 gunmen attempted to kill Costello on a New York street. Costello survived the assassination attempt, but immediately decided to retire as boss in favor of Genovese. The conspirators' second target was Anastasia. On October 25, 1957, the Gallo brothers (from the Colombo family) murdered Anastasia in a Manhattan barber shop, allowing Gambino to become boss of Anastasia's family. After he assumed power, Gambino started conspiring with Lucchese to remove their former ally Genovese. After the disastrous 1957 Apalachin meeting of mob leaders in Upstate New York, Genovese lost a great deal of respect in the Commission. In 1959, with the assistance of Luciano, Costello, and Meyer Lansky, Genovese was arrested. Gambino and Lucchese assumed full control of the Mafia Commission. Under Gambino and Lucchese, the Commission pushed rival Bonanno boss Joseph Bonanno out of power, triggering an internal war in that family. In the 1960s, the Commission backed the Gallo brothers in their rebellion against Profaci family boss Joe Profaci. In 1962, Gambino's oldest son Thomas married Lucchese's daughter Frances, strengthening the Gambino-Lucchese alliance.[151][157][158] Lucchese gave Gambino access into the rackets at the New York airports rackets he controlled and Garment District rackets, Gambino allowed Lucchese into some of their rackets.[159] After Lucchese death in July 1967, Gambino used his power over the Commission to make Carmine Tramunti the boss of the Lucchese family. Gambino continued the alliance with Tramunti's successor, Anthony Corallo. After Gambino's death, the new Gambino boss Paul Castellano continued the alliance with Corallo. In 1985, the Gambino-Lucchese alliance finally dissolved after Gambino capo John Gotti ordered Castellano's assassination without Commission approval.[160]

The Lucchese-Genovese alliance (1986–present) The new alliance started in 1986 with Vincent Gigante and Victor Amuso the bosses of the two families teaming up against John Gotti. Gotti had ordered the murder of Gambino family Boss Paul Castellano who was the head of the Commission (or Boss of Bosses). This started a

three family war; the Genovese and Lucchese families versus the Gambino family. The alliance tried to get revenge for the murder of Castellano and order the killing of Gambino family underboss Frank DeCicco. The alliance is still strong today and the two families operate on deals around New York City. Joseph DiNapoli a member of the family's three man ruling panel has two brothers in the Genovese crime family; Vincent "Vinny" DiNapoli, a captain, and Louis DiNapoli, a soldier in Vincent's crew.

The Lucchese-Gambino alliance (1999–present) The new alliance between the two families was started by acting Boss Steven Crea teaming up with Gambino family capos in 1999. They would extort the construction industry and would make millions in bid-rigging together.[161] In early 2002 Lucchese Capo John Capra worked with Gambino family member acting Boss Arnold Squitieri, acting underboss Anthony Megale and Bronx based acting Capo Gregory DePalma. The group was involved in illegal gambling and extortion activities in Westchester. The members were arrested in 2005 leaving to reveal that Gambino acting Capo DePalma had allowed an FBI agent Joaquin Garcia (known as Jack Falcone) work undercover with his crew since 2002.[162][163] In late 2008 Gambino family New Jersey based acting Capo Andrew Merola teamed with Lucchese's Jersey faction acting Boss Martin Taccetta in an illegal gambling ring, shaking down Unions, and extorting car dealerships. Merola was indicted in 2008 and Taccetta was sent back to prison in 2009.[139][164]
The Lucchese-Bonanno sitdown (2010) Lucchese family acting Capo Carlo Profeta and Bonanno family Capo Anthony Mannone had a sitdown over a Lucchese soldier owing Mannone $213,000.[79] On February 24, 2010, acting capo Carlo Profeta, soldier Salvatore Cutaia and associates Joseph Cutaia and Eric Maione, with Bonanno family Capo Anthony Mannone and associate Jerome Carameilli were indicted on racketeering and extortion charges.[78][80]

[edit] Other allies
The Lucchese-Lepke alliance (1920s-1944) started with Tommy Lucchese and Louis "Lepke" Buchalter extorting payments from garment makers in New York's Garment District. During the 1930s, Lepke was one of the most powerful Jewish gangsters in New York City.[165] With his allies Meyer Lansky and Bugsy Siegel, Lepke fought for control over Jewish neighborhoods throughout Brooklyn and together formed Murder, Inc. Lepke would fall when his trusted Brownsville crew leader, Abe "Kid Twist" Reles, became a government witness and testified against Lepke in a murder trial. On March 4, 1944, Lepke was executed by electrocution. After the Lepke execution, Lucchese gained control over the Garment District and took over Lepke's

rackets in Brownsville.[166]
The Lucchese-Greek mafia alliance (1980s-present) started in the early 1980s. The Velentzas Family, a Greek-American criminal organization led by Spiros Velentzas, operated in Astoria, Queens and other Greek communities in the city. The Lucchese family offered Velentzas protection in return for a percentage of his family's illegal gambling profits.
The Lucchese-Russian mafia alliance took place in the late 1980s. Marat Balagula was a Russian criminal boss whose organization controlled Brighton Beach and other Russian-American communities in New York. When the Colombo crime family tried to extort payments from Balagula's lucrative gasoline business, he met with Lucchese consigliere Christopher Furnari. Funari offered Balaqula an alliance to protect him from the other New York Cosa Nostra families
The Lucchese-Nicky Barnes alliance took place from the early 1970s into the 1980s. Leroy "Nicky" Barnes was an African-American drug dealer based in Harlem who was supplied with heroin by Lucchese associate Matthew Madonna and Colombo capo "Crazy Joe" Gallo. Barnes created a criminal organization known as The Council that dealt large amounts of heroin in Harlem.

[edit] Rivals
The Cuban mafia called La Coporacion (or the Corporation) and was led by Jose Miguel Battle, Sr. a Cuban born male who set up an organization in Miami, Florida to Union City, New Jersey. He worked from Union City, New Jersey with help from Bonanno family Capo Joseph "Bayonne Joe" Zicarelli up into the 1980s. He then began to work with another mafia family Genovese Capo James Napoli. In 1985 his Corporation battled with Lucchese family members for control over number rackets.[167][168]
The Albanian mafia called the Rudaj Organization was led by Boss Alex Rudaj, Nikolla Dedaj and Italian Nardino Colotti were operating in Yorktown New York, Bronx, and Queens. The group started in 1993 and it leadership and power has now been shut down by the Italian Mafia and criminal prosecution in 2004. The Rudja Organization had a brief fight for control of gambling rackets in Astoria, Queens with the Lucchese family. The Albanian muscle attacked two Greek associates of the Lucchese family on August 3, 2001.[169][170][171][172]

[edit] Former members
Patrick Testa – a made member of Gambino's DeMeo crew. Transferred later to the Lucchese family. Murdered December 2, 1992.
Angelo Sepe – a made member who was a suspect in the 1978 Lufthansa robbery at JFK airport. Murdered July 18, 1984.

Anthony DiLapi – a Teamsters union leader in New York City's Garment District and a Lucchese soldier. Murdered February 4, 1990.
Bruno Facciolo – a soldier who is a brother to Gambino family associate Louis Facciolo. Died in 1990's.
James Burke – an associate who may have organized the 1978 Lufthansa heist. Died April 13, 1996 from lung cancer.
Thomas DeSimone – an associate who was murdered January 14, 1979.
Richard "Toupe" Pagliarulo – a soldier in the late 1980s and early 1990s. In 1991, Pagliarulo became the capo of Peter Chiodo's Bensonhurst, Brooklyn crew. Died of natural causes in prison.[53][173]

[edit] Government informants and witnesses
Alphonse "Little Al" D'Arco – acting boss from 1990 to 1991, then demoted. Became government witness on September 21, 1991.
Joseph "Little Joe" DeFede – acting boss from 1993 to 1998, then demoted to capo when imprisoned. Became government witness in early 2002 after his release.
Anthony Casso – underboss from 1986 to 1993. Became government witness in 1992.
Anthony "Tumac" Accetturo – capo of the Jersey crew from 1970s to 1988. Became government witness in 1993.
Peter Chiodo – capo. Became a government witness after being shot 12 times on May 8, 1991.[174]
Frank Gioia, Jr. – soldier. Became government witness in 1998.
Frank Gioia, Sr. – soldier. Did not testify against the family but entered Witness Protection Program with son Frank Gioia Jr. in 1998.[106]
Vincent Salanardi – soldier. Became government witness in 2002.[175]
Frank Suppa – soldier. Member of the Jersey faction seen as a Capo in Florida; became informant in late 1997.[176][177]
Henry Hill – associate. His life was the basis for the book Wiseguy and the film Goodfellas. He and his wife Karen, became government witnesses.[178]

[edit] Family events

The Gaetano Lucchese Family Chart - from the 1963 Valachi hearings [42]

Boss: Gaetano "Tommy Brown" Lucchese [42]

Underboss: Stefano "Steve" LaSalle

Consiglieri: Vincenzo "Nunzio" Rao

Caporegimes: Ettore "Eddie" Coco, Joseph "Joey Narrow" LaRatro, Giovanni "Big John" Ormento, Joseph "Joe Palisades" Rosato, Carmine "Mr. Gribbs" Tramunti, Anthony "Tony Ducks" Corallo, Joseph "Joe Brown" Lucchese, James "Jimmy Doyle" Plumeri, Salvatore "Tom Mix" Santoro Sr., Natale "Joe Diamonds" Evola [42]

Soldiers-Buttons: Frank Arra, Joseph Bendenelli, Nicholas Bonina, Frank Callace, Frank Campanello, Paul John Carbo, Frank Cintrano, Sam Cavalieri, Paul Correale, Dominick Bianco, Donato Laietta, Edward D'Argenio, John DiCarlo, Thomas Dioguardi, Johnny "Johnny Dio" Dioguardi, Charles DiPalermo, Vincent Corrao, Joseph DiPalermo, Salvatore Granello, Joe Emanuel, Anthony Lisi, Salvatore LoProfo, Salvatore Maneri, Aniello "Neil" Migliore, Vic Panica, Andinno Pappadia, Dominick Petrillo, Anthony LoPinto, Vincent Potenza, Calogero Rao, Charles Sooperto, Salvatore Shillitani Joseph Silesi, Nicholas Tocentino, Angelo Tuminaro, Joseph Vento, Anthony Vadala, Sam Valente, Tom Valente, James Vintaloro [42]

[edit] Trials
Mafia Commission Trial - boss Anthony "Tony Ducks" Corallo, underboss Salvatore "Tom Mix" Santoro, and Consigliere Christopher "Christy Tick" Furnari received 100-year sentences.
Window Case - 1978 to 1990 - four of the five New York City crime families (Lucchese, Genovese, Gambino and Colombo) formed a cartel that controlled the sale and installation of thousands of energy-efficient windows in New York City housing projects.[179][180]

[edit] Famous heists
Air France Robbery (In 1967 Lucchese associates stole $420,000 from Air France cargo at JFK Airport)
Pierre Hotel Robbery (In 1972 Lucchese family associates stole hundred of thousands in Jewels)
Lufthansa Heist (On December 11, 1978 Lucchese family members and associates stole 5 million in cash and Jewels from JFK Airport.)
Mafia related events in timeline
Main article: Timeline of organized crime

[edit] In popular culture
The 1981 film Gangster Wars Lucchese family's future boss Gaetano "Tommy Brown" Lucchese was played by actor Jon Polito.[181]
The 1990 film Goodfellas was based on Lucchese mob associate Henry Hill and The Vario Crew of the Lucchese family.
The 1991 film Mobsters Lucchese family boss Gaetano "Tommy" Reina was played by actor Christopher Penn.[182]
In the 1991 film Out for Justice, the William Forsythe character "Richard Madano" was based on Lucchese mobster Matthew Madonna.
The 1999-2007 HBO TV-show The Sopranos, the Lucchese family's New Jersey faction was the main inspiration for the DiMeo crime family according Crime Library. Main character Anthony "Tony" Soprano was based on Lucchese mobster Michael Taccetta.[183]
The 2006 film Find Me Guilty was based on the 1980s trial of 20 members of the Lucchese Jersey Crew.
The 2006 Electronic Arts video game The Godfather: The Game, the Stracci Family could be based on the Lucchese crime family. In the game, the family is based in New Jersey; the Lucchese family has a large power base in New Jersey.
In the 2007 film American Gangster, the Armand Assante character Dominic Cattano was based on Lucchese mobster Carmine Tramunti.
In the 2008 Rockstar North's video game GTA IV, the fictional Lupisella family could loosely be based on the Lucchese family. The Lupisella family is mainly based in Bohan, the GTA 4 version of the Bronx, and is operating in Liberty City, the game's version of New York City.

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The Lucchese Family

Chapter One

By Anthony Bruno

Blood and Gravy

On the night of February 26, 1930, Gaetano "Tom" Reina, the first boss of what would eventually become known as the Lucchese crime family, shrugged into his overcoat in the foyer of his aunt's home. It was a Wednesday, and Reina spent every Wednesday with his aunt. He always looked forward to her home-style Sicilian cooking, and she never disappointed him. This evening was no exception. The aroma of her "gravy," as the newly arrived immigrants called their marinara sauce in English, lingered throughout the house.

As Reina stood by the door, his aunt touched his cheek and pulled his collar closed around his neck. It was the dead of winter, and she worried about him. The fact that he was forty years old and the leader of a criminal organization that controlled rackets in the Bronx and ice distribution all throughout New York City made no difference to her. He still needed looking after.

She studied his face, looking for signs of illness or worry, but he immediately broke into a big smile and kissed her cheeks, thanking her for dinner and telling her to be well. But he couldn't fool her. She had seen the worry in his expression—it had been there all night—but Reina wasn't about to burden his elderly aunt with his troubles. She was right—something was bothering him, and it had been eating at him for a long time. His boss, Giuseppe Masseria, had become much too demanding. Masseria was the Mafia boss of all of New York, and he ruled with an iron fist, insisted that everyone call him "Joe the Boss." The greedy bastard now wanted an even bigger slice of the pie, and from Reina's point of view it was undeserved.

Joseph Masseria

For months, Reina had been thinking very seriously about switching his allegiance to Masseria's rival, Salvatore Maranzano, a relative newcomer to New York who had arrived in America from Castellammare del Golfo, Sicily, just a few years earlier. Maranzano was now gaining strength and giving Masseria a run for his money. Reina hadn't totally made up his mind yet, but with every fat envelope that passed from his hands to Masseria's arrogant emissaries, he came that much closer to making his decision.

Reina's aunt caressed his cheek with the palm of her hand and startled him out of his simmering anger. He flashed a quick smile to assure her that everything was all right as he reached for the doorknob and bid her goodbye.

Charles "Lucky" Luciano
As Reina walked down the front steps toward the sidewalk, he noticed a familiar face. Vito Genovese, then 33, who would later become the namesake of the largest crime family in New York, stood under a streetlight, waiting for him. At the time, Genovese was an associate of Charles "Lucky" Luciano, who was "Joe the Boss" Masseria's top lieutenant. Reina started to wave to Genovese, but "as he did," Carl Sifakis writes in The Mafia Encyclopedia, "Vito blew his head off." Genovese left Reina's body where it fell, in front of his aunt's house on Sheridan Avenue.

Vito Genovese
Tom Reina became the first victim in the bloody struggle for control of the Sicilian Mafia in America called the Castellammarese War, named after the town in Sicily where many of the participants were born. But why kill Reina? many people wondered. Lucky Luciano had been chafing under Masseria's harsh grip himself, and he knew that Reina was thinking about joining forces with the newcomer Maranzano. Why rub out someone who could have been a powerful ally in ousting "Joe the Boss"?

The ingenious Luciano had his reasons.

http://www.trutv.com/library/crime/gangs....ucchese1/1.html

Chapter Two

The Two Tommys

Lucky Luciano was always thinking three moves ahead. Lucky's master plan was to set up a national crime commission that would be bigger than the Mafia and include gangsters of all stripes, not just Sicilians. To do that, he knew he would have to eliminate the old-fashioned "Mustache Petes" who had come to America from Sicily and ruled like medieval barons in a land of limitless criminal opportunity. "Joe the Boss" Masseria was naturally at the top of Luciano's hit list, but Lucky was also wary of Masseria's rival, Salvatore Maranzano. Luciano didn't want a new boss; he wanted to be the boss. But he knew he wasn't strong enough to make that move yet. And

that's why he ordered the hit on Tom Reina.

Gaetano "Tommy" Gagliano
Luciano worried that if Reina sided with Maranzano, Maranzano would become too powerful and potentially harder to deal with than Masseria. Besides, Luciano already had secret commitments from Reina's right-hand men, Gaetano "Tommy" Gagliano and Tommy Lucchese, who saw Luciano's national commission as the future of crime in America. The Castellammarese War was the Young Turks' insidious rebellion against the old-timers.

Joe Pinzolo
In the wake of Reina's death, Masseria alienated Reina's Bronx gang by bringing in an outsider to take over as their leader, another "Mustache Pete" named Joe Pinzolo. The two top figures in the gang, Tommy Gagliano and Tommy Lucchese, chafed under Pinzolo's high-handed leadership, and it wasn't long before Lucchese murdered Pinzolo, which Masseria mistakenly attributed to Maranzano.

Gaetano "Tommy" Lucchese
Fed up with "Joe the Boss," Gagliano and Lucchese decided to join forces with Maranzano, but Lucky Luciano, always thinking ahead, convinced them to make the switch secretly so that Masseria wouldn't know. This made the two Tommys much more appealing to Maranzano, who thought he now had two well-placed spies in Masseria's organization, when in fact it was Luciano who had two well-placed spies in Maranzano's organization. Luciano was now ready to make the boldest moves ever committed by an American Mafioso.

Salvatore Maranzano
The murders of Giuseppe Masseria and Salvatore Maranzano are Mafia legend and mark the birth of modern organized crime in the United States.

On April 15, 1931, Luciano lured "Joe the Boss" to a restaurant in Coney Island,

where they spent the afternoon playing cards after a big meal. When Luciano excused himself to go to the men's room, four gunmen entered the restaurant and pumped six slugs into Masseria, abruptly ending his draconian reign. Luciano emerged from the men's room to inspect the body, nodding his approval to his hand-picked team of assassins who would eventually become underworld luminaries in their own rights—Albert Anastasia, Vito Genovese, Joe Adonis, and Bugsy Siegel.

Albert Anastasia, young

With Masseria out of the way, Maranzano declared himself the undisputed boss of bosses and initially thought he had Luciano's support. But in private, Marazano was growing wary of Luciano and his growing circle of non-Sicilian gangster friends. It wasn't long before Maranzano came to regard Luciano as "a threat," according to author Ernest Volkman in his book Gangbusters: The Destruction of America's Last Great Mafia Dynasty. Marazano hired notorious Irish hitman Vince "Mad Dog" Coll to rub out Luciano and his close associate Vito Genovese, but Luciano got wind of the plot and beat Marazano to the punch, hiring four Jewish killers from the Meyer Lansky-Bugsy Seigel gang to take out Marazano.

Vincent "Mad Dog" Coll

Maranzano had summoned Luciano to meet him at his real-estate office near Grand Central Station on September 10, 1931. Luciano assumed that this meeting was a setup, so he dispatched his hit team before the scheduled meeting with Marazano. Dressed in treasury-agent uniforms, the four killers went to Maranzano's office, saying they were there to do a spot check on the books. Two of the "agents" subdued Maranzano's body guards in the outer office while the other two went inside to take care of Maranzano.

Tommy Lucchese was with Maranzano, who never suspected that Lucchese had been aligned with Luciano all along. The assassins didn't know what Maranzano looked like, so Lucchese's job was to make sure that they got the right man, which they certainly did, shooting and stabbing Maranzano to death.

Ironically, one of these killers ran into "Mad Dog" Coll in the stairwell as he rushed out of the building. Coll was on his way up to gun down Luciano and Genovese, who were supposed to be in a meeting with Maranzano.

When Coll learned that the boss had just been killed, he turned right around and walked out a happy man. Maranzano had already paid him half of his $50,000 fee up front and was in no position to ask for a refund.

With the "Mustache Petes" either dead or on the run, Luciano and his allies were now free to take over. Luciano assumed the leadership of Masseria's group, while Tommy Gagliano became boss of Reina's gang, with Tommy Lucchese as his underboss. Gagliano held the top slot until his death by natural causes in 1953.

http://www.trutv.com/library/crime/gangs....ucchese1/2.html

Chapter Three

"Three-Finger Brown"

Tommy Lucchese was an anomaly among his peers. Five-foot-two with a slight build, he was no stranger to violence. As Carl Sifakis points out, he may have been Lucky Luciano's "favorite killer," and may have also been involved in some 30 murders. This would have been high praise coming from Luciano, who at one time had Albert "Lord High Executioner" Anastasia, among other heavy hitters, in his stable. Lucchese lost a finger in 1915, which earned him the nickname "Three-Finger Brown" after a popular baseball player at the time. As a young man, he racked up a long list of arrests, including ones for homicide, but he managed to avoid conviction in every case except for a single grand larceny charge in the early 1920s.

Lucchese had served loyally as underboss to Tom Gagliano for 22 years. Like Gagliano, he set ego aside and concentrated on core Mafia values—making money and not getting caught. Having lived under the tyrannical reigns of the "Mustache Petes," Lucchese showed more care for the welfare of his men when it was his turn to become boss. Popular and well-liked by his soldiers, he took his family into new rackets in Manhattan's garment district and in the related trucking industry. According to mob expert Jerry Capeci, Lucchese's successful infiltration into these businesses would indicate his control over "key Teamsters and Ladies Garment Workers locals as well as trade associations."

Lucchese was a modern gangster in the Luciano mold who branched out into new areas while maintaining the bread-and-butter rackets that have always been the

foundation of the Mafia's money-making machine—gambling, construction, loan-sharking, and drugs. Along with Gagliano, he pioneered rackets at the newly opened Idelwild Airport (later renamed Kennedy Airport), corrupting unions there to facilitate trucking monopolies, warehouse theft, and hijacking.

But Lucchese also had a talent for making friends in high places and using those friendships to his advantage. Among his good friends was Armand Chankalian, administrative assistant to the United States Attorney of the Southern District of New York. Chankalian introduced him to U.S. Attorney Myles Lane. In 1945, Lucchese applied to the New York State Parole Board for a certificate of good conduct, and Chankalian served as a character witness for him. The certificate was granted.

Thomas Murphy

Lucchese also counted Assistant U.S. Attorney Thomas Murphy among his friends. Murphy is best known for prosecuting accused Communist spy Alger Hiss for perjury in 1949. Murphy was named police commissioner of the city of New York when Mayor Vincent Impellitteri won re-election in 1950. Tommy Lucchese was among Impellitteri's staunchest supporters and had been a frequent guest at Murphy's home. The commissioner claimed total ignorance of Lucchese's criminal record until that year.

As mob bosses go, Lucchese was a worthy namesake for the family he led. He maintained his criminal lifestyle for 44 years without a conviction, a major feat in itself. Toward the end of his life he suffered from heart disease and underwent surgery for a brain tumor, from which he never fully recovered. He died on July 13, 1967. Over 1,000 people attended his funeral, including many high-ranking mobsters who knew that police and FBI surveillance teams would be watching. Tommy Lucchese was so well-respected, nothing would keep them away.

Carmine Trumunti succeeded Lucchese as boss, but his term was relatively short and undistinguished. He was convicted of sanctioning narcotics trafficking and sentenced to life in prison. The next boss followed more closely in the footsteps of "Three-Finger Brown."

http://www.trutv.com/library/crime/gangs....ucchese1/3.html

Chapter Four

Tony Ducks and the Jaguar

Tony Corallo

Lucchese boss Anthony "Tony Ducks" Corallo did not get his nickname for his love of waterfowl. It was his luck in "ducking" prosecution early in his career that earned him the name, but unlike Tommy Lucchese who went over four decades without a conviction, Corallo was not totally immune from government scrutiny. As a young member of the Gagliano family, Corallo spent six months in the can for his involvement in a narcotics ring. This experience might have taught him a lesson. After his release, he turned his attention to criminal pursuits that were harder for the law to uncover and prosecute, principally union corruption.

By the 1950s, Corallo was one of several mobsters who had a tight grip over union locals with the tacit sanction of union officials. Corallo's cash cow was Teamsters Local 239 in New York. He was accused of creating dummy employees and pocketing their salaries, which amounted to $69,000 by the time authorities learned of this scam. Corallo and other mobsters worked hand-in-hand with Jimmy Hoffa, international Teamsters president, who had no problem with wiseguys looting union funds as long as they made sure the locals they controlled kept him in power. Corallo was cited by the U.S. Senate Labor Rackets Committee (better known as the McClellan Committee) as a major player in union corruption. Robert Kennedy, the committee's chief counsel, appeared on a nationally broadcast late-night television talk show to denounce Corallo and other mobsters by name. Subpoenaed to testify before the committee, Corallo was unflappable, invoking his Fifth Amendment rights 83 times when questioned about a bugged conversation in which Jimmy Hoffa seemed to be giving his blessings to Corallo's illegal union activities.

Salvatore Avellino Jr.

"Tony Ducks" managed to duck trouble with the union investigations, but he did get snagged for bribing a New York Supreme Court justice and an assistant U.S. attorney and served a two-year stretch as a result. Years later he was convicted on charges of bribing the New York City Water Commissioner, James L. Marcus, in an attempt to

get contracts to clean and repair parts of the city's reservoir system. The contracts were worth over $800,000, and Corallo was sentenced to four and a half years in prison.

Carmine Trumunti

By the time Corallo was released, Tommy Lucchese was on his deathbed and Carmine Trumunti was waiting in the wings. A few years later Trumunti was sent away to prison, and the family was in sore need of a stabilizing force, which Corallo provided for twelve years. Under Corallo's leadership, the Lucchese Family, though smaller in number than the Genovese and Gambino families, prospered and grew. In narcotics trafficking alone, they profited handsomely when a family associate named Matty Madonna became the main supplier for Leroy Nicky Barnes, the heroin king of Harlem. Madonna sold Barnes up to 40 kilos a month in the heady disco days of the early 1970s. The family's rackets ran smoothly and stealthily for many years, until Tony Ducks was bitten by a Jaguar.

Leroy Nicky Barnes

In the early 1980s, investigators placed a bug inside the Jaguar owned by Corallo's bodyguard and chauffeur, Salvatore Avellino. Ironically, Corallo, who was known for being gruff and closemouthed, was caught on tape talking at length and in detail about mob business. The information gleaned from these tapes was used against Corallo in what became known as the Commission Case. Backed up by the RICO statutes, the government went after the heads of the New York families, attempting to prove that these men controlled an ongoing criminal enterprise. In 1986, Corallo was found guilty and sent to prison, where he died in 2000.

Corallo handpicked his own successor, and like other bosses before him, he picked the wrong man. (If Carlo Gambino had chosen his popular underboss, Aniello Dellacroce, to succeed him instead of his brother-in-law, Paul Castellano, John Gotti might never have become the Dapper Don.) Corallo's choice was Vittorio "Vic" Amuso, a man who in a former life might have operated the guillotine during the French Revolution.

http://www.trutv.com/library/crime/gangs....ucchese1/4.html

Chapter Five

Off With Everyone's Head

Anthony "Gaspipes" Casso

Vic Amuso and his equally bloodthirsty underboss, Anthony "Gaspipes" Casso, ruled with the subtlety of a pair of sledgehammers. Mob expert Jerry Capeci summarized their leadership philosophy succinctly: "Their main idea of management was to kill anyone who displeased them in any way. Their secondary plank was to kill anyone whom they thought might displease them." Mafia rules and tradition went out the window when Amuso and Casso took over.

The bloodletting started when Amuso and Casso were among a slew of mobsters indicted in the "windows case," in which organized crime figures from several families were accused of bribery and extortion , obtaining exclusive contracts to repair buildings for the New York City Housing Authority. These contracts allowed the mob to sell and install hundreds of thousands of windows to the city at inflated prices without fear of competition. Amuso and Casso knew the government had an airtight case against them, so in 1990, they went on the lam and ruled the family from in hiding, barking out long-distance orders to whack anyone whom they suspected might be trouble.

One of their first targets was one of their own hitmen, 400-pound Pete Chiodo, who pleaded guilty to the "windows" charges, knowing that he didn't stand a chance if he went to trial. Amuso and Casso assumed that Chiodo had made a deal with the government to testify against them in exchange for a reduced sentence. They sent word to their acting boss, Alphonse "Little Al" D'Arco, to clip "Fat Pete."

Alphonse "Little Al" DArco

Short and sinewy, with a signature hard expression, "Little Al" did what he was told and sent a hit team to take care of Chiodo. They ambushed him at a service station on Staten Island near the Verranzano Bridge toll plaza, where he was poking around under the hood of his car, checking the engine. The assassins pumped seven bullets into him, "five bullets passing completely through his body," according to writer

Allan May. But none of them hit a vital organ and Chiodo survived.

Vittorio "Vic" Amuso
Ironically, Chiodo was, in fact, a standup guy and had refused all government attempts to get him to flip. But when Amuso sent a pair of wiseguys to Chiodo's lawyer's office with the message that Chiodo's wife would be next, "Fat Pete" began to reconsider his blood oath to the mob. Killing women was strictly forbidden in the Mafia, but apparently Amuso and Casso had lost the rulebook, because their next attempt to deter Chiodo was an attempt on his sister's life. A van pulled up in front of Patricia Capozzalo's home and opened fire on her as she was going inside, having just returned from taking two of her kids to school. She was hit in the neck and back before the van raced off. Like her brother, she survived the attack. Shortly after the Capozzalo shooting, Chiodo's uncle, Frank Signorino, was found dead in the trunk of a car. Chiodo had no doubts about what he was going to do now. Thanks to Amuso and Casso's ham-fisted efforts to silence him, Chiodo went into the witness protection program and became one of the government's most productive witnesses against the Mafia.

Anthony "Tumac" Accetturo
Amuso and Casso didn't quite get the basics of lying low. While in hiding, they ordered acting boss D'Arco to kill the entire New Jersey faction of the Lucchese family, 30 members in all. Disillusioned with Amuso's haphazard leadership, New Jersey boss Anthony "Tumac" Accetturo had stopped giving the New York leadership a piece of his pie. From Accetturo's point of view, the members of the Jersey faction were hard-working moneymakers who got nothing but trouble from the New York bosses. All this killing and shooting was bringing the heat down on the Lucchese family members and was bad for business. Accetturo tried negotiating with Amuso and Casso, but there was no placating them. The order stood. "Whack New Jersey!"

http://www.trutv.com/library/crime/gangs....ucchese1/5.html

Chapter Six

Little Als Dilemma

Anthony Casso

At this point, acting boss "Little Al" D'Arco must have thought he'd fallen down the rabbit hole and landed at the Mad Hatter's tea party. Amuso and Casso were getting more unreasonable and making less sense. As author Ernest Volkman writes in his book Gangbusters, at a clandestine meeting, Casso gave D'Arco a list of 49 names -- people Casso had slated for execution. D'Arco scanned down the list and realized that half of these people were Lucchese members. When D'Arco questioned some of Casso's choices, the underboss said they all had to be killed because they were "creeps." According to Volkman, at another meeting Casso promised that he would throw a party when he finally came out of hiding and invite all the "creeps" so he could kill them all in one place.

John Gotti

Amuso showed his megalomania when he ordered D'Arco to recruit a bomb expert from the Philadelphia Mafia family, who would rig an explosive that would kill Gambino boss John Gotti. D'Arco pointed out that there would most certainly be retaliation from the Gambino family, and the Lucchese family didn't need any more trouble. Amuso told him not to worry about it because "the robe," Genovese boss Vincent Gigante, would support them.

These two were out of control, D'Arco must have thought. If they could order the deaths of their own family members and their loved ones, how safe was he? The writing on the wall came when Amuso demoted him and made him one of a four-man committee appointed to run the family. He knew that Amuso and Casso held him responsible for the botched hit on "Fat Pete" Chiodo. "Little Al" decided he'd better start watching his back more than usual.

On July 29, 1991, FBI agents captured Vic Amuso and his bodyguard at a suburban mall near Scranton, Pennsylvania. They surrendered peacefully, but the news of Amuso's arrest did not put D'Arco's mind at ease. If there was a contract on his head, it was still in effect, and Casso was still at large.

Six weeks later, D'Arco walked into the Hotel Kimberly in midtown Manhattan and took the elevator up to a suite where the acting Lucchese hierarchy had planned to

hold a meeting. As soon as he stepped into the suite, he knew instinctively that something was wrong. According to Alan May, "D'Arco noticed one of the men had a bulge under his shirt, a sure sign he was carrying a weapon." Coming armed to a meeting was a clear violation of Mafia protocol. The man with the bulge excused himself and went into the bathroom. When he returned, the bulge was gone. D'Arco's stomach sank. It was a classic setup. The next guy to go into the john would come out with the gun in his hand.

"Little Al" was certain that he was their target. He had to be, he thought. He tried to think of a way he could escape, but he was outnumbered. He'd never even make it to the door.

When another man went into the bathroom, D'Arco was convinced his number was up. But when the man came out, nothing happened. He probably wasn't the designated shooter, D'Arco figured. Maybe he just had to go pee. The shooter had yet to make his move.

That's when D'Arco decided he had to get the hell out of there. He made a quick excuse and left the suite, hightailing it to the lobby and out onto the street. He scanned the block outside the hotel but couldn't find his driver, a sure sign that he'd been marked for execution that day. He quickly flagged down a cab and went directly to his home, where he gathered up his wife and family. They immediately fled for their lives.

D'Arco felt betrayed. He had lived his life by the Mafia code and had been 100% loyal to the Lucchese family, but the rules set down by the godfathers of previous generations didn't mean anything anymore. Amuso and Casso had gone off the reservation, not him. It shamed him to be running away, because he hadn't done anything wrong. His first thought wasn't to run into the arms of the law, but with a wife and a big family to protect (particularly his son Joseph, who had been part of the hit team that failed to kill "Fat Pete" Chiodo), and no one in the mob willing to help them, D'Arco had little choice.

"Little Al" D'Arco became the first Mafia boss in history to turn state's witness and testify against his fellow family members after the government agreed to put him and his extended family in witness protection. He wouldn't be the last.

http://www.trutv.com/library/crime/gangs....ucchese1/6.html

Chapter Seven

The Gaspipe Backfires

Frank DeCicco

In 1993, Anthony "Gaspipe" Casso was finally caught. He'd been on the lam for 30 months, staying with an old girlfriend in central New Jersey. The government couldn't wait to get him into court. Having allegedly participated in 36 murders, including the bombing of Gambino underboss Frank DeCicco in 1986 and a plot to rub out federal Judge Eugene Nickerson, Casso would be easy pickings. In all likelihood, they'd be able to lock him away for the rest of his life. But Casso, unlike his boss Vic Amuso, decided there was nothing to be gained from being a standup guy. Instead, he flipped, offering to testify against the mob.

Sammy "the Bull" Gravano

It was a surprise move, but not an unwelcome one. Government prosecutors knew he was a treasure chest of inside information, not only about the Lucchese family, but about some of the other families, and they compared him to another valuable turncoat, Gambino underboss Sammy "Bull" Gravano, whose testimony against Gambino boss John Gotti helped put away the elusive Teflon Don. But Casso apparently didn't understand that turncoats are supposed to show that they've turned a corner in their lives and want to leave their criminal ways behind them. If anything, Gaspipe seemed to feel that cooperating with the government gave him license to misbehave.

Incarcerated in a special prison unit for cooperating witnesses, Casso frequently picked fights with other inmates. In one instance, he assaulted a handcuffed prisoner in the shower room. On another occasion, he attacked an inmate twice his size with a rolled-up magazine. The 350-pound prisoner grabbed the 165-pound Casso by the shirtfront and beat him mercilessly until guards tore them apart. Both men were relegated to solitary confinement as a result.

Anthony Casso in jail
Jerry Capeci writes in his article "Gaspipes Gets Gassed" that Casso also sweet-talked a prison secretary into doing favors for him, including giving him use of an unmonitored telephone. Casso also "bribed guards at the Otisville Correctional Facility to supply him with cash, steaks, sushi, turkeys, vodka, wine and other contraband."

Vincent "the Chin" Gigante
Casso was proving to be a loose cannon, and prosecutors feared what he would do on the stand if he were ever used as a witness. They decided not to use him in the trial against Genovese boss, Vincent "Chin" Gigante, relying instead on the testimonies of Sammy Gravano and "Little Al" D'Arco. Casso was so incensed that he'd been passed over, he wrote a letter to federal prosecutors in Brooklyn after Gigante's conviction and blasted the turncoat witnesses, accusing Gravano and D'Arco of lying on the stand. Prosecutors must have blown a gasket when they received his written temper tantrum, fearing that this document could jeopardize their hard-won conviction.

This time, Casso had gone too far. He was booted out of the program and evicted from the witness-protection unit of the prison. Branded a rat by his former mob cohorts, he had to be housed by himself in solitary confinement for his own protection. Prosecutors then wrote their own letter to the court, recommending that Casso not be given leniency in sentencing for cooperation that never paid off. They asked that Casso be given a life sentence, which is exactly what he got. His sushi and steak days were over.

http://www.trutv.com/library/crime/gangs....ucchese1/7.html

Chapter Eight

A Revolving Door

Joseph "Little Joe" Defede
In 1993, Vic Amuso, still the boss of the Lucchese family, made his wishes known

from behind prison walls. His choice to lead the family as acting boss in his absence was his handball partner from his old Queens neighborhood, Joseph "Little Joe" Defede. After years of turmoil and internal strife, the Lucchese Family seemed to be on an even keel. But then Amuso started checking the books. He found that the family rackets weren't making as much money as they had been, and he suggested that Defede might be skimming off the top of the family's garment district rackets.

In his article "A Lousy Legacy," Jerry Capeci quotes an unnamed source as saying that Defede, who was never known for being a "tough guy," feared that Amuso would have him "whacked" for stealing from the family. After serving nearly five years as acting boss, he turned himself in to the FBI and pleaded guilty to extorting a small fortune from businesses in the garment district. For "Little Joe," who had started his criminal career running a numbers operation out of a hot-dog truck in Brooklyn, it was an easy choice: better to be alive in prison than dead in the street. While lying in a prison hospital bed in Lexington, Kentucky, Defede took a hard look at his life and decided that there was nothing left for him in the mob. He decided to follow "Little Al" D'Arco's lead and turn government witness.

Steve Crea

Next up in the top slot was underboss Steven Crea, but his term as acting boss didn't last long. He was soon convicted on state racketeering charges involving the construction industry and sent to prison.

Louis Diadone

Crea's successor met a similar fate. In September 2004, the Lucchese Family's next acting boss, Louis "Louie Crossbay" Daidone, was convicted in federal court on loansharking and murder charges. "Little Al" D'Arco, testifying for the prosecution, claimed that when he had been acting boss of the Lucchese Family, he had ordered Daidone to kill a man he feared would turn government witness. He said he told Daidone to stuff a canary in the corpse's mouth as a warning to any others who might be thinking about spilling their guts to the government. With the aid of a magnifying glass, jurors were able to spot the canary in the victim's mouth in crime scene photographs, and, as a result, voted to convict Daidone.

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Video cover: Goodfellas
It should be noted that the Lucchese Family has inspired some of the most notable mob characters on film and television. The Martin Scorsese film Goodfellas is based on Nicholas Pileggi's nonfiction book Wiseguy, which follows the life and crimes of Lucchese associate Henry Hill. In that movie, actor Paul Sorvino plays "Paul Cicero," a character modeled on the real-life Lucchese capo Paul Vario. Henry Hill (played by Ray Liotta) and Jimmy "the Gent" Burke (played by Robert DiNiro) were both associates in Vario's crew.

Michael Taccetta
Prosecutors and investigators from New Jersey believe that Michael Taccetta, street boss for the Garden State faction of the Lucchese Family, is the likely inspiration for "Tony Soprano" (played by James Gandolfini), the main character of HBO's The Sopranos. They also cite close similarities between Lucchese hitman Tommy Ricciardi and Tony Soprano's consigliere "Silvio Dante" (played by Steven Van Zandt). Both Taccetta and Ricciardi were on Vic Amuso's hit list when he decreed that the Jersey faction of the Lucchese Family should be made extinct.

http://www.trutv.com/library/crime/gangs....ucchese1/8.html

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CHAPTER 6

The Miscreants' Global Bust-Out (Chapter 6): Man Financial and Al Qaeda's Wash Trades

Posted on 17 May 2011 by Mark Mitchell

In 2008, one of Man Financial's big clients was a key Al Qaeda money launderer and market manipulator.

This will no longer seem surprising once you come to understand that the underworld of illicit finance is a small world, and once you understand that the underworld is becoming the overworld, which is to say that criminality has gone mainstream.

The Mafia has been a player in the financial markets since the 1980s, and we have begun to see how Michael Milken and his closest associates (including the ones who run Man Financial) made that happen. Meanwhile, where there is Mafia, there are jihadis.

At the outset of this story, I quoted former U.S. National Intelligence Chief Admiral Dennis Blair's warning about the "nexus" between organized crime and terrorism. In addition, not long ago, the U.S.. Department of Justice hired experts who produced a report that was titled, "Exploring Links between Transnational Organized Crime & International Terrorism."

In this report, the experts (all noted academics and former employees of national security agencies) stated that "criminal and terrorist organizations will integrate and might even form new types of organizations."

The experts said, "Granted, the motives appear different: organized crime focusing on making money and terrorism aiming to undermine political authority." But, according to the experts, the evidence is clear that "the goals of crime and terror groups have coalesced in the past."

The shared goal is not political in the sense of being rooted in a complex ideology, but it has political implications. "Terror groups," said the Justice Department experts, "sometimes seek and obtain the assistance of organized crime based on the perceived worthiness of the terrorist cause, or because of their common cause against state authorities or other sources of opposition."

Indeed, according to the experts, the Mafia and the jihadis "have similar profiles, and are often the same individuals….many individuals belong to both terror and organized crime groups, and conduct a variety of tasks for both."

Among the many examples cited by the experts was that of Dawood Ibrahim, the

Indian Mafia boss. Recall that a CIA official said, “If you want to know what Osama bin Laden is up to, you have to understand what Dawood Ibrahim is up to.”

Daniel Pearl, the Wall Street Journal reporter who was murdered by jihadis in 2002, had begun to investigate Mr. Ibrahim, but he never wrote a story about him. After Pearl’s death, The Journal announced that it would henceforth stop sending reporters to dangerous places because doing so did not conform with the paper’s mission to report on the world of business.

Apparently, The Journal had concluded that dangerous people in dangerous places do not conduct business. Since then, the newspaper has given up on investigating anything at all.

Meanwhile, most other newspapers seem equally disinclined to devote resources to serious investigations, or to publish stories that might surprise their readers. So you won’t read much about Dawood Ibrahim in the press, though Forbes Magazine ranks him as one of the 50 most powerful people in the world.

But Mr. Ibrahim is also one of the most dangerous people in the world. He is someone who should be appearing on the front pages of every newspaper in the land.

Mr. Ibrahim, we have seen, used to run his global criminal operation out of Dubai, with the full acquiescence of the local ruler, Sheikh Mo. While in Dubai, Mr. Ibrahim came to be on close terms with everyone from Bollywood actresses and Saudi sheikhs to financial cons and market manipulators (such as Ali Nazerali, formerly of BCCI) who inhabit the network of Michael Milken.

For most of his career, Mr. Ibrahim was nothing more than a secular Mafia boss, involved in the usual trades – narcotics smuggling, money laundering, market manipulation, trafficking of precious metals, prostitution, protection rackets, and the proliferation of nuclear weapons materials.

But in the early 1990s, Mr. Ibrahim and his Mafia outfit, which is called “D-Company”, began to form relationships with jihadis, including Osama bin Laden. And thanks to those relationships, he soon came to the attention of Pakistan’s spy agency, the ISI.

In 1993, the ISI invited some of the top members of Mr. Ibrahim’s crime gang to

Pakistan to receive paramilitary training. Also in 1993, Mr. Ibrahim and his henchmen, with cooperation from jihadis and the ISI, orchestrated the most deadly one-day attack in Indian history, simultaneously exploding powerful bombs in thirteen locations throughout Bombay (now called Mumbai).

A total of 250 people were killed in those attacks, and 700 were injured. Clearly, this was not a typical Mob hit. It was an act of terrorism, coordinated by a man who was not by appellation a "terrorist", but rather a Mafioso who happened to have found common cause with rogue spies and jihadis.

Mr. Ibrahim, who now lives in Pakistan under the protection of the ISI, is also suspected of involvement in the cataclysm that hit Mumbai in 2008, when Al Qaeda-linked jihadis (most of them members of Laskhar-e-Tayyiba) launched attacks in more than ten locations around the city, occupying several hotels and a synagogue, and killing at least 173 people, including at least five Americans, one a 13-year old girl.

This is why Dawood Ibrahim enjoys the distinction of being the only person labeled by the U.S. government as both a "Foreign Narcotics Kingpin" and a "Specially Designated Global Terrorist".

But he is not the only person who has deserved those appellations. The Saudi billionaire Sheikh Mahfouz (formerly of BCCI) was, until his death in 2009, another person who was connected to both the drug trade and the Grand Jihad. And many leaders of Al Qaeda are heavily involved in the heroin trade, running their drugs through the Albanian Mafia (which is essentially an Al Qaeda subsidiary) in close cooperation with the Russian Mafia and La Cosa Nostra.

There are purists who would insist that Dawood Ibrahim is not officially part of Al Qaeda because he has never sworn allegiance to Osama bin Laden. This would be to misunderstand the nature of Al Qaeda, which has never had more than a smattering of official members, though far more people have done its bidding.

Most of the hijackers who carried out the September 11 attacks were also not "officially" members of Al Qaeda. In fact, when those attacks were carried out, the 9-11 mastermind, Khalid Sheikh Mohammed, was also not yet "officially" an Al Qaeda member. He swore allegiance to bin Laden and officially joined Al Qaeda in early 2002, months after 9-11.

To defend against Al Qaeda, we must understand that the enemy is not just a few sworn members, but a large, loose network of people who collaborated with Osama bin Laden, and will continue to collaborate with bin Laden's successor. All of these people are on the same page, though they do not call themselves Al Qaeda.

In Osama bin Laden's formal declaration of war against the United States, the name "Al Qaeda" was not even used. Instead, the declaration was signed by bin Laden and the leaders of mutiple other outfits – the Jihad Group, the Egyptian Islamic Group, Jamiat-e-Ulema, and the Jihad Movement of Bangladesh.

Mr. Ibrahim's D-Company is affiliated with Jamiat-e-Ulema, and a number of Mr. Ibrahim's top henchmen are full-fledged members of the Jihad Movement of Bangledesh. So it is not surprising that D-Company has helped carry out multiple terrorist attacks linked to these and other Al Qaeda affiliates.

In addition to carrying out terrorist attacks, Mr. Ibrahim and D-Company are the single most important dealers of Al Qaeda heroin.

In addition to serving as Al Qaeda's #1 heroin dealers and carrying out terrorist attacks linked to Al Qaeda affiliates, Mr. Ibrahim and D-Company play a key role in managing Al Qaeda's finances.

Thus, we think it is fair to say that Dawood Ibrahim and his henchmen are members of a somewhat intangible network of closely affiliated people. And it is correct (indeed, it is essential, if we are to understand the real enemy) to describe all of the people in this network as being "members" of Al Qaeda, regardless of whether they openly declare themselves as such.

Dawood Ibrahim is not only a "member" of Al Qaeda. He is also a notorious market manipulator said to be the most important trader on the Karachi stock exchange. And he is quite active in the U.S. markets.

In 2008, one of Dawood Ibrahim's top henchmen was Naresh Patel. Mr. Patel presided over an underground Al Qaeda and Mafia banking network with tentacles in the United Arab Emirates, India, Pakistan, China, Nigeria, Italy, Afghanistan, South Africa, the Congo, Nepal, the Cook Islands, Great Britain, and the United States.

The principal function of this network was to manage Al Qaeda drug profits — hundreds of millions of dollars that both Al Qaeda and its subsidiary, the Albanian

Mafia, had earned from selling not just heroin, but also cocaine.

According to the U.S. Department of Justice, much of that money was transferred through banks in Dubai, and onwards to at least fifteen accounts that Patel held at Man Financial, the outfit that was (as we have seen) tied to Michael Milken, Bernie Madoff, Tuco Trading, and BKS in Moscow.

Patel traded huge volumes through these Man Financial accounts in 2008, but the DOJ didn't catch him until 2009, at which point he was charged with transacting, through Man Financial, massive volumes of "wash trades" –simultaneously selling and buying commodities. He was doing the same thing with securities.

The DOJ described this activity as "money laundering" because money laundering was part of it, and money laundering is a concept that is fairly well understood by counterterrorism officials. Market manipulation, by contrast, is less well understood, judging from the fact that few people are ever prosecuted for it, though it happens constantly and, sometimes, on massive scales.

There is no sign that the DOJ understands that people (like Naresh Patel) who deploy "wash trades" are not just laundering money – they are manipulating markets. They use "wash trades" (simultaneously buying and selling the same securities) to create a tremendous amount of trading noise as cover under which they can manipulate prices down.

In other words, wash trades create static and drown out genuine market signals. Most often, as the information in the marketplace gets attenuated, wash trades are deployed simultaneously with naked short selling to create the appearance of panic selling. This induces the very sell-off on which the trader is betting.

Having pushed equilibrium through a tipping point, the manipulators can sit back and watch the sell-off carry the securities lower, at which point they cover their short. But because the manipulative trades were submerged in a river of identical buy-sell-buy-sell-buy-sell orders, it is difficult to tease them out and see the manipulation in action.

A price is a piece of information about value and scarcity. Wash trades such as Naresh Patel's do serious damage to the markets in themselves, just by washing out that market information about value and scarcity.

But it would be a good idea for the SEC to check Naresh Patel's and Man Financial's trading records (not to mention those of Madoff's brokerage and others that transacted trades for Man Financial) to see if this Al Qaeda man's wash trades were, like most wash trades, part of an even bigger short-side market manipulation scheme.

It would also be helpful to know exactly which Man Financial executives were responsible for transacting the jihadi's manipulative trades. Certainly, the Milken cronies who own Man Financial had some responsibility. It also seems likely, for one, that Man Financial's vice president of trading control, Neda Nabavi, would have had oversight of the trading.

This might or might not be relevant, but I will nonetheless point out that Ms. Nabavi is also the executive director of an Iranian social club called Shabeh Jomeh. This social club appears to be innocent enough–it organizes parties and other social gatherings. But it is an instructive guide to Iranian business networks.

The co-founder of Shabeh Jomeh (along with Man Financial's Nabavi, and one other fellow) was Babak Talebi, who was also a board member of the National Iranian American Council (NIAC).

The NIAC was set up in the wake of the 9-11 attacks, ostensibly to serve as a voice for "moderate" Iranian-Americans who object to terrorism. In a remarkably short period of time, the organization gained access to high-level officials at the State Department and the Central Intelligence Agency.

But, as it turned out, the National Iranian American Council's principal mission was not to serve as a voice against terrorism. In fact, it said little at all about terrorism. Instead, it devoted most of its energies to advocating on behalf of the Iranian government.

In 2007, an Iranian American journalist named Hassan Daioleslam began publicly asserting that the NIAC should be officially registered as an agent working for the Iranian regime. The director of the NIAC, Trita Parsi, responded by suing Daioleslam for defamation.

This turned out to be a mistake, because it allowed Daioleslam to request "discovery" of the NIAC's internal documents, which proved that the NIAC had, from its inception, been in regular contact with Iran's ambassador to the United Nations,

who was (recall) also directing the operations of Palestinian Islamic Jihad, the Assa Corporation, and the Alavi Foundation.

It emerged from the court battle that the NIAC was coordinating its lobbying and advocacy with a man named Siamak Namaz. Some years earlier, Namaz had founded an outfit in Europe called Iranians for International Cooperation, the stated mission of which was to "safeguard Iran's interests". The NIAC, it appeared, was founded to fulfill that same mission in the United States.

As to the credibility of NIAC's claims that it advocates on behalf of "Iranian-Americans", as opposed to the Iranian regime, it has been noted that the group has very few Iranian-Americans as members, while its leaders, Namaz and Parsi, are Iranian nationals who, by all accounts, are loyal to the regime of the Islamic Republic, and have no intentions of becoming American citizens.

It is, moreover, the case that while Namaz was lobbying on behalf of the Iranian regime, he was also working as a managing director of a company called Atieh Bahar, which is the international consulting arm of the Atieh Group, a holding company that has contracts with Iranian government ministries and the Iranian banks that were financing the Islamic Republic's nuclear program.

Shortly after this information became public, the head of the Atieh Group, Bijan Khajehpour, was arrested in Iran and supposedly imprisoned by the regime. Meanwhile, Namaz and Parsi suddenly began claiming to support the democracy movement in Iran.

In light of these developments, I feel confident in floating a hypothesis – namely that the Iranian government instructs its agents to speak out in favor of democracy in order to provide cover for their activities on behalf of the regime.

It is quite possible that the Islamic Republic even stages the imprisonment of its best agents to provide them with a pro-democracy veneer that will enable them to operate more effectively in the West.

Certainly, it seems unlikely that Namaz and Parsi are genuine democrats given that internal NIAC documents show that the organization aspired to snuff out the so-called "Democracy Fund" and other pro-democracy movements led by Iranians living in the U.S.

In a document titled “Campaign for a New American Policy on Iran,” the NIAC vowed to “end the Democracy Fund as we know it”. Along these lines, the NIAC document lists several important goals. At the top of the list is the goal of convincing liberal Iranians and their supporters to “abandon the pursuit of regime change.”

As for Mr. Khajehpour, perhaps he really was a threat to the regime in Iran. Perhaps he really did go to prison. But he didn’t stay in prison long, and he is now in London, from where he operates a business empire that has much reach into the United States.

I do not mean to suggest that Americans should view the NIAC as something mysterious or scary. To the contrary, Americans should engage the NIAC, just as the U.S. government should engage the Iranian regime.

Trita Parsi, NIAC’s founder, has written an excellent book that is a must-read for anyone wishing to understand the Iranian party line. Perhaps, one day, Parsi can convince his associates in Iran that there is little to be gained by threatening to exterminate Israel and waging what the Ayathollah calls “economic jihad” (with “jihad” understood to mean “war against the infidels”).

However, as long as Iran demonstrates by its actions that it is an enemy of the United States, it might be best to treat its agents with a degree of suspicion. Another book worth reading is “Shariah: The Threat to America,” by former CIA director James Woolsey, who implicates Iran in everything from the September 11 attacks to the development of shariah “compliant” finance that poses a threat to the global financial system.

As we know, the Alavi Foundation, the other front for the Iranian regime that was dealing with Iran’s UN ambassador, was indicted in 2009 for espionage and funding Iran’s nuclear weapons program. A report in the New York Daily News even suggested that the Alavi Foundation was conspiring to import nuclear materials into the United States for use in a terrorist attack on a major American city.

As for Shabeh Jomeh, the Iranian social club co-founded by Man Financial’s vice president of trading controls, it might well be nothing more than opportunity for Iranians to get to know each other. But it might also be worth noting that in addition to being tied to the NIAC, Shabeh Jomeh’s third co-founder is Tamilla Ghodsi, a managing director of Goldman Sachs.

Ghodsi sits on the board of the Razi Health Foundation, an outfit that transferred large sums of money to the above-mentioned Alavi Foundation. Meanwhile, The Alavi Foundation delivered money back to the Razi Health Foundation, raising the possibility that these organizations were essentially one and the same thing.

But the SEC has not investigated Man Financial at all. In fact, it has almost never prosecuted a major case of market manipulation, much less checked the trading records of a key Al Qaeda money manager who was manipulating the markets through a brokerage that also does business with the Mafia.

So nobody is prosecuting Man Financial, despite the fact that it was clearly complicit in Al Qaeda man Naresh Patel's illegal trading, and despite the fact that the Milken cronies who run that operation must have known precisely who Naresh Patel was.

Indeed, it is the law – as prescribed by the Patriot Act — that brokers and hedge fund managers must know whether their customers are Mafiosi, jihadis, or both.

This is especially true when the customers are members of Al Qaeda and appear to be conducting massive volumes of manipulative short trades at the height of a financial crisis.

To be continued…

CHAPTER 7

The Miscreants' Global Bust-Out (Chapter 7): The Bernie Madoff Cover-Up, the Blind Sheikh, and the RLevi2 Algorithmic Market Manipulation Machine

Posted on 20 May 2011 by Mark Mitchell

As should be clear by now, the premise of this story is that a network of affiliated hedge funds and brokerages have done considerable damage to the financial markets. It should also be clear that most of the people in this network have ties to organized crime, and some have done a considerable amount of business with rogue states and jihadi outfits.

The damage caused by this network will be more fully quantified in upcoming chapters, but first let us become better acquainted with more of the network's key operators. Towards this end, it will be instructive to consider what happened to the remains of the brokerage that was controlled by Bernie Madoff.

Authorities never fully investigated Madoff's brokerage even though Madoff's co-conspirators (Mobsters, dangerous Russians, people tied to the regime in Iran, folks like Al Qaeda Golden Chain member Sheikh Mahfouz, and other close associates of Michael Milken) were likely feeding Madoff's Ponzi in order to cover up his brokerage's manipulative trading.

The government's investigation seems to have come to an end in 2010, shortly after the arrest of Daniel Bonventre, the fellow responsible for transferring at least $750 million of Ponzi money to Madoff's "clearing and settlement" operation (i.e. the operation that transacted any manipulative trading that occurred).

As I have mentioned, often when criminal operations in this network come under investigation, they are sold to others in the network. The goal seems to be to discourage the Feds from continuing their investigation. As it were, Madoff's brokerage (which no doubt consisted largely of liabilities, in the form of securities sold short but never delivered) was purchased in an auction that took place in June, 2009.

That auction was odd in many ways, one of which is that it may have been rigged.

Three brokerages attended the auction, only one of which made a bid. One of the observing brokerages was Guzman & Co, owned by Leopoldo Guzman, who had recently been serving as chief investment officer of the Gulf Investments Company, a shariah-compliant Saudi-owned outfit in Kuwait.

The other observing brokerage was Aleo Capital Markets. I haven't been able to find out much about that firm except that it is run by David Weisberger, former CEO of Lava Trading.

Lava Trading is part of a larger group called SunGard, which was spun off from the Sun Oil Company. Sungard has been at the forefront of providing trading platforms to “shariah-compliant” financial institutions in the Middle East.

In 2008, Sungard sponsored a “Gala Networking Reception” where it was declared that “Islamic [shariah] finance can be the model for the global economy.” The keynote speaker at this event was the CEO of a secretive financial labyrinth known as Dar Al-Maal Al-Islami, or “The House of Islamic Money”

Victims of the September 11 attacks have sued The House of Islamic Money, noting that it kept accounts for Wael Jalaidan, a founder of Al Qaeda, and that it has done business with companies that were owned by Osama bin Laden.

The House of Islamic Money’s board members included Haydar Mohamed bin Laden, Osama’s brother; and “Specially Designated Global Terrorist” Yasin al Qadi (Osama bin Laden’s favorite financier). One of its subsidiaries, Shamal Islamic Bank, was run by Abdul Jalil Batterjee, who was also the chairman of an outfit that controlled Benevolence International, the Al Qaeda front that had contacts with people trying to obtain nuclear weapons for the Grand Jihad.

SunGard supplies trading platforms to several brokerages that have been charged by FINRA with deploying those trading platforms for the purposes of manipulative naked short selling. SunGard was also found to be “systematically” reporting short sales as long sales in the summer of 2007 – a habit that accompanies manipulative trading.

SunGard, meanwhile, owns a brokerage called Assent. Many of Assent’s traders were, in 2008, also trading through Zuhair Karam’s Tuco Trading, accounting for some of that brokerage’s large volume.

At Tuco, recall, there were several interesting accounts. One was the Orange Diviner account, controlled by the top henchmen of Roman Abramovich (the Russian prime minister’s right-hand man) and Russian Mafia kingpin Semion Mogilevich. Also involved with Orange Diviner were people affiliated with Alfa Group, the outfit that is funding Iran’s nuclear program.

Two other Tuco accounts traded 2 billion shares (equal to 20 percent of the volume at the biggest brokerage on the planet). One of those two accounts contained more

than 2,000 anonymous sub-accounts based in China.

In the fall of 2010, I had received a tip that the accounts responsible for those 2 billion shares had been set up by an Iranian fellow with high-level ties to the Revolutionary Guard and Palestinian Islamic Jihad (whose leader in the U.S. was taking directions from Iranian diplomats to the UN).

However, Tuco's Zuhair Karam had yet to help me confirm the identity of that Iranian.

But I did know that some traders at Assent (the Sungard outfit, a number of whose traders were also operating through Tuco) were involved with a brokerage called Carlin Equities. Another person involved with Carlin was Arik Kislin, whom the U.S. government has named as being a "member" of the gang run by Vyacheslav Ivankov, or "Little Japanese" – the top boss of the Russian Mafia in the United States during the 1980s.

In 2009, Ivankov was assassinated on a Moscow street after admitting that he had long been employed by the Russian intelligence services. Meanwhile, Kislin and a Russian Mafia figure named Michael Chernoy (sometimes spelled Mikhael Cherney) were partners in a money laundering outfit called Trans Commodities, which has been linked to the Russian government.

In addition, Kislin was named by the FBI as an associate of an Iranian arms dealer named Babeck Seroush, who operated out of Moscow and worked with the GRU, Russia's military intelligence agency. In 1984, prosecutors for the Southern District of New York indicted Seroush for smuggling semiconductors and military-issue night-vision goggles to North Korea. Kislin has admitted that he has done business with Seroush.

Assent, the outfit with some traders who are associated with Carlin (the Kislin-tied brokerage), is affiliated in other ways with Tuco Trading. For example, a brokerage called Lightspeed (which had a partnership with Tuco and provided Tuco with one of its trading platforms) referred trades to Assent, which in turn referred trades to a Texas outfit called Penson Financial, and a California brokerage called Wedbush Morgan.

Wedbush, meanwhile, referred most of its trades onwards to Bernard L. Madoff Investment Securities LLC.

In other words, employees of a brokerage tied to a Russian Mafiosi (a former partner of an Iranian arms dealer who has done business with Russian intelligence and North Korea) made trades that were passed down a line of Mafia- and jihadi-linked brokerages and, in many cases, ultimately executed by Bernie Madoff.

So to summarize: The auction for Madoff's brokerage was attended by three brokerages. One of those brokerages (Guzman & Co) was owned by a fellow who had most recently been working for a Saudi outfit in Kuwait.

The second brokerage (Aleo) was owned by the former CEO of an outfit (Lava Trading) that was a subsidiary of SunGard, which has ties to the jihadi House of Islamic Money and also owns Assent, a number of whose traders operated through Lighstpeed. Many of Assent's traders also operated through Zuhair Karam's Tuco (which deployed the Lightspeed trading platform); and through Carlin Equities, the outfit tied to Russian Mafia figure Arik Kislin.

Although they attended the auction, Aleo and Guzman did not bid for Madoff's brokerage, and most likely attended the auction simply to ensure that Madoff's brokerage would, in fact, be sold to the third brokerage in attendance. That third brokerage was Surge Trading, and in the end, Surge did indeed buy Madoff's operation.

At the time of this writing, Surge Trading's accounting firm had refused to sign off on its financial statements due to unspecified problems relating to its purchase of Madoff's brokerage. Could it be that those problems have to do with Surges's efforts to cover-up the liabilities in the form of "securities sold but not yet delivered" that Madoff's brokerage would have accrued from generating "failures to deliver" in order to help its clients manipulate down the markets?

I don't know. Apparently, it's a big secret. But it seems to be a good bet, given that there could be no possible reason (other than to hide liabilities that pointed to a massive financial crime) why a brokerage would want to buy the operations of the world's most famous financial criminal.

Surge Trading opened for business not long before buying Madoff's brokerage. Indeed, it is posssible that it was set up for no other reason than to buy the Madoff operation. And there is no question that Surge Trading is part of the close-knit network that is the subject of this multi-chapter story.

That is, it is part of the network whose key operators include criminals (including Madoff himself) who are tied to either Michael Milken, organized crime, jihadis, rogue states, or all of the above.

Surge Trading is run byFrank Petrilli, former vice president of a brokerage called Datek Securities (also known as Datek Online). In 1999, the SEC charged Datek with running trading accounts for a guy named Martin Clainey, except that Clainey wasn't his real name.

His real name was Phillip Gurian, and he was the right hand man to a Decalvacante Mafia family capo named Phil Abramo, who was one of America's most notorious market manipulators, known in Mafia circles as the "King of Wall Street."

Abramo has been charged for multiple market manipulation crimes, and was at the center of one of the biggest naked short selling cases of all time. In that case it was determined that Abramo and his short selling crew destroyed dozens of companies that had been given death spiral finance by a brokerage called Hanover Sterling, which was controlled by the Genovese Mafia.

In 2003, Abramo was indicted for murder.

In addition to catering to the Abramo boys, Datek also had a partnership with A.R. Baron, the Mafia outfit that was (recall) financed by Milken crony Zev Wolfson and later charged by the DOJ with manipulating stocks in league with a host of La Cosa Nostra characters and Russian Mafia boss Felix Sater's White Rock Partners.

A.R. Baron was Datek's clearing firm, responsible for ensuring delivery of any shares sold short by Datek. Later, Datek's clearing firm was J.B. Oxford, a Mafia brokerage controlled by Russian oligarch Boris Berezovsky (at this point still the "Godfather of the Kremlin") and Irving Kott, who, recall, was Ali Nazerali's partner in First Commerce, the BCCI brokerage. Also involved with First Commerce (according to a former employee): Phil Abramo.

That was before Ali Nazerali started a hedge fund, Valor Invest, in partnership with Yasin al Qadi (Osama bin Laden's favorite financier).

Datek also did quite a lot of business with one Joseph Gutnick, who was an important figure in the ultra-orthodox Lubavitch Hasidic movement in Israel. Mr.

Gutnick was long known in Israel as the Goldener Rebbe, or the Golden Rabbi, because he ran several extremely generous charities that played key roles in securing the elections of a succession of Israeli prime ministers.

The grateful leader of the Lubavitchers, the late Rabbi Menachem Mendel Schneerson, once predicted that Gutnick would discover diamonds and gold in the Australian desert – a prediction that Mr. Gutnick included in promotional videos that he showed to his Datek brokers, who referred to him as "Diamond Joe."

In 1993, Mr. Gutnick was among the most ardent Israeli opponents of the Oslo Peace Accords between the Israeli government and the Palestinian Liberation Organization). Mr. Gutnkik and his charities later orchestrated much of the Israeli building in occupied territories of Palestine, helping to provoke Palestinian radicalism and the rise of Hamas and Palestinian Islamic Jihad.

In 1999, Gutnick was exposed by Barron's magazine for using his charities to launder money and manipulate stocks for such characters as Judah Wernick, the Milken crony who was (as we have seen) indicted by the DOJ for his role in a $200 million stock manipulation scheme that he ran with Milken crony Randolph Pace, who would later be implicated in the scandal that saw the Russian Mafia and Russian government laundering billions of dollars through the Bank of New York.

Datek was founded in the 1980s by two brothers, Irfan and Omar Amanat. Omar Amanat was also the founder of Lightspeed, one of the outfits that provided a trading platform to Tuco Trading. Those 2 billion shares (equal to 20 percent of the volume of the largest brokerage on the planet) that were traded through two accounts at Tuco were largely transacted on the Lightspeed platform (which, recall, also transacted trades for Sungard's Assent and Carlin Equities, the outfit tied to Russian Mobster Arik Kislin).

In the fall of 2010, I had not yet received confirmation that a certain Iranian fellow was behind the two accounts that traded the 2 billion shares. But I knew that Omar Amanat (founder of Datek; and designer of Tuco's Lightspeed, which transacted a large portion of those 2 billion shares) was also the founder of Bridges TV, an American television network devoted to broadcasting Islamic teachings and other programming that is ostensibly of interest to Muslims.

There is, of course, nothing wrong with Islamic television. It's better than "Dukes of Hazard" reruns. I include Bridges TV in this story only because people choose their

business partners and the company they keep, and it is probably no coincidence that Omar Amanat (founder of Datek and Lightspeed) chose as his partners in Bridges TV two men – Muzzammil Hassan and Nihad Awad.

Mr. Hassan served as Bridges CEO until he chopped off his wife's head.

Mr. Hassan chopped off his wife's head apparently because he believed that it was a matter of honor to chop off the head of a disobedient wife. This would have been legal in Taliban-ruled Afghanistan, but it's against the law in California, so Mr. Hassan is now in prison.

Meanwhile, Mr. Awad, the other partner in Bridges, is a jihadi who is a member of both Hamas and the Muslim Brotherhood. He is a close associate of Palestinian Islamic Jihad leader Sami-al-Arian (who took orders from Iranian agents in New York) and the Blind Sheikh, mastermind of the 1993 terrorist attacks on the World Trade Center.

Mr. Amanat knew this when he chose Mr. Awad as his partner because Mr. Awad had been the chief propagandist for Hamas in the United States, and he was under investigation (and soon to be named as an unindicted co-conspirator) in the government's case against the Holy Land Foundation, which was the principal front for Hamas in the United States.

Court documents from that case noted also that Mr. Awad had attended a secret meeting for 20 Hamas leaders that was held in 1993 at a Marriot Hotel in Philadelphia. The FBI secretly monitored and recorded this meeting, so we know who was there, and what was said.

There is one thing the people at this meeting did not say – the word, "Hamas." Instead, they said, "Samah," which is Hamas spelled backwards, an attempt to use coded language to disguise the purpose of this meeting, which was to advance the Hamas political agenda and figure out ways to derail the Oslo Peace Accords.

Perhaps they even had assistance in this effort from Diamond Joe a.k.a. the Golden Rabbi. Spend some time in any war zone and you will see avowed enemies collaborating to fuel the conflict from which both sides profit. It is, in fact, widely accepted that Israeli politicians (largely funded by criminals like Diamond Joe) were at this time nurturing Hamas as an alternative to the Palestinian Liberation Organization.

The Hamas leaders at the secret meeting in Philadelpia also discussed ways to advance the “Grand Jihad” to “sabotage the West’s miserable house from within.” The Muslim Brotherhood document that described that Grand Jihad was presented by prosecutors in the Holy Land Foundation case. (Hamas is a creation of the Muslim Brotherhood).

One of the attendees at the secret Hamas meeting, Abu Baker, noted that the jihad against the United States would have to be conducted by stealth. “War is deception,” he said. “Deceive, camouflage…Deceive your enemy.”

Nihad Awad (future partner of Lightspeed and Datek Securities founder Omar Amanat) was at the secret meeting in his capacity as the deputy director of the Islamic Association of Palestine, which was the propaganda arm of Hamas in the United States, principally tasked with that “deception” and “camouflage.”

Also at the meeting was Awad’s boss, Islamic Asssociation of Palestine President Omar Ahmad. The FBI recorded Amad and Awad plotting ways to keep the Blind Sheikh out of prison, despite the Blind Sheikh having been implicated in the 1993 World Trade Center attack.

Which is not surprising because the Blind Sheikh (Osama bin Laden’s spiritual inspiration) had been living in Omar Ahmad’s house (free room and board) while he was plotting other atrocities, including the “Day of Terror” plot to blow up multiple New York landmarks. This, recall, is the same Blind Sheikh who first called on jihadis to destroy American corporations and the American economy.

Datek Securites co-founder Irfan Amanat (brother of Oman) is also on close terms with the top officials of Hamas and Palestinian Islamic Jihad. Irfan now lives in Dubai, where he is a partner in MNA Partners, which is run by Kamal Tayara, a founder off the Alarabiya News Channel.

Alarabiya is better than most American news networks in that it actually reports the news. However, it tends to give disproportionate attention to the “atrocities” committed by American troops in Iraq, while stressing that Al Qaeda’s crimes pale in comparison.

I do not mean to suggest that Omar and Irfan Amanat are terrorists. But they definitely know terrorists, and are on exceedingly good terms with some of them.

It is therefore of possible concern that aside from founding Datek and Lightspeed, Omar and Irfan Amanat founded Island, the largest Electronic Communications Network (ECN) in America. In fact, they founded or served as key consultants to nearly every other major ECN in the nation.

Since ECNs act like their own private stock exchanges and enable stock manipulators to operate in anonymity, they are cited by U.S. government agencies as among the bigger loopholes that could be exploited by financial terrorists.

As it were, Irfan Amanat used one of his Electronic Communications Networks to engage in a massive market manipulation scheme. And it was precisely the sort of scheme that worries experts in threat finance.

This scheme was carried out in September 2001, in the days before and after the Al Qaeda attacks on the World Trade Center. While the timing may have been a coincidence, there is no question that Mr. Amanat's attacks damaged the markets.

The scheme involved MarketXT, a trading firm and ECN founded by Irfan Amanat and his brother Omar. According to the SEC, in September 2001, Irfan Amanat and MarketXT deployed "a [computer] program without any arbitrage features…The program, dubbed 'RLevi2', automatically placed buy or sell orders at timed intervals…In other words, wash trades and matched orders were the result of the program's design."

Strangely, the SEC wrote that Irfan's massive volumes of wash trades were "market manipulation" but it did not charge him with that crime. In response to the SEC's claim that this was a "market manipulation" scheme, Mr. Amanat said that his RLevi2 computer program was not meant to crash the markets (as it appeared), but was instead designed "solely to generate tape rebates" (i.e. rebates that stock exchanges pay to traders who generate massive volumes).

The SEC clearly did not accept this explanation. That's why it stated unequivocally in its charges against Amanat that he had "manipulated the markets." But the SEC seems incapable of ever actually charging anyone for market manipulation, and so the Commission charged Amanat only with using wash trades to generate tape rebates.

Mr. Amanat's scheme (like the one that Al Qaeda man Naresh Patel ran through Man

Financial) was, in fact, blatant market manipulation – a scheme that created the illusion of massive volume, and severely damaged stock prices by specifically targeting Exchange Traded Funds (ETFs).

As I noted at the outset of this story, threat finance experts worry about ETFs because they contain stocks across a given industry, and their high leverage makes them ideal tools through which to manipulate the markets. The more leverage, the more damage manipulative trading can inflict.

Indeed, it might be worth asking whether some ETFs were created to help short-side market manipulators crash markets. This is because the man who invented ETFs might be tied to the Russian Mafia. And because the second biggest creator of ETFs is definitely tied to the Mafia.

The biggest player in the world of ETFs is Michael Sapir. He invented them. He is also, I believe, a relative of Russian Mafia boss Tamir Sapir, who runs an outfit called The Sapir Organization. Tamir Sapir is also a partner in Bayrock, the alleged money laundering outfit run by Russian Mafia boss Felix Sater (the guy whose Russian intelligence contacts were going to buy Stinger missiles from Al Qaeda after his brokerage was indicted for manipulating the markets with La Cosa Nostra and Datek's clearing firm, A.R. Baron).

By his own admission, Sapir used to be primarily in the business of selling electronics equipment to KGB operatives in New York. His partner in the electronics business was Semion Kislin, uncle of the above-mentioned Arik Kislin (tied to Carlin Equities). Like his nephew, Semion has been named by the U.S. government as an associate Vyacheslav Ivankov, one-time top boss of the Russian Mafia in the United States.

Ivankov, also known as Yaponchik ("Little Japanese"), was the sort of criminal who inspires fear and wonderment at what a human can become, a mass murderer who would brag to his associates that he made his victims die slow and excruciating deaths. As I mentioned, he was assassinated on a Moscow street in 2009, shortly after revealing that he had long been employed by the Russian intelligence services.

Note: I do not have a birth certificate or DNA test confirming the relationship between the two Sapirs, so there is a chance that I am mistaken about this. But I am going to go out on a limb and report it anyway because some of Michael Milken's associates have told me that the two men are related, and because Michael Sapir's spokesman refused to deny the relationship on the record.

I asked Tamir's spokesman if he would confirm or deny the relationship with Michael. Actually, "spokesman" was not his official title, and that's probably not the right word to describe him. He sounded more like the sort of fellow one would be likely to meet under a bridge near the New York harbor, in the middle of the night.

At any rate, he didn't answer my question. He said "The Sapir Organization is very private. We don't provide that sort of information."

Then — "click" — he hung up the phone.

The other innovator of ETFs, and the second biggest provider of them after Mr. Sapir, is Michael Steinhardt's Wisdom Tree Investors. Steinhardt (I noted previously) is the son of the "biggest Mafia fence in America" (as the Manhattan DA put it). Steinhardt himself has disclosed that he started his first hedge fund with money from the Genovese Mafia and two fellows (Marc Rich and Ivan Boesky) who were on close terms with the Russian Mafia and the regime in Iran.

Steinhardt's partner in Wisdom Tree is the son of Saul Steinberg, who in addition to being a key player in the junk bond merry go round that Michael Milken ran in the 1980s, also ran a fund with finance from Zev Wolfson, the guy who financed the above-mentioned A.R. Baron (Datek's clearing firm) and numerous other Mafia brokerages mentioned in earlier chapters.

So, another summary: In September 2001, Irfan Amanat was busted for using his ECN and his "RLevi2" computer program to generate massive volumes of wash trades (the same sorts of wash trades conducted in 2008 through Man Financial by Al Qaeda man Naresh Patel). Mr. Amanat was doing this, the SEC said, to "manipulate the markets."

But the SEC did not charge Mr. Amanat for manipulating the markets. It charged him for generating massive volumes of wash trades (which manipulate the markets). So while stating that Amanat was "manipulating the markets", the SEC also states that Amanat's only purpose was to generate rebates from the exchanges.

Which makes no sense, because Amanat wasn't just churning stocks, he was specifically targeting Michael Steinhardt and Michael Sapir's highly leveraged ETFs, trying to inflict as much damage as possible.

Is Mr. Amanat a financial terrorist? I know he is (like most of the other characters mentioned so far) part of the Milken network, and that's all I need to know to suspect that he is a threat to the national security of our "miserable house." Decide for yourself.

However, it might be wise to keep an eye on someone whom the SEC found "manipulat[ing] the markets" at the time of the collapse of the World Trade Center, and who has also does business with a Hamas operative (Nihad Awad) who plotted to keep from prison the Blind Sheikh, mastermind of the first attack on the World Trade Center. This after the Blind Sheikh had been living in the house of Awad's boss, issuing fiery sermons commanding jihadis to destroy the U.S. economy.

And I'd like to stress this: Two critical functions of the U.S. financial system (ETFs and ECNs) can be quite easily turned into weapons, and are primarily controlled by people who have exceedingly close relationships with the Mafia, jihadis, and rogue states. This seems problematic.

Of course, when Omar Amanat's Datek came under investigation for its ties to Mafia characters like Martin Clainey (a.k.a. Phillip Gurian), it was quickly purchased by one of Milken's closest associates, a guy named Steven Schonfeld, who was formerly a principal at the Milken-financed Blinder, Robinson (the outfit known as Blind'em and Rob'em, indicted by the DOJ for manipulating stocks with the likes of Mafia capo Thomas Quinn).

Schonfeld bought all of the assets of Datek (including the executives who had handled the accounts of the Mafia) and folded them into a new outfit called Heartland.

Schonfeld is now the owner of one of the nation's largest hedge fund and brokerage empires. He also has a securities rap sheet a mile long, having been fined by the Financial Industry Regulatory Authority for everything from naked short selling to bribing stock loan executives at major brokerages.

Once paid off by Schonfeld, the stock loan guys would routinely vouch that there was stock available to be borrowed (the necessary prerequisite for a legal short sale), when in fact there was no such stock. A hedge fund manager doing this is participating in a large scale market-demolition operation. Indeed, it seems to me that Schonfeld belongs in jail.

Since Schonfeld is one of Michael Milken's closest associates, it is unsurprising that SEC filings show that his trading regularly replicates that of others in the network, including SAC Capital's Steve Cohen (former trading partner of Russian Mafia figure Felix Sater) and the Man Group, feeder to the Madoff Ponzi and owner of Man Financial (which, like Lightspeed, provided a trading platform to Tuco).

It is also worth noting that in 2008, Schonfeld was a co-owner of Lightspeed, the Omar Amanat outfit that provided Tuco Trading with one of its trading platforms, and transacted a large portion of those 2 billion shares in the month before the 2008 collapse of Bear Stearns.

There are many reasons to believe that the trading conducted through Lightspeed was manipulative short selling. One reason to believe this is that FINRA ultimately fined Lightspeed after finding that at the height of the financial collapse in September 2008, Lightspeed had transacted massive volumes of "short sales of financial institution securities on behalf of customers in contravention of the Commission's [the SEC's] emergency order of September 18, 2008 that provided that 'all persons are prohibited from short selling any publicly traded securities of any included financial firm.'"

In other words, Lightspeed's clients were attacking the big banks in violation of an SEC "Emergency Order" meant to prevent such attacks from worsening a devastating financial crises. Many of those banks, of course, collapsed or almost collapsed, and the financial crisis got a lot worse.

FINRA is supposed to refer such cases to the DOJ and the SEC, which are supposed to investigate further and decide whether to press criminal or civil charges. But before the SEC or the DOJ could investigate this case, Schonfeld sold Lightspeed to Penson Financial (clearing firm for Tuco Trading).

Meanwhile, as we know, the former vice president of Datek (Omar Amanat's Mafia outfit, purchased by Schonfeld when it came under investigation) bought Bernie Madoff's operation, ensuring that nobody would investigate how all of these brokerages were tied together and processed massive volumes of manipulative trades at the height of the financial crisis in 2008.

In the fall of 2010, I was beginning to understand how this network was tied together, so I called the jihadi and Tuco trader Zuhair Karam again. This time Zuhair was a little bit more forthcoming. He confirmed that he knew Omar Amanat and

many of those Hamas leaders who attended the secret meeting in 1993. He suggested that my tip about an Iranian being behind those 2 billion shares might be right, but he still would not elaborate.

Only later would I confirm the identity of that Iranian. But after talking to Zuhair, I recalled some information that a former (and foreign, not American) spy had given me in 2006 when I first began investigating the Milken network. The former spy had spent a number of years tracking the Milken network, but when I met him, I did not realize the importance of what he was telling me.

In 2006 this former spy was telling me, in a nutshell, that the Milken network was going to wreck the economy.

I pretty much ignored that former spy, and did not return to his information until the fall of 2010, when it was too late. This is one of my life's great regrets.

What, precisely, did that former foreign spy tell me? How did I come to meet him in the first place? Well, this requires some explanation.

To be continued…

Some background on Bridges TV ...

Bridges TV is a Muslim television network headquartered in Buffalo, New York. Premiering nationally in November 2004, it was the first American Muslim television network to broadcast in the English language.[1][2][3]

Designed to counter negative stereotypes of Muslims, the network has received attention from publications and media venues such as Variety, NBC News, the Voice of America, Columbus Dispatch, Detroit Free Press, San Jose Mercury News, Rochester Democrat & Chronicle The Buffalo News and Canadian Press.[4]

Content

By focusing its content on the experiences of the estimated eight million Muslims

living in North America, Bridges TV differentiates itself from such foreign language programming as Geo TV (which broadcasts in Urdu), Prime TV (which broadcasts in Urdu) and Arab Radio and Television Network (which broadcasts in Arabic). Around the time of its inception, the network announced that it would seek to feature sitcoms that represent American Muslim family life in a positive way and identified The Cosby Show as a model for such programming.[1]

In late 2005, Bridges TV started airing "Current Issues", a show produced in Lafayette, Louisiana about Palestinian and other Middle Eastern concerns. The Palestinian American host, Hesham Tillawi, is known both for vocalizing criticism against Israel's treatment of Arabs and Muslims. The Anti-Defamation League called his show "a megaphone for Holocaust deniers and white supremacists seeking to broadcast their hatred and anti-Semitism into American homes with a "who's who" of notable American antisemites including David Duke, Willis Carto, Edgar J. Steele, Mark Weber, and Bradley Smith.[5]

Another program shown on Bridges TV, "American Pilgrimage", featured Rabbi Brad Hirschfield visiting homes and mosques of leading imams and Muslim religious thinkers across North America in cities including Halifax, Detroit, San Francisco, New York City and Washington, DC. The series has been described as "groundbreaking" and has been characterized as having a "Charlie Rose meets Charles Kuralt" format.[6]

World heavyweight champion Muhammad Ali, a subscriber and spokesperson for the network, said "Bridges TV gives American Muslims a voice of their own on the airwaves for Americans of all races and religions to hear."[2] Network official expressed the opinion that a channel like Bridges TV was long overdue and market research sponsored by the network revealed American Muslims' willingness to pay as much as $10 per month above and beyond their current cable television or satellite television fee for the channel.[1]

[edit] Leadership

Omar Amanat, the network's primary investor, is an American businessman and entrepreneur born in Queens, New York to Muslim parents who had emigrated from India.[7][8] According to Amanat:

I realized that the only way to undo misconceptions was to create our own media

forum from which our stories and culture would be shared with the world. Other cultural groups have gained acceptance and increased understanding through the forum of media. Why can't Muslims do the same?[1]

Muzzammil S. Hassan, founder[9] and CEO of Bridges TV, expressed belief "that moderate Muslims cannot identify with the extreme stereotypes often depicted in Hollywood productions" and said "They think they are not accurately portrayed...Bridges TV gives American Muslims a voice and will depict them in everyday, real life situations."[1] Hassan also said he hoped the Bridges TV network would balance negative portrayals of Muslims following the attacks on September 11, 2001.[3]

[edit] Murder

In February 2009, Hassan was arrested and charged with beheading his estranged wife Aasiya Zubair who also worked for Bridges TV.[3][4][10][11] Her decapitated body was found at the TV station.[4][12][13] Dr. Khalid Qazi, president of the Muslim Public Affairs Council of Western New York and a friend of the couple, said that Hassan "was worried about the station's future...He was stressed" and added "Domestic violence is despicable, and Islam condones it in no way whatever."[4][10] Shortly after the arrest of Muzzammil Hassan, Bridges TV posted the following notice on their website:

Bridges TV is deeply shocked and saddened by the murder of Aasiya [Zubair] Hassan and subsequent arrest of Muzzammil Hassan. Our deepest condolences and prayers go out to the families of the victim. We request that their right to privacy be respected.[14]

In the aftermath of Aasiya Zubair Hassan's death, Bridges TV shut down its news operations for three months, although it continued to present other programming. The news operation has since resumed, and the network continues to operate, although on a smaller scale than previously projected.[15] As of May 2010, the network reported that it was carried in 4 million homes in two dozen markets.[16] Hassan was convicted in February 2011 of second-degree murder.[9]

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Steven chonfeld - Datek

Last Man Standing
Susan Kitchens and Michael K. Ozanian, 05.23.05

Steven Schonfeld claims to run the biggest and most successful day trading firm left. Is he really any good?
You remember those day trading banditos of the late 1990s. Most of them were particularly fond of Internet stocks and were incinerated when the Nasdaq blew up in 2000. But not all of them. One big one survives, and, if you believe his story, is prospering: Steven Schonfeld.

Schonfeld oversees a harem of semi-independent traders who use his equipment, his software and his capital, sharing profits with him and paying him trading commissions. This operation yielded revenue of $200 million last year, he says, on which he netted 15% before taxes. Schonfeld says he has outlived his competitors because "we are infinitely better. We're more reputable than any firms out there because of a great regulatory track record."

Which isn't saying much. The Schonfeld Group, with headquarters in Jericho, N.Y. and trading operations in New York and Florida, has racked up its share of admonitions and fines. In 1999 the New York Stock Exchange accused him, among other things, of extending $23 million in credit from his personal funds to set up customer accounts; maintaining inaccurate books and records; and allowing nonregistered employees to perform the duties of registered representatives. Punishment: a $1.3 million fine and a 30-day industry suspension. Schonfeld says he stopped the practices in question immediately, even though he believed they were "legal and responsible." Since 2000 he has been fined at least twice by the National Association of Securities Dealers for violations of rules on Nasdaq's small order execution system, or SOES, a mechanism for orders of up to 1,000 shares to be executed immediately at a marketmaker's announced quotes.

To traditional marketmaking firms like Merrill Lynch, Morgan Stanley and their ilk, the day traders were looked down on as conniving villains who created unnecessary chaos and cost them millions in potential fees. To smaller investors, they were heroes, equal-market-opportunity providers who exploited excessive spreads between the bid and ask prices of over-the-counter stocks.

Nowadays most of the frenzy has fizzled out. Schonfeld, a fast-talking Long Islander, evokes a bit of nostalgia as he insists that he is here to stay, despite depressed profit margins and an iffy market. He still counts on his so-called proprietary traders, those

who trade on his firm's account, for the majority of his firm's revenues. He claims to be adding more traders all the time, but their contributions to overall revenues are declining, from 98% five years ago to 60% today, says Andrew Fishman, Schonfeld Group's president.

Schonfeld, 45, got his start in day trading in the mid-1980s. The son of a fabricmaker in New York City's garment district, Schonfeld graduated with a business degree from Emory University and returned to New York. There, according to NASDdocuments, he took a job as a broker at Blinder, Robinson, the now-defunct penny stock peddler whose founder, Meyer Blinder, was convicted in 1992 of wire fraud and money laundering. After five years Schonfeld left for Prudential Bache Securities. While there, he started trading stocks for himself. To track his progress, he created a database of his first 50,000 trades, searching for patterns of success (among the variables: time of day, length of holding, industry sector). With $400,000, Schonfeld set up shop in Great Neck, N.Y. in 1988. He hired a couple of friends, assessed their trading habits and recorded them in one of his myriad databases. Schonfeld still holds in excess of 90% of his firm.

Day trading is a game of leverage. Outfits like Schonfeld's often exercise approximately 10-to-1 buying leverage on the firm's net capital, that being roughly the same as net worth. Day trading companies let their traders use this buying power on an intra-day basis to buy on steep margin, much steeper than they could get from an ordinary retail account at a Merrill Lynch or a Charles Schwab & Co. Day trading firms can escape the usual margin limits as long as they have the capital to cover any potential losses at the end of the day.

Most day trading firms required their customers to put up $25,000 in order to tap into the firm's buying power; traders could keep all their profits and, of course, had to eat the losses. Schonfeld was different: His traders didn't have to ante up. Instead, he distributed his firm's buying power electronically to individual accounts. He would keep between 35% and 40% of their profits, plus fees charged as commissions. Schonfeld would also pick up 100% of any trading losses. Traders hit the screens only after Schonfeld put them through a boot camp of sorts, where they did paper trades and learned how to use the firm's programs. Key program: a filtering tool called Schon-site, which lets traders screen for such variables as volatility, liquidity, industry sector, individual markets and price.

Schonfeld retained complete control of the risk via his computerized system, monitoring every move by his hundreds of captive traders. Since Schonfeld

participated in a trader's upside as well as his commission fees,"It was a brilliant, commission-churning business that heavily stacked the odds in favor of the house," says someone who once did business with the firm. Schonfeld also took the hit on losing traders, but those who lost money were shut down quickly. Between 1999 and 2001, Schonfeld says, he paid out $685 million to 1,100 traders who worked for him.

That's tough to verify, given how closely day trading firms hold their numbers. The Securities & Exchange Commission doesn't require them to file quarterly income statements, balance sheets or statements of cash flows, as public companies must. They're obliged only to report their balance sheets once a year; once a month they file net capital reports.

Still, a financial snapshot emerges from Schonfeld Securities, the arm that does trading with Schonfeld's capital. Once the main engine of Schonfeld Group, the securities unit is in decline. Its assets shrank from $2.5 billion on Mar. 31, 2000 to $670 million four years later. Over the same period net capital dropped from $110 million (4.5% of assets) to $24 million (3.6% of assets). Moreover, an income statement for fiscal 2003, perhaps mistakenly filed, notes that the firm lost $25 million on $106 million in revenue. Fishman, the president of Schonfeld Group, predicts brighter days. "We have trading technology in place so that if the market gets healthier," he says, profits will soar.

Fishman says that looking at the securities unit's finances "doesn't paint the whole picture," because the unit now accounts for less than half Schonfeld's $1.3 billion or so in assets and $200 million in revenues. He does concede that the profit margin on the house trading has fallen from 33% in the late 1990s to 10% today. (Meaning: For every $100 made from stock price gains, $90 is eaten up in overhead and fees to trading networks like Archipelago.)

Schonfeld Group has shifted more into commissions, which now account for around 25% of Schonfeld's revenue, up from almost nothing five years ago. That alone won't save the firm, since commission rates have been falling--from $20 per 1,000 shares in the early 1990s to an industry average of $5 today. Schonfeld charges retail customers, who do not work for him but use his systems, $3 to $5. "Used to be that every day was a big money day," says a former day trader at Datek Securities. "Now it's about not losing money, holding on until you can make a little bit of money."

That seems to be Schonfeld's problem. Since 2000 Schonfeld's total revenue has

plunged from $600 million to $200 million. Fishman concedes that Schonfeld Group expects to see flat revenues and thinner margins overall this year.

To survive, Schonfeld needs more bodies--traders who can churn stocks and create commissions. That was the impetus behind his most controversial acquisition to date: Heartland Securities, once one of the biggest day trading houses, with 300 traders. At the time of Schonfeld's bid, in January 2003, Heartland was nearing bankruptcy and the SEC had accused its principals of carrying out fraudulent trading practices, first at Datek Securities, and later at Heartland, which took over Datek's business. The complaint alleged that Heartland and some of its executives--including Sheldon Maschler, his son Erik and technology wiz Jeffrey Citron (founder of a private trading system called Island and today head of the Internet telecom firm Vonage)--had devised and used a "fraudulent scheme" to exploit the SOES system for illegal trading. According to the SEC, they covered up the scheme by creating false trading accounts and filing fake reports with regulators. Sheldon Maschler was fined $29.2 million and Citron $22.5 million--among the largest penalties ever levied by the agency against individuals. Schonfeld acquired the distressed company's assets--its traders, computers and software systems. He inherited none of Heartland's legal woes, but Schonfeld brought on several former Heartland executives, including Lee Maschler, Erik's brother.

Whatever its sordid past, Schonfeld wanted Heartland. Nine days after the SEC's complaint, he locked up the assets in a nondisclosure agreement with the Maschlers--which essentially prevented Heartland from seeking bids from anyone else during a two-month period, say the company's creditors. Those creditors also complained that Schonfeld imposed an "egregiously high" breakup fee, equal to 20% of the cash portion of the purchase price, or $300,000; reasonable fees, they argued, ranged from 0.65% to 3%. Over the objections of its creditors, the bankruptcy judge allowed Heartland to sell its assets for $4.2 million, including $2.7 million in assumed debt, to Schonfeld and another firm, Trillium Trading.

Trillium, it turns out, was headed by Lee Maschler, who was also an equity owner of Heartland. That apparent conflict of interest rankled creditors, who felt they couldn't get a fair deal. But "at a certain point," says the creditors' attorney, Stuart Komrower in Hackensack, N.J., "people just wanted to put the deal behind them." Schonfeld took a 50% equity stake in Trillium; Lee Maschler became a principal of Schonfeld Group. The deal "was a good business opportunity to grow the firm," says Schonfeld. But why associate himself with a company tainted by fraud? "Good question," says Fishman.

-- We should have stated that Lee Maschler is a registered representative of Schonfeld & Co. LLC, not a principal of Schonfeld Group Holdings. Our chart accompanying the story should have noted that Schonfeld Group trades an average of 135 million shares daily, not that it clears 135 million trades a day. As reported, Schonfeld Securities, the company's largest unit, lost $25 million in 2003. --EDS

http://www.forbes.com/forbes/2005/0523/170_2.html

Omar Amanat - MPAC Foundation Media Awards

Muslim Public Affairs Council Foundation Executive Producer of Kite Runner, The Visitor, Charlie Wilson's War, Darfur Now, Omar Amanat with 17th Annual Media Awards Recognizing Voices of Courage & Conscience.

http://video.google.com/videoplay?docid=-7460424276672478459#

From the DeepCapture Chapter 7 write up...

Is Mr. Amanat a financial terrorist? I know he is (like most of the other characters mentioned so far) part of the Milken network, and that's all I need to know to suspect that he is a threat to the national security of our "miserable house." Decide for yourself.

Omar S. Amanat is an American who has worked as an entrepreneur in the online trading industry and in the media industry.

After graduating from the University of Pennsylvania's business school in 1995, he worked for a year at the online trading firm Datek Online.[1] Afterward, he moved to Texas and partnered with Philip Berber on a prototype online trading system called Cyber-Block,[2] before moving to New York to start Tradescape.[1] In 2002, E*Trade acquired Tradescape for $276 million.[3] As a result of his work in the online trading industry, he was named one of Wall Street's "Top Ten Most Influential

Technologists".[2]

Amanat worked as a spokesman for Bridges TV before its debut,[4] where he advocated for Muslims to undo negative misperceptions of themselves in media.[5] He co-founded a film fund and production company affiliated with the United Nations called the Alliance of Civilizations Media Fund.[6] Amanat commissioned Harvard Medical School to research the physiological effects on minorities who watch images of violence being perpetrated on fellow minorities.[7][8]

He sits on the Board of Malaria No More[2] and has been an executive producer of films including The Visitor,[9] Darfur Now,[9] Smart People,[9] and The Mysteries of Pittsburgh.[9]

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CHAPTER 8

The Miscreants' Global Bust-Out (Chapter 8): Al Qaeda, Iran, and Some Mafia-tied Agents of Economic Sabotage

23 May 2011

by Mark Mitchell

Examining a pack of market manipulators tied to terrorists and the Mafia

In August 2005, Patrick Byrne, CEO of an internet retailer called Overstock.com and future founder of Deep Capture, held a conference call for around 500 Wall Street folks and financial journalists. During this call, Patrick gave a presentation, which he titled "The Miscreants Ball". The presentation described a network of miscreant short sellers who seemed to be using a variety of dubious tactics to manipulate stock prices and damage public companies.

Patrick said that there was a famous criminal at the center of this network. He said that he wasn't going to name the criminal for the time being, but would simply call him "the Sith Lord" – a reference to the evil mastermind from Star Wars. Patrick did not say that this criminal or any of the hedge fund managers he named in his presentation were tied to the Mafia. But he did suggest that the there were indications that the Mafia seemed to be involved in short-side market manipulation.

In addition, Patrick said that he had information that a fellow named Kevin Ingram was somehow involved, and this Ingram guy had been arrested by the FBI for his role in an illegal Stinger missile deal involving some shadowy Pakistani characters.

Patrick concluded his presentation by saying that he believed that abusive short selling posed a risk to the stability of the financial system. And he said that he was filing a lawsuit against one miscreant short seller, a guy named David Rocker, who then ran a hedge fund called Rocker Partners, later renamed Copper River.

Rocker was one of Michael Milken's close associates. He previously worked for the Belzberg brothers – Sam and Hymie. The Belzbergs, who are also among Milken's closest associates, had been key participants in the junk bond merry-go-round and bust out scams that Milken masterminded in the 1980s.

Though Patrick didn't know it when he filed his lawsuit against Rocker, the Belzbergs had also been tied to the Genovese Mafia by U.S. customs agents and the Canadian Royal Mounted Police who filed reports on the Belzberg's business dealings with the Mafia.

Of course, when the Belzberg's ties to the Mafia were exposed, they expressed surprise that the people they had been dealing with for years were Mobsters. They had even dealt with Meyer Lansky, who was one of the most famous Mobsters in the world, without (according to the Belzbergs) knowing who Meyer Lansky was.

Whatever the truth, Rocker subsequently went to work as a top trader for Michael Steinhardt's hedge fund. Steinhardt has since admitted that he is the son of the "biggest Mafia fence in America." But the Belzbergs must have been surprised to learn that, too.

Rocker, meanwhile, spent much of his career telling people on Wall Street of his ties to the Mob. But maybe, like the Belzbergs, he didn't know he had ties to the Mob.

The media response to Patrick's "Miscreants Ball" presentation was disappointing in general, but one crew of journalists covered the presentation with relish. These journalists seemed to think it was supremely hilarious that the CEO of a sizable public company had used the "Sith Lord" metaphor.

These journalists also seemed to believe that there was something weird about a CEO talking about the Mafia and Stinger missiles. This was especially troubling, given that those journalists could have found on Google in one minute numerous news stories and government documents about the Mafia infiltrating Wall Street.

There were also plenty of detailed articles and about Kevin Ingram and his involvement with Stinger missiles and shady characters from Pakistan (see for example "Ex-Goldman Trader Stung in Arms Plot, Shocks Colleagues , New York Observer, July 1, 2001).

The journalists lambasted Patrick in stories that portrayed him as a nutcase. In some instances, they quite literally suggested that he might need psychiatric care. The New York Post printed a photo of Patrick with a UFO over his head.

Patrick proceeded to do battle with these journalists, and his battle came to my attention in January, 2006 – shortly after I had taken a job at Columbia University in New York. Specifically, I was the assistant managing editor responsible for critiquing the business press for the Columbia Journalism Review, a magazine that serves as a media watchdog.

It seemed to me that the journalists had been a bit vicious in their attacks on Patrick, so I called him, thinking I'd write a quick story about his criticisms of the New York financial media.

During our initial conversation, Patrick went on at length about the Mafia, but he did

not seem in the least bit insane. In fact, I was already aware that the Mafia was active in the markets.

In 2001, while working as a correspondent for Time magazine in Asia, I had spent many weeks investigating a network of Mafia-tied brokerages that were operating out of Bangkok, Thailand. The Thai authorities had raided some of these brokerages, so their owners had gone temporarily into hiding. Which is to say they had abandoned their penthouse apartments and were living in luxury hotel suites in the center of Bangkok, ordering their lawyers to make the Thai government's investigations go away.

I found one of them, John Kealey, owner of the Brinton Group, and he refused to comment on media reports that he had ties to the Irish Republican Army, but he did acknowledge that he had (unwittingly, in his version of the story) done business with a Mafia enforcer with the last name Ciasullo, first name Eugene, though he didn't like to be called "Eugene" – he preferred to be called "The Animal."

A few days later, I met a fellow named David Cordova at his office, which was around the corner from a three-story nudie bar and brothel complex called Nana Plaza. Cordova owned a Bangkok brokerage called Kensington and in addition to manipulating the markets, he was selling a fake AIDS cure with a famous Mob enforcer named Bernie Sandow.

When I met Cordova, he had just returned from Ghana, where he'd had an audience in the Manhyia Palace with Otumfuo Osei Tutu II, King of the Ashanti people.

The first thing that happened at our meeting was that Cordova's wife arrived and announced that she was going to read my palm. She said she was a fortune teller with magic powers.

I let her read my palm, and she said that things did not look good for me–I was going to die. In fact, I was going to die really soon.

The second thing that happened was that Cordova told me he had a handgun under his desk and he was looking for some "hired help" to kill a stock broker named Danny Sterk, who'd screwed some of Cordova's boys on a deal.

In addition, Cordova thought he might assasinate Danny Sterk. And this Sterk – well, he was a stock broker, too. But he was also a former mercenary who could kill a man

with one quick jab to the throat.

Sterk, who also dealt in forex derivatives, had attracted some attention to himself when he threatened to kill an innocent airline employee. This was because the airline employee had refused to allow Sterk's dog sit with him on a flight to Kinshasa.

So, by comparison, Patrick Byrne's story did not seem all that strange to me. I began to investigate, and within a few weeks it was clear that the journalists attacking Patrick all had close relationships (in some cases business relationships) with certain hedge fund managers, most of whom were among the closest associates of Michael Milken, the famous financial criminal.

For details about these journalists see earlier Deep Capture stories, including "The Story of Deep Capture", which explains how and why we came to embark on the Deep Capture project.

At any rate, back in 2006, I never did write the quick story about Patrick and the financial media that I had planned for the Columbia Journalism Review. Instead, I concluded that Michael Milken was probably "the Sith Lord" and decided to conduct a deeper investigation into the tactics of hedge funds tied to Milken.

By that time, though, Patrick had modified his "Sith Lord" analogy to say that there was probably not one man at the center of the network, but a few key figures. Patrick had publicly added that he would (hint, hint) "sack up" as to the identity of one "Sith Lord" sometime in the near future.

As everyone on Wall Street understood, but I failed to catch, Patrick was referring to SAC Capital, which is referred to colloquially on the Street as "sack," or sometimes 'Saks".

Months later, I was still investigating, and I was far down the rabbit hole, thinking I had seen it all. But I hadn't seen it all, because a number of strange things were about to happen, the first of which was the appearance in my office of a former operative for a foreign intelligence agency.

This former spy announced that he had spent many years investigating Michael Milken and his friends, and he said that one key to understanding this network was a guy named Gene Phillips, who was deeply tied to the Mafia. He also said that Milken

and his associates were holding secret meetings in Costa Rica, where they were planning the destruction of some big companies.

The former spy didn't know all the details, but he said these meetings had something to do with Real Estate Investment Trusts, or REITs. He said that mortgage companies and something called "collateralized debt obligations" were also being discussed at these meetings in Costa Rica.

In addition, the former spy said that he had confirmed that Kevin Ingram, the guy mentioned by Patrick Byrne – the guy tied to the Stinger missile deal — was working for the Milken network, and had mysterious ties to the Pakistani intelligence services.

There was also something about a guy in Costa Rica. It seemed this guy in Costa Rica was hosting the secret Milken meetings, and there was a lot that was strange about this guy — he had ties to the Mafia, and jihadis, and he worked out of the same building as the Israeli embassy, and…

And, well, that's when I started to tune out. At this stage in my investigation, I had determined that the Mafia certainly had a presence on Wall Street and was manipulating the markets. Indeed, I had spent some time looking into the murder of one Mafia-tied naked short seller.

But I was not yet at the stage where I could believe that some prominent American investors were tied to the Mafia. And when the former spy began talking about jihadis and secret meetings in Costa Rica and the Israeli embassy and mysterious ties to Pakistan – well, it all seemed a bit too much.

It seemed, in fact, like the kind of conspiratorial story that a former spy might tell to toot his own horn and make it seem like he was in possession of special secrets known only by him. I did not believe what the former spy told me, and I escorted him out of my office thinking he was an interesting character, worthy of a novel, perhaps, but not of use to my investigation.

After the former spy was gone, I glanced at the stack of documents he had given me, but it was just a glance before I dumped the documents in a drawer and promptly forgot about them.

I didn't believe that former spy. I didn't look closely at those documents. I didn't

immediately follow up on any of the information that he had given me. And these are among my life's greatest regrets.

I now know that when I met that former spy, I had become complacent. I could believe that bad things were happening in Bangkok. I had personally witnessed bad things happening in places like the Congo and Aceh and the Philippines. But I could not believe that such things could happen in America.

In short, I was a comfortable journalist, back in the United States with a comfortable job, disinclined to think the worst or examine notions that seemed, on their surface, to be outlandish.

However, I did know back in 2006 that I was on to a big story. And in some subconscious fold of my brain, I must have realized that anything was possible. So it eventually occurred to me that I should put that former spy's documents in a safe place. The thought hadn't crystalized, but somehow I believed that those documents might one day come in handy.

And now – five years later – there are some things that I know.

I know, for example, that what that former spy told me was true. And I know that there was much more to the story – that what the spy told me was only a tiny fraction of it. Moreover, I now understand why a former spy (a fellow who had spent much of his career tracking jihadi terrorists) would have taken a special interest in some of the people in the Milken network – especially those who were gathering in Costa Rica.

Kevin Ingram, the guy linked to the attempted Stinger missile deal, was at some of those meetings in Costa Rica. And he wasn't just working for the Milken network, he was playing a key role in devising some of the schemes that the network would perpetrate against big companies and the mortgage markets.

In 2007, a blogger who was writing under pseudonyms (sometimes he called himself "Bob O'Brien", sometimes he called himself "the Easter Bunny") used some clever internet forensics to determine that Ingram was helping members of the Milken network, including David Rocker, orchestrate a short selling attack on a mortgage company called Novastar Financial.

I know it is weird to cite someone who calls himself the Easter Bunny as a credible

source, and believe me – the Easter Bunny is a weird guy. But sometimes weird is a good thing to be. Sometimes weird people are smart, and when the Easter Bunny was still writing his blog (TheSanityCheck.com), he was a keen observer.

Moreover, the Easter Bunny's conclusion that Ingram assisted the short selling attack on Novastar Financial has since been confirmed by people who have assisted my investigation, and who know Ingram well.

These people say that Ingram also helped devise the self-destruct CDO scam that I described at the outset of this story. As you will recall, "synthetic" CDOs (collateralized debt obligations) were designed by short sellers who made sure they contained the mortgages most likely to default. The Financial Crisis Inquiry Commission has blamed these instruments for the 2007 collapse of the mortgage markets.

Ingram knew quite a bit about collateralized debt obligations because he had previously worked as the head of the mortgage-backed securities desks at Goldman Sachs and Deutsche Bank. After leaving the big banks, Ingram ran his own high-flying company that specialized in trading mortgage bonds and mortgage derivatives, such as CDOs.

In addition, according to the DOJ, Ingram had gone into multiple lines of business with an Egyptian named Diaa Badr Mohsen, who had warehouses full of weapons – including Cobra helicopters, and Stinger missiles – in Miami and New Jersey.

Acting on a tip from a diamond trader named Randy Glass, the FBI began investigating the Egyptian as part of a larger sting operation focused on a mysterious Pakistani who was trying to buy components for nuclear weapons.

The court documents in the Ingram case do not name the Pakistani, but they make it clear that the Egyptian, Diaa Badr Mohsen, had expressed interest in supplying weapons to him. They also make it clear that the Egyptian had previously sold a lot of weapons to people in Pakistan and that he laundered the money from these weapons sales through Kevin Ingram.

In June 2001, the FBI arrested Ingram as he was about to board his private airplane and fly to Europe with more than $2 million in cash that he had obtained from undercover FBI agents posing as arms dealers.

The FBI also arrested the Egyptian Diaa Badr Mohsen, along with a Pakistani liquor store owner in New Jersey named Mohammed Raja Malik, who also dealt in sophisticated weaponry.

A few months later, the September 11 attacks occurred, and the FBI questioned the Egyptian Diaa Badr Mohsen extensively. This was because the FBI determined that it was likely that the Egyptian Diaa Badr Mohsen was tied to Al Qaeda. Indeed, the bureau suspected that the Egyptian might have direct ties to the 9-11 hijackers.

I do not know what came of that investigation (I have found no records that the Egyptian was ever indicted on terrorism charges), but study Pakistan long enough and you will know that illegal arms deals to that country inevitably lead to Al Qaeda, or to its fellow travelers, likely including Pakistan's spy agency, the ISI.

In short, Kevin Ingram (former head of the Goldman Sachs mortgage bond desk; important errand boy for a network of market manipulators with ties to the Mafia; and a money launderer for an arms dealer with possible ties to both Al Qaeda and to a Pakistani who was in the market for components that could be used to build nuclear bombs) is perhaps not someone who should be handling "financial weapons of mass destruction" (e.g., self-destruct, synthetic CDOs).

As for those meetings in Costa Rica – well, there is much more I have to say about them, beginning with the fact that they were hosted by a man named Jonathan Curshen.

Back in 2006, Curshen was one of Costa Rica's more prominent residents, known for the large-scale money laundering and brokerage operation he ran out of a company called Red Sea Management. He was also known for the raucous parties that he held with other Costa Rica residents, including a man named Steve Cohen.

That's not the Steve Cohen who runs SAC Capital (although Curshen knows him, too). It's the Steve Cohen who was Michael Milken's cellmate in prison.

When the two men got out of prison, Cohen came to possess a potentially lucrative internet domain – Sex.com – and was looking to partner with someone who could develop it into a big business. Milken introduced Cohen to his best friend, Steve Wynn, the Las Vegas Casino operator, and Wynn seemed interested.

But before that deal could happen, it emerged that Cohen did not actually own the

Sex.com domain, but had used an elaborate scheme to steal it from an online dating entrepreneur named Gary Kreman, who filed suit against Cohen. When Cohen lost the lawsuit, he fled to Latin America. In 2005, he was arrrested on the Mexican border and charged for failing to pay a $65 million court judgement.

Jonathan Curshen, the host of the meetings in Costa Rica, had a colorful cast of clients that included a number of shady characters from the Middle East, and people like James Arion, owner of a string of Canadian brothels, including Lady Godiva Escorts, Dangerous Curves, Cupid Escorts, and Sweet Dreams.

Arion also ran a money laundering operation through the All Saints Greek Orthodox Church in Toronto while engaged in some kind of business with Jonathan Idema, an American mercenary who was convicted in 2004 for running a secret, private prison in Afghanistan and torturing Afghan citizens.

The precise nature of Arion's business with Idema remains unclear, just as it remains unclear what (aside from torturing people) Idema was doing in Afghanistan. He often claimed to be a covert operative, working for the U.S. government, but those claims were almost certainly false.

At other times, he claimed to run a private security company that was hunting Al Qaeda, and exposing the terrorist group's ties to Iran, Russia, and other rogue states. But the information that he provided to the press was routinely false. Indeed, it seemed he was conducting deliberate disinformation campaigns. At least one video that he made was used by Al Qaeda for propaganda purposes.

When Idema came under investigation, he tried to curry favor with the FBI by telling the bureau that he had penetrated the Russian Mafia and had information about the trafficking of nuclear weapons to terrorists. But when the FBI pressed him for details, he refused to provide them, stating that he believd that the FBI had been infiltrated by Russian intelligence, which (in his version of the story) wanted him dead.

So Idema is a bit of a mystery. But one thing is certain: Johnathan Curshen has ties to jihadis and the Russian Mafia. He famously led a group of investors that was going to buy an outfit called YBM Magnex right at the time in 1998 when government investigators in the United States and Canada had determined that YBM Magnex was controlled by Semion Mogilevich, the Russian Mafia boss who also stands accused of trying to sell highly enriched uranium to Al Qaeda.

The charges against Mogilevich for his role in YBM Magnex, which was a massive stock fraud and money laundering operation, are what initially earned Mogilevich his place on the FBI's list of the world's "Ten Most Wanted" criminals.

Curshen had additional ties to the Mogilevich Organization, and he was following the familiar pattern – people in the Milken network buying the criminal operations of others in the network as soon as those operations come under investigation.

As it happened, a year after Curshen moved to acquire YBM Magnex, new evidence showed that YBM was part of a bigger money laundering and market manipulation enterprise. This was the one that saw more than $7 billion of Russian Mafia and government money laundered through the Bank of New York.

In addition to Mogilevich, Russsian Mobster Grigori Loutchansky (suspected of trafficking in nuclear weapons materials) was also tied to the Bank of New York scandal. Recall that others tied to the Bank of New York scandal included a number of Michael Milken's closest associates, including Randolph Pace and Judah Wernick.

In fact, Milken himself was tied to that scandal. And it was not just a Mafia money laundering scandal; it was one of the biggest market manipulation schemes in history, perpetrated with the full cooperation of the Russian government, in league with people — such as Marc Rich, Edmund Safra, and Abbas Gokal (the Pakistani intelligence agent) — who had close ties to the regime in Iran.

I first came to suspect Milken's involvement in the Bank of New York affair when a young organized crime expert in Boston sent me some information suggesting that a certain Gene Phillips had played an instrumental role. In the fall of 2010, I was investigating Phillips and calling Zuhair Karam, the jihadi who worked for that little Chicago outfit, Tuco Trading.

Recall that some interesting Russian characters had an account called "Orange Diviner" at Tuco Trading. The Russians behind Orange Diviner included: 1) the top henchmen of Roman Abramovich (prime minister Putin's right-hand man); 2) traders associated with Mikhail Fridman (financier of Iran's nuclear program); and 3) two Mogilevich henchmen, one of whom (Sergei Maximov) had worked for YBM Magnex, and another of whom (Maxim Mishin) worked for the MDM Group, which, like YBM, was tied to the Bank of New York scandal.

Recall also that I had received a tip that a certain Iranian was behind a couple of Tuco accounts (one with more than 2,000 subaccounts based in China) that had, in the month before the 2008 collapse of Bear Stearns, transacted manipulative trading equal to more than 20 percent of the volume at the largest brokerage on the planet.

In the fall of 2010, I had not yet learned the identity of this Iranian, but I was learning more about Gene Phillips and beginning to make some progress with Zuhair Karam. During one of my conversations with Zuhair, I suddenly remembered that former spy whom I had met in 2006. I recalled that the former spy had also mentioned Gene Phillips.

It was only then, in the fall of 2010, that I finally took a close look at those documents that the former spy had given me–those documents that I had instinctively stored in a safe place way back in 2006.

Information in those documents and other information that I later uncovered would help me learn that many of the people tied to the massive Bank of New York scandal had moved on to bigger things by 2008. Indeed, they had contributed mightily to the worst financial crisis since the Great Depression.

Some of them had also been at those meetings in Costa Rica, where Michael Milken and his friends had discussed mortgage derivatives, REITs, and ways in which to destroy some big companies.

More on the Bank of New York scandal and the events of 2008 later. First let us consider some additional information about the host of those Costa Rica meetings, Jonathan Curshen, white knight for Russian Mafia boss Semion Mogilevich's YBM Magnex fraud.

In February, 2011, Curshen was indicted for his role in what seems like a small-time stock manipulation scheme, but the FBI might have targeted Curshen because he was involved in much bigger crimes.

While Curshen was still operating in Costa Rica, a Deep Capture operative with an elaborate cover traveled to San Jose to meet with Curshen. Before he could enter the offices of Curshen's Red Sea Management, the Deep Capture man was frisked and questioned at length by guards armed with machine guns.

This was because Red Sea Management was, in fact, located on the fifth floor of the

heavily fortified building that housed the Israeli embassy (just as the former spy had told me).

During the meeting, Curshen admitted to the Deep Capture undercover man that he had been a major league naked short seller since the 1990s, and had taken down multiple companies in league with a pack of other miscreants, many of them friends of Michael Milken.

In a subsequent meeting at a luxury hotel in a different Central American location, Curshen hinted to the Deep Capture man that he had also laundered money for Colombian drug cartels.

This was unsurprising, because in 2006, at the time when Curshen was hosting the Milken meetings, counter-narcotics officers searched a DC-9 airplane at a remote Mexican airport and found that it was loaded with more than 5 tons of cocaine. And the plane was tied either to Curshen or Curshen's clients, or both.

It is not certain that Curshen or his clients themselves were drug smugglers, but people who checked the plane's tail numbers discovered that it had been registered as belonging to a shell company called DuPont, which was located at the same address as Curshen's company, Red Sea.

In 2004, DuPont had transferred the plane to Skyway Communications, a Curshen-linked company that had a partnership with an outfit called Lantex, which was in the business of providing counter-terrorism services to government and corporate clients. Since Lantex (through an outfit called Titan) had contracts with the Department of Homeland Security (DHS), this might explain why the plane carrying 5 tons of cocaine was adorned with a DHS logo.

The plane had also been registered at various times in the names of a number of companies controlled by Curshen's clients or closest associates. For example, the plane was once registered in the name a company called Southmark, controlled by the myterious Gene Phillips.

Later, the plane was registered in the name of Genesis Aviation, which was incorporated by Curshen's Red Sea client Ramy El Batrawi.

At the same time, El Batrawi was running a company called GenesisIntermedia that was controlled by another Curshen associate, the Saudi arms dealer Adnan

Khasshogi, who was a key figure in various BCCI scandals, including Capcom, the Saudi intelligence operation that traded through Michael Milken's Drexel Burnham in the 1980s.

Meanwhile, many other Curshen clients were traders who had been implicated in stock manipulation schemes involving Khashoggi. One of these was Rafi Khan, the son of a Pakistani diplomat (some of Khan's associates say that Khan's father was, in fact, with the ISI, Pakistan's spy service).

Khan was involved with the Holy Land Foundation, the outfit that was tied to Tuco trader Zuhair Karam's Bridgeview Mosque and which was identified by prosecutors as the principal U.S. front for Hamas, the jihadi group whose stated mission is to wipe Israel off the map. Federal prosecutors, recall, named Nihad Awad (parnter of Omar Amanat, designer of Tuco's trading platform, Lightspeed) as an unindicted co-conspirator in the Holy Land case.

Given that Curshen's associates were financing Hamas, one can understand why a former spy (who had once worked closely with the Israelis) would wonder how it came to be that Curshen chose to locate his offices in the same building as the Israeli embassy.

There are, in fact, many other reasons why a former spy would be interested in this network, and to better understand these reasons, we need to go back to September 10, 2001 – the day before Al Qaeda hijackers crashed airplanes into the World Trade Center and the Pentagon

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On September 10, 2001, a famous short seller named Anthony Elgindy, also known as Amr Ibrahim Elgindy, liquidated some accounts that he held at Salomon Smith Barney. In explaining to his broker why he was liquidating these accounts, Elgindy said that a major event was going to occur on the next day that would cause the Dow Jones market average to fall to 3,000 (it was then trading at 9,600).

Of course, just such an event did occur on September 11, and the Salomon broker called the FBI to express his suspicions that Elgindy had advance knowledge the Al Qaeda attacks.

The FBI proceeded to investigate, and key to its investigation was evidence that had been compiled by the man who would later go undercover to befriend Jonathan Curshen in Costa Rica. This man knew that Curshen and Elgindy were close associates and had often joined together to perpetrate manipulative short selling attacks on public companies.

In fact, Elgindy and a larger pack of closely affiliated traders had destroyed a company in which this man once had a large investment, so needless to say, the man was motivated to see some of these traders put in prison.

He was more than motivated. You could say he was obsessed. And beginning in 1999, he had gained access to a private internet chat site that Elgindy controlled – a chat site where Elgindy and his pack discussed in detail their short selling attacks on public companies.

It was also learned that Elgindy had paid off a couple of FBI agents, who were helping the short sellers by providing them with confidential information about the companies that they were attacking.

Seeing multiple crimes in progress, the businessman hired a secretary to work full time printing out transcripts of the discussions taking place on Elgindy's chat site.

Soon enough, the businessman's garage was stacked high with these transcripts, and when Elgindy came under investigation after the 9-11 attacks, the businessman handed the transcripts over to the FBI. The transcripts provided clear evidence that Elgindy and his crew had manipulated the stocks of hundreds of public companies.

Meanwhile, the FBI began to track the FBI agents who were on Elgindy's payroll and learned that one of them, Jeffrey Royer, had warned Elgindy that he was a target of the FBI's investigation into the Al Qaeda attacks.

Later, the SEC inspector general (aided by those same transcripts) concluded that Elgindy also had friends at the SEC . Indeed, not only had the SEC failed to prevent Elgindy's market manipulation, but some SEC officials had helped him attack certain companies by launching investigations of whatever companies Elgindy instructed them to investigate, and by providing Elgindy with confidential information about the status of these investigations, as well as other investigations that the SEC was conducting.

Which, in gambler's parlance, is known as "a lock." In economists' jargon, Elgindy and his crew had "captured" the SEC and a couple people within the FBI. Which seems rather amazing, given what we now know about this particular market manipulator: for example, that he tried to liquidate his Salomon Smith Barney portfolio on September 10, 2001.

Another thing we know is that after Elgindy was arrested, federal prosecutors argued vehemently in court that he had ties to terrorists and advance knowledge of Al Qaeda's attacks on the World Trade Center and the Pentagon.

As evidence, the prosecutors noted that Elgindy had delivered large sums of money to Mercy International, a "charity" that appeared to be an Al Qaeda front. Elgindy's defense council argued that Elgindy had not given money to Mercy International, but rather to Mercy USA, which was somehow different.

The prosecutors eventually abandoned their Mercy argument, which is a shame, because it is now clear that Mercy International and Mercy USA were one and the same. When Mercy International came under scrutiny it simply changed its name to Mercy USA, and much of the money that went to Mercy ended up with Al Qaeda.

Indeed, Osama bin Laden, in a taped conversation with a senior lieutenant, Jamal Ahmed al-Fadl, stated that Mercy was Al Qaeda's third most important source of funding. Moreover, as you might remember, Mercy officials were directly involved in the planning of Al Qaeda's attacks on the U.S. embassies in Africa.

And as Elgindy probably knew, Mercy USA's director, Mohammad Mabrook, was, among other distinctions, the president of Global Chemical, the bomb-making factory set up by hedge fund manager Yasin al-Qadi, who was later labeled by the U.S. government as a "Specially Designated Global Terrorist" because of his ties to so many other Al Qaeda fronts.

That information was never presented in court. Instead, Elgindy's prosecutors pursued a different line of argument, noting that Royer, one of the FBI agents who was in Elgindy's pocket, had told his supervisor that prior to September 11 Elgindy had informed him of an imminent terrorist attack and had said on precisely what day it would happen.

The prosecutors said that the supervisor was "willing to take the stand, swear under oath that Mr. Royer told him…that a few days before September 11th, Mr. Elgindy

told him that there was going to be a major event related to terrorism. He's willing to take the stand and swear to that. That's competent evidence."

Unfortunately, that supervisor never took the stand because the judge quickly put an end to prosecutors' attempts to link Elgindy to terrorism. The judge said that any discussion of terrorism so soon after the 9-11 attacks would prejudice the jury and that prosecutors should focus on the more demonstrable charges of market manipulation and bribing FBI agents.

It is possible that the judge was influenced by The Wall Street Journal, which was following the Elgindy trial, and later published a front page story. This story was rather amazing, and is worth quoting at length.

"Mr. Elgindy's defense team thinks that references to the suspicions [of terrorism]…unduly influenced the jury," wrote The Journal, which gave no sign of disagreeing with the defense team.

The rest of the story went on at length about the horrible agony that Elgindy's wife and son were suffering as a result of the trial. "Mrs. Elgindy," the Journal wrote, "says she doesn't know what she will do if her husband receives a lengthy sentence. 'He was the first person who gave me the courage and strength to question what I had been taught,' she says…".

The Journal continued: "After the arrest, Mrs. Elgindy was suddenly a single parent with three sons…who were alternately angry and withdrawn. The situation has been particularly tough for their youngest son, Sammy. On a recent family visit to the New York jail, Sammy sat on his father's lap and told him, 'Daddy, if I could stay here with you, I would.'…"

Apparently, Elgindy had "captured" not only SEC officials and FBI agents, but also financial journalists (including John Emshwiller, the author of the Journal story) who had come to depend on Elgindy for negative stories about public companies.

I do feel badly for Elgindy's son, but if The Journal wanted to elicit sympathy for Elgindy, it might have instead noted that the Russian Mafia chopped off Elgindy's finger.

When Elgindy appeared in court with the missing finger, the judge asked what had happened to it. Elgindy said he lost his finger in a barbecue. But an investigator close

to the Elgindy case says that Elgindy's Russian Mafia colleagues cut off the finger as a warning to keep him from ratting on his wider network of stock manipulators. Which is not surprising, given that Elgindy sat right at the center of the jihadi-Mafia nexus that I wish to highlight with this story.

In the 1980s and 1990s, Elgindy was a principal at Blinder, Robinson, the Milken-financed brokerage that (we know) traded in league with a host of organized crime figures, such as Genovese Mafia capo Thomas Quinn. The other key principals at Blinder (a.k.a. Blind'em and Rob'em) were Mr. Blinder himself and Steven Schonfeld, the guy who would later buy the Mafia-tied Datek Securities and Lightspeed, both of which were founded by Omar Amanat.

Recall that Lightspeed provided Tuco with one of the trading platforms that Tuco used to transact manipulative trading equal to 20 percent of the volume at the largest brokerage on the planet. Recall also that Omar Amanat co-founded with the jihadi outfit Hamas an Islamic TV station whose CEO later chopped of his wife's head.

Also tied to Blinder, Robinson was a fellow named Alexander Shvarts, who later went on to manage a brokerage called Global Equities, and is now manager of Carlin Equities, the outfit linked to Arik Kislin, associate (according to the U.S. government) of Yaponchik, or "Little Japanese" — once the top boss of the Russian Mafia in the United States.

Kislin, recall, is also a former business partner of Babeck Seroush, the Iranian arms dealer who has worked with Russian military intelligence. Shvarts is also invested, along with Kislin, in a company called Edulink.

Mr. Blinder (first name Meyer) was a Russian Mafia figure from Kiev, Ukraine. While Elgindy was helping run Blinder's Mafia brokerage, Elgindy's family was arranging for Palestinian Islamic Jihad leader Sami al-Arian to move to the United States and obtain work as a professor at the University of South Florida.

That is the same Sami al-Arian who was on close terms with Tuco Trading's Zuhair Karam and the 19 Hamas leaders (including Omar Amanat's partner Nihad Awad) who were at that secret meeting in Philadelphia in 1993. The meeting was secretly recorded by the FBI, so we know that those Hamas leaders plotted to secure the release from prison of the Blind Sheikh, who masterminded the 1993 World Trade Center attack while living at the home of Awad's partner, Omar Ahmad.

It is also the same Sami al Arian who was a key figure (along with the above-mentioned Yasin al-Qadi and others) in the SAAR Network of terrorist financiers. Some FBI investigators have suspected that Sami al-Arian provided assistance to the September 11 hijackers.

As we know, Sami al-Arian was, perhaps not incidentally, also taking instructions from Iranian agents working out of the United Nations mission in New York. The Iranian regime, of course, is also an important sponsor of Hamas.

As of 2001, Elgindy and a small pack of affiliated market manipulators were trading through just a few remarkable and eminently criminal brokerages. One of these brokerages was called Global Securities.

A trader who once worked closely with Global Securities has told Deep Capture that the brokerage had subsidiaries that were affiliated with people who were working for the Iranian regime. Global was founded by a fellow named Art Smolensky, but it was managed by several Iranian guys–Aarif Jamani, Nashrulla Jamani, and Ferzana Jamani.

Documents that Deep Capture obtained by means that we believe to have been reasonably legal show that Aarif Jamani and a host of other people associated with Global Securities were later clients of Red Sea, Jonathan Curshen's outfit in Costa Rica.

I have not been able to confirm with 100 percent certainty that Global Securities is tied directly to the Iranian regime, but it is true that the brokerage had a subsidiary–Global American–that appears to have been tied to some of the incorporators of the Assa Corporation, the outfit that would in 2009 be charged by the DOJ with espionage and funding Iran's nuclear program.

This is the same Assa Corporation that was part of the Alavi Foundation, which was (like Elgindy crony Sami al-Arian) taking orders from Iranian diplomats at the UN mission in New York. I will remind you also that the Alavi Foundation's director was scribbling notes to himself about the "Mafia" and some "conspiracy."

I have no idea what those notes meant, but I do know that Global Securities and a few other brokerages catered not just to Anthony Elgindy, but to a whole pack of market manipulators with extremely close ties to both the Mafia and the Iranian

regime, or its proxies, such as Palestinian Islamic Jihad and Hamas.

One trader in this pack was Rafi Khan, the son of a Pakistani diplomat (or ISI spy). This is the same Rafi Khan who was involved with the Holy Land Foundation, a Hamas front that was indicted for financing terrorism. I'll repeat that an unindicted co-conspirator in the Holy Land case was Nihad Awad, Omar Amanat's partner in the Islamic TV station.

Rafi Khan, we know , was a client of Red Sea Management, the Costa Rica outfit owned by Jonathan Curshen.

Then there was Global Securities client Mansur Ijaz, who has close ties to Iran and is a paid lobbyist for the Pakistani government. Ijaz has publicly claimed to have had direct contact with Osama bin Laden.

Shortly before the September 11 attacks, Ijaz founded Crescent Investment Management with James Abrahamson, who was a board member of an anti-terrorism and security company called Stratesec.

The FBI investigated a Stratesec director who was suspected of having advance knowledge of the September 11 attacks because he was tied to Mansur Ijaz, and he purchased a large number of Stratesec shares shortly before the attacks occurred. However, no charges were filed.

According to a Rafi Kahn associate, the above-mentioned Alexander Shvarts (partner of Russian Mafia figure Arik Kislin) was also trading through Global Securities. Some people in this crowd say that Shvarts's Global Equities and Global Securities were affiliated, but I have yet to be able to verify that beyond a shadow of a doubt.

There is no question, though, that Shvarts' Mafia associates were dealing with Global Securities. In 2001, Shvarts was indicted for a money laundering scheme that he perpetrated with a diamond merchant named Aleks Paul. Soon after, Paul was indicted for his role in the massive stock manipulation scheme that was perpetrated by Russian Mafia boss Felix Sater, La Cosa Nostra and A.R. Baron (clearing firm to Omar Amanat's Datek).

Felix Sater's market manipulation network was, as we shall see, tied in with the larger Bank of New York scandal. Meanwhile, Felix was among a closely affiliated pack of market manipulators who were, back in 2001, trading through Global

Securities.

According to several of Sater's associates, Sater has close ties to the Russian intelligence services. These associates (and an article in the New York Times) report that Sater escaped jail on charges of market manipulation by offering to help the U.S. government buy Stinger missiles from Al Qaeda.

Nowadays, as I have mentioned, Sater's alleged money laundering outfit, Bayrock, has a partnership with Tamir Sapir, the Russian Mafia figure who used to sell high-tech electronics equipment to the KGB with Semion Kislin.

Semion Kislin, recall, is the uncle of Arik Kislin (business partner of the above-mentioned Shvarts, and former business partner of the Iranian arms dealer and intelligence agent Babeck Seroush).

Felix Sater's other Bayrock partner is Leon Black's Apollo fund. Maybe it's also worth recalling at this point Leon Black's importance to Credit Suisse, the investment bank that was caught financing Iran's nuclear program while helping Libya, Sudan (and also the above-mentioned Iranian espionage outfit, the Assa Corporation, according to initial findings by a former staffer of the Manhattan District Attorney's office) conduct securities transactions — probably manipulative trading — through a network of other brokerages.

At any rate, back in 2001, Elgindy was trading through Global Securities with a pack of closely affiliated market manipulators. Many of them were plotting their moves in discussions on Elgindy's private chat sit, and a future Deep Capture operative was still secretly printing out transcripts of the discussions.

One trader who was a member of this private forum was Dan Loeb, who used the screen name "Mr. Pink" – a reference to a gangster in the movie "Reservoir Dogs".

Loeb now runs Third Point Capital, one of the more powerful short selling hedge funds in America. He got his start working for Jeffries & Co with a number of Milken's former top employees from Drexel. His first big deal was to buy certificates of beneficial interest that Milken had issued just before going to jail.

Also trading in league with Elgindy was Jeffrey Thorp, who ran a hedge fund called Langley Partners. He is the son of Edward Thorp, famous for working with the Genovese Mafia to invent a method for beating the black jack tables in Las Vegas

casinos.

In addition to collaborating with the Mafia on gambling schemes, Edward Thorp ran a hedge fund called Princeton Newport, which was raided by the FBI in 1989

I mentioned before that Milken's more famous criminal co-conspirator Ivan Boesky (who worked out of the Iranian Assa Corporation's building in New York) refused to testify against Milken. He said he was afraid because Milken had "friends in Vegas." Contrary to many media reports, Milken's 99-count indictment cited little in the way of information provided by Boesky.

Instead, the indictments that were leveled against Milken mostly cited evidence that the FBI had hauled away when it raided Thorp's Princeton Newport. In fact, that evidence showed that Princeton Newport was one of the most important components of Milken's nationwide stock manipulation network. And the Princeton Newport evidence, more than any other evidence, is what earned Milken time in prison.

In 2001, Thorp's son, Jeffrey, was nailed for orchestrating (in league with Elgindy) naked short selling death spiral schemes that, according to the SEC, crippled or destroyed more than 20 companies. To escape criminal charges, Thorp cooperated with the authorities' investigation of Elgindy.

In 2001, another trader in the Elgindy pack was Adnan Khasshoggi, the investor and arms dealer who was involved in Capcom, the Saudi intelligence trading outfit that was a unit of BCCI and conducted more than $90 billion in trades through Milken's shop at Drexel Burnham.

Khasshoggi is one of the world's most fascinating characters. He is the subject of countless conspiracy theories that are probably false, but there are some facts about him that are indisputably true.

For one, in the 1980s, Khashoggi was said to be the richest man in the world. Though he no longer holds that title, he is still, in the well-chosen words of former CIA operative Robert Baer, "almost a cartoon of the Saudi wheeler dealer," – a wheeler dealer who owns two commercial-size jets; twelve Mercedes stretch limos; countless homes, including a $30 million, thirty-thousand square foot apartment on Fifth Avenue; and a 282-foot yacht that was used in the James Bond movie "Never Say Never Again."

Khashoggi is a regular feature at New York high-society parties hosted by the sort of people who think that no party is fashionable without a rogue arms dealer in attendance. Khashoggi is, moreover, a close associate of Libyan dictator Muammar Gaddafi, for whom he used to work as a mediator, and of the regime in Iran.

Because of his ties to Iran, he became a key player in the Iran-Contra scandal, which saw Khashoggi and an Iranian arms dealer named Manucher Ghorbanifar, broker a deal for the United States to sell weapons to the Iranian regime in return for the regime's commitment to secure the release of American hostages being held by Iran's terrorist proxies, including Hezbollah and Sami al-Arian's Palestinian Islamic Jihad.

In the end, only two American hostages were released, and many more were taken, which is to say that Iran stiffed the United States, and so did Khashoggi, who brokered the deal.

Nowadays, there is some dispute as to whether Khashoggi is a shady character who cares about nothing other than money, or a shady character who also supports the Grand Jihad. Either way, Khashoggi is certainly on close terms with many of the Grand Jihad's leading figures, including "Specially Designated Global Terrorist" Yasin al Qadi and, until his death in 2009, Al Qaeda Golden Chain member Sheikh Mahfouz.

Khasshogi got his big start in business working with Shiekh Mahfouz selling construction equipment to Osama bin Laden's father, Mohammed bin Laden, who founded Saudi Arabia's largest construction company.

Many people who have nothing to do with jihad have done business with the bin Laden construction firm, and there is no evidence that the firm itself supported Osama's terrorism. But in the case of Khashoggi, who has a history of playing both sides of geopolitical conflicts, these relationships may have significance.

It is also possibly significant that Khashoggi's Iran-Contra partner, Manucher Ghorbanifar, was involved in Bank Al Taqwa, along with "Specially Designated Global Terrorist" Yasin al Qadi (Osama bin Laden's favorite financier) and many others tied to terrorism. Bank Al Taqwa, a Muslim Brotherhood financial institution, has been charged with supporting multiple jihadi groups, including Al Qaeda.

Among its many depredations, Bank Al Taqwa founded and funded the Islamic Cultural Center of Milan, which the U.S. Treasury Department has described as the "main Al Qaeda station house in Europe [responsible for] the movement of weapons, men, and money around the world."

Regardless of whether Khashoggi supports his friends in the Grand Jihad, there is no question that he is one of the more destructive financial criminals the world has ever known. BCCI was, of course, a massive fraud, but there are many other examples. To name just one, Khashoggi was implicated in the collapse of Bangkok Bank of Commerce, a catastrophe that precipitated the Asian financial crisis of 1997.

Also implicated in that disaster were two other traders – Sherman Mazur and Rakesh Saxena – who, as of 2001, had gone on to join the Elgindy pack trading through Global Securities.

Rakesh Saxena is also a leader and the principal source of finance for the Marxist Naxalite rebels in India. It might seem counter-intuitive that Marxists and jihadis would collaborate, but there is a significant body of evidence that the Naxalites have had close contact with a number of jihadi groups that are closely tied to Al Qaeda and who share the Naxalites' desire to cause mayhem in India.

As just one example, Indian officials learned that members of Lashkar-e-Taiyyba (which is, for all intents and purposes, a subsidiary of Al Qaeda with close ties to Pakistan's ISI) held meetings with Naxalite leaders shortly before Lashkar staged the 2008 terrorist attacks on major hotels and a synagogue in Mumbai with the cooperation of Dawood Ibrahim and his D-Company henchmen.

In addition to serving as a leader of the Naxalites, Saxena planned and funded a coup plot in Sierra Leone. According to a report by Britain's parliament, Saxena paid British mercenary Tim Spicer of Sandline International to orchestrate a coup to reinstate Sierra Leone's former president Ahmad Tejan Kabbah, who (allegedly) had agreed to give Saxena a large diamond concession.

Saxena denies the diamond allegation, and says he financed the ultimately aborted coup only for "ideological reasons". However, he has done business with Ibrahim Bah, a Libyan-trained jihadi who has (as was first reported by Douglas Farah, then the chief Africa correspondent for the Washington Post) brokered diamond deals between Al Qaeda and rebel forces in Sierra Leone. So perhaps diamonds did have something to do with Saxena's coup attempt.

In 2009, Saxena was deported from Canada to Thailand to face charges for his role in the Bangkok Bank of Commerce disaster, but before that he was one of North America's most active market manipulators. Whether he committed his crimes for "ideological reasons" or simply to make money, I do not know. But one thing is certain: all of the people in the pack that was trading through Global Securities in 2001 (and who, with a couple of exceptions, remain in business today) have interesting backgrounds.

For example, another Global Securities client was Ali Nazerali. Mr. Nazerali was among the people (along with Kevin Ingram, Michael Milken, Gene Phillips, and others to be discussed) who attended those secret meetings in Costa Rica, where a network of market manipulators planned the destruction of some big companies.

Mr. Nazerali is also the fellow who had worked at high levels for Abbas Gokal before launching the BCCI subsidiary First Commerce Securities with Irving Kott and the Mafia. Nazerali's relatives, as I have mentioned, were involved with Capcom, the Saudi intelligence outfit that transacted $90 billion in trades through Milken's shop at Drexel.

After Abbas Gokal (who, we know, was an agent for the Pakistani ISI) served his prison sentence for his role in the BCCI affair, he moved to Tehran, where he is now once again serving as financial advisor to the Iranian regime.

First Commerce Securities was shuttered by Dutch authorities in the late 1980s, after which point Nazerali's business partner, Irving Kott, gained control of a brokerage called Adler Coleman. The principal function of Adler Coleman was to serve as the clearing firm to Hanover Sterling, a brokerage controlled by Alphonse "Allie Shades" Malangone, a capo in the Genovese Mafia family.

According to the federal government,which indicted a number of Hanover's brokers and managers in 1997 (but, oddly, allowed Hanover to remain in business), the brokerage manipulated stocks in league with the Colombo organized crime family. Other cases reveal that it manipulated stocks with the DeCalvacante organized crime family, the Gambino organized crime family, and the Russian Mafia.

Hanover Sterling is yet another brokerage that has gone down in history as a "bucket shop," the implication being that all it did was sell stock in small-time bogus companies. But the history is incomplete. Hanover Sterling's principal function was

to provide “death spiral” finance to good companies, positioning them to be destroyed by affiliated naked short sellers.

One person who was later charged by the government for naked short selling companies that received death spiral finance from Hanover Sterling was Milken crony John Fiero, who had long manipulated stocks in league with other Milken cronies, including Anthony Elgindy. Fiero was one of the traders who orchestrated attacks on Elgindy’s private internet chat site. He went by the screen name “Bond”.

Another trader charged for naked short selling Hanover “death spiral” victims (in league with Fiero) was Phillip Abramo, the DeCalvacante Mafia capo known as the “King of Wall Street”. Nazerali and Kott had gotten to know the DeCalvacante Mafia back in the 1970s when the Mafia tried to kill Kott and Nazerali brokered the deal that prevented another assassination attempt and brought La Cosa Nostra into First Commerce Securities.

Abramo’s right hand man, Phil Gurian, was (recall) the guy who was caught with accounts at Hamas partner Omar Amanat’s Datek Securities under the name Martin Clainey. Gurian is currently being sued by multiple companies for stock manipulation schemes that he allegedly perpetrated with Sherman Mazur, the guy who helped take down Bangkok Bank of Commerce with Khashoggi and Rakesh Saxena.

When the Feds were closing in on Abramo and Fiero, Hanover and Adler Coleman simultaneously declared bankruptcy – which is often what brokerages in this network do when they face scrutiny from law enforcement. Once the brokerages go bankrupt, the Feds stop investigating their broader criminal activities, and their assets (including all of their crooked employees) end up with another company in the network, or are simply reconfigured into a new company with a new name.

In this case, the friendly receiver in the Adler Coleman bankruptcy was Edwin Mishkin, who was the personal lawyer to Russian oligarch Boris Berezovsky. And Berezovsky had been, along with Irving Kott, a silent owner of Adler. At this time, Berezovsky and Roman Abramovich were orchestrating the rise to power of Russian leader Vladimir Putin.

Mishkin handed off most of Adler’s assets to an outfit called JB Oxford, a Mafia brokerage that was also secretly controlled by Irving Kott and Boris Berezovsky. Which is to say, Adler Coleman’s operations remained intact under a new name – JB Oxford. One of JB Oxford’s other principals was the above-mentioned Rafi Khan.

Meanwhile, Ali Nazerali and his brother, Shafiq, launched several death spiral hedge funds, one of which was Valor Invest, which in later years participated in a number of schemes with MIT Ventures, whose proprietor is “Specially Designated Global Terrorist” Yasin al Qadi (Osama bin Laden’s favorite financier).

A director of the Nazeralis’ Valor Invest was Pierre Besuchet, a shadowy banker in Geneva who has also served as director of Yasin al Qadi’s Faisal Finance. Indeed, Nazerali and Yasin al Qadi are limited partners in each others’ funds.

Faisal was the vehicle that Yasin al Qadi used to invest in Al Shamal, a bank in Sudan, the founder of which was the Emir of Jihad himself, Osama bin Laden. Al Shamal has also been linked to Benevolence International, the outfit that had contacts with people trying to buy nukes for Al Qaeda.

Meanwhile, Besuchet and Yasin al Qadi held board positions at the massive and secretive financial labyrinth known as Dar al Maal al Islami, or “The House of Islamic Money”. This the same “House of Islamic Money” whose CEO was hosted by Sungard, owner of Assent, the brokerage (recall) whose traders were doing business with Zuhair Karam’s Tuco Trading, Omar Amanat’s Lightspeed, and Carlin Equities, the outfit tied to Arik Kislin.

Carlin’s manager, the above-mentioned Alexander Shvarts, formerly worked for Assent. As you might also remember, Sungard, owner of Assent, not only did business with the House of Islamic Money, but also owned Lava Trading, whose CEO ran Aleo Capital, one of the three outfits that attended the bogus auction for Bernie Madoff’s brokerage.

The Nazeralis also did business with the “House of Islamic Money” and surely they knew this outfit was one of Al Qaeda’s most important sources of funding. Most likely, they knew it in 2001, back when they and the rest of their pack were trading through Global Securities and the future Deep Capture undercover man was monitoring the private internet chat site where Elgindy (who was soon to front run the 9-11 attacks), was discussing his stock manipulation schemes.

Meanwhile, the future Deep Capture man discovered that Elgindy’s private chat site was hosted by a company called Infocom, which the U.S. government would later learn was a front for Hamas, the jihadi outfit that receives support from the Iranian regime and others.

One owner of Infocom was Elgindy's close associate Ghassan Elashi, a Muslim Brotherhood and Hamas figure who was later convicted for trading with Libya and Sudan, and for engaging in prohibited financial transactions with "Specially Designated Global Terrorist" Mousa Abu Marzook. Indeed, Infocom (host of Elgindy's private chat site) was founded by Mousa Abu Marzook, who is Elashi's cousin.

As of 2011, Marzook was serving as Hamas's political chief, based out of Syria. Both of these guys were, of course, closely tied to the Holy Land Foundation, the Hamas front that was funded by some of Elgindy's other trading partners. And Elashi had been among those Hamas leaders (including Omar Amanat's partner) who attended the secret 1993 meeting at a Marriot Hotel in Philadelphia.

Marzook was also involved in a banking outfit called BMI Inc. with Yasin al Qadi (Osama bin Laden's favorite financier). BMI, in turn, was one of the founding shareholders of Bank Al Taqwa, which not only set up Al Qaeda's main operating base in Europe, but also served as one the principal financial institutions that funded the operations of Hamas.

In 1999, the future Deep Capture man was obsessively printing out those transcripts of the discussions on Elgindy's private internet chat site. By now his home's principal decorative feature was piles of these transcripts. Most of the discussions in the transcripts concerned schemes to destroy public companies, but at one point Elgindy announced to the members of his chat site that he was in Macedonia, operating under the "protection" of an Albanian "Mafia boss".

He also told his colleagues that he was working as an "agent" for the Mother Theresa Humanitarian Association, an outfit that was under the command of the Kosovo Liberation Army.

When people started asking questions about this, Elgindy, of course, insisted that he had been in Macedonia only on a charity mission. Meanwhile, though, he had posted a letter in which KLA leader Rexhep Hoti thanked Elgindy for funding his travels to the United States.

This was before anyone knew (as has since been established by the U.S. government) that the KLA and the Albanian Mafia were deeply tied to Al Qaeda. For example, during the same month that Elgindy was in Macedonia working as an "agent" for the KLA outfit, Osama bin Laden's deputy, Aymen al-Zawahiri, was in

Macedonia, personally directing the KLA's training camps.

The Al Qaeda deputy was conducting this training under the auspices of the International Islamic Relief Organization (IIRO), which was the SAAR Network outfit that would later be named by U.S. government officials as an entity that provides material support to Al Qaeda.

The Phillippines offices of the IIRO, recall, were run by Muhammad Khalifah, who was an Al Qaeda operative and Osama bin Laden's brother in law. Khalifa used the IIRO to train and fund the Abu Sayyaf terrorist organization until the UN declared the IIRO offices in the Phillippines to be "an Al Qaeda front."

Recall also that the IIRO was tied to, among other entities, Sana-Bell Inc., owned by "Specially Designated Global Terrorist" Yasin al-Qadi (Osama bin Laden's favorite financier). And one principal of the IIRO was Mohammad al-Zawahiri, the brother of Al Qaeda deputy Aymen al-Zawahiri.

Another principal of the IIRO was Khaled Elgindy, the brother of none other than — Anthony Elgindy, who, in 1999, was not only an associate of Hamas working as a KLA "agent" in Macedonia, but was also one of the most destructive criminal short sellers ever to operate in the United States until he came under FBI investigation for potential ties to the September 11 attacks.

Rembember also that the Elgindy family sponsored the move to America of Sami al-Arian, the Palestinian Islamic Jihad leader who was taking directions from Iranian agents and stands accused of assisting the 9-11 hijackers. Of course, the Hamas leaders who hosted Elgindy's private chat site, also receive support from the Iranian regime.

I have referred often to the connections that these characters have to Iran because Iran will figure in my later discussion of the 2008 financial crisis, and because Iran's ties to Al Qaeda are too often ignored.

Not many people seem to pay much attention, for example, to the fact that the above-mentioned Aymen al Zawahiri, Osama bin Laden's right-hand man (likely to be named the new leader of Al Qaeda), once worked with the Iranian regime to plot a coup in Egypt.

In addition, National Security Administration files reviewed by the 9-11 Commission

revealed that at least eight of the Al Qaeda hijackers involved in the attacks on the World Trade Center and the Pentagon traveled to Iran in the months before the plot unfolded.

The NSA files also contain indisputable evidence that Iranian officials had made special arrangements for some of the 9-11 hijackers' trips to Tehran, and that in several cases, senior officials of Hezbollah (Iran's proxy) were closely monitoring the hijackers' travels. Three of the hijackers flew to Iran on the same plane as a senior Hezbollah official.

According to some U.S. government officials, after the 9-11 disaster, Osama bin Laden's son, Saad, and many other Al Qaeda operatives took refuge in Iran for a time. And as of late 2010, Abu Hamza, a top Al Qaeda leader, was residing in a luxury guesthouse in Tehran, a guest of the Iranian regime. He is not the only Al Qaeda leader who has been treated to similar hospitality.

The Iran connection to Al Qaeda was downplayed in the 9-11 Commission's final report, but Commission investigator Lloyd Salvetti told New York Times correspondent Philip Shenon (who wrote about it in his best-selling book, "The Commission") that the inference of the NSA files was that "there was implicit collaboration between the [Al Qaeda] jihadists and elements of Hezbollah and Iran."

It might be significant that Anthony Elgindy, a guy who was on close terms with terrorists tied to Iran was, in the lead up to 9-11, destroying American companies with manipulative trading that he transacted through Global Securities, a Mafia-affiliated outfit with a subsidiary tied to Assa Corp, the Iranian espionage company.

It might also be significant that aside from his ties to people like Al Qaeda's number two and the leader of Palestinian Islamic Jihad, Anthony Elgindy's brother, Khaled, also co-founded, along with Abdurrahman Alamoudi, an outfit called the American Muslim Council.

I know it is hard to keep track of these names, so I will remind you that Abdurrahman Alamoudi is the Al Qaeda operative who is now serving a 23 year prison sentence for, among other things, leading an Al Qaeda plot to kill the then crown prince of Saudi Arabia. He's the fellow who was investigated (according to court documents) after customs officials at Heathrow airport caught him with a suitcase in which was hidden $350,000 cash that had been given to him by Libyan dictator Muammar Qaddafi.

Alamoudi is also the fellow who was (according to U.S. Senate investigators) inserting Al Qaeda spies (at least one of whom was indicted for espionage) into the U.S. military, in cooperation with Sheikh DeLorenzo, the guy with ties to a host of jihadi groups and the Pakistani ISI – the guy (recall) who convinced the SEC to let him deploy, in 2007, the financial weapon of mass destruction known as Al-Safi Trust, the apparent purpose of which is to enable naked short sellers to flood the markets with phantom shares.

To be continued…

CHAPTER 9

The Miscreants' Global Bust-Out (Chapter 9): The Collapse of MJK Clearing, a Few Loose Nukes, and a Lot of Self-Destruct CDOs

Posted on 25 May 2011 by Mark Mitchell

It should be clear by now that it is more than plausible that destructive short seller Anthony Elgindy had advance knowledge of the September 11 attacks, just as federal prosecutors claimed.

Either that, or it was a coincidence that Elgindy's family sponsored the move to the United States of Palestinian Islamic Jihad leader Sami al-Arian, who was also suspected of having advance knowledge of Al Qaeda's 9-11 atrocity.

It might also have been a coincidence that Elgindy's brother, Khalid, co-founded the American Muslim Council with Abdurahman Alamoudi, an Al Qaeda operative currently serving a 23 year prison sentence.

In addition, it might have been a coincidence that Elgindy funded Mercy International (later renamed Mercy USA), whose officials provided logistical support to Al Qaeda's bombings of U.S. embassies in Africa. And it might have been a coincidence that Mercy's director was a Hamas operative and deputy to the Hamas political chief whose company hosted Elgindy's private short selling chat site on the internet.

Also, maybe it was a coincidence that Elgindy was in Macedonia, working (in his own words) as an "agent" for an outfit controlled by the Kosovo Liberation Army, which was then being trained by Al Qaeda's second in command, under the auspices of the IIRO, where Elgindy's brother was a director.

And it might be a coincidence that the chief commander of the KLA sent a letter thanking Elgindy for flying him to the United States.

Maybe it is yet another coincidence that days prior to September 11, Elgindy told corrupt FBI agent Jeffrey Royer (who was on Elgindy's payroll) that there was going to be a terrorist attack on September 11.

It could even be a coincidence that on September 10, Elgindy told his Salomon Smith Barney broker that the market was going to lose more than half its value on the following day, September 11. Maybe it was just luck that Elgindy liquidated all of his accounts on September 10.

Of course, that's a lot of coincidences. And as MIT professor and statistician Josh Tenenbaum once wrote: "some of our greatest feats of scientific discovery depend on coincidences."

For the scientists, I offer this statistic: One Egyptian fellow named Amr Ibrahim Elgindy, also known as Anthony Elgindy (though he was “Manny Valasco” on the fake passport he used when he tried to flee to Lebanon after he came under investigation for possible connections to Al Qaeda) maimed or destroyed hundreds of American companies, wiping out local communities, and inflicting serious damage to the U.S. economy.

It seems to me that, statistically speaking, Anthony Elgindy was a financial terrorist of the first order.

And there are more data points, more coincidences: For example, Elgindy worked closely with a pack of market manipulators, a great many of whom had ties to jihadis, the Mafia, or rogue states (such as Iran). Most of these market manipulators (see Chapter 8 for details) were, in 2001, trading through Global Securities, a brokerage with ties to the Mafia and Iran.

At least some of these market manipulators also got lucky on September 11, 2001. Among the lucky were Ali Nazerali and his hedge fund partner Yasin al Qadi, both of whom were members of the Elgindy pack.

Just a few weeks before Al Qaeda took down the World Trade Center towers, Nazerali and Yasin al-Qadi listed a company called Imagis on the Toronto stock exchange.

This was good timing because Imagis was ostensibly in the business of selling face recognition technology to law enforcement agencies looking to catch terrorists.

Of course, Yasin al-Qadi was himself a terrorist. In early 2002, the U.S. government labeled Yasin al Qadi a “Specially Desigated Global Terrorist”. In fact, as we have begun to see, Yasin al Qadi was not just a terrorist hedge fund manager. He was Osama bin Laden’s favorite financier.

When 9-11 occurred, Imagis, the anti-terrorism company, became the world’s hottest stock – Nazerali and Osama bin Laden’s favorite financier cashed in. So did their other partners in that deal, such as Ali Kassam and Treyton Thomas.

Ali Kassam is a man of mystery – I don’t know much about him. All I know is he does a lot of business with Ali Nazerali and his brother, Shafiq Nazerali, who also uses the

name Shafiq Sultanali Walji.

One of the Nazerali brothers' deals was a precious metals mining outfit called Even Resources, which merged with Ali Kassam's Benchmark Technologies in 2001, at which point the Nazeralis and Ali Kassam took Even Resources public and announced that it had a big deal to develop a copper mine with a company called Alujain.

The chairman of Alujain was Prince Nawaf bin Abdul al-Aziz al Saud, who was appointed as the head of Saudi intelligence just days before Al Qaeda's September 11 attacks. Prince Nawaf's appointment to be the head of Saudi intelligence was not greeted with enthusiasm in some quarters because he had been an outspoken supporter of the Grand Jihad and was considered to be friendly with Osama bin Laden.

The date of his appointment is, of course, the stuff of conspiracy theories. I don't see much sense in pondering too many strange coincidences.

But I will say this – it is likely not a coincidence that the head of Saudi intelligence was running scams with the Nazerali brothers.

And make no mistake: Even Resources was a scam. Alujain announced the mining deal as a gift. The announcement caused Even's stock price to soar in value and the Nazeralis cashed in, but no mine was ever developed.

Meanwhile, it is true that Imagis, the anti-terrorism company, was listed on the Toronto exchange by Ali Nazerali and Osama bin Laden's favorite financier just weeks before Osama bin Laden attacked New York and Washington. Again, I don't see much sense in pondering too many strange coincidences, but…well, that's a damn strange coincidence!

It is also a strange coincidence that Treyton Thomas, who was responsible for promoting Imagis, was married to the same woman as a guy named Norbert Grupe, whose resume (which I have posted at DeepCapture.com) states that he was the CEO of another anti-terrorism company, this one called Innovative American Technology.

Just because Norbert Grupe and Treyton Thomas were both married at the same time to the same person — a woman named Cheryl Stone — does not necessarily mean that Grupe and Thomas are the same person. It could be a strange

coincidence. Or it could be some kind of wife-swapping thing.

But it is certainly the case that Mr. Grupe and Mr. Thomas both do a lot of business with the Nazeralis, and they are both associates of the Mogilevich organization, the Russian Mafia outfit that at least tried to sell highly enriched uranium to Al Qaeda.

At any rate, in 2008, Mr. Thomas's wife's other husband, Mr. Grupe, was in the Middle East, cutting deals with Sheikh Mo, the ruler of Dubai – the same ruler whose family members were hunting quail with Osama bin Laden soon after Al Qaeda's 1998 attacks on the U.S. embassies in Africa.

Mr. Grupe was dealing with Sheikh Mo because he is one of the Nazerali brothers' closest associates, and because the Nazerali brothers are among Sheikh Mo's closest associates.

The deals that Mrs. Thomas's other husband, Mr. Grupe, were cutting with Sheikh Mo had to do with an outfit called El Toro Consult, which was (as has since been revealed by European authorities) a massive Ponzi scheme that was being orchestrated by Mr. Grupe (who, come to think of it, probably is the same person as Mr. Thomas).

After El Toro Consult stole people's money, it laundered the money through Dubai property with the help of Sheikh Mo.

At the time, Mr. Grupe was a convicted felon wanted in the U.S. for grand theft (his mug shot can be viewed at DeepCapture.com). But the leading lights of Dubai – such as the ruler of Dubai, Sheikh Mo (the same Sheikh Mo, recall, who was protecting Mafia and terror kingpin Dawood Ibrahim and Russian Mafia figure Viktor Bout, both tied to Al Qaeda) – had continued to do business with Grupe, as evidenced by emails that Deep Capture has obtained (by means we consider to be reasonably legal).

In one email, sent to El Toro Consult, a business partner informs Mr. Grupe that he has "just finished a meeting with Sire Contracting and Rak Bank." RAK Bank is the largest financial institution in Ras Al Khaimah, which is part of the United Arab Emirates.

In 2003, a soft coup deposed the Ras Al Khaimah crown prince (who was deemed to be overly friendly with the West) and replaced him with royals aligned with the regime in Iran. The Iran loyalists also removed the crown prince from his post as

chairman of RAK Bank and replaced him with Iranian proxies who do business with people like Mr. Grupe of the Mogilevich organization.

In the email, Grupe's business partner adds that he will carry forth the discussion with RAK Bank and Sire Contracting, and that Sheikh Mo himself "will be at the Monday meeting."

Sire Contracting is a company sponsored by Sheikh Mo. It is in the construction business, but it diversified (as did Norbert Grupe and Sheikh Mo's confidants, Ali Nazerali and "Specially Designated Global Terrorist" Yasin al Qadi) into a new line of business, investing in a security company called 4C Controls, Inc, which is ostensibly focused on helping law enforcement catch terrorists.

You might recall that Jonathan Curshen (former trading partner of Anthony Elgindy) hosted meetings in Costa Rica, where he and Ali Nazerali (along with Michael Milken and others in their network) discussed ways in which to destroy some big companies (big companies that were, as we shall see, destroyed with help from people who attended those meetings in Costa Rica).

You might also recall that Curshen was involved with Skyway Communications, an outfit that was partnered with Titan Corp, which also got into the anti-terrorism business shortly before 9-11. That, too, could be a strange coincidence, and needless to say, none of these coincidences have been investigated by law enforcement.

However, as we know, the FBI did begin investigating Anthony Elgindy (trading partner of Curshen, Nazerali and friends) soon after Elgindy's broker reported his suspicions that Elgindy had advance knowledge of the September 11 attacks.

Meanwhile, in the days and weeks following the Al Qaeda attacks, several things occurred. First, Anthony Elgindy helped destroy the largest clearing firm in the United States, dealing a serious blow to the American economy.

Second, Elgindy told the FBI that it was not he, but some of Michael Milken's other close associates, who had advance knowledge of the 9-11 attacks.

And third, Elgindy threatened and tried to extort a fellow who had access to nuclear bombs.

I will address these events in order of their importance.

First, the nuclear bombs.

Some weeks after the 9-11 attacks, Elgindy asked the corrupt FBI agent Jeffrey Royer to check the FBI computers for dirt on a guy named Paul Brown, who was the head of a company called Nuclear Solutions.

As prosecutors noted in the Elgindy trial, Royer ran the check and passed information on Brown to another corrupt FBI agent. The second corrupt FBI agent, in turn, passed the information to Elgindy, who, in the words of the prosecutors, used the information "to begin his extortion…"

The prosecutors did not reveal what Elgindy was trying to extort from Paul Brown. It is possible that he was only after information that he would use to manipulate Nuclear Solutions' stock price.

However, according to prosecutors, Elgindy did not just extort information, he also "threatened" Paul Brown. And given Elgindy's ties to the Grand Jihad and the Russian Mafia, Nuclear Solutions was an interesting target.

In fact, it was a company that had, some months previously, received a contract from the Los Alamos nuclear weapons facility. And in fulfilling that contract, Nuclear Solutions was gaining access to decommissioned nuclear bombs.

Nuclear Solutions was going to destroy the nuclear bombs and convert the radioactive waste into clean energy. It is not clear that the bombs were converted into clean energy, but it might be significant that after the corrupt FBI agent ran his computer check, the other FBI agent seems to have given Elgindy information that Paul Brown was suspected of committing a crime.

At least, Elgindy stated (perhaps exaggerating a bit, as Elgindy tended to do) on his private website that he knew that Brown was a "convicted felon".

To this date, it remains unclear what (if any) crime Brown committed, but it seems worth noting that soon after Nuclear Solutions got its first contract, Los Alamos was embroiled in multiple scandals involving the disappearance of nuclear secrets and equipment used in the production of nuclear weapons.

Leaving aside the important question of whether Paul Brown was in the FBI's

computers because he had something to do with the vanishing nuclear secrets, it is a matter of natural concern that Anthony Elgindy was in this man's office, issuing any sort of threat.

That is, it is a matter of concern that a guy with ties to the Grand Jihad and the Russian Mafia was threatening a man who might be a convicted felon, and certainly had access to radioactive materials, and might have had his hands on nuclear weapons technology that had vanished and was unaccounted for. That just does not sound like a stable situation to me. Call me madcap.

At any rate, according to court documents, on the day after Elgindy asked the corrupt FBI agents to check the FBI's computers for dirt on Paul Brown (the guy who was supposed to dispose of the nuclear bombs), Elgindy asked the corrupt FBI agents to run a computer check on his friend Adnan Khashoggi, the famous, shady arms dealer.

It seemed that Elgindy wanted to know whether the FBI was watching Khashoggi.

I wish I could ask Brown (the guy with the nukes) about all this, but a few weeks after Elgindy was threatening him, Brown died in a car accident. The media reported that he had lost control of his car on icy streets in rural New York.

After this tragedy, Elgindy posted a message on his private internet chat site, notifying his associates that Brown was now: "worm food."

* * * * * * * *

It is unclear that Elgindy's request for FBI information on Khashoggi had anything to do with the nuclear bombs. What is clear is that some weeks earlier – indeed, just days before the September 11 attacks – Elgindy and Khashoggi began to perpetrate a scheme that managed, a few days later, to do considerable damage to the U.S. economy.

In the summer of 2001, Khashoggi was running a little California telemarketing company called GenesisIntermedia, which was, in fact, a scam with little in the way of real business. It was unusual for Khashoggi to be involved in such a small-time scam, considering that nobody was more big-time than Khashoggi.

As I have mentioned, Khashoggi had been the single richest man in the world and a

central figure in some of history's biggest scandals – BCCI, Iran-Contra, the collapse of Bangkok Bank of Commerce, just to name a few.

Khashoggi, as we know, is a close associate of Libyan dictator Muammar Qaddafi (for whom he used to work as a mediator). We can assume that the Elgindy family was also acquainted with Qaddafi, since Abdurahman Alamoudi, the Al Qaeda operative who founded the American Muslim Council with Khalid Elgindy, was arrested at Heathrow when customs officials found, stuffed in a secret compartment of his suitcase, $350,000 in cash that he had received from Qaddafi.

Larry Kolb, Khashoggi's son-in-law, has written that Dawood Ibrahim, the Al Qaeda money man who was then helping the Pakistani nuclear scientist A.Q. Khan ("Father of the Islamic Bomb") proliferate nuclear weapons technology to Libya and Iran, once gave Khashoggi a $1 million check simply because Ibrahim was honored to meet Khashoggi.

According to Kolb, Khashoggi told him (Kolb) that he (Khashoggi) did not know who Ibrahim was, and he did not cash the check. Kolb says that after Ibrahim wrote the $1 million check, Kolb escorted Ibrahim to nightclubs in New York, but never saw him again. Kolb seems to be an honest guy, but it is possible that Khashoggi did not tell him the full story.

In any case, Khashoggi was on close terms with AQ Khan. He also had brotherly relations with the regime in Iran. That's why he was the key figure in the Iran-Contra scandal, which saw Khashoggi scamming the U.S. with a bogus deal under which the Iranian regime was supposed to secure the release of American hostages being held by Iran's proxies, Hezbollah and Palestinian Islamic Jihad (a leader of which had just been settled in the United States by the Elgindy family).

We can hope Elgindy's brush with nuclear bombs had nothing to do with Elgindy's jihadi associates, or with Khashoggi's vast arms dealing empire, a principal client of which is Iran.

At any rate, the SEC determined that GenesisIntermedia was (what else?) a small-time "pump and dump" fraud. And perhaps owing to Khashoggi's relationships with the American elite (which tends to swoon for Saudi billionaires, no matter how sketchy they are), Khashoggi was never subjected to any punishment other than a small fine.

Which is a shame, because GenesisIntermedia was, in fact, much more than a small-time fraud. It was a massive fraud that caused the destruction of the largest clearing firm in America, thereby necessitating the biggest payout in the history of the Securities Investor Protection Corporation.

Like many such cataclysms, this disaster was orchestrated with help from others in the Milken network. Khashoggi himself had, of course, been a close associate of Milken since the 1980s, when he was involved (along with Ali Nazerali and his relatives) in BCCI and the Saudi intelligence outfit Capcom, which conducted trading (much of it manipulative) worth $90 billion (an astounding sum at that time) through Milken's shop at Drexel Burnham.

Anthony Elgindy, as we have seen, was also a close associate of Milken, and was caught destroying at least 20 companies with the son of Edward Thorp, whose hedge fund and brokerage operation had been perhaps the most important component of Milken's stock manipulation network in the 1980s.

But in orchestrating the destruction of America's largest clearing firm, Elgindy and Khashoggi had the assistance of other Milken cronies, including a woman named Valerie Red Horse, who had (in the 1980s) been Milken's office manager at Drexel Burnham.

Others involved in the scheme included Curshen client and Hamas-supporter Ramy al-Batrawi; and Rafi Khan, the son of the Pakistani diplomat (or ISI spy, depending on whom you ask). They, recall, were among the pack who traded through Global Securities.

Rafi Khan, meanwhile, was a pricipal at JB Oxford, the Mafia brokerage founded by Ali Nazerali's BCCI partner Irving Kott.

Khan was responsible for promoting GenesisIntermedia's stock during the summer of 2001. Ramy al-Batrawi ran the company's day-to-day operations. And Elgindy was paid by Khashoggi to naked short sell GenesisIntermedia's stock, and to trash the company on his private internet chat site (the one hosted by Hamas).

Why would Khashoggi pay someone to naked short sell his own company? That is a good question, and in the answer, we will see the dangers that naked short selling poses to the financial system. We will see how loopholes in the clearing and settlement system make it possible for one little company to bring down America's

largest clearing firm.

The scheme worked like this: Khashoggi and al-Batrawi lent GenesisIntermedia's stock to Native Nations, a small brokerage owned by Valerie Red Horse, the woman who had been Milken's office manager at Drexel.

Native Nations, in turn, lent the shares to America's largest clearing firm, MJK Clearing, where Khashoggi and Red Horse had a cooperative ally named Thomas Brooks, who was later charged by the SEC for helping to create the conditions for MJK's demise.

Thanks to Brooks' cooperation, shares in Khashoggi's little telemarketing company (GenesisIntermedia) now represented a quarter of the assets of MJK Clearing – which, again, was the largest clearing brokerage in America.

Moreover, Brooks had not only paid Native Nations more than $130 million in collateral for those shares, but he had also taken the outrageously strange step of agreeing that Native Nations would not have to pay back any of that collateral if the price of the stock were to decline.

Typically a brokerage that lends shares to another brokerage receives collateral from the borrowing brokerage, but agrees to pay back to the borrowing brokerage "marks", or a percentage of the collateral, with the percentage depending on how far the stock price falls.

After receiving the GenesisIntermedia shares, MJK Clearing lent them out to other brokerages, most notably Wedbush Morgan (which referred most of its trades to Bernie Madoff's criminal naked short selling brokerage).

At Wedbush Morgan, the GenesisIntermedia stock was handled by a fellow named Kevin Beadles, who used to work with Khashoggi partner Rafi Khan at JB Oxford, the Mafia brokerage controlled by Nazerali's BCCI partner Irving Kott.

MJK's deal with Wedbush and other brokerages to which it lent shares was more typical. MJK would have to pay "marks", so if the stock price dropped, MJK would have to top up its collateral to Wedbush and the other brokerages, but Native Nations would owe nothing to MJK.

Having established this happy state of affairs, Khashoggi gave the go ahead to

Elgindy (who, remember, had been paid by Khashoggi), and Elgindy, along with others in his pack (including the traders who had passwords to his private internet chat site), unleashed a wave of naked short selling, flooding the market with phantom GenesisIntermedia shares.

As a result, of course, GenesisIntermedia's stock price crashed.

The clueless SEC, of course, said the drop in the stock price was probably the result of the 9-11 attacks, but given that GenesisIntermedia's stock began to nosedive on September 7 (the Friday before Tuesday, September 11); and given that it lost nearly half its value (far more than was lost by the overall market) in the week after the Al Qaeda attacks; and given that it then dropped to zero, it is a lively possibility that the naked short selling contributed to the death spiral.

And the death spiral left MJK Clearing in the lurch. MJK had to pay out its marks to Wedbush and other brokerages, but got nothing from Native Nations, which, a week after the 9-11 attacks, conveniently went out of business, declaring bankruptcy.

Let me summarize in straightforward English: Native Nations gave $130 million worth of stock to MJK Clearing, and essentially borrowed from MJK $130 million against it, but with a special deal, whereby if the value of the stock dropped, Native Nations did not have to top up its collateral (that is, pay back any of the $130 million it had received). MJK then loaned this "stock" to Wedbush Morgan and others, but without the special deal.

Elgindy then naked short sold the stock from one end while Khasshogi and Ramy al-Batrawi bemoaned Genesis's imminent demise from the other. The stock price crashed so Wedbush Morgan needed to be topped up by MJK Clearing, who could not do it.

Meanwhile, one step upstream, Native Nations declared bankruptcy. A whole lot of money had been looted from the system, and the companies through which it had been looted had blown up, so no one could tell where it went.

It seemed doubtful that Native Nations was actually bankrupt because it seemed to have been set up specifically to lend GenesisIntermedia's shares, and it still had MJK's $130 million.

As I mentioned, the SEC, rather amazingly, never deemed this scheme to be anything

more than a simple “pump and dump” fraud. GenesisIntermedia was certaintly pumped by Rafi Khan in the summer of 2001, but no regulator seems to have asked why Khashoggi would have suddenly decided in early September to destroy his own company(GenesisIntermedia) with help from Elgindy.

And while there is no direct evidence that Khashoggi paid off the cooperative employee of MJK, one has to wonder how in the world Native Nations was able to wangle that strange agreement not to pay MJK “marks’ – and why Native Nations conveniently went out of business, ensuring that none of that $130 million would ever be returned to MJK. (Without the bankruptcy, MJK could have received at least a partial refund by buying Genesis shares on the open market before they went to zero, and returning them to Native Nations).

Red Horse says that she went bankrupt because she had paid Khashoggi a similar amount – around $130 million — in collateral for the shares that Khashoggi originally lent to her, and he didn’t give the collateral back. If that is the case, why did she not press charges? And why was Khashoggi not prosecuted for grand theft? My best bet is that Red Horse kept that $130 million as payment for her participation in this scheme.

And, without a doubt, one way or another, someone involved with GenesisIntermedia wangled that deal that made the survival of the largest clearing firm in America entirely dependent on the stock price of one little company (GenesisIntermedia) that didn’t even have a viable product.

Khashoggi, Elgindy and Valerie Red Horse had structured things so that if they wiped out Genesis (a tiny firm), then MJK (the largest clearing firm in the US) would go down with it.

This is a bit complicated, so let me repeat the key facts: A cleverly constructed financial hand grenade (GenesisIntermedia) was inserted into the heart of the largest clearing firm in America (MJK). Then the pin was pulled on September 7, 2001 (the Friday before 9-11).

The scheme was conducted by Khashoggi (rogue Saudi arms dealer with ties to Iran and Arab intelligence agencies); Ramy al-Batrawi (funder of Hamas); Rafi Khan (funder of Hamas, and son of a Pakistani spy or diplomat); and Valerie Red Horse (former office manager for Milken, who once conducted $90 billion in largely manipulative trading for Capcom, the outfit tied to Khashoggi, Saudi intelligence,

and Ali Nazerali, partner of Osama bin Laden's favorite financier).

Also key to the scheme, Amr Ibrahim Elgindy, known as Anthony, an Egyptian who was 1) a key figure among a pack of destructive short sellers; 2) tied directly to the leaders of Palestinian Islamic Jihad, Hamas, and the Kosovo Liberation Army; and 3) the brother of Khalid Elgindy, who co-founded the Muslim American Council with a convicted Al Qaeda operative named Abdurahman Alamoudi while serving as a board member of IIRO, the overseas offices of which were Al Qaeda fronts.

The IIRO office in the Phillippines was managed by Osama bin Laden's brother in law, a top Al Qaeda operative who trained the Abu Sayyaff terrorist group. The IIRO offices in Kosovo and Macedonia served as cover for Ayman al Zawahiri, who trained the Kosovo Liberation Army and is now Osama bin Laden's likely successor as the leader of Al Qaeda. Zawahiri's brother was a top official, along with Anthony Elgindy's brother at the IIRO.

Elgindy and Khashoggi and their crowd were able to manufacture the MJK Clearing disaster because there was nothing preventing brokerages from lending out infinite numbers of shares. Not only was Native Nations loaning more shares to MJK than actually existed (thereby increasing MJK's collateral; and thereby ensuring that those shares could never be delivered, or settled, once Native went bankrupt), but Wedbush (through Madoff's operation) was also selling more shares than actually existed on the orders of its naked short selling clients.

Without strict rules accounting for the number of shares in circulation, and rules ensuring that each share sold is immediately delivered, it is remarkably easy to create a death spiral in a little company. And with all the excess lending of shares, one death spiral can knock out one of the biggest brokerages in the nation.

Why would Khashoggi and Elgindy want America's biggest clearing firm to destruct just days after the September 11 attacks? It is possible that the scheme was nothing more than a monumentally brazen theft, and Khashoggi, who is worth many billions of dollars, simply wanted another few million in the bank. Maybe he needed one more private airplane.

However, I strongly suggest that we view this at least as a scenario showing how an act of financial terrorism might play out. The fact that the scheme played out in the days immediately before and after 9-11 (an event predicted by Elgindy), and the fact that it knocked out the nation's largest clearing firm, lends credibility to the notion

that this was part of a combination of punches being thrown against the United States.

It is, perhaps, worth recalling that at this same time in September 2001, Irfan Amanat, who is tied to the same Hamas and Palestinian Islamic Jihad operatives who were on such close terms with Elgindy, used his RLevi2 computer program to unleash a massively destructive attack on the overall markets.

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Elgindy was ultimately sentenced to 11 years in prison on charges of market manipulation and bribing FBI agents (GenesisIntermedia did not figure in his charges). But before he was sentenced, and before the Russian Mafia chopped off his finger, Elgindy seemed willing to cooperate with authorities.

By this time he knew that he was suspected of having advance knowledge of the September 11 attacks, and he was telling the FBI that its suspicions about him were wrong. However, he was also suggesting that he knew who did have advance knowledge of Al Qaeda's plans.

As is revealed in court documents, Elgindy told the FBI that to understand who had such knowledge, the bureau should examine trading in the stock of a Real Estate Investment Trust (REIT) called Vornado Realty Trust.

Most likely, Elgindy was referring to the fact that two weeks before the 9-11 attacks, Vornado, a public company whose stock was closely held by a man named Steven Roth, had hastily issued around $150 million in new shares.

Of course, Elgindy is not the most reliable person in the world. It is entirely possible that Vornado's stock issuance had nothing to do with 9-11, and that Elgindy was merely trying to distract the FBI from investigating his own depredations.

It is, indeed, strange that Elgindy could say that he had no idea about the imminent terrorist attacks, and at the same time say that he was aware of people who did know.

In any case, it seems to me that all evidence suggests that Elgindy knew what Al Qaeda was planning. And though we cannot take Elgindy's word that Vornado and Steven Roth had advance knowledge, we can guess with some degree of confidence

that Elgindy told people (like his Salomon broker, for example) that something big was coming.

And I will say this – Steven Roth, who is one of Michael Milken's closest associates, had really good timing.

Not only did Steven Roth sell all those shares in August 2001, but Steven Roth partially owned and served as an investment advisor to Imagis, the anti-terrorism company that "Specially Designated Global Terrorist" Yasin al Qadi (Osama bin Laden's favorite financier) and his pal Ali Nazerali listed on the Toronto stock exchange right before the 9-11 attacks.

Imagis did not announce Roth's involvement until after the attacks, but he invested on time. The attacks made Imagis the hottest stock on the planet – and Roth (and his terrorist associate) made a bundle.

* ** * * * * *

Ack…I should have paid attention to what that former spy told me in 2006. It wasn't just that he told me that Michael Milken and some of his closest associates were planning to take down some big companies, and that this could have implications for the health of the U.S. economy.

It wasn't just that he told me that these people were having secret meetings in Costa Rica – meetings I now know were hosted by one of Anthony Elgindy's closest associates, Jonathan Curshen.

It wasn't just that – it was that the former spy gave me some documents and said that these documents were important to understanding the Milken network's methods.

I did not take a close look at those documents until it was too late, but when I did take a look at them, I saw that they suggested that members of the Milken network had for the past few years focused much of their energies on buying large blocks of shares in real estate companies, especially so-called Real Estate Investment Trusts, or REITs.

After buying the shares in the REITs, the Milken cronies would then flip the stock amongst each other to manipulate the price. Meanwhile, they would threaten and

harass management of the REITs, load the REITs with debt, loot the money, and get the REITs to issue new stock. Sometimes, they would seek to destroy the REITs, no doubt short selling the company on the way down.

This fit the pattern of the Mafia-style “bust-outs” that I have described. As one example, the former spy noted the case of a REIT called Hallwood Realty. In 2000, Hallwood’s management had filed a lawsuit arguing that a pack of closely affiliated investors had secretly sought to gain control over the company in order to loot its cash and manipulate its stock.

The former spy believed that Milken himself was involved in this scheme (the spy was almost certainly right about that), but the lawsuit had not named Milken. Instead, it had named some of Milken’s closest associates – most notably, hedge fund manager William Ackman and Steven Roth, owner of Vornado Realty Trust, the outfit that sold all those shares before the 9-11 attacks.

At the time of the Hallwood Realty lawsuit in 2000, Ackman ran a hedge fund called Gotham Partners. The largest investors in Gotham were Dirk Ziff, who runs a hedge fund called Och-Ziff Capital Management; Martin Peretz, who is best known as the former owner of the New Republic Magazine; and another Milken crony named Andrew Farkas.

Dirk Ziff is one of the few dozen people who are among Milken’s closest associates. SEC filings show that Ziff’s hedge fund regularly trades in league with Milken’s other closest associates, including SAC Capital’s Steve Cohen (the guy who, in the 1980s, helped run the Mafia brokerage Gruntal Securities and was investigated by the SEC for trading on inside information given to him by Milken’s shop at Drexel; and who, as I write in 2011, is the principal target of the FBI’s largest-ever investigation into insider trading).

In 2010, the creditors of Lehman Brothers filed a lawsuit against Ziff’s hedge fund, along with SAC Capital and a hedge fund called Citadel, alleging that the three hedge funds had engaged in manipulative short selling that contributed to Lehman’s collapse in 2008.

They weren’t the only ones who were supsect. Lines Overseas Management, the outfit tied to Ali Nazerali and Ivan Boesky (crony of the regime in Iran, Russian Mafia associate, and Milken’s most famous criminal co-conspirator), was also pounding Lehman. So was the above-mentioned Ackman (who had since shuttered Gotham

and was running a new hedge fund). Other short sellers who attacked Lehman will feature prominently in upcoming chapters.

In the 1980s, Peretz (the other Gotham investor) had been a big investor in the hedge fund of Michael Steinhardt (son of the biggest Mafia fence in America, self-admitted funnel for Genovese Mob family money into Wall Street).

Peretz also conducted a significant amount of business with Steinhardt's other big investors, Marc Rich (the guy tied to the Russian Mafia and indicted for illegal trading with Iran), and the above-mentioned Ivan Boesky. When Boesky was indicted, Peretz vigorously defended him in the New Republic.

Ackman (the guy who was managing Gotham in 2000) now runs Pershing Square, a hedge fund best known for raiding companies in league with Nelson Peltz, who, in the 1980s, was a key figure (along with a select number of Mafia-tied financiers whom I introduced earlier) in Milken's junk bond merry-go-round.

At the time in 2006 when I first met the former spy, the above-mentioned Farkas was a co-owner of CharterMac, which was then one of the largest mortgage companies in America. Another co-owner of CharterMac was Ivan Boesky's relative, Stuart Boesky. Stuart might, in fact, be Ivan Boesky's brother (they bear a striking resemblance), but he refused to confirm one way or another when I contacted him.

Stuart Boesky and Andrew Farkas were not only owners of CharterMac, which generated mountains of bad mortgages for the self-destruct CDOs that would collapse the mortgage and property markets in 2007, but they were also principals at Tricadia, a firm that worked with short sellers in the Milken network to create and market those self-destruct CDOs to, among others, Bear Stearns and other now-deceased banks.

Indeed, Stuart Boesky's firm, Tricadia, was one of the single biggest generators of self-destruct CDOs. And the firm marketed nothing else. Just CDOs that were deliberately designed to self-destruct.

So to summarize: a single network of close associates contained the financiers who mass produced the leverage (sub-prime mortgages); and packaged up the leverage (mortgage backed securities); and generated the derivatives on the mass produced packages of leverage (synthetic CDOs). And that same network contains the financiers who bet (be selling short) that it was all going to topple.

That is what a post-modern bust-out looks like, writ large.

Stuart Boesky and Farkas originally ventured into the real estate business with finance from Steven Roth, the fellow who owned Vornado Realty Trust (and also owned part of the anti-terrorism company listed on the Toronto exchange by "Specially Designated Global Terrorist" Yasin al Qadi and Ali Nazerali).

In 2006, that former spy said the Milken network's plans to destroy big companies had something to do with mortgages, collateralized debt obligations, and REITs. He specifically mentioned Tricadia and Vornado Realty Trust, the outfit controlled by Steven Roth (the same Vornado named by Elgindy when he started cooperating with the FBI's 9-11 investigation).

The former spy wasn't completely clear on how it was all supposed to work, but by 2010, equipped with the above information, and having spent two years investigating the financial crisis, I was beginning to see how it worked, and I was beginning to understand who some of the key players were.

A number of these players (for example, Vornado's Steven Roth, and "Specially Designated Global Terrorist" Yasin al Qadi's other partner, Ali Nazerali) were among the people who had met with Milken and Curshen in Costa Rica.

Also at those meetings, recall, was Kevin Ingram, the former head of the Goldman Sachs mortgage-backed securities desk, who had earlier been caught laundering money for an Egyptian arms dealer who was suspected of having ties to Al Qaeda and a Pakistani shopping for nuclear weapons components.

By the fall of 2010, I knew that Ingram had helped mastermind the self-destruct CDO scam. I knew that the Milken network was deeply tied to the Mafia, rogue states, and some jihadi financiers. I was also making headway with Zuhair Karam, the jihadi at Tuco Trading who seemed to have knowledge about a certain Iranian who might have helped take down Bear Stearns.

But I had yet to fully understand the role of REITs such as Vornado Realty Trust. And I still had much more to learn about the jihadi-Mafia nexus, and what this nexus had to do with mortgages, CDOs, synthetic derivatives, manipulative short selling, and the biggest brokerage in America.

That is, I had yet to learn all I needed to know about what the jihadi-Mafia nexus, with the possible assist of some rogue states, had to do with the financial crisis of 2008.

In upcoming chapters, I will tell you what else I learned about 2008 because if the U.S. government doesn't get its act together, there will be another crisis, and this one will be much worse.

CHAPTER 10

The Miscreants' Global Bust-Out (Chapter 10): The Mafia, the Markets, and a Message from Russia

Posted on 29 May 2011 by Mark Mitchell

In 2000, the FBI announced that it had arrested 120 Mobsters and Mafia-tied financiers as part of Operation Uptick, which was then the biggest Mafia bust in FBI history.

The FBI said that all of the 120 defendants were part of a large Mafia stock manipulation network, and that the various people in this network had committed various crimes, such as: "controlling and infiltrating broker-dealers…and employing tactics of violence, including threats, extortion, physical intimidation, and the solicitation of murder…"

This network included Russian Mobsters and members of La Cosa Nostra's five major families – Genovese, Colombo, Gambino, Bonanno, and Lucchese.

Among the defendants (just to name a few) were Robert "Little Robert" Lino, a capo in the Bonanno crime family; Anthony Stropoli, a soldier in the Colombo crime family; Frank "Frankie" Persico, an associate of the Colombo crime family; Sebastian "Sebbie" Rametta, an associate of the Colombo crime family; Robert Gallo, an associate of the Genovese crime family; and John Black, an associate of the Lucchese crime family.

Also arrested that day was Gene Phillips, a real estate investor.

But Gene Phillips was not just a real estate investor. He was Michael Milken's closest business associate. As real estate investors go, Phillips was, in the 1980s, the single biggest recipient of Milken's junk bond finance, and the single most important figure in Milken's junk bond merry-go-round.

With Milken's finance, Phillips acquired during the 1980's not just real estate companies, but also multiple savings and loans (such as the massive San Jacinto Savings and Loan), sometimes using the S&Ls to pick up assets from such Mafia luminaries as Morris Shenker and Herman Beebe.

Of course, most of the Phillips S&Ls were busted out and destroyed – a big factor (along with the BCCI bust outs) in the S&L crisis that nearly wrecked the economy in the late 1980s. San Jacinto's collapse alone cost taxpayers over $1 billion, which was a lot of money in those days.

When Phillips was arrested as part of Operation Uptick, the government indicted him for working with the Mafia to manipulate the stocks of eight public companies

and bribing pension funds (in league with the Mob) to induce the pension funds to pay inflated prices for shares in a large REIT called Transcontinental Realty.

Transcontinental, in turn, was affiliated with Income Opportunity Realty, American Realty, and other REITs that Phillips and his associates controlled, often shifting their assets back and forth among each other to create the illusion that the REITs were in good health when, in fact, they were being looted.

When Dean Starkman, then a reporter for The Wall Street Journal (and, as it happens, my successor at the Columbia Journalism Review) began reporting on some aspects of this story, Phillips told him, "You're not supposed to be talking about me. You're going to get buried."

Starkman did write about Phillips, but it was a rather mild story, and no journalist to date has detailed Phillips' extensive ties to the Mafia.

Meanwhile, The Wall Street Journal and other media outfits seem to believe that Michael Milken is a reformed man – a "prominent philanthropist" – despite the fact that he is, to this day, helping manipulate the markets in league with other philanthropic Mafia figures.

And apparently unbeknownst to anyone, Milken was, at the time of Phillips' arrest in 2000, a driving force behind Transcontinental Realty, the Mob-linked REIT that was key to the Operation Uptick Mafia bust.

Milken secretly owned a large chunk of Transcontinental through an outfit called Sunset Management. Not once did Milken reveal that Sunset was his company, and none of Sunset's public records contain Milken's name. But Milken certainly controlled Sunset.

Emails between Milken and Ken Lay of Enron show that Milken's brother, Lowell (who then used the email address Lowell_Milken@sunsetmgt.com), was also behind Sunset. A few of the emails suggest that Milken was trying to get Enron into the business of securitizing water, much like other commodities and mortgages have been securitized.

Enron's water business would later be a big factor in the company's demise, but that is a story for another time.

It is probably no coincidence that when the Feds started looking into Phillips and his Mafia dealings, Sunset filed a lawsuit against Transcontinental, a move that would have served to put the dealings between Milken and Phillips under attorney-client privilege, making it difficult for anyone to investigate.

It was no doubt for similar reasons that Milken crony William Ackman purchased Transcontinental Realty shortly after Phillips was arrested. Recall that the former spy who was monitoring the Milken meetings in Costa Rica first brought Phillips and Ackman to my attention, noting that Ackman had been implicated in a scheme to seize and loot another REIT with Steven Roth (investment adviser to "Specially Designated Global Terrorist" Yasin al Qadi's anti-terrorism company).

Recall also that the former spy said that REITs had something to do with the Milken network's plans to destroy some big companies, and that some of those big companies (such as Lehman Brothers) were, as we will see in later chapters, subsequently destroyed.

It was not surprising that Ackman bought Transcontinental from Phillips. As we know, this is the usual pattern, similar to the move by Jonathan Curshen (host of the Milken meetings in Costa Rica) to purchase YBM Magnex (then controlled by Russian Mafia boss Semion Mogilevich) when that outfit came under investigation.

Once Transcontinental was in Ackman's hands, the Feds would stop investigating the company, and it would be more difficult to force it to hand over evidence. Perhaps as a result, Phillips was ultimately acquitted.

As soon as Phillips was set free, Phillips repurchased Transcontinental from Ackman, and then Phillips sued Ackman and an outfit called Basic Capital, which was also invested in Transcontinental. Which was strange, since Phillips controlled Basic Capital.

In other words, Phillips was filing lawsuits against himself.

There could have been only two reasons to do this. One was to put all of the suspicious dealings among these people under attorney client privilege and prevent investigations. The other would to preempt others from filing real lawsuits.

People in the Milken network routinely play this legal game. In fact, one of the best methods for determining which Milken cronies are conspiring together is to check

and see which Milken cronies have sued each other and themselves.

Given the Sunset lawsuit, and given that Transcontinental was clearly a rigged company, it seems more than likely that Milken was involved in manipulating Transcontinental's stock. I do not know if this would have violated Milken's lifetime ban from the securities industry, but Milken should not only be put back in prison – he should, as a wise man once said, be buried under the prison.

This is because at the time of the Operation Uptick Mafia bust, Milken and Phillips (and Transcontinental) sat at the center of a massive stock manipulation and money laundering network that included nuclear-trafficking Russian Mafia bosses, Al Qaeda's most important bank, the Russian government, and people tied, variously, to the regime in Iran, Saudi intelligence, and the Pakistani ISI.

More on that in a moment. First I must tell you about some strange things that occurred in 2006, some months after I first began investigating the Milken network.

* * * * * * * * *

It was 2006, I was still working for Columbia University, and the former spy was rambling on about Gene Phillips, secret meetings in Costa Rica, a guy working out of the Israeli embassy in San Jose, a Goldman Sachs alum involved with Stinger missile sales to Pakistan, and something about REITs and mortgages – none of which was of particular interest to me at the time.

I ignored that former spy. I thought he seemed a bit suspect, and I escorted him out of my office, thinking the meeting was nothing more than a strange occurrence.

Days later, I had forgotten completely about the former spy, and had resumed work on my story. I thought the story would expose a big scandal, but I didn't yet know what I was getting into.

I figured the scandal was pretty straight forward: a network of hedge funds using unscrupulous tactics (like planting false stories with compliant journalists) to attack public companies, most of them companies in their earlier stages of development.

In my spare time, I had begun looking into the Mafia's involvement in market manipulation, but I didn't yet know that the Mafia had anything to do with the Milken network. I figured maybe I'd write a separate story about the Mafia.

But I never wrote that story. And I never produced the story about the Milken network and compliant journalists that I had promised to write for the Columbia Journalism Review.

I did not write those stories because soon after my meeting with the former spy in September 2006, there were some additional strange occurrences, the first of which was a call that I received from a Mob enforcer who knew something about the death of a notorious short-side market manipulator named Alain Chalem, who had been murdered execution-style in 1999.

I agreed to meet the Mob enforcer, whom I will not describe in detail because it would reveal his identity. Indeed, I do not want to describe him to you, because he haunts my thoughts, he is a nervous twitch, something unsettling. In short, if I were to tell you that he had white eyes, sharp teeth, and rabid drool dripping from his mouth, it would only be a slight exaggeration.

This rabid dog-man was a close friend of Alain Chalem, and he had been with Chalem on the night before Chalem's murder. On that night, according to the rabid-dog man, Chalem had met with a man named Mikhail Sheferofsky, and there had been an argument concerning a naked short selling scam that Chalem was running with the Russian Mob.

Indeed, Chalem had been part of an extensive Russian Mafia market manipulation network that involved the Russian government. But I didn't know that yet.

I did some research on Michael Sheferofsky, but I didn't find anything right away, so I returned to my work investigating the Milken network. I had no idea at this point that Sheferofsky was, in fact, an important member of the Milken network.

At any rate, I was now spending most of my time making calls, asking sources what I thought to be fairly innocuous questions about SAC Capital, and relationships among some hedge funds and corrupt financial journalists.

At this point, I knew that SAC Capital chief Steve Cohen was a close associate of Milken, but I didn't yet know that he and Russian Mafia boss Felix Sater (the guy who escaped jail time by telling the Feds he could introduce them to his contacts in Russian intelligence and Al Qaeda) had been among the select partner-traders (along with the other Milken cronies I mentioned before) at the Milken-financed Mafia

brokerage Gruntal & Co.

In addition to my inquiries about SAC Capital, I had also just told a CNBC spokesman that I had information that Milken's most famous criminal co-conspirator, Ivan Boesky, was back in the game. CNBC's Jim Cramer (host of "Mad Money") had once planned to run a hedge fund out of Boesky's offices, and by this time I had established that Cramer was helping the Milken network manipulate stocks.

I didn't yet know at this time that Boesky had spent a year in Iran currying favor with the Islamic regime. I didn't know that after prison, Boesky had moved to Russia, where he cemented ties to the Russian Mafia, including Felix Sater's associates in the Mogilevich organization.

And I didn't know that Boesky and Ali Nazerali (hedge fund partner of Osama bin Laden's favorite financier) had met recently at the offices of Lines Overseas Management, an off-shore hedge fund and brokerage outfit. Though the former spy had told me about the Milken meetings in Costa Rica, I did not yet know that Nazerali had attended them.

But I had recently met the former spy and the rabid dog-man, and I was making a lot of phone calls about Ivan Boesky and SAC Capital. After one long day of work, I headed to my neighborhood bar for a drink, maybe two.

While I was sitting at the bar, three guys in slick suits entered and sat down next to me. One of them announced that he was a former employee of Ivan Boesky – Michael Milken's famous criminal co-conspirator. I thought, "Wow, what luck! I will have to ask this guy some questions."

But before I could get a word out, this supposed former Boesky employee proceeded to tell me a story about a guy who was savagely murdered after he was caught peeking into the dressing rooms of the ladies underwear department at Saks Fifth Avenue.

As soon as he finished telling this strange story about the underpants murder, the supposed former Boesky employee and his friends, having never ordered a drink, got up and departed.

This, it seemed to me, was a strange occurrence.

Indeed, it crossed my mind that I might have been threatened. Telling a story about an underpants murder at Saks Fifth Avenue was a peculiar way to convey a threat, but anything seemed possible.

I asked a bartender if he knew who the guys in the slick suits were, and he said: “No, and I don’t wanna know, either.”

That was not encouraging, but I shrugged it off. I finished my drink, and by the next day I had determined that there was no way I had been threatened. I thought maybe I was losing my mind, so I tried to keep it together, and I continued the investigation.

Still, I told some people about the encounter, marveling at how strange it was that this supposed former Boesky employee would have told me about an underpants murder in, of all places, Saks Fifth Avenue.

Some people remarked that SAC Capital, the hedge fund I had been investigating, was often referred to as “Saks”. So maybe I’d received a coded threat from SAC Capital.

After all, I was closely collaborating with Patrick Byrne, who at this point had become quite famous for his crusade against “miscreant” short sellers who were manipulating the markets. And Patrick had issued a coded threat of his own, publicly announcing (in an interview with BusinessWeek magazine and in other forums) that he was going to — hint, hint — “sack up” to the name of a big hedge fund that was clearly a central figure in the criminal network.

Everyone except me seemed to know that Patrick’s “sack up” hint was a reference to SAC Capital, sometimes known as “Sack,” other times known as “Saks.” As it happens, SAC Capital is now (as of this writing in 2011) the principal target of the largest insider trading investigation ever conducted by the FBI.

Of course, for one to think that it is possible he has received a coded threat, is for one to think that he is not thinking straight. So at this point I was in a state of some confusion.

This state of confusion only worsened when, a few days later, I received what seemed like another threat. It was Halloween day, and I was in Chicago, visiting family and taking care of a five-year old. I had just handed the child back to his mother, and had gone into a big chain book store to do some work on my laptop.

I was, at this point, no more than three weeks away from publishing my first story about the Milken network of hedge funds. Or so I thought.

While I was typing in the book store, an ordinary looking guy in khakis sat down next to me and announced, apropos of nothing, that everyone should take better care of their relatives. This was followed by a long silence, after which he said that it so happened that he had seen me with one of my relatives, and I should take better care of this particular relative.

Then the man made a somewhat dramatic display of slamming a book on the table. It was one of those thick, encyclopedic books with glossy photographs. On the cover, the book said, in big letters — "THE MAFIA".

After slamming the book down, the man told me to have a nice day, and he walked away. I would have thought nothing about it, but there had been the incident in the bar, so I thought this was a bit strange.

In fact, I sort of panicked. I told the book store's security guard that this guy had just threatened me, and I called some people, including Patrick Byrne, to tell them what had happened.

Patrick Byrne offered to get in touch with some Chicago cops he knew. Meanwhile, the book store's security guard (a big guy who didn't mess around) found the man out on the street, dragged him back into the book store, and delivered him to me with a smile.

The guard said, "Now, what's the problem between you two?"

Well, I couldn't quite articulate the problem. I mean, this man had said I should take care of my relative, and he'd slammed down a book about the Mafia. That was about it. On its surface, the story sounded ridiculous.

Meanwhile, the man who'd slammed down the book became extremely polite, and apologized profusely. He even asked if he could buy me a coffee, anything I want. He asked if I wanted him to buy me a book or (oddly) a new thumb drive for my computer.

In retrospect, I see that the man was far too polite and far too apologetic, given that

I had gotten a security guard to haul him back to the book store. If he had done nothing wrong, he should have been indignant.

Later, I would learn that this man had, in fact, conveyed a threat. But at the time he seemed so polite, I thought maybe I had made a mistake. I thought, in fact, that I really was losing my mind. So I told the security guard to forget it, and the man left.

A few days later, I was in a small Manhattan coffee shop sitting at the barista bar. Someone grabbed me from behind, and literally dragged me to the street. There, I was introduced to two more thugs, one of whom punched me hard in the eye. When I put up my fists to defend myself, the thug embraced me, and said he was sorry.

I was in such a daze that I didn't know what to say as the three thugs walked me down the street, and deposited me on the front step of my apartment building. The thug who had punched me apologized again and shook my hand. He said that the coffee shop was owned by the Mafia and he was just trying to protect me.

As he and his two companions departed, the thug said: "Just stay away from your Irish friend."

This, it seemed, was another strange occurrence. And the next day my eye was black and blue, swollen shut. I was having difficulty staying focused, and I really didn't know what had happened. I told my work colleagues I had gotten into a bar fight, and I continued the investigation, making more phone calls.

About a week later, the manager of a hedge fund called Kingsford Capital appeared in my offices and announced that he had made a donation to Columbia University with instructions that the money should be used to pay my salary.

The Columbia Journalism Review in a non-profit publication that receives much of its operating capital in the form of grants, most of which come from big, reputable philanthropic outfits, like the Ford Foundation. But now, for the first time in history, a hedge fund would be funding the magazine, and specifically providing the money that would be used to pay my salary.

I was to be called "The Kingsford Capital Fellow."

This seemed strange because Kingsford Capital was one of the hedge funds that I was investigating. I had strong evidence that Kingsford had engaged in manipulative short selling, and that it had planted deliberately false stories (attacking public companies) with corrupt journalists, including a one-time BusinessWeek reporter named Gary Weiss.

I also knew that Kingsford was closely tied to SAC Capital, Rocker Partners, Dan Loeb's Third Point, and others in the Milken network.

When I began this investigation in 2006, there was only one other mainstream journalist seriously investigating the problem of short-side stock manipulation. His name was Justin Hibbard and he worked for BusinessWeek.

But Hibbard never wrote his story. Instead, he resigned from BusinessWeek in September 2006, two months before Kingsford Capital's manager appeared in my offices. After resigning from BusinessWeek, Hibbard went to work as a private investigator. His first client: Kingsford Capital.

In an interview with an online publication (that was quickly removed from the internet, along with Hibbard's bio, which stated that he worked for Kingsford), Hibbard described his new job in detail.

He said he was helping short sellers by "covertly" gathering information on their target companies. He said he used spy cameras. And he set up surveillance, with multiple cars following corporate executives. Which seemed like a pretty sophisticated operation considering that Hibbard was not a spy by training, and had only been in business for a month.

As I also knew in 2006, Kingsford and its manager Mike Wilkins had also worked in partnership with a gregarious Cuban trader named Manuel Asensio. When I called Asensio, he freely admitted that he had engaged in naked short selling. He also said he had multiple journalists on his payroll. Then he offered me a job (I declined the offer, and regret to this day not asking him how much it costs to buy a journalist).

Asensio was formerly a principal at First Hanover, a Gambino Mafia brokerage. The government has described First Hanover as being tied to other Mafia brokerages, including Hanover Sterling (controlled by the Genovese Mafia) and Adler Coleman (the outfit controlled by the Mafia-tied Irving Kott, formerly of the BCCI brokerage First Commerce).

Another principal of First Hanover was Stephen Ilya Taub, who also worked out of Global Securities (the Mafia outfit tied to some guys who worked for the Iranian Assa Corporation, charged with espionage in 2009). Taub was the preferred broker for Russian Mafia boss Felix Sater and the whole pack of traders I described in earlier chapters –including the Mafia-tied Ali Nazerali (Irving Kott's First Commerce partner) and Anthony Elgindy.

Ali Nazerali, we know, had been a top employee of Abbas Gokal (the major BCCI figure who worked for Pakistani intelligence and the regime in Iran). Nazerali and his relative, Swaleh Naqvi (CEO of BCCI) were linked (along with Adnan Khashoggi) to Capcom, the Saudi intelligence outfit that conducted trading (much of it manipulative) worth $90 billion through Michael Milken's outfit at Drexel Burnham.

Later, recall, Nazerali was the hedge fund partner of Yasin al Qadi (Osama bin Laden's favorite financier). I will repeat a few other facts, because I know there are some people who have not read the first nine chapters of this long story, and these facts are important to understanding what follows.

As Chapters 8 and 9 described in detail, Global Securities client Anthony Elgindy, a famous Egyptian-American short seller, was tied to the Russian Mafia and multiple leaders of jihadi terrorist outfits. Elgindy destroyed MJK Clearing, the nation's largest clearing firm, with Adnan Khashoggi and others, including Rafi Khan, son of a Pakistani diplomat (or spy) and a principal at Nazerali partner Irving Kott's JB Oxford.

Federal prosecutors said (with good reason) that Elgindy had advance knowledge of the 9-11 attacks. Others in his pack included Mansur Ijaz (who bragged of knowing Osama bin Laden and works for the Pakistani government); Rakesh Sakena (leader of the Naxalite Marxist rebel group); Ramy El Betrawi (funder of Hamas); and a few others still to be discussed.

Manuel Asensio was certainly a member of this pack. He traded through Global Securities, and he had been one of Elgindy's closest associates. Asensio and Elgindy (along with Kingsford Capital) had also been important sources of information for the corrupt journalist Gary Weiss, who was best known for having written a BusinessWeek cover story called "The Mob on Wall Street."

Gary Weiss wrote a number of other stories about the Mafia's infiltration of Wall Street, and all of his stories contained important omissions and bias. Most of the

omissions concerned the Russian Mafia and the crimes of people like Manuel Asensio and Anthony Elgindy.

Whenever the FBI implicated the Russian Mob in a crime, Weiss would go to lengths to make it seem like the crimes were small-time and irrelevant. Many of Weiss's stories were especially favorable to Russian Mafia boss Felix Sater, who, in addition to having relations with Al Qaeda, is one of Gary Weiss's close friends.

In addition, Weiss seems to have covered up a murder. This will be difficult to believe for anyone who has not read Deep Capture's extensive files on Gary Weiss. I encourage you to search our archives, because that additional information will corroborate what follows.

The rabid-dog man I met in 2006 told me that he offered to meet with Gary Weiss and provide evidence that the Russian Mob had been responsible for the execution-style murder of Alain Chalem. But Weiss refused to meet anyone who suggested that the Russian Mafia was involved, and instead wrote a transparently false story pinning the murder on Italian Mobsters who then happened to have been feuding with the Russians, including Felix Sater.

Meanwhile, using multiple anonymous screen names, Weiss bombarded the interent with commentary ridiculing a book called "The Scorpion and the Frog", which was all about the adventures of Felix Sater (who was named "Lex Tersa" in the book presumably because the author didn't want to make Felix angry by using his real name). This book mentioned that Felix Sater had once threatened to have Alain Chalem murdered.

Since Gary Weiss was friends with Felix at this stage, it is interesting that he would refuse to meet someone who had evidence that Chalem had died at the hands of the Russian Mob. It is all the more interesting given that the FBI believed it was the Russian Mob, and the evidence pointed to Felix Sater as a possible culprit. Gary Weiss was the only person on the planet implicating those Italian mobsters, who were Felix's enemies.

Weiss might also have attempted to cover-up the murder of Paul Klebnikov, the Forbes journalist who was assassinated after he wrote a book ("Godfather of the Kremlin") that accused Russian oligarch Boris Berezovsky of multiple crimes and of having ties to the Mafia. Shortly after Weiss was fired by BusinessWeek, Weiss joined, and then proceeded to dominate Project Klebnikov, an organization that had

been set up to investigate Klebnikov's murder.

This was strange because Weiss had meanwhile devoted great effort to trashing Klebnikov and his book on the internet. Using multiple anonymous screen names (that future Deep Capture reporter Judd Bagley traced to Weiss's IP address), Weiss wrote countless negative reviews of Klebnikov's book on Amazon and other websites.

This was not just the work of a guy who didn't like a book. It was a concerted effort to to smear Klebnikov's reputation and completely discredit his work.

Sources familiar with Project Klebnikov say that Gary Weiss campaigned to divert attention away from the possible role of Berezovsky and the Russian Mafia in Klebnikov's murder. Instead, he angled to have the murder pinned on a Chechen separatist.

In 2007, Weiss wrote an article for Forbes magazine, calling Klebnikov (whom he was anonymously trashing on the internet) a "brilliant investigative journalist" and blaming his murder on Chechens. He did not even mention widespread suspicions that Berezovsky or his Russian Mafia associates might have been responsible.

This was almost certainly because Gary Weiss and Berezovsky were old friends. At a minimum, Gary's other close friends, such as Russian Mafia boss Felix Sater, are on extremely close terms with Berezovsky. At one point in the 1990s, Felix brokered a deal for Berezovsky to buy Salomon Brothers, then one of the biggest investment banks in America. In the end, though, the deal didn't happen.

Aside from his relationship with Felix Sater, Weiss deals often with a lawyer named Edwin Mishkin.

Mishkin, recall, was the receiver in the bankruptcy of Adler Coleman, the Mafia brokerage controlled by Ali Nazerali's BCCI partner Irving Kott, with funding from Berezovsky. In his stories for BusinessWeek, Weiss wrote that Adler Coleman was a victim of Italian mobsters, rather than a criminal Mafia brokerage with ties not only to Berezovsky but also the Russian Mafia and the Genovese organized crime family.

Weiss's pal Mishkin was also Berezovsky's personal lawyer and represented

Berezovsky when Berezovsky sued Klebnikov after Klebnikov published “Godfather of the Kremlin”. I could be wrong, but it seems strange to me that Gary Weiss (who seems to be on close terms with the Berezovsky crowd) would have gone to such lengths to stear the investigation of Klebnikov’s murder away from Berezovsky.

Weiss even had help from Kroll, the private investigative agency, which played a significant role in diverting attention away from Berezovsky. When Berezovsky sued Klebnikov, Klebnikov tried to hire Kroll to help him collect additional evidence of Berezovsky crimes. Kroll not only declined to help Klebnikov; it leaked word to the press that Klebnikov’s book was false.

After Klebnikov’s death, Kroll operatives in Moscow and Gary Weiss told investigators they had information (none of which has been substantiated) that Chechens had committed the murder. No doubt, Kroll was eager to help Gary Weiss and Berezovsky because Berezovsky was a Kroll client.

Kroll was founded by Jules Kroll, whose first-ever client was Michael Milken, a close associate of Berezovsky. Indeed, Milken made Kroll’s career. Later, the Kroll agency set up a special unit that catered exclusively to short sellers in the Milken network. For a time, this network employed Kroll to investigate my Deep Capture colleague Patrick Byrne.

Kroll had a separate unit that catered to Russian oligarchs with ties to the Mafia, even as it claimed to be investigating the Mafia on behalf of naive clients who thought they were being protected. It is interesting to read the literature that Kroll’s Moscow operatives have published about the Russian Mafia. Nowhere does this literature mention even one name of a Russian Mobster. Indeed, it goes to some effort to suggest that the Russian Mafia does not exist.

Berezovsky’s business empire, we know, was until recently a joint venture with Roman Abramovich, who is Russian prime minister Vladimir Putin’s right-hand man. Berezovsky, who orchestrated Putin’s rise to power, apparently had a falling out with the Russian leader, at which point he revealed his ties to Chechens who were doing battle with those who had been accused of Klebnikov’s murder.

After that, Ali Nazerali’s friends in the Abu Dhabi royal family brokered the deal to divide the Berezovsky-Abramovich business empire. It was when this was all

happening that Berezovsky's employee, Alexander Litvinenko, was poisoned and killed by radioactive polonium.

The Russian government said Litvinenko was using the polonium to build a nuclear bomb for Al Qaeda. Before he died, Litvinenko said it was Putin and the Russian intellience services who had ties to Al Qaeda. Most likely, they all had ties to Al Qaeda because they had all worked with the Mogilevich organization, which tried to sell highly enriched uranium to Al Qaeda, and has sold plenty of other weapons to the jihad.

Recall that the Orange Diviner account at that little Chicago brokerage Tuco Trading (which transacted manipulative trading equal to more then 20 percent of the volume at the largest brokerage on the planet in the month before the 2008 collapse of Bear Stearns) was controlled by some top henchmen of Abramovich, Russian Mafia boss Semion Mogilevich, and Russian oligarch Mikhail Fridman, who is funding Iran's nuclear program.

We have already met some of the other Milken cronies who were tied to Tuco, and we will learn much more about Tuco and affiliated brokerages and hedge funds that were manipulating the markets in 2008. I mention them now only because it is clear that the corrupt journalist Gary Weiss was intimately familiar with these brokerages and hedge funds, and sought to cover-up their crimes.

Indeed, since the beginning of 2006, Gary Weiss has been employed almost full-time orchestrating (in league with people tied to the Mafia) a propaganda campaign aimed at convincing the world that short-side market manipulation does not occur, while smearing the reputations of people who say otherwise.

As part of this effort, Weiss once worked with a woman named Linda Mack to hijack the Wikipedia pages on naked short selling and related topics. After hijacking the Wikipedia pages (so that nobody else could edit them), Mack and Weiss made certain that they stated unequivocally that short-side market manipulation was not a problem.

This was no small indiscretion. It was a major undertaking that had profound implications for our public discourse. After all, Wikipedia, for better or worse, is quite influential. It is the first thing many people read on any given subject, and people tend to believe what they read.

Now it appeared that a corrupt journalist with ties to the Mafia and some woman named Linda Mack were using Wikipedia to define the public debate on a crime that had the potential to collapse the American financial system.

When Deep Capture reporter Judd Bagley figured out what Gary Weiss and Linda Mack had done, it became one of the biggest scandals in the history of Wikipedia. Millions of words were written about it in Wikipedia forums, and respected tech publications made a fuss. (See The Register, "Emails Show Journalist Rigged Wikipedia's Naked Shorts").

Amidst this scandal, an ABC News reporter named John Cooley wrote a public letter (now posted at DeepCapture.com) stating that Linda Mack (the woman who helped Gary Weiss hijack Wikipedia) had once worked for ABC News but ABC had fired her after legendary ABC newsman Pierre Salinger concluded that she was a spy.

According to Cooley, Mack had been hired to help ABC investigate the 1988 terrorist bombing of Pan Am Flight 103 over Lockerbie, Scotland. Mack had claimed that her boyfriend had been killed in the bombing, and that might have explained her interest.

However, Cooley noted that Mack seemed less interested in catching the perpetrators than in developing relationships with Jordanian intelligence, which believed Iran was responsible for the attack. Meanwhile, Mack maneuvered to pin the bombing on Libya, when there was strong evidence that Iran had, indeed, been the culprit.

Since then, a number of others, including former CIA operative Robert Baer, who spent many years investigating this terrorist attack, have stated that all evidence pointed to Iran, and that it was strange that some investigators went to lengths to implicate Libya instead.

At the time, many dubious operators were lobbying to exonerate Iran, and one of them was the above-mentioned Ali Nazerali, who subsequently went into multiple lines of business with Buck Revell, who led the U.S. government's investigation of the Pan Am bombing (and who blamed Libya) when he was the FBI's director of counter-terrorism.

In his letter, Cooley said that ABC News believed that Linda Mack was working for MI5, the British domestic spy service. Indeed, Linda Mack openly announced to

some people that she was an MI5 operative.

In 2006, I interviewed Edwin Boillier, who was suspected (perhaps falsely) of manufacturing the suitcase bomb that was ultimately used to blow up Pan Am 103. Boiller said that Linda Mack had visited him at his office in Switzerland and told him that she was working for MI5. Boillier also said that Mack seemed inclined to implicate Libya and to exonerate Iran.

It seems clear that Mack was, in fact, spying for somebody. However, it would have been blatantly illegal for MI5 to spy on ABC News or any other international news organization. So it is possible that Mack was posing as an MI5 operative, but working for some other foreign intelligence agency.

Alternatively, she might have been working for criminals (like Ali Nazerali, another friend of Felix Sater and Gary Weiss) who had an interest in deflecting attention away from Iran. But, of course, it is impossible to reach any definitive conclusions, other than the obvious one that there was something strange about this woman Linda Mack.

The corrupt journalist Gary Weiss is also a bit of a mystery. Shortly before Weiss went to work full time orchestrating an all-out propaganda and disinformation campaign to cover up short selling crimes, his wife, who hails from India, was caught posing as a journalist in order to gain access to diplomats working at the United Nations headquarters in New York.

Indeed, Mrs. Weiss had been working as a “journalist” at the UN for three years, and had an office in the UN building, but she had not written a single story for any news publication. Instead, to maintain her ruse, she used a computer program to create fake news clippings with her name on them.

What, precisely, she was doing in the UN building all those years remains unclear, but when she was caught in 2005, the director of the UN’s media division immediately wrote a letter to UN security (the letter is posted at DeepCapture.com), making it clear that Mrs. Weiss’s infilitration of the UN was a rather big deal.

The letter to UN security noted that the documents that Mrs. Weiss had used to gain access to the UN were an “outright forgery.”

The letter continued: “Because of the serious nature of the fraud perpetrated by

[Mrs. Weiss] for the past three years, I hereby revoke her accreditation, and request that she be made permanently and irrevocably ineligible for any type of United Nations pass."

Stressing the urgency of the matter, the letter stated: "As early as possible, MALU…will accompany [Mrs. Weiss] to Room S-301 to clear out her desk, and will then escort her from United Nations premises. In light of this grave breach…I would greatly appreciate your help in the Safety and Security Service in implementing this decision."

A couple of years later, Deep Capture got its hands on a computer that had belonged to a grifter named Floyd Schneider, who had been employed by Anthony Elgindy, the guy tied to the Russian Mafia, Al Qaeda, and several other jihadi terrorist groups.

This is the same Anthony Elgindy whose family settled Palestinian Islamic Jihad leader Sami al-Arian in the United States, at which point Sami al-Arian began taking directions from Iranian diplomats working out of the United Nations headquarters in New York.

We didn't just get a few emails. We got the whole computer (by means we consider to be reasonably legal). The documents on this computer proved that Schneider was working closely with the corrupt journalist Gary Weiss on the campaign to cover-up short selling crimes. Floyd and Gary plotted character assassinations, disinformation schemes, etc.

Among the many schemes that Weiss and Schneider hatched together was one to derail the story about short selling crimes that I was working on for the Columbia Journalism Review.

In addition, Gary Weiss indicated that he was working directly with the Depository Trust and Clearing Corporation, the Wall Street outfit responsible for clearing trades (i.e. making sure stock sold short is delivered, so that it does not artificially boost supply and manipulate markets).

Indeed, Judd Bagley traced Weiss's internet traffic, and found that he was, for a time, working from an office inside the DTCC. That the DTCC had been infilitrated by a guy like Gary Weiss speaks volumes about the reliability of the nation's clearing

and settlement system, which is really the foundation of the financial system.

Even worse,there is reason to believe that Gary Weiss found work with the DTCC with help from Felix Sater (Russian Mafia boss with ties to Russian intelligence and Al Qaeda). More on this in later chapters.

There was a lot of other interesting stuff on the computer of Floyd Schneider (former employee of Anthony Elgindy, who had advance knowledge of the September 11 attacks). For example, documents on the computer proved that Schneider was being paid under the table by a convicted felon named Michelle McDonough.

McDonough, in turn, had been hired by (among others) hedge fund manager Dan Loeb to run a stable of grifters, corrupt journalists and internet message board posters whose job was to cover-up market manipulation crimes and bash public companies targeted by Loeb and his short-selling associates.

Loeb, recall, is a close Milken crony and was one of the hedge fund managers who discussed stock manipulation schemes on Elgindy's private internet chat site (which was hosted by a company, Infocom, owned by top leaders of Hamas, the jihadi outfit that takes directions from Iran and others). Loeb is the guy who went by the screen name "Mr. Pink."

In 2006, Loeb's Third Point Captial and affiliated hedge funds–including Steve Cohen's SAC Capital, Jim Chanos's Kynikos Associates, Dirk Ziff's Och-Ziff Capital, and Exis Capital (essentially a subsidiary of SAC) –were attacking a Canadian insurance company called Fairfax Financial. Fairfax filed a lawsuit, and obtained emails between these hedge funds.

These emails make it clear that Loeb was in close communication with Kingsford Capital, the outfit that was going to be paying my salary at Columbia University.

Other documents and emails obtained by Fairfax show that these hedge fund managers had hired a thug named Spyro Contogouris to harass Fairfax's executives. Spyro had threatened the executives' children and gone so far as to mail a letter to the priest of Fairfax's CEO stating that the CEO was a fugitive from the law who had stolen millions of dollars from the Vatican.

This, needless to say, was false. The Fairfax CEO had never been implicated in anything untoward. The only people on the planet suggesting that he had done anything wrong were these short sellers, their hired thugs, and a few corrupt journalists.

Meanwhile, the same Spyro Contogouris had been hired by Kingsford Capital to spread the false news that Affinsa, a Spanish philatelic company, was smuggling cocaine through the port of Cartagena. This utterly false story was part a of short selling attack that these same hedge funds were waging against one of Affinsa's U.S. subsdiaries, a company called Escala.

The Spanish press later reported that Kingsford had corrupted the Spanish government as part of an effort to get Spanish law enforcement to raid Affinsa's offices. The raid occurred, but to this day, Affinsa has not been convicted of any crime. The hedge fund perfidy was a big scandal in Spain, widely reported in the Spanish press, but the U.S. media continue to treat these hedge fund managers like gods.

Soon after I was jumped by those three thugs, Spyro Contogouris was arrested by the FBI and charged with ripping off a Greek shipping magnate. The FBI arrested Spyro hoping that he would turn evidence against the hedge funds that were employing him. One of these hedge funds, of course, was SAC Capital, otherwise known as "Saks." Another was Kingsford Capital, which, it now appeared, was going to be paying my salary.

I left Columbia University, and my successor was named "The Kingsford Capital Fellow".

Meanwhile, I found still more connections between Kingsford and the hedge funds and journalists whom I had been investigating. (See my previous Deep Capture stories, including, "New Evidence Raises Serious Questions about Kingsford Capital's 'Donation' to the Columbia Journalism Review.").

My Deep Capture colleagues and I also gathered a good deal of new evidence demonstrating that these hedge funds were up to no good. In one email obtained by Fairfax, hedge fund manager Jim Chanos expresses his concern that people were beginning to believe that some short sellers (namely, Chanos and others in the Milken network) were dirty players.

The email also made it clear that Chanos was worried that some people were highlighting his association with Milken. The only people highlighting his connection to Milken at this point were Patrick Byrne and others (including myself) who were working with Patrick.

In the email, Chanos did not state explicitly that he was concerned about his ties to Milken being exposed, but he made it clear to the email's recipients (a long list of Milken-tied hedge fund operators and billionaires like Carl Icahn, who owed their careers to Milken) that they should communicate the party line that Chanos and his crowd were not affiliated with a "certain junk bond king" (Milken).

The party line would be that, in fact, Chanos had been Milken's nemesis in the 1980s because he was the most active short seller of companies that had been financed by "a certain junk bond king."

As everyone on that email list knew, this was hogwash. Chanos and his network had certainly shorted companies financed by Milken, but those were all companies that Milken or his cronies were busting out. After Milken and his cronies looted the companies, they called in their affiliated short sellers, including Chanos, to put the companies out of business.

Indeed, Chanos got his big start by shorting a company called Baldwin United, as was revealed in a Wall Street Journal story published in 1985 (read it, as it was the last serious investigative report on short-side market manipulation published before the media was captured by Chanos and his short seller lobby). According to this story, Chanos went so far as to go to Baldwin's bankers with false information that convinced the bankers to cut off Baldwin's access to credit.

As a result, Baldwin went bankrupt, and Milken got himself named as the advisor to the bankruptcy. According to a well-known and highly respected businessman who was involved in the bankruptcy proceedings, Milken abused his advisory role and ensured that all of Baldwin's assets were delivered to his cronies at firesale prices.

This success brought Chanos to the attention of Michael Steinhardt (son of the biggest Mafia fence in America), who was then a leading short seller in the Milken network. The 1985 story in The Journal called it a "network" and made it clear that it was network of miscreants who used underhanded tactics to destroy or maim public companies.

At the time, Chanos (who is now revered by The Journal) was working for a Mafia brokerage called Gilford Securities. In 2000, five Gilford brokers were arrested in Operation Uptick, the Mafia bust that swept up more than 100 other Mafia tied financial operators, including Milken's closest associate Gene Phillips. Gilford's brokers were charged with manipulating stocks in league with ten members of La Cosa Nostra and a corrupt New York cop.

When I called Chanos's former boss, H. Robert Holmes, to ask about the Mafia's infiltration of his brokerage, he said: "This is bullshit." Then he claimed to have no idea that the FBI had charged that his brokers were manipulating stocks with ten Mafia goons, despite the fact that the FBI had vigorously publicized these charges and Operation Uptick.

By then, though, Chanos had left Gilford to start his own hedge fund, receiving his intitial finance from Steinhardt (son of the biggest Mafia fence in America) and Steinhardt's limited partner, Ivan Boesky (Milken's most famous criminal co-conspirator). Steinhardt's other limited partner, Marty Peretz, introduced Chanos to Dirk Ziff, and for a while Chanos ran his hedge fund out of Ziff's offices.

While Chanos was launching his hedge fund, future CNBC reporter Jim Cramer (who had once planned to work in partnership with Boesky) was running a hedge fund out of Steinhardt's offices. Later, Cramer and Chanos were the biggest fund raisers for the political campaign of New York Governor Elliot Spitzer, who had been Cramer's college roommate. Spitzer's favorite hooker, "Ashley Dupree" lived for a time at Jim Chanos's beachside villa. She called him "Uncle Jim."

As Patrick Byrne once said, Ashley should be ashamed of herself for associating with this crowd.

At any rate, SEC filings make it clear that Chanos regularly trades in league with other hedge funds in the Milken network, and in 2006 they were attacking Fairax Financial, one of the largest financial institutions in Canada. And they were using the same tactics (such as trying to cut off the company's access to credit) that they had been using since the 1980s.

In one email, an employee of Exis Capital (the SAC subsidiary) wrote that "the way to

get this thing [Fairfax] down is to get them where they eat, like the credit analysts and holders. We're taking this baby down for the count."

This email was addressed to Johnathan Kalikow, son of Peter Kalikow, who was once among the largest investors in Ivan Boesky's criminal outfit. Kalikow is also a former owner of the New York Post. In this capacity, he handed over control of the newspapers' fleet of delivery trucks to La Cosa Nostra.

The operation was run by Bonanno Mafia soldier Richard "Shellack-head" Cantrella. Soon enough, the New York Post delivery fleet began transporting cargos of smuggled weaponry and cocaine, in addition to newspapers. Pretty much par for the course for members of the Milken network.

At any rate, back in 2006, this network was going to take Fairfax "down for the count." Fortunately, Fairfax was a strong company. Its bankers did not cut off access to credit, and it had the good sense to buy a lot of credit default swaps that massively boosted its profits.

However, two years later, Bear Stearns, Lehman Brothers, and other banks were taken "down for the count." By then, the network had refined its tactics to include bigger volumes of manipulative short selling, the deployment of REITs (which we will discuss later), manipulation of credit default swaps, and synthetic CDOs, which, we know, were all designed to self destruct for the benefit of short sellers.

The above-mentioned Steve Cohen and Dirk Ziff have been sued by Lehman's creditors, who claim the two hedge fund managers (along with Citadel Investment) destroyed Lehman with manipulative short selling. And we have begun to identify some of the people (like Ivan Boesky's brother, Stuart) who perpetrated the self-destruct CDO scam.

Add to that list, the above mentioned Kalikow (son of a former Boesky partner), who helped run a hedge fund called Stanfield Capital, which specialized in synthetic CDOs.

I know this is a long story with a lot of names, but we must know them all. There are more to come, all tied to the Mafia. In fact, it should be clear by the end of this story that the Mafia (or at least people who have extremely close relations with the

Mafia) busted out the global economy. But it's not just the Mafia; it's entities even more dangerous.

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Ack…I should have listened to what that former spy was telling me back in 2006. But I didn't listen. And I never wrote that story for Columbia. Because of the strange occurrences.

But could it possibly be that I had received coded death threats? Wasn't it probable that the goombas who punched me had mistaken me for someone else? And could all of this have happened right at the time when a hedge fund I had been investigating paid off my employer?

I thought the threats were real. I figured that the warning about staying away from my "Irish friend" referred to my collaboration with Patrick Byrne, who is very much Irish, as had often been noted by the Wall Street characters whom I had interviewed – the sorts of New York characters who make a big deal about ethnicity and one's neighborhood of origin. ("Ehh, that Byrne – he's Irish, you gotta wonder about the Irish.").

But at the same time, I couldn't believe that it was happening.

In fact, I became certain that this was all having a rather severe effect on my nerves. So I decided that what I really needed was some leisure time. I gave up the investigation, and quit my job, which is one of my life's great regrets, right up there with not listening to that former spy.

Well, I now know that the threats were real. I know because sources who have worked with some of the characters in this story have confirmed they were real.

In addition, when I resumed my investigation for Deep Capture, a convicted felon named Sam Antar began posting threatening messages on the Internet. He didn't just threaten me; he also threatened my Deep Capture colleague Judd Bagley, at one point even posting the names and address of Judd's young children on the Yahoo! message boards.

In one internet message addressed to me in 2008, Antar asked whether I remembered the time that I had "lost it" after being "forcefully escorted" out of a

public building because of my “behavior.” I have only once had the pleasure of being “forcefully escorted” out of a building. That was the time when the thugs dragged me out of a coffee shop and punched me in the eye. And, naturally enough, I had indeed “lost it” after that incident.

I wrote Antar an email, asking how he came to know that I had been jumped by thugs and “forcefully escorted” from a building. He replied, “I’m asking the questions, not you.”

Then he seemed to conclude that he better come up with some explanation for how he would know that I had been jumped. So he wrote a blog quoting my email and expressing surprise at having received it. Then he delivered an amazing whopper, stating that he had only been referring to the time when I was “forcefully escorted” from my offices at Columbia University.

Antar also wrote in this blog that I was a drug addict with a shady past and that’s why I had been “fired” by Columbia. In this ludicrous version of events now being related by Antar, Columbia was so alarmed by my drug binges and my shady (maybe even criminal) past that the university had been moved to hire security guards to restrain me and “forcefully escort” me from the building.

This story was repeated (citing Sam Antar as the source) by Gary Weiss, the corrupt journalist (whose wife was escorted from the UN building).

Anybody at Columbia, my former bosses included, will confirm that I was not fired or asked to resign, and that I was never escorted from any building, forcefully or otherwise. To the contrary, when I resigned, I was still on good terms with my editor, who said he was disappointed that I was leaving.

Anybody who knew me at the time will also confirm that I was not using drugs of any sort. And unlike the Mafia-connnected convicted felon Sam Antar (more on him in a moment), I have no shady or criminal past. If I were in any way cut out to be a criminal, I might have some money. I would have accepted that job offer from Gary Weiss’s pal Manuel Asensio.

Unfortunately, I went into the journalism business, which is not at all lucrative, especially for a reporter (like me) who has spent five years investigating criminals, and is now publishing, free of charge, a 263-page report on a public service website, Deep Capture, that operates with zero revenue.

Again, the only building I was ever escorted from was the coffee shop, and my former co-workers at Columbia will recall that I subsequently showed up at work with my eye completely swollen shut. Some people there will no doubt also remember that I was not at all myself, that I had been severely shaken up by this incident.

The bosses at Columbia will confirm all this, despite the fact that they are not at all happy that I have since raised hell about the Kingsford Capital bribe.

In another internet message referring to me Antar wrote, "…Mark Mitchell. A package is awaiting delivery. Do you recall what happened last Halloween?" The previous Halloween I had been doing some work for Rotary International, the charitable organization, interviewing a small-town Rotary club about their Halloween canned food drive.

I assume Antar was referring to the Halloween before that, which was when (as several people whom I called that day will testify) I received the threat from the man in the book shop. This was shortly after I had been told about the underpants murder at "Saks" and it was a few days before I was attacked by the thugs.

At the time when Antar posted this message, nobody other than the security guard at the book shop and the few people whom I had called knew anything about the incident on Halloween. And very few people knew about the other incidents that occurred immediately before and after Halloween.

Later, Antar wrote another message, saying that I had "awakened the fury" of his "dear friend" Barry Minkow. As I knew, Minkow was a convincted criminal who once ran a massive carpet cleaning fraud called ZZZZ Best in cahoots with the Genovese Mafia, Michael Milken and a famous Mob enforcer named Jack Catain.

This was the same Jack Catain (recall from an earlier chapter of this story) who was involved in the Ponzi scheme run by Tom Petters, partner of Milken boy Andrew Redleaf, formerly of Mafia brokerage Gruntal Securities, where Russian Mafia boss Felix Sater and future SAC Capital boss Steve Cohen were trader-partners.

Antar was not just threatening me. He seemed to be employed almost full time smearing the reputations of Deep Capture founder Patrick Byrne and his other company, Overstock.com. Antar's partner in this effort was the corrupt journalist

Gary Weiss, who regularly cited Antar's blogs while describing Antar as a reformed man and a heroic figure who deserved to be taken seriously.

Antar has also attacked a couple of other companies, working in league with Gary Weiss and his "dear friend" Barry Minkow, who did seven years jail time for his role in ZZZZ Best, the fraud he operated with the protection of Mob enforcer Jack Catain, and finance from the Genovese Mafia and Michael Milken.

In early 2011, the government indicted Minkow for publishing false information about companies he was selling short, and Minkow took a plea bargain with a 5 year sentence. So he's going back to jail.

In charging Minkow, the DOJ issued a press release noting Minkow's "deceit and abuse of trust." The DOJ also stated that Minkow's "manipulation of the market…caused a severe drop in the stock price of a large local corporation…When false statements are disseminated to deceive the investing public, whether to prop up a company or tear it down, the FBI…will bring disseminators of such falsehoods to justice."

In short, Minkow was charged with committing precisely the sort of crime that Deep Capture has been seeking to expose, thereby "awakening the fury" of Minkow, and prompting threats of bodily harm from the likes of Antar and others in his network of miscreants.

Antar, of course, is one of Michael Milken's closest associates. In the 1980s, he was the chief financial officer of an appliance retailer called Crazy Eddie's, famous for its television commercials – "Our prices are Insaaaaane!"

In 1989, Crazy Eddie's was revealed to be what was then the biggest corporate fraud in history. Sam Antar avoided prison only by ratting on his cousin, Eddie Antar, who had founded the company.

Sam now signs all of his internet messages, "Sam Antar, convicted felon," or "Sam Antar, mug shot on file" — as if he has nothing to hide, but there is plenty that he does not reveal about himself and his friends.

When Crazy Eddie's first came under investigation, Milken and some of his other closest associates – namely, the Belzberg brothers (Sam and Hymie, who, according to government reports, were also doing business with Genovese Mafia capos) –

initiated an effort to buy Crazy Eddie's.

In addition, the Belzbergs have been implicated in multiple stock manipulation schemes with others in the Milken network, including Ali Nazerali, hedge fund partner of Yasin al-Qadi ("Specially Designated Global Terrorist").

As we know, when miscreants in the Milken network are targeted by government investigators, others in the network often try to buy the miscreants' company to ward off investigations into the company's broader criminal activities. And Crazy Eddie's was certainly a larger criminal enterprise.

Indeed, sources close to the company have told Deep Capture that it was a massive narco-trafficking operation. The televisions that Crazy Eddie's shipped around the country were often filled with cocaine.

In the end, the Belzbergs did not buy Crazy Eddie's. Instead, another fellow, Victor Palmieri, bought it. Palmieri hired a guy named Robert Marmon to run the company. Marmon didn't know the company was trafficking cocaine, and he found out that it was a fraud only after he took the job.

And his new job quickly proved to be a nightmare. As he told Deep Capture, he was unable to inspect the company's operations because all its top employees — the key people who previously been the only employees who had direct access to the Antars – were burly, armed thugs who claimed to be former operatives of the Mossad, Israel's spy agency.

But I can assure you, they were not spies–they were Mobsters and narco-traffickers.

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I am not the only journalist who has been threatened by the Milken network. In 2002, Los Angeles Times reporter Anita Busch was investigating Michael Ovitz, a Hollywood mogul who had been Milken's best friend in high school and was still one of Milken's closest business associates.

Some way into her investigation, the L.A. Times reporter found, in the front seat of her car, a dead fish and a rose. In the windshield of her car, there was a bullet hole and a note that said, simply, "Stop!" Soon after, the LA Times reporter was nearly killed when two men in a black Mercedes tried to run her over.

As was later revealed in court, all of this was the work of an Ovitz "consultant" — Anthony Pellicano, who was once a soldier in the Genovese Mafia family. When Pellicano was in court, Assistant U.S. Attorney Daniel Saunders announced that Pellicano had "conspired with known organized crime connections to place a 'hit' on [a witness]…to keep [the witness] from testifying against him."

As was also revealed in court, Pellicano (who was convicted and jailed for these activities) had done some work for others in the Milken network, including Adam Sender, a former top trader for SAC Capital who now runs Exis Capital, which is funded by Steve Cohen and is, for all intents and purposes, a subsidiary of SAC (also known as "Saks").

Exis Capital was among the hedge funds (including Kingsford Capital) that also employed the thug Spyro Contogouris (who later did time for ripping off a Greek shipping tycoon).

Sender had gotten into some kind of dispute with a business partner and had hired Pellicano for help. In a phone conversation taped by the FBI (the tape of the full conversation is posted at DeepCapture.com), Sender told Pellicano, "You have 100 percent free reign to do whatever you feel will make this cocksucker as unhappy as possible…I'd like to make the fucking asshole as uncomfortable as possible…I'm going to continue the lawsuit until doomsday…when the time is right I'm going to fix him."

According to prosecutors, Pellicano later offered to have Sender's business partner disappear. He said he'd make his move while the business partner was driving to Los Angeles from Las Vegas. He said he'd force the business partner off the road – then Pellicano would kill the "cocksucker" and bury him in the Nevada desert. Nobody would know a thing.

Sender claims that he turned down the murder-for-hire offer, and perhaps he did, but one gets the impression that people in the Milken network do not find such offers to be particularly unusual.

* * * * * * * * *

So, yes, after I was jumped, and after Kingsford Capital paid off my employers, I went into a sort of temporary seclusion.

A few weeks into my convalescence, U.S. Senator Orinn Hatch summoned my colleague Patrick Byrne to his home in Utah. The first thing the Senator said when Patrick walked through the door was that he was worried. He had looked into some of the people Patrick was calling attention to, and he was seriously alarmed because he thought Patrick might be murdered.

A month or so after that, an offshore businessman who had provided some information to our investigation received in the mail a beautiful, lacquered, Russian matryoshka doll. And inside this doll, there was a slip of paper.

On the paper was the letter "F" — with a cross on it. The businessman knew right away that the letter "F" stood for "Felix" – Felix Sater.

The businessman said he had called Felix Sater to see what the deal was with the doll. And after talking to Felix, the businessman invited Patrick Byrne to a greasy spoon diner in Long Island. It was urgent, said the businessman — so Patrick made haste.

And when Patrick arrived at the diner (along with two other people, who can testify to this) the offshore businessman, discarding with formalities, said, "This meeting can be very short. I have a message for you from Russia."

The message, said the businessman, was this: "'We are about to kill you. We are about to kill you.' Patrick, they are going to kill you – if you do not stop this crusade [the investigation into destructive market manipulation], they will kill you. Normally they'd have already hurt you as a warning, but you're so weird, they don't know how you'd react. So their first step is, they're just going to kill you."

According to the businessman, this threat had come straight from the mouth of Felix Sater. At almost precisely the same time that Felix delivered this threat, the corrupt journalist Gary Weiss wrote a blog stating that Felix seemed to be basically a good guy who had obviously reformed since the days when he was nothing more than a small-time "penny stock" fraudster (as opposed to a top boss in the Russian Mafia who seemed to have ties to Russian intelligence and Al Qaeda).

This has been a consistent pattern ever since Weiss wrote his "Mob on Wall Street" article. He covers up, and at times assists, the crimes of his sources (such as Felix Sater, Anthony Elgindy, and Manuel Asensio), while trashing their enemies.

At the time when Patrick received the death threat, we had no idea who Felix Sater was. Now, of course, we know some things about Felix. We know, for example, that he is a Russian Mafia boss affiliated with the Mogilevich organization, which stands accused of everything from market manipulation to attempted sales of highly enriched uranium to Al Qaeda.

We know that in the 1980s Felix was a trading partner of Steve Cohen (future head of SAC Capital, also known as "Saks") at the Milken-financed Mafia brokerage, Gruntal & Company.

We also know that Sater now runs Bayrock, an outfit that has a partnership with Apollo, the fund controlled by Leon Black, who is one of Milken's closest associates. Apollo employs Milken's son, Lance.

Bayrock's former CFO, Jody Kriss, has filed a lawsuit in which he claims that Felix once threatened to torture him to death, and that Bayrock is (according to Kriss) is a massive money laundering operation. A source close to Bayrock has told us that Felix has laundered money for Steve Cohen.

We also know that one of Bayrock's other partners is The Sapir Organization, run by Russian Mafia boss Tamir Sapir, who used to run what he has called a "Crazy Eddie's" for Russian spies – a one stop shop where KGB operatives in New York could buy high-tech electronics equipment. Sapir's partner in that business, recall, was Semion Kislin, who has been named as a close business associate of "Little Japanese" – the one-time top boss of the Russian Mafia in the United States.

The Sapir Organization is in the real estate business. Its large property portfolio was, for a long time, managed by Frederick Contini, whom the government has named as an associate of the Genovese Mafia family. In 2008, Contini entered a secret plea to racketeering. He has also faced charges for stabbing a man in the face with the stem of a broken wine glass.

Felix Sater, of course, was also once charged with stabbing a man in the face with the stem of a broken wine glass. It seems to be the thing to do.

* * * * * * * * *

Felix Sater's former partners (one of whom wrote about this in "The Scorpion and

the Frog") also say that Felix once announced that he was going to murder Alain Chalem, shortly before the day in 1999 when Russian hit men entered Chalem's New Jersey mansion and ordered him to get down on his knees. Maybe the hit men even listened as Chalem begged for his life. Maybe they listened before they shot Chalem in the back of the head, execution-style.

But that wasn't enough. The hit men had a message to deliver. They wanted it to be known that they were not nice killers, they were not the sort of killers who would leave a corpse to rest. They were the coldest killers on the Street, men who would humiliate a corpse by mutilating it, and so they fired many more bullets into Chalem's face, and into Chalem's ears, until his head was mush. Then they disappeared and were never caught.

This was the murder I was investigating back in 2006, when I met the rabid dog-man, who had been with Chalem on the night before his death. And the murder was still on my mind in the fall of 2010 when I called Zuhair Karam again.

Zuhair, recall, is the jihadi who worked for that little, unregistered brokerage, Tuco Trading, which flooded the markets with more than 2 billion shares (equal to 20 percent of the volume at the biggest brokerage on the planet) in the month before the collapse of Bear Stearns.

One reason why I called Zuhair is that I was looking for more information about the Orange Diviner account, controlled by henchmen of Semion Mogilevich and Roman Abramovich (whose business empire was, until recently, a joint venture with Felix Sater's friend Boris Berezovsky).

I had also noticed that the report by Tuco's bankruptcy receiver stated that one of the other traders who worked out of Tuco was a guy named Warren Sulmasy.

Back when I met the rabid-dog man in 2006, I was told that Chalem was Sulmasy's partner in a brokerage called Harbor Securities. I also knew that Chalem had been the proprietor of another brokerage called Toluca Pacific, which had orchestrated short selling attacks with Mafia capo Phillip Abramo, also known as "The King of Wall Street."

By 2010, I was aware that Abramo was among the pack of traders, including Ali Nazerali (partner of "Specially Designated Global Terrorist" Yasin al Qadi) and Anthony Elgindy (he with advance knowledge Al Qaeda's September 11 adventure)

that had traded through Global Securities, the outfit with ties to the Russian Mafia and the guys working for Assa Corporation, the Iranian espionage front that took its orders from Iran's mission at the UN.

I figured maybe when I told Zuhair about all this, he would tell me more about Orange Diviner and help me confirm the identity of the Iranian trader who had set up the two other accounts (one with more than 2,000 subaccounts in China) that had unleashed those 2 billion shares.

I had received word that the Iranian trader was tied in with some of Felix Sater's Russian Mafia pals. Maybe if Zuhair knew I was on to the Chalem murder, he would confirm the identity of the Iranian and give me some details, just to make me go away.

But Zuhair was not yet ready to talk. He maintained his routine — "I'm just one of the little guys". So I called Warren Sulmasy, the Tuco trader who had been Chalem's former partner.

I wanted to ask Sulmasy about Tuco Trading, the Russians, the Iranian, Felix Sater, the murder of Alain Chalem — I wanted to ask him a lot of things, so I called him.

He picked up the phone, and said, "Yeah?"

I said, "Hello, Mr. Sulmasy, Mark Mitchell here, there's an investigation I want to tell you about, I see that you were operating through Tuco Trading…"

And – "click" — Mr. Sulmasy hung up on me.

So I never did get to ask Mr. Sulmasy about those huge volumes that went through Tuco. And I didn't get to tell him what I had learned about his partner's death.

One thing I had learned was that the New Jersey media (quoting FBI sources) had reported that the last person to see Chalem alive was Allen Barry Witz. You might remember that Witz was one of the first people Milken crony Carl Icahn hired after leaving Gruntal & Company (also known as Gruntal Securities), which Ichan had run with help from Felix Sater, who, of course, had threatened to kill Chalem.

I had also learned something about Mikhail Sheferofsky. Recall that Sheferofsky is the guy who argued with Alain Chalem on the night before Chalem's death,

according to Chalem's friend, the rabid-dog man.

I didn't get to ask Sulmasy about Sheferofsky, but by this time an organized crime expert who has provided an immense amount of help to my investigation had found that the U.S. government sometimes spells Sheferofsky's name as "Sheferovsky."

Mikhael Sheferovsky is a high-level Russian Mafia boss with ties to the Russian intelligence services in Moscow. And Sheferovsky has another name– Michael Satter, sometimes spelled "Sater" with one "t"

Not only that, but he has a son. And his son's name is – Felix Sater. That's the same Felix Sater who sent a matryoshka doll to an offshore businessman and told the businessman to deliver a "Message from Russia" to my colleague Patrick Byrne.

That businessman had worked closely with Felix Sater and other Russian Mafia figures. He was a major client and business partner of Jonathan Curshen.

Curshen, of course, was the white knight for Semion Mogilevich's YMB Magnex and seems to be on close terms with the Russian Mafia. He also has a lot of jihadi friends, including his one-time close trading partner Anthony Elgindy. And for some reason he chose to house his offices in the same building that housed the Israeli embassy in San Jose.

This is the same Curshen who hosted the meetings in Costa Rica where the Milken network (including Ali Nazerali, hedge fund partner of Osama bin Laden's favorite financier) talked about the destruction of some big companies.

Companies that would, in fact, be destroyed in 2008.

* * * * * * * * *

Shortly before Chalem was murdered in 1999, Gennady Klotsman was at a Manhattan Mini Storage facility in Soho, loading up a locker with two handguns, a shotgun and documents outlining a global stock manipulation and money laundering scheme.

Klotsman was another former employee of the Milken-financed Gruntal Securities, and now he was a partner – along with Felix Sater, and bunch of other former Gruntal employees – in White Rock Partners.

While Klotsman was loading the locker with guns and documents, Felix's other partner was in Europe, soliciting the services of Aleks Paul, a diamond merchant and money launderer whom prosecutors would later tie to White Rock.

Paul was a business associate of Ibrahim Bah, a Libyan intelligence operative whose principal mission was, for a time, to help Libyan dictator Moammar Qaddafi foment chaos in Africa.

Later, Bah was (according to former Washington Post reporter Douglas Farah and Global Witness, the preeminent experts on blood diamonds) the principal broker of diamond deals between the Revolutionary United Front in Sierra Leone and Al Qaeda, which used the diamonds to launder money for Osama bin Laden.

It was around this time that Felix was trying to broker the deal for his close associate, the Russian oligarch Boris Berezovsky, to buy Salomon Brothers.

Sater and his partners were also doing a lot of business with MOST Bank, a big Russian financial institution that was run by former KGB First Deputy Chairman Filipp Bobkov and an oligarch named Vladimir Gusinsky. MOST Bank, which then had close ties to Vladimir Putin (Putin and Gusinsky have since had a falling out, according some reports) had a 1,000 man private security force made up of former KGB operatives and mercenaries.

According to declassified CIA reports, MOST Bank also had ties to organized crime – which obviously it did, if it was doing business with Felix. In addition, there were widespread allegations, reported in the Russian press and by Russian NGOs, that MOST Bank's boss, Bobkov, was a major league narcotics trafficker who dealt in Afghan heroin.

Not only that, but MOST Bank was tied in with the $7 billion Russian Mafia and Russian government stock manipulation and money laundering operation that centered on the Bank of New York.

During one of Felix Sater's trips to Moscow, the Feds found the locker that Sater's partner, Klotsman, had filled with guns and documents, and so the Feds launched an investigation. Soon enough they were closing in on Felix and White Rock. Two years later, White Rock would be charged (along with at least five associates of La Cosa Nostra) with manipulating stocks in league with two other Mafia brokerages – A.R.

Baron and D.H. Blair.

I have already discussed D.H. Blair and A.R. Baron. They were both closely tied to Michael Milken and financed by one of Milken's closest associates, Zev Wolfson (who provided Carl Icahn's fund with its start-up capital).

A.R. Baron (which was also the clearing firm for Datek Securities, owned by Omar Amanat, who founded the Islamic TV station with Hamas) came under increased scrutiny from the authorities in 1998, when two individuals — Stuart Creggy and Andrew Warren – were arrested and charged with helping create off-shore corporations on behalf of A.R. Baron president Andrew Bressman.

The investigation into Stuart Creggy and Andrew Warren's activities also focused on their ties to Westfield Financial, which employed Felix Sater's partner Eugene Klotsman (the guy who was loading the locker with guns and documents), and was closely affiliated with White Rock Partners, the brokerage owned by Felix and Klotsman.

When Milken crony Gene Phillips was arrested in Operation Uptick in 2000, the Feds were beginning to close in on Felix, and at this time the government also discovered that several financial companies in addition to MOST Bank were being used to help the Russian government and the Russian Mafia – especially the Mogilevich Organization – launder massive amounts of money through the Bank of New York.

In fact, the Mafia stock manipulation network busted in Operation Uptick, the outfits tied to Felix Sater, the Milken-tied brokerages, and the Bank of New York money laundering network were probably part of the same criminal operation.

Former Deputy Assistant U.S. Secretary of State Jonathan Winer says he was told by the Manhattan District Attorney's office as early as 1998 that "Russian organized crime figures appeared to be utilizing off-shore money laundering mechanisms that previously had been used by cocaine traffickers," and these mechanisms "involved manipulations of publicly traded stock both to defraud unwary investors, and to turn dirty money into clean money."

The connections between the Bank of New York scandal and the stock manipulation network would become more evident when the government learned that Andrew Warren, Felix Sater's business partner (i.e. the fellow tied to Westfield and arrested for his involvement with the Wolfson-financed A.R. Baron), was being investigated

for setting up companies that had dealings with two other shady outfits, Benex International and BECS International LLC.

These two companies, both of which were directed by a Russian man named Peter Berlin, had sponsored visas for members of the Mogilevich organization, and had been used as vehicles for laundering Mogilevich money through the Bank of New York. Authorities also linked Benex to Milken crony Marc Rich (the fellow who was indicted for trading with Iran), and Grigory Loutchansky, a Russian Mafia figure who has been accused of trafficking in nuclear weapons materials.

Peter Berlin, meanwhile, was invested in various companies (Rnetthealth and Glenrose Petroleum, to name just a couple) with Michael Milken's closest associate, Gene Phillips, the guy arrested in Operation Uptick.

Another fellow, Peter Bond, was laundering Mafia money through the Bank of New York on behalf of Milken crony Robert Brennan, who was, in the 1990s, one of Wall Street's most notorious Mafia-tied stock manipulators. Brennan was also financing Omar Amanat's Datek Securities, which was, we know, running trading accounts for Mafia capo Phillip Abramo's right hand man Phil Gurian.

Abramo, the "King of Wall Street" is the Nazerali crony who was involved with Nazerali and Kott in the BCCI venture First Commerce. See ealier chapters for details on Datek and it ties to Tuco Trading and Bernie Madoff's brokerage.

Bond set up more than 30 shell companies that Brennan used to manipulate stocks in league with (who else?) — A.R. Baron (convicted for manipulting stocks with Felix Sater and D.H. Blair).

At the same time, employees of Bond's company, the Valmet Group, worked with Brennan's accountant, Dennis Gaito, to run stock manipulations through Patterson Travis, the brokerage headed by Judah Wernick, who (as you might remember) was manipulating stocks with Datek client Diamond Joe and was engaged in a $200 million stock manipulation scheme with Randolph Pace, who received much of his finance from Milken.

Wernick would later be indicted, as would Pace's Mafia brokerage, Rooney Pace. And in the course of all this, it was eventually determined that a total of around $10 billion was laundered through the Bank of New York, at least $7 billion of which belonged to the Russian Mafia and the Russian government.

Some of this money, recall, made its way to the Bank of New York via the Inter Maritime Bank, owned by Bruce Rappaport and Abbas Gokal (the BCCI figure who once employed Ali Nazerali, and still works for Pakistan's ISI and the regime in Iran).

But the most important outfit in this scandal was the California-based Sinex Bank. All told, more than $4 billion was laundered through Sinex, then to Benex and BECS (the outfits tied to a nuclear weapons trafficker and Marc Rich, crony of the Iranian regime), and from there into Bank of New York.

Among the people associated with Sinex Bank were Russian Mafia associates Alexsey Volkov and Maxim Barksi. A subsidiary of the bank, Sinex Securities, which was the vehicle used by Mogilevich, was managed by a man named Debabish Banerjee.

Some of that has been reported in the press. What has not been previously reported is that Debabish Banerjee was working for none other than Michael Milken's closest business associate, Gene Phillips. Indeed, Phillips secretly controlled Sinex Securities.

When Sinex was implicated in the multi-billion dollar Mogilevich money laundering and stock manipulation scheme, Phillips changed Sinex's name to National Alliance, and officially registered it in his son's name.

It was also Phillips who hired Sinex employee Mark Salter, who had previously worked for two brokerages – Westcap Securities, which was controlled by Ali Nazerali (partner of "Specially Designated Global Terrorist" Yasin al Qadi; formerly with Gokal; and BCCI luminary tied to Capcom, the Saudi intelligence outfit that traded $90 billion through Milken); and Greystone Securities, which had been owned by Nicholas Camilleri, proprietor of Navigator Asset Management, which employed a woman named Anna Chapman.

In 2010, Anna Chapman was among ten Russian spies whom the FBI charged with espionage and deported back to Moscow. Recall that Phillips was first brought to my attention by the former spy who was monitoring those meetings in Costa Rica. As we will see, there were many other reasons why a former spy would have taken an interest in Phillips.

Phillips' other company, Transcontinental (the company in which Milken's Sunset was a major shareholder), placed more than 700 thousand of its shares with Sinex as "collateral for borrowings". This suggests that some of that dirty Mafia and Russian

government money was making its way back to Phillips and his criminal co-conspirator, Michael Milken.

In conclusion, between 1998 and 2001, various parts of the US government prosecuted the single biggest stock manipulation and money laundering network ever exposed. It is clear that most of the government's intiatives—from Operation Uptick, and the prosecution of Felix Sater's White Rock, D.H. Blair, A.R. Baron, YBM Magnex, and the Bank of New York scandal – were related.

Meanwhile, the government was investigating Global Securities (the outfit with ties to people who worked for the Iranian Assa Corp.) and a few other Canadian brokerages (to be discussed later) that were catering to Anthony Elgindy, Ali Nazerali, and the rest of thier pack. It is clear that these investigations were related to the others that occured between 1998 and 2001.

In other words, the government was going after a distinct network of financial operators who were doing serious damage to the U.S. economy.

What is also clear is that this network was run by the closest associates of Michael Milken in league with various organized crime outfits, including the Mogilevich organization, which seemed to be operating in cahoots with the Russian government.

In addition, some of the people involved in this massive market manipulation scandal were tied, variously, to the Pakistani spy services, the Iranian regime, Al Qaeda, Saudi intelligence, and the trafficking of nuclear weapons.

But U.S. officials did not succeed in shutting down the network. Mogilevich and his henchmen, for example, are still at large. So are many of Milken's closest associates.

After Gene Phillips was arrested in Operation Uptick, he was acquitted. And until now, his role in the Bank of New York scandal was not exposed. A number of these people, we have seen, were also involved with Bernie Madoff's market manipulation operation until Bernie was arrested in December, 2008.

In Chapter 11, we will have a closer look at some of the other dangerous financial operators (including high ranking Hamas operatives and Al Qaeda's most important financiers) attached to this network. Then we will begin to examine in greater detail whether this network has had something to do with our more recent economic

troubles.

To be continued…

Comment from a CMKX shareholder

By: oldepro
30 May 2011, 10:47 AM EDT
Rating: Msg. 1020162 of 1020256

No Sting, Ehh??

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http://cmkxunofficial.proboards.com/inde....lay&thread=8797

CHAPTER 11

The Miscreants' Global Bust-Out (Chapter 11): Michael Milken's Market Manipulation Club and Al Qaeda's Big Bank

Posted on 31 May 2011 by Mark Mitchell

As should be evident by now, Michael Milken's closest associates, most of whom have ties to and often work in league with the Mafia, have been involved in virtually every major market manipulation scandal since the 1980s.

Furthermore, we have seen that the Milken network includes people with ties to jihadi outfits and, in some cases, to governments that are not necessarily friendly to the United States. These include the governments of Russia, Iran, Libya, Sudan, Pakistan, Saudi Arabia, and the United Arab Emirates.

It is my contention that these relationships matter. Indeed, they might be a defining feature of the global financial system. That is to say, Milken's cronies have immense influence over the markets–perhaps more influence than any other close-knit network of financial operators.

At the outset of this story, I noted that in 2010, Admiral Dennis Blair, then the Director of National Intelligence, told Congress that there was a "nexus" between organized crime, rogue states, and jihadi terrorist groups. Admiral Blair said that this "nexus" presents "continuing dangers."

As to what those "continuing dangers" might be, it is worth recalling that Admiral Blair also told Congress that organized crime (the Mafia) will "increase its penetration of legitimate financial and commercial markets, threatening U.S. economic interests and raising the risk of significant damage to the global financial system."

Indeed, organized crime and "legitimate" financial operators with ties to the Mafia have already done "signficant damage." In upcoming chapters, I will more fully quantify that damage. I will also explore the question of whether others in the "nexus" — jihadis and rogue states — contributed to the damage, and have the potential to do more of it.

First, though, I must present further evidence that the nexus is real.

In Chapter 10, I discussed the scandal that saw the Russian government and the Russian Mafia (especially the Mogilevich organization) laundering more that $7 billion, most of which ended up at the Bank of New York. In addition, I noted that this money laundering involved market manipulation, most of it conducted through Mafia brokerages controlled by Michael Milken's closest associates.

Also tied to that scandal was Bank Al Taqwa. All of the money that Bank Al Taqwa laundered in the United States made its way to the Bank of New York. And there is good reason to believe that Bank Al Taqwa's money laundering involved market manipulation conducted in league with outfits controlled by Michael Milken's closest associates.

Bank Al Taqwa was set up by the Muslim Brotherhood, and catered primarily to Middle Eastern governments and jihadi groups, including, among others, the Egyptian Islamic Group, Egyptian Islamic Jihad, the Algerian Armed Islamic Salvation Front, the Tunisian An-Nahda group, Palestinian Islamic Jihad, Hamas, Hezbollah, and, of course, Al Qaeda.

Bank Al Taqwa, which was based out of Switzerland and the Bahamas, was a substantial financial enterprise with operations in over 30 countries around the world. But it did more than provide banking services. It also provided logistical support and weapons to the jihadi terrorist groups that were its clients.

Indeed, Bank Al Taqwa set up and operated the Islamic Cultural Center of Milan, which the U.S. Treasury Department described as the "main Al Qaeda station house in Europe [responsible] for the movement of weapons, men, and money around the world."

Al Taqwa came to the attention of U.S. authorities in connection with their investigation into Palestinian Islamic Jihad leader Sami al-Arian. As you might recall, Sami al Arian was settled in the United States by the family of short seller and Milken crony Anthony Elgindy, who was manipulating the markets through Global Securities (the Mafia outfit with ties to Iran) and a few other brokerages to be discussed.

The Palestinian Islamic Jihad leader was also an intimate acquaintance of Omar Amanat, founder of Mafia brokerage Datek Securities, which received finance from Robert Brennan and cleared its trades through A.R. Baron. Both Brennan and A.R. Baron were targeted as part of the government's investigation into the Bank of New York and the broader Mafia money laundering and market manipulation network.

One of the principal figures behind Bank Al Taqwa was "Specially Designated Global Terrorist" Yasin al Qadi (Osama bin Laden's favorite financier). Yasin al Qadi was a hedge fund partner of Ali Nazerali, another member of the Elgindy pack that traded through Global Securities.

Bank Al Taqwa was managed by Youssef Nada, who was one among an elite number of jihadi leaders who established the Muslim Brotherhood in Europe. He worked closely at Bank Al Taqwa with Ahmed Idris Nasreddin, who claims to be a descendent of Eritrean royalty; and a man named Albert Huber. All three men have been named by the U.S. government as terrorist financiers.

Albert Huber has the dual distinction of being both a "Specially Designated Global Terrorist" and one of the world's most famous neo-Nazis. In fact, Huber is the official leader of Switzerland's neo-Nazi movement, and he is the unofficial leader of white supremacists worldwide.

In this capacity, Huber's principal mission is to unite subversive outfits like the Klu Klux Klan with the radical Islamist movement. This seems to jive with the goals of the ayathollahs in Iran, who have invited members of the Klu Klux Klan, including the famous David Duke, to visit Tehran, treating them with all the pomp and ceremony usually reserved for the Russian Mafia oligarchs who are funding Iran's nuclear program.

Huber's office in Geneva is decorated with posters of Ayatollah Khomeini, Osama bin Laden, and Adolph Hitler. He is revered by skinheads around the world, and he is a figurehead for a large assortment people who consider themselves to be enemies of "the system."

Huber has met the Al Qaeda gang, and he says Osama bin Laden was his friend, but his closest comrade was the American neo-Nazi William Pierce. Like many other subversives with ties to Iran, William Pierce, who died in 2009, applauded the September 11 attacks.

Pierce was also the author of the "Turner Diaries," which inspired Timothy McVeigh's terrorist attack on the federal building in Oklahoma.

The largest shareholders of Bank Al Taqwa, meanwhile, included two of Osama bin Laden's sisters. Another shareholder was Yousuf Abdullah Al-Qaradawi, the Muslim Brotherhood spiritual leader who regularly speaks of "Financial Jihad."

Mariam Al-Sheikh A. Bin Aziz Al-Mubarak, a member of Kuwait's royal family, was also a major shareholder in Bank Al Taqwa, as was the Kalifeh family, which presides over one of the biggest financial empires in Abu Dhabi and Dubai.

The Kalifehs, who are among the richest people in the world, are active in the U.S. markets and have invested in Milken network hedge funds, including Steve Cohen's SAC Capital.

The Kalifehs helped orchestrate the soft coup that ousted the crown prince of Ras Al Khaimah (in the United Arab Emirates) and replaced him with a new crown prince aligned with Iran. As a result, according to the Canadian customs services, Iranian government agents now effectively run the Ras Al Khaimah port, which has become an entry point for materials used in Iran's clandestine nuclear weapons program.

That soft coup, recall, also removed the crown prince from his position as chairman of RAK Bank, which is now run by Iranian proxies who do business with the Mogilevich organization and Norbert Grupe, the Mafia figure who was involved with Imagis, the anti-terrorism company set up by "Specially Designated Global Terrorist" Yasin al Qadi and Ali Nazerali.

Yasin al-Qadi became a principal figure behind Bank Al Taqwa through his U.S.-based financial institution Bait ul Mal, or BMI Inc., which was identified by authorities as being part of what government investigators call "the SAAR Network" of financial companies and charities that finance terrorism.

The other major investor in BMI was Mousa Abu Marzouk, who was a founder of Hamas, based in the United States until he relocated to Gaza, and later to Syria, from where he now serves as Hamas's political chief. Marzouk's company, Infocom, recall, hosted short seller Anthony Elgindy's private internet chat site.

Marzouk's relatives and chief lieutenants were at the 1993 meeting in Philadelphia where Hamas operatives, including Nihad Awad (future partner in an Islamic TV station with Omar Amanat, founder of the Mafia brokerage Datek Securities, who plotted the release from prison of the Blind Sheikh, mastermind of the 1993 attack on the World Trade Center).

The president of BMI was Soliman Biheiri, who concurrently served as a top officer at Bank Al Taqwa. When officials began investigating BMI, Biheiri told them that the idea for the company was hatched by Mahmoud Abu Saud and Gamal Attia, two Muslim Brotherhood leaders who were considered to be among the original masterminds of terrorist financing efforts in the U.S.

Among BMI's silent investors were three of Osama bin Laden's family members, including his nephew, Abdullah bin Laden, who works for Al Qaeda.

A BMI accountant has told U.S. investigators that a good chunk of the money that Al Qaeda used to finance the 1998 U.S. embassy bombings in Africa was delivered directly from BMI. Which makes sense, since BMI founder Yasin al Qadi was involved with Mercy International, also implicated in the Africa bombings.

Recall that jailed short-seller Anthony Elgindy was also involved with Mercy International (now called Mercy USA). Previously, Mercy was known as Human Concern International, a director of which was Ibrahim Hassaballah.

Paperwork filed with the U.S. Treasury Department shows that Hassaballah orgininally incorporated Bank Al Taqwa along with Salim Saleh, a leading Muslim Brotherhood figure and fund manager resident in the United States.

Mercy USA director Mahommad Mabrook, who used the alias Mohamed Elhazeri, was also president of Yasin al Qadi's Global Chemical, a Chicago company that was found to be stockpiling explosives. Investigators also suspected the company was planning to manufacture chemical weapons.

Among Bank Al Taqwa's many other achievements was to fund the Qatar Charitable Society, which played a vital role in financing and providing logistical support to Al Qaeda's bombings of the two U.S. embassies in Africa.

Recall also that Yasin al Qadi and Sheikh Mahfouz (co-founder, with Ali Nazerali's relatives, of BCCI) ran an affiliated charity, the Muffawaw Foundation, that was, according to the U.S. Treasury Department, an "Al Qaeda front."

These are among the many reasons why I have referred to Yasin al Qadi as "Osama bin Laden's favorite financier."

Of course, Yasin al Qadi and the others involved with Bank al Taqwa are not just terrorist financiers. As we have seen, Yasin al Qadi and his hedge fund partner Ali Nazerali are among the most important business partners of everyone from the rulers of Dubai and Abu Dhabi, to the regime in Iran and the chief of Saudi intelligence.

As has been amply demonstrated again and again by this point (see earlier chapters

of this series), there is no doubt that the Al Qaeda network also has close ties to the Russian Mafia. There is, moreover, no doubt that both the Russian Mafia and some of Al Qaeda's most important financiers are part of the Milken network.

Indeed, "Specially Designated Global Terrorist" Yasin al Qadi is one of Michael Milken's close associates. Among Milken's other close associates are Ali Nazerali (Yasin al Qadi's hedge fund partner) and, until his death, Sheikh Mahfouz (who ran an Al Qaeda front with Yasin al Qadi).

These relationships go back to the days when Milken was involved with BCCI, which was co-founded by Sheikh Mahfouz. BCCI's CEO was Swaleh Naqvi, who is Ali Nazerali's relative.

All of these people were involved (along with Adnan Khashoggi) with Capcom, the BCCI and Saudi intelligence outfit that conducted more than $90 billion of trading (much of it manipulative) through Milken's shop at Drexel Burnham.

Milken's closest associate, of course, is Gene Phillips. As we know, Phillips was the most important figure in Milken's junk bond merry-go-round and later the proprietor of Sinex Securities, which helped the Russian Mafia and the Russian government launder more than $4 billion that ended up in the Bank of New York.

It is likely that Phillips also laundered money for Bank Al Taqwa.

Phillips ran another brokerage, Southmark Equities (which was part of the Milken-financed Southmark Property), at the same address (3626 N. Hall St. in Dallas) that the government has listed as belonging to the SAAR Network of terrorist financiers. A principal figure in the SAAR Network, of course, was Yasin al Qadi, co-founder of Bank Al Taqwa.

A related Phillips entity, Southmark Corporation, once owned an airplane that was eventually transferred to Skyway, and caught on a remote Mexican runway with 5 tons of cocaine. Skyway, recall, was associated with Anthony Elgindy's former trading partner, Jonathan Curshen (the white knight for Russian Mafia boss Semion Mogilevich's YBM Magnex, an outfit tied to the Bank of New York scandal).

Skyway (whose shareholders reportedly included a number of Saudi investors, though I have yet to be able to identify them by name) contributed money to the Holy Land Foundation, a Hamas front linked to Palestinian Islamic Jihad leader Sami

al Arian, who prompted the government's investigation into Bank Al Taqwa.

That airplane was also, at times, registered in the name of Curshen client Ramy El Betrawi, who (recall) helped Anthony Elgindy and Adnan Khashoggi destroy MJK Clearing, the largest clearing firm in America, in September 2001.

Anthony Elgindy, we have seen, is tied to multiple Bank Al Taqwa principals. Khashoggi got his start in business working with Shiekh Mahfouz (co-founder, with Yasin al Qadi, of an Al Qaeda front) and later orchestrated what became known as the "Iran-Contra" scandal with Iranian arms dealer and intelligence agent Manuchar Ghorbanifar, who had extensive dealings with Bank Al Taqwa.

One of Phillips' top employees at Sinex Securities was a man named Robert Gold. While he was working for Sinex (which, recall, laundered more than $4 billion for the Russian Mafia and the Russian government) , Gold was also helping run an outfit called SVC Financial Services, which was founded by Yaqub Mirza, bagman for "Specially Designated Global Terrorist" Yasin al Qadi (Osama bin Laden's favorite financier).

Mr. Mirza was closely involved with Bank Al Taqwa and with BMI, Inc., the vehicle that Yasin al Qadi used to invest in Bank Al Taqwa. Indeed, Mr. Mirza has business relationships with most of Bank Al Taqwa's key figures. This is one reason why FBI investigators have described Mr. Mirza as the most important U.S.-based operator in the "SAAR Network" of terrorist financiers.

Recall that Mr. Mirza incorporated more than a dozen SAAR Network charities and financial companies that are suspected of funding jihadi outfits. One of these entities was SVC Financial Services, run with help from Robert Gold, a principal at Sinex.

No government authority has implicated Sinex in the money laundering of Al Qaeda's Bank Al Taqwa, but it seems a lively possibility that Al Taqwa worked with Sinex given that Al Taqwa's laundered money ended up in the Bank of New York; and given that so much other money laundered into Bank of New York passed through Sinex, employer of Robert Gold,who was simultaneously a principal at an outfit (SVC) controlled by one of Bank Al Taqwa's key figures (Mr. Mirza, bagman for Milken crony and Al Taqwa co-founder Yasin al Qadi, who is Osama bin Laden's favorite financier).

Other Sinex principals also raise questions. One of them is Mark Salter, who previously worked for Westcap Securities, controlled by Al Taqwa co-founder and "Specially Designated Global Terrorist" Yasin al Qadi's hedge fund partner, Ali Nazerali, whose former boss, Abbas Gokal was (in addition to being employed by the Pakistani ISI and the Iranian regime) a key figure with Shiekh Mafouz (Yasin al Qadi partner in the Al Qaeda front) in BCCI, and an important participant (with the Russian Mafia) in the Bank of New York money laundering scandal.

Meanwhile, a fellow named John Caporucscio was a director of Sinex. Prior to joining Sinex, Caporucsio was second in command at Native Nations, the brokerage run by Milken's former office manager, Valerie Red Horse.

Recall that Native Nations helped Anthony Elgindy (tied to multiple Bank Al Taqwa principlas) destroy MJK Clearing in September 2001. As we know, MJK was then the biggest clearing brokerage in America.

I will remind you that the others others who helped Elgindy and Native Nations destroy MJK were Adnan Khashoggi (close associate of Bank Al Taqwa key operators), Rafi Khan (funder of Hamas, whose political chief, Marzouk, was a principal at Bank Al Taqwa), and Ramy El Betrawi (funder of Hamas principals; client of Jonathan Curshen, the white knight for Russian Mafia money laundering outfit YBM Magnex).

Meanwhile, there is no question that Sinex owner Gene Phillips is on close terms not only with the Russian Mafia and La Cosa Nostra (see earlier chapters of this series), but also with Bank Al Taqwa's most prominent operator, Yasin Al Qadi, who was (I'll say it again) Osama bin Laden's favorite financier.

In addition to the relationships already noted, Phillips controls a number of death spiral short selling funds. Indeed, he controls so many funds and cut-outs of funds that it boggles the mind. And some of these funds have certainly done business with Yasin al-Qadi, who was (yes, you know already, but just let me repeat it) Osama bin Laden's favorite financier.

For example, Black Sea Investments, a fund controlled by Phillips (though, like Sinex, it is registered in the name of his son, Bradford Phillips) was an investor, along with Yasin al Qadi's Faisal Finance (the same fund, recall, that invested in some of Osama bin Laden's companies in Sudan), in an outfit called NCT Group.

As we have seen, the Russian Mafia and Russian government money laundering into the Bank of New York involved manipulating the markets through a number of Milken-tied Mafia brokerages, including Sinex. Assuming Bank Al Taqwa was doing the same thing, I think it is reasonable to conclude that Al Qaeda and affiliated terrorist groups, like Hamas, were manipulating the markets.

I do not mean to suggest that Michael Milken and Al Qaeda terrorists are gathering in secret meeting halls to hatch a grand conspiracy to destroy the world.

I merely wish to point that some of Milken's closest associates are monumental criminals (as is Milken himself). Some of his closest associates are also terrorists. And some are both, like the mobsters in the Mogilevich organization, who are first-rate market manipulators and have tried to sell highly enriched uranium to Al Qaeda.

That is to say, the Milken network nicely illustrates the "nexus" that Admiral Dennis Blair identified when he was director of national intelligence. And since the SEC seems disinclined to do anything about the Milken network, perhaps the job of stopping these people should be handed to the director of national intelligence.

At any rate, since Al Qaeda's most important financiers are tied in with America's most notorious market manipulators, it is safe to assume that Al Qaeda is capable of causing "significant damage to the global financial system" (as the Director of National Intelligence put it).

Such damage would put into jeopardy the future of the United States. Therefore, it seems to me that the Milken network poses a threat to our national security.

It might even be significant that a former spy was monitoring meetings that Milken and some of his cronies held in Costa Rica in 2006. Again, those meetings were hosted by Jonathan Curshen, who is: 1) the former trading partner of Anthony Elgindy (a market manipulator who was tied to the Russian Mafia and threatened a guy with access to nuclear bombs after his jihadi associates gave him advance knowledge of the September 11 attacks); and 2) white knight for YBM Magnex (controlled by nuke-selling Semion Mogilevich, FBI Most Wanted #2).

One person at those meetings in Costa Rica was Gene Phillips (proprietor of Sinex Securities, which laundered $4 billion for the Mogilevich organization and likely also laundered money for Bank Al Taqwa, which set up Al Qaeda's main operating base in

Europe).

Another person at those meetings in Costa Rica: Steven Roth (investment advisor to "Specially Designated Global Terrorist" Yasin al Qadi's anti-terrorism company, Imagis; and proprietor of the Vornado Real Estate Investment Trust [REIT], said by Anthony Elgindy in discussions with the FBI to have had advance knowledge of the September 11 attacks).

Also at those meetings: Kevin Ingram (former head of the Goldman Sachs mortgage-backed securities desk; money launderer for suspected Al Qaeda arms dealer with ties to a Pakistani looking to buy components for nuclear weapson); and Ali Nazerali (hedge fund partner of Yasin al Qadi, Osama bin Laden's favorite financier).

According to the former spy, the people at these meetings in Costa Rica discussed ways to destroy some big companies. The former spy wasn't sure how it was supposed to work, but he said it had something to do with mortgages, collateralized debt obligations, REITs, and manipulative short selling.

As it happened, two years later some big companies (Bear Stearns, Lehman Brothers, and others) indeed went under in a catastrophic way. And mortgages, collateralized debt obligations, REITs, and manipulative short selling were all on the scene.

In upcoming chapters, I will explain how it worked. For now, I will just say this: the financial crisis of 2007 and 2008 was not entirely happenstance. To the contrary, the American economy was "busted out." And some of the perpetrators of this disaster attended those meetings in Costa Rica.

Most of the other perpetrators of this disaster were Michael Milken's closest associates: financial criminals with ties to Mobsters, rogue states, and jihadi terrorists.

To be continued…

CHAPTER 12

The Miscreant' Global Bust-Out (Chapter 12): Russian Spies, Rogue States, and the Manipulation of the American Markets

Posted on 03 June 2011 by Mark Mitchell

In the summer of 2010, the FBI arrested ten Russian spies in the United States and deported them back to Moscow. The American press (which tends to do little more than quote the words of official spokesmen and “prominent” members of the establishment) reported that these spies had posed no threat whatsoever.

Most media outlets suggested that the spies were hapless operatives at best. Aside from the occasional cash drops in public parks, the spies spent most of their time hanging out in Starbucks with their laptop computers, which maybe contained some encrypted messages from Moscow, but messages that were mundane or altogether pointless.

When one of the spies, Anna Chapman, returned to Moscow, she posed in sexy attire for the Russian edition of Maxim, the men’s magazine. That got the U.S. media excited for a brief spell, but she was soon forgotten.

Certainly no media outlet bothered to investigate whether Russian spies had, say, infiltrated the American financial system, developing relationships with some of the world’s most dangerous market manipulators.

Which is unfortunate, because there are many reasons to believe that the Russian intelligence services (and some of the Russian spies who were arrested in 2010) figure into the network of financial operators that Deep Capture is seeking to expose.

This should not surprise anyone at this stage in the story. We have seen that Michael Milken’s closest associates and a network of U.S. brokerages tied to Milken helped the Russian government and the Russian Mafia (notably, the Mogilevich organization) manipulate the markets and launder upwards of $7 billion in the late 1990s.

In more recent years, Mafia-tied oligarchs such as Roman Abramovich (Russian prime minister Vladimir Putin’s right-hand man) have been linked (along with the Mogilevich organization) to Bernie Madoff’s market manipulation enterprise and to outfits like Tuco Trading, which transacted (on trading platforms controlled by Milken cronies) manipulative trading equal to 20 percent of the volume of the largest brokerage on the planet during the month before the 2008 collapse of Bear Stearns.

We have also seen that some of Milken’s close associates, such as Russian Mafia

boss Felix Sater, are market manipulators with ties to the Russian intelligence services.

In addition, there is no doubt that the Mogilevich organization (of which Felix Sater is a member) has close ties to not only the Milken network, but also to the Russian government. Indeed, as Admiral Dennis Blair, then director of U.S. national intelligence, made clear in his 2010 report to Congress, Russian organized crime groups and the Russian intelligence services are closely intertwined.

This assessment is shared by U.S. diplomats based in Russia, as was evident from diplomatic cables that were made public by Wikileaks in late 2010. As one cable from the U.S. embassy in Moscow noted, the Russian government "operates more as a kleptocracy than a government. Criminal elements enjoy a 'kryshna' (a term from the criminal/mafia world literally meaning roof or protection) that runs through the police [and] the Federal Security Service [Russia's main spy agency]."

Sexy Russian spy Anna Chapman did more than hang out at Starbucks. She also spent a good deal of time working for a hedge fund, Navigator Asset Management, that is part of the Milken network.

Navigator is a big player in the death spiral finance game, and shows up, alongside Milken cronies, as an investor in multiple companies. As just one example, a Navigator subsidiary, the Isosceles Fund (which the Russian spy helped run) was invested in NCT Group with Gene Phillips (Milken's closest associate and launderer of $4 billion of Russian Mafia and Russian government money) and Yasin al Qadi (Osama bin Laden's favorite financier).

That investment and others that I will discuss had the dual advantage of putting a Russian spy in contact with both Al Qaeda and a notorious American market manipulator (Gene Phillips) who had deep ties not only to the Russian Mafia, but also to La Cosa Nostra. And it is entirely possible that the Russian government and its spy services have since sought to strengthen their relationships with market manipulators who have demonstrated a willingness to damage the U.S. economy.

Perhaps that's how it came to be that Christopher Metsos (another of the ten Russian spies arrested in 2010) turned up as a client of Lines Overseas Management, a major offshore short selling and market manipulating hedge fund and brokerage operation with a securities rap sheet a mile long.

Recall that Lines Overseas Management's other clients included Felix Sater (Russian Mobster with ties to Russian intelligence); Ivan Boesky (Milken's most famous criminal co-conspirator, who, after his release from prison, moved to Moscow); and Milken crony Ali Nazerali (who was not only an associate of Ivan Boesky and Felix Sater, but also a hedge fund partner of Yasin al Qadi, Osama bin Laden's favorite financier.).

As I mentioned in Chapter 10, Mark Salter, a principal at Gene Phillips' Sinex Securities (the outfit that laundered around $4 billion for the Russian government and the Russian Mafia), previously worked for Westcap Securities, then controlled by the above-mentioned Ali Nazerali (who has, as I documented earlier, has run stock scams with the chief of Saudi intelligence, and was a former top employee of a man, Abbas Gokal, who works for Pakistani intelligence)

Prior to that, Salter worked for Greystone Securities, then controlled by Nicholas Camilleri, proprietor of Navigator Asset Management (the outfit that employed Russian spy Anna Chapman).

Also possibly significant is what federal investigators reported about Cynthia Murphy (another of the ten Russian spies arrested in 2010). Specifically, the DOJ said that Murphy, whose real name was Lydia Guryev, "had several work-related personal meetings" with a "prominent financier" who was left unnamed.

That financier, the press later reported, was Alan Patricof. In fact, it was Patricof who notified the press that it was he. Perhaps he figured the information would eventually become public and decided to let the media know that it was no big deal.

The U.S. media (which does little more than transcribe the words of prominent financiers) reported that Patricof's meetings with the Russian spy were, in fact, no big deal.

In the 1980s, Patricof was a major investor in Ivan Boesky's arbitrage fund. In more recent years, Patricof's Apax Partners has been involved in a number of the Mafia-style "bust outs" that have made the Milken network so much fun to investigate.

One of the many Milken network scams that involved Patricof was Versicor, a company that was taken over by Jeremy Goldberg, who went on to run one of

Milken's investment funds, an outfit called Proquest.

Versicor's Chairman, Timothy Barberich, was, meanwhile, funding a casino venture with a Mobster named Anthony Moscatiello, who was then (according to the U.S. government) the chief bookkeeper for the Gambino crime family. Shortly after the casino venture, Moscatiello was indicted for the murder of one of his casino partners, Gus Boulis.

Meanwhile, Patricof was involved with a host of companies financed by Milken crony Lindsay Rosenwald, former vice chairman of D.H. Blair, the Mafia "death spiral" outfit that was (we know) indicted along with AR Baron, Felix Sater's White Rock and at least five members of La Cosa Nostra.

As we saw in Chapter 10, A.R. Baron (and almost certainly D.H. Blair, given that it was indicted along with A.R. Baron) were tied in multiple ways to the market manipulation and money-laundering operation that the Russian government and the Russian Mafia were utilizing in the late 1990s.

In a coded message that Moscow delivered in 2009, the Russian spy Guryev's handlers stated that Patricof "is checked in C's database – he is clean. Of course, he is a very interesting 'target.'"

The message mentioned that Patricof was interesting because he was "prominent in politics" – and the media reported that the coded message meant that the Russians were interested in Patricof only because the financier had made a large donation to the Democratic Party.

However, the otherwise vague message also stated that the spy should "consider all options in regard to Patricof".

There are a couple of important things about this that seem odd.

The first is that, according to the FBI, Patricof had at least "several work related personal meetings" with the Russian spy. Considering that the spy was then working as a low level employee at an accounting firm, Deep Capture applauds the willingness of Patricof (a big time billionaire) to be so accommodating.

The second is that court documents in the spy case make it clear that the Russian government had at some point become aware that its spies were under FBI

surveillance, though it is not entirely clear when the Russians first realized they were being watched. Deep Capture does not know whether it is a habit of Russian intelligence to send its operatives exculpatory messages regarding US citizens when the Russians understand (as those court documents make clear) that they are under FBI surveillance.

Another thing that is certain: Patricof is tied up with some unusual characters. One, as I mentioned, is Lindsay Rosenwald, whose father-in-law, Morty Davis, founded D.H. Blair, the Mafia brokerage indicted with A.R. Baron (linked to a massive Russian government and Mafia money laundering scandal) and Felix Sater (Russian Mafia boss with ties to the Russian intelligence services).

Recall that Felix Sater escaped jail by telling the DOJ he had ties to Russian intelligence and could therefore help the CIA purchase a stockpile of Stinger missiles from Osama bin Laden. Recall also that Felix Sater sent my colleague Patrick Byrne a "Message from Russia" suggesting that Patrick would be killed if he continued to be involved with investigations like this one.

Patricof was not just holding meetings with a Russian spy while doing business with market manipulators with deep ties to the Russian Mafia. Patricof was also the closest associate in the United States of an Iranian named Hassan Nemazee, who is the son of an Iranian diplomat and the scion of Iran's wealthiest family.

In 2010, Nemazee was arrested for running a scam that involved securing collateral from major banks with securities that did not exist. He did this through an outfit called First Capital Partners that he ran with Gerardo Angulo, a former employee of Ivan Boesky.

As we know, Boesky (Milken's most famous criminal co-conspirator) ran his arbitrage fund (financed generously by Patricof) out of a building that was owned by the Alavi Foundation (a front for the Iranian regime, indicted for espionage in 2009). Boesky occupied the same suite of offices in that building as Milken crony Marc Rich, later indicted for trading with Iran during the Iran hostage crisis.

At the time, Boesky's most important employee was a mysterious Iranian fellow named Hushang Wekili. I say that he was "mysterious" because, while Boesky gave Wekili yearly bonuses of more than $1 million, nobody could figure out what, exactly, Wekili was doing for Boesky.

Adding to the mystery was the fact that Boesky went to live in Iran for a period of time after the Islamic revolution. This was not his first lengthy visit to Iran. He'd also worked there when he was younger.

Boesky later testified in court that he had been working in Iran for the U.S. Information Agency, teaching English. But Pulitzer Prize winning author James Stewart investigated and found that the USIA had no record of any Ivan Boesky ever working for the agency.

When he wasn't in court, Boesky liked to tell people that he'd been Iran working for the CIA. That was almost surely a lie.

So we have to wonder — what was Boesky doing in Iran?

Nowadays, according to people who know Boesky, the mysterious Houshang Wekili never leaves Boesky's side. They regularly show up at meetings together, they share a house, and they were together when Boesky met with Ali Nazerali (who has his own ties to the Iranian regime) at the offices of Lines Overseas Management.

Nemazee's non-existent securities scam (at one point he provided banks with false documentation claiming that he possessed $500 million in U.S. Treasuries) was conducted with help from an outfit called Westminster Securities, a brokerage that used to trade in league with White Rock Partners, the outfit controlled by Russian Mafia boss Felix Sater (he with ties to the Russian intelligence and, apparently, the ability to negotiate weapons deals with Al Qaeda).

It was through Patricof that Namazee was able to get meetings with President Bill Clinton and many other government luminaries. After Namazee was caught with the fake U.S. Treasuries, Clinton's meetings with Namazee became a fairly big scandal, ranking up there with the Chinese spy scandal.

In the latter case, several Chinese spies, big fundraisers for the Democratic party, managed to worm their way into meetings with Clinton, leading many people to wonder whether political corruption had compromised national security. Many people similarly wondered how it came to be that Namazee, an Iranian criminal with close ties to the Iranian regime, was greeted warmly in the Oval Office.

The answer, of course, is that Alan Patricof set it all up. Such access to the White House may have been of interest to Patricof's Russian spy friend. But the Russian spy

would surely have also taken note of the damage that Patricof's network of market manipulators (including Namazee) had done to the U.S. economy.

This is not to say that the Russian spy successfully recruited Patricof. Perhaps the Russians are merely in the habit of sending their operatives chatty, exculpatory notes about complete strangers. However, it does seem that whenever such scandals arise, the Milken network is right in the mix.

And I must stress what is really the central thesis of the story that Deep Capture has been publishing for the past several weeks. Previous chapters have made it clear that key figures in the Milken network have close working relationships organized crime outfits, jihadi terrorist financiers, and multiple governments of rogue states.

As we will see in greater detail, some of the key figures in the Milken network have (quite deliberately) done significant damage to the American economy.

This is not to suggest that there has been a conspiracy among rogue states, jihadi terrorists, and Milken's cronies to do serious harm to the United States. On the other hand, the possibility does not escape us. At the very least, it seems possible that relationships among these various entities could be pernicious.

There can be no doubt that some of America's adversaries see advantage in weakening U.S. economic power. And it cannot be ruled out that these adversaries would seek to collaborate (if only at arms length) with American financial operators who have demonstrated a willingness to wreak havoc in the financial markets for fun or profit.

Therefore, we should take notice of relationships that already exist between destructive financial operators and America's adversaries. And we should take notice when Russian spies attach themselves to financial operators who are notorious for busting out American corporations and demolishing markets.

So, no, there is no grand conspiracy. But there are many other reasons to believe that the Milken network's skills at market manipulation have at least come to the attention of America's adversaries, including Russian intelligence.

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In the summer of 2010, a billionaire hedge fund manager named Solomon Obstfeld

fell from a balcony and splattered on the pavement in front of his 19th floor apartment on Park Avenue in New York. The cops arrived, and within hours, they had ruled the death a suicide.

However, Obstfeld's friends and family were not convinced. They pointed out that Obstfeld was not depressed, he did not leave a suicide note, and it would have been impossible (without someone's help) for him to scale the 9 foot wall protecting his balcony.

In addition, Obstfeld's friends understood that Obstfeld had been dealing with some scary characters who were left unnamed. The friends hired a private investigator to solve the possible murder.

Soon after, another private investigator claimed that he had looked into the case and determined that the death was an accident, not a suicide. This news was splattered all over the Internet, but the second private investigator would not say who had hired him, and it seemed unlikely that Obstfeld could have "accidentally" scaled that 9 foot wall.

Having spent a considerable amount of time on this myself, I can say that it is unlikely that we will ever know exactly what happened. But if any honest private investigator is trying to get to the truth, he might consider that Obstfeld was one of Michael Milken's close associates, and he had done a lot of business with some of the world's most dangerous Mafia financiers, not to mention people tied to the spy agencies of some singularly rogue states.

In the 1980s and early 1990s, Obstfeld had been one of the most important traders at Datek Securities, the outfit founded by Omar Amanat (who later founded an Islamic TV station with Hamas and the Lightspeed trading platform deployed by Tuco). Datek's clearing firm, recall, was A.R. Baron, the outfit tied to the Russian government and Mafia money laundering scandal that broke in 1999.

Later, Datek was implicated in the trading of Phil Gurian, right hand man of the DeCalvacante Mafia capo Phillip Abramo (who was involved with Ali Nazerali's BCCI brokerage and later came to be known as the "King of Wall Street").

Datek's former vice president, remember, later bought Madoff's brokerage, likely to cover-up the brokerage's past market manipulation–specifically the liabilities in the form of "securities sold, but not yet delivered" that Madoff had previously tried to

cover up with Ponzi money delivered by Milken cronies and the Russian clients of Bank Medici in Austria.

Obstfeld was such an important (and shady) component of the Datek operation that Datek arranged for one of its traders to pose as Obstfeld and take the exam that Obstfeld needed to pass to get his trading license. This was a rather large scandal at the time, but the scandal went away.

At the time of his death, Obstfeld was most famous for running a major death spiral hedge fund called LH Financial, which was a unit of BAWAG, the Austrian bank that caters primarily to Russian oligarchs (including Roman Abramovich) with close ties to Vladimir Putin.

BAWAG, recall, helped the criminal U.S. brokerage Refco cover up naked short selling liabilities in the form of "securities sold, but not yet delivered."

Obstfeld's partner in LH Financial was Martin Schlaff, who also ran a major death spiral hedge fund called Balmore Investments. In addition, Schlaff was, for much of his life, an asset of the East German Stasi and the KGB.

The KGB, of course, was the Soviet intelligence agency. Former KGB's operatives and chieftains, known in Russia as the siloviki, along with current intelligence operatives, oligarchs, and the Mafia, now essentially control the Russian government. It's not just me saying this; it is the consensus of foreign policy experts (e.g., Marshall Goldman of the Council on Foreign Relations).

Schlaff earned his first millions financing companies that had been founded by former German Stasi agents who had worked with Vladimir Putin in Dresden, back when Putin was employed with the KGB in East Germany. Schlaff, who remains one of Putin's closest cronies, has also been involved in a number of companies, such as Centrex Holding, which have ties to the Russian state oil giant Gazprom and to Mafia kingpin Semion Mogilevich.

Schlaff and one of his Russian associates are also alleged to have paid (through BAWAG) millions of dollars in bribes to successive Israeli prime ministers, including Ehud Olmert and Ariel Sharon. In addition, Schlaff is alleged to have paid bribes to Avigdor Lieberman, who now serves as Israel's foreign minister and leads a right-wing party that is a partner in Israel's ruling coalition.

Avigdor Lieberman is one of the leading advocates for an aggressive Israeli policy in the occupied territories, and he was a big reason why Israel invaded Lebanon in 2006, and attacked Gaza in 2009. It is thus of interest that Schlaff is also on close terms with Arab dictators, including Libya's Muammar Qadaffi, who reportedly worked with Schlaff to broker a deal that saw Israel allowing Qadaffi to support Hamas in Gaza.

Meanwhile, it has been reported that some of Schlaff's bribes to the Israeli government were paid to facilitate a 1998 deal that he had brokered between BAWAG and Palestine Liberation Organization leader Yasir Arafat .

The deal saw BAWAG and Yasir Arafat building a seedy casino in Jericho. At the time, Yasir Arafat was still considered to be an underworld figure (this was before the international community had come to fully accept Yasir Arafat as an overworld politician).

Indeed, before the ultimately doomed Oslo Peace Accords in 1993, Arafat (who passed away in 2004) was still considered one of the world's leading terrorists because his men had killed hundreds of Israeli civilians, and because he had developed ties between the PLO and a host of other terrorist groups, including Hezbollah, the Revolutionary Armed Forces of Columbia, the Beider Meinhoff gang, Carlos the Jackal, and the Japanese Red Army. Much of this network had close relations with Russia and the regime in Iran.

Schlaff's Balmore Investments and Obstfeld's LH Financial have both done quite a lot of business with other Milken cronies. For example, they were both investors in NCT Group, the outfit whose other investors included Gene Phillips (launderer of $4 billion in Russian money), Yasin Al Qadi (Osama bin Laden's favorite financier), and the Isosceles Fund (employer of Russian spy Anna Chapman).

Obstfeld, meanwhile, was also involved with Global Securities, the outfit whose principal clients were Anthony Elgindy's pack of traders, all of them tied to the Mafia, some of them tied to jihadis. Global Securities also counted among its clients one of Obstfeld's closest associates, Eugene Grin, also known as Eugene Grinshpon.

Among the many scams that Mr. Grin/Grinshpon and Mr. Obstfeld perpetrated together (according to the Commissioner of Insurance for the State of Delaware, who filed suit against both of them) was the 1994 bust out of National Heritage Life, a giant insurance company.

Mr. Grin/Grinshpon now runs a powerful short selling and death spiral PIPEs fund called Laurus, which is closely tied to another fund called Talbiya. Unsurprisingly, Talbiya was among the investors in the above-mentioned mentioned NCT Group.

Mr. Grin/Grinshpon also once invested in a company called Earth Biofuels, and according to an investigator who has supplied information to Deep Capture, Mr. Grin/Grinshpon once tried to extort information from the CEO of that company, Dennis McLaughlin. When McLaughlin threatened to expose the extortion attempt, Mr. Grin/Grinshpon allegedly had one of his thugs try to murder McLaughlin by pushing him down a flight of stairs.

One of Earth Biofuel's board members was Herbert Meyer, former special assistant to the director of the Central Intelligence Agency. According to the source, Mr. Grin/Grinshpon might have been trying to gain access to U.S. government secrets.

The source was likely jumping to conclusions (Meyer had retired from the CIA years before), and the source did not present hard evidence that Grin was after U.S. secrets, but on other matters, the source has been reliable.

And there can be no doubt that Mr. Grin/Grinshpon is tied to the familiar network of subversives.

According to Forbes magazine, Mr. Grin/Grinshpon once lent $6 million to a fellow named Francis O'Donnell, who was later named by authorities as being an associate of the Genovese Mafia family. And Mr. Grin/Grinshpon got his start working for FN Wolf, one of the Mafia brokerages that received finance in the 1980s from Milken associate Zev Wolfson.

FN Wolf was controlled by Robert Brennan, one of the people directly implicated in the Russian government and Russian Mafia money laundering and stock manipulation scandal that broke in 1999. Later Congressional testimony named FN Wolf as being one among a network of brokerages tied to organized crime.

After leaving FN Wolf, Mr. Grin/Grinshpon founded Laurus in partnership with Robert Press, who was previously the president of PCM Securities, a Genovese Mafia brokerage that was raided by the FBI in 1999 as part of its crack down on a larger network of Mafia brokerages, most of them tied to Milken or his closest associates. These brokerages were part of the same network deployed by the Russian

government and Russian Mafia in the late 1990s.

Mr. Grin/Grinshpon's relative, Avinadav Grinshpon, runs Memorand Management, which is controlled by an Israeli billionaire named Lev Leviev. A prominent Israeli newspaper, Haaretz, has reported that Leviev, best known as a diamond trader, is tied to foreign intelligence agencies. This seems to be supported by information compiled by a Congressional commission that was set up to monitor national security threats emanating from overseas.

Lev Leviev's partner in Memorand Management is Rotem Rosen, who is married to the daughter of Tamir Sapir (the Russian Mafia boss who was selling electronics equipment to KGB operatives in New York along with Semion Kislin, named by the government as a "member" of the gang run by "Little Japanese" [the one-time top boss of the Russian Mafia in the USA who was murdered in Moscow in 2009 after revealing that he had been employed by the FSB, Russia's main intelligence agency]).

Recall that Semion Kislin's nephew, Arik Kislin, was a close business associate of Babek Seroush, an Iranian arms dealer who was dealing with North Korea while employed by Russian military intelligence. Kislin is now involved with a brokerage called Carlin Equities. He was previously among the small pack of closely affiliated market manipulators who traded through Global Securities.

That's the pack that included Anthony Elgindy (tied to the Russian Mafia and multiple leaders of jihadi terrorist groups); Ali Nazerali (former top employee of Abbas Gokal, a Pakistani ISI asset who works for the Iranian regime); Rakesh Saxena (Marxist Naxalite), Adnan Khashoggi (asset to multiple intelligence agencies), and similar characters.

Also involved with Global Securities was Felix Sater, the Russian Mafia boss who sent to my colleague Patrick Byrne a "message from Russia." Currently, Felix Sater runs Bayrock, which has a partnership with Tamir Sapir (the guy who used to sell high-tech equipment to the KGB). According to Bayrock's former CFO, the company is a massive money laundering operation.

Another key figure involved with Global Securities was a fellow named Yavgeniy Dvoskin. He also owned an outfit called Centex, which was among the few brokerages aside from Global that was used by Elgindy, Sater, Nazerali, Kislin, and others in their close-knit pack of traders.

These market manipulators (some of them Milken's closest associates, all with ties to the Mafia, many with ties to jihadis) were Centex's principal customers, just as they were Global's principal customers.

That Centex was even allowed to operate is amazing considering that Yavgeniy Dvoskin had been caught in the late 1980s perpetrating a money laundering scheme, at which point he shared a jail cell with the above-mentioned "Little Japanese" (top boss of the Russian Mob and, apparently, a Russian intelligence asset).

Yavgeniy Dvoskin also uses the name Semyan Altman. Sometimes he is known as Eugene Slusker. In addition, he is known as Eugene Schuster and Shuskar and Slushke and Sousker and Dvoskin and Lozin and Kozin – which is a lot of names.

Sometimes intelligence agents have a lot of names.

Mr. Dvoskin-Lozin-Kozin-Etc. may well be a Russian intelligence agent.

Soon after the FBI busted the ten Russian spies in 2010, a prominent Russian businessman named Vadim Glazkov told his business partner in Moscow, a banker by the name of Michail Zavertyayev, that he had in his possession some sensational documents that showed that Mr. Dvoskin-Lozin-Kozin had been the ring-leader of the arrested spies.

Glazkov, who is himself a former KGB operative and now the head of the Petersberg Fuel Company, said the documents showed that Mr. Dvoskin-Lozin-Kozin had directed the spies to penetrate the financial system to facilitate money laundering and the manipulation of the American markets.

Russian journalist Ilya Barabanov broke this story, and similarly enterprising reporting earned him the 2010 Peter Mackler Award, a prestigious honor given to the journalist who has done the most ground-breaking investigative work in nations that limit freedom of the press (as opposed to journalists in the United States, which has an almost limitlessly free press that no longer does ground breaking investigative work).

At any rate, as Barabanov noted, Glazkov (the fellow with the documents) had reason to dislike Mr. Dvoskin-Lozin-Kozin-Etc. because Mr. Dvoskin-Lozin-Kozin-Etc. had attempted a hostile takeover of one of Mr. Glazkov's companies, and during this attempt, a posse of thugs attacked Mr. Glazkov, smashing in his head, subsequent to

which Mr. Glazkov spent several months in a Moscow hospital.

It also should be said that Mr. Glazkov never managed to show anyone those sensational documents. Apparently, he had made arrangements with Kirill Kabanov, the head of Russia's Anti-corruption Committee, to hand over the documents to independent observers. But on the day that the observers arrived to collect the documents, Mr. Glazkov said that Aleksandr Bortnikov, the head the FSB, had just appeared in his (Mr. Glazkov's) office and threatened to arrest him (Mr. Glazkov) if he made the documents public.

Whatever the truth regarding that set of documents, it is clear to Deep Capture that Mr. Dvoksin-Lozin-Kozin-Etc. is a member of the network that poses a serious threat to the stability of the financial system and our national security. He is closely tied to the Mogilevich organization, and was involved in a scam that saw Mogilevich, with the apparent connivance of the Russian government, siphoning off billions of dollars from the Russian state oil company Gazprom.

In addition, Mr. Dvoskin-Lozin-Kozin-Etc. is a notorious market manipulator who has orchestrated multiple death spiral scams, sometimes in league with prominent members of the Milken network, including Ali Nazerali (former Gokal employee; major BCCI figure; hedge fund partner of Yasin al Qadi, Osama bin Laden's favorite financier).

In 2003, Canadian authorities charged Mr. Dvoskin-Lozin-Kozin-Etc., along with Francesco Rizzo (an associate of the Colombo organized crime family) and seven others, in a market manipulation scheme that they ran through two Canadian brokerages – Pacific International and Thompson Kernaghan.

Both of those brokerages were also used by Elgindy and the rest of the above-menioned pack of Mafia-jihadi market manipulators. For many years, this crowd conducted nearly all of their trading through four brokerages: Pacific International, Thomson Kernaghan, Global Securities, and Centex (Mr. Dvoskin-Lozin-Kozin's brokerage).

By 2008, those brokerages had been replaced by even more worrying operations. More on those later.

The star broker and key principal at Pacific International during its heyday was Jonathan Curshen, later a close trading partner of Elgindy, and the white knight for

Semion Mogilevich's money laundering outfit YBM Magnex.

In 2006, we know, Curshen (who was then operating out of the same building that housed the Israeli embassy in San Jose) was hosting those meetings in Costa Rica where (according to the former spy who monitored them) Michael Milken and some of his close associates, including Gene Phillips and Ali Nazerali, discussed ways in which to destroy some big companies.

Thompson Kernaghan was managed by a guy named Mark Valentine, who got his job thanks to his connections to Ali Nazerali and Nazerali's friend Soleiman Rashid, who is, like Nazerali, on especially close terms with jihadis.

Rashid is a prominent member of the Palestinian community in Toronto, and according to his associates, his brother coordinates cells for Hamas in the Israeli city of Haifa.

Valentine was low-rent financial riff-raff until he met Rashid. But he was also the son of the Canadian ambassador to Saudi Arabia, so Rashid asked a close friend to give Valentine a high-flying job at Thomson Kernaghan.

With remarkable speed, Valentine assumed the leadership of Thompson Kernaghan, and in allegiance with his mentor Rashid, he became an important financier to both the Mafia and jihadis. In fact, Thompson Kernaghan repeatedly showed up as a co-investor in companies targeted by Yasin al-Qadi (Osama bin Laden's favorite financier).

Among the many Yasin al Qadi deals handled by the brokerage were Imagis (the anti-terrorism company that Yasin al-Qadi and Nazerali listed just before the 9-11 attacks) and NCT Group, the outfit whose key investors included Yasin al-Qadi, Gene Phillips, Solomon Obstfeld, Martin Schlaff, Mr. Grin/Grinshpon, and the Isosceles Fund (which employed the Russian spy Anna Chapman).

Meanwhile, the Isosceles Fund and its parent, Navigator Asset Management, invested in other companies with ties to jihadis. For example, Isosceles was a key investor in a company called Newcom, which has been identified as one of the entities in the SAAR Network of terrorist financiers.

Another key investor in Newcom was Infinity Capital, which seems to have been initially set up to invest in First New York Securities, a brokerage founded by Dan

Cherniak, who was previously a co-founder, with Steve Cohen, of SAC Capital. Cherniak, like Cohen, had worked, along with Felix Sater and other Milken cronies at the Milken-financed and Mafia-infested Gruntal Securities in the 1980s.

Other investors in Newcom included Asif Mohammad Khan and Muhammad Ashraf. Khan formerly worked for the Assa Corporation, the outfit charged in 2009 with being a front for the Iranian regime's espionage and business activities meant to fund Iran's nuclear program. This is the same outfit that was allegedly tied to Global Securities.

Ashraf was a partner with Yasin al Qadi in BMI Inc., the outfit that was the principal investor in Bank Al Taqwa. As was detailed in Chapter 11, Bank Al Taqwa set up Al Qaeda's main operating base in Europe while laundering money, along with the Mogilevich Organization (and probably with the assistance of Gene Phillips's Sinex Securities) into the Bank of New York.

Meanwhile, Mark Valentine, in addition to his work for Thomson Kernaghan, was a partner in Navigator, the hedge fund that employed Russian spy Anna Chapman. The press (relying on Chapman's LinkedIn profile) has reported that Chapman worked for Navigator in 2005 and 2006. But a source who has worked closely with Valentine says both Valentine and the spy were involved with the fund as early as 2002.

Rarely allowing himself to be photographed, and never entering a public establishment without a bodyguard in tow, Valentine was soon recognized as one of the biggest financial criminals Canada had ever known — a financial criminal who helped short sellers with ties to the Mafia and jihadis destroy countless companies.

Meanwhile, Valentine became acquainted with Colombian drug traffickers who were doing business with Hamas, Hezbollah and the Mogilevich organization. In 2002, Valentine was arrested in connection with the FBI's Operation Bermuda Short, a two year undercover sting targeting 60 traders who had manipulated the markets and also, in some cases, laundered money for FBI agents posing as members of a Colombian drug cartel.

Given this background, the authorities naturally focused on Valentine's small-time "pump and dumps". They failed to recognize (or, at any rate, failed to acknowledge) his more destructive trading – the naked short selling that earned him (by several accounts) upwards of a billion dollars.

As a result, Valentine spent a brief time under house arrest and was then released. Valentine immediately went back to trading under an assumed name (according to some of his associates, who have spoken with Deep Capture).

Given that these associates say that Valentine was not just trading, but pummeling the markets with manipulative short selling at height of the financial crisis in 2008, maybe someone should arrest him again.

Maybe someone should arrest the other financial operators in his network, too. Because, as we will see in upcoming chapters, this network of financial operators (with ties to the Mafia, the Grand Jihad, and the agents of rogue states) was to a non-negligible degree responsible for the market cataclysm of 2008.

And the network continues to harbor the potential to do additional damage to the American economy.

To be continued…

CHAPTER 13

The Miscreants' Global Bust-Out (Chapter 13): The Collapse of Refco; the Take-Down of National Heritage Life; and the Day the Mafia-Jihadi Nexus Discovered Penson Financial

Posted on 07 June 2011 by Mark Mitchell

A moment of silence for Solomon Obstfeld, the man who fell over the 9 foot wall surrounding his Park Avenue apartment's balcony and dropped 19 floors to his death in June, 2010. His death was a tragic loss, for he knew strange things about America's financial system.

Fortunately, there are others who can tell us things–people like Omar Amanat, who employed Obstfeld as the top trader at Datek Securities before founding an Islamic TV station with Hamas operative Nihad Awad (who plotted the release from prison of the Blind Sheikh, mastermind of the 1993 terrorist attack on the World Trade Center) and Muzzammil Hassan (who chopped off his wife's head, in California).

Also, Robert Brennan, who financed Datek and was implicated in the Russian government and Mafia money laundering and stock manipulation scandal that centered on the Bank of New York in the late 1990s.

And Datek's former vice president Frank Petrilli, who bought Bernie Madoff's brokerage, apparently to help cover up the liabilities (in the form of "securities sold and not yet delivered") that Madoff had accrued by helping his clients (apparently including Al Qaeda Golden Chain member Sheikh Mahfouz and people with ties to the Russian government) demolish U.S. stock prices.

Also, Datek's clearing firm, A.R. Baron, which was linked (along with Brennan and the others) to the Bank of New York scandal and indicted for manipulating stocks in league with Felix Sater, a Russian Mafia boss who worked with Russian intelligence in an effort to do an arms deal with Al Qaeda.

And, of course, Michael Milken, who (as I demonstrated in earlier chapters) knows all of these people and is the closest business associate of Gene Phillips, whose Sinex Securities helped the Russian government and the Mogilivech organization (and probably also Bank Al Taqwa, which set up Al Qaeda's main operating base in Europe) manipulate the markets and launder billions of dollars into the Bank of New York.

We can ask all of those people about the strange workings of the American financial system–strange workings that seem not to have escaped the attention of jihadis and the Russian government, among others.

About these strange workings, we can also ask Solomon Obstfeld's hedge fund partner, Martin Schlaff, the former Stasi/KGB intelligence agent who is among

Russian premier Vladimir Putin's closest cronies, and who bribed Israeli politicians while financing terrorist Yasir Arafat's seedy casino in Jericho and later brokered a deal that saw Israel allowing Libyan dictator Muammar Qadaffi to support Hamas.

As we know, Schlaff and Solomon Obstfeld were partners in a hedge fund called LH Financial, which was a unit of an Austrian bank called BAWAG. Schlaff, meanwhile, controlled another BAWAG-affiliated hedge fund called Balmore Investments.

Like most of the hedge funds and brokerages in this network, LH Financial and Balmore were major players in the world of "death spiral" PIPEs finance.

I mentioned "death spiral" finance earlier. A reader wishing to gain a general sense of this obscure (but immensely important) corner of the financial system might read a February, 2007 Forbes Magazine article by Nathan Vardi: "Sewer Pipes – Hedge funds are posting nice returns from deals that may involve ex-cons, stock scammers– even the Mob".

The Forbes article makes clear how Mobbed-up this type of finance is, naming numerous East Europeans in the process. It also explains that this type of finance (deployed in conjunction with manipulative short selling) is used to destroy American companies. Indeed, many experts estimate (conservatively) that hundreds of companies have been destroyed or seriously hobbled by death spiral finance.

Given the profiles of the people who dominate the death spiral world, it cannot be ruled out that they are motivated by more than money. Indeed, we must seriously consider the possibility that they have engaged in economic warfare against the United States.

The market destruction itself undermines the national economy, but often the destruction affects more than the economy. Many of the victims of death spiral finance have been biotech companies that were developing treatments for deadly diseases. The Department of Defense, which often supports such companies, considers the development of new medical treatments to be vital to America's national security.

Other victim companies were in businesses more directly related to national security. For example, a company called Force Protection was hit by a death spiral scheme in 2007, right at the time when Force Protection's principal product was being credited for turning around the war in Iraq.

During the early years of that war, the U.S. military was seriously constrained by road-side bombs, most of them “improvised explosive devices” (IEDs). These road-side bombs killed more American troops in Iraq than almost any other weapon.

But Force Protection had a solution: “Mine Resistant Ambush Protected” vehicles, known as MRAPs. These armored vehicles were generally impervious to IEDs. The U.S. military bought some of them and they were a great success.

As of 2007, there had been nearly 300 IED attacks on MRAPs, but only one death (a soldier was crushed when an explosion caused an MRAP to roll over, but even in that case the vehicle’s armor was not pierced). The Department of Defense determined that these MRAPs were the secret to defeating Al Qaeda and its allies in Iraq, so it ordered more of them.

But Force Protection had done a PIPEs deal in late 2006, and a few months later (beginning in June 2007) it was subjected to waves of manipulative short selling (which is what typically happens in a death spiral PIPEs scheme). As a result, the company’s stock price nose-dived, so it was unable to do a secondary offering to raise new capital.

Without sufficient capital, Force Protection was unable to meet the DOD’s demand for additional MRAPs, no doubt to the pleasure of Al Qaeda and others (perhaps even including the Russian government) who would have liked to see the United States lose the war in Iraq.

Another casualty of death spiral bust-outs was Refco, which until its demise in 2005, was one of the biggest brokerages in America. At the center of the scandal that took down Refco was BAWAG, the Austrian bank that was home to the death spiral hedge funds controlled by Martin Schlaff and Solomon Obstfeld.

Refco helped BAWAG cover up bad loans, many of which were brokered by Martin Schlaff (the former KGB and Stasi agent). For example, Refco covered up a loan that BAWAG made to Schlaff’s business partner, Michael Chernoy (sometimes spelled Cherney), a Russian Mafia figure who, like Mogilevich (another Schlaff business partner) is likely tied to the Russian intelligence services.

Not only does Chernoy operate in Russia with impunity, but he used to be the sponsor of something called The Intelligence Summit, which invited spymasters from around the world to discuss their tradecraft. Former CIA director James Woolsey sat on The Intelligence Summit's board of advisers until he resigned, citing Chernoy's ties to the Russian Mafia and various murders.

As a former top Refco executive explained to me, BAWAG was also using Refco to launder money for terrorist groups–first Yasir Arafat's PLO, and later Hamas. Yasir Arafat, of course, was brought to the table by Martin Schlaff (who got BAWAG to finance Arafat's casino in Jericho).

It was also Schlaff who brought Hamas to the table. Meanwhile, Schlaff was still funneling bribes (through BAWAG) to successive Israeli prime ministers.

Schlaff (along with Datek client Diamond Joe, Chernoy and other Russian Mobsters with Israeli passports) were also also among the principal financiers of right-wing Israeli politicians, such as Avignor Lieberman, who were nurturing Hamas in hopes of derailing the PLO and undermining peace talks with the Palestinians.

That right-wing Israeli politicians helped create Hamas is a fact, though it is rarely reported. One exception is a Wall Street Journal story titled, "How Israel Helped to Spawn Hamas."

Schlaff and his hedge fund partner Obstfeld also played a role in developing business relationships between BAWAG and companies in Iran. Meanwhile, BAWAG and a financial institution in Bahrain called Arcapita Bank led a $1 billion debt securities underwriting syndicate for a five year shariah financing facility.

Arcapita is affiliated with the Muslim Brotherhood (which created Hamas and indoctrinated a number of Al Qaeda leaders), and has several interesting people sitting on its board of directors. One of them is a Muslim Brotherhood figure named Taqi Usmani, who has been an strong supporter of violent jihad.

Before the September 11 attacks, Usmani was among a group of religious scholars who traveled to Afghanistan, ostensibly to convince the Taliban to hand over Osama bin Laden. It later emerged, however, that his delegation had quietly encouraged the Taliban to continue protecting the Al Qaeda leader.

Apparently, as Usmani put it in one of his writings: “Killing (by jihadis) is to continue until the unbelievers pay jizyah (tax) after they are humbled and overpowered.”

Of course, BAWAG also did business with the Russian Mafia (Chernoy, Mogilevich, and others). In addition, BAWAG’s clients included oligarchs such Roman Abramovich, who was the right-hand man to Russian prime minister Vladimir Putin.

Recall that Abramovich (another Madoff client) and two of Mogilevich’s henchmen (both linked to the scandal that centered on the Bank of New York) were the masterminds of the Orange Diviner account at that little brokerage in Chicago, Tuco Trading.

As we know, Tuco conducted manipulative trading equal to more than 20 percent of the volume of the largest brokerage on the planet during the month before the 2008 collapse of Bear Stearns.

In the fall of 2010, I was spending a lot of time on the phone with Zuhair Karam, a jihadi who worked for Tuco, because it seemed that Tuco and its partner brokerages had contributed significantly to the 2008 financial crisis.

When I first began talking to Zuhair, I knew that much of Tuco’s massive volume was transacted over several trading platforms. One of these trading platforms was provided by Man Financial, a unit of Man Group, one of the feeders to the Madoff Ponzi fund (which was used, partly, to cover up liabilities Madoff’s brokerage accrued as a result of manipulative short selling).

A RICO case filed in 2007 alleged that the Man Group, which is one of the bigger players in the world of death spiral PIPEs, was also providing clearing services to the Lucchese organized crime family. This is not surprising because the Man Group (as we have seen) is controlled by people who used to work with Michael Milken at Drexel Burnham.

And (as we have seen) Michael Milken probably brought La Cosa Nostra and the Russian Mafia to Wall Street. Milken also brought people like future Al Qaeda Golden Chain member Shiekh Mahfouz (another Madoff feeder) to Wall Street. In addition, he brought Saudi intelligence to Wall Street while his famous criminal co-conspirator Ivan Boesky and other cronies seem to have helped bring the regime in Iran to Wall Street.

I realize that these statements will seem bold and unsubstantiated to people who have not read earlier chapters of this story. The importance of these relationships cannot be understood without reading this story's many chapters in their entirety. Nonetheless, I am repeating some information because I realize that some people will be reading this chapter in isolation, and because the information can better be understood in light of new information.

An earlier chapter of this story noted that Man Financial transacted massive volumes of manipulative wash trades for an Al Qaeda money man named Naresh Patel. It might also be worth repeating that Man Financial's vice president of trading control founded an Iranian social club in partnership with an agent of the Iranian regime and a Goldman Sachs managing director whose Iranian charity was swapping cash with the Alavi Foundation, an Iranian outfit indicted for espionage in 2009.

I knew this in the fall of 2010, when I was talking to Zuhair Karam, the jihadi who had worked for Tuco Trading. I also knew that an outfit called Lightspeed had provided Tuco with another of its trading platforms. And the Lightspeed trading platform had been designed by Omar Amanat, founder of Datek Securities and co-founder (with Hamas) of the Islamic TV station whose CEO chopped off his wife's head.

I was talking to Zuhair and others because I was trying to confirm (among other things) the identity of an Iranian fellow who was responsible for much of the manipulative trading that went through Tuco.

It would be some time before Zuhair would confirm the identity of that Iranian, but as of the fall of 2010, I had information that the Iranian was a partner in a hedge fund with a principal at Carlin Equities, the brokerage financed by Arik Kislin.

Kislin, recall, is a business partner of Iranian intelligence agent Babek Seroush and a "member" (according the the U.S. government) of the gang run by Russian Mafia boss Vyancheslav Ivankov (a.k.a. "Little Japanese), who was assassinated in 2009 after he revealed that he had worked with the Russian intelligence services.

In the fall of 2010, Zuhair was not yet cooperating with my investigation, but I had determined that Tuco and its partner brokerages were part of a tight-knit network

that had included Bernie Madoff's brokerage (purchased in 2010 by Datek's former vice president) and Refco, the giant brokerage that collapsed in 2005 as the result of a scandal involving BAWAG, home to death spiral funds run by Solomon Obstfeld (formerly Datek's top trader) and his partner Martin Schlaff (formerly a KGB and Stasi agent).

BAWAG was not only using Refco to launder money for terrorist groups such as Hamas. It also provided clearing services for Refco. And clearing services are quite important.

A brokerage's clearing firm ensures that securities and derivatives sold by a brokerage are actually delivered. That is, a clearing firm ensures that market manipulators are not selling phantom stock to create artificial supply and drive down stock prices. Short selling phantom stock (and thereby creating what the SEC calls "failures to deliver") is a key component of any death spiral scheme.

It is unlikely that BAWAG ensured delivery of stock sold by Refco. Indeed, quite to the contrary, BAWAG was transferred money to Refco, and Refco used the money to cover-up its liabilities in the form of "securities sold but not yet delivered."

That is, BAWAG was helping Refco cover-up "failures to deliver" resulting from the manipulative short selling that Refco was transacting for hedge funds, many of which were perpetrating death spiral bust-outs against public companies in the United States.

As we have seen, this is precisely what Bernie Madoff's brokerage was doing in cahoots with another Austrian outfit, Bank Medici (which dealt with the same cast of Russians as BAWAG), and others who were feeding the Madoff Ponzi.

All told, Refco had more than $10 billion in liabilities in the form of "securities sold but not yet delivered". Some unknown fraction of those liabilities would have been the result of legal short selling, since brokerages are allowed three days to deliver the securities they have sold. During that three day window, the undelivered securities are recorded as liabilities, and the liabilities are removed from the balance sheet upon delivery.

However, it is clear that a significant portion of those liabilities were the result of illegal and manipulative short selling. That is, a lot of the securities that Refco sold short "failed to deliver" within the three day window, thereby creating artificial

supply and driving down prices.

It is not known precisely how many phantom securities Refco failed to deliver altogether, but the scandal that brought about Refco's collapse saw Refco CEO Santo Maggio using BAWAG money to cover-up at least $500 million in long-term liabilities resulting from failures to deliver of stock that it had sold short.

That is, Refco had, as of 2005, sold at least $500 million worth of phantom stock. Reporter Judd Bagley demonstrated this clearly in a video that accompanied a Deep Capture story (titled, "Naked Short Selling – Redefining Systemic Risk").

And that $500 million hole in the balance sheet represents only the amount of "failures to deliver" that Santo Maggio was caught covering up in August, 2005. No doubt, there had been more.

Much of those $500 million in phantom stock liabilities were the result of death spiral bust-outs orchestrated by a hedge fund called Rhino Advisors and a shadowy Panamanian fund called Amro International. When Rhino's manager, Thomas Badian, was indicted for naked short selling a little company called Sedona, he fled to Austria, where he lives today as a fugitive from US law.

Badian was clearly an important member of the network that Deep Capture wishes to highlight with this story. Prior to his indictment, he perpetrated multiple schemes with others in the network.

For example, Badian was the last of the major investors (the others being Martin Schlaff; Solomon Obstfeld; Mr. Grin/Grinshpon, Gene Phillips; "Specially Designated Global Terrorist" Yasin al-Qadi, and Navigator Asset Management, which employed the Russian spy Anna Chapman) in NCT Group, the outfit I mentioned in previous chapters.

Also implicated in Badian's naked short selling of Sedona was a brokerage called Pond Equities, which was closely tied to Refco. Pond Equities received much of its financing from death spiral impresario Zev Wolfson, the Milken crony who also funded a host of Mafia brokerages including A.R. Baron and others linked to the 1999 Russian government and Russian Mafia market manipulation and money laundering scandal (often referred to as the "Bank of New York scandal", since that's where the laundered money ended up).

A lawsuit filed by Sedona documented that Badian's scheme to destroy that company also involved Ladenburg Thalmann, then controlled by Milken crony Carl Icahn. As we know, Carl Icahn used to run the Milken-financed Mafia brokerage Gruntal & Co. with host of other Milken cronies, including Russian Mafia boss Felix Sater (later named as an indicted co-conspirator in A.R. Baron's market manipulation); and Steven Cohen (later of SAC Capital).

Icahn launched his first fund with finance from Milken and the above-mentioned Zev Wolfson. While Ichan controlled Ladenburg Thalman, it was one of the most notorious death spiral outfits on the Street. An investigative report by The Deal, a respected business news publication, found that Ladenburg Thalmann, in cahoots with the shadowy Panamanian fund Amro International, destroyed at least 28 companies.

No doubt, there were far more that The Deal was not able to identify. And it is a near certainty that those companies were destroyed with help from other, affiliated hedge funds that were, like Badian, trading through Refco and affiliated brokerages, such as Pond Equities.

Also named in the Sedona case was Westminster Securities, an outfit that traded in league with White Rock Partners until White Rock (controlled by Russian Mafia boss Felix Sater) was indicted, along with A.R. Baron and the death spiral Mafia brokerage D.H. Blair (also financed by Zev Wolfson).

Westminster, recall, helped the Iranian Hassan Nemazee orchestrate a scam involving $500 million in fake U.S. Treasuries, while Nemazee was wangling meetings at the White House with help from Milken crony Alan Patricof (who was later found dealing with Russian spy Lydia Guryev).

Another Refco client was Mark Valentine, the fellow who had previously run the brokerage Thomson Kernaghan until he was indicted as part of Operation Bermuda Short, which targeted more than 100 market manipulators including some who agreed to launder money for undercover FBI agents posing as members of a Colombian drug cartel.

As we saw in an earlier chapter, Valentine got his job at Thomson Kernaghan with help from Ali Nazerali, and did quite a lot of business with Nazerali's hedge fund partner Yasin al Qadi (Osama bin Laden's favorite financier). Valentine (whose specialty was death spiral bust-outs) also did a lot of business with people tied to

the Russian Mob and he was a partner in Navigator, the fund that employed Russian spy Anna Chapman.

Refco allowed Valentine to open an account despite the fact that his prior indictment prohibited him from participating in the markets.

It is reasonable to assume that Refco's clients also included people tied to the Russian government and perhaps the Russsian government itself. Certainly, Refco catered to people like Michael Chernoy and the BAWAG death spiral funds controlled by Martin Schlaff and Solomon Obstfeld.

A clue as to who Refco's other clients were can be found in the fact that BAWAG's head of treasury was Thomas Hackl, who also ran another BAWAG death spiral fund called Anstost Anstalt Schlann. In addition, Hackl was an executive at Refco and an investor in multiple death spiral schemes perpetrated by the Milken network.

For example, Hackl was involved with an outfit called Rnetthealth with several other individuals: Peter Berlin of Highborough Services; Mel Lifshitz of BL Squared Foundation; and Martin Chopp, a director of Glen Rose Petroleum, which was funded by Gene Phillips.

All of those people (like Icahn, Badian, Valentine, Wolfson, Obstfeld and Schlaff) are among Michael Milken's close associates. Gene Phillips, we know, is Milken's most important business partner and a central figure in the scandal that saw the Russian Mafia and the Russian government manipulating the markets and laundering money through the Bank of New York.

Peter Berlin is a Mogilevich-tied financier and death spiral impresario who was (as we have seen) also implicated in the Bank of New York scandal.

Mel Lifshitz was a death spiral impresario who had worked (along with Milken cronies Lindsay Rosenwald and Zev Wolfson) with the Mafia brokerage D.H. Blair, which was indicted for manipulating the markets with above-mentioned A.R. Baron and Felix Sater's White Rock Partners. Lifshitz was also an investor in the above-mentioned Pond Equities.

It is probable that this network used Refco to orchestrate death spiral attacks, and then maneuvered to destroy Refco soon after Badian was arrested in 2005. With Badian's arrest, the network no doubt concluded that authorities would take a

closer look at the relationship between BAWAG and Refco, and the liabilities that Refco had accrued as the result of “failing to deliver” stock sold by death spiral hedge funds.

This theory is supported by the fact that Refco itself was subjected to massive volumes of manipulative short selling soon after the brokerage went public in 2005. It is also significant that soon after Refco declared Chapter 7 bankruptcy, the remains of the brokerage were bought by the above-mentioned Man Group, a hedge fund and brokerage giant at the center of the network.

As Fred Lipman, a partner at law firm Blank Rome LLP, has noted (in reference to Man Group’s purchase of Refco’s remains): “In a Chapter 7 filing, you get a court order that pretty much protects the buyer from liabilities of the seller…It’s not perfect, but it’s the most protective way of selling assets in a situation like this.”

Man Group (which was then being sued for a death spiral scheme conducted through Refco) was absorbing (and thereby covering up) the “failure to deliver” liabilities that resulted from Refco catering to the Man Group and others in its network. I’ll remind you again that a similar scenario played out when Datek’s former vice president bought the remains of Bernie Madoff’s brokerage.

Meanwhile, as BAWAG came under closer scutiny, the Austrian bank was purchased by Cerberus Capital Management, another death spiral fund in the network. Recall that Cerberus was controlled by Stephen Feinberg and Ezra Merkin.

Merkin, it was later revealed, was the second largest feeder to the Madoff Ponzi fund, which was used, partly, to cover up “failure to deliver” liabilities. Feinberg was a former top employee of Michael Milken in the 1980s, and later became one of the trader-partners (along with Russian Mafia boss Felix Sater and Steve Cohen) who effectively ran Gruntal & Company, where Carl Icahn presided over the options department.

Whether or not hedge funds in this network deliberately destroyed Refco, it is clear that a death spiral of one little company (Sedona) was, through the magic of leverage, the principal reason for the brokerage’s collapse. Similarly (as we have seen), the death spiral of another little company (GenesisIntermedia) destroyed MJK Clearing, then the largest clearing brokerage in America.

As was the case with MJK, the collapse of Refco should be viewed as a scenario of

how an act of financial terrorism might play out. In both cases, major American financial institutions got into bed with the wrong people, and the actions of these people made the financial institutions ripe for destruction.

After purchasing BAWAG, Cerberus quickly fobbed the Austrian bank off on Lehman Brothers. That is to say, the hot potato was passed from player to player to stooge. Less than three years later, as we shall see, those same players put the stooge (Lehman) out of business.

* * * * * * * * *

Of course, it is not only big brokerages that have been destroyed by people in this network. As we have seen, various members of the network have been involved in everything from the take down of Bangkok Bank of Commerce (which precipitated the 1997 Asian financial crisis) to the destructive bust-outs that caused the savings and loan crisis in the 1980s.

Another victim of this network was National Heritage Life, a giant insurance and financial services company that collapsed in 1994. It is worth a taking a quick look at that case because it was good preview of events that would occur in 2008.

In the early 1990s, an investor named Shalom Weiss (who is also an Orthodox rabbi) seized control of National Heritage and proceeded to loot it. Specifically, he loaded the company with self-destruct CDOs and bad mortgages that he purchased from others in his network, including Solomon Obstfeld and Mr. Grin/Grinshpon. (Grin is the Russian fellow who has done business with the Genovese Mafia. He is also, as we have seen, tied to the diamond merchant and alleged foreign intelligence asset Lev Leviev, and to multiple people implicated in the Bank of New York scandal).

According to the Delaware insurance commissioner, National Heritage's cash was essentially transfered to Obstfeld and Grin/Grinshpon, with Weiss getting a cut. As these characters knew, once the self-destruct-CDOs did in fact self-destruct, it would hobble the company. Others in their network then made money naked short selling the company out of existence.

Weiss was himself a short seller and he was — along with his close friends Anthony Elgindy (tied to the Russian Mafia and Al Qaeda); Rakesh Saxena (Naxalite rebel leader; African coup-plotter), Ali Nazerali (hedge fund partner of Osama bin Laden's favorite financier); Phillip Abramo (Italian Mafia capo a.k.a "The King of Wall

Street”), and others in the pack that I previously described — a key client of Jonathan Curshen at Pacific International.

Curshen, recall, is the fellow who later opened an office in the same building that housed the Israeli embassy in Costa Rica. He was the white knight for YBM Magnex, the Mogilevich Mafia outfit linked to the Bank of New York scandal. And he hosted the meetings (monitored by a former spy) where Milken and some of his close asssociates, including Ali Nazerali and Gene Phillips, discussed ways to destroy some big companies.

Weiss was also (like the others) a client of Mark Valentine (then chairman, thanks to Nazerali and friends, of Thomson Kernaghan); Mr. Dvoskin-Lozin-Kozin-Etc. (then owner of Centex, later alleged to be the ring-leader of Russian spies arrested in the United States); and Global Securities (tied to the Russian Mafia and, possibly, the government of Iran).

Anthony Elgindy (who destroyed MJK Clearing with the Saudi arms dealer Adnan Khashoggi and a few others, including Valerie Redhorse, Michael Milken’s former office manager) was, as I have noted, an important player in this pack, regularly relied upon to engage in manipulative short selling that supported death spiral bust-outs.

In previous chapters, I have catalogued Elgindy’s close ties to the leaders of multiple jihadi terrorist groups, and I noted that he once told people on his private internet chat site that he was in Macedonia working as an “agent” for an outfit controlled by the Kosovo Liberation Army. He also said that he was working in Macedonia under the “protection” of an Albania “Mafia boss.”

Egindy’s boasts make sense if we remember that the Kosovo Liberation Army was closely affiliated with the Albania Mafia. (Remember also that Naresh Patel, the Al Qaeda money man who dealt with Man Financial, was laundering money for the Albanian Mafia. And recall that the KLA received training from Al Qaeda under the auspices of the IIRO, where Elgindy’s brother was a director).

As it happened, while Elgindy was in Macedonia working (in his words) under the “protection” of an Albanian “Mafia boss”, Rabbi Weiss was in New York, meeting with the Albanian Mafia.

It was 1999, and the good rabbi was an owner, along with the Genovese Mafia family, of Scores, which is a famous New York nudie bar. Scores had some alluring naked ladies, and while Elgindy was on his Macedonia adventure, Weiss and some of his Albanian Mafia friends were living it up at Scores.

When Scores closed for the night, Rabbi Weiss and the Albanian mobsters proceeded to a cocaine-fueled after-hours party, at which point things disintegrated. That is, the Albanians got into a dispute with a Scores bouncer. So they murdered him.

A couple of days later the Genovese Mafia's point man at Scores, a mobster named Michael Sergio, was thinking of killing the Albanians, and Weiss was trying to mediate. Weiss's lawyer, Michael Blutrich, was trying to mediate, too — and the Feds had Blutrich wired.

The Feds were listening when Blutrich said that it was already bad enough that Scores was going to be exposed in the press for its ties to the Mafia, so "we don't want the next story being revenge slaying for past killing."

Blutrich succeeded at preventing another murder, insisting that the "maniac Albanians" would get theirs in the next life.

But things didn't turn out so well for Shalom Weiss. He was soon indicted for his role in the $400 million bust-out of National Heritage Life.

A year later, in 2000, Weiss was tried, convicted, and sentenced to 845 years (a long time) in prison, and he spent his last week of freedom snorting cocaine around the clock. He also hired a posse of hookers to follow him around, and the day before he was to show up for prison, he loaded the hookers into a helicopter.

Yes, Rabbi Weiss filled a helicopter with hookers. Then he took off, and began snorting more coke. The hookers snorted more coke, too. They were having a blast – a helicopter ride.

Soon enough Weiss and the hookers were flying at top speed over Manhattan, snorting more coke. This was really a hell of lot of fun, and the hookers cried, "Faster!" But surprisingly, it all ended badly: Rabbi Weiss ran out of coke and illegally landed (indeed, nearly crashed) the helicopter full of hookers on top of a Manhattan skyscraper.

Then Weiss went away to prison to serve a term that runs until the year 2845.

Arguably, the judge was trying to say something with that sentence. If so, here is a good way to think about it. It is generally accepted that the early medieval period in Europe ended around 1166 A.D. Someone going to prison for 845 years at the end of the medieval period would be getting out this year, 2011.

Of course, that is a fanciful way to think of it, but it speaks to the judge's view of the seriousness of Weiss's crime–a crime that would be repeated by others in his network.

However, most of the others in this small world of murderous criminals, bust-out artists, and market manipulators remain on the loose.

And as should be clear by now, it really is small world. It's a small world where coke-snorting Orthodox rabbis, Albanian maniacs, Marxist Naxalites, Catholic Mafia dons, Russian mobsters, Saudi arms dealers, shady diamond merchants, Africa coup-plotters, rogue spies, financial felons, Islamic jihadis and coked-up hookers all rub shoulders.

It's the small world that we used to call the underworld, except that it's not the underworld anymore, it's the overworld, or at least it is a world that also currently includes the managers of some of the world's biggest and most respected hedge funds, and the people who run some of the world's biggest brokerages.

In 2005, as we know, some of Shalom Weiss's friends were responsible for the collapse of Refco, one of the biggest brokerages on the planet. And having destroyed Refco, it was, of course, necessary to find other brokerages willing to engage in manipulative, death spiral short selling.

That, as it happened, was the main topic of conversation at another wild party, this one held in early 2006.

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The year is 2006. The place is the Cala Di Volpe, a hotel on the Sardinian coast

developed by His Highness the Aga Khan, the hereditary Imam, son of Prince Aly Ay Khan.

This hotel was featured in the James Bond movie, “The Spy Who Loves Me”, and in real life, it provides over-the-top opulence to Russian oligarchs, Saudi princes, and people who represent the American elite — people like Ivana Trump, who is a frequent guest.

It’s early 2006, and in a suite on the fifth floor of this hotel, there’s a party going on – Russian hookers, Champaign, fat Cuban cigars, Shafiq Nazerali, and the most fearsome Mafia outfit the world has ever known.

Shafiq Nazerali is a market manipulator. He is best known for small-time “pump and dump” scams, but he is involved in much bigger schemes — the sorts of destructive schemes that I have already described, such as bust-outs, death spiral finance, and naked short selling.

Shafiq, like his brother Ali Nazerali, is a hedge fund partner of Yasin al Qadi (Osama bin Laden’s favorite financier). He has working relationships with the Gokal family (of BCCI fame), members of Al Qaeda’s Golden Chain, the regime in Iran, Pakistan’s ISI, the chief of Saudi intelligence, the ruler of Dubai, the royals of Abu Dhabi, La Cosa Nostra, the Russian Mafia, and others in the Milken network.

At this time in 2006, the Nazeralis are being investigated by Canadian authorities for some schemes they have going with the Belzberg brothers – Sam and Hymie (who, say Canadian and U.S. authorities, have done business with Genovese Mafia capos). The Belzberg’s once employed short seller David Rocker, whose attack on Patrick Byrne inspired Patrick to embark on a crusade against market manipulators who seemed to threaten the stability of the financial system.

That crusade eventually led Patrick to found Deep Capture (the website that is publishing this story), but back in 2006, the crusade is already in full-swing.

Meanwhile, in 2006, David Rocker, is attacking the mortgage company Novastar with help from Kevin Ingram (the former chief of mortgage backed securities at Goldman Sachs, and, we know, a former money launder for a suspected Al Qaeda operative who was selling weapons to a Pakistani who was looking for nuclear weapons components).

Before coming to the Cale di Volpe, Shafiq Nazerali attended a meeting with Milken's famous co-conspirator Ivan Boesky at the Bermuda offices of Lines Overseas Management. And now Lines Overseas has some new clients: the Nazeralis, Boesky, the Russian spy Christopher Metsos, and the people with whom Shafiq Nazerali is now having a party in his fifth-floor suite at the Cala Di Volpe hotel.

Nazerali pours some more champagne into Vitali Leiba's glass. He offers some Champagne to one of the Russian hookers, but she says, "No".

Nazerali laughs, and he laughs some more. He thinks it's really funny that the hookers aren't drinking. He says the girls keep their heads clear, good for them – they're smart. They're so smart, and they're always plotting their next move — always plotting, always plotting. Shafiq Nazerali keeps saying the hookers are plotting. He won't shut up about it.

Vitali Leiba is a member of the Mogilevich organization, best known for his role in YBM Magnex, the company that was controlled by the big boss himself, Semion Mogilevich, until the FBI started investigating YBM, at which point Nazerali's pal, Jonathan Curshen, tried to take the company over.

But, of course, the YBM Magnex scam was the least of the Mogilevich organization's endeavors. The Mafia outfit is involved in much bigger things – like trying to sell nukes to Al Qaeda; and other things that require face-to-face discussions among Shafiq Nazerali, Vitali Leiba, and the other Russian Mafia boys who are now in Nazerali's suite at the Cala di Volpe.

Indeed, Mr. Leiba has gone out of his way to meet Mr. Nazerali, flying to Sardinia from Toronto, where (in 2006) he owns a heavily fortified marblesque mansion fronted by fountains and Greek statuary, with armed guards at the gate and security cameras peering down from every corner.

Mr. Leiba will later move back to Moscow, but in 2006, he is one of the overlords of the Mafia in Canada. He can often be found meeting with bosses of both the Russian Mob and La Cosa Nostra at the Dynasty, an unassuming Chinese restaurant on the outskirts of Toronto.

Now, though, Mr. Leiba is at the luxurious Cala di Volpe to talk about endeavors. But

first, of course, Mr. Leiba and Mr. Nazerali must talk about hookers. To be a respected member of this club (that is, the elite club of market manipulators with ties to the Mafia and jihadis), it is necessary to be seen with Russian hookers at your side, or at least to be able to speak knowledgeably about Russian hookers – to know their temperament and the little idiosyncrasies that differentiate them from, say, Moldovan hookers.

Stuffy, law-abiding types have their Labrador Retrievers. Market manipulators have their Russian hookers.

“Always plotting, always plotting”, says Nazerali. And Vitali Leiba says, “Yes, my friend, you are learning, you are learning from the best.”

You see, Mr. Nazerali is “married” to “the best” hooker of them all. It’s a common law marriage, there was no wedding, there was just a night out at the King’s Club in Zurich, a place that has some character (which is to say that it is perhaps not a destination for the whole family, but it is a must visit for anyone wishing to meet frigid poll-huggers who offer “special” services behind the velvet curtain, with rates starting at 150 Francs Suisse for the half-hour).

It is also a good place to meet Russian Mobsters and fall in love with a hooker. Not long before this meeting at the Cala di Volpe, Shafiq Nazerali, who is based out of Zurich and Dubai, went to the King’s Club to meet Vitali Leiba and his colleague, the Russian Mafia boss Felix Sater (the fellow whose ties to Russian intelligence allowed him to attempt an arms deal with Al Qaeda).

On that night, Nazerali met his “wife”, and by 2006 this wife is giving him endless problems. That is, she is emptying his bank account. But Nazerali says he likes it, he likes the abuse, he likes the games she plays. Always plotting, always plotting – that’s what he says, in the proud-weary tone of a man who has experienced war.

Vitali Leiba says, “Yes, it is so, always plotting.” And Vitali speaks dreamily of his ambition to operate a “modeling agency” that would recruit and pimp the elite of the elite, the most dangerously beautiful and charmingly conniving girls that Mother Russia has to offer. Vitali Leiba is really excited about this idea. In fact, he says he is thinking about getting out of the stock manipulation business and focusing all of his energies on Russian hookers.

Which seems to unsettle Nazerali, who says, “Vitali, look, we have a deal in the

pipeline, Sheikh Mohammed bin Rashid Al Maktoum, he's just been named the ruler of Dubai…"

Vitali says, "Yes, I know Sheikh Mohammed."

"Right," says Nazerali, "and we have a fund called Star Soft, Sheikh Mohammed is on board, and we're going to bring in the Al Abbar brothers…"

Note to reader: the Al Abbar brothers are Mohammed and Mufti Al Abbar. Mohammed owns a high profile real estate contracting business in Dubai. He has done work on the Burj Khalifa, currently the tallest skyscraper in the world. His brother, Mufti, lives entirely in the shadows. One will not find his name on the internet. But he is an important player in the world of stock manipulation. He is also a semi-undercover agent of the Libyan government (this is before 2011, when Libya will disintegrate into civil war).

In fact, Mufti Al-Abbar holds the honorary rank of colonel in the Libyan armed services. When Libyan dictator Muammar Qaddafi wants to play the markets, or when he wants to damage the markets, he turns to Mufti Al-Abbar. As to why Muammar Qaddafi would want to damage the markets, perhaps he does it for geopolitical advantage, perhaps he does it simply to be a pain in the ass to the Americans. Or maybe he just wants to make money.

A person who is on close terms with Nazerali says of the Al Abbar brothers: "These are Qaddafi's men in the markets. These are the guys Qaddafi uses to manipulate the markets." The Al Abbar brothers and, of course, Martin Schlaff, who brokered the deal enabling Qaddafi to support Hamas.

And the Al Abbars were perfectly capable of moving markets, not only because they had a lot of money, including the full backing of the Libyan state, but also because they worked with a powerful network that included many of the hedge funds that operate under the purview of Sheikh Mo in Dubai. Also some of the Saudi billionaires in Al Qaeda's Golden Chain, and the Nazeralis, and Yasin al Qadi (Osama bin Laden's favorite financier), and the Mogilevich organization, and the friends of Michael Milken.

At any rate, Vitali Leiba and Nazerali discuss Star Soft, they say they could hit some stocks, they'll start with these tickers — IVNE, MMGC, SGGV, and STSF. But they are going to need some help, so here is the plan: they'll set up some anonymous

accounts at banks in Dubai, wire money through Werner Wagemann at the Serasin Bank in Zurich, and from there to the off-shore accounts of some corrupt brokers, who will then be working, in effect, for Nazerali and the Mogilevich organization.

Specifically, the brokers will 1) agree to buy any and all shares from the stock manipulators, regardless of the price; and 2) permit the Nazeralis and the Mogilevich organization to engage in naked short selling, flooding the markets with shares that they do not possess – phantom shares.

Of course, Nazerali and the Mogilevich organization have been operating this way for some time, but now the scam has grown to dangerous dimensions. Now it is possible to take out bigger and bigger companies, because now there is a good network in place in the United States.

In the past, their naked short selling had to be discreet. It was necessary to focus on smaller companies so as not to attract too much attention. They conducted much of their trading through Canada, where regulations were even weaker than they were in the United States, and where they had stronger relationships with cooperative brokerages: Mr. Dvoskin-Lozin-Kozin's Centex, Global Securities, Mark Valentine's Thomson Kernaghan, and Jonathan Curshen's Pacific International.

By 2006, those Canadian brokerages had been forced out of business or were under closer scrutiny. Refco, which catered to this same crowd, was gone. But a new network of criminal brokerages in the U.S. had opened the gates wide open to market manipulators. And most of these brokerages were able to engage in naked short selling because they have found cooperative market makers and clearing brokerages.

The job of a clearing brokerage, I noted, is to make sure that shares that have been sold are quickly delivered to their buyers. That is, the job of the clearing brokerage is to make sure that the executing brokerages and clients of these brokerages have sold real stock that can be quickly delivered, as opposed to phantom stock that floods the markets with fake supply and drives down prices.

If market manipulators and their executing brokers have a cooperative clearing brokerage, they can push the sell buttons on their computers as often as they like, even if they do not possess the stock they are selling. Having sold this phantom stock, the market manipulators' brokerages simply fail to deliver to the cooperative clearing brokerage, which then fails to deliver into the clearing and settlement

system (the DTTC).

The SEC, we know, calls this “failure to deliver”, and by definition, it is phantom supply (which the SEC insisted did not exist or was no big deal right up until the day in July 2008 when the heart of the US financial system was vaporizing, at which point the SEC passed an unprecendented Emergency Order to prevent the thing they had been saying did not exist when it was only happening to small public firms without juice).

At the Cale di Volpe hotel in 2006, Shafiq Nazerali says that there’s a good network of Mafia brokerages in place. And they have a cooperative clearing brokerage. This cooperative brokerage is an obscure, little outfit in Texas.

Yeah, says Shafiq Nazerali in 2006, it’s this little brokerage in Texas – a brokerage called Penson Financial.

Penson Financial: an obscure brokerage that essentially put a shingle on the door announcing that it will cater to criminals and destructive market manipulators. An obscure brokerage that in 2006 had caught the attention of Shafiq Nazerali, the Russian Mafia, and the rest of their crowd.

An obscure brokerage that will soon become by volume the single biggest brokerage on the face of the planet Earth.

To be continued…

CHAPTER 14

The Miscreants' Global Bust-Out (Chapter 14): How the Russian Mafia Captured the DTCC — and the American Financial System

Posted on 09 June 2011 by Mark Mitchell

At the beginning of this series I mentioned a report commissioned in 2009 by the Department of Defense Irregular Warfare Support Program. That report stated that there was clear evidence that manipulative short selling had contributed to the financial crisis of 2008.

The evidence, according to the report, included not only the SEC's woefully incomplete "failures to deliver" data, but also data that suggested that massive volumes of naked short selling had likely been processed through two relatively obscure brokerages, which the authors of the report left unnamed.

One of those two brokerages, I can now report, was Penson Financial, the outfit that that had been identified in 2006 by the Nazerali brothers (hedge fund partners of Yasin al Qadi, Osama bin Laden's favorite financier), the Russian Mafia, and others in their crowd.

The other brokerage was an outfit in California called Wedbush Morgan. As for the nature of Wedbush's operation, it is probably not a coincidence that Wedbush referred much of its trading to Bernie Madoff's criminal brokerage, which (we have seen) was probably covering up its naked short selling liabilities with money fed to Madoff from a cast of financial operators, most with ties to organized crime, some with ties to Russia and (in at least one case) to jihadi terrorist groups.

Penson Financial and Wedbush were first identified by a Wall Street veteran who had collected reams of data on the brokerages' trading. While investigators were preparing their report for the Department of Defense Irregular Warfare Support Program, they asked to see this data, and determined that it was highly significant.

Although the report's authors did not publish all that data, Deep Capture has reviewed it closely, and it is quite interesting.

For starters, the data shows that as late as 2006, only moderate volumes went through Penson and Wedbush. But those volumes skyrocketed in 2007, and increased in 2008.

By February 2008, Penson Financial had suddenly become the largest brokerage in the world (by volume). Wedbush Morgan had become the second largest brokerage.

In September 2008 , the month of the financial collapse, Penson and Wedbush traded 23.5 billion shares – nearly twice the volume of their next largest competitor, Goldman Sachs, which traded a mere 12.5 billion shares.

Moreover, the data suggests that most of the massive volume that went through Penson and Wedbush was targeted at the pillars of the American economy – especially the big financial institutions that wobbled or toppled in 2008.

In addition, the sudden increase in volume traded through Wedbush and Penson that year did not correspond with a decrease in volume at other brokerages. That is, traders did not merely shift their business to Penson and Wedbush in the normal course of affairs.

Rather, the numbers suggest that somebody identified these two brokerages and ramped up new volume targeted at Bear Stearns, Lehman Brothers, and a select number of other major financial institutions whose stock prices went into death spirals in 2008, leading to the worst financial crisis since the Great Depression.

And, as the authors of the report for the Defense Department noted, there are good reasons to believe that this volume was illegal, manipulative short selling, perhaps generated by high frequency trading programs.

One reason to believe this is that both Penson and Wedbush are eminently dubious enterprises. These two brokerages have been sanctioned for just about every form of miscreancy — market manipulation, sales of unregistered securities, wash trades (which often go hand-in-hand with naked short selling), and violations of anti-fraud provisions of the federal securities laws.

They have also been sanctioned for violations of a myriad of short selling rules, and were caught ignoring the SEC's 2008 "Emergency Order" that temporarily cracked down on all forms of naked short selling of stock in America's major financial institutions.

As the Wall Street veteran noted in the report he supplied to the investigators hired by the Defense Department, there are many other reasons to be wary of these two brokerages. Among them is the fact that both firms use multiple market making symbols when they conduct their trading.

Penson and Wedbush have a total of 76 market making symbols or "identities." By

contrast, Citigroup has only six. Other top brokerages have even fewer.

It is a reasonable assumption that the brokerages had so many market making symbols because they wanted to disguise the origins of their trading.

This conclusion is supported by the fact that both firms used multiple trading platforms, which would require investigators to trace the trading back through a maze of other brokerages.

Meanwhile, it was Penson that pioneered so-called “sponsored access”, which allows traders to bypass stock exchanges and gain direct access to the markets without anyone knowing who transacted the trades. As I have mentioned, experts (including some that gave testimony to Congress) say that “sponsored access” (and the similar service known as “naked access”) is one of the more blatant cracks in the system that can be exploited by financial terrorists.

And it is certainly the case that Penson Financial has made the United States vulnerable to financial terrorism.

In 2009, Penson was fined nearly $500,000 for failing to maintain mechanisms that are mandated by the government to prevent money laundering and market manipulation by terrorists and organized crime. Which will not seem surprising once you know more about Penson and its clients.

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One of Penson’s clients was Tuco Trading, the little, unregistered brokerage in Chicago that employed the jihadi Zuhair Karam, and traded for a number of disturbing accounts, many of them based overseas.

By the fall of 2010, for example, I had confirmed the identities of the people in Russia who had set up the Orange Diviner account at Tuco. As noted in earlier chapters of this story, most of them were the top henchmen of Roman Abramovich, who is considered by many to be Russian prime minister Vladimir Putin’s right-hand man.

Another person behind the Orange Diviner account is now “head of international” for a Moscow brokerage (BKS) that is run by the former head of Alfa Bank, which is financing Iran’s nuclear program. And one Orange Diviner trader was a top

henchman of Russian Mafia boss Semion Mogilevich. His name was Sergei Maximov and he once helped run YBM Magnex, implicated in the 1999 Russian goverment and Mafia market manipulation scandal that saw billions laundered into the Bank of New York.

In the fall of 2010, I also knew that another account at Tuco had been set up by Warren Sulmasy, former partner of Alain Chalem in Harbor Securities. Chalem, recall, was the Mafia-tied naked short seller who had been murdered execution-style soon after meeting one of Carl Icahn's first employees, and the day after he had a heated argument with Mikhail Sheferofsky, father of Felix Sater, who had openly declared his intention to kill Chalem.

I will repeat that Felix Sater is a Russian Mafia boss with strong ties to the Russian intelligence services. He escaped jail by telling the U.S. government he was capable of doing arms deals with Al Qaeda. At the time, the U.S. government was hoping someone would buy Osama bin Laden's Stinger missiles, so that Osama wouldn't use them to shoot down commercial airliners.

There is no doubt that Felix Sater's Russian intelligence colleagues (some of whom, we have seen, were allegedly dealing in Afghan heroin supplied by jihadis) had relations with Al Qaeda. But it is doubtful that Felix helped the U.S. government. Certainly, Felix never fulfilled his promise to buy Osama bin Laden's Stinger missiles, and after escaping jail, he continued his life of crime.

At any rate, it was clear to me in the fall of 2010 that Tuco Trading was associated with this crowd. And I had not forgotten that Felix Sater had once sent a "Message from Russia" to my colleague Patrick Byrne–the message being that the Russians would kill Patrick if he continued to be involved in investigations like this one.

So, right, in the fall of 2010, I had the misfortune to be involved with Patrick in investigations like this one, so I was inquiring as to the origins of two other Tuco Trading accounts (one with 2,000 anonymous subaccounts based in China) that had flooded the U.S. markets with more than 2 billion shares in the month before the 2008 collapse of Bear Stearns.

Because I realize this is a complex story, and because Deep Capture is publishing it as a series over many weeks (meaning that some people might have forgotten or not read earlier chapters), I will abandon all literary pretentions, and instead repeat information from past chapters when it seems relevant in light of new information.

Think of this not as a story, but as a collaborative investigation that develops only by reviewing what we already know.

One thing we already know is that most of those 2 billion shares were traded from the 2,000 subaccounts in China, through Tuco, and on to the Lightspeed trading platform, designed by Omar Amanat. And we know that Omar Amanat also founded Datek Securities with finance from Robert Brennan, who was a major figure in the Russian government and Mafia market manipulation scandal that saw billions laundered into the Bank of New York.

Datek's top trader was Solomon Obstfeld, future hedge fund partner of Martin Schlaff, the former KGB and Stasi agent who has 1) helped launder money for Hamas; 2) bribed Israeli politicians; and 3) done business with Libyan dictator Moammar Qaddaffi and Russian Mafia bosses (such as Michael Chernoy and Mogilevich) who are likely tied to the Russian intelligence services.

Datek's clearing firm was A.R. Baron, which was also linked to the 1999 scandal that saw the Russian government and Russian Mafia manipulating the U.S. markets and laundering billions into the Bank of New York. In 2001, A.R. Baron was indicted for a massive market manipulation scheme that it conducted in league with the Mafia brokerage D.H. Blair and Felix Sater's White Rock Partners.

In 1998, the FBI found guns and documents in a locker owned by Felix's White Rock partner, Eugene Klotsman. These documents linked Felix and his partners to the larger Russian government and Mafia market manipulation and money laundering network and implicated Aleks Paul, a diamond merchant who does business with Ibrahim Bah, who is a Libyan intelligence agent and was, for a time, Al Qaeda's diamond broker in Africa.

Felix Sater is currently operating an alleged money laundering operation (Bayrock) in partnership with Russian Mafia boss Tamir Sapir, who formerly owned a business that specialized in selling high-tech electronics equipment to KGB operatives in New York. Sapir's partner in that operation was Semion Kislin, said by the U.S. government to be "member" of Vyacheslav Ivankov's gang.

Ivankov, known as "Little Japanese" was, in the 1980s, the top boss of the Russian Mafia in the United States. After some time in a U.S. jail (where he shared a cell with

Mr. Dvoskin-Lozin-Kozin-Etc., future alleged ring leader of Russian spies), Little Japanese moved back to Russia. In 2009, he was assassinated on a Moscow street after publicly stating that he had been employed by the Russian intelligence services.

Arik Kislin (who, like his uncle, has been named by the U.S. government as being a member of the "Little Japanese" gang) financed a brokerage called Carlin Equities, which was closely tied to Tuco Trading. In addition, Arik Kislin was once a business partner of an Iranian arms dealer and Russian intelligence asset named Babeck Seroush, who was indicted in 1984 for selling military equipment to North Korea.

In the fall of 2010 I had information that another principal at Carlin was a partner in a hedge fund with an Iranian fellow whose family worked at high levels for the Revolutionary Guard in Tehran. One of this Iranian's closest family members, I had heard, had a long-time relationship with the leader of Palestinian Islamic Jihad and had once employed an Iranian government agent who was trafficking weapons to both Palestinian Islamic Jihad and Hezbollah.

It seemed to me that this Iranian had something to do with those 2 billion shares that were traded through Tuco and onto the Lightspeed trading platform. Those 2 billion shares were, in turn, cleared through Penson Financial, accounting for 20 percent of the volume that had suddenly made Penson the largest brokerage on the planet in February and March, 2008.

I also had information that this Iranian was on close terms with Omar Amanat (designer of the Lightspeed trading platform), and his brother, Irfan. Omar and Irfan Amanat, I knew, had also founded a number of Electronic Communications Networks (Island, Market XT, and many more), which are essentially mini stock exchanges that allow traders to operate in anonymity.

In September 2001, Irfan Amanat and Market XT were caught hammering the markets with massive volumes of wash trades generated by an algorithmic trading program called RLevi2.

Later, Omar Amanat founded Bridges TV, a U.S.-based Islamic television network. In 2009, the CEO of Bridges TV, Muzzammil Hassan, was indicted for chopping of his wife's head in an apparent honor killing.

Amanat's partner in Bridges TV was a Hamas operative named Nihad Awad, who had been recorded by the FBI plotting the release from prison of the Blind Sheikh, masterminded the 1993 World Trade Center bombings, famous for his fiery fatwahs commanding the faithful to obliterate the American economy.

In the fall of 2010, I kept calling Zuhair Karam because I suspected that he, too, was on close terms with Omar Amanat. Zuhair confirmed for me that he knew Amanat, though he didn't yet get into details. He also confirmed that he and his family member (who helps run Chicago's Bridgeview Mosque) were big supporters of Palestinian Islamic Jihad leader Sami al Arian and Amanat's partner Nihad Awad.

Zuhair said he thought Sami al-Arian had been wrongly convicted of terrorism charges, as had the Holy Land Foundation (the Hamas front linked to Nihad Awad); Benevolence International (whose officials had contacts with people trying to acquire nukes for Al Qaeda); and other outfits tied to Chicago's Bridgeview Mosque.

I told Zuhair that I was sympathetic to the jihad, which was true so far as it went. (I agree that the U.S. has become, in the words of the Muslim Brotherhood document used as evidence in the Holy Land trial, something of a "miserable house," but I am not in favor of nuking it and I think it is a bad idea to destroy the global financial system).

I told Zuhair that I was thinking about converting to Islam, which was true so far as it went. After working on a story like this, one must either sink into despair or adopt a religion, and Islam seems like a good bet these days.

I had a nice talk with Zuhair about the Mahdi, or the Islamic messiah. Then we talked about the Hidden Imam, which is the Shiite interpretation of the Mahdi.

According to Iranian president Mahmoud Ahmedinijad, the Hidden Imam will make his reappearance when the world descends into chaos. And once the Imam returns he will make the world anew, peaceful and wholly Islamic. It is a nice thing to believe.

However, U.S. national security people worry that Ahmedinijad says that some humans (like himself) can hasten the coming of the Hidden Imam, presumably by fomenting the chaos that is the necessary prerequisite to the Imam's arrival.

Zuhair seemed inclined to believe that the Iranian president was right. I said it certainly seemed to be the case that the world was descending into chaos. Zuhair said there was going to be an apocalypse in Palestine.

I said that Israel was not a democracy, but was a corrupt country whose policies were made by extremists funded by the Russian Mafia. Zuhair said again that there was going to be an apocalypse. I said, "Yep."

The short of it is, Zuhair and I were getting along well. But when I mentioned that I believed that one of the people who had set up those anonymous accounts in China was an Iranian fellow with ties to the Revolutionary Guard, Palestinian Islamic Jihad, and the Russian Mafia — well, the reader might think that sounds pretty crazy.

But Zuhair didn't think it was crazy. He just said (again), "Man, I'm just one of the little guys." And he wouldn't say more than that.

So I didn't yet have the confirmation I needed. In fact, I thought maybe it wasn't true. I thought maybe I was crazy. Later, though, I would get the confirmation that I needed, thanks in part to Zuhair's cooperation.

But at that time in the fall of 2010, I thought I might not be right about this Iranian guy. So I continued my investigation.

Meanwhile, I confirmed some other things to be true. Some things about Tuco Trading and Penson Financial. But in order for the reader to more fully understand these things, I must describe some events that occurred at the end of 2006.

* * * * * * * *

So it was the end of 2006, and I had ignored the former spy who had told me about the meetings in Costa Rica–meetings where some market manipulators (all with ties to the Mafia) discussed ways in which to destroy some big companies.

I ignored that former spy, so it was only later that I would discover that one of the people at those meetings was Ali Nazerali (hedge fund partner of Yasin al Qadi,

Osama bin Laden's favorite financier).

And it was only later that I would learn that Ali Nazerali and his brother, Shafiq, had held discussions (such as the one at the Cale di Volpe hotel in Sardinia) with the Mogilevich organization about Penson Financial.

After ignoring the former spy, I had met the rabid-dog man, who told me that Mikhael Sheferofsky had argued with Alain Chalem on the night before Chalem's execution-style death. But I failed to immediately follow up on Sheferofsky's identity, so I didn't know that he, like his son Felix Sater, was a Russian Mafia boss tied to the Mogilevich organization, the Nazeralis, and Russian intelligence.

After receiving the Saks Fifth Avenue underpants murder threat (you'll have to read earlier chapters of this story, if you have not already done so), I was ambushed by the three thugs in a coffee shop. Then the dubious hedge fund Kingsford Capital informed me that it had donated money to Columbia University that would now be used to pay my salary.

That's when I I lost it. I was a wreck. And so, in December of 2006, I quit, figuring I was out of the journalism game for good.

Soon after, Patrick Byrne received the death threat from Russia (the threat sent by Felix Sater). But Patrick persevered with the investigation, learning of Felix's ties to the Mogilevich organization (an outfit that stands accused of trying to traffick highly enriched uranium to Al Qaeda).

A year later, Patrick hatched the idea for Deep Capture and now here I am, deep down the rabbit hole, telling you what else was happening while I was convalescing in December, 2006.

One thing happening was that Mufti Al Abbar, the market manipulating colonel in the Libyan army (involved with the Nazerali fund Star Soft) was in North Korea. I don't know what he was doing in North Korea, but I know for a fact that he was there in December 2006, and people don't go to North Korea on vacation.

It worries me that some of Al Abbar's associates (who are more loyal to the United States than they are to their friend) tried to tell U.S. officials that this dangerous market manipulator was in North Korea, but the U.S. officials showed little interest.

In other cases, people in this network have testified against some of Nazerali's Russian Mafia associates. But the U.S. government let their names leak, and now some of them fear for their lives. One of them, a stock broker and drug trafficker named Paul Combs, was shot in the head as I was preparing this story in 2010. They said it was suicide.

The associates who are still alive seriously mistrust the FBI, which is not good, because maintaining the trust of people who know the underworld up close is the only way to know what the underworld has in store for the United States.

Anyway, Mufti Al Abbar was in North Korea, and Ali Nazerali was in Germany. Nazerali, we know, has done business not only with the Mogilevich organization, but also with the chief of Saudi intelligence, the ruler of Dubai, the Iranian regime, the Gokals (who work for Pakistani intelligence), the Abu Dhabi royals, and La Cosa Nostra.

In addition, together with his brother Shafiq (who met his mistress when he was at the King's Club with Felix Sater), Nazerali owned Westcap Securities, another brokerage used by Mr. Dvoskin-Lozin-Kozin-Etc, the alleged ring-leader of the ten Russian spies arrested by the FBI in 2010.

Ali Nazerali is a market manipulator of the first order, but in December 2006, he was not in Germany as a hedge fund manager, or as a broker to Russia intelligence operatives — he was in Germany on official business, meeting government leaders in his capacity as CEO of an outfit called the Aga Khan Foundation.

The Aga Khan Foundation is a respected Islamic charity that performs good deeds in the name of His Highness the Aga Khan, the 49th hereditary Imam of the Shia Imami Ismaili Muslims; son of Prince Aly Khan and Princess Tajuddawlah Aly Khan; successor to his grandfather, the 48th hereditary Imam, the Aga Khan Sir Sultan Mahomed Shah; and direct ancestor of the great prophet himself, Mohammed, he who delivered the final proclamations of Allah.

While His Highness, the prophet, and the spirit of holy giving no doubt guide the Aga Khan Foundation, it is not just a charity – it is also a massive business enterprise that owns, among other things, the Cala Di Volpe hotel, and the Pakistan-based Habib Bank.

Habib Bank has been accused of laundering money for Al Qaeda and for Omar Sayed

Sheikh, the Jaish-e-Mohammed operative and suspected agent of the Pakistani spy services who handed Wall Street Journal reporter Daniel Pearl to 9-11 mastermind Khalid Sheikh Mohammed, who then (according to Khalid Shiekh Mohammed) sliced off Pearl's head with a Yemeni knife.

High-level business executive and some government officials in the United States and Europe regularly roll out the red carpets for the Aga Khan Foundation. Apparently, the Western governments are not concerned that in addition to the interesting business partners of its market manipulating CEO, Ali Nazerali, the Aga Khan Foundation maintains close associations with agents of Iran's Revolutionary Guard, which is tasked with "exporting" Iran's Islamic revolution by directing the operations of Hezbollah and other jihadi concerns.

The Aga Khan Foundation's membership and supporters also include top military officers in Syria, such as General Moustapha Sharba, who had a hand in the early stages of the covert nuclear weapons program that Syria was developing with help from North Korea (and probably Iran).

Another Aga Khan Foundation member is Aziz Mohammed Bhai, a Bangladeshi Mafia kingpin who became a billionaire smuggling high-powered weaponry and narcotics into Myanmar and India.

Aziz Mohammed Bhai is one of the Aga Khan Foundation's more prominent members. He is also alleged by Bangledeshi authorities to have conspired with an Al Qaeda tied terrorist named Sanjidul Islam Imon to assassinate a number of people considered to be enemies of the jihad.

In 2009, Bhai was arrested and charged with the murder of Sohel Chowdhury, who was, according to Bhai, an apostate. Until her untimely death, Ms. Chowdhury had been Bangladesh's most famous film star.

And how can one not be fascinated by Aziz Mohammed Bhai's principal henchman, Dawood Ibrahim. He's the guy we met before, the crony of Dubai's Sheikh Mo who is also an unofficial member of Al Qaeda, an agent of the Pakistani ISI, and the only person in the world labeled by the U.S. government as both a "Specially Designated Global Terrorist" and a "Foreign Narcotics Kingpin."

In addition to all that, Ibrahim has been implicated in the trafficking of nuclear weapons. And Ibrahim's henchman, Naresh Patel, recall, was manipulating the

markets in 2008 with wash trades he conducted through Tuco Trading partner Man Financial (which was also a partner of BKS, the Moscow brokerage that employs one of the Orange Diviner principals).

Patel's trades, of course, were cleared by Penson Financial.

At any rate, back in 2006, Ali Nazerali was meeting government leaders in Germany, Mufti al-Abbar was in North Korea, and some of their closest friends were at a party in Aruba, which is an island off the coast of Venezuela.

Actually, at the time, Aruba was one of the only places outside of the U.S. that was regularly visited by American journalists. That was because a teenager named Natalie Holloway had disappeared after drinking beer with her high school friends on a beach in Aruba. This was a major news event. It captivated America's "miserable house."

Meanwhile, in Aruba, the friends of Ali Nazerali and Mufti al-Abbar – I don't know, maybe nobody gives a shit, maybe I should get a real career, maybe I should be writing the big money stories about missing teenagers, maybe I shouldn't bother with this at all, but I'll tell it anyway – Nazerali's friends were having a party* in Aruba, talking about ways to do serious harm to the U.S. economy.

It was a low-key affair, just some boys drinking vodka by the beach, soaking up the sun, and talking about market manipulation. The host of this party was a fellow who uses the alias Yank Barry, though his real name is Gerard Falovich.

Some of the other boys at the party were key associates of the Mafia capo Phil Abramo. By this time, Abramo had been imprisoned, but he was still considered the "King of Wall Street" He was also the man who had helped merge the Wall Street operations of the Russian Mob and La Cosa Nostra.

You see, Abramo's brother in law, Alan Longo, who is also a notorious market manipulator, was a capo in the Genovese Mafia, and the Genovese had first brought the Russians to the United States in the early 1980's. The Russians wanted to get in on the Wall Street action, and through Longo, they met Abramo, who, in the 1980s, hooked the Russians up with a network of US Mafia brokerages, many of which had been funded by Michael Milken or his closest associates.

Yank Barry a.k.a. Falovich is a Russian who is tied to the Dubois Gang, an affiliate of

the Sicilian Mafia in Montreal. Also at his party in Aruba was Antonio Commisso, a.k.a. L'avvocatu, or "The Lawyer" – the leader of the Ndrangheta Mafia gang. This is the same fellow who once tried to blow up Irving Kott's car, but then reconciled at the behest of Ali Nazerali, at which point Kott, Nazerali, and the Mafia opened their BCCI brokerage, First Commerce Securities.

After the party in Aruba wrapped up, Commisso returned to his home in Toronto, and not long after that, he was arrested by the Royal Canadian Mounted Police. He was extradited to Italy, and now lives in an Italian prison, probably harboring fond recollections of that Aruba business vacation, when he and the other boys swallowed one shot of vodka after the next, all afternoon until the sun set, at which point everyone moved to a pool-side bar, where Yank Barry a.k.a. Gerard Falovich began snorting a lot of coke, as was his habit.

After a while, Terry Hunter showed up. He was a hot shot fund manager from Toronto, and he snorted a few lines, started talking shit – all about his latest market manipulations, and how he had his own guy on the floor of the Alberta Stock Exchange. This guy, name of Rory Kidd, would do anything – he'd call out massive orders even when there was no stock available to buy, sell, or borrow, and he'd make sure the exchange records didn't reveal the nature of the trading.

Hunter could not have said more good things about Rory Kidd, but he said he had something even better to tell the boys. He snorted another line of coke, threw his head back, and began to tell the boys that he had a deal going down with this guy Michael Krause, and Krause had some credibility, he was a guy all the boys needed to know.

And the boys said, yes, they knew Krause already. Hunter said, yeah, they knew Krause, but they had to know Krause, they had to build the relationship because Krause was serious shit–Krause was a man you had to respect. Krause, this Krause — the motherfucker, he's the most wanted man in Germany.

Actually, his name wasn't Krause. His real name was Michael Tismer, also known as Michael Von Hohenstein Aragon, and he was yet another subversive with ties to the Mafia. So it goes without saying that he was a big-time stock manipulator and a major narco-trafficker with ties to the Hezbollah Mafia-para-military-jihadi drug smugglers in Paraguay and to Nazrio Moreno Gonzalez, also known as El Mas Loco — the Craziest Fucker of All.

Gonzalez was the leader of La Familia and the Gulf Cartel, which was the de facto government of Michoacán, but the Gulf Cartel was splitting in two, and El Mas Loco was on a killing spree, so this time (among other times) is known in Mexico as the "Year of Blood."

Michael Tismer a.k.a. Krause a.k.a. Michael Von Hohenstein Aragon had just been arrested down there, somewhere in northern Mexico. But not to worry, said Terry Hunter, he wouldn't do jail time — Krause had connections. Hell, Krause was screwing the daughter of a Mexican general, Mario Arturo Acosta Chaparro, one of the biggest drug dealers in the land.

In 2010, General Chaparro would take a bullet to the head, but Hunter was right – Tismer wouldn't do jail time. And at the pool in Aruba, Hunter said what a brilliant crazy motherfucker Tismer was. Hunter said he loved crazy, and Yank Barry a.k.a. Falovich agreed, all the boys by the pool in Aruba agreed — crazy is what it's all about. You know–live hard, die hard.

That's right, said Hunter, live hard, and how about that Andy Mann, also known as Joseph Napoli, also known as Anthony Tripoli — there's a crazy one for you. The mother fucker gets caught smuggling a quarter of a billion dollars worth of Mexican bonds into Canada. He was hand-cuffed by Royal Canadian Mounted Police, but for some reason they let him go — the luck of the crazy.

And then the crazy bond-smuggler went back to Mexico, got arrested again, but he had connections like Tismer a.k.a. Von Hohenstein Aragon had connections, and the Mexicans refused to extradite him. Now, in 2006, he was free, living large in the Caribbean.

And this Andy Anthony Joseph Mann Tripoli Napoli – what was he doing in the Caribbean? Do you know what this crazy fucker was doing in the Caribbean? He was setting up his own Depository Trust and Clearing Corporation – the DTCC of the Caribbean. It's called Depository Trust Company International Financial Holding.

The boys by the pool loved it, they kept saying how much they loved it — Andy Anthony Joseph Mann Tripoli Napoli was setting up his own DTCC in the Caribbean!

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The real DTCC (Depository Trust and Clearing Corp.) in New York is responsible for

overseeing the “clearing and settlement” system. That is, it is supposed to make sure that stocks, bonds and derivatives are properly delivered to their purchasers.

Given this mission, one might think that the DTCC would understand its duties to include making sure that traders aren’t selling phantom stock to manipulate markets. However, the DTCC in New York never did a good job of that, because it is corrupt.

Or as we say at Deep Capture, the place has been “captured” by Wall Street. In fact, the DTCC is not just “captured” by the people it is supposed to be regulating, it is, quite literally, “owned” by the people it is supposed to be regulating.

That is, while it manages settlement for the entire US capital market, the DTCC is privately owned by the big banks who comprise that market. It is as if the Treasury Department was actually owned by a consortium of Goldman Sachs, Morgan Stanley, Merrill Lynch, etc. (not just metaphorically, but actually and legally).

While the DTCC is owned by the big firms whose prompt clearing and settlement it simultaneously oversees, it was built by a man who was tied intimately to the network that this story seeks to expose. That is, the DTCC was founded and built by a man who was in bed with the Russian Mafia and La Cosa Nostra.

The founding president of the DTCC was named Diran Kaloustian, and when he first took that job in the early 1970s, the DTCC had no assets. A year after he set up the DTCC, it had around $25 billion in assets.

By the time of Kaloustian’s untimely death in 2001, the DTCC had assets exceeding $10 trillion – and it was processing trades valued at $1.5 quadrillion every year.

Which is to say, the DTCC was (and is) processing trades valued at more than 30 times the total gross product of the entire planet.

In other words, Diran Kaloustian had an important job. In fact, it is fair to say that few people played a more important role in developing the infrastructure that was supposed to guarantee the proper functioning and safety of the American financial system.

But Kaloustian was a mysterious character. It is even a matter of dispute when, or if, he ever retired from the DTCC. One official at the DTCC has publicly gone to lengths

to say that Kaloustian did not have much influence at the DTCC and left his job at an early date. When I called the DTCC to ask its PR officer when, precisely, Kaloustian had resigned, she snarled at me, saying she didn't know.

Then she hung up on me.

I called back, but she refused to answer the phone.

It is a bit odd to say that the founding president of the DTCC had little influence over the DTCC. Certainly, it was influential of him to build the DTCC into an outfit capable of handling more than quadrillion dollars in trades every year.

And one thing is certain: officials at the DTCC are not to be trusted. They have consistently distorted data, they have covered up problems with thier clearing and settlement system, and they have viciously smeared their critics with outright falsehoods.

I mentioned before that Deep Capture has gotten its hands on a computer that once belonged to Anthony Elgindy (the short seller with ties to the Russian Mafia and to the leaders of multiple jihadi outfits; also said by prosecutors to have had advance knowledge of the 9-11 attacks). Emails and other documents on this computer make it clear that the DTCC was coordinating its propaganda campaigns with Gary Weiss, the corrupt former journalist with ties (decribed in an earlier chapter) to Russian Mafia boss Felix Sater, Elgindy, a suspected foreign spy, and other insalubrious characters.

One of Gary Weiss's tasks was to hijack (in cahoots with Linda Mack, the suspected spy) the Wikipedia entry on the DTCC. Thanks to these efforts, Wikipedia made it clear that the DTCC kept the clearing and settlement system functioning in perfect order.

As to when Dirian Kaloustian actually left the DTCC, that remains unknown. But forms filed with the Securities and Exchange Commission shortly before his death in 2001, state (perhaps falsely) that Kaloustian was still serving as DTCC president at that time.

Those forms also state that Kaloustian, who was certainly the founding president of the DTCC, and was certainly an influential person at that black box organization, was also a key business partner of Mobsters, most of them among the closest associates

of Felix Sater.

That's Felix Sater, the Russian Mafia boss and market manipulator who threatened to have Patrick Byrne murdered because Patrick was on a crusade to expose weaknesses in the nation's clearing and settlement system that were being exploited by market manipulators.

For example, DTCC founding president Kaloustian served as chairman of Wasatch International, the president of which was Joe Logan, a fellow who regularly traded in league with Felix Sater's White Rock Partners. Logan at this time had been named by the FBI as a possible suspect in the murder of Alain Chalem, the Russian Mafia naked short seller who was one of Felix Sater's closest associates until 1999, when the two men had a falling out and someone fired a lot of bullets into Chalem's head, face, and ears.

Wasatch International had been a publicly traded shell corporation until it was purchased by Lasalle Holdings, owned by Leslie Greyling, a Mafia-tied trader who was later arrested — along with Michael Milken's closest business associate, Gene Phillips and a total of 120 Wall Street operators with ties to La Cosa Nostra and the Russian Mafia – in Operation Uptick, which the FBI described as the biggest Mafia bust in history.

Greyling was also involved with Adnan Khashoggi (the Saudi arms dealer who did some damage to the clearing and settlement system when he took down the nation's largest clearing brokerage, MJK Clearing, with Anthony Elgindy) in a company called Member Service Corp.

In addition, Greyling worked with Khashoggi to build a casino in Gaza, the Palestinian terrority controlled by the Hamas leaders who (recall) hosted Elgindy's private internet chat site.

Before Chalem was killed, Logan and DTCC founding president Kaloustian resigned from Wasatch and formed Aviation Industries Corporation, which proceeded to acquire a lien of $1.8 million in Kiwi International Airlines from the Moscow-based General Investment Bank (formerly Commercial Bank HELP), an outfit involved in narcotics smuggling and said by sources in Moscow to have once been tied to Felix Sater's father and the Russian intelligence services. (The bank was later shut down).

Meanwhile, Aviation Industries, the outfit owned by DTCC president Kaloustian and

Russian Mafia associate Joe Logan, bought CITA Americas, Inc., an opiate detoxification company that was part-owned by Alain Chalem, the guy who was subsequently murdered.

Aviation Industries also entered into an agreement with an outfit called AIBC Investment Services to raise $5 million to invest in Sun Jet International Airlines. AIBC Investment was controlled by John Doukas, who was then serving as president of White Rock Partners, the outfit controlled by Russian Mafia boss Felix Sater.

Around this time, Doukas was loading a locker with guns and documents. The contents of that locker, registered in the name of Felix Sater's other partner, Eugene Klotsman, would later link all of these guys to the global stock manipulation and money laundering network deployed by the Russian government and the Russian Mafia until the Bank of New York scandal broke in 1999.

Meanwhile, we know, White Rock's other partner was in Europe dealing with Alex Paul, the diamond dealer who was doing business with Libyan intelligence agent Ibrahim Bah, Al Qaeda's diamond broker in Africa. This was not long before Felix Sater avoided prison time by claiming that he was capable of doing an arms deal with Osama bin Laden.

After cutting a deal with Felix's partners, DTCC founding president Kaloustian's Aviation Industries merged with Integrated Marketing Professional, Inc, formerly known as Casino Airlink. The largest shareholder in Integrated Marketing was Solomon Obstfeld, the fellow who, in June 2010, would fall out of a window and die on the pavement in front of his Park Avenue apartment.

While Obstfeld was doing business with the DTCC's founding president, he and his associates were engaged in the death spiral naked short selling (enabled by the DTCC's lax enforcement) that wrecked countless companies, including, ultimately, Refco, one of the nation's largest brokerages.

Obstfeld's hedge fund partner, of course, was Martin Schlaff, the former KGB and Stasi asset who was dealing with the Russian Mafia, Moammar Qaddaffi and Hamas.

Previously, recall, Obstfeld had been the top trader at Datek Securities, founded by Omar Amanat (later a partner with Hamas in an Islamic TV station), and financed by Robert Brennan, implicated in the Russian goverment and Mafia market manipulation scandal that saw $7 billion laundered into the Bank of New York.

Obstfeld's LH Financial, recall, also perpetrated some death spiral schemes with Yasin al Qadi (Osama bin Laden's favorite financier) and Isosceles, the fund that employed Russian spy Anna Chapman.

Meanwhile, Obstfeld, like Felix Sater, was involved with Global Securities, the market manipulating outfit with ties to (among others): Anthony Elgindy, Ali Nazerali, and Mr. Dvoskin-Lozin-Kozin-Etc. (alleged ring-leader of Russian spies, including Anna Chapman, who were arrested in 2010).

Obstfeld also helped (see Chapter 13) orchestrate the take-down of National Heritage Life with Shalom Weiss (who owned a nudie bar with the Genovese Mafia) and Eugene Grin/Grinshpon (tied to La Cosa Nostra, the Russian Mafia, and his relative Avinadav Grinshpon, who runs Memorand, the company owned by alleged foreign intelligence asset Lev Leviev). Eugene Grin also used to work for the above-mentioned Robert Brennan.

Let me summarize. DTCC founding president Kaloustian, the man who built and for some time managed what would become the $1.5 quadrillion clearing and settlement system of the United States capital market, was an officer, shareholder, chairman and/or board member of such companies as Wasatch International (president Joe Logan, suspect in murder of Alain Chalem; and close associate of Felix Sater), Aviation Industries Corporation (controlled by Russian Mafia naked short seller Alain Chalem, who was possibly killed by Felix Sater); CITA Americas (Chalem's opiate detoxification company); AIBC investment (White Rock and, again, Felix Sater) and Integrated Marketing (Solomon Obstfeld, Felix Sater associate whose hedge fund partner was Martin Schlaff, a former KGB and Stasi agent with ties to the Russian Mafia, Hamas and Muammar Qaddafi).

Consider the possibility that these and other characters developed relationships with Mr. Kaloustian in return for Mr. Kaloustian creating mechanisms within the DTCC that would enable them to engage in the manipulative trading for which they were famous. Consider the indiputable fact that the mechanisms he created made it possible for these and affiliated characters to engage in destructive naked short selling.

Consider further that the report for the Department of Defense Irregular Warfare Support Program argued (as have many others) that naked short selling contributed a great deal to an economic crisis that nearly brought the United States to its knees

in 2008.

Consider also that the report commissioned by the Defense Department stated that it cannot be ruled out that Wall Street regulatory bodies (including the DTCC) have been compromised by organized crime or even agents of foreign governments that are hostile to the United States.

Then consider the 100% demonstrable fact that the man who built the DTCC – an outfit that is, in essence, the foundation of the American financial system – was an extremely close business associate of the Russian Mafia, the key members of which seem to be inextricably tied to Russia's state intelligence services.

I think I have also demonstrated clearly that the business partners of the DTCC's founding president are part of an extremely tight-knit network that includes people who are deeply involved with the Iranian regime, Hamas, Palestinian Islamic Jihad, Saudi intelligence, Pakistani spies, Libya's dictator, a market manipulator who vacations in North Korea, nuclear weapons traffickers, and Al Qaeda.

If this were fiction, it would be bad fiction, indeed. But it's not fiction. It's the truth, at once absurd and deadly serious.

At any rate, back in 2006, Patrick Byrne was making a lot of noise about the DTCC's failure to prevent short-side market manipulation. Crowds of angry shareholders, meanwhile, were literally protesting in the streets outside the DTCC's offices, demanding that it reform. The SEC was even putting a little bit of pressure on the DTCC to fix its broken clearing and settlement system.

Perhaps hoping to put an end to all this, Felix Sater delivered his threat to have Patrick Byrne murdered. But the boys at the pool in Aruba were no doubt concerned that the movement for reform was having some effect. They no doubt believed that there was a slight possibility that the DTCC in New York would be forced to become less accommodating to market manipulators.

Hence their excitement about Anthony Andy Mann Tripoli Napoli's new DTCC in the Carribbean.

But that's not all they were excited about. They were also excited about Penson Financial, soon to become the biggest brokerage on the planet by virtue of the massive volumes (apparently manipulative short selling targeting the pillars of the

American economy) that it would clear for brokerages tied to the Mafia.

They were excited. And before long, Yank Barry a.k.a. Falovich, the host of the party in Aruba, called Ali Nazerali.

To be continued…

* The description of the meeting in Aruba is, like my earlier description of the meeting at the Cale di Volpe hotel, a composite of several meetings and converstations that took place around this time in 2006. It is necessary for me to present it as a single conversation in order to protect my sources, but the scene accurately describes what was said, and by whom, as related to me by people who were present.

Note: A young expert on transnational issues such as organized crime and terrorism first discovered many of the relationships between the DTCC founding president and organized crime. This investigator also helped unearth information that appears in other chapters of this story. He wishes to remain anonymous, but credit where credit is due.

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Anonymous says:

June 9, 2011 at 3:54 pm

Mark, just a tiny correction:

- Diran took control of the Depository Trust Corporation in 1970 (DTC), not the DTC.
- the DTCC didn't form until 1999 when the NSCC and DTC merged and many troubles began. The DTC is a subsidiary of the DTCC.
- the DTC doesn't own the assets. The assets belong to a mysterious private partnership, Cede & Co., which has existed since at least as early as the 1970's.
- Cede & Co. is nominated to own the shares, but it isn't mentioned anywhere in the DTC annual report or financial statements and appears to be independent of the DTC in some way.
- Cede & Co. owns most securities in the western world and had voting control over those securities as the ACTUAL (as opposed to BENEFICIAL) owner

Reply

Anonymous says:

June 9, 2011 at 3:55 pm

Should be:

- Diran took control of the Depository Trust Corporation in 1970 (DTC), not the DTCC.

Anonymous says:

June 9, 2011 at 4:30 pm

As early as October 1972, Cede was listed as a partnership belonging to unknown partners.

Check the fine print at the bottom of page 53:

http://books.google.com/books?id=aVUEAAA....epage&q&f=false

Cede & Co. is referenced as the nominee of the Stock Clearing Corporation at that time.

Cede & Co. is the actual owner of the shares.

Reply

Anonymous says:

June 9, 2011 at 4:50 pm

Part 3 is about phantom shares and the role of the DTC.

http://www.ecclesia.org/forum/uploads/bondservant/BankingScam.pdf

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CHAPTER 15

The Miscreants' Global Bust-Out (Chapter 15): Ali Nazerali in Aruba, and an Al Qaeda Financial Weapon Called PTech

Posted on 12 June 2011 by Mark Mitchell

In 2006, the DTCC in New York was enabling massive failures to deliver stocks, bonds, ETFs, and all manner of derivatives, including CDOs and CDSs. As it happened, it would continue to permit those failures to deliver well into the financial crisis of 2008.

But as I mentioned, while the boys were partying in Aruba*, the DTCC was coming under some pressure to reform. It seemed like there might be a small chance that the settlement loopholes that permitted manipulations (such as naked short selling) through the DTCC in New York could become more difficult.

Maybe that's why the boys in Aruba were talking about Penson Financial, which had innovated so-called "sponsored access", which allowed traders to conduct their transactions anonymously, bypassing the exchanges and the DTCC.

Maybe that's also why they were so excited about this character Andy-Joseph-Anthony-Mann-Tripoli-Napoli.

And they really were excited, they couldn't say enough good things about this Andy Joseph Anthony Mann Tripoli Napoli – this smuggler of a quarter billion in Mexican bonds, this crazy "system-fucking genius" who had set up his very own DTCC, based in the Caribbean, so at least some of the Mafia's illegal trading could be "cleared" off-shore, out of sight – completely risk-free.

Yes, the boys loved this Andy-Joseph-Anthony-Mann-Tripoli-Napoli – you gotta respect him, they said, he knew how to play the risks, he was two steps ahead of the suckers who obeyed the law, and the suckers who thought they could enforce the law.

Andy Anthony Joseph Mann Tripoli Napoli had, in fact, had some troubles with the law, but never spent much time in prison and in 2006 he was still operating out of the Caribbean. The boys at the party in Aruba said he was a hero, and he had done damn well for himself. He once had his own brokerage and online stock exchange. It was called GTrade, and all the phantom stock traders had used it.

By 2006, Gtrade had been shut down, but the boys at the pool in Aruba were still talking about it, and one of them said–yeah, didn't GTrade do a deal with Ali Nazerali and…oh shit! Nazerali!–that reminded Yank Barry a.k.a. Falovich that he had to make a phone call.

So he snorted another line of coke, pulled out his mobile phone, and dialed the number of Buck Revell, who was the former chief of counter-terrorism at the United States Federal Bureau of Investigation.

* * * * * * * * * *

Yank Barry a.k.a. Falovich and Buck Revell are old friends, and Yank Barry a.k.a. Falovich didn't call the former FBI counter-terrorism chief to report Nazerali's ties to terrorists. He called retired FBI Special Agent Buck Revell to see if he should do a business deal with Nazerali.

It's not that Yank Barry a.k.a. Falovich didn't know Nazerali. You see, Yank Barry a.k.a. Falovich was setting up a "foundation" to help the Russian government litigate (or maybe extort) American tobacco companies, and his partners in this venture were Buck Revell and a Nazerali associate named Sergei Chemezov.

Chemezov is a former Russian intelligence officer who served in East Germany with Vladimir Putin, future president and prime minister of Russia. Nowadays, Chemezov is considered one of Putin's closest associates, and serves as the Russian government's most important arms dealer. He has been implicated in secret sales of sophisticated weaponry to Iran and Syria.

Chemezov also had authority over the Luch nuclear weapons facility in 1992, when a quantity of highly enriched uranium disappeared from that facility. The Russian government later charged a low level Luch engineer with stealing the uranium, and claimed that the nuclear material had been recovered. We can only hope that the Russian government doesn't lie.

Yank Barry's partnership with Chemezov was arranged by another one of Nazerali's associates, a fellow who has multiple aliases, one of which is Egor Chernov.

Nazerali is friends with Chernov because Chernov, like Felix Sater and Vitali Leiba, is associated with the Mogilevich organization. Ali Nazerali has a thing for Russians, he spends a lot of time meeting them at parties, but also at business meetings.

Now, before we delve any further into retired FBI Special Agent Buck Revell and his connections to this network of miscreants, Deep Capture wishes to make perfectly clear that we are not accusing Buck Revell of doing anything untoward. Buck Revell is a decorated hero. For example, according to his speaker's bureau biography:

“In September 1987, Revell was placed in charge of a joint FBI/CIA U.S. military operation (Operation Goldenrod) which led to the first apprehension overseas of an international terrorist. President Reagan commended him for his leadership of this endeavor. In 1989, President Bush awarded Revell the Presidential Rank Award of Distinguished Senior Executive and in 1990 the President conferred upon Revell the Meritorious Senior Executive award. In May 1991, he was awarded the FBI Medal for Meritorious Achievement and the following month received the National Intelligence Distinguished Service Medal by the Director of Central Intelligence, William H. Webster.”

That is no small thing, and Deep Capture applauds the work of Revell and those like him. However, for the life of us, we cannot imagine what a retired FBI Special Agent would be doing mixed up with the riff-raff whom we are cataloging.

For example, and just for starters, we cannot fathom how it would come to pass that a criminal such as the Russian Yank Barry a.k.a. Falovich would, while spending an afternoon snorting coke in Aruba at a gathering of Mafia-tied financial miscreants, take a break to call retired FBI Special Agent Buck Revell from his cellphone’s speed-dial.

However, it is our job to report the facts, and this is what happened.

When the Russian Yank Barry a.k.a. Falovich called the former FBI anti-terrorism chief, Nazerali had finished up his Aga Khan meetings in Germany and had recently had lunch* with Egor Chernov. Also at this lunch meeting was Peter Maron, a Chicago art dealer who brokers sales of rare and expensive art works among Middle Eastern billionaires and Russian biz-nit men.

Peter Maron had got himself tangled up with the wrong people, and he would later suffer the consequences (which involved Thai prostitutes and brain damage). I will elaborate in the next chapter, but let me state from the outset that I think Peter Maron is a basically good man who means to do right by the world. If he has done anything illegal, I don’t know about it.

At any rate, Yank Barry a.k.a. Falovich knew Nazerali, but he wanted to confirm with Buck Revell that he should do more business with Nazerali because – well, because the FBI’s former counter terrorism chief has himself done business with Nazerali. Indeed, Revell is one of Nazerali’s close associates. They were partners in Imagis,

and Imagis had been a really good deal.

Remember: Imagis was the company that claimed to have facial recognition software useful in spotting terrorists. It issued huge amounts of unregistered stock and warrants in the weeks before and after Al Qaeda's Septembter 11 attacks.

Imagis, the anti-terrorism company, was set up by Ali Nazerali with help from his hedge fund partner, Yasin al Qadi who, in 2002, was named a "Specially Designated Global Terrorist." The chairman of Imagis was the retired head of FBI counter-terrorism, Special Agent Buck Revell.

In time, Imagis ran into some problems. Christopher Byron, a journalist with Red Herring magazine, wrote a story in August 2002 suggesting that Imagis was a fraud – that it had entered into a partnership with a certain Treyton Thomas, and this Thomas had hyped the stock with false numbers.

Moreover, it wasn't clear who Treyton Thomas was. He was a mystery man. As I mentioned in an earlier chapter, I maintain that Thomas is the same person as the Mogilevich-tied felon Norbert Grupe. They are, in any case, married to the same wife.

When Byron published his story, Revell sued the journalist. Soon after that, the journalist was fired from his job. This led to some discussion in the media world that Revell had maneuvered to destroy Byron.

Then, in testimony at a hearing before the United States Senate, Byron stated that Revell or someone working for him had engaged in "pretexting" to obtain copies of his (Byron's) phone records.

So Imagis had caused Revell and Nazerali some headaches.

I suppose it was only natural that these strange inter-locking relationships would spawn some nutty conspiracy theories. For example, an assistant professor at Harvard Medical School wrote a long treatise about Revell, and posted this treatise in the comments section of the Columbia Journalism Review's website.

In 2000, Revell sued the Columbia Journalism Review, so the nutty treatise is gone, but it alleged that Revell had advance knowledge of the 1988 terrorist attack on Pan Am Flight 103 over Lockerbie, Scotland. Other nutty conspiracy theorists have said

that Revell's involvement with Imagis suggests that he had advance knowledge of the September 11 attacks as well.

As evidence that Revell had "advance knowledge" of the Pan Am Flight 103 terrorist attack, the conspiracy theorists noted that Revell's son had been ticketed on Flight 103, but did not board the plane. Revell says his son was ticketed on the plane but his wife switched their son to another flight three weeks before Pan Am 103 took off.

In fact, the Israeli military had recently raided a terrorist camp in Lebanon and found evidence that the Popular Front for the Liberation of Palestine (PFLP) had hatched plans to attack an American airline, possibly Pan Am Flight 103. American embassies subsequently put out a general warning to government employees about flights (such as Pan Am 103) that originated in Frankfurt.

So it is possible that Buck Revell was merely heeding one of those warnings. It is also possible that Revell was not even aware of those warnings, and it was mere luck that his son (like the dozens of other people who cancelled their reservations on Pan Am Flight 103) decided to travel on another date.

But the conspiracy theorists didn't buy these explanations. They also said that it was odd that Revell and other investigators had blamed the Flight 103 bombing on a Libyan government agent, when others (including Pan Am) had blamed the attack on Palestinian groups (such as the PFLP) that were in contact with the U.S. government.

Hmm. Well, it is impossible for me to believe that an American public official would knowingly hide information about impending terrorist attacks, so I don't buy the conspiracy theory. It seems especially implausible to me that Revell would have have known and failed to warn the nation about something as horrific as the September 11 attacks.

But it is entirely possible that Ali Nazerali and his hedge fund partner Yasin al Qadi (Osama bin Laden's favorite financier) knew that Osama bin Laden had something big in the works, and positioned themselves to profit (through Imagis) from the attacks on the World Trade Center and the Pentagon.

Meanwhile, it is certainly worth asking what the former chief of American counter-terrorism was thinking when he agreed to serve as chairman of a company (Imagis) that was set up by people who have ties to terrorists. Not just terrorists, but also (as

we have seen) the Russian Mafia, Russian spies, Pakistani intelligence assets, and the Iranian regime.

Maybe nobody at the FBI knew that Nazerali and Yasin al Qadi were tied not only to jihadis, but also to Mafiosi who work for Semion Mogilevich — known as the "most dangerous mobster in the world" in part because he tried to sell highly enriched uranium to Osama bin Laden. Or, maybe nobody at the FBI knew that Semion Mogilevich was #2 on the FBI's Most Wanted list.

Or, perhaps there are other explanations that are just too nutty to contemplate.

When Revell attached himself also to Yank Barry's tobacco foundation, he perhaps had no idea that his close friend Yank Barry's real name was Gerard Falovich, or that Yank Barry a.k.a. Falovich was close pals (and a partner in multiple business ventures) with Mogilevich-tied Mafia boss Egor Chernov.

He might also have failed to realize that Yank Barry a.k.a. Falovich had ties to organized crime going back to the 1970s, when his close associates included the Montreal Mob boss Frank Catroni.

Of course, Yank Barry says he never did business with the Mob. He says, "I felt pretty cool rubbing elbows with these people [mobsters]. I wasn't involved in their business; it was just being able to know them. It was almost like hanging out with superstars. I knew Frank Catroni. I knew Vince Catroni. You'd go to clubs and they give you free drinks."

Be that as it may, Barry was eventually implicated in a Mafia-linked extortion scheme.

The precise nature of the charges remain unclear, but Yank Barry says that at the time he was involved with a company called McConnell Records, which was owned by a guy named John McConnell. One day, says Yank Barry, "I flew down to Jamaica and my ex-wife was there with a prostitute who was supposed to be one of the Don's [Catroni's] girlfriends or mistresses. The prostitute met John [McConnell] at a bar…He picked her up, took her home to sleep and the next day got a phone call that said, 'You were sleeping with the Don's mistress.'

After hearing about this, says Barry, he told McConnell to pay $82,000 cash to the Don, or the Don would have McConnell whacked. Barry says that's why he got

accused of extortion. He was just trying to help McConnell out.

And who knows? Maybe Barry is telling the truth. But he later ended up in jail on other charges and was bailed out by Egor Chernov's business partner, a man named Rex Judd (the bail documents can be viewed at DeepCapture.com). Not long after that, Judd was murdered, allegedly by Chernov after one of their deals went sour.

When Yank Barry a.k.a. Falovich called Revell to ask whether he should do some more business with Nazerali, he also thanked Revell for speaking to a judge on his behalf. And the charges against him, had, in fact, been dropped, which was something of a miracle.

So perhaps Revell did know that Yank Barry was really the criminal Gerald Falovich, associate of known mobsters. Perhaps he knew who Ali Nazerali and Yasin al Qadi were.

Perhaps Revell was conducting some kind of undercover operation. Maybe it is good that he was friends with all these characters. Maybe he was just keeping an eye on them to keep the United States safe.

Actually, though, I will admit, I have my doubts. From what I have learned after spending five years studying the "capture" of America's institutions by rogue elements, it has come to seem almost normal to me that a retired top FBI counter-terrorism official would go into business with a terrorist financier.

Sometimes that "capture" can be at once subtle and mezmermizing. Sometimes the current or former government official in question is genuinely convinced that bad guys are actually good guys. Either way, let us remain optimistic–let us believe that Buck Revell was doing the right thing.

One thing he did was tell his partner Yank Barry a.k.a. Falovich that he should definitely do some more business with Ali Nazerali. And after Yank Barry a.k.a. Falovich got clearance from Revell, Yank Barry a.k.a. Falovich called Nazerali and told him to come join the party in Aruba.

Nazerali caught the first flight, and a day later, he showed up at the pool, where Yank Barry a.k.a. Falovich and some of the boys were still snorting lines of coke.

After some small talk, Yank Barry a.k.a. Falovitch and Nazerali went into the hotel for

a private discussion. Following close behind was a guy Nazerali had brought with him – a big meat-head with a buzz cut, gun strapped to his side.

And the boys at the pool wondered about the guy with the gun. They said, what's with the thug? Why did Nazerali bring protection?

We're all friends here…aren't we?

* * * * * * *

So apparently, in 2006, the FBI's former counter-terrorism chief Buck Revell and Ali Nazerali and Yasin al Qadi were friends. That's good, because at the time, Yasin al Qadi's bagman was running what looked like a successful black ops effort to infiltrate the American military and the nation's financial system.

That Yasin al Qadi was capable of this perhaps should have been known to Buck Revell, given that his colleagues at the FBI had previously shut down another Yasin al Qadi operation that was doing precisely the same thing.

In 1994, Yasin al Qadi, working through his banking outfit, BMI Inc., delivered $5 million to a man named Oussama Zaide, who had instructions from the Muslim Brotherhood to set up a software firm in Boston.

Zaide quickly established the firm, and named it Ptech. According to FBI investigator Richard Wright, Yasin al Qadi was the "founder" of the firm.

Soon after Ptech was founded, it went to work selling sophisticated computer software to a select number of customers that included: the U.S. Air Force, NATO, the U.S. House of Representatives, MITRE Corporation (a company that specializes in defense, intelligence, and homeland security systems), the Naval Air Systems Command, the Federal Aviation Administration, and America's biggest banks.

In 2002, the U.S. government raided Ptech's offices as part of Operation Green Quest, its effort to crack down on financiers of Al Qaeda. The complete dossier of Ptech is too long to go into here, but I will name some of the other people involved.

Sitting on Ptech's board of directors were multiple Muslim Brotherhood figures, including BMI president Soliman Biheiri (also an officer at the Al Qaeda-funding Bank Al Taqwa, financed by Yasin al Qadi); Hussein Ibrahim; and Muhammad Ashraf.

One of Ptech's founders, meanwhile, was Abdurahman Alamoudi, an Al Qaeda operative who was sentenced to 23 years in prison after he was caught dealing with Libyan dictator Muammar Qaddafi and plotting to assassinate the crown prince of Saudi Arabia.

Recall from Chapter 2 that Mr. Alamoudi ran an Islamic organization, GSISS, that was described by the FBI leadership as "the most mainstream Muslim organization in America" until Alamoudi was arrested and it was determined that the GSISS had been inserting Al Qaeda spies (operating as Muslim chaplains) into the U.S. military.

Mr. Alamoudi's partner in GSISS, recall, was Sheikh DeLorenzo, the fellow who set up the Al Safi Trust, a naked short selling outfit that sinks U.S.. stock prices.

In other chapters, I discussed Mr. Alamoudi's ties to naked short seller Anthony Elgindy, who was on close terms with leaders of multiple jihadi groups; and who seems to have had advance knowledge of the September 11 attacks. Elgindy also had a couple of FBI special agents on his payroll; and he helped destroy America's largest clearing brokerage (MJK Clearing) in September, 2001.

Mr. Alamoudi was also (like Yasin al Qadi) tied to Benevolence International, the outfit that had contacts with people who were trying to buy nuclear weapons for Osama bin Laden. As we know, Elgindy's prosecutors later noted that Elgindy had "threatened" and attempted to "extort" Paul Brown, the head of Nuclear Solutions, a company that had access to decommissioned nuclear weapons.

Of course, Yasin al Qadi's bagman Mr. Mirza (the fellow at the center of what government investigators call the "SAAR Network" of terrorist financiers) was also involved with Ptech. Mr. Mirza managed a fund, the Sterling P-Tech Fund, which was formed as part of his Sterling Management Group investment empire, specifically to invest in Ptech.

Meanwhile, two men – Suheil Laher and Muahmed Mubayyid – were hired to direct the technical applications of Ptech's software. Both of those guys were also officers of Care International, a charity that was formed by the Al Kifah Refugee Center, which was founded by Osama bin Laden and his mentor, Abdullah Azzam. Al Kifah was the predecessor to Al Qaeda.

That is, before Osama bin Laden formed Al Qaeda, his operation was called Al Kifah.

Abdullah Azzam would later have a falling out with bin Laden, but Care International, employer of the future Ptech executives, remained in the bin Laden camp. And by 2001, it was clear that many other people involved with Ptech were also supporters of Osama bin Laden.

Certainly there were some Ptech employees and even some top executives who did not know for whom they were working. But given that the government raided Ptech as part of Operation Green Quest (the government's effort to crack down on Al Qaeda's financiers), it can be assumed that government investigators believed that Ptech was, in fact, a front for Al Qaeda.

It was probably more than a front. Off the record, government investigators have whispered to journalists that Ptech seemed a lot like an Al Qaeda black ops effort to gain access to the computer systems that held the most sensitive data of the U.S. military, the U.S. government, and the institutions that were the bedrock of the American financial system.

Some also expressed concern that Ptech's Al Qaeda-tied technology specialists had helped the Department of Energy design a facility at Colorado's Rocky Flats nuclear weapons facility, which had recently been the subject of an urgent investigation into terrorist threats.

In 2002, the government charged some of Ptech's top executives with money laundering and concealing Ptech's relationship with "Specially Designated Global Terrorist" Yasin al Qadi. On the record, however, government spokesmen said that they did not believe that Ptech had managed to gain access to any top secret information stored in government computer systems.

Given the nature of Ptech's software, it certainly was capable of obtaining classified material. But perhaps the government spokesmen were telling the truth when they said no government secrets were stolen.

Still, executives at some of the big banks say that there is no question that Ptech had access to all manner of data – trading records, data on the credit histories of the banks' clients, and other information – that would be eminently useful to anyone wishing to manipulate the markets.

After Ptech was raided, a woman named Indira Singh went on a mission, ostensibly seeking to "expose" Ptech by giving interviews to dozens of journalists. Singh, who

said she was a former employee of JP Morgan, focused her allegations on Ptech's acquisition of data from the big banks, saying that Ptech had something to do with the collapse of Enron in November 2001, shortly after the Al Qaeda attacks of September 11.

But at the same time, Ms. Singh seemed to go to lengths to discredit herself by suggesting that Ptech was, in fact, a front for the CIA, that it was somehow involved with Skull and Bones and child sex parties, and that it was tied in with a CIA plot to demolish the World Trade Center and wipe out the financial markets – all part of a wide-ranging, top-secret CIA scheme to create a shadow government that would rule the world.

Indira Singh's eccentric notions have inundated the internet, so that anyone doing a quick search on the Ptech case would quickly conclude that all people who believe that Ptech gained access to sensitive financial data must necessarily be psychotics. Thus, Indira Singh effectively discouraged mainstream journalists and politicians from continuing to investigate the Ptech scandal.

Which is interesting, because Indira Singh had actually worked for the SAAR Network of terrorist financiers. She had been a consultant to Mr. Mirza, bag-man to "Specially Designated Global Terrorist" Yasin al Qadi. So it is possible that she had some motivation for scaring people away from telling the truth about Ptech, lest they be seen as allying themselves with people who believed that the CIA was trying to take over the world.

Either that, or she was merely echoing perceptions that are common in jihadi circles.

In any case, most people in positions of authority did not seem keen to address the Ptech scandal. After a brief flurry of media stories, nobody (other than the 9-11 Truth crowd) paid much attention to it.

And while the government investigated Ptech for its suspected ties to terrorism, nobody paid much attention to Ptech's principals – including "Specially Designated Global Terrorist" Yasin al Qadi's bagman Mr. Mirza — who proceeded, amazingly, to invest in another company, LynuxWorks, which was in pretty much the same line of business as Ptech.

LynuxWorks CEO, Inder Singh, is also a director of Mr. Mirza's SVC Financial Services. Recall that another principal at SVC Financial Services was Robert Gold, who was

simultaneously a director of Sinex Securities, the Gene Phillips outfit at the center of the scandal that saw the Russian Mafia and the Russian government (and, quite likely, the Al Qaeda-tied Bank al Taqwa) manipulating the U.S. markets and laundering upwards of $7 billion through the Bank of New York.

In other words, LynuxWorks is just as suspicious as Ptech was. And from 2002 through the financial crisis of 2008, LynuxWorks, an outfit clearly tied to the SAAR Network of terrorist financiers, continued to supply important software to America's biggest banks and brokerages.

LynuxWorks also continued to supply software to the American military and government agencies. And, to this day, this outfit, which is tied to the SAAR Network of terrorist financiers, continues to provide and maintain that software for the US government, while nobody (excluding people who insist it is all part of some kind of CIA plot) says a word about it.

Fortunately, Yasin al Qadi's business partner, Buck Revell, the FBI's former counter-terrorism chief, appears to be on the case.

To be continued…

* As mentioned previously, the description of the "Aruba" meeting is a composite of several meetings that took place in various locations. The description accurately describes the scene and various conversations that took place at various times. I had to mix it up a little to conceal the identities of my sources.

* Deep Capture wishes to emphasize that we believe that it is incredibly improbable that retired FBI Special Agent Buck Revell would knowingly have done anything injurious to the interests of the United States. It is simply our duty to report the facts, and the facts are that over a decade ago Special Agent Revell became a business associate of dubious characters such as Yank Barry a.k.a. Gerard Falovich (who is closely tied to and a partner in multiple business ventures with Mogilevich-tied Mafia boss Egor Chernov), and served as chairman of a company that was funded by Ali Nazerali and Yasin al Qadi, one of whom the U.S. government named a "Specially Designated Global Terrorist", and that at least some of these relationships persisted until 2006. We stand as bewildered by these facts as the reader may be.

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CHAPTER 16

The Miscreants' Global Bust-Out (Chapter 16): The Deep Capture of America, and Some Clues as to the Once and Future Cataclysm

Posted on 14 June 2011 by Mark Mitchell

Ptech, the software firm that penetrated America's largest financial institutions, was part of what FBI investigators once referred to as the SAAR Network (or sometimes the Safa Group) of companies, hedge funds, banks, and charities that financed Al Qaeda, Hamas, Palestinian Islamic Jihad and other jihadi terrorist outfits.

The FBI first began investigating this network in 1993, which is when the bureau recorded a secret meeting of Hamas leaders at a Marriott Hotel in Philadelphia. At that meeting, the Hamas leaders discussed ways in which to undermine the United States and Israel. They also plotted the release from prison of the Blind Sheikh, who had inspired the 1993 World Trade Center bombing and was now ranting about the jihadi imperative to wipe out the American economy.

The Hamas leaders at that meeting did not talk about violent terrorism. Rather, they stressed that their effort to undermine the United States must be conducted by stealth. "War is deception," said Hamas operative Abu Baker at the meeting. "Deceive, camouflage…Deceive your enemy."

An excellent weapon in any stealth war against the US would be market manipulation and the destruction of American companies and the prosperity they bring. So it seems to me that any financial operator who both a) manipulates markets; and b) has significant ties to this jihadi network; should c) be treated with at least a soupcon of suspicion.

I know this has been a complicated story to follow (as it has been to research and write), so I am going to take a moment to review and highlight a small fraction of what we have covered so far in earlier chapters.

First, this jihadi network has ties to organized crime, which has a massive presence on Wall Street and might be willing to collaborate with jihadis to sabotage the American economy for fun or profit. Especially in the case of Russian organized crime, we must consider the possibility that the criminals' motivations are not just financial, but also political.

We have also seen that some of the Hamas leaders at that meeting in Philadelphia received considerable financial support from a number of famously destructive market manipulators–including Anthony Elgindy, Rafi Khan, Rene Hamouth, and others–with ties to both the jihad and organized crime.

One of the Hamas leaders at that meeting, Nihad Awad, later founded an Islamic TV

station with Omar Amanat, one-time proprietor of Datek Securities, a brokerage linked in numerous ways to the 1999 scandal that saw the Russian government and the Russian Mafia manipulating the markets and laundering upwards of $7 billion through the Bank of New York.

Amanat, we know, also founded Lightspeed, a brokerage that has ties to some of the nation's most destructive market manipulators.

Meanwhile, Omar Amanat and his brother, Irfan, founded or served as consultants to nearly all of the nation's major electronic communications networks, or ECNs. These ECNs are notorious for enabling market manipulators to operate in anonymity.

Here is a compelling example: In September 2001, Irfan Amanat used one of his ECNs, MarketXT, to inflict serious damage on the markets, right at the time when Elgindy and Rafi Khan were helping destroy the nation's largest clearing brokerage, MJK Clearing.

It might be worth stressing that MJK Clearing collapsed (as the result of Elgindy's naked short selling) on September 28, 2001. Until recent amendments to the rules, the maximum time that stock could be (at last nominally) left undelivered was 13 trading days.

Thus, through the last decade, typical naked short selling schemes saw phantom stock being kited every 13 trading days, over and over, thereby rolling over the phantom stock for (in some noteworthy cases) as many as 900 trading days.

So as I said, the USA's largest clearing brokerage, MJK Clearing, collapsed on September 28, 2001. If one finds a calender for the year 2001, and goes to September 28, 2001, and then counts backwards 13 trading days, one lands on…. September 11, 2001.

That is, the firehouse of naked short selling that wiped out MJK Clearing was opened up on September 11, suggesting that it was meant to coincide with Al Qaeda's attacks on the World Trade Center and the Pentagon.

As we know, on September 10, 2001, Elgindy (who had multiple ties to Al Qaeda) told his broker to liquidate his (Elgindy's) accounts because an imminent event was going to cause the market to lose two-thirds of its value. Elgindy also bragged to an

FBI agent on his payroll that he had advance knowledge of the 9-11 attacks (as that FBI agent's supervisor and Elgindy's prosecutors later asserted).

In upcoming chapters, we will see in much greater detail how this network is connected to Penson Financial, which in 2008 suddenly went from being an obscure brokerage to the largest brokerage on the planet by virtue of volume that seems to have been largely manipulative short selling targeting the major banks that collapsed or almost collapsed that year, precipitating a financial crisis that almost wrecked the nation.

We will see, for example, that Irfan Amanat and Omar Amanat played a key role in building what would eventual become Penson Financial. We also will see that Penson Financial was constructed from the remains of Mafia brokerages linked to people like Rafi Khan and his associate Ali Nazerali, who was the hedge fund partner of Yasin al Qadi, one of the central figures in the SAAR Network of terrorist financiers.

In upcoming chapters, I will also point to this network's involvement with Wedbush Morgan, which in 2008 suddenly became the second largest brokerage in the world, referring much of its manipulative trading (likewise targeting the big banks that wobbled or toppled in 2008) to Bernie Madoff's criminal brokerage.

And we will see that people tied to SAAR Network entities and other jihadi outfits (with the likely support of financial operators with ties to organized crime) were engaged in other activities — everything from mortgage fraud to the creation of synthetic self-destruct CDOs–that helped bring the economy to its knees, beginning in 2007.

But before I delve into those details, let us take a brief look at the U.S. government's record in cracking down on financial operators with ties to the Mafia and terrorism.

As we know from earlier chapters, the SEC's short selling rules (full of loopholes that enabled brokerages to engage in naked short selling and similar manipulative schemes such as "married puts") were written with the significant participation of Bernie Madoff, the Mafia-tied criminal who used a portion of his Ponzi funds to cover up liabilities that his brokerage had accrued as the result of engaging in short-side market manipulation.

We also know that Madoff's clients included (among others) Sheikh Mahfouz, who

set up the Muwafaq Foundation, which was run by market manipulator Yasin al Qadi. And according to the U.S. Treasury Department, the Muwafaq Foundation was "an Al Qaeda front."

Yasin al Qadi was also tied to the Al Qaeda charity Mercy International, funded generously by destructive short seller Anthony Elgindy, who (as is evident from transcripts of his Hamas-hosted private internet chat site) had close relationships with not only the Russian Mafia and jihadi leaders, but also with some SEC officials who assisted his short selling attacks and (according to a later report from the Inspector General of the SEC) provided Elgindy with confidential information about SEC investigations of public companies.

So it is perhaps unsurprising to the reader that the SEC, when confronting short-side market manipulation by people tied to organized crime and the jihad, generally gives hall passes.

In the late 1990s up to around 2001, the Department of Justice conducted a large scale effort (sometimes referred to as the "Mob on Wall Street" campaign) to shut down brokerages with ties to organized crime. Since then, however, the DOJ has done little in this regard, and a large network of Mafia-tied brokerages (I will name many in upcoming chapters) are still in business.

Meanwhile, the DOJ has done almost nothing to prosecute financial operators linked to Al Qaeda and other jihadi outfits.

In 1996, FBI Special Agent Robert Wright launched Operation Vulgar Betrayal, the FBI's first major effort to crack down on what would later be termed the "SAAR Network" of financial entities with links to Hamas, Al Qaeda, and other jihadi outfits. Among Agent Wright's principal targets were the billionaire hedge fund manager Yasin al Qadi (who, as I say, was Osama bin Laden's favorite financier) and his U.S.-based bagman, Yaqub Mirza.

But Wright (who referred to Yasin al Qadi as "Al Qaeda's banker") was removed from the investigation in 1999. Operation Vulgar Betrayal was shut down in 2000.

According to Wright, his team's efforts were foiled by U.S. politicians and FBI higher-ups who were unnerved by the fact that he was investigating powerful people who had considerable influence in both Washington and Saudi Arabia (ostensibly a key U.S. ally).

Former Special Agent Wright said, in essence, that the U.S. Department of Justice had been captured by Al Qaeda's most important financiers.

The capture apparently extends to the SEC, which has shown no signs of investigating the trading of people like the billionaires who comprise Al Qaeda's Golden Chain and who funded the SAAR Network. (In fact, in the view of Deep Capture, the capture of the SEC by criminal financial operators is essentially total, unlike the DOJ.)

When Agent Wright blew the whistle on the political interference with his FBI investigation, he literally broke down in tears as he publicly apologized for the FBI's failure to complete its mission.

After the September 11 attacks, Operation Green Quest, a multi-agency effort led by the Treasury Department, saw government agents raiding the offices of many SAAR Network entities, including most of the financial companies and charities tied to Yasin al Qadi's U.S.-based bagman Yaqub Mirza. The FBI also raided the Northern Virginia home of Mr. Mirza and more than a dozen of his colleagues.

Soon after, the Treasury Department labeled Yasin al Qadi a "Specially Designated Global Terrorist."

However, few indictments followed from these raids, and the SAAR Network remained mostly intact. Most of the hedge funds and other investment vehicles managed by Yaqub Mirza are still in business.

Meanwhile, the massive U.S. financial empire of ISNA is also still thriving. ISNA, recall, is a Muslim Brotherhood front that operates multiple SAAR Network investment funds with billions under management. It has been linked directly to Yaqub Mirza (who has served as chairman of ISNA's Amana Trust). And one of its founding directors was Palestinian Islamic Jihad leader Sami al Arian, suspected by some FBI investigators of having provided support to the September 11 hijackers.

I will remind you that destructive short seller Anthony Elgindy's family settled Sami al Arian in America. The Elgindy family paid for the Palestinian Islamic Jihad leader's expenses for some time, and helped him find a seemingly innocuous job as a professor at the University of South Florida. While working as "professor", Sami al Arian was taking directions from Iranian government agents stationed at the UN in

New York, according to the DOJ.

Remember also that the Palestinian Islamic Jihad leader is an extremely close associate of other market manipulators, including Omar Amanat, Irfan Amanat, and a number of traders who in 2008 had accounts at that little Chicago brokerage, Tuco Trading, which transacted much of its trading over Omar Amanat's Lightspeed trading platform and cleared its trades through Penson Financial.

In fact, Tuco Trading (which was not even registered with the authorities) accounted for well over 20 percent of the volume that suddenly made Penson the largest brokerage on the planet in early 2008.

That's why I kept calling the jihadi Zuhair Karam, who had been a trader at Tuco, and who seemed to know something about an Iranian trader who was linked to two Tuco accounts (one with 2,000 sub-accounts based in China) that accounted for much of the brokerage's massive volume.

I had learned from various sources that this Iranian's family worked for the Revolutionary Guard in Tehran and was closely tied to Palestinian Islamic Jihad. By the fall of 2010, I had concluded that this might be the same Iranian whom I had identified as being a hedge fund partner of a fellow who was simultaneously a principal at a brokerage linked to Arik Kislin, former business partner of Bebeck Seroush, an Iranian arms dealer with ties to Russian intelligence and North Korea.

I will explain how I ultimately was able to confirm the identity of this Iranian with some help from Zuhair Karam, who was an associate of this Iranian, and also of Palestinian Islamic Jihad leader Sami al Arian.

But first, let me continue my commentary on the capture of America's regulators by noting that in the fall of 2010, I was fairly certain that Tuco Trading and a network of closely affiliated brokerages (or their clients), all with ties to the Mafia or worse, had done some damage to the American economy. From all external appearances, however, nobody at the SEC or the DOJ was pursuing this possibility.

One of the brokerages in this network was Carlin Equities, financed in large part by Arik Kislin, the former business partner of the Iranian intelligence asset Bebeck Seroush. The government had named Kislin as being a "member" of the gang run by Vyacheslav Ivankov (also known as "Little Japanese" , the brutal Russian Mafia boss who was assassinated on a Moscow street in 2009 after revealing that he had long

been employed by the Russian intelligence services).

How could it be that the U.S. government has identified a person as being a Mobster with ties to Russian and Iranian intelligence assets, but still allows that person to operate in the U.S. financial markets? And how could it have been that the SEC, which shut down Tuco Trading by "Emergency Order" just days before the collapse of Bear Stearns, did not follow up with an investigation?

I know the SEC did not investigate because it charged Tuco with nothing more than violating margin rules, and handed the case over to Tuco's bankruptcy receiver, who was tasked with doing nothing more than sorting out what was owed to Tuco's creditors.

Fortunately, the court appointed receiver did more than that, and immediately saw that there was something immensely strange about this brokerage. He noted in his initial reports, for example, that it was not entirely typical for a little unregistered brokerage in Chicago to be trading for 2,000 anonymous accounts in China.

But the receiver was left to investigate all by himself, without any assistance from the SEC. Then he had a stroke, and the world forgot about Tuco until a Wall Street veteran (and deeply positioned source for Deep Capture) alerted us to the suspiciously large volume of Tuco's trading.

At which point I began investigating, not quite knowing why, since my work was unlikely to get much attention from the SEC, the same government agency that gave Sheikh DeLorenzo special permission to engage in what would otherwise be blatantly illegal naked short selling.

As you will recall, Sheikh DeLorenzo (another close associate of Palestinian Islamic Jihad leader Sami al Arian) got that special permission from the SEC by claiming (falsely) that shariah law states that Muslim short sellers cannot borrow stock, the implication being that Muslim short sellers must sell stock that does not exist (which creates artificial supply with which to torpedo affected companies's stock prices).

Sheikh DeLorenzo's phantom stock machine, which is called the Al Safi Trust, is connected to some powerful financiers, including many of the Saudi billionaires who comprise Al Qaeda's Golden Chain, and the SEC swoons for anything that smells like money and power.

It swoons despite the fact that Sheikh DeLorenzo (who, in his designer pin-striped suits, certainly looks like the SEC's kind of man) is a full-fledged jihadi who spent his formative years setting up madrassahs in Pakistan before going on to serve as a board member of multiple SAAR Network outfits that had ties to terrorism and were targeted by Operation Vulgar Betrayal and Operation Green Quest.

Sheikh DeLorezo, recall, helped run one outfit, GSISS, that was an affiliate of the American Muslim Council, described by the FBI leadership as the "most mainstream Muslim organization in America".

That was before 2004, when it was learned that the GSISS and the AMC were inserting Al Qaeda spies into the U.S. military. That same year it was learned that Sheikh DeLorenzo's GSISS partner, Abdurahman Alamoudi (who is now serving a 23 prison sentence), was a ranking Al Qaeda operative who had hatched a plot (with another Al Qaeda operative and Muammar Qaddafi) to assassinate the crown prince of Saudi Arabia.

I know some of this repeats what I have written in earlier chapters. But this is not a book. It's an effort to get someone to pay attention to a serious problem, and that, unfortunately, means stating (or chanting, if you like) some things over and over again until the message is clear.

And, in this case, the message is one that I simply could not believe until recently, even having familiarized myself with this general subject for five years. It's a message that seems so over-the-top and outlandish that I will probably do myself no favors by even uttering it, much less chanting it.

But it's a message that is true, beyond any shadow of a doubt. So I'll say it again.

The message is this: Some regulators and law enforcement officials overseeing our nation's capital markets have been captured by destructive financial criminals with ties to Al Qaeda.

That perhaps explains why the U.S. government has also taken no action against the SAAR Network's founder, Sheikh Sulaiman Abdul Aziz al-Rajhi (whose initials — S.A.A.R — give the network its name).

To many, I think, the simple fact that Sheikh Rajhi's primary investment vehicle (the al-Rajhi Banking and Investment Corporation) is the tenth largest company in Saudi

Arabia, with more than a dozen international subsidiaries, many of which participate in the U.S. markets, would be reason enough to expect the US government to pay attention to his activities.

There are other reasons, too. For one, Sheikh Rajhi's company held all of the accounts of Al Qaeda's European financial operative, Muhammad Zouyadi, who used the bank to transfer funds "directly to the perpetrators of September 11, 2001," according to a civil suit filed by victims of the attacks.

In addition, one of the 9-11 hijackers, Abdulaziz al-Omari, held a secret account at another of Sheikh Rajhi's companies, the al-Rajhi Islamic Bank.

There is also evidence that the bank wired money to operatives of Jemaah Islamiya, a jihadi outfit linked to Al Qaeda, and that this money was used to fund the 2002 bombing that killed more than 200 people, mostly Australians, at a bar and nightclub in Bali, Indonesia.

Earlier, when Al Qaeda blew up the U.S. embassy in Kenya, evidence found by police in the home of Osama bin Laden's personal secretary suggested that a member of Sheikh Rajhi's family, Saleh Abdulaziz al-Rajhi, was directly involved with (and perhaps even a full-fledged member of) Al Qaeda.

But the SAAR Network's ties to Al Qaeda might be less worrying than its ties to organized crime and some prominent American financial operators. As we have seen, those ties go back to the days of BCCI, when people like Ali Nazerali (Yasin al Qadi's one-time hedge fund partner) and future SAAR Network figure Sheikh Mahfouz (founder of an Al Qaeda front) were dealing with Michael Milken's network of Mafia-tied market manipulators.

The ties remained evident in more recent years, when the SAAR Network's Bank al Taqwa (which set up Al Qaeda's main operating base, per the US Treasury) seemed to have a relationship with Sinex Securities, the outfit controlled by Michael Milken's closest business associate, Gene Phillips.

That's the same Sinex that was central to the scandal that saw the Russian government and the Mogilivech organization (which meanwhile tried to sell highly enriched uranium to Al Qaeda) manipulating the U.S. markets and laundering upwards of $7 billion into the Bank of New York. This, according to the DOJ, which nonetheless failed to indict Sinex.

That's the same Gene Phillips whose illegal business dealings with the Mafia have been well documented by the Department of Justice, which indicted Phillips as part of Operation Uptick, then the biggest Mafia bust in FBI history. In that indictment, the DOJ noted that Phillips had been dealing with host of Mobsters, including a fellow named Anthony Joseph Mann.

Anthony Joseph Mann, we know, is also known as Andy Tripoli. Other times he's Joseph Napoli. He escaped further DOJ scrutiny and Phillips did no jail time. So Anthony Andy Joseph Mann Napoli Tripoli later reappeared as the proprietor of his own DTCC in the Caribbean, much to the delight of the Mafia characters at the pool in Aruba who were visited by Ali Nazerali.

While all of these people were no doubt availing themselves of Tripoli Napoli's DTCC and manipulating the markets, the DOJ occasionally investigated, but never filed another indictment. As far as we can tell, the DOJ never even asked the likes of Gene Phillips and Ali Nazerali to stop doing business with the Mafia.

Nor does the DOJ seem to concern itself with the relations between these people and jihadis. As we have seen, the Phillips and others in the Milken network have, in the past, participated in a number of death spiral schemes with Specially Designated Global Terrorist" Yasin al Qadi.

At the moment, Shiekh DeLorenzo's Shariah Capital (of which the Al Safi Trust jihadi phantom stock machine is a subsidiary) has partnerships with multiple U.S. hedge funds (all run by associates of Milken) including: Tocqueville Asset Management, Lucas Capital, Zweig-DiMenna International Managers, and BlackRock Capital Management, Inc.

It is, of course, hard to believe that prominent American financiers would work in cahoots with jihadi financial terrorists or foreign governments (like, say, the ones in Iran or Russia, which have both done quite a lot of business with some of Milken's closest associates; or the one in Pakistan, which formerly employed Sheikh DeLorenzo to work with its spy agency in setting up a network of jihadi madrassahs).

That is, it is almost impossible to believe that prominent American financiers could conspire with America's adversaries to do serious harm to the American economy.

Indeed, let me be clear: I do not intend to suggest that there has been any such

conspiracy. At least, it is probably not the case that Michael Milken, the dons of the Mafia, the leaders of Al Qaeda, Vladimir Putin, and the Ayatollah have gathered in a secret meeting hall to plot the end of the world.

However, as a prelude to my upcoming chapters on the massive bust-outs that nearly wiped out the financial system in 2008, let me reiterate a few things.

The first is that while Michael Milken is a prominent American, respected by many good people, he was also once convicted on 99-counts of securities fraud and market manipulation.

In addition, Milken sits at the center of a network of hedge funds that clearly (as previous chapters have shown) has ties to organized crime. It is thus unsurprising that these hedge funds are notorious for organizing crimes, such as brazen bust-outs of publicly-listed corporations. Bust-outs that do serious harm to the American economy, and might therefore be of interest to America's adversaries.

Bust-outs come in many varieties, but the basic idea is to first load a company up with debt and toxic assets, and then do everything in one's power to topple the company.

The debt might come in the form of death spiral finance or convertible bonds that serve the dual purpose of giving their holders access to shares that can be sold short.

The toxic assets might include fraudulent mortgages and all manner of derivatives, including collateralized debt obligations, which were innovated back in the 1980s by Drexel Burnham (Milken's shop) , and which were later refined by hedge funds in the Milken network into "synthetic" collateralized debt obligations, that were synthesized by financiers who expected them to self-destruct.

Once the company has been weakened by the toxic assets and debt, the miscreants and their affiliates do everything in their power to take the company down. Their tactics include: publishing false financial research, spreading scurrilous rumors, exaggerating the company's weaknesses, and planting negative stories with their stable of compliant journalists.

Other tactics include filing bogus lawsuits; getting the captured SEC or other regulators to launch damaging investigations of the company; scheming to cut off a

company's access to credit; and even hiring thugs to threaten or harass corporate executives to the point of distraction.

Meanwhile, of course, hedge funds in the network exploit loopholes in the clearing and settlement system to bombard the company with manipulative short selling that creates "failures to deliver" — artificial supply that can (especially if the other components of the bust out have been implemented) send a stock into a death spiral.

Once a stock is in a death spiral, the company is is no longer able to raise capital, and it is forced into bankruptcy.

As has been well documented by Deep Capture, hedge funds in the Milken network have refined many of these tactics to an art form. I encourage readers to review our archives, but I will mention briefly that by 2006 it had been well-documented that Milken network hedge funds conspired to take down Fairfax Financial, one of the largest financial services companies in Canada.

Among the hedge funds that participated in that scheme were Steve Cohen's SAC Captial and Exis Capital, which is essentially a subsidiary of SAC Capital ("the most powerful hedge fund on the Street"). I have mentioned that Steve Cohen was once investigated for trading on inside information provided to him by Milken's shop at Drexel.

I have also mentioned that Cohen used to help run the Milken-financed Mafia brokerage Gruntal & Co, where one of his trading partners was Felix Sater, the Russian Mafia boss with ties to the Russian intelligence services (and who told the U.S. government that his ties to Al Qaeda could be useful to the CIA, part of his successful effort to stay out of prison).

Felix now runs Bayrock, a real estate outfit that provides money laundering services to Steve Cohen.

Bayrock has several partnerships. One is with Leon Black's Apollo Management (which employs Milken's son, Lance). Another is with Tamir Sapir, a Russian Mafia boss who used to provide high-tech equipment to KGB operatives in New York in partnership with Semion Kislin, uncle of the above-mentioned Arik Kislin, tied to Russian and Iranian intelligence assets.

Exis Capital is run by Adam Sender. Recall that the FBI recorded Sender having a conversation with a former Genovese Mafia soldier who offered to make one of Sender's enemies disappear in the Nevada desert.

In 2006, while that Genovese soldier was on trial for numerous crimes including a number of murder-for-hire plots, Sender's Exis Capital deputy Andy Heller was writing an email about Fairfax Financial. In this email (which Deep Capture has obtained), Heller wrote that "the way to get this thing [Fairfax] down is to get them where they eat, like the credit analysts and holders. We're taking this baby down for the count."

That is, the hedge funds were scheming to cut off Fairfax's access to credit as part of its larger effort to take Fairfax "down for the count." The recipient of this email was Jonathan Kalikow, of Stanfield Capital.

Kalikow is the son of Peter Kalikow, who once the owned the New York Post. While Kalikow was in charge, the New York Post's fleet of delivery trucks was handed over to La Cosa Nostra, which used the trucks to transport drugs and weaponry. Meanwhile, Post executives conspired with the Mob to inflate the paper's circulation numbers.

Kalikow was also among the largest backers of the arbitrage fund run by Milken's famous criminal co-conspirator Ivan Boesky. At the time, Boesky was doing business with the Iranian regime and working out of a New York building (650 Fifth Avenue) owned by the Alavi Foundation, the Iranian government outfit later indicted along with its subsidiary, the Assa Corporation, for espionage and funding Iran's nuclear program.

The other largest investors in Boesky's fund were: Marc Rich (indicted for trading with Iran during the Iran hostage crisis); Alan Patricof (closest U.S. associate of the Iranian Hassan Namazee, caught with $250 million worth of fake Treasuries); Michael Steinhardt (son of the biggest Mafia fence in America, once implicated by the government in a scheme to corner the U.S. Treasuries market); Rene-Thierry Magon de la Villechuchet (major feeder to the Madoff fraud, co-founder of Leon Black's Apollo Management, found dead in December 2008, his blood neatly drained into a garbage can); and Jeffrey Picower (personally pocketed more than $5 billion from the Bernie Madoff criminal operation; found dead in October 2009, floating at the bottom of his swimming pool at his Palm Beach estate).

Sources tell me that Villehuchet and Leon Black played instrumental roles in developing relationships between investment bank Credit Suisse (whose most important client is Leon Black) and the regimes in Iran, Sudan, and Libya. This is how it came to be that in 2009 Credit Suisse was fined $536 million for, among other things, transferring more than $1 billion directly to the Atomic Energy Organization of Iran and the Aerospace Industries Organization, the entities responsible for Iran's covert production of nuclear weapons and long-range missiles.

Credit Suisse, recall, also secretly transacted large volumes of illegal (and almost certainly manipulative) trading for Libya and Sudan. And a former official with the Manhattan District Attorney's office is now investigating whether Credit Suisse did the same for the Assa Corporation, which provided Ivan Boesky and Marc Rich with office space and was later indicted for espionage and funding Iran's nuclear program.

Jonathan Kalikow's Stanfield Capital was among the bigger players in the world of self-destruct CDOs. Another perpetrator of the self-destruct CDO scam, we know, was Tricadia, run with help from Stuart Boesky, a relative (probably the brother, certainly a close look-alike) of Ivan Boesky.

As the Financial Crisis Inquiry Commission made clear in its 2011 report to Congress, there weren't many perpetrators of the self-destruct CDO scam, but this scam was almost wholly to blame for the mortgage crisis that began in 2007. As we will see in a later chapter, nearly every one of the other perpetrators of this scam were part of this same tight-knight network.

We will also see that some financial operators created mountains of self-destruct CDOs while working for SAAR Network entities implicated in the financing of terrorism.

Those self-destruct CDOs were, of course, sold to big investment banks such as Bear Stearns. And the people who designed and sold them knew that they were going to self-destruct, crippling those banks.

That, indeed, was a subject of much discussion at meetings held in Costa Rica at various times in 2006. We know this because Deep Capture had a source monitoring those meetings.

And we know that one of the people at these meetings was Kevin Ingram, the

former head of the Goldman Sachs mortgage-backed securities desk, who helped innovate the self-destruct CDO scam.

In addition, we know that in June 2001, Ingram was charged by the DOJ with laundering money for an Egyptian arms dealer who was suspected of having ties to Al Qaeda and was dealing with a mysterious Pakistani looking to buy components for nuclear weapons on the black market.

Another person at the Costa Rica meetings: Ali Nazerali, who was (at least for a time) a hedge fund partner of Yasin al Qadi (Osama bin Laden's favorite financier). And Steven Roth, financial advisor to Imagis, the anti-terrorism company set up by Nazerali and Yasin al Qadi.

Former FBI counter-terrorism chief Buck Revell (chairman of Imagis) probably didn't know that Yasin al Qadi was tied to terrorism. By 2006, though, he would have figured out that Yasin al Qadi had been named a "Specially Designated Global Terrorist."

At any rate, in 2006, Revell told his Mafia-tied friend, Yank Barry a.k.a. Falovich to do businesses with Nazerali. And he became involved with Yank Barry a.k.a. Falovich's scheme to extort money from tobacco companies with Sergei Chemezov, the former Russian intelligence operative who was meanwhile selling S-300 ground-to-air missiles to the regime in Iran.

This crowd has some distinctive characteristics, one of which is that people associated with it routinely drop dead under mysterious circumstances. And one dead guy is Rex Judd, the fellow who bailed Yank Barry a.k.a. Falovich out of jail.

Shortly after that party in Aruba, Rex Judd was lured to another party, this one in Pattaya, a seaside resort in Thailand whose population is comprised primarily of Thai bargirls and German men in microscopic bathing suits, though there are also Vietnam veterans, Israeli ecstasy dealers, some Middle Eastern sheikhs, a lot of meth addicts, and the Russian mobsters who essentially run the place.

Upon arriving in Pattaya, Rex Judd was invited to a girlie bar. Soon after, he disappeared, and was presumed dead.

When news of his death reached America, Rex Judd's friend, Paul Combs, concluded that Judd had been killed by the Russian Mob at the direction of Egor Chernov, the

friend of Ali Nazerali who had been the go-between for Rex Judd, Yank Barry a.k.a. Falovich, and the arms dealer Sergei Chemezov.

Paul Combs, who was also known as Michael Woods, and also known as Aleksander Stanslavvov Karanikolov, was an equities trader affiliated with DBS Securities, a brokerage that seems to do business with a lot of people who use multiple aliases.

Combs-Woods-Karanikolov had also been a key witness in the legendary "Danger Road" case, in which a Miami police officer turned Mafia hit man was charged with assassinating three narco-traffickers (who had obtained their narcotics from Paul Combs a.k.a. Woods a.k.a. Karanikolov) on a deserted stretch of highway, known as "Danger Road", in the Florida Everglades.

When Rex Judd disappeared in Pattaya, Paul Combs was ticked off, apparently. So soon after the 2005 disappearance, Combs went to Chernov's house in Salt Lake City, Utah with a can of spray-paint, and scrawled a message on Chernov's garage door.

The message said: "Egor Chernov Murdered Rex Judd!! Russian Maggot!!"

Combs thought Chernov had killed Judd because word among Chernov's associates was that Chernov had pulled a similar stunt with Peter Maron, the art dealer. Apparently, Maron had been lured to Thailand, drugged with Xanax, and then taken to a hotel room where some Thai bargirls were lying in wait, fully naked.

Chernov and his men then photographed Maron together with the naked girls, in all sorts of embarrassing positions, and later presented the pictures to Maron in an effort either to extort money from the art dealer, or to force him to participate in a money laundering scheme that involved precious works of art. According to Maron's associates, Maron suffered brain damage from the Xanax, but later recovered.

I cannot say for certain that the Maron story is true, but other stories told to me by some of Chernov's associates have proven to be entirely accurate, and the FBI certainly seemed to believe that Chernov did, in fact, murder Rex Judd. The bureau told the Moscow press that Chenov was the chief suspect.

One of Chernov's associates has provided me with a copy of Chernov's fake passport (posted at DeepCapture.com) which says that his name is actually Vasko Svetlinov Aleksandrov. Another associate of Chernov provided me with a copy of the fake

passport (also posted at DeepCapture.com) that was used by Lori Judd, Rex Judd's wife.

I do not know if former FBI counter-terrorism chief Buck Revell or his tobacco foundation partner Yank Barry a.k.a. Falovich (who bailed Rex Judd out of jail) are aware that their friends travel on fake passports.

But Revell's former associates at the FBI said that Chernov had been manufacturing a lot of fake passports with his sister, Marina Gorbacheva, who was then a famous Moscow judge and the Russian judicial system's closest ally of Russian prime minister Vladimir Putin.

That needs to be stressed: suspected murderer Egor Chernov, a member of the Mogilevich organization, was operating a fake passport ring with his sister, who was Vladimir Putin's closest ally in the Russian judicial system. This alone sheds considerable light on the question of ties between the Mogilevich organization (an outfit that does business with Al Qaeda) and the Russian government.

At any rate, Gorbacheva received a lot of criticism when she squashed a lawsuit that had been filed by families of the people who died while being held hostage in a Moscow theater by Chechen separatists. Russian troops had filled the theater with an unidentified gas that killed both the separatists and a number of their hostages, and the family members of the hostages wanted to be compensated.

Gorbacheva, ever loyal to Vladimir Putin, dismissed the case without so much as allowing the families to question government officials.

Meanwhile, as we know, former KGB and FSB operative Alexander Litvinenko (who was later killed with radioactive polonium) was claiming that Putin had dealt with Al Qaeda and staged the hostage-taking in order to boost his popularity.

After that, the judge set up the fake passport racket with her Mafioso brother, Egor Chernov (or whatever his real name is). When Chernov was arrested, the FBI issued a statement saying that its investigation of the fake passport ring was "inextricably intertwined with the disappearance of Rex Judd."

However, nobody was ever charged for the murder of Rex Judd. Chernov was briefly arrested for the passport fraud, but he was miraculously released. Or perhaps not so miraculously, given what we now know about the DOJ's record of prosecuting

financial operators tied to the Mafia and jihadis.

At any rate, Chernov moved back to Moscow, probably believing (correctly) that the Russian government would protect (or perhaps employ) him, just as the Russian government protected (and perhaps employed) his FBI #2 Most Wanted associate, Semion Mogilevich.

Mogilevich is Most Wanted by the FBI because he is a major league market manipulator who traffics in sex slaves, sophisticated weaponry, and radioactive materials. The FBI, however has not arrested him, and it doesn't seem keen to pressure Russia to extradite him to the United States. Nor has the FBI jailed a single Mogilevich organization market manipulator, despite the fact that many of them (such as those involved with the massive Mogilevich scam YBM Magnex) are residing in the U.S.

Of course, Mogilevich has friends in the right places. As of 2007, he even had a man named William Sessions on his payroll. Sessions was Mogilevich's registered lobbyist in Washington. Besides being an employee of Mogilevich, Sessions was also the former director of the FBI (the outfit that publishes those "Most Wanted" lists).

None of this pleased Charlie Flynn, a businessman who had done a deal with Chernov. Flynn told the Canadian press that he, too, had been lured to Thailand, where Chernov's men shot him with a Taser gun and then tried to put him in a torture chamber.

According to one of Flynn's associates, Chernov's aim was to force Flynn to hand over $50 million worth of shares that Flynn owned in a company (Normex Steel) that Chernov had set up along with Yank Barry a.k.a. Falovich (pal to ex-FBI man Buck Revell).

Chernov's release also displeased Paul Combs, the fellow who had called Chernov a "Russian Maggot." Combs continued to implicate Chernov in Rex Judd's murder, and as I was investigating this story, in June, 2010, Combs was found dead in his Florida home with a bullet hole in his head.

The death was ruled a suicide, but Combs didn't seem depressed to his colleagues, who said as much to the FBI, which did not investigate.

Meanwhile, in 2010, I came to know more about DBS Securities, the brokerage that

seems to have employed Combs on an unofficial basis (He had a DBS business card and worked for DBS, but DBS says neither he or any of his aliases were employees).

According to one official DBS employee, it was DBS's chief operating officer in Singapore, Frank Wong, who (perhaps unintentionally) helped Chernov lure another victim to Thailand by sending a letter (which can be viewed at DeepCapture.com) to the future victim. The letter is addressed to Egor Chernov and the victim.

In this letter, Wong invites the victim and Chernov (the Russian Mafioso) to meet him for brunch at his villa on a beach in southern Thailand. Wong says that others will be at the brunch – namely, their "close friends" Hsieh Fu Hua, CEO of the Singaporean Stock Exchange; Russian Minister of Natural Resources Vitaliy Kondrashov [who then presided over the Russia oil giant, Gazprom, which was looted by market manipulators Mr. Dvoskin-Kozin-Lozin-Etc, Martin Schlaff, Roman Abramovich and Mogilevich]; and Anatoly Chabak, Director General of the Russian financial behemoth Uralsib, which has close ties to the Putin government, and is especially close to Roman Abramovich.

Uralsib is, in fact, the biggest shareholder in Roman Abramovich's Evraz Group. And according to Chernov's associates, Mr. Wong, with the help of the Singapore Stock Exchange CEO who was at that meeting, made it possible, as of 2008, for Uralsib, Abramovich's people, Chernov, and others in the Mogilevich organization, to engage in naked short selling through Singapore.

Meanwhile, we know, a group of Russians (including the top Evraz Group henchmen of Abramovich and some Mogilevich associates) had set up the Orange Diviner account at Tuco Trading, which cleared massive volumes through Penson Financial.

Now, as I mentioned, I do not believe there has necessarily been a grand conspiracy among all these people. But one has to wonder.

That is, it is not out of the question that the people who were creating self-destruct CDOs knew that these instruments would hobble some big banks and crater the markets. And as we shall see, there is no question whatsoever that people in this network — Leon Black, Steven Roth, and others — were meanwhile engaged in other activities that were intended to take some big banks "down for the count" (as one of their friends described it in that email).

Having gotten word of these machinations, it is not out of the question that others

in this fairly small world of financial operators (including some whose motives might have been political, rather than financial) would seek to get in on the action, directing large volumes of manipulative short selling at the banks and the overall markets, hoping to induce death spirals.

Therefore, it is probably a good idea for us to know more about the clients of Penson Financial, which became the biggest brokerage on the planet in 2008 by transacting manipulative short selling, most of it targeted at the big banks and other pillars of the American economy.

Upcoming chapters will provide a more comprehensive list of the people most likely to have been Penson's clients. But I'll conclude for today by mentioning two of Penson's bigger clients.

One client was named Sheikh Sulaiman Abdul Aziz al-Rajhi. That's Shiekh S.A.A.R., founder of what the FBI used to call the "SAAR Network" of hedge funds, companies, and charities that financed Al Qaeda and affiliated outfits engaged in a Grand Jihad to eliminate our country.

Another client: Investcorp, owned by Shiekh Ahmad Turki Yamani, one-time founding shareholder in BCCI and crony of Michael Milken. Shiekh Yamani is also a member of Al Qaeda's Golden Chain, and a financier within the SAAR Network.

Sheikh Yamani's Investcorp was among the select few perpetrators of the self-destruct CDO scam that triggered the mortgage crisis and weakened the banks. Sheikh Yamani's Investcorp also operates dozens of hedge funds in the United States.

And by extrapolating from the Penson data, we can confidently suggest that these hedge funds engaged in short selling that contributed to the death spirals of stocks in those weakened banks, thereby contributing to a financial crisis that did not eliminate our country, though some say it came pretty damn close.

To be continued…

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CHAPTER 17
The Miscreants' Global Bust-Out (Chapter 17): A Brief Note on the Unimaginable

Posted on 18 June 2011 by Mark Mitchell

Tags: A.C. Nuclear Opportunities Fund, Abdul Qadeer Khan, Adlene Hicheur, Al Qaeda, Alfa Bank, Ali Nazerali, Andrey Cherkasenko, AQ Kahn, Bashiruddin Mahmood, Bushehr, Center for Public Integrity, CERN, Dawood Ibrahim, economic warfare, Egor Chernov, European Organization of Nuclear Research, Financial Terrorism, George Bush, Graham Allison, Grigori Loutchansky, Harvard, heroin, Iran, James Woolsey, Karachi stock exchange, Lashkar-e-Tayibah, Lashkar-e-Toiba, Libya, Luch, Mikhail Fridman, Miss Atom, Naresh Patel, North Korea, nuclear, nuclear black market, nuclear proliferation, nuclear weapons, Semion Mogilevich, Sergei Chemezov, Solnytsevo, Times of London, uranium, Yank Barry, Yasin al Qadi

This is Chapter 17 of a multi-chapter story. On your right is a Table of Contents to all chapters so far published.

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We have more to learn about Penson Financial, Tuco Trading, and the cast of destructive financial operators associated with those brokerages. And upcoming chapters of this story will introduce a larger network of U.S. brokerages with ties to organized crime and (in some cases) to terrorist financiers.

Those chapters will present a clearer picture of the damage has been done to the American economy by these brokerages and a close-knit network of hedge fund managers (many with ties to the Mafia, some with ties to jihadi outfits or the governments of rogue states, and some with both). By the end of this story, I think readers will have much better understanding of the global bust-out that brought the financial system to its knees in 2008.

In short, the reader will be convinced by a preponderance of evidence that the United States was victimized by a deliberate attack on the financial markets and the pillars of the American economy.

Moreover, as we will see, there is every reason to believe that it can and will happen again, because authorities have failed to repair what Osama bin Laden (who was a keen observer of American weaknesses) used to refer to as the "cracks in the Western financial system."
The biggest crack is our clearing and settlement system, which simply does not perform its intended function–to deliver in a timely manner the securities that are sold in the marketplace.

As a recent story in the Economist magazine noted, these "failures to deliver" create "phantom" securities, and they are used by market manipulators to depress prices. As the Economist aptly expressed it: clearing and settlement "can be taken for granted–until things go wrong, when their importance becomes painfully apparent. The financial crisis of 2007-2009 and the 'flash crash' of American stock markets in May 2010 revealed numerous faults in the plumbing."

As the magazine made clear, these faults have not been adequately addressed, and are presently being exploited to inflict on the markets damage that could become far more severe.

Furthermore, the Economist (arguably the most “level-headed” of all publications) put its carefully considered stamp of approval on the notion that “phantom” stock “could be used by terrorists to destabilize financial systems.”

So, yes, the remaining chapters of this series will identify many more of the brokerages and hedge funds that have used “failures to deliver” of phantom stock to damage the markets. And we will come to a better understanding of how these failures to deliver have been (and still are) deployed in tandem with similar financial weapons of mass destruction, most premised on the same basic idea: that it is possible to create synthetic supply that distorts the market regarding the value of underlying assets.

We are engaging in this exercise because most of the U.S. financial media continues to adhere uncritically to a paradigm that holds that the financial crisis of 2007-2009 was simply the result of overly zealous financiers and “greedy bankers” who created a “bubble” economy that just had to burst.

No doubt, there was a bubble, and there was greed. The track record of Deep Capture demonstrates that there are none more critical of both.

But we assert there was something more, something deliberate.

The U.S. media and regulators embrace the notion that financial operators can pump up a market. But, oddly, they seem incapable of grasping the corollary, which is that (under the right circumstances) financial operators can crack a market as well.

At any rate, the evidence is clear: disasters have been manufactured, time and time again. And the remaining chapters of this story will demonstrate that the disasters that occurred in 2007 and 2008 were not happenstance, and were not limited to the property bubble and poor financial accounting at the big banks.

The financial crisis had many causes. But its severity was the result of a carefully choreographed bust-out, perpetrated by a distinct network of miscreants.

And make no mistake: if something is not done to seal the cracks in the system that have been exploited by these miscreants, someone will do it again. There will be another cataclysm, and then we will indeed be in dire straights.

So, stay tuned: we have much ground to cover in the remaining chapters of this series.

* * * * * * * * * *

However, I will devote the rest of this brief chapter to an altogether different subject: the trafficking of nuclear weapons and radioactive materials. At first glance, of course, this is completely off-topic–it has nothing to do with the economy. But perhaps because I've glanced at it one too many times, it seems to me that it might not be entirely unrelated.

There are, at any rate, a number of market manipulators who seem intent on damaging the American economy, and who have also taken an interest in nuclear weaponry.

It is not my intention to scream apocalyptic verses, but a brief mention of the nuclear menace seems worthwhile, if only to make it clear that there are some dangerous people in the world who harbor disdain for the United States and the existing global order.

As we have seen, the Mogilevich organization, implicated in some of the most destructive financial schemes ever perpetrated (and the capture of the Depository Trust and Clearing Corporation, where "failures to deliver" begin), tried to sell highly-enriched uranium to Al Qaeda and has (according to a declassified FBI report) successfully trafficked in radioactive materials to unknown buyers.

Grigori Loutchansky, a Russian mobster linked (along with Mogilevich and many other financial criminals in this story) to the scandal that saw the Russian government and the Russian Mafia manipulating the U.S. markets (often with phantom stock) and laundering more than $7 billion through the Bank of New York, has also been accused of trafficking in nuclear materials.

We also know that Benevolence International (tied to Yasin al Qadi, Sheikh DeLorenzo, and other death spiral, phantom stock market manipulators in this story) had contacts with those trying to help Osama bin Laden buy nukes from Chechens with ties to Russian organized crime.

In addition, Yasin al Qadi helped set up Ptech, the software firm that not only

penetrated America's largest financial institutions (likely in order to gain access to data that could be useful to market manipulators), but also gained access to the Rocky Flats nuclear weapons facility.
The Ptech software developers who accessed Rocky Flats were simultaneously working for an outfit (CARE International) that had been set up by Osama bin Laden. At the time, the nuclear weapons facility was receiving unrelated red alerts that terrorists were seeking to breach its security to acquire nuclear technology.

That was around the time in 2002 when Anthony Elgindy, one of history's most destructive short sellers, tied to multiple jihadi terrorist groups, was in the offices of Paul Brown, head of Nuclear Solutions, a company that had access to decommissioned nuclear bombs.

Elgindy was (according to his prosecutors) "threatening" and "trying to extort" Paul Brown.

Apparently, Elgindy took quite an interest in both nukes and the clearing and settlement system. In September, 2001, Elgindy (in league with Saudi arms dealer Adnan Khashoggi) had unleashed the failures to deliver (phantom stock) that destroyed MJK Clearing, America's largest clearing brokerage.

Dawood Ibrahim is the only man to have been labeled by the U.S. government as both a "Specially Designated Global Terrorist" and a "Global Narcotics Kingpin" (Congratuations, Dawood). His organized crime outfit, D-Company, is, for all intents and purposes, part of Al Qaeda.

Dawood Ibrahim is also a sophisticated market manipulator said to be the most important trader on the Karachi stock exchange. As we saw in an earlier chapter, one of Ibrahim's D-Company henchmen, Naresh Patel, transacted (in 2008) large volumes of manipulative wash trades (which usually involve the simultaneous generation of phantom stock) through the U.S. brokerage Man Financial.

In addition, D-Company and Dawood Ibrahim have been linked to the proliferation of nuclear weapons.

The destruction of the American economy is a consistent theme in the writings and rants of Al Qaeda leaders and affiliated jihadis. At the same time, leading national security experts (such as Graham Allison, dean of the Harvard school of government, and former CIA director James Woolsey) agree that there is a high probability that Al

Qaeda will obtain (or already has obtained) enough highly enriched uranium to construct a “dirty bomb” at least.

Yet, for some reason, the media in the United States largely neglects this danger. Even though there is clear evidence that Al Qaeda and other terrorist outfits are actively seeking to acquire nukes, and seriously intend to use them, the U.S. media does no meaningful investigation.

Think of it this way: If a nuclear incident occurs, will people look back and say, “We should have seen that coming”? I think so.

In 2005, Osama bin Laden received from a leading Saudi cleric, Nasir Bin Hamd Al-Fahd, a fatwah stating that nuclear weapons “may be used [by jihadis] even if they annihilate all the infidels.”

The New York Times did not consider this to be news. The Chicago Tribune (my hometown paper) and most other major metropolitan newspapers in America no longer publish anything resembling news of any sort.

In 2009, Adlene Hicheur, a prominent nuclear scientist then working for CERN, the European Organization of Nuclear Research, was arrested after it was revealed that he had ties to Al Qaeda and was helping the terrorist group plan a nuclear attack on Britain.

This was front page news in the British press, including the Times of London and the London Daily Mail (which have also highlighted the threat of financial terrorism). But in United States, there was not a word about it. Nuclear terrorism against our “special relationship” ally, Great Britain, is not news in the United States. Even the threat to our own population gets little attention.

One exception is the Washington Times, which has good sources in the national security community and does highlight the nuclear threat. Perhaps it is not a coincidence that the Washington Times was also the only U.S. paper to publish a big story highlighting the distinct possibility that financial terrorists contributed to the 2008 financial crisis.

In 2003, British intelligence recorded conversations between an Al Qaeda shurah council in Iran and Al Qaeda operatives in Saudi Arabia. The discussions concerned a plan to buy suitcase-sized nuclear bombs from the Russian Mafia.

Rolf Mowatt-Larssen, who was until 2009 the top U.S. official responsible for monitoring the nuclear threat, says the question is not if–but when–Al Qaeda or one of its affiliates will launch a nuclear attack on the United States. And when it happens, says Mowatt Larssen, there is a high probability that the nukes will have come from Iran, which is currently harboring some of Al Qaeda's top operatives.

Meanwhile, according to Mowatt-Larssen, the danger of Al Qaeda buying nukes from the Russian Mafia became so pronounced at one point that the U.S. government considered cutting a deal with Semion Mogilevich, whereby Mogilevich would help the U.S. monitor nuclear trafficking networks, presumably in exchange for more friendly relations with American law enforcement agencies.

Given that Mowatt-Larssen revealed this prospective deal, it is likely that it never happened. No doubt, Mogilevich still aspires to sell nukes to Al Qaeda.

Given that Mogilevich also seems inclined to perpetrate destructive financial schemes against the United States, it is reasonable to conclude that he (and others, including the billionaire Saudi financiers who are the money behind Al Qaeda) would not mind seeing the U.S. hit with a one-two punch–a nuclear attack combined with an attack on the markets.

Lashkar-e-Tayyibah is an Al Qaeda affiliate that has (in cahoots with market manipulator Dawood Ibrahim's D-Company) orchestrated more than one major terrorist attack on India.
Indian officials believe that these attacks were intended to inflict damage on the Indian economy, and that Ibrahim profited from them by short selling the Indian markets.

There is in India considerable discussion about the threat of financial and nuclear terrorism from the likes of Ibrahim. Nobody understands the jihad better than the Indians, and their observations might be given some weight.

In the last two years, meanwhile, Lashkar-e-Tayyiba (the affiliate of Al Qaeda and D-Company) has attacked three nuclear facilities in Pakistan. One likely explanation for this was that they were trying to acquire highly enriched uranium.

This was at least an improvement over earlier years, when Pakistan's top nuclear scientists were meeting directly with Al Qaeda.

Abdul Qadeer Khan ("Father of the Islamic Bomb") met with Osama bin Laden while he (Abdul Qadeer Khan) was also working with organized criminals, including several market manipulators–such as Dawood Ibrahim and a fellow (to be introduced in a later chapter) who is linked to U.S. phantom stock brokerage Penson Financial–to deliver nuclear weapons technology to Iran, Libya, North Korea and other states that are hostile to the United States.

Khan's one-time deputy, Bashiruddin Mahmood, also met with bin Laden. U.S. intelligence agencies believed that Mahmood and bin Laden spoke at length about building nuclear weapons. The American press paid brief attention to this, and soon forgot about it.

In Germany, more than a dozen Russian criminals have been caught trying to sell enriched uranium on the black market. The German press covers these attempted nuclear transactions with a proper degree of concern. The U.S. media ignores the problem, or, in some cases, even insists that there is no way that criminals or terrorists could get their hands on such materials.

In sum, the consensus of the American media (as opposed to the consensus of US national security officials) is that the nuclear threat is either unworthy of the front page or a "matter of debate".

I am in no position to settle this debate. But I do know things about the friends of phantom stock market manipulator Ali Nazerali (hedge fund partner of "Specially Designated Global Terrorist" Yasin al Qadi) and the others who were partying by that pool in Aruba in 2006 (see earlier chapters of this story).

The host of that party, Yank Barry a.k.a. Falovich, was then running his tobacco scheme in partnership with Sergei Chemezov. In addition to being an international arms dealer, Chemezov was once in charge of the Luch nuclear weapons research facility at Podolsk, a town near Moscow.

And it is undisputed that while Chemezov was in charge of Luch, a quantity of highly enriched uranium disappeared from that facility. The Russian government said the uranium was recovered. Maybe it was, but I believe that it is inadvisable to shower the Russian government with blind belief.

This is not to suggest that the people at the party in Aruba were dealing in nukes.

But there is significance to the fact that a hedge fund partner of Yasin al Qadi (Osama bin Laden's favorite financier) is on close terms with a Russian arms dealer (Chemezov) who can certainly get his hands on nukes.

And it is not just jihadis who might be inclined to make use of highly enriched uranium, perhaps in combination with a financial attack. Some members of Russian organized crime also pose a threat.

Egor Chernov, the Russian mobster (and close friend of Ali Nazerali) who arranged that partnership between the arms dealer Chemezov and Yank Barry a.k.a. Falovich, has often told his associates of his desire to see the United States attacked by terrorists. In fact, he has expressed a desire to orchestrate the attacks himself.

One of Chernovs' associates shared with Deep Capture emails in which Chernov said that he was in the market to buy large quantities of ammonium nitrate, a fertilizer that terrorists use to produce homemade bombs of enormous power (for example, in Timothy McVeigh's 1995 Oklahoma City bomb, the largest ingredient was ammonium nitrate).

After his brief arrest in the United States, Chernov was let out on bail, at which point he returned to Russia, where he (like others in the Mogilevich organization) now lives under the protection of the Russian government. He can be reached through his close friends, including Ali Nazerali. Or he can be contacted at his offices, located at 7 Bolshoy Strochenovsky in Moscow.

That address houses not only Chernov, but also an outfit called the A.C. Nuclear Opportunities Fund. According to its website, A.C. Nuclear Opportunities is different from other companies that are simply "channeling funds to buy physical stocks of uranium…" A.C. Nuclear Opportunities is different in that it buys not just uranium, but other radioactive materials, and companies that handle or traffic in these materials.

AC Nuclear Opportunities is run by Andrey Cherkasenko, who also holds an annual beauty pageant called Miss Atom, which gives prizes (really, this is true) to the prettiest and most talented Russian girls associated with the business of selling radioactive nuclear materials.

I cannot say for certain that Chernov works with Cherkasenko (maybe Chernov just uses the same address), but the two men both occupy important positions at that

peculiar intersection of Russian society where one finds mobsters, jihadis, oligarchs, spies, market manipulators, and atomic beauty queens.

Prior to going into the uranium business, Cherkasenko ran Alfa Bank, the outfit owned by Mikhail Fridman, whose other top Alfa employee now runs the Moscow brokerage BKS.

Recall that BKS's "head of international" set up the Orange Diviner account at Tuco Trading, which generated massive volumes of phantom stock in the month before the March 13, 2008 collapse of Bear Stearns, forcing the SEC's March 9, 2008 "Emergency Order" that shut down Tuco for massively exceeding margin limits.

The other owners of the Orange Diviner account included a high-ranking member of the Mogilevich organization and the top henchmen of Roman Abramovich.

While Roman Abramovich and Boris Berezovsky were splitting apart their business empire in 2006, Berezovsky's employee, Alexander Litvinenko, was poisoned and killed with radioactive polonium-210. The Russian government alleged (while providing precisely zero evidence) that Litvinenko poisoned himself while using polonium to build a nuclear bomb for Al Qaeda.

Shortly before he was poisoned, Litvinenko, a former Russian intelligence operative who was living as exile in Britain, said that it was not he, but current Russian government officials who had ties to Al Qaeda, and could provide jihadis with radioactive materials.

Nobody knows the truth, and nobody knows how Litvinenko was poisoned by radioactive polonium. But nobody debates whether Russians have ties to Al Qaeda. It is merely a matter of which Russians. And there is no question that all of these Russians have relations with market manipulators (like Yasin al Qadi) who have been Al Qaeda's most important financiers.

And within these circles there is evidently enough radioactive polonium floating around that some could be spared either to murder a man or (in the Russian government's version) to build a nuclear bomb. Most likely, Litvinenko was murdered, but as his killers must know, it would require only a very small amount of polonium-210 to build a "dirty" bomb capable of spreading radiation over large swaths of a major city.

As I mentioned, one former head of Alfa bank is in the business of buying and selling radioactive nuclear materials. Another former head of Alfa bank runs the Moscow brokerage BKS, involved in setting up the Orange Diviner account at Tuco. BKS, like Tuco, had a key partnership with Man Financial (a phantom stock house whose clientele in 2008 included the nuclear trafficking D-Company).

Mikhail Fridman, the owner of Alfa Bank, has been accused in the Russian press and by the Center for Public Integrity of smuggling Afghan heroin (a vast portion of which passes through the nuclear-trafficking D-Company) in league with the Solnytsevo Brotherhood, a Mafia outfit that is an affiliate of the nuclear-trafficking Mogilevich organization.

Fridman has sued the authors of those reports, and I have not investigated enough to opine with certainty whether they are accurate, but it is definitely true that Fridman was one of the lead financiers of Iran's Bushehr nuclear power plant, which has been implicated in Iran's covert nuclear weapons program.

Iran, we will see, understands the cracks in U.S. clearing and settlement system, and does business with U.S. brokerages and hedge funds that generate phantom stock. We have seen that Assa Corporation, an Iranian government entity convicted by the DOJ of funding Iran's nuclear program, had links to numerous market manipulators, and is now being investigated for conducting manipulative trading through Credit Suisse.

A Mafia money man told the New York Daily News that he was enlisted by the FBI to bug a Manhattan building owned by Assa Corporation (a unit of the Alavi Foundation), because the FBI suspected that Iranians in that building were plotting a nuclear terror attack on New York City.

President Ahmedinijad of Iran, meanwhile, says that he would gladly initiate a nuclear war, even if it meant that millions of Iranians would be vaporized. As Ahmedinijad has made clear in countless speeches, he believes he is capable of hastening the apocalyptic chaos that will herald the return of the Hidden Imam, the Shiite messiah who will restore the world under Muslim rule.

The other lead financier of the Iranian nuclear program is Cherkasenko, the guy who works at the same Moscow address (7 Bolshoy Strochenovsky) as Ali Nazerali's pal, the Russian Mafia thug and market manipulator Egor Chernov.

Given that the Russian Mafia is financing Iran's nuclear program, it seems prudent to assume that the Russian Mafia has access to nuclear materials.

I do not know if they will give some of those nukes to, say, their pal Yasin al Qadi or other Al Qaeda financiers, such as Shiekh Rajhi, who is another of Fridman's business partners (and a client of phantom stock house Penson Financial).

But perhaps these relationships deserve attention, because these people do not like the United States. And because they have the capability to crack the markets. And because they are all smart enough to have considered the impact that a combined nuclear and financial attack (or even just the threat of one) could have on the global order that so evidently rankles them.

Go ahead and protest the looming extinction of Amazonian tree frogs. That is a worthy cause. But we might want to add to our list of grievances the possible extinction of ourselves.

To be continued…

CHAPTER 18

The Miscreants' Global Bust-Out (Chapter 18): Penson Financial's Strange Clientele

Posted on 24 June 2011 by Mark Mitchell

Zuhair Karam is (as he told me) “just one of the little guys.” Really, I feel almost guilty for including him in this story. I have no evidence that he himself has committed any crime. I have no evidence that he himself traded large volumes at Tuco Trading, the little Chicago brokerage that employed him in 2008.

I also have no evidence that he is a violent jihadi. I know only that he has produced jihadi propaganda. Perhaps he’s just an angry man, and not immediately dangerous.

But some of the people Zuhair knows are definitely dangerous. So I will, at this point, review some of Zuhair’s associations that have been covered in earlier chapters of this series.

For example, Zuhair knows “Specially Designated Global Terrorist” Yasin al Qadi, who was Osama bin Laden’s favorite financier, and who founded Global Chemical, a company that was (according to government forensic experts) warehousing explosives and chemical weapons, in Chicago.

Zuhair knows the Chicago proprietors of Benevolence International, the Al Qaeda front that (per the DOJ) had contacts with people who were trying to buy nukes from organized criminals in Russia.

In addition, Zuhair knows Sheikh Rajhi, the Al Qaeda financier who was a client of Penson Financial, which suddenly became the largest brokerage on the planet in 2008, by virtue of the new volume (most of it manipulative short selling targeting the pillars of the American economy) that it transacted that year.

In addition, Zuhair knows Ali Nazerali, another client of Penson Financial. Nazerali (as earlier chapters noted) was a hedge fund partner of the Russian Mafia and “Specially Designated Global Terrorist” Yasin al Qadi. He was also a former top employee of Abbas Gokal, a Pakistani intelligence asset who currently lives in Tehran, where he serves as a financial advisor to the Iranian regime.

And Zuhair knows Omar Amanat, the fellow who designed one of Tuco’s trading platforms (Lightspeed) and also founded an Islamic television station, Bridges TV, in partnership with Hamas. The CEO of Bridges TV, recall, cut off his wife’s head in an apparent honor killing, in California.

As of December 2010, I was pretty sure Zuhair also knew the Iranian behind the two Tuco accounts (one of which held more than 2,000 sub-accounts based in China)

that traded 2 billion shares through Tuco, onto the Lightspeed platform, which cleared the trades through Penson Financial.

Those 2 billion shares (all transacted in the month before the 2008 collapse of Bear Stearns) accounted for around 20 percent of the volume that had then made Penson the largest brokerage on the planet.

Before the Iranian fellow was aware that I suspected that he was responsible for that trading, he told me that the Russian government was also involved with Tuco. He promised me (by email, in writing) to tell me more about the Russians.

He also promised (by email, in writing) to introduce me to his cousin, Anoush, who, I now know, employed two Iranian government agents, one of whom was indicted for his role in a Hezbollah terrorist attack, another of whom was arranging delivery of sophisticated weaponry to Hezbollah and Palestinian Islamic Jihad.

Perhaps the Iranian fellow is not the most guilty party. Perhaps he didn't intend to get himself into this mess. In any case, I will tell you his name and provide more details about him in an upcoming chapter. But I want to give him a few days to explain himself and fulfill his promises to be helpful to my investigation.

But this much I will tell you now: the Iranian fellow's family works at high levels for the Revolutionary Guard in Tehran. And his family is on extremely close terms with the leadership of Palestinian Islamic Jihad.

It is probably no coincidence that all of the above-mentioned individuals–Shiekh Rajhi, Zuhair Karam, Yasin al Qadi, Omar Amanat, Ali Nazerali and the proprietors of Benevolence International–were also extremely close associates of Palestinian Islamic Jihad leader Sami al Arian, who (according to the DOJ) took directions from Iranian government agents operating out of the UN headquarters in New York.

That's why I kept calling Zuhair. And with each call, I got a bit further. I would tell him what I had learned since our previous call, and he would fill in some blanks.

For example, I told Zuhair I knew that Tuco Trading was owned by another outfit called GLB Trading, which had been founded by a guy named Robert Lechman. Zuhair confirmed for me that Robert Lechman once worked for Talat Othman, who was a director of the Bridgeview Mosque, run with help from Zuhair's family.

In addition to being a director at a mosque that has funded terrorist outfits (including Benevolence International and Palestinian Islamic Jihad), Othman controlled a brokerage called Crescent Securities, which employed Lechman until Lechman founded GLB Trading with a guy named Gus Katsafaros, who had some other names — like Gus Constantinos and Gus Peter.

Mr. Katsafaros-Constantinos-Peter-Etc. had previously been a principal at Sort Securities, which was another brokerage owned by Omar Amanat.

As Zuhair knew, Amanat's partner in the Islamic TV station was Nihad Awad, yet another close associate of Palestinian Islamic Jihad leader Sami al Arian (who, according to some FBI investigators, not only took directions from Iranian agents, but also provided logistical support to the September 11 hijackers)

Awad is also a close associate of Anwar al-Awlaki, an American Muslim cleric who (according to U.S. government officials) certainly provided support to some of the September 11 hijackers, and who is now a leader of Al Qaeda's operations in Yemen.

After the September 11 attacks on the World Trade Center and the Pentagon (but before the U.S. government was aware of that these people were terrorists), Awad and Awlaki met with U.S. Department of Defense officials at the Pentagon, in a conference room just a few steps from the gaping hole that Awlaki's co-conspirators had created by turning an airplane into a giant missile.

The U.S. government should have at least known that Awad was not to be trusted. As early as 1993, the FBI had secretly recorded a Philadelphia meeting attended by Awad and other Hamas leaders, including Omar Ahmad. At the time Awad was the deputy director of a Hamas front organization called the Islamic Association of Palestine, while Ahmad was the director.

As the the FBI knew, Ahmad had provided free housing (specifically, a bedroom in Ahmad's own home) to the Blind Shiekh, who was at the time masterminding the 1993 terrorist attack on the World Trade Center and the subsequent (but ultimately foiled) "Day of Terror" plot to blow up multiple New York landmarks.

The Blind Sheikh is now serving a life sentence at the Butner Federal Correctional Institution in North Carolina. But he continues to be the most important spiritual inspiration for Al Qaeda. He was also the first terrorist to issue (in 1993, from his prison cell) a fatwah commanding jihadis to destroy the American economy.

Which might have seemed like nothing more than terrorist vitriol at the time. But as we now know, the Blind Sheikh had some friends who were certainly capable of doing harm to the U.S. markets.

These friends included the short seller Anthony Eligindy, whose family settled Palestinian Islamic Jihad leader Sami Al Arian in the United States. In the years leading up to his 2002 arrest, Elgindy plotted the destruction of more than 100 U.S. companies on his private internet chat site (which was hosted by a company owned by Hamas leaders who attended that Philadelphia meeting, one purpose of which was to discuss strategies for securing the Blind Shiekh's release from prison).

As we have seen, it is almost certainly the case that Elgindy had (as his prosecutors argued) ties to Al Qaeda and advance knowledge of the September 11 attacks. He, fortunately, is now serving an 11 year prison sentence for market manipulation and bribing FBI agents.

But others in this network remain at large, and are perfectly capable of doing more damage. One of them, of course, is Omar Amanat, who (like the Hamas leader who co-founded Amanat's Islamic TV station) is a close associate of the Blind Shiekh.

Amanat, as I mentioned, designed the Lightspeed trading platform, used by the two Tuco accounts (set up by the Iranian fellow) to transact manipulative short selling that accounted for 20 percent of the volume that had suddenly made Penson Financial (which cleared the trading) the largest brokerage on the planet in the month before the 2008 collapse of Bear Stearns.

In addition, Amanat and his brother, Irfan Amanat, founded most of the major Electonic Communications Networks (ECNs) in the United States. ECNs are essentially mini-stock exchanges that provide traders direct (and completely anonymous) access to the markets.

Experts at a 2010 hearing held by the House Committee on Homeland Security warned that ECNs could be deployed by terrorists or rogue states wishing to wage economic warfare against the United States. Multiple experts (and, in its initial assessments, the SEC) also pointed to ECNs as possible culprits in the May 6, 2010 "Flash Crash" that saw the Dow Jones Industrial average lose 900 points in a matter of minutes.

Back in September 2001, recall, Irfan Amanat used one of his ECNs (Market XT) and a high-frequency, algorithmic trading program called RLevi2 to pummel the markets (focusing specifically on ETFs to do maximum damage) with huge volumes of wash trades. This was around the same time when Amanat's associate Anthony Elgindy was helping to destroy MJK Clearing, the nation's largest clearing brokerage.

Earlier chapters of this story provided many examples of Al Qaeda's ties to Iran, and it proxies, including Palestinian Islamic Jihad. A number of top national security officials have said that there is evidence that when the Blind Shiekh masterminded the 1993 World Trade Center attack, he was (like his associate, Sami al Arian) working in cahoots with Iranian government agents stationed in New York.

Meanwhile, the Iranian regime has, like Al Qaeda and other jihadi outfits, expressed a desire to do harm to the U.S. economy. Therefore, it seems prudent to closely examine any ties that might exist between Iran, U.S. based short sellers, and market manipulating brokerages.

Having spent a considerable amount of time doing just that, I can say that any such investigation inevitably leads to brokerages, including Tuco Trading, Lightspeed and others that were, in 2008, clearing their trades through Penson Financial (the largest brokerage on the planet by volume) or Wedbush Morgan (whih was the second largest brokerage in 2008, and referred much of its trading to Bernie Madoff's criminal brokerage).

All of these brokerages should be viewed as a single operation–one that was likely utilized by the same set of clients. Certainly, most of the trading through Penson Financial and Wedbush (and from Wedbush to Madoff's brokerage) was, in 2008, short selling directed at the pillars of the American economy. Data provided to Deep Capture shows that this trading correlated almost precisely (the same companies were targeted at the same times), suggesting that it was part of coordinated attack on the financial markets.

Another brokerage in this network was Terra Nova Financial, which cleared massive volumes of manipulative short selling through Penson Financial. Terra Nova's subsidiary, MB Trading, also provided Tuco with one of its trading platforms.

In 2008, the CEO of Terra Nova was a guy named Michael Nolan. Up until 2007, in addition to his duties at Terra Nova, Nolan had been running a gold mining outfit called MIT MinMit, that was partly controlled by "Specially Designated Global

Terrorist" Yasin al Qadi (Osama bin Laden's favorite financier).

Yasin al Qadi, we know, was a close associate of Palestinian Islamic Jihad leader Sami al Arian. Both men figured prominently in what U.S. government investigators have called the "SAAR Network" of charities and financial firms that funded terrorism.

One of Terra Nova's largest shareholders, meanwhile, was a massive investment fund called Wellington Management. Back in 2001, the Boston office of the FBI investigated Wellington Management because it suspected that Wellington traded on advance knowledge of Al Qaeda's 9-11 attacks.

According to a briefing that the FBI sent to the 9-11 Commission, the FBI had received a credible tip that "Wellington Management allegedly held an account on behalf of Usama bin Laden, with a value of $100 million."

The briefing says that the FBI concluded that Wellington certainly held an account for "other members of the bin Laden family, who invested through an offshore company." But it said it did not find evidence that the account was "linked to Al Qaeda or terrorism."

The FBI might have been mistaken. The offshore company was the Saudi Investment Corporation, which was based in Geneva and had subsidiaries in the Cayman Islands and other tropically opaque locales. The company was run by Yeslam bin Laden, who (by his own admission) was managing money for his brother, Osama bin Laden.

After the September 11 attacks, Swiss authorities raided Yeslam's Geneva offices, and hauled away boxes of documents. They never filed charges, but lawyers for the 9-11 victims sued Yeslam and a few other bin Laden family members involved with the Saudi Investment Corporation, stating that Yeslam "provided substantial material support and assistance to Al Qaeda."

And there is no doubt that Yeslam supported Al Qaeda's mission. He had even suggested that Osama bin Laden ought to be named the family patriarch. Yeslam was also involved with Al Shamal Bank, the financial institution in Sudan that was founded by Osama bin Laden with finance from Yasin al Qadi.

That's Yasin al Qadi, the Al Qaeda financier and "Specially Designated Global Terrorist" who was in business with the CEO of Terra Nova Financial, a brokerage located in Chicago, just a few blocks away from Yasin al Qadi's former chemical

weapons and explosives factory.

The odds are good that Yasin al Qadi was a Terra Nova client, just as his former hedge fund partner, Ali Nazerali, was client of Terra Nova's partner brokerage, Penson Financial. It is also reasonable to assume that Wellington Management (which seems to have relationships with Al Qaeda financiers) was another Terra Nova client.

But we will never know for sure. And regulators have little chance of finding out. This is because Terra Nova Financial and Penson Financial are the two brokerages that invented so-called "sponsored access", which gives clients anonymous direct access to the exchanges.

This was a real financial innovation: it made it possible to manipulate the markets with little chance of being discovered. If, say, Iran, wanted to attack the financial markets, it would surely conduct its manipulative trading through this particular network of brokerages.

As it happened, in 2008, Terra Nova Financial was the only U.S. brokerage ever to have been caught illegally doing business with Iran. A little more than a year before the SEC shut down Tuco Trading by "Emergency Order", the Commission sent Terra Nova a letter that opened: "Regarding the account Terra Nova opened for a resident of Iran, a country identified as a state sponsor of terrorism…"

The letter continued by asking Terra Nova to provide "information regarding the specific nature of any products and services [Terra Nova] sold into Iran, and whether products or services were provided to the government of Iran". The SEC was particularly interested in MB Trading, the Terra Nova subsidiary that provided Tuco with one of its trading platforms.

It is likely no coincidence that MB Trading is staffed and managed largely by the former principals of Dickinson & Co. a brokerage that was, in the early 1990s, targeted in Operation Sour Mash, a famous FBI investigation into financial firms suspected of laundering money for the Mafia and drug traffickers.

Another former principal of Dickinson was Monem Abdul Salam, the fellow who runs Saturna Brokerage, a Muslim Brotherhood outfit that is a subsidiary of ISNA, which has been implicated (by the DOJ and the Treasury Department) in the financing of jihadi terrorism.

One of ISNA's founding directors was Palestian Islamic Jihad leader Sami al Arian. In addition, ISNA was named (along with Omar Amanat's Hamas partner Nihad Awad) as an unidicted co-conspirator in the government's case against the Holy Land Foundation, which was another front for Hamas.

One of Saturna Brokerage's board members was Sheikh DeLorenzo, who, in 2007, set up the Al Safi Trust, which does nothing other than engage in naked short selling that puts downward pressure on U.S. stock prices. Recall that Shiekh DeLorenzo spent his formative years working with the Pakistani intelligence services to set up madrassahs for the training of jihadi paramilitaries.

Later, Sheikh DeLorenzo was a board member at the American Muslim Council. The other board members at that outfit: short seller Anthony Elgindy's brother, Khalid Elgindy, and Abdurahman Alamoudi, an Al Qaeda operative who is now serving a 29 year prison sentence.

Recall that Sheikh Delorenzo and Alamoudi, the Al Qaeda operative, also ran GSISS, an outfit that was inserting Al Qaeda spies (disguised as Muslim Army chaplains) into the U.S. military.

Sheikh DeLorenzo is, of course, a close associate of Palestinian Islamic Jihad leader Sami al Arian, Hamas leader Nihad Awad, and affiliated market manipulators, such as Omar Amanat. And it is probably significant that Delorenzo's associate, Monem Abdul Salam, was formerly a principal (along with the future proprietors of MB Trading) at Dickinson, the outfit targeted in Operation Sour Mash.

Also targeted in Operation Sour Mash was Delta National Bank, whose offices were in the building owned by the Assa Corporation, the Iranian government outfit indicted for espionage in 2009.

Meanwhile the Assa Corporation's executives were involved with a significant number of unregistered stock brokerages and investment firms, including Tamarack Funds Trust, Voyageur Asset Management, Bach Group, Prime International Dealers, Liberty Clearing, and GW Management & Trading.

One name attached to most of these brokerages is Wilson Carvajal, who was arrested in 2010 for smuggling large quantities of heroin and cocaine. Which is not surprising, given that Iran has long been suspected by the U.S. government of

trafficking in drugs, and its proxy Hezbollah is one of the world's bigger narco-trafficking mafias.

Since Delta National Bank was charged with laundering drug money and was housed in the Assa Corp. building, it might be investigated for potential ties to Hezbollah or the Iranian regime. Outfits like MB Trading (tied to Iran, and staffed entirely by former prinipals of a brokerage investigated for ties to the drug trade) deserve similar scrutiny.

When the SEC began asking questions about MB Trading's ties to Iran,Terra Nova replied that it had only one customer in Iran. Perhaps it did have only one customer in Iran who was officially on the books. But as I mentioned, it would be impossible to know how many customers in Iran were deploying Terra Nova's "sponsored access" innovation.

At any rate, the SEC took Terra Nova's reply at face value, and ended its investigation. It asked no more uncomfortable questions about Terra Nova's ties to Iran.

Meanwhile, Terra Nova's Head of Trading Operations, an Iranian fellow named Behruz Afshar, was running, along with his relatives, an outfit called Afshar, Inc., which was loading precious metals onto a Condor Air cargo plane parked on a remote Illinois runway.

And one of Afshar Inc.'s partners, Ghazaros Ghazarossin, was running an outfit called the Lebanese American Foundation, which has close ties to Hezbollah, the jihadi terrorist organization that was founded and continues to be directed by the regime in Iran.

Indeed, Hezbollah leader Hassan Nasrallah's son, Issam Nasrallah, is regularly feted by the Lebanese American Foundation, and one of the foundation's board members, Wafa Hoballah, is a relative of Hassan Hoballah, who is the head of Hezbollah's international relations bureau.

Another board member, James Kaddo, who hails from Zgharta, a small town in Lebanon, is a close associate of Hezbollah's top leader, and was, for a time, regularly hosting members of the Nasrallah family at his house in the United States.

It is unclear where Afshar's cargo plane full of precious metals was headed, but it

never left the runway, because Afshar and Condor Air got into some kind of legal dispute. Court summaries of the case indicate that precious metals were loaded into Condor Air cargo planes, but the details of the legal dispute have not been made public.

Around the same time that the Condor Air flight was waiting on the runway, Afshar Inc's founding partner Hamayoun Afshar (a relative of Behruz Afshar, Terra Nova's head of trading operations) was charged with money laundering. The case is sealed, so it is not known precisely what Hamayoun Afshar was up to, but he did jail time.

And we do know that precious metals (not to mention manipulative short selling at brokerages that provide sponsored access) are often used to launder money. In addition, we know that Hezbollah is one of the world's premier money laundering outfits.

This is not necessarily an accusation. I do not have smoking gun evidence that Terra Nova was doing business with Hezbollah. I wish merely to note that it is a bit odd that the head of trading operations at a destructive, naked short selling brokerage with ties to Iran and a "Specially Designated Global Terrorist" was loading cargo planes full of precious metals with a money launderer who has direct ties to Hezbollah, one of the world's leading jihadi outfits.

It is also not typical for financial professionals in Chicago to try to overthrow the government of Afghanistan. But that's what Terra Nova's executive board member Chritian Doloc (who was also Terra Nova's chief technology officer in charge of sponsored access) tried to do in his previous capacity as a principal with Ritchie Capital Management.

In the late 1990s, the head of Ritchie Capital Management, Joe Ritchie, had held meetings with the Taliban in order, he says, to gain permission to set up small companies in Afghanistan. But Ritchie's relations with the Taliban soured, and in early 2001, he financed, organized, and led an effort to have an Afghan warlord named Abdul Haq invade Kabul and topple the Taliban regime.

Alas, before the plan could be implemented, the September 11 attacks occurred, the U.S. invaded Afghanistan, and Abdul Haq was assassinated, reportedly by Taliban gunmen.

Thanks largely to Ritchie's efforts, Abdul Haq had sometimes been named by the

Western media as being a potential leader of Afghanistan. Abdul Haq, like the Taliban and a large percentage of the Afghan population, was a Pashtun, and the theory was that he could have united the Pashtuns and formed a government that would have been somewhat less radical than the Taliban regime.

Back in the 1980s, when the mujahadeen was still fighting the Russians, and America was on the side of the mujahadeen, Abdul Haq had extensive contact with the CIA, and was considered a valuable source of information about the war.

But if Abdul Haq had ever become a leader of Afghanistan, it would not have been in the best interests of the United States. For one, he was, like many Afghan warlords, a major league heroin trafficker. Worse, he was the former deputy to a warlord named Yunus Khalis.

It was Yunus Khalis and another warlord, Gulbuddin Hekmatyar, who first gave sanctuary to Osama bin Laden when bin Laden moved Al Qaeda headquarters from Sudan to Afghanistan in 1996. And when the U.S. invaded Afghanistan in 2001, Yunus Khalis's troops (in cahoots with D-Company, the mafia-jihadi outfit that was, recall, manipulating the markets through Tuco partner Man Financial in 2008) helped Osama bin Laden escape.

During the Afghan war with the Soviets, the CIA funded the mujahadeen, but did so through the Pakistani ISI, which chose the warlords who received the most cash and weapons. Hekmatyar was Pakistan's favorite warlord and many in the U.S. government figured he was the most capable of fighting the Soviets.

But even back in the 1980s, there were serious concerns about Hekmatyar because he was the most radical of the jihadis, and he was rabidly anti-American.

In fact, Hekmatyar is widely considered to be even more dangerous than Osama bin Laden was. While the Al Qaeda leader seemed at least to be a rational actor, Hekmatyar is a genuine lunatic — a psychopath who is hateful to the core, a man who loves to kill for the sake of killing.

Osama bin Laden was a modest man who chose his targets carefully. Hekmatyar is a ranting egomaniac who has indiscriminately slaughtered countless civilians, driven stakes through the heads of his enemies, and ordered his troops to stone to death otherwise good Muslims who have done nothing worse than listen to Afghani pop songs.

Hekmatyar is also the most ardent advocate for an offensive nuclear attack on the United States.

Osama bin Laden sometimes said that Al Qaeda already had nukes, and that he had a right to use them “defensively”. That word “defensively” had a broad interpretation. The September 11 attacks, for example, were “defensive”, according to bin Laden.

However, on the one occasion when he was asked by an Arab journalist specifically under what circumstances he would use nukes, the Al Qaeda leader said he would use them if America were to use them against him. Which seemed, in its own way, vaguely level-headed.

Hekmatyar, by contrast, says the jihadis have to go on the offensive and use nukes to annihilate Americans, even if they’re cowering or prostrating themselves at the jihadis’ feet. If they are infidels, they must be exterminated. Period. That’s Hekmatyar’s line.

Before the Taliban came to power, Abdul Haq had tried to put together a shadow government to rule Afghanistan and had excluded Hekmatyar, so it was assumed that the two warlords were no longer friendly. But by 2001, the nature of the relationship between Hekmatyar and Abdul Haq was less clear. By the same token, it was not clear whether Abdul Haq still maintained ties with Osama bin Laden.

But when the Chicago stock trader Ritchie and Abdul Haq were planning their coup, there was no doubt that Abdul Haq was still on close terms with Yunus Khalis, the warlord who would (with the help from Man Financial client D-Company) soon help bin Laden escape U.S. troops.

In any case, Abdul Haq no longer had much contact with the CIA, which had come to mistrust him. Meanwhile, Abdul Haq had developed brotherly relations with Russia and Iran.

Indeed, Abdul Haq owed his new-found status as an independent warlord to the support that he received from his principal state sponsor, Iran. At the time, Iran was not on friendly terms with the Taliban, and it was supplying weapons and money to a number of warlords, including Abdul Haq and Hekmatyar, who had presented themselves as possible alternatives. (After the U.S. invaded Afghanistan, Iran began

to lend support to Al Qaeda and the Taliban, along with Hekmatyar).

It is likely that Ritchie's plot to topple the Afghan government had to do with his relations with the Iranian regime and the Russian government. Ritchie's ties to Russia went back to Soviet days, when Mikhael Gorbachev's then chief economic advisor, Abel Aganbegyan, remarked that "my dear friend Joe Ritchie is able to use socialist principals and still make a profit."

Aganbegyan is widely praised for being the architect of Perestroika. But he was also (according to diplomats and NGO officials whom I interviewed when I was occasionally writing about Eastern Europe for The Wall Street Journal editorial page) a business partner of the Armenian Mafia. Moreover, he was the chief instigator, with Iran, of Armenia's war with Azerbaijan over Ngorno Karabakh.

Ever since, the Armenian Mafia and Aganbegyan have had close relations with Iran. Indeed, the Armenian Mafia is essentially a proxy of the Iranian regime.

All of which might be of mere biographical and historical interest, but it should be noted that Terra Nova Financial – an outfit that seems to be one step removed from Iran, Hezbollah, the world's most maniacal jihadi, and Osama bin Laden's favorite financier – is also an important player in the U.S. financial markets.

Indeed, Terra Nova founded Archipelago, which is America's largest online stock exchange.

In 2005, the New York Stock Exchange bought Archipelago from Terra Nova, and it is now known as NYSE Arca, but Terra Nova's founder, Gerald Putnam, still runs it. The SEC initially named Archipelago as being a contributing factor in the famous "Flash Crash" that caused the U.S. markets to lose 900 points on May 6, 2010.

TheStreet.com reported at one point that Terra Nova Financial was being investigated because authorities believed that Terra Nova's strange trading was principally responsible for triggering the Flash Crash.

The SEC ultimately blamed the Flash Crash on a big trade in e-minis by a single trader at a firm called Waddell & Reed, but that conclusion has been thoroughly ridiculed by the Chicago Board Options Exchange and by a highly regarded firm called Nanex, which noted that the Flash Crash occurred before Waddel's e-mini trade.

I have not been able to confirm the veracity of the story in TheStreet.com, but one indication that Terra Nova was concerned about an investigation into its potential role in the Flash Crash is that it was sold just days after TheStreet.com article was published. This, we know, is the usual cure – as soon as a financial firm comes under investigation, it is quickly sold to another in its network.

In this case, Terra Nova was flipped to Lightspeed, the outfit founded by Omar Amanat (partner of Hamas in an Islamic TV station). The purchase was announced on June 16, 2010, and we can assume it was in the works shortly after the Flash Crash.

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It is worth recalling that this network of brokerages also has important ties to Russia. This fact might not be unrelated to the brokerages' ties to jiahdis and Iran, one reason why I want to give that Iranian fellow a few days to full his promise to tell me what he knows about the Russian government's involvement with Tuco Trading.

As we already know, the owners of a Tuco account called Orange Diviner included a member of the Mogilevich organization (which is tied up with the Russian intelligence services) and the top henchmen of Roman Abramovich (who helped orhestrate Russian prime minister Vladimir Putin's rise to power).

Tuco was shut down by an SEC "Emergency Order" on March 9, 2008, but it is more than likely that the Orange Diviner account continued to trade through Tuco's partner brokerages, including Man Financial (which, like the others, cleared most of its trades through Penson Financial)

Indeed, Man Financial, which provided Tuco with another of its trading platforms, probably introduced the Orange Diviner account to Tuco in the first place. It is, in any case, a fact that Man Finacial had a key partnership with the Moscow-based BrokerKreditServis (BKS) whose "head of international" Alexei Ivin set up the Orange Diviner account.

As noted in earlier chapters, BrokerKreditServis is tied to the Russian intelligence services. It is run by Dmitry Peshnev Podolskiy, former head of Alfa Bank, which has been an important financier of Iran's nuclear program.

Man Financial, as I mentioned, is the brokerage that transacted massive volumes of

wash trades for Naresh Patel of D-Company, an Al Qaeda affiliate. Man Financial's vice president of trading control (the person who would have had oversight over those Al Qaeda trades) was a woman named Neda Nabavi.

Nabavi co-founded an Iranian social networking club called "Shabeh Jomeh" with Tamilla Ghodsi, a Goldman Sachs executive whose Razi Health Foundation was funneling money to the Alavi Foundation, the Iranian government outfit that was (like Palestinian Islamic Jihad leader Sami al Arian) taking orders from Iranian agents working out of the UN headquarters in New York.

The Alavi Foundation and its subsidiary, the above-mentioned Assa Corporation, were indicted by the DOJ in 2009 for espionage and funding Iran's nuclear program.

Recall that the Manhattan District Attorney's office suspected that the Assa Corporation had traded through secret accounts at Credit Suisse, which referred the trades to U.S. brokerages that have not yet been named (a former employee of the DA's office is still investigating).

In 2009, Credit Suisse was fined $500 million for conducting trading on behalf of Libya and Sudan, and for transfering $1 billion directly to Iran's nuclear weaspons and ballistic missiles programs.

As I mentioned in an earlier chapter, Credit Suisse was introduced to the Iranian regime by Leon Black's Apollo Management, which is one of Credit Suisse's most important clients.

Meanwhile, Apollo's co-founder, Rene-Thierry Magon del la Villehuchet was among the key feeders to the Madoff Ponzi fund. Recall that the other key Madoff feeders included: Man Group (owner of Man Financial); Sheikh Mahfouz (who, according to the Treasury Department, set up an Al Qaeda front called the Muwafaq Foundation, with "Specially Designated Global Terrorist" Yasin al Qadi); Marc Rich (indicted for trading with Iran while he was working out of a New York building owned by the Assa Corporation); and the former finaciers of Ivan Boesky (who was doing business with the Iranian regime while working out of the Assa Corporation building).

In addition, the Austria-based Bank Medici (whose clientele was comprised almost entirely of Russians with ties to Vladimir Putin) was feeding the Madoff Ponzi scheme. And as we know, Madoff was using a significant portion of the Ponzi money to cover-up "failures to deliver" liabilities that he had accrued as a result of

conducting manipulative short selling for his clients (no doubt including the people who were feeding him the money he used to cover up his illegal trading).

Apollo (co-founded by one Madoff's biggest feeders) was also a partner of Bayrock, the money laundering outfit run by Felix Sater, a member of the Mogilevich organization with close ties to the Russian intelligence services. The other key Bayrock partner was Russian Mafia boss Tamir Sapir, who once ran a company that sold high-tech electronics equipment to KGB operatives in New York.

Sapir's partner in that operation was Semyon Kislin, said by the DOJ to be a "member" of the gang that was led by Vyacheslav Ivankov, a Russian Mafia boss who was assassinated on a Moscow street in 2009, shortly after revealing that he had been employed by the Russian intelligence services.

Semyon Kislin's nephew, Arik Kislin, also said by the DOJ to be a member of the Ivankov gang, is a former business partner of Babesh Seroush, an Iranian arms dealer and intelligence asset. Kislin is also the financier of Carlin Equities, whose principals were, in 2008, operating through Tuco Trading.

As we will see in an upcoming chapter, one Carlin principal is a hedge fund partner of the Iranian fellow who set up the two accounts that sold short 2 billion shares (transacted over the Lightspeed platform) in the month before the collapse of Bear Stearns.

These people, not incidentally, are all on close terms with Omar Amanat, the jihadi-tied market manipulator who designed the Lightspeed trading platform. Recall that Amanat also founded Datek Securities with finance from Robert Brennan, who was implicated in the 1999 scandal that saw the Russian government and the Russian Mafia (especially the Mogilevich organization) manipulating the U.S. markets and laundering more than $7 billion through the Bank of New York.

Brennan was eventually indicted for manipulating stocks through A.R. Baron, which was the clearing firm for Omar Amanat's Datek Securities. In 2001, A.R. Baron was indicted for manipulating stocks in league with five members of La Cosa Nostra and White Rock Partners, which was controlled by the above-mentioned Felix Sater, who escaped jail by offering to use his Russian intelligence and Al Qaeda contacts to help the U.S. government relieve Osama bin Laden his Stinger missile arsenal.

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After the collapse of Bear Stearns, the CEOs of multiple Wall Street banks complained loudly that manipulative short selling was causing their stocks to go into death spirals. The SEC responded in June, 2008 by issuing an “Emerency Order” banning naked short selling of stock in 19 major financial instutions, including Lehman Brothers and other titans of Wall Street.

Stock prices soared in value until August 12, 2008, at which point the SEC lifted its “Emergency Order” under pressure from the hedge fund lobby. On August 13, the manipulative naked short selling resumed, and stock prices began to plummet. SEC data shows that “failures to deliver” (resulting from manipulative short selling) occured in massive volumes from August 13 until September 18 when the SEC was forced to issue a new “Emergency Order” this one banning all short selling.

That “Emergeny Order” was written in somewhat impenetrable bureaucratic language, but it is worth quoting at length. I will translate after I have quoted it.

It said that the SEC had been concerned since July of that year about “artificial price movements based on unfounded rumors regarding the stability of financial institutions and other issuers exacerbated by naked short selling…”

The SEC continued: “Recent market conditions have made us concerned that short selling [that is, abusive short selling] in the securities of a wider range of financial institutions may be causing sudden and excessive fluctuations of the prices of such securities in such a manner so as to threaten fair and orderly markets. Given the importance of confidence in our financial markets as a whole, we have become concerned about recent sudden declines [of stock prices].”

The SEC explained further what was at stake: “Such price declines can give rise to questions about the underlying financial condition of an issuer [the issuer being the company targeted by abusive short selling], which in turn can create a crisis of confidence, without a fundamental underlying basis. This crisis of confidence can impair liquidity and the ultimate viability of an issuer, with potentially broad market consequences…As a result of these recent developments, the Commission has concluded that [abusive short selling]…could threaten fair and orderly markets.”

In other words, the SEC, in its “Emergency Order” of September 2008, described the situation precisely as I have described it. It said that abusive short selling was “impair[ing] liquidity and the ultimate viability” of major financial institutions. That

is, abusive short selling had sent stocks into “sudden declines” (read: death spirals), making it impossible for the banks to raise new capital (“liquidity”, in the SEC vernacular), and threatening the banks’ “viability.”

In fact, by September 18, some banks, such as Lehman Brothers, had already been made “unviable.” Which is to say, they were gone.

Since the U.S. banking system had by that time evolved to include leverage of 30:1, and much of that leverage rolled over every 91 days, no bank could survive without access to capital. We at Deep Capture deplore the fact that our nation’s banking system was permitted to leverage up its “borrow short and lend long” business model, but it was what it was.

Either way, the question remains: would the banks have survived if it were not for the manipulative short selling? The answer is a definitive “yes.” The SEC made this clear in September 2008, despite having long denied that abusive short selling was a problem.

And make no mistake: when the SEC said in its “Emergency Order” that abusive short selling had “threatened fair and orderly markets” and the “viability” of America’s biggest banks, what it really meant was that abusive short selling was collapsing the American financial system. That’s why it was an “Emergency.”

And as U.S. Treasury Secretary Henry Paulson made clear at the time, the collapsing financial system was threatening the survival of the nation. As you might recall, Secretary Paulson was moved to utter the word–“apocalypse.”

Perhaps the US Treasury Secretary was prone to exaggerations. Who knows? But plenty of people at the time agreed (and with good reason) that the disaster had the potential to wipe out the US financial system. The fear was that the stable and prosperous America we had long known could come to an end.

It is thus fairly amazing that the SEC and DOJ, as of June 2011, have yet to prosecute a single person who engaged in that abusive short selling during 2008.

Let me state that more clearly. In September 2008 the SEC said, in essence, that manipulative short selling had almost destroyed the United States. And as of June 2011, the SEC and DOJ have yet to charge anyone for it. The Feds have not nailed a single one of the naked short selling brokerages that stand accused (along with their

market manipulating clients) of almost wiping out the nation.

This is not an exaggeration: The SEC issued an “Emergency Order” because it concluded that criminals had destroyed Lehman Brothers and were about to end the “viability” of many other financial institution. The criminals, the SEC concluded, had brought the nation to the brink. And since then, the SEC has let every one of those criminals run free.

Moreover, judging by its current silence with regards to abusive short selling, the SEC seems inclined to let the criminals (or, say, prospective financial terrorists) do it again. The worst a naked short selling brokerage can expect is a disciplinary action from the Financial Industry Regulatory Authority (FINRA), which is literally owned and operated by the brokerages themselves.

Typically, FINRA fines the offending brokerage around $15,000, about the cost of a one trader’s typical night out in Vegas.

So who were the criminals? Well, we have begun to understand who they were. They were the jihadi and Mafia-tied clients of the nation’s bigggest brokerage, Penson Financial (which violated the SEC’s 2008 “Emergency Order” banning naked short selling, and received from FINRA a fine of around–$15,ooo).

And they were the Mafia-tied and jihadi clients of Bernie Madoff’s Mafia-infested brokerage, which covered up the liabilites it accrued as a result of trading that was referred to it (in sigificant quantities) by Wedbush Morgan (which violated the 2008 “Emergency Order,” and received a FINRA fine of around — $15,000.)

As the Feds began to take a closer look at Penson, FINRA leveled a bigger fine, $450,000, for Penson’s failure to implement mechanisms meant to prevent market manipulation and money laundering by terrorists and the Mafia. The SEC apparently concluded that this fine was serious enough punishment and (so far as is publicly known) is conducting no further investigations of Penson.

Most of the other brokerages that violated the “Emergency Order” cleared their trades through Penson Financial. One was Lightspeed, the outfit founded by the jihadi and Mafia-tied Omar Amanat. For engaging in activity that helped bring about the near total collapse of the financial system, Lightspeed received a FINRA fine of around–$15,000.

Meanwhile, FINRA determined that Terra Nova Financial had allowed a client named Hsu Tung Lee to use a high-frequency algorithmic computer to generate massive volumes of what FINRA called "erroneous" short sales–which were, in fact, naked short sales.

That is to say, a high-frequency algorithmic computer was churning out massive volumes of stock that simply did not exist. This deluge of phantom supply was likely not "erroneous". After all, one can turn off a computer before the volumes it generates reach the level where they are "massive."

Hsu Tung Lee's massive volumes (ultimately cleared, of course, through Penson Financial) occurred in September 2008, the month when the markets collapsed, taking with them Lehman Brothers and other large financial institutions. Mr. Lee was certainly not the only person pummeling the markets with naked short selling in 2008 (we will meet more), but given what we know so far about the others who were doing so, Mr. Lee's background seems interesting.

I tried to ask Terra Nova about Mr. Lee, but its executives didn't return my calls. Maybe they were busy orchestrating another coup with some maniacal jihadi, opening a uranium mine with "Specially Designated Global Terrorist" Yasin al-Qadi, or dealing with another Hezbollah-linked Air Condor shipment of precious metals.

At any rate, they wouldn't answer, so all I can do is report what I know, which is that there are many people named Hsu Tung Lee, and most of them are plumbers, architects, and other people in engaged in professions that would seem to have nothing to do with computer-generated high-frequency trading and short selling of phantom shares.

As for people with that name who might have access to a high-frequency trading program, I have been able to find only one – a certain Hsu Tung Lee who is also known as Thomas Lee.

For a time, this Mr. Lee worked for Refco, the criminal naked short selling outfit that was tied to BAWAG, the Austrian bank whose clients included the Mogilevich organization and people like Roman Abramovich (Vladimir Putin's right hand man). This was the same BAWAG whose death spiral hedge fund divisions (which naked shorted through Refco) were run by Martin Schlaff and Solomon Obstfeld.

Recall that Martin Schlaff, a former KGB asset who worked with Vladimir Putin in

East Germany, is a close associate of Muammar Qaddafi and the leaders of Hamas (who were, with Schlaff's help, laundering money through Refco).

Obstfeld, recall, was previously the top trader at Omar Amanat's Datek Securities. He was later tied to Global Securities, along with the Iranian Assa Corporation, Felix Sater (Russian Mob boss and intelligence asset), Anthony Elgindy (tied to Al Qaeda), Ali Nazerali (hedge fund partner of "Specially Designated Global Terrorist" Yasin al Qadi) , and Yvgeny Dvoskin-Lozin-Kozin-Etc (who, recall from early chapters, was the alleged ring-leader of 10 Russian spies arrested in 2010).

Before Refco, Mr. Lee worked for the Depository Trust and Clearing Corporation, the important quasi-regulator responsible for "settling and clearing" trades. In fact, while at the DTCC, Mr. Lee patented a mechanism that was designed specifically to settle and clear short sales.

This mechanism of Mr. Lee is among those still used by the DTCC ostensibly to ensure that stock sold short is actually real stock, and not, say, computer-generated "erroneous" short sales of phantom stock that will not be "settled" (that is, "delivered").

Mr. Lee's mechanism woud have been put in place by Diran Kaloustian, then president of the DTC (the subsidiary that merged with NSCC to become DTCC). As an earlier chapter noted, Kaloustian was a business partner of Solomon Obstfeld and a whole cast of other naked short selling characters who were close business associates of Felix Sater, the Russian Mafia boss with ties to the Russian intelligence services and Al Qaeda.

To be clear: Mr. Lee's mechanism was put in place when the DTCC was effectively in the pocket of Russians with ties the Russian government's intelligence apparatus. As crazy as it sounds that the most important institution on Wall Street was in the pocket of the Russian Mafia, and possibly Russian spies, it is, unfortunately, the truth.

If you doubt this, please return to: Chapter 14: How the Russian Mafia Captured the DTCC — and the American Financial System.

At any rate, judging by the fact that upwards of two billion shares "failed to deliver" at the DTCC every day in the months leading up to the financial crisis of 2008, it seems that Mr. Lee's mechanism (among others) did not work.

If this is indeed the same Mr. Hsu Tung Lee who was in September of that year using a high-frequency algorithmic computer to generate massive volumes of phantom stock, it is possible that Mr. Lee did not want that stock to be delivered because he wanted to generate fake volume that would drive down prices.

There are those who might say it is even possible that Mr. Lee designed his patented DTCC mechanism so as to have flaws that could be exploited at a later opportunity. However, some people have accused Deep Capture of having an overly suspicious and conspiratorial turn of mind, so we will not opine on that possibility.

However, we do feel obliged to note that aside from his DTCC patent, Mr. Lee has one other patent. It is for something called "volumetric ultrasound imaging using 2D CMUT arrays." I do not know what that is, but Mr. Lee invented it with Roman Maev, whose name appears with Mr. Lee's on the patent.

Before going into the volumetric ultrasound business with Mr. Lee (this business is apparently quite profitable), Roman Maev was a military scientist and Soviet government official with duties involving the Soviet Union's nuclear weapons and ballistic missiles program.

In 2008, Mr. Maev was appointed Russia's Honorary Consul to Canada.

At any rate, Mr. Lee's massive volumes of "erroneously" manipulative short sales at the height of the 2008 financial crisis earned Terra Nova a FINRA fine of around– $15,000.

Mr. Lee himself was fined — $0.

To be continued…

CHAPTER 19

The Miscreants' Global Bust-Out (Chapter 19): How the Mafia-Jihadi Nexus Made Penson Financial the Biggest Brokerage on the Planet

Posted on 09 July 2011 by Mark Mitchell

It is time we know more about this strange outfit Penson Financial.

For most of its existence, it seemed there was no reason whatsoever to pay any attention to Penson. To be sure, it was no titan of Wall Street. It was an obscure little brokerage–in Texas. Calling its volumes "moderate" would have been charitable. They were, in fact, tiny.

That changed at the end of 2007, when Penson Financial became, literally overnight, the single biggest brokerage on the planet Earth. In terms of volume, no brokerage was bigger. No brokerage had more power to move the markets. Not Goldman Sachs. Not anyone.

In 2008, Penson Financial retained that status—the biggest and most powerful brokerage on the planet Earth. Indeed, it got even bigger. Its volumes continued to soar, peaking in the fall of 2008, as the financial system melted down, a calamity which this nation almost did not survive (as U.S. officials, including Treasury Secretary Hank Paulson, made clear at the time).

By this point, it seems everyone knows the cause of that financial crisis—weak banks. Too much leverage, too much exposure to mortgages and property.

DeepCapture agrees with that viewpoint, but thinks that there is a "rest of the story" to be explored. In later chapters of this series, we will do that, and will come to better understand why the mortgage markets collapsed, and how how the banks got so weak.

What we will see is this: there were people who wanted the banks to be weak. Those people went to great lengths to ensure that the banks' leveraged balance sheets were loaded with bad property and toxic mortgage derivatives.

But by 2008, it suffices to say—the banks were weak. There are some intelligent people who believe that banks like Bear Stearns and Lehman Brothers were so weak that it was inevitable that they would collapse.

But on September 18, 2008, the SEC issued an "Emergency Order" stating that the collapse or near collapse of every major bank in the nation was by no means inevitable. According to the SEC, the problem–the "Emergency" — was that manipulative short selling had caused the banks' stocks to go into death spirals, making it impossible for even the healthier among them to raise new capital.

Regardless of whether you agree with that assessment, you must at least accept the proposition that short-sellers would have been motivated to make the situation worse than it otherwise would be. Indeed, you must consider the possibility that malicious or profit-seeking traders orchestrated an attack on the American financial system.

As it happens, that is not just a possibility. It is a certainty. We know it is a certainty, because a well-placed Wall Street veteran compiled the data that proves it. He provided reams of data that show that nearly all of the new volume that suddenly made Penson Financial the largest brokerage on the planet in 2008 was manipulative short selling targeting the big banks and a select number of other companies that were critical to the stability of the financial system.

It is not only the data that suggests that the short selling was manipulative. It is the Financial Industry Regulatory Authority (FINRA), which has sanctioned Penson Financial and nearly all of its key partner brokerages (i.e. the brokerages that referred their trades to Penson, accounting for much of its large volume) for gross violations of short selling rules at the height of the financial crisis.

Make no mistake: This was not random money managers simply making bets. It was an attack on the American financial markets. It is impossible to know for certain whether there was coordination among the various perpetrators, but we do know that the most of the perpetrators deployed Penson Financial.

That is, most manipulative short selling targeting financial stocks in 2008 was transacted by Penson Financial or brokerages that cleared their trades through Penson. Indeed, in 2008, Penson Financial transacted manipulative short selling of financial stocks in volumes that exceeded the total short selling volumes of the top five Wall Street brokerages–combined.

So we must ask: What is Penson Financial? Where did it come from? And who were its clients?

The answer is that Penson Financial was built almost entirely from brokerages tied to organized crime. And nearly all of its major clients (the traders and partner brokerages that accounted for most of Penson's massive volumes) are tied to one or more of the following:

1) the Mafia

2) jihadi terrorist groups

3) hostile foreign governments, including those of Iran and Russia.

There was a time when I would have found this hard to believe. But after many years investigating the strange features of the American markets, I finally reached the same conclusion that Admiral Dennis Blair, then Director of National Intelligence, articulated in his 2009 report to Congress.

In that report, Admiral Blair stated that there was a "dangerous nexus" between organized crime, terrorist outfits, and some hostile governments. Admiral Blair also stated that organized crime had vastly increased its "penetration of legitimate financial and commercial markets…raising the risk of significant damage to the global financial system."

Unfortunately, the Director of National Intelligence does not regulate the markets. That's the job of the SEC, which has shown no inclination to do anything about the problem. So it is left to us amateurs to tell the story of Penson Financial, an outfit that sits smack in the center of a "dangerous nexus" that was (and still is) looking to do "significant damage to the global financial system."

Penson Financial was founded in 1999 by Philip Pendergraft, a former employee of a brokerage called Southwest Securities. Another former employee of Southwest, Bob Garrett, has claimed that Southwest had ties to the Mafia and that it specialized in transacting manipulative naked short selling for its clients. Certainly, its clients did have ties to the Mafia, and some of those clients later became clients of Penson Financial.

Penson's first clients in 1999 were Momentum Securities and the affiliated All-Tech Investments. Momentum was controlled by Omar Amanat and his brother, Irfan.

I have discussed the Amanat brothers in earlier chapters, but I am going to repeat some facts and introduce some new facts because the Amanats played key roles in building Penson Financial. They brokered many of Penson's future client relationships, and they pioneered the services that made Penson so attractive to a "dangerous nexus" of market manipulators.

In 1999, the Amanats owned not only Momentum, but also Datek Securities. which would soon become another one of Penson Financial's early clients. The top trader at Datek Securities was Solomon Obstfeld, who would later run a death spiral, naked short selling hedge fund called LH Financial. Obstfeld's partner in LH Financial was Martin Schlaff, a close associate of the Amanats.

Schlaff is a former KGB and Stasi asset who worked with Vladmir Putin in East Germany, back when Putin was a KGB operative there. Putin, of course, is now prime minister of Russia, and Schlaff remains one of Putin's closest cronies.

In addition, Schlaff has done a lot of business with Russian Mafia kingpins Semion Mogilevich and Michael Chernoy, both of whom are key figures in the Russian intelligence aparatus. The Mogilevich organization, meanwhile, does a considerable amount of business with jihadi terrorist groups. On at least one occassion, the Mogilevich organization tried to sell highly enriched uranium to Al Qaeda.

I realize that statements that people are tied to the Mafia, Russian intelligence and Al Qaeda seem hard to believe when they are read in isolation. I encourage readers who are new to this series to review earlier chapters to see that all such statements have been fully supported in excruciating (perhaps even "tedious") detail.

In those earlier chapters, readers will also find evidence that Schlaff is a key financial advisor to Libyan dictator Muammar Qaddafi. In 2000, Schlaff brokered a deal that saw Israel allowing Qaddafi to provide material support to Hamas, the jihadi terrorist group and Iran proxy that controls the Gaza strip. Schlaff (as we know from earlier chapters) also laundered Hamas money through Refco, then one of the largest brokerages in America.

Schlaff and Obstfeld were partners in not only LH Financial, but also Balmore Investments. Both of these hedge funds were units of an Austrian bank called BAWAG, which was closely affiliated with Refco. Meanwhile, BAWAG had business relationships (brokered by Schlaff and Obstfeld) with the Iranian regime, the Libyan regime, and Middle Eastern financial firms linked to the Muslim Brotherhood (which created Hamas).

In October 2005, Refco collapsed as a result of a scandal that saw Refco helping BAWAG cover up bad loans (brokered by Schlaff) to Palestinian terrorist Yasir Arafat, while BAWAG helped Refco cover up "failures to deliver" liabilities that it had accrued as a result of transacting manipulative naked short selling for a select

number of closely affiliated hedge funds, including those run by Schlaff and Obstfeld.

Thanks to the Amanats, Schlaff and Obstfeld would be key clients of Penson Financial in 2008. To understand who some of Penson's other key clients were, we need to return to 1999, the year Penson was founded. As I mentioned, the Amanats were at the time operating Momentum Securities (Penson's first client) and Datek Securities.

Datek would become a Penson client in 2000, after Datek's clearing firm, A.R. Baron, was indicted for manipulating stocks with five members of La Cosa Nostra and the Amanats' close associate, Felix Sater, a Russian Mafia boss who is member of the Mogilevich organization. Sater, like others in the Mogilevich organization, is closely tied the Russian intelligence services.

Indeed, Sater escaped doing jail time for market manipulation by promising the U.S. government that he could use his Russian intelligence affiliations to help the CIA relieve Osama bin Laden of his Stinger Missile arsenal. Sater never fulfilled that promise, and the Mogilvevich organization continued to do business with Al Qaeda.

The indictment of Sater and Datek's clearing firm was part of a larger investigation that began in1998, when the DOJ came to realize that the Russian government was working in cahoots with the Russian Mafia (especially, the Mogilevich organization) and a network of brokerages affiliated with organized crime to manipulate the U.S. markets and launder billions of dollars through the Bank of New York.

Also indicted as part of the DOJ's investigation into that scandal was Robert Brennan, who had been the principal financier of the Amanats' Datek Securities.

Central to that scandal, meanwhile, was Sinex Securities, which helped the Russian government and the Mogilevich organization manipulate stocks and launder around $3.9 billion into the Bank of New York. As discussed in earlier chapters, it is also likely that Sinex was working with Bank Al Taqwa, which had (according to the U.S. Treasury) "set up Al Qaeda's main operating base in Europe" while laundering money through the Bank of New York.

Certainly, Gene Phillips, the proprietor of Sinex, was involved (at times, along with Solomon Obstfeld and Martin Schlaff) in a number of other business ventures with Yasin al Qadi, who had been one of the principal financiers of Bank Al Taqwa. In

2001, the U.S. government would name Yasin al Qadi as a “Specially Designated Global Terrorist.” Indeed, as earlier chapters of this story make clear, Yasin al Qadi was Osama bin Laden’s favorite financier.

Yasin al Qadi’s bagman, Yaqub Mirza was the central U.S.-based figure in what government investigators referred to as the “SAAR Network” (or, sometimes, the “Safa Group”) of financial entities that were funding Al Qaeda, Hamas, Palestinian Islamic Jihad, and other terrorist groups. As of 2001, Robert Gold, director of Sinex (since renamed National Alliance Securities) was simultaneously a partner of Yaqub Mirza in a SAAR Network outfit called SVC Financial.

The man who controlled Sinex, Gene Phillips, was arrested in 2000 as part of Operation Uptick, then the largest Mafia bust in FBI history. The Operation Uptick investigation grew out of the DOJ’s earlier investigation of the scandal that saw the Russian government and the Russian Mafia manipulating the markets. But Phillips was ultimately acquitted.

Meanwhile, Phillips controlled a brokerage called Interfirst, which became another of Penson Financial’s first clients. Interfirst president Ronald Steinhardt, sat on Penson’s board of directors from 1999 though the financial crisis of 2008.

Interfirst was introduced to Penson by the Amanat brothers, who had close ties to the same crew of Russian organized crime figures and terrorist financiers, such as Yaqub Miraz and Yasin al Qadi. Indeed, the Amanats are full-fledged members of the Muslim Brotherhood.

In this capacity, the Amanats had, as of 2001, come to be close acquaintances of a number of other terrorist luminaries. One associate of the Amanats was Abdurahman Alamoudi, an Al Qaeda operative now serving a 29 year jail sentence on charges of financing terrorism and hatching a plot with two other Al Qaeda operatives and Muammar Qaddafi to assassinate the crown prince of Saudi Arabia.

Another associate of the Amanats was Palestinian Islamic Jihad leader Sami Al Arian, who was (according to the DOJ) taking orders from Iranian government agents stationed in New York. Sami al Arian was also suspected by FBI investigators of providing support to some of Al Qaeda’s September 11 hijackers.

Meanwhile, U.S. government investigators concluded that an American-born fellow named Anwar al Awlaki had certainly supported a number of the September 11

hijackers. He is now a top Al Qaeda leader based in Yemen. But before he escaped the U.S., he was a close associate of the Amanats, who knew him as a result of their involvement with the directors of Virginia's Dar Al-Hijrah mosque, where Awlaki was the head cleric.

Of course, many law-abiding people were friendly with some of these characters. Before it was known that they were Al Qaeda operatives, Anwar al Awlaki and Abdurahman Alamoudi were even courted by high-ranking U.S. government officials. I do not mean to suggest that the Amanats are terrorists. But they are not exactly naive U.S. government officials, either. They have knowingly associated themselves with a dangerous crowd.

In 2005, Omar Amanat founded Bridges TV, an Islamic television station, in partnership with Muzzammil Hassan and a Hamas operative named Nihad Awad. In 2009, Hassan, who served as CEO of Bridges TV, chopped off his wife's head in an honor killing. Police found the head stashed in Bridges TV's California offices.

As the Amanats surely knew, Bridges TV's other co-founder, Nihad Awad, was soon to be named an unindicted co-conspirator in the U.S. government's case against the Holy Land Foundation, a front for Hamas (which, like Sami al Arian's Palestinian Islamic Jihad, is a proxy of the Iranian regime). As part of that case, the DOJ presented a transcript of a secret meeting that leaders of Hamas had held in 1993 at a Marriot Hotel in Philadelphia.

I have already described that meeting, but I will remind you that it was attended by Bridges TV co-founder Nihad Awad, who was then deputy director of a Hamas front called the Islamic Association for Palestine (IAP). Also in attendance was Omar Ahmad, the IAP's director.

Ahmad had recently provided a bedroom in his home to Omar Abdel Rahman (a.k.a. the "Blind Sheikh"). While living in Ahmad's home, the Blind Sheikh masterminded the World Trade Center bombing and the subsequent "Day of Terror" plot to blow up multiple New York landmarks.

At this time, the Blind Sheikh also became the first Muslim cleric to issue a fiery fatwah commanding jihadis to destroy the American economy. Which might have been a red flag to U.S. financial regulators, given that the Blind Sheikh had lots of friends who were capable of inflicting serious harm on the U.S. economy, among them the Amanats, founders of Datek, Momentum, and, later, numerous other

financial firms.

Of course, one of DeepCapture's theses is that making such inductive leaps is not the trump suit of U.S. financial regulators.

In addition to founding multiple financial firms, the Amanats were the pioneers of so-called "sponsored access," a service (first provided by Penson Financial) that gives traders direct and anonymous access to the U.S. markets, bypassing the major exchanges.

In 2009 testimony before the House Committee on Homeland Security, experts cited "sponsored access" as one of the key vulnerabilities that could be exploited by financial terrorists and foreign governments wishing to deploy manipulative short selling as a means of economic warfare against the United States.

The Amanats also founded most of the nation's major Electronic Communications Networks (ECNs), which, like "sponsored access," give traders direct access to the markets. ECNs have been cited by numerous experts as key vulnerabilities of the financial system and possible contributing factors in the May, 2010 Flash Crash and dozens of similar events that have seen individual stocks suddenly nosedive to zero.

In September 2001, Irfan Amanat deployed one of his ECNs (MarketXT) and a high-frequency trading program called RLevi2 in a massive market manipulation scheme that targeted highly leveraged exchange traded funds (ETFs) for maximum impact. The SEC eventually charged Amanat and Market XT for this, and called it "market manipulation," which is a federal crime. But, natrually, the SEC never refered this crime to the DOJ for criminal prosecution.

Also in September 2001, the Amanats' close associate, Amr Ibrahim (a.k.a. Anthony) Elgindy launched a naked short selling attack (timed to coincide with Al Qaeda's September 11 atrocity) as part of a successful scheme to destroy MJK Clearing, then the largest clearing brokerage in America. (The details of the MJK Clearing story can be found in Chapter 9 of this series.)

When Elgindy was indicted in 2002 for market manipulation (MJK Clearing did not figure in his indictment), prosecutors argued that Elgindy was tied to Al Qaeda and had advance knowledge of the September 11 attacks. Previous chapters of this story provide ample evidence that Elgindy did, indeed, have ties to Al Qaeda. As just one example, his brother, Khalid Elgindy, co-founded an Islamic organization with the

above-mentioned Al Qaeda operative, Abdurahman Alamoudi.

Prosecutors in the Elgindy trial also noted that Elgindy had “threatened” and “tried to extort” Paul Brown, owner of Nuclear Solutions, a company that had a contract with the Las Alamos nuclear weapons facility to recycle atomic bombs into clean energy.

Elgindy conducted much of his naked short selling through a Costa Rica outfit called Terra Nova, which was a unit of Jonathan Curshen’s Red Sea Management. Curshen had been a long-time trading partner of Elgindy and he was a close associate of the Amanats. In 1999, at the Amanats’ urging, Terra Nova and Red Sea Management had become clients of…yes, you guessed it, Penson Financial.

That same year, 1999, Curshen made a white knight bid to buy YBM Magnex, a massive stock fraud controlled by Russian Mafia kingpin Semion Mogilevich. YBM Magnex (like the people involved with the Amanats’ Datek Securities) was linked to the 1999 scandal that saw the Russian government working in cahoots with the Russian Mafia to manipulate the U.S. markets and launder money through the Bank of New York.

For some reason, Curshen (who is discussed at length in Chapter 8, Chapter 9, Chapter 13, and elsewhere in this series), had chosen to locate his San Jose offices in the same small building that housed the Israeli embassy. That could have been a coincidence, but it is worth recalling that tax filings show that Curshen (through an outfit called Skyway Trading) was meanwhile donating money to the Holy Land Foundation, the Hamas front linked to Nihad Awad, co-founder of Bridges TV.

The stated mission of Hamas (and its supporters in Iran) is to wipe Israel off the face of the map.

Many of Curshen’s clients (who were clearing their trades through Penson Financial) also funded Hamas. These included (just to name a few) notorious market manipulators Rafi Khan, Rami El-Betrawi, Adnan Khashoggi, and the above-mentioned Anthony Elgindy.

Recall that all of these market manipulators were involved (along with Native Nations, whose director also worked for the above-mentioned Sinex Securities) in the September 2001 take-down of MJK Clearing. And all would remain key clients of Penson Financial through 2008, when Penson became the largest clearing brokerage

in America.

Each of these market manipulators were (like the Amanats) close associates of Sami al Arian, the Palestinian Islamic Jihad leader who took directions from Iranian government agents in New York. (Elgindy's family, recall, had brought Sami al Arian to the United States and supported his operations until both Elgindy and Sami al Arian came under investigation after September 11, 2001).

In addition, all of these market manipulators were (like Sami al Arian) close associates of the Hamas leaders who had attended that secret meeting in Philadelphia, back in 1993. It is worth identifying a few more of those Hamas leaders, if only to dispel the notion that Hamas and the Muslim Brotherhood (which founded Hamas) do not pose a threat to the national security of the United States.

One person at the Hamas meeting in Philadelphia was Mohammad Salah, who was deputy to Mousa Abu Marzook, currently Hamas political chief, resident of Syria. Both Salah and Marzook have been named by the U.S. .government as "Specially Designated Global Terrorists."

Marzook founded Infocom, the company that hosted Anthony Elgindy's private internet chat site, on which Elgindy and other closely affiliated short sellers plotted the destruction of many hundreds of American public companies (as has been discussed in numerous places on DeepCapture, and as is evident from transcripts of those private internet discussions, which are all safely in DeepCapture's possession).

Salah has testified in court that his Quranic Literary Institute in Chicago received $820,000 from "Specially Designated Global Terrorist" Yasin al Qadi (Osama bin Laden's favorite financier) and that money (transferred through Yasin al Qadi's BMI Inc.) was used to train jihadis in the handling of deadly toxins and "basic chemical materials for the preparation of bombs and explosives."

As of 1999, when Penson Financial opened for business, Yasin al Qadi (a close associate of Penson's first clients) also owned Global Chemical, a Chicago company that was ostensibly in the business of making soap, but was (as government forensics experts testified later that year) actually stockpiling ingredients for the manufacture of explosives and chemical weapons.

Another person at the secret Hamas meeting was Ismail Elbarasse, who was (according to Salah's testimony) Marzook's bagman. Elbarasse was later identified

(by U.S. officials and counter-terrorism experts) as being a key figure, along with Yasin al Qadi (Osama bin Laden's favorite financier), in the SAAR Network (also known as the Safa Group) of financial entities that have funded terrorist outfits, including Al Qaeda.

Another figure in the SAAR Network: Nihad Awad (co-fouder of Bridges TV).

That's the same SAAR Network named after it founder, Sheikh Sulaiman Abdul Aziz al-Rajhi (whose initials are S.A.A.R.). Shiekh Rajhi was, in addition, a financier of Benevolence International, an Al Qaeda front that had (according to the DOJ) contacts with people who were attempting to buy nuclear weapons from organized criminals in Russia.

In 2008, Shiekh SAAR (the wealthiest man in Saudi Arabia) was a client of…yes, you already know–Penson Financial.

Meanwhile, Penson Financial had acquired other client relationships as a result of a 2006 deal that Penson did with a criminal named Steven Schonfeld. That deal saw Penson purchasing Schonfeld's clearing operations, while Schonfeld became a large Penson shareholder and a member of Penson's board of directors.

Schonfeld's large brokerage and hedge fund operation had a FINRA rap-sheet a mile long documenting his career as a serial market manipulator. He had been sanctioned for everything from naked short selling to routinely marking short sales as long sales (which is, incidentally, just a different name for naked short selling).

But thanks to the wonders of the regulatory regime overseeing our nation's capital markets, Schonfeld had never faced criminal prosecution.

Back in 2003, Schonfeld had bought an outfit called Heartland Securities, which had been founded by former principals of the Amanats' Datek Securities when those principals (a fellow named Sheldon Mashler and others) came under investigation for doing business with the Mafia.

For example, while at Datek, the principals (all later employees of Schonfeld) had traded accounts held by man who was using the alias Martin Clainey, though his real name was Phillip Gurian. And Gurian was the right-hand man of DeCalvacante Mafia boss Phillip Abramo, known in Mafia circles as the "King of Wall Street" because he was, until his imprisonment on charges of murder and market manipulation, one of

the most notorious criminal short sellers in the land.

When Schonfeld sold his clearing operation to Penson Financial, he was caught up in a massive scandal that saw Schonfeld and his associates bribing stock loan executives at major banks. There is really only one reason to bribe stock loan executives, and that is to induce them to facilitate short sales of stock that has not been borrowed. Which is, once again, a short-side market manipulation otherwise known as “naked short selling”.

As we have seen, when financial firms are embroiled in scandals, their owners often sell the firms to others in thier network to escape further scrutiny. This likely explains why Schonfeld (who was a business partner of the Amanats’ in multiple other ventures) sold his clearing operation (the operation that was bribing stock loan executives) to Penson.

The clients that Penson acquired as a result of the Schoneld deal were, of course, some of American’s most notorious market manipulators, most with ties to Russian organized crime. I will return to them in a later chapter, but for now it is enough to recall that Schonfeld was formerly a principal (along with the Al Qaeda-tied Anthony Elgindy) at Blinder, Robinson, a Russian Mafia brokerage that was indicted for manipulating stocks with a multitude of organized crime figures, including Genovese Mafia capo Thomas Quinn.

Schonfeld is also part of tight-knit network of hedge fund managers, all of them (including the above-mentioned Gene Phillips) among the closest associates of the famous financial criminal Michael Milken (one-time financier of Blinder, Robinson).

Earlier chapters of this series made it eminently clear that Milken and all of the hedge fund managers who are his close associates have ties to organized crime. Several of them (e.g. Steve Cohen of SAC Capital) had previously been among the select partner-traders who effectively ran a Mafia brokerage called Gruntal Securities.

One of those Gruntal partner-traders had been Felix Sater, the Russian Mafia boss with ties to Russian intelligence. While still at Gruntal, Felix was charged, but not jailed, for stabbing a trader in the face with the broken stem of a wine glass (actually a martini glass, according to his associates). After leaving Gruntal, Felix founded White Rock Partners, the outfit that was indicted for manipulating stocks with A.R. Baron (clearing firm for the Amanats’ Datek Securities) and five members of La Cosa

Nostra.

The head of Gruntal's options department, recall, had been Carl Icahn. He went on to found his own fund with finance from Michael Milken and Zev Wolfson (financier of A.R. Baron and multiple other Mafia brokerages). Upon launching his fund, Icahn quickly hired five people, three of whom I'll mention now.

The first was Alan Umbria. In addition to being a trader, Umbria was the front-man for Genovese Mafia restaurants, such as The Court of the Three Sisters. As related in earlier chapters, Umbria was also involved with people like Louis Micelli, a stock broker who was (until his mysterious death in 2005) trafficking cocaine in league with Hezbollah, a terrorist organization (founded and directed by the regime in Iran) that doubles as a narco-trafficking Mafia outfit.

The second Ichan hire was Allen Barry Witz. According to the FBI, Witz was the last person to see his close associate, Alain Chalem, before Chalem was executed in his New Jersey mansion.

Chalem was a notorious naked short seller who ran two Russian Mafia brokerages, Harbor Securities and Toluca Pacific. Recall that Harbor's co-founder, Warren Sulmasy, was, in 2008, shorting the markets through Tuco Trading, which cleared his trades through Penson Financial.

Recall also that Chalem was murdered shortly after the above-mentioned Felix Sater threatened to have him killed, and one day after Chalem had a fierce argument with Felix Sater's father, a Russian Mafia figure who is also closely tied to Russian intelligence.

The third of Icahn's early hires, Harvey Houtkin, later controlled All Tech Investments, which was affiliated with the Amanats' Momentum Securities. All-Tech and Momentum, we know, were Penson Financial's first two clients.

Houtkin also controlled an outfit called Rushmore Capital, which was among the founding shareholders of Terra Nova Financial, another client of…Penson Financial. Terra Nova was covered in Chapter 18 of this series, but I will remind you that Terra Nova was, as of 2008, the only U.S. brokerage to have been caught doing business with Iran.

The head of trading operations at Terra Nova, recall, was an Iranian fellow named

Behruz Afshar. In addition to running Terra Nova's trading operations, Afshar was a co-owner of Afshar, Inc., which was loading Condor Air cargo planes with precious metals, destination unknown. Afshar's partners in that operation included his relative Hamayoun Afshar (who was jailed for money laundering) and Ghazaros Ghazarossin (who had ties to Hezbollah).

This is the same Terra Nova whose CEO, Michael Nolan, was (until 2007) simultaneously running a precious metals mining outfit controlled by "Specially Designated Global Terrorist" Yasin al Qadi (Osama bin Laden's favorite financier).

Also involved with Terra Nova were the Amanats, the brothers who founded Momentum Securities and Datek Securities, and who were most responsible for building Penson Financial's client relationships. Thanks to the Amanats, Terra Nova became (along with Penson) one of the leading providers of "sponsored access"–the service that was identified (eg. in testimony before the House Committee on Homeland Security) as a key vulnerabilty that could be exploited by financial terrorists or foreign goverments (such as Iran) wishing to wage economic warfare against the United States.

Meanwhile, the Amanats had served as key consultants to an outfit called Computer Clearing Services. In this capacity they brokered CCS's partnership with Global Securities, which had catered to a select clientele of closely affiliated short sellers. I'll return to them in a moment, but before I do, I'll remind you that Global Securities was affiliated with the New York-based Assa Corporation, an Iranian government front that was indicted in 2009 for espionage and funding Iran's nuclear weapons program.

The Assa Corporation was unit of the Alavi Foundation. Like Palestinian Islamic Jihad leader Sami al Arian (close associate of the Amanats), the Assa Corporation and Alavi took their directions from Iranian government agents stationed in New York.

In 1996, the New York Daily News reported that the FBI suspected that Assa Corporatoin (Alavi Foundation) executives were plotting to smuggle nuclear materials into the U.S. for use in a terrorist attack against a major American city.

Given all of this information, perhaps it will not seem entirely crazy of me to relate to you a story about an unfortunate event that occured in 1999, shortly after Penson Financial was founded, with the Amanats' Momentum Securities and the affiliated All-Tech Investments as its first clients.

It was not a good time for these brokerages. In July of that year, 1999, Mark Barton, a trader for Mometum Securities and All-Tech Investments, wrote a letter stating (in part): “I don’t plan to live very much longer. Just long enough to kill the people who greedily sought my destruction.”

After writing that letter, Barton walked into All-Tech’s Atlanta offices with a Colt .45 in one hand, and a Glock 9 mm in the other. His first stop was the desk of All-Tech’s manager, an Iranian fellow named Jaillal Irani Ramoutar, who had previously been a principal at Hanover Sterling, a brokerage controlled (according to the DOJ) by Russian organized crime and the Genovese Mafia family.

Ramoutar was fortunate to have been away from his desk, so he did not die. However, Barton killed three other All-Tech traders that day. And when he was finished at All-Tech, he walked across the street to Momentum Securities and killed six of their traders.

Among the dead were a Pakistani trader named Dean Delawalla and an Iranian trader named Jamshid Havash, both of whom had in their possession airline tickets–destination Tehran, Islamic Republic of Iran.

In addition to his work as a trader, Dean Delawalla owned a company called Tech 2100, which was warehousing medical equipment that contained radioactive isotopes. Much of the illegal trafficking in radioactive materials that can be used in dirty bombs involves the purchase or theft of medical equipment that contains such materials.

I have no evidence that Delawalla was such a trafficker, but a number of the others killed by Barton had interesting backgrounds.

Havash, the other victim with a ticket to Iran, was no mere trader. He also owned a company, Get the Lead Out, Inc., that wholesaled Ak-47s and other automatic weaponry. Meanwhile, Havash had worked for Lockwood Greene Technologies. In that capacity, he helped build a facility at the Los Alamos nuclear weapons laboratory.

I don’t want to wander too far into the realm of conspiracy theory, but I do think it is worth identifying traders who 1) traffic in machine guns; and 2) work for criminal brokerages tied to the Mafia and jihadis; 3) have family members (as Havash did)

who work for the terrorist sponsoring Iranian regime; and 4) have achieved access to American nuclear weapons facilities.

Barton also shot Momentum trader James Jordan, but Jordan survived. He continued to work as a trader at Momentum while running a company called Radioactive Isolation Consortium, which (like Nuclear Solutions, the outfit targeted by Anthony Elgindy) advertised itself as providing safe treatments for "extremely hazardous, high-level radioactive wastes stored at the Department of Energy's nuclear weapons production facilities," including Los Alamos.

The Department of Energy has since issued a report that casts doubt on the reliability of Mr. Jordan's treatment procedures, though nobody has accused him of putting nukes to ill use. Still, one hopes that the jihadi and mobster friends of Momentum Securities founder Omar Amanat are nowhere near Mr. Jordan.

Of course, it is possible that there is nothing strange about a mad gunman (Mark Barton) seeking to kill proprietary day traders with access to nuclear materials. And it might be a mere coincidence that two of those traders were on their way to Iran. But one need not be of unsound mind to notice such coincidences, which keep piling up.

The press reported that Mark Barton was just your typical deranged gunman on a murder spree. After the murders, he was shot and killed by police at a gas station. Later, his wife and children were found dead. Somebody had smashed in the kids' heads with a hammer and drowned them in a bathtub. A note (purportedly written by Barton) was found. In the note, Barton admitted that he had killed his kids.

According to the press, Barton suffered from a high-degree of mental stress as the result of losing a few thousand dollars trading at Momentum and All-Tech. He cracked. It was just stress. That's why he smashed in the heads of his children with a hammer, rather that shoot them with his Glock 9 mm. And that's also why he murdered the radioactive traders.

Maybe that's all there was to it.

But there are more coincidences.

In addition to being a murderous trader, Barton owned a company that was ostensibly in the business of making soap. One Momentum trader said that the soap

is what made Barton crack. Barton “was always stressed out about his soap,” said the trader.

That could be right. But Barton’s company, TLC Manufacturing, didn’t really make soap. It merely stockpiled a chemical called sulfuric acid. This chemical is sometimes used to make soap, but it is also used to make large bombs.

Recall that Amanat associate Yasin al Qadi (later known as a “Specially Designated Global Terrorist”) was, at this time in 1999, also invested in a “soap” company. That “soap” company, Global Chemical, was, in fact, a bomb and chemical weapons factory. And like TLC Manufacturing, it was stockpiling sulfuric acid.

Given that TLC Manufacturing never produced any soap (and was stockpiling no other ingredients that could be used to make soap), it seems fair to ask whether Barton or his associates were intending to blow something up.

Again, I don’t mean to wander too far into the realm of conspiracy theory, but one thing is certain: TLC Manufacturing was no ordinary company. An Atlanta police officer who investigated TLC says it was also warehousing chemicals that were intended for use in the production of methamphetamines.

So maybe Barton was just “stressed out about his soap.” But one could imagine a scenario where he was not doing things like stockpiling bomb chemicals and producing methamphetamines all on his own. With that scenario in mind, DeepCapture will go out on a limb and say that Barton had business partners who were probably bad people.

And maybe it was those bad people who murdered Barton’s family and did so in a deliberately brutal manner, smashing the kids’ heads in with a hammer, drowning them in the bathtub.

Maybe the bad people forced Barton to write that note admitting to the murders of his children, or maybe they wrote the note themselves. Maybe Barton was involved in something with the Iranians he killed, and with Jaillal Irani Ramoutar, the Iranian who was, luckily, away from his desk when Barton came to murder him.

Maybe the interest of some of these people in nukes was not coincidental, and maybe it was related to Barton’s bomb factory.

Maybe. The truth is, I really don't know. This is one mystery that has, perhaps, thinned out to nothing.

But another coincidence. After the murder spree, a funeral service was held for all the dead traders. The Amanats and the families of Havash and Delawalla, the radioactive traders who were on their way to Iran, invited a man named Shams Bhaloo to give the eulogy for the Muslim traders who were killed.

In response to inquiries from the press, Shams Bhaloo described himself only as a "friend of the Islamic community."

Certainly, Shams Bhaloo was a close friends with the dead men, and he was a close friend of Momentum Securities founders Omar and Irfan Amanat.

Shams Bhaloo had other friends, including the Iranian government. This is because Shams Bhaloo gave that eulogy in his capacity as an official with the Aga Khan Foundation, which has close ties to regime in Tehran.

In addition, the Aga Khan Foundation owns the Pakistan-based Habib Bank, which has been named by U.S. officials as a financier of Al Qaeda.

Moreover, the Habib Bank laundered money for Omar Sayed Shiekh, the Jaish-e-Mohammed operative who kidnapped Wall Street Journal reporter Daniel Pearl in 2002. Shiekh reportedly handed Pearl to September 11 mastermind Khalid Sheikh Mohammed, who (according to Mohammed) personally sliced off Pearl's head with a Yemeni knife.

Multiple accounts suggest that Omar Sayed Sheikh was also a Pakistani intelligence operative who worked closely with Dawood Ibrahim, whose organized crime outfit, D-Company, is, for all intents and purposes, part of Al Qaeda. Ibrahim and D-Company (which also does a lot of business with Habib Bank) have been implicated in multiple terrorist atrocities, including the 2008 Mumbai attack that killed 175 people, five of them Americans.

Also implicated in that attack was Lashkar-e-Tayibba, an affiliate of Al Qaeda, D-Company, and Pakistani intelligence. In recent years, Laskhar has launched several attacks on Pakistani nuclear facilities in an apparent effort to acquire highly enriched uranium.

The top henchmen of D-Company have received paramilitary training from Pakistan's intelligence services, and Dawood Ibrahim now lives in Karachi under the full protection of the ISI, Pakistan's main intelligence agency.

Both D-Company and Omar Sayed Sheikh were also linked by U.S. officials to the nuclear proliferation network of A.Q. Khan (known in Pakistan as the "Father of the Islamic Bomb"). In that capacity, D-Company helped Khan deliver nuclear weapons technology to Iran and Libya.

How many more names in the matrix? I shudder to think, but here's a photo of Shams Bhaloo with some of his Aga Khan friends.

That's Shams Bhaloo – the handsome fellow in the middle, second row. One down from Shams Bhaloo (second row, far right) is Aziz Mohammed Bhai, a key Aga Khan official and the top D-Company henchman in Bangladesh.

Bhai traffics in weapons and narcotics across the Myanmar border, and has been identified by Indian officials as a trafficker of nuclear weapons technology. According to the Bangladeshi government, Bhai has also conspired with Al Qaeda operatives to carry out a number of assassinations, including the murder of Sohel Chowdhury, then Bangladesh's most famous movie star.

D-Company is the biggest investor on the Karachi stock exchange, well versed in the art of market manipulation. Recall that another top D-Company henchman, Naresh Patel, was indicted by the DOJ for transacting (in 2008) massive volumes of manipulative wash trades through Man Financial, which referred all the trades to …. now let's not always see the same hands… Penson Financial.

By the end of this story, it will no longer seem like a coincidence that Penson has transacted trades for D-Company.

Back to the photo of Shams Bhaloo, who gave the eulogy for the dead radioactive traders. In the front row, first on the left, you can see Moustapha Sharba, a general in the Syrian army. It is believed that Sharba was involved with Syria's covert efforts, coordinated with North Korea (and maybe Iran), to acquire the capacity to exterminate its enemies with nuclear weapons.

Coincidences? Yes, perhaps. It's a small world, and nobody is guilty by association. But it should be recalled that the CEO of the Aga Khan Foundation was Ali Nazerali, who then ran a hedge fund (Valor Invest) in partnership with Yasin al Qadi (Osama bin Laden's favorite financier and founder of Global Chemical, the "soap" company that was preparing to manufacture explosives and chemical weapons).

I have written extensively about Ali Nazerali in earlier chapters, but it seems worth repeating parts of his story. Because, as it happens, Nazerali's story converges with the story of Momentum Securities founders Omar and Irfan Amanat. And it is in the convergence of these stories that we can learn more about the clientele whose massive trading volumes made Penson Financial the largest brokerage on the planet in 2008.

Ali Nazerali got his start as an arms dealer to the mujahedeen. Later, Nazerali was the top employee of Abbas Gokal, a Pakistani intelligence asset who now resides in Tehran, where he serves as an important financial advisor to the Iranian regime.

In the 1970s and 1980s, Nazerali and Gokal were important figures in the Bank of Credit and Commerce International (BCCI), the massive criminal enterprise that did business with everyone from La Cosa Nostra and the Russian Mafia to Columbian drug cartels and the agents of multiple intelligence services. In addition, as a money laundering expert told the Los Angeles Times, "BCCI did dirty work for every major terrorist service in the world."

Gokal (who did jail time for his role in BCCI crimes) controlled the Gokal Group, which was BCCI's most important subsidiary. Meanwhile, Nazerali and his relative, Swaleh Naqvi (who served as BCCI's CEO) were involved, along with Adnan Khashoggi (a client of Jonathan Curshen's Red Sea Management), with BCCI subsidiary Capcom, which was controlled by the Saudi intelligence services.

In 1991, a U.S. Congressional committee concluded that Capcom had manipulated the U.S. markets and sought control of U.S. telecommunications companies, most likely for the purposes of espionage.

In addition, Nazerali, his relative Naqvi, and organized crime figure Irving Kott controlled BCCI subsidiary First Commerce Securities, which manipulated the U.S. markets from its base in the Netherlands. After First Commerce was shut down by the Dutch authorities, Kott founded another brokerage, Adler Coleman, with finance from Nazerali and Boris Berezovsky.

In 1996, Forbes magazine would describe Berezovsky as the “Godfather of the Kremlin”, an allusion to his influence with the Russian government and his Mafia ways. In 1999, the above-mentioned Russian mobster Felix Sater tried to broker a deal for Berezovsky to buy Salomon Smith Barney, then one of the largest investment banks in the U.S.

Berezovsky’s business empire was a joint venture with Roman Abramovich. In 2006, while the Abu Dhabi royal family (founding shareholders of BCCI) were brokering the separation of Abramovich and Berezovsky’s business empire, a Berezovsky employee named Alexander Litvinenko was been poisoned and killed with radioactive polonium-210.

Perhaps that is besides the point, but these people often find themselves at the center of strange occurrences.

It was strange, for example, that in 2008, Abramovich’s top henchmen and a Mogilevich henchman (Sergey Maksimov, former exectutive of the above-mentioned YBM Magnex) had opened an account at a tiny, utterly obscure U.S. brokerage that had not even bothered to register itself with the authorities.

That brokerage was Tuco Trading, which deployed the Lightspeed trading platform (designed by Momentum founder Omar Amanat), and cleared all its trades through…Penson Financial.

Recall from earlier chapters that in 2006, Nazerali formed a fund, Star Soft, in partnership with members of the the Mogilevich organization (including Vitali Leiba, former executive of YBM Magnex), and Mufti al Abbar, who was an honorary colonel in the Libyan army, and the man in charge of manipulating the markets for Libyan dictator Muammar Qaddafi.

As of 2008, Star Soft was trading through…Penson Financial. Indeed, Nazerali’s involvement with Penson was extensive, owing to his earlier role in financing (with Berezovsky and organized crime figure Irving Kott) the brokerage Adler Coleman.

One of Adler Coleman’s principal purposes was to clear trades for Hanover Sterling, which was (as the DOJ later determined) controlled by Russian organized crime and the Genovese Mafia family. One of Hanover’s principals was Genovese Mafia capo Alphonse “Allie Shades” Malagone.

Hanover, we know, had another key principal: Jaillal Irani Ramoutar, who later became manager of All-Tech Investments and narrowly missed being assassinated by Mark Barton.

Remember that name: Jaillal Irani Ramoutar. Because he will reappear in a later discussion of two accounts at Tuco Trading that were set up by an Iranian with ties to Russian intelligence, the Revolutionary Guard and Palestinian Islamic Jihad. Those two accounts alone generated 20 percent of Penson's massive volume in early 2008, so they deserve a chapter of their own.

But first, a bit more about Adler Coleman, the outfit that was clearing Ramoutar's trades back in the 1990s.

Adler Coleman and Hanover Sterling declared bankruptcy in 1995, when they came under scrutiny for their role in a massive short selling scandal. The media has consistently misreported the facts of this scandal, but it involved Hanover Sterling giving death spiral finance to dozens of companies that were subsequently naked shorted out of existence by a pack of closely affiliated short sellers that included DeCalvacante Mafia capo Phil Abramo, his right-hand man Phil Gurian, and Amr Ibrahim Elgindy (the guy tied to Al Qaeda, Hamas, Palestinian Islamic Jihad, and the Russian Mob).

Recall that all of these market manipulators were close associates of the Amanats. One of them, Phil Gurian, had accounts at the Amanats' Datek Securities. As noted in earlier chapters, Abramo and Gurian had also been involved with Nazerali's BCCI venture, First Commerce Securities.

After the bankruptcy, Adler Coleman was reconstituted under a new name, JB Oxford, and Kott (still working in cahoots with Nazerali) brought aboard several people to help run the operation. One of these people was Rafi Khan, a future client of Curshen's Costa Rica outfit, Red Sea management. By 2008, Khan was trading directly though…Penson Financial.

Khan is the son of a Pakistani diplomat said (by Khan's close associates) to be affiliated with Pakistani intelligence. And until recently, the Egyptian government had an arrest warrant out for Khan's brother, Ayub, said by the Egyptians to be tied to Gama'a al-Islamiyya, another Al Qaeda affiliate.

In 1997, Gama'a al-Islamiyya machine gunned and hacked to death 58 foreign tourists, many of them American, at a temple in Luxor, Egypt. A founder of Gama'a al-Islamiya was Omar Abdel Rahman (a.k.a. "the Blind Sheikh"), the cleric who masterminded (with Khalid Sheikh Mohammed's nephew, Ramzi Yousef) the 1993 World Trade Center attack and issued a fiery fatwah commanding jihadis to destroy the American economy.

For close to ten years, JB Oxford (the Nazerali-Kott outfit that employed Khan) lived up to its reputation as one of the most notorious brokerages on Wall Street, clearing trades for a whole network of outfits—such as Stratton Oakmont, Biltmore Securities, Monroe Parker, and Greenway Capital—that would, in various DOJ cases, be linked to organized crime.

In 2005, with the DOJ zeroing in, JB Oxford's clearing operations were shifted to Computer Clearing Services, the outfit whose business relationships were brokered by the Amanats. That same year, Computer Clearing Services and all of JB Oxford's client relationships were sold to…Penson Financial.

Indeed, Computer Clearing Services (essentially, the new Adler Coleman and JB Oxford) became Penson Financial's principal subsidiary, responsible for "clearing and settling" client short sales. That is, CCS was responsible for ensuring that stock sold short through Penson was "cleared and settled"–i.e. delivered. Or, in this case, not delivered (the principal feature of manipulative short selling being that shares "fail to deliver.")

As of 2008, Penson Financial's top executive in charge of "clearing and settlement" was Christopher Sandel. He had previously been vice president of "clearing and settlement" for CCS's predecessor firm, Adler Coleman, where he worked for Adler's founders (Nazerali, Kott, Berezovsky), and spent much of his time failing to deliver stock sold short by the likes of Hanover Sterling principals Alphonse "Allie Shades" Malagone, Jaillal Irani Ramoutar, and the Russian Mafia.

As I mentioned, the Amanat brothers, Irfan and Omar, had been key consultants to Computer Clearing Services. And it was the Amanats (probably in cahoots with Nazerali, a close associate of the Amanats) who brokered the sale of CCS to Penson Financial. It was also the Amanats who brokered many of CCS's client relationships, including the one that it had with that Iran-linked outfit, Global Securities.

Global Securities had been founded by Art Smolensky, but was managed by three

Iranian nationals: Aarif Jamani, Nashrulla Jamani, and Ferzana Jamani. These guys were also clients of Curshen's Costa Rica outfit, Red Sea Management.

Given Global Securites affiliation with the Assa Corporation (the Iranian outfit indicted for espionage in 2009), and given the jihadi affiliations of Curshen's other clientele (not to mention his own donations to Hamas), it does seem a bit odd that he would locate his offfices in the same building that housed the Israeli embassy.

At any rate, Global Securities catered to a select clientele of closely affiliated short selllers, all of whom had interesting backgrounds. One of them was, of course, Ali Nazerali. Another was Anthony Elgindy, the Al Qaeda-tied short seller who plotted the destruction of hundreds of American public companies on a private internet chat site hosted by a company owned by Hamas political chief Marzook.

Elgindy was jailed in 2005, but all of Global's other clients remained clients of Global's partner brokerage Computer Clearing Services. And all were key clients of Penson Financial from 2005 (when Penson purchased CCS) through 2008 (when Penson suddenly became the largest brokerage on the planet by volume).

Among these former Global clients (now Penson clients) were the above-mentioned Rami El-Betrawi, Rafi Khan (formerly of JB Oxford), and Adnan Khashoggi, all of whom were also clients of Curhen's Costa Rica operation.

Khashoggi (like Penson clients Mufti al Abbar and Martin Schlaff) was, as of 2008, an important advisor to Libyan dictator Muammar Qaddafi. Khashoggi is also a long-time business partner of Iranian intelligence asset and arms dealer Manuchar Ghorbanifar.

In addition, Khashoggi has been linked to nearly every major scandal of the past three decades, from Iran-Contra to BCCI and Capcom (with Nazerali), to the 1997 collapse of Bangkok Bank of Commerce (which triggered a devastating financial crisis in Asia), to the take-down of MJK Clearing, orchestrated with Anthony Elgindy, Rafi Khan and the others.

Other new Penson clients (all former clients of Global) were Sherman Mazur and Rakesh Saxena, both of whom had been tied to the collapse of Bangkok Bank of Commerce and were the key figures (along with Khashoggi) behind yet another massive financial scandal–General Commerce Bank, an outfit in Austria that declared insolvency in 2005 admist revelation of its ties a global network of Mafia brokerages

that specialized in manipulating the markets.

Most of the Mafia brokerages (Eastbrokers and Chech Industries, formerly known as Stratton Oakmont, just to name a couple) had cleared their trades through the Kott-Nazerali outfit JB Oxford and its successor firm, Computer Clearing Services. And with Penson's 2005 purchase of CCS, they, of course, became clients of…Penson Financial.

This was not a coincidence. We are looking at a network of closely affiliated market manipulators. While it is impossible to know the extent to which all of these market manipulators have coordinated their trades, it is clear that they work together.

Just to cite one example, Sherman Mazur, one of the figures behind General Commerce, is now facing a civil lawsuit for manipulating stocks with Phil Gurian, the mobster who was a client of Amanat's Datek Securities and who was (along with Elgindy) short selling companies that received death spiral finance from Hanover Sterling (partner brokerage of Adler Coleman).

Rakesh Saxena (another of the Penson 2008 clients formerly associated Global Securities and General Commerce) was one of the world's most destructive short-side market manipulators. He was also a leader of the Marxist Naxalite rebel group in India, tied (by Indian authorities) to D-Company and Al Qaeda affiliate Lashkar-e-Tayyiba.

In 2009, Saxena was deported from Canada to Thailand to face charges for his role in the Bank Bank of Commerce collapse. Thai authorities have also linkied Saxena to multiple death threats and at least one attempted homicide. Meanwhile, Russian media has reported that Saxena's manipulative trading of bonds and currency derivatives contributed to the 1998 collapse of the Russian economy–a disaster that helped bring Vladimir Putin to power a year later.

For further details about Saxena, see earlier chapters. Those chapters also contain details about Global's other clients (all later clients of Penson). These included: Rene Hamouth (funder of Hamas); Suleiman Rashid (whose brother runs a Hamas cell in Haifa); and Mansur Ijaz (manager of global investment funds, and lobbyist for the Pakistani government).

All of these characters are major-league and eminently notorious short sellers, fully capable of sinking markets. All have strong relationships with regime in Iran. Mansur

Ijaz, meanwhile, has deep connections with many of the jihadi terrorist groups in Pakistan, and he has said that he knew Osama bin Laden. Back in 19996, Ijaz brokered the deal that saw Al Qaeda moving its headquarters from Sudan to Afghanistan.

It is difficult to know the details of that deal, but the result was clear: Sudan agreed to expel, but not arrest bin Laden and his crew, while Al Qaeda was given sanctuary in Afghanistan by warlords Gulbuddin Hekmatyar and Yunis Khalis (whose deputy Abdul Haq, we know from Chapter 18, would later plot a coup with the Chicago stock trader Joe Ritchie and the future executive director of the above-mentioned Terra Nova Financial).

In 2002, Wall Street Journal reporter Daniel Pearl set out to investigate the ties that bind some jihadi terrorist outfits with Pakistani intelligence, D-Company, and nuclear weapons proliferators. Pearl's first stop–Mansur Ijaz.

It was Ijaz who helped Pearl set up the meetings with the jihadis who subsequently kidnapped Pearl. Soon after, of course, someone cut off Pearl's head. Khalid Shiekh Mohammed, mastermind of the September 11 attacks, has said that it was he who did the deed.

In an interview with Richard Miniter (incidentally, Miniter and I both formerly held the job of Wall Street Journal editorial page writer in Brussels), Mansur Ijaz said that his father had worked for the Pakistini nuclear weapons program, and also worked for a time as a nuclear weapons scientist in Virginia. I do not know more than that, but sincerely hope to have the opportunity to meet with Ijaz before my next trip to Pakistan.

In his interview with Miniter, Ijaz expresssed regret that Pearl was killed, and said that he had offered to help the Wall Street Journal secure Pearl's release from his jihadi captors. The Wall Street Joural's editors concluded that Ijaz was not trustworthy.

But whatever and whoever Mansur Ijaz is (other than a somewhat mysterious hedge fund manager who seems to pop up at the center of interesting events, and has intimate ties with jihadi terrorists), it is somehow unsurprising that he was among the select and equally unusual traders associated with the strange brokerage, Global Securities (the clients of which were key clients of Penson Financial in 2008).

Other Global clients (Penson clients as of 2008) were tied to Russian organized crime. Most were tied to Russian intelligence. One of them was the above-mentioned Felix Sater. Another was Yvgeny Dvoskin, alleged (see earlier chapters) to be the ring-leader of ten Russian spies arrested by the FBI in 2010.

Arik Kislin was also a Global client. In addition, he was a "member" (according to the FBI) of Vyacheslav Ivankov's Russian Mafia gang. Ivankov was assassinated on a Moscow street in 2009, after admitting that he worked for the Russian intelligence services.

Kislin, meanwhile, has admitted to being a one-time business partner of Babeck Seroush, an Iranian arms dealer with ties to the Russian intelligence services and the regime in North Korea. Again, you can find complete documentation of these facts in earlier chapters.

If you manage to get through all those chapters, I encourage you to turn next to the book "Who Killed Daniel Pearl?"–which is one of the best works of investigative journalism focusing on the jihad, perhaps because it was written by Bernard-Henri Levy, whose first profession was not journalism, but philosophy.

Following in Pearl's footsteps, Bernard-Henri Levy ("BHL" to his friends) came to explore parts of the network that is explored in this story. In so doing, Levy came to see the ties that bind rogue intelligence operatives, terrorists, mobsters, nuclear weapons traffickers, and (at one point in Levy's story) short sellers.

Having been thus illuminated, Levy described it as being: "…sucked into the hole, swallowed in this matrix, carried off on this nightmare ride…" Which is a pretty fair description of how I felt some years into this investigation–"sucked into the hole, swallowed in this matrix."

And so, in the fall of 2010, I kept calling Zuhair Karam.

As you might recall, Zuhair Karam is a producer of jihadi propaganda and a former employee of Tuco Trading. It was at Tuco that Jaillal Irani Ramoutar and another Iranian had two accounts that generated more than 20 percent of the short selling volume cleared by Penson Financial in the month before the 2008 collapse of Bear Stearns.

As I mentioned, those two accounts will get a chapter of their own. But suffice it to

say, Zuhair knew the Iranians, and he knew the others in the "matrix" — or the "nexus" as the National Intelligence Director would call it.

Zuhair knew the jihadis and the Russian mobsters who were trading through Penson Financial. He knew the whole crowd: the Blind Shiekh, the leaders of Palestinian Islamic Jihad, the Hamas operatives who were at the secret meeting in Philadelphia, the Al Qaeda front organizations that were shopping for nukes; and…Ali Nazerali.

I find Nazerali to be endlessly fascinating. Indeed, he veritably defines the "matrix." And not only was he a key client of Penson Financial (and the financier of Adler Coleman and JB Oxford, which were folded into Penson with the 2005 purchase of Computer Clearing Services) but he also played an important role in developing a lot of Penson's other client relationships.

So I can't help but reiterate Nazerali's key business relationships, some of which I have mentioned in this chapter, others of which were covered in earlier chapters, and nearly all of which pertain to the business of market manipulation.

Nazerali's business partners have included: 1) the Mogilevich organization (instrument of Russian intelligence; tried to sell highly enriched uranium to Al Qaeda); 2) Osama bin Laden's favorite financier (Yasin al Qadi); 3) Mufti al Abbar, chief market manipulator for Muammar Qadaffi (recall that al Abbar also "vacationed" in North Korea in 2006); 4) Abbas Gokal (Pakistani intelligence asset and key financial adisor to the Iranian regime); 5) Habib Bank (bankers to Daniel Pearl's kidnappers and D-Company, among others).

There are more: 6) Sergei Chemezov (Russian intelligence operative and Russian's chief arms dealer, once in charge of the Luch nuclear weapons facility); 7) DeCalvacante Mafia capo Phil Abramo (known as the "King of Wall Street"); Boris Berezovsky (former "Godfather of the Kremlin") 9) Roman Abramovich (current "Godfather of the Kremlin"); 10) the Abu Dhabi royal family; 11) the ruler of Dubai.

And the list goes on: 12) the head of Saudi intelligence (Nazerali partner in the stock scam Even Resources); 13) Adnan Khashoggi (Capcom); 14) the Ndrangheta Mafia organization in Italy; 15) an impressive number of securities traders who are also narco-traffickers (such as Paul Combs, until Combs was whacked by Nazerali's mobster friend Egor Chernov); 16) the Mafia brokerages that cleared their trades through Adler Coleman and JB Oxford…and, of course, 17) BCCI, the greatest criminal bank of all time, controlled by future financiers of Al Qaeda.

It has occured to me that Penson Financial became, in effect, the new BCCI–the go-to operation for the global conglomeration of crime. The one-stop financial shop for the "dangerous nexus" (in the words of Admiral Blair) that has "penetrated legitimate financial and commercial markets…raising the risk of significant damage to the global financial system." Or as we at DeepCapture like to call it, "the matrix."

Another Penson Financial client in 2008: Sheikh Khalid bin Mahfouz, who had paid a fine of more than $200 million to settle charges for his role in the BCCI affair. Until his death in 2009, Mahfouz was one of Saudi Arabia's wealthiest financiers. He was also the founder (with Ali Nazerali's hedge fund partner, "Specially Designated Global Terrorist" Yasin al Qadi) of the Muwafaq Foundation, said by the U.S. Treasury to be "an Al Qaeda front."

In addition, Shiekh Mahfouz provided finance to Mohamed Loay Bayazeed, who (according to the FBI) met with Russian mobsters in an attempt to "obtain uranium for Osama bin Laden for the purpose of developing a nuclear weapon."

Another Penson client in 2008 was Shiekh Ahmed Turki Yamani, one-time financier of Benevolence International, the Al Qaeda front said by the DOJ to have had contacts with people who were trying to buy nuclear weapons from organized criminals in Russia.

Sheikh Yamani, whose Investcorp operates more than 100 hedge funds in the United States, was not only a founding shareholder of BCCI, he was also a former Saudi Minister of Petroleum who played a key role in implementing the 1973 oil embargo as a form of economic warfare against the United States. That embargo was masterminded by the Abu Dhabi royal family, also among the founding shareholders of BCCI; and also, as of 2008, clients of—Penson Financial.

Another Penson client: a Bermuda-based brokerage and hedge fund outfit called Lines Overseas Management. Who was trading through Lines Overseas? We know some of them already: Ali Nazerali, the Mogilevich organization, and Nazerali's other close associate–Ivan Boesky.

That's Ivan Boesky, who spent 1979-1980 in Iran building relationships with the Islamic regime; and who, in the 1980s, before his indictment on multiple counts of securities fraud, worked with Marc Rich (indicted for trading with Iran during the Iran-hostage crisis) out of offices that they rented from the Alavi Foundation, the

Iranian goverment front (and Global Securities affiliate) indicted for espionage and funding Iran's nuclear weapons program.

In 2008, Lines Overseas transacted (on behalf of its clients) massive volumes of short selling through a brokerage called Vfinance, which cleared all its trades through Penson Financial. A Vfinance broker says that even back in 2006 Lines Overseas "trading over the U.S. markets was more than the trading of most regional banks…[Vfinance] either accumulated or liquidated millions of shares a day for them"

Vfinance was set up with funding from several financial firms, one of which was Balmore Investments, the outfit controlled byMartin Schlaff (former KGB and Stasi asset; crony of Vladimir Putin and Muammar Qadaffi; money launderer for Hamas; partner of Semion Mogilevich).

Also involved in setting up Vfinance: Thomson Kernaghan, a Mafia brokerage that was, as of 2000, run by future Penson Financial client Mark Valentine, a criminal short seller (busted in Operation Bermuda Short) who got his job at Thomson Kernaghan at the behest of Soleiman Rashid and his pal…Ali Nazerali.

Thomson Kernaghan was the principal underwriter for multiple ventures developed by Nazerali's hedge fund partner, "Specially Designated Global Terrorist" Yasin al Qadi (who, recall, has done plenty of business with Schlaff and other Penson clients). Meanwhile, Valentine was a parter in Navigator Asset Management, employer of Anna Chapman, among the ten Russian spies arrested by the FBI in 2010.

Given that Navigator was a Penson client, it might be significant that Lines Overseas Management's clients included: Christopher Metsos, one of the ten Russian spies arrested in 2010; and Yvgeny Dvoskin, alleged ring-leader of those ten Russian spies. Their trades were referred to Vfinance, which cleared the trades through Penson Financial.

According to FINRA (which, in typical fashion, did nothing more than level a small fine), much of the volume that Vfinance transacted through Penson at the height of the financial crisis was manipulative naked short selling.

The naked short selling conducted on behalf of Lines Overseas Management's clientele was handled by two Vfinance brokers: Zayed Mustafa and Gustavo Chacin.

I don't know much about Mustafa. Gustavo Chacin operates out of Panama. He hails from Venezuela. We will learn about a few more Venezuelan market manipulators in coming chapters. No discussion of the "matrix" is complete without reference to Venezuela–ally of Iran, training ground for Iran's terrorist proxies.

Gustavo's brother is German Chacin, a wheeler-dealer married (perhaps strategically) to Trilby Lundberg, daughter of one of the world's biggest oil traders, Dan Lundberg.

I say "strategically" because Trilby's family members have loudly objected to the marriage, saying that Chacin has used Trilby to get close to her father and to fish for confidential information about his oil trading. Meanwhile, German Chacin claims to be a consultant specialized in monitoring for acts of financial terrorism–particularly attacks that target the commodities markets.

This reminds me a bit of Imagis, the anti-terrorism company (see earlier chapters of this series) that Ali Nazerali founded with "Specially Designated Global Terrorist" Yasin al Qadi. It reminds me of the other anti-terrorism companies linked to people in the matrix: like Johnathan Curshen's Skyway; and Innovative American Technology, run for a time by Mogilivech organization man (and Nazerali crony) Norbert Grupe.

At any rate, Gustavo and German Chacin are part of the matrix–the small world that is the underworld of mobsters and market manipulators, terrorists and nuclear traffickers.

In the 1980s, the Chacin brothers owned several companies – including Tal Technologies and TK-7 Corporation – that helped an Iraqi financier named Ihsan Barbouti fulfil a contract to build a chemical weapons plant in Rabat, Libya for Muammar Qaddafi.

In addition to building chemical weapons plants, Barbouti had (according to multiple books written on the subject) extensive ties to Ramzi Yousef, who carried out the 1993 terrorist attack (masterminded by the Blind Sheikh) on the World Trade Center.

Barbouti also worked with A.Q. Khan ("Father of the Islamic Bomb") to transfer nuclear weapons technology to Libya and Iran. When the U.S. government began investigating Barbouti in 1989, the Chacins sued Barbouti, claiming (rather implausibly) that he had tricked them into providing support to Libya's chemical

weapons facility.

Soon after, Barbouti disappeared. His family said he was dead, and held a funeral in Britain.

However, as Britain's Independent newspaper later reported, there was much suspicion that Barbouti had faked his death to avoid prosecution.

Whatever the truth, Barbouti left behind a New York and Texas-based company called IBI, Inc, which had been linked to the chemical weapons deal in Libya. That company changed hands a couple of times before 1999, at which point it was purchased by a stock brokerage that had been founded earlier that year.

The brokerage that bought Barbouti's chemical weapons company was… wait for it, wait for it …..Penson Financial.

To be continued…

Policy Documents
Decisions & Orders

Document Sub-category: Decisions
Document No.: 2011/07/18
Subject: Amr I. Elgindy (also known as Anthony Elgindy, Tony Elgindy and Anthony Pacific) [Decision]
Amendments:
Published Date: 07/18/2011
Effective Date: 07/18/2011

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2011 BCSECCOM 343

Amr I. Elgindy
(also known as Anthony Elgindy, Tony Elgindy and Anthony Pacific)

Section 161 of the Securities Act, RSBC 1996, c. 418

Decision

Introduction
¶ 1 This is an order under sections 161(1) of the Securities Act,RSBC 1996, c. 418.

Background
¶ 2 On January 24, 2005, the United States District Court for the Eastern District of New York convicted Amr I. Elgindy (also known as Anthony Elgindy, Tony Elgindy and Anthony Pacific) of offences arising from transactions, business or courses of conduct related to securities.

¶ 3 From March 2000 to May 2002, Elgindy engaged in insider trading, manipulation and extortion thereby committing numerous federal criminal offences. He engaged in illegal insider trading by selling shares short based on undisclosed negative material information about companies that he stole from the government. Then he manipulated the shares when he disseminated the undisclosed information, as well false and misleading information that caused the share prices to drop. During this period, he extorted shares and other things of value from persons associated with the companies targeted for short selling and manipulation.

¶ 4 On June 19, 2006, Elgindy was sentenced to 135 months imprisonment, three years of supervised release, and was ordered to pay forfeiture in the amount of US$1,568,000.

¶ 5 On December 16, 2010 the executive director issued a further amended notice of hearing alleging Elgindy's conduct was contrary to the public interest

¶ 6 In the notice, the executive director asked us to hear questions of liability and sanction at the same time and to have the hearing conducted in writing only. We so rule.

Order

¶ 7 After considering staff's and Elgindy's submissions, we find Elgindy's conduct described in the notice contrary to the public interest, and considering it to be in the public interest, we order:

1. under section 161(1)(b) of the Act, that Elgindy cease trading in, and is prohibited from purchasing, securities and exchange contracts permanently, except that he may trade and purchase securities through accounts in his name at a registered dealer;

2. under section 161(1)(d)(i) and (ii) of the Act, that Elgindy resign any position he holds as, and is permanently prohibited from becoming or acting as, a director of any issuer, registrant or investment fund manager;

3. under section 161(1)(d)(iii) of the Act, that Elgindy is permanently prohibited from becoming or acting as a registrant, investment fund manager or promoter;

4. under section 161(1)(d)(iv) of the Act, that Elgindy is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and

5. under section 161(1(d)(v) of the Act, that Elgindy is permanently prohibited from engaging in investor relations activities.

¶ 8 July 18, 2011

¶ 9 For the Commission

Bradley Doney

Commissioner

Don Rowlatt
Commissioner

http://www.bcsc.bc.ca/comdoc.nsf/comdoc.....AA?OpenDocument

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CHAPTER 20

The Miscreants' Global Bust-Out (Chapter 20): Uhm, Mr. President, We Might Have a Problem…

Posted on 25 July 2011 by Mark Mitchell

Back to Tuco Trading, the little brokerage in Chicago that had not even registered with the authorities. The completely obscure and eminently illegal, tiny little brokerage whose clientele consisted largely of heavyweight traders from places like Iran and Saudi Arabia, Russia, Pakistan, and Venezuela.

Many of Tuco's clients resided overseas–Moscow, Dubai, China, and Ukraine. Some in locales even more exotic: Cozumel and Azerbaijan, Dagestan and Ras al Khaimah. Of course, there were some Americans, too. But these Americans were among the most powerful financial criminals in the nation. Most of them were tied to the Mob.

We have seen that in 2008, the year of the financial crisis, another obscure brokerage, Penson Financial, became, literally overnight, the largest brokerage in the world by volume, most of which was manipulative short selling targeting the big banks and other companies critical to the stability of the American financial system.

The strange trading that went through Penson was evidence enough there was an attack on the U.S. financial markets in 2008. But was it merely a criminal attack, or an act of financial terrorism? Was the attack coordinated? Or was it individual traders acting on their own?

Ultimately, it might be impossible to answer these questions. Motivations are difficult to discern. But we know (from earlier chapters of this series) that Penson Financial was built with considerable help from people who had ties to jihadi terrorist groups, organized crime, and foreign governments that are hostile to the United States. We know also that an overwhelming number of Penson's key clients had similar relationships.

And as of early 2008, Penson's most important client was none other than Tuco Trading–that weird, little brokerage in Chicago. Indeed, Tuco was more than a client. Penson did not merely clear all of Tuco's trades. As we will see, Penson dealt directly with many of the interesting people who had accounts at Tuco. Indeed, Penson made Tuco—a tiny brokerage that had, for good reason, chosen not to register with the authorities–an integral part of its overall operation.

And a thoroughly peculiar operation it was.

As I mentioned, Tuco was trading for more than 100 accounts. Just two of those accounts alone generated more than 20 percent of the volume (most of it short selling of financial stocks) that had suddenly made Penson Financial the largest

brokerage on the planet in the month before the 2008 collapse of Bear Stearns.

The short selling of financial stocks transacted by Penson was as much as five times the short selling of financial stocks by Wall Street's top five brokerages. Put another way, those two accounts at Tuco Trading transacted short selling volume exceeding that of the somewhat more famous Goldman Sachs.

Tuco was shut down on March 9, 2008 by an "Emergency Order" of the SEC, and the case was taken over by Tuco's court-appointed bankruptcy receiver, who immediately noticed the large volumes from those two accounts, one of which (the receiver noted with urgency) contained more than 2,000 secret subaccounts located in China. However, the receiver had a stroke before he could finish his investigation, so we don't know how much volume was generated by the many other accounts at Tuco.

But we know it was significant.

We can also assume that the people who controlled those accounts continued to trade through Tuco's partner brokerages (all of which cleared trades through Penson) after Tuco was shut down. Certainly, the data shows that Penson's volumes did not decrease with Tuco's closure. To the contrary, Penson transacted ever greater volumes of manipulative short selling in the months leading up to and including September, 2008, when the financial system melted down.

So it is time to review what we already know about Tuco, and add some new information. The repetition of a few key facts may (again) seem tedious to those who have good memories and have read earlier chapters of this series. But this is not a book. It is not even a story. It is an ongoing investigation, a sort of forensic (albeit imperfect) science. We have to carefully recollect what we already know in order to judge the relevance of new evidence.

So, here's what we know: Tuco Trading was a little, unregistered brokerage in Chicago with more than 100 accounts, one of them a strange account called Orange Diviner, which was controlled by the top henchmen of Roman Abramovich (arguably the most powerful man in Russia) and Semion Mogilevich (the leading figure in Russian organized crime and the most dangerous mobster in the world, involved in everything from market manipulation to manslaughter and the trafficking of radioactive materials).

In 1999, Abramovich and Boris Berezovsky (who jointly operated a vast business empire that controlled Russia's media and minerals, and much of its radioactive materials) orchestrated the 1999 rise to power of Vladimir Putin, who was then the head of the FSB, successor agency to the KGB. Today, of course, Putin is prime minister of Russia.

Berezovsky has apparently had a falling out with Putin, though some in Russia speculate that the two men are still close. People in Russia whisper about the Abu Dhabi royals serving as messengers between Berezovsky and Putin. Just rumors, perhaps. The truth is, nobody knows. Nothing about these relationships is clear. But here's a good rule: Beware the murk.

Berezovsky now resides in London, as did his employee, Alexander Litvinenko, a former FSB operative killed in 2006 with radioactive polonium-210. That was soon after Litvinenko charged the Russian government with having ties to Al Qaeda. The Russian government denied this charge, stating that it was Litvinenko and Berezovsky who had ties with jihadi terrorist groups. Who knows what the truth is? But remember the rule: Beware the murk.

Whatever the truth, few doubt that Abramovich retains his position as the modern-day Rasputin, his mystic money driving the siloviki, which is the elite cadre of current and former intelligence operatives (including Putin) who occupy the most important positions in the Russian government. In other words, we must assume (as many U.S. officials do) that Abramovich is part of Russia's intelligence apparatus, helping to define his nation's murky geopolitical agenda.

We might assume the same of Abramovich's top henchmen, the principal figures behind the Orange Diviner account. It is also a certainty (as U.S. diplomats have suggested, and I have demonstrated) that the Mogilevich organization (also linked to the Orange Diviner account) is tied in with the Russian intelligence services.

It was soon after Mogilevich tried to sell highly enriched uranium to Al Qaeda operatives in Europe that the British government declared him to be the "most dangerous mobster in the world." When Mogilevich orchestrated a massive stock fraud called YBM Magnex (which was linked to a 1999 scandal that saw the Russian government working in cahoots with the Russian Mafia to manipulate the U.S. markets and launder billions of dollars through the Bank of New York), the FBI put Mogilevich on top of its list of "Most Wanted" criminals.

Mogilevich currently resides in Moscow under the protection of the Russian government, which has refused to extradite him or even admit that he has committed any serious crimes. One of his top henchmen, Sergey Maksimov, lives in Ukraine, where he enjoys similar protections, probably at the behest of the Russian government. Maksimov, a former top executive at YBM Magnex, was one of the people behind the Orange Diviner account at Tuco Trading.

Alexei Ivin set up the Orange Diviner account at Tuco (a little, unregistered brokerage in Chicago) whole he was also serving as "head of international" at a big Moscow outfit called BrokerKreditServis, which is a joint venture with the state-run Vnesheconombank, said by the Heritage Foundation (citing U.S. officials) to be effectively controlled by the FSB, Russia's main intelligence agency.

As of 2008, BrokerKreditServis (which does quite a lot of business with Iran) was run by Dmitry Peshnev Podolskiy, former head of Alfa Bank. It was likely at the behest of the Russian government that Alfa Bank came to be a key financier of Iran's nuclear program.

BrokerKreditServis, meanwhile, maintains an important partnership with U.S. brokerage Man Financial, which, in 2008, provided Tuco with one of its trading platforms. This is the same Man Financial that transacted (in 2008) massive volumes of manipulative wash trades for Naresh Patel, a prominent member of D-Company, the Al Qaeda affiliate whose membership received paramilitary training from the Pakistani intelligence services.

There is some dispute as to whether Naresh Patel's organization is still called D-Company, but I will continue to refer to it as D-Company since no new name has emerged. The leader of D-Company, Dawood Ibrahim, is the biggest investor on the Karachi stock exchange. In addition, he has been linked to the trafficking of nuclear weapons technology to Iran and North Korea.

D-Company does a lot of business with the Mogilevich organization. And like Mogilevich, Dawood Ibrahim is often referred to as "the most dangerous man in the world." Suffice it to say, they're both dangerous. Ibrahim's henchman Naresh Patel (the guy who was trading through Man Financial) was a key money manager for Al Qaeda.

When it transacted Patel's trades, Man Financial's head of trading control, Neda Nabavi had set up an Iranian social club called Shabeh Jomeh with two others: Babek

Talebi and Tamilla Ghodsi. Talebi was a board member of National Iranian American Council, shown to be a front for the Iranian regime's lobbying efforts in the United States. Ghodsi was a board member at the Razi Health Foundation, which was funded by the Alavi Foundation, an Iranian government front indicted by the DOJ for espionage in 2009.

I don't want to make too much of that. I have no evidence that Nabavi, Man Financial's head of trading control, is tied directly to the Iranian regime. It could be that she has done no worse than failing to "control" the manipulative trading of Man Financial's dangerous clientele, including D-Company.

But outfits like the National Iranian American Council and Shabeh Jomeh are instructive guides to Iranian social networks, and social networks are sometimes important. They might, at any rate, explain why any investigation of Tuco Trading—and those two accounts that generated short selling volume exceeding that of Goldman Sachs–inevitably leads back to either Iran or its ally, Russia.

MB Trading, a unit of Terra Nova Financial, provided Tuco with another its trading platforms. MB Trading was, as of 2008, the only U.S. brokerage ever to have been caught (by the SEC) illegally doing business with Iran.

Terra Nova's head of trading operations, Behruz Afshar, meanwhile, was loading precious metals on Condor Air cargo planes in partnership with his relative, Hamayoun Afshar (who was charged with money laundering) and Ghazaros Ghazarossin (who had ties to Hezbollah, the jihadi outfit founded and directed by the Iranian regime).

Please have a look at earlier chapters of this series to see that all such statements have been established as fact with supporting documentation and additional detail. When reviewing information that has already been covered in earlier chapters, I will continue to do so without rehashing all the evidence.

I know this series is long and I know it is not exactly something you'll want to take to the beach, so I don't fully expect that all of my readers will have navigated every chapter. But I will proceed to repeat some facts without all of the supporting evidence in hopes that doubters will at least glance back at earlier chapters to see that all of the supporting evidence is there .

As readers of previous chapters know, an outfit called Lightspeed provided Tuco

with another of its trading platforms. That trading platform had been designed by Omar Amanat, who played a key role in developing many of Penson Financial's other client relationships.

Amanat is a member of the Muslim Brotherhood who founded an Islamic television network (BridgesTV) with Nihad Awad, a member of Hamas (which is a proxy of Iran); and Muzzammil Hassan (who, in 2009, chopped off his wife's head in an apparent honor killing, in California).

Awad and Amanat had close relationships with Palestinian Islamic Jihad leaders Sami al Arian and Ramadan Abdallah Shaleh. Sami al Arian was a founding director of the Islamic Society of North America (ISNA), named (along with Awad of Bridges TV) as an unindicted co-conspirator in the DOJ's case against the Holy Land Foundation, a front for Hamas. Like the above-mentioned Alavi Foundation, Sami al Arian and Shaleh both took directions (according to the DOJ) from Iranian government agents stationed in New York.

Awad and Amanat also had close relationships with the Blind Sheikh, who masterminded the 1993 World Trade Center bombing while living in the home of Awad's immediate boss, Omar Ahmad. Former CIA director James Woolsey and others have suggested that there is reason to believe that the Blind Sheikh had contact with Iranian government agents in New York while he was masterminding his terrorism.

All of these people (Awad, Amanat, Ahmad, Sami al Arian, Shaleh) also had close ties to several Al Qaeda leaders. One of them was Anwar al Awlaki, an American-born imam now residing in Yemen. He has been linked to multiple terrorist atrocities, including the 2009 "Underwear Bomber" attempt to take down a plane over Detroit; the 2009 Fort Hood massacre; the 2010 attempt to explode a bomb in Times Square, and the 2001 September 11 attacks.

Another Al Qaeda friend of Amanat and Awad was Adurahman Alamoudi, who is currently serving a 29 year sentence for financing Al Qaeda and plotting, with another Al Qaeda operative and Libyan leader Muammar Qadaffi, to assassinate the crown prince of Saudi Arabia.

This is in no way to suggest that Amanat and Awad are Al Qaeda. But Al Qaeda might be beside the point. The real threat is the larger jihadi movement. And among the key figures in that movement are Awad and his partner, Omar Amanat (founder of

Tuco's Lightspeed trading platform).

Tuco Trading itself was founded by Gus Katsafaros and Robert Lechman. Katsafaros (who is also known as Gus Constantinos and Gus Peter) had formerly been a principal at Sort Securities, which, like Lightspeed, had been founded by the above-mentioned Omar Amanat. Robert Lechman had previously been a principal at Crescent Securities, an outfit founded by Talat Othman, who was a director of the Bridgeview Mosque in Chicago.

The Bridgeview Mosque is controlled by the Muslim Brotherhood. It is an affiliate of ISNA (named, along with BridgesTV co-founder Awad, as an unindicted co-conspirator in the Holy Land Foundation terror finance case). Unsurprisingly, the Bridgeview Mosque was one of the principal financiers of Palestinian Islamic Jihad leaders Ramadan Abdallah Shaleh and Sami al Arian (the terrorists who were taking orders from Iranian agents in New York).

In addition, the Bridgeview Mosque was tied to Al Qaeda fronts such as the Chicago-based Benevolence International, which had (according to the DOJ) contacts with people trying to buy nuclear weapons from organized criminals in Russia.

One of Tuco Trading's employees was Zuhair Karam, whose family member is (with Talat Othman and a few others) among the people who run the Bridgeview Mosque.

Before I proceed, though, I want to stress that I do not consider people to be guilty by association. Indeed, one of Talat Othman's closest friends was the guest of honor at my wedding. This Othman friend is a genuine patriot and man of great integrity. Othman has done business with plenty of others (including even President George Bush) who have nothing to do with this investigation.

A mere affiliation is not enough to make it into this story. Nor is it enough to be a mere jihadi. However, I will continue to name people who are not only tied to terrorists and hostile governments, but have also caused damage to the American economy.

As I mentioned, Zuhair Karam's family helps run the Bridgeview Mosque, which has financed terrorism. Zuhair is also a producer of jihadi propaganda. He is (by his own admission) among the closest associates of the Palestinian Islamic Jihad leaders who were taking directions from Iranian government agents in New York. (See Chapter 1 and Chapter 2 for Zuhair's many other jihadi affiliations).

In the summer of 2010, I suspected that Zuhair had helped set up those two accounts at Tuco Trading—the two accounts that generated manipulative short selling exceeding the total short selling volume of Goldman Sachs. But Zuhair had told me that he was "just one of the little guys"—and I believed him. Aside from that, I wasn't sure what to believe.

I knew that the person most responsible for setting up those two accounts was an Iranian fellow named Pejman Hamidi. In addition, I had some sources who were telling me strange things.

One source told me that Hamidi had some kind of relationship with a certain Mikhael Semenko, who was among ten Russian spies whom the FBI had arrested in the summer of 2010. Another source told me that one of Hamidi's closest relatives had been a key mentor to Palestinian Islamic Jihad leader Ramadan Abdallah Shaleh, and had later employed an undercover Iranian government agent who was shipping weapons to Palestinian Islamic Jihad and Hezbollah.

I had also come to believe (correctly, as it turned out) that Hamidi's immediate family worked for the Revolutionary Guard, which is the Iranian government outfit tasked with "exporting" the Islamic revolution by training and directing the operations of Iran's terrorist proxies, such as Hezbollah, Hamas, and Palestinian Islamic Jihad. It is also a near certainty (judging by the statements of some former U.S. government officials and evidence presented in earlier chapters) that the Revolutionary Guard has provided some degree of assistance to Al Qaeda.

My sources were tied in closely with a larger network of people with similar relationships, so I was inclined to believe them. The information about the Russian spy seemed to be supported by the fact that both Hamidi and Semenko (the Russian spy) were members of an outfit called the World Affairs Council. But given the nature of this information, I could not rely on the sources alone. I would have to confirm the information with Zuhair Karam and Hamidi themselves. I would have to get them to admit that it was true.

When I first called Zuhair, and asked if he could help with my investigation of Tuco Trading, he was not cooperative. Zuhair seemed to think I was somehow connected to the FBI. He seemed, in fact, to think he was the target of an FBI investigation. And he was quite defiant, saying, "The FBI…the FBI…let them come, see if I care."

The truth, of course, was that I didn't work for the FBI. I had never set foot in an FBI office. I don't even have a gun. I once tried to buy a gun, but the store told me their inventory had been cleared out by people expecting the country to disintegrate into chaos and anarchy. In any case, I doubt that the FBI would let me purchase a gun, much less hire me.

I am nothing but an investigative journalist, happily exiled from the mainstream media that once employed me. My office is in a crappy apartment, located around the corner from a homeless shelter in a low-rent district on the Chicago border. When I first spoke with Zuhair, I was wearing my pajamas.

After that, I had a lot of other conversations with Zuhair. In every instance, I was wearing my pajamas.

However, one can accomplish a lot in his pajamas. Indeed, it is my opinion that investigators wearing pajamas are sometimes more productive than regulators who wear expensive suits. This is because many regulators in suits hope to score jobs with the criminal financial operators whom they are supposed to be regulating. And this tends to limit their effectiveness.

I also knew an important rule: it is not effective to simply ask people if they have, say, done business with the government of Iran. The usual answer to such questions is: "No."

So while I continued to have general discussions with Zuhair, I didn't ask him questions about those two Tuco accounts. I thought the best strategy might be to first collect as much additional information as possible. If I were able to present Zuhair with almost the full story, and lots of incriminating details, I could convince him that, in fact, I already knew the story in its entirety.

Faced with someone who seemed to know the whole story, Zuhair would, I figured, confirm that it was true. Most likely, he would attempt to come up with some alternative explanation for the facts. But the facts themselves would be confirmed. So, I continued my research into Tuco Trading and Hamidi (the Iranian fellow who set up the two accounts). And I learned a lot.

One thing I learned was that many of Tuco's traders hailed from the Middle East, and a lot of them were simultaneously traders for a brokerage called Assent, LLC, which (like Tuco and its other partner brokerages) cleared its trades through Penson

Financial. Assent, LLC is unit of an outfit called SunGard, which is one of the world's largest providers of "shariah compliant" trading platforms.

As documented by Patrick Sookhdeo, an expert on Islamic finance (he is the author of the book, "Understanding Shari'a Finance"), "shariah compliant" finance was spearheaded by the Muslim Brotherhood, and most of the major "shariah compliant" financial firms in the world are in some way affiliated with the Brotherhood (which publicly professes to be opposed to violence, though it created Hamas, and has served as the breeding ground for most of the world's jihadi terrorist outfits, including Al Qaeda).

Violent or not, there is no question that the Muslim Brotherhood is waging what Brotherhood spiritual leader Yusuf al-Qaradawi regularly refers to as a "Financial Jihad." And when addressing Muslim audiences (as opposed to infidel reporters and Western government officials), Brotherhood leaders make it clear that their goal is to undermine the United States.

In the terror-finance case that named Hamas operative Nihad Awad (BridgesTV partner of Omar Amanat, who designed Tuco's Lightspeed platform) as an unindicted co-conspirator, prosecutors presented as evidence a Brotherhood document stating that the Brotherhood's goal (like that of the regime in Iran) was to "sabotage" America's "miserable house" from within.

The U.S. government's official policy is to embrace the Muslim Brotherhood as a reasonable alternative to violent jihad. Meanwhile, those who holler that the Muslim Brotherhood and shariah law are existential threats to the United States are widely derided as "Islamophobic" wing-nuts who wish merely to fuel hysteria and promote a clash of cultures.

There is nothing wrong with showing respect to the Brotherhood and negotiating in good faith. And there is some truth to the wing-nut theory. It is not the case (as many critics of the Brotherhood and Islam would have it) that Brotherhood infiltrators are successfully transforming the United States into a nation ruled by shariah law.

To the contrary, far from embracing Islam, America seems (as the Brotherhood correctly observes) entirely committed to being a "miserable house" with all that it entails–television networks that air entertaining trash rather than the sermons of bearded imams; endless strip malls crowded with men who are too emasculated to

have four wives (and the one wife each of them has stubbornly refuses to wear a burka); a popularly elected and utterly licentious democracy; and a ruling class of greedy infidel financiers.

However, anyone who cares about the economic future of their children should be aware that Muslim Brotherhood financial firms have the firepower to achieve a considerable amount of "sabotage". All the more so given that there are plenty of greedy infidel financiers willing to help, and not so many government officials (in this licentious democracy) who are inclined to stop them.

In 2008, SunGard (owner of Assent, many of whose employees traded through Tuco) sponsored a "Gala Networking Reception" where it was declared (echoing the Muslim Brotherhood) that "Islamic [shariah] finance can be the model for the global economy."

The keynote speaker at this event was the CEO of the secretive financial labyrinth known as Dar Al-Maal Al-Islami, or "The House of Islamic Money." Victims of the September 11 attacks have sued The House of Islamic Money, noting that it kept accounts for Wael Jalaidan, a founder of Al Qaeda, and that it has done business with multiple companies that were owned by Osama bin Laden.

One of The House of Islamic Money's subsidiaries, Shamal Islamic Bank, was run by Abdul Jalil Batterjee, who was also the chairman of Benevolence International, the outfit linked (as is Tuco Trading) to the Bridgeview Mosque in Chicago. Again, according to federal prosecutors, Benevolence International was an Al Qaeda front that had contacts with people looking to buy nuclear weapons from organized criminals in Russia.

Another of The House of Islamic Money's subsidiaries, Faisal Finance, was controlled by "Specially Designated Global Terrorist" Yasin al Qadi, who was also a board member of the House of Islamic Money, and was involved with Benevolence International while he ran the Muwafaq Foundation, which was (according to the U.S. Treasury Department) an "Al Qaeda front."

Until 1999, recall, Yasin al Qadi also controlled a "soap" company called Global Chemical, which was, in fact, a chemical weapons and explosives factory located in a Chicago warehouse district not far from the Bridgeview Mosque, whose directors were among Yasin al Qadi's close associates.

Later, Yasin al Qadi controlled a precious metals mining outfit called MIT Minmit, which was (as of 2007) run by Michael Nolan, then CEO of the Chicago-based Terra Nova Financial (the outfit that provided Tuco with one of its trading platforms and was caught doing illegal business with Iran).

In 2009, the SEC investigated SunGard (owner of Assent, many of whose traders were operating through Tuco Trading) because it suspected that SunGard, like Terra Nova, had ties to Iran.

It is extremely rare for the SEC to ask U.S. financial firms about their ties to Iran, but the SEC sent Sungard a letter that read as follows: "Please describe to us the nature and extent of your…contacts with Cuba, Iran, Syria or Sudan…or other contacts you have with the governments of those countries…We also note a 2008 news article on Islamic banking that discusses the fact that some Iranian banks may have used System Access's products."

SunGard replied that System Access (the SunGard unit that provides some of its trading platforms) had sold its "non-U.S. SYMBOLS software to [the Iranian, government-owned] Bank Karafin…and to the Central Bank of Sudan." However, SunGard claimed that the deals were done prior to its purchase of System Access. According to SunGard, the Iranian bank still used the software, but it was no longer maintained by SunGard.

Meanwhile, SunGard said that individuals in Iran received "publicly available information materials" from Sungard and had attended Sungard "conferences", but the company did not "anticipate" having additional customer relationships in Iran. The SunGard response was somewhat vague. It did not answer the SEC's question about any "contacts" that SunGard might have had with the Iranian government.

But the SEC asked no further questions and ended its investigation. This is how it works. The SEC receives credible information that a financial firm has ties to Iran, so the SEC asks the financial firm if it is doing business with the Iranian government. The financial firms says, "No," and that's the end of the investigation.

I'm still investigating, but the fact that SunGard disseminated information to Iran and admitted to holding conferences for people in Iran (while failing to answer the question as to whether those people were government officials) suggests that it was, perhaps, developing some kind of relationship with the Iranian regime.

There are many ways that a U.S. brokerage operation can develop business with the Iranian government without actually having the Iranian regime as a customer. It could be as simple as providing the regime with “publicly available” information that an Iranian government account at, say, BrokerKreditServis in Moscow, would trade through “shariah compliant” Assent brokers at the unregistered Tuco, onto the Man Financial (BrokerKreditServis) trading platform, and onwards to Penson, which would “clear” the trades.

If this were the case, the Iranian government would understand a definition of “shariah compliant” short selling that was written in stone by the Muslim Brotherhood just a few years ago. Under that definition, “shariah compliant” brokers do not borrow shares before selling them short, ostensibly because borrowing with interest is prohibited by the Koran.

In fact, the Koran (which I have read several times over) has no such prohibition. But these “shariah compliant” short sellers are in hot demand. Rather than borrow shares, they simply sell shares that they do not yet possess. That is, they engage in so-called “naked” short selling, creating what the Economist magazine (in a story that was about naked short selling generally) has referred to as “phantom” shares. That’s artificial supply, and it sinks U.S. stock prices.

I repeat: this service is in hot demand. There is an entire industry of Middle Eastern banks and U.S. financial firms that cater to them by providing “shariah compliant” short selling, which is, by definition, manipulative naked short selling.

Of course, in most instances naked short selling is against the rules. Therefore, jihadi financiers have two options. First, they can tell the SEC that Muslims have no choice but to naked short the markets, and under this guise of Islamic jurisprudence, they can ask the SEC to grant them special permission to create a “shariah compliant” naked short selling trading platform.

Amazingly, the SEC has granted that permission to one financier, Sheikh Yusuf DeLorenzo, who set up the Al Safi Trust naked short selling platform. Sheikh DeLorenzo (we know from earlier chapters) spent his formative years working with the Pakistani intelligence services to set up a network of madrassahs to train Pakistan-based jihadi terrorist groups.

Shiekh DeLorenzo’s naked short selling outfit is affiliated with ISNA, the organization that was named (along with BridgesTV co-founder Nihad Awad) as an unindicted

coconspirator in the government's case against the Holy Land Foundation (a front for Hamas). After working for Pakistani intelligence, Sheikh DeLorenzo (a close associate of Omar Amanat, who designed Tuco's Lightspeed trading platform) moved to the U.S., where he co-founded an Islamic organization called GSISS with Abdurrahman Alamoudi (Al Qaeda operative who plotted an assasination with Muammar Qadaffi).

Aside from being an Al Qaeda operative, Alamoudi was a sophisticated financier and the scion of one of Saudi Arabia's wealthiest families. He was, of course, a client of Penson Financial. Which is, of course, the second option for jihadi financial financiers wishing to crash the markets with shariah compliant naked short selling.

That is, they can simply break the rules, ideally by conducting their naked short selling through some unregistered brokerage (like Tuco Trading) that is staffed with "shariah compliant" brokers (like Zuhair Karam or the guys from SunGard's Assent). Typically, this brokerage will have a cooperative trading platform (like Omar Amanat's Lightspeed) that "clears" its trades through Penson Finacial, which simply fails to deliver (or "clear") the phantom stock.

I do not know for a fact that the Assent (SunGard) traders at Tuco Trading were engaged in "shariah compliant" short selling from Iran (via BrokerKreditServis in Moscow, or wherever). I merely wish to point out that when U.S. financial firms seem to have had contacts with the Iran (which SunGard certainly did), investigating the precise nature of those contacts is more complicated than asking the firms if they have signed an official business deal with the Ayatollah.

And whatever the truth about SunGard's relationship with Iran, it was certainly doing business with The House of Islamic Money. Sources who have been otherwise reliable say that The House of Islamic Money was, in fact, trading through SunGard subsidiary Assent (many of whose employees were conducting their trading through Tuco).

Indeed, it is likely that the House of Islamic Money accounted for some portion of the massive (and manipulative) short selling volume that had, in 2008, suddenly made Penson Financial the largest brokerage on the planet. My reliable sources add that The House of Islamic Money was trading not only for Al Qaeda financiers, but also the regime in Iran. And my sources are almost certainly correct when they say that people tied to the regime in Iran were pumping large volumes of manipulative short selling through Penson.

To begin to understand why my sources are credible on this score, we need first to remember that Ali Nazerali played a key role (along with the above-mentioned Omar Amanat) in building Penson Financial's key subsidiary (Computer Clearing Services) and also in developing Penson Financial's strange client relationships, including the one it had with Tuco Trading and with the people (including the Iranian Pejman Hamidi) who set up those two accounts that generated short selling volume exceeding that of Goldman Sachs.

I have discussed Ali Nazerali at length in earlier chapters, but a quick review of his biography is in order. For example, we must remember that Ali Nazerali ran a hedge fund (Valor Invest) in partnership with "Specially Designated Global Terrorist" Yasin al Qadi (who has been: a board member of The House of Islamic Money; owner of the Terra Nova Financial CEO's precious metals mining outfit; close associate of the Bridgeview Mosque directors; close associate of Lightspeed's Omar Amanat; and Osama bin Laden's favorite financier).

One of the board members of Valor Invest (the Ali Nazerali and Yasin Al Qadi hedge fund) was a shadowy Swiss financier named Pierre Besuchet, who was also a board member of Yasin al Qadi's Faisal Finance. In addition, Besuchet (among the many infidel financiers who have done business with Al Qaeda financiers) was a board member (along with Yasin al Qadi) at The House of Islamic Money (an Al Qaeda bank).

Ali Nazerali, of course, also had a close relationship with The House of Islamic Money. And he was on eminently close terms with The House of Islamic Money's founders, including not only Yasin al Qadi, but also the brother of Prince Turki bin Faisal bin Abdul-Aziz, then the head of Saudi intelligence.

In 2001, Nazerali perpetrated a stock fraud (Even Resources) with Prince Anwar bin Abdul al-Aziz al Saud, who had just been named the new head of Saudi intelligence. Nazerali was also involved (in the 1980s) with Capcom, the BCCI subsidiary that was controlled by Saudi intelligence and implicated (by a U.S. Congressional committee) in the manipulation of the U.S. markets and an attempt to seize control of U.S. telecommunications companies, likely for the purpose of espionage.

In addition, Nazerali was once the top employee of Abbas Goal (Pakistani intelligence asset; key financial advisor to the regime in Iran). Gokal was Nazerali's most important mentor, and the two men remain the closest of associates today—

one reason why Nazerali has been able to do a considerable amount of business with the Iranian regime.

Many experts (including some who now run the State Department) assume that it is impossible that Sunnis (eg., Al Qaeda and the Saudi founders of The House of Islamic Money) could ever collaborate with Shiites (like the ayatollahs in Iran), much less with the Ismailis (said by leading Sunni clerics to be among the most heretical Shiite sects).

But Nazerali is evidence enough that it is dangerous to hold simplistic assumptions about supposedly unsurpassable divisions in the Muslim world. Nazerali is a leading Ismaili Muslim and the long-time CEO of the Aga Khan Foundation, set up by the Aga Khan, who is believed (by Ismailis) to be the "Imam of the Time"–the human manifestation of truth.

Sunnis (especially the Salafis of Saudi Arabia) often say that the Aga Khan is a religious abomination, for there is only one truth, and that is Allah. For other reasons, the ayatollahs in Iran claim to abhor the Aga Khan. Yet the Aga Khan Foundation (as we have seen) has close ties to the Sunni-dominated Pakistani intelligence services, segments of the regime in Iran, Hashemite generals in the Syrian army, D-Company, and Salafi financiers of Al Qaeda.

Meanwhile, Nazerali (the Aga Khan's emissary) seems perfectly capable of doing business with both the Shiite ayatollahs and the Salafis who dominate the Saudi intelligence services. His mentor, Abbas Gokal, is a Sunni, but nonetheless continues to serve as a top financial advisor to the Iranian regime, comprised largely of devout Shiites preparing for the apocalyptic return of the Hidden Imam (who was a Shiite, and according to lore, will wipe out heretics like the Aga Khan).

Nazerali himself spent his early years working with Pakistani intelligence to deliver weapons to the mujahedeen. Just as the mujahedeen was then a collaborative effort of Sunnis and Shiites, so too is the current jihadi movement. That's why Hamas (all Sunni) is a proxy of the Iranian regime (mostly Shiite). I don't mean for this chapter to be a lesson in religion, but there are some people in government who simply cannot fathom that Shiites and Sunnis could work together to inflict damage on the U.S. economy.

They have a short memory. In the world of financial crime, the close cooperation of Sunnis and Shiites has been evident since the 1970s and 1980s, when the Bank of

Credit and Commerce International (BCCI) wrought massive destruction on the global financial system. BCCI (perhaps the most criminal bank ever to have operated) was founded by Agha Hasan Abedi (a Pakistani Shiite) in partnership with Abu Dhabi royal famliy (devout Sunnis).

BCCI's CEO was Swaleh Naqvi, a relative of Ali Nazerali. Like Nazerali, Naqvi was an Ismaili "heretic."

As we know, Ali Nazerali was a key figure in BCCI. We also know that BCCI's founding shareholders and top executives masterminded the 1973 oil embargo, which was an act of economic warfare against the United States—retaliation for America's support of Israel in the 1973 Arab-Israeli war. It was warfare that had the dual advantage of crippling the U.S. economy and enriching BCCI, which banked much of the increased oil revenue derived from the embargo.

As I have shown in earlier chapters, the old BCCI network (which included jihadi terrorist groups, Marxist terrorist groups, La Cosa Nostra, Russian organized crime, multiple rogue intelligence operatives, America's most notorious financial criminals, and several hostile governments, including the one in Iran) is essential to understanding the origins and clientele of Penson Financial. And as we will see in greater detail in coming chapters, this network certainly made the financial crisis much worse than it had to be.

I know I do myself no favors by even mentioning BCCI (the facts of BCCI were once just facts, but they have since been incorporated into so many conspiracy theories that it has gotten to the point where simply mentioning the facts seems a bit nutty), but…well, whatever, call me nutty. I will proceed to repeat some other nutty facts because they are true.

As we know, some of the manipulative short selling volume that went through Penson in 2008 came from Star Soft, a fund that Ali Nazerali set up in partnership with: 1) the ruling family of Dubai (formerly founding shareholders of BCCI); 2) Mufti Al Abbar (the man in charge of organizing the manipulation of the U.S. markets for Libyan leader Muammar Qadaffi); and 3) members of the Mogilevich organization (tied to Russian intelligence).

Among the Mogilevich henchmen involved with Nazerali's Star Soft was Vitali Leiba. He and Sergey Maksimov (one of the people behind the Orange Diviner account at Tuco Trading) were both formerly top executives at YBM Magnex (Mogilevich outfit

linked to Russian government money laundering in 1999).

For the purposes of our discussion of Tuco Trading, it might also be worth recalling that Nazerali was a key client of Lines Overseas Management, which transacted massive volumes of trading through a brokerage called Vfinance, which cleared the trades through Penson Financial.

Among the other clients whom Nazerali introduced to Lines Overseas were: Vitali Leiba (YBM Magnex); Felix Sater (Russian Mafia boss who is tied the Russian intelligence services; and who escaped jail by telling the U.S. government he had access to Osama bin Laden); Christopher Metsos (one of the ten Russian spies arrested by the FBI in 2010); and Yvgeny Dvoskin (the alleged ring-leader of those ten Russian spies).

Vfinance (which referred Lines Overseas trading to Penson) had been founded with finance from Balmore Investments, which was run by Martin Schlaff and Solomon Obstfeld.

Obstfeld had previously been the top trader at Datek Securities, founded by Omar Amanat (the Muslim Brotherhood figure who designed Lightspeed, one of Tuco's trading platforms). Datek was (see earlier chapters) linked in multiple ways to the 1999 scandal that saw the Russian government working in cahoots with the Russian Mafia (especially the Mogilevich organization) to manipulate U.S. stocks and launder billions through the Bank of New York.

Also linked to that scandal (see Chapter 10 for details) was the above-mentioned Felix Sater, who ran a brokerage (White Rock Partners) that was indicted in 2000 for manipulating stocks with Datek's clearing firm (A.R. Baron) and five members of La Cosa Nostra. The scandal involved a few others, including Datek financier Robert Brennan and Nazerali's former employer and principal mentor Abbas Gokal (key Pakistani intelligence asset; financial advisor to the regime in Iran).

Given that Obstfeld was then the top trader at Datek, it should not be surprising to learn that his future hedge fund partner, Martin Schlaff (financier, with Obstfeld, of Vfinance), had also been linked to the Russian government market manipulation in the late 1990s. Schlaff is a former KGB and Stasi asset, a one-time business partner of Semion Mogilevich, and one of Vladimir Putin's closest cronies.

Schlaff and Obstfeld are close associates of Nazerali and have (as we saw in earlier

chapters) participated in death spiral, naked short selling schemes with Nazerali's hedge fund partner Yasin al Qadi (Osama bin Laden's favorite financier). Schlaff, like Nazerali partner Mufti al Abbar, is a also a key financial advisor to Muammar Qaddafi (who plotted to assassinate the crown prince of Saudi Arabia with his other financial advisor, Al Qaeda operative Alamoudi, who was an associate of all these characters).

Schlaff and Obstfeld (like Amanat) also have close ties to Hamas, and helped Hamas launder money through U.S. brokerage Refco, which (like Balmore Investments) was an affiliate of the Austrian bank BAWAG. Schlaff and Obstfeld also brokered BAWAG's business relationships with the Iranian regime, the Libyan government, and various Muslim Brotherhood funds.

Again, all of this has been covered in detail in previous chapters, but I repeat some of it (without the detail) because this network is important to understanding the massive volumes that went through Tuco Trading.

In 2005, Refco collapsed as a result of a scandal that saw Refco helping BAWAG cover up bad loans that it had made (at the behest of Schlaff and Obstfeld) to Palestinian terrorist Yasir Arafat, while BAWAG helped Refco cover up "failures to deliver" liabilities that it had accrued as a result of transacting manipulative naked short selling for a large cast of closely affiliated "death spiral" hedge funds (such as those controlled by Schlaff, Obstfeld, Yasin al Qadi, and Al Nazerali) that were tied to both jihadi outfits and Russian organized crime.

In the 1990s, Nazerali and his friend Soleiman Rashid (whose brother runs a Hamas cell in Haifa), secured a job for Mark Valentine at a brokerage called Thomson Kernaghan. Under Valentine's direction, Thompson Kernaghan forged a close business relationships with Nazerali's hedge fund partner, "Specially Designated Global Terrorist" Yasin al Qadi (Osama bin Laden's favorite financier).

Thompson Kernaghan (which, along with Balmore, provided the start-up finance for the above-mentioned Vfinance) also did a considerable amount of business with Schlaff, Obstfeld, and others in their network. Meanwhile, Mark Valentine was a partner in Navigator Asset Management, a hedge fund that employed Anna Chapman, who was another of those ten Russian spies arrested in 2010.

It might, therefore, be significant that Thompson Kernaghan was, for all intents and purposes, an affiliate of three other brokerages: Pacific International, Centex and

Global Securities. Centex was controlled by Yvgeny Dvoskin (the alleged ring-leader of those ten Russian spies). Global Securities, we know, was affiliated with the Iranian government's Assa Corporation, a unit of the Alavi Foundation (both Assa and Alavi were indicted for espionage in 2009).

The key figure at Pacific International was Jonathan Curshen, who later went on to run Penson client Red Sea Management in Costa Rica, where he chose to locate his offices in the same building that housed the Israeli embassy while he and his clientele (see earlier chapters) were funding Hamas, the jihadi outfit whose stated mission is to wipe Israel off the face of the map. Curshen, recall, also led the white knight bid to buy Mogilevich's YBM Magnex.

As of 2006, a former intelligence operative who had spent much of his career tracking Hamas and other jihadi terrorist groups was monitoring meetings that Jonathan Curshen was hosting in Costa Rica. Among the people at these meetings were Ali Nazerali; and Gene Phillips, proprietor of Sinex, which was: 1) central to the 1999 Russian government and Mogilevich market manipulation scandal; and 2) tied to Bank al Taqwa, said by the U.S. Treasury to have "set up Al Qaeda's main operating base in Europe").

Phillips was also the proprietor of Interfirst, an early Penson Financial client whose president, Ronald Steinhart, sat on Penson's board of directors.

Also at those Costa Rica meetings: Kevin Ingram, former head of Goldman Sachs mortgage-backed securities desk. In 2001, Ingram was indicted for laundering money for an Egyptian named Diaa Mohsen who was tied to Al Qaeda and Pakistani intelligence. Undercover FBI agents posing as rogue Pakistani intelligence operatives caught Mohsen trying to deliver nuclear weapons components to Al Qaeda via Pakistani intelligence.

The meetings in Costa Rica were focused on discussing strategies for destroying some big companies. Later chapters of this series will discuss some big companies that were, in fact, destroyed by people at those meetings. But for now, let us focus on Ali Nazerali (one of the people at those meetings) and that strange little brokerage Tuco Trading.

As I mentioned, Nazerali had been closely involved those other strange, little brokerages: Thompson Kernaghan, Global Securities, Pacific International, and Centex. Global Securities was founded by Art Smolensky and managed by several

Iranian nationals, including Aarif Jamani (later a client of Curshen's Costa Rica outfit). When Nazerali's brother, Shafiq, decided to settle in Canada, Smolensky sponspored Shafiq's resident application with the Canadian government.

These brokerages–Global, Centex, Thomson Kernaghan, and Pacific International–catered to precisely the same select clientele of destructive short sellers, most tied to either jihadi terrorist groups, Iran, Russian intelligence, Russian organized crime, or all the above. See previous chapters for the full list, but I for the purposes of this discussion, I will remind you that one of those clients was Amr Ibrahim Elgindy.

Amr Ibrahim Elgindy (also known as Anthony Elgindy) had previously been a principal at a Russian Mafia brokerage called Blinder, Robinson. After his arrest in 2002, DOJ prosecutors argued that Elgindy had ties to Al Qaeda and advance knowledge of the September 11 attacks.

Elgindy was not ultimately convicted on terrorism charges (he's now serving 11 years for market manipulation and bribing FBI agents), but his prosecutors were spot-on correct. Elgindy was intimately tied (see earlier chapters for extensive details) to multiple Al Qaeda operatives.

To cite just one example, Elgindy's brother, Khalid, and Al Qaeda operative Abdurrahman Alamoudi co-founded an outfit called the American Muslim Council around the same time that Alamoudi founded GSISS with Sheikh DeLorenzo (future founder of the Al Safi Trust naked short selling platform). Soon after, of course, Alamoudi and Qaddafi hatched their plot to assassinate the crown prince of Saudi Arabia.

I hate to attribute information to anonymous sources, but I feel it is important to mention that I have sources who have witnessed meetings attended by Al Qaeda operative Alamoudi, Omar Amanat (founder of Tuco's Lightspeed trading platform) and Anthony Elgindy. There is plenty of publicly available evidence to convince me that my sources are telling the truth.

For example, Nihad Awad (Amanat's BridgesTV partner) was a key advisor to the American Muslim Council (founded by Khalid Elgindy and Alamoudi).

In addition, Anthony Elgindy (like his associate, Omar Amanat) had extremely close relationships with the leaders of Palestinian Islamic Jihad. It was the Elgindy family who originally settled Palestinian Islamic Jihad leader Sami al Arian in the United

States, at which point Sami al Arian and PIJ co-leader Shaleh began taking directions (as did the Assa Corporation, an affiliate of Global Securities) from Iranian government agents in New York.

Anthony Elgindy also sponsored travels to the United States for Enver Hoxha, leader of the Kosovo Liberation Army, which was then being trained by Al Qaeda leaders working undercover as officials of the International Islamic Relief Organization (IIRO). Omar Amanat (founder of Tuco Trading's Lightspeed platform) has done a lot of work for the IIRO. And Elgindy's brother, Khalid, was (with Alamoudi) a member of the IIRO's board of directors.

The evidence is also clear that Anthony Elgindy had close business relationships with Hamas leaders (including Omar Ahmad, host to the Blind Shiekh; and Nihad Awad, partner of Lightspeed's Omar Amanat) who attended a 1993 secret Hamas meeting (recorded by the FBI) in Philadelphia. The transcripts of this meeting were presented by prosecutors as evidence (along with the Muslim Brotherhood document outlining a strategy to "sabotage" our "miserable house"" from within) in their case against the Holy Land Foundation.

Among the Hamas operatives at that secret meeting was Ghassan Elashi, who owned (in partnership with Hamas political chief Mousa Abu Marzook) a company called Infocom. Infocom was later charged with financing terrorism and conducting illegal transactions with the governments of Libya and Sudan. Prior to that, this key Hamas company hosted a private internet chat site on which Elgindy and closely affiliated short sellers plotted the destruction of hundreds of American companies.

A man who is now a member of the DeepCapture team gained access to that private internet chat site and printed out thousands of pages of transcripts. Thanks to that man's efforts, Elgindy is in jail, but I repeat all this because those "affiliated short sellers" are still in business. They have done immense damage to the U.S. economy, and it cannot be ruled out that some of them are motivated by more than money.

Indeed, having studied this crowd for upwards of five years, and not being one to jump to conclusions (one reason it has taken me five years to say this), I believe that we must seriously consider the possibility that some of these market manipulators are politically motivated financial terrorists with an agenda to undermine the American economy.

As I mentioned, it was at the behest of Ali Nazerali and Soleiman Rashid that Mark

Valentine (one of the most detructive short sellers ever to operate) became chairman of the criminal brokerage Thomson Kernaghan. Valentine's qualification for that job (the qualification that caught the attention of Nazerali and Rashid) was that he was the son of the Canadian ambassador to Saudi Arabia.

Nazerali and Rashid go to great lengths to develop relationships in the diplomatic community. Which would be odd if they were mere simply market manipulators, but we have seen that they are anything but ordinary financial criminals.

And for the purposes of this discussion, we must recall that in addition to being the former top employee of Abbas Gokal (a key figure in the Pakistani intelligence apparatus); and in addition to having been involved with Capcom (Saudi intelligence outfit accused of espionage); and in addition to doing business with Russian spies; Nazerali was also a key financier of a brokerage called JB Oxford.

JB Oxford was founded in the late 1990s by Nazerali's BCCI partner Irving Kott, with additional finance from Boris Berezovsky ("Godfather of the Kremlin"). At this time Berezovsky was also considering buying Solomon Smith Barney, then one of the nation's largest investment banks, in a deal that was being brokered by Nazerali's associate, the above-mentioned Felix Sater (tied to Russian intelligence; and supposedly Osama bin Laden).

In 2005, JB Oxford sold its clearing operation to Computer Clearing Services, which had (at the behest of Nazerali and Omar Amanat) also picked up Global Securities and Thomson Kernaghan as clients. Soon after, in a deal brokered by Omar Amanat and his brother, Irfan (who almost certainly worked with Ali Nazerali on this), Penson Financial bought Computer Clearing Services, paving the way for Penson's strange relationship with Tuco Trading and Tuco's clientele.

As we know, an Iranian fellow named Pejman Hamidi set up two Tuco accounts that generated more short selling volume than Goldman Sachs in the month before the 2008 collapse of Bear Stearns. One of those accounts was called Lanai (which contained more than 2,000 subaccounts located in China). The other account was called T3 Capital.

Hamidi set up the T3 Capital account in his capacity as "head of institutional trading" for an outfit by that same name, T3 Capital. Another person involved with T3 Capital was Felix Garcia, who had previously been a principal at JB Oxford (the Nazerali-financed outfit that was folded into Penson Financial).

Meanwhile, a trader named Ferdinand Ledesma was in China, helping set up the 2,000 secret subaccounts that would be folded into Hamidi's Lanai account at Tuco. Ledesma had help in China from Janelle Yan, who worked for a Singaporean company called TSH Corporation, specialized in: 1) "Firearms simulator training"; and 2) "Ordnance and explosive disposal."

Ledesma (who hails from the Phillippines) had been one of Anthony Elgindy's short selling partners until the FBI began investigating Elgindy's ties to Al Qaeda. Back in the 1980s, Ledesma and Elgindy had both been principals at Blinder, Robinson, the Russian Mafia brokerage indicted for manipulating stocks with numberous mobsters (Thomas Quinn, a capo in the Genovese Mafia family, to name just one).

The other key principal at Blinder, Robinson was Steven Schonfeld (later a co-owner of Omar Amanat's Lightspeed, and a board member at Penson Financial). Schonfeld also helped set up Tuco Trading.

We must review some other facts about this network. Remember, for one, that the other key principal at JB Oxford (Nazerali financed brokerage) was Rafi Khan, who, of course worked closely with JB Oxford principal Felix Garcia (later of T3 Capital).

Rafi Khan is the son of a Pakistani diplomat (and intelligence operative, according to Khan's close associates). Rafi's brother was,until recently, a wanted criminal in Egypt because authorities in that country believed he was tied to Al Qaeda affiliate Gama'a al Islamiyya, which was founded by the Blind Shiekh (Omar Amanat friend who mastermind the 1993 World Trade Center bombing).

Among JB Oxford's key clientele were brokerages (some of which I have named in earlier chapters, others of which I name below) financed by Saudi arms dealer Adnan Khashoggi. Back in the 1980s, Khashoggi and his partner, Manuchar Ghorbinafar (an Iranian intelligence asset and arms dealer), famously stiffed the United States in the arms for hostages deal they brokered between the U.S. and Iran.

To this day, Khashoggi (like Nazerali) maintains extremely close relationships with the regime in Iran. Khashoggi was also involved (with Nazerali) in Capcom (the Saudi intelligence outfit accused by Congress of espionage).

In addition, Khashoggi (like his associates Martin Schlaff, Abdurrahman Alamoudi, and Mufti al Abbar) was, as of 2008, a key financial advisor to Libyan leader

Muammar Qaddafi.

JB Oxford's vice president in charge of clearing and settlement had been Kevin Beadles, who later became the top clearing and settlement executive at Wedbush Morgan, a relatively obscure brokerage in California. Wedbush Morgan provided Tuco Trading with another its trading platforms.

And in 2008, Wedbush Morgan suddenly became the second largest brokerage in the world, by virtue of volume that (like Penson's volume) was mostly short selling targeting the big banks and other companies important to the stability of the financial system.

I have only just begun to dig into Wedbush Morgan clientele, but given that its trading correlated so closely with that of Penson, it is likely that the two brokerages catered to the same clientele. And we know for a fact that all of the people named in this chapter were clients of Penson Financial (which was essentially the reconstituted JB Oxford).

We also know that a number of these people–Khashoggi, Rafi Khan, Beadles (who played a bit part, possibly unwittingly) and Anthony Elgindy, along with a few others, such as Rami El-Betrawi, who was another funder of Hamas through the Holy Land Foundation–orchestrated a successful scheme (timed to coincide with Al Qaeda's attacks on September 11, 2001) to destroy MJK Clearing, then the largest clearing brokerage in America.

See Chapter 9 for the full story of the MJK take-down, but it suffices to say that it involved naked short selling; it wiped out more than 10,000 brokerage accounts; it necessitated the biggest payout in the history of the Securities Investor Protection Corporation; and it was more than likely an act of financial terrorism meant to augment the economic damage caused by Al Qaeda's destruction of the World Trade Center, which was targeted because Al Qaeda believed it was the engine and locus of American economic power.

Most of the people—Rafi Khan, Rami El-Betrawi, Anthony Elgindy, Adnan Khashoggi—who carried out the likely financial terrorism that took down MJK Clearing had been (like Ali Nazerali) among the select clientele of Global Securities (linked to an Iranian government espionage outfit) and the brokerages affiliated with Global. They were (along with Global's Aarif Jamani) also clients of Jonathan Curshen's outfit in Costa Rica.

Given that all of these people were clients of Penson Financial, it can be assumed that they accounted for some portion of the massive volume that suddenly made Penson the largest brokerage on the planet in 2008. And given that nearly all that new volume was short selling targeting American banks and other pillars of the U.S. economy, it is fair to assume that these characters were (along with the Tuco account-holders and the others mentioned in earlier chapters) attacking the U.S. financial system, contributing to the 2008 meltdown.

The only questions (again) are: 1) Did they coordinate their attacks? and, 2) What were their motives?

By 2010, I was beginning to believe that there was some degree of coordination. Indeed, I was beginning to wonder whether there had been an informal joint effort—involving the Iranian regime, the Russian government, people tied to jihadi terrorist groups, and maybe others, such as Pakistan and Libya—to develop relationships with a network of criminal brokerages (namely, Penson Financial and outfits, like Tuco, that cleared through Penson) in order that they could more easily inflict damage on the American economy.

I will admit that by the fall of 2010, I was pretty far down the rabbit hole. So perhaps it was a stretch to imagine such a scenario. But in my defense, I will say that I had not reached any definite conclusions. I merely wondered. And wondering is a perfectly healthy thing to do.

Indeed, it would be wise for U.S. regulators and national security officials to wonder about such things, even if they are only outlying scenarios. That was my thinking when it came to my attention that the immediate family of Pejman Hamidi—the fellow who directed the efforts to set up the Lanai and the T3 accounts—were members of the Revolutionary Guard. And that was my thinking as I continued by investigation—an investigation that ultimately took me to a cigar lounge 30 miles outside of Chicago.

When I went to the cigar lounge, I was not wearing my pajamas. I was wearing a button-down shirt and telling an Armenian guy named Rafi that I was in the oil business.

In other words, I was violating the journalistic “ethics” that they teach at the major newspapers. According to these “ethics” (which did not exist back in the day when

the media conducted real investigations), journalists are not supposed to work undercover. Instead, they are supposed announce themselves as journalists and ask their interviewees whether the interviewees have violated any ethics.

The typically ethical media interview goes something like this: “Hi, Mr. Madoff, I’m with the New York Times. Are you running a $50 billion Ponzi scheme? Because if you are, the Times is going to say you’re evil…Oh, you’re not? Didn’t think so, because you’re a really successful and prominent man.”

This is one reason why the ethical media does not expose many unethical people.

Anyway, I am not particularly skilled at working undercover. I get jittery and stutter a lot. My face turns red. But I think Rafi the American believed that I was an oilman, albeit one with a nervous disposition. And Rafi sort of helped me learn more about an Iranian exotic gems dealer. Rafi also told me about his friend, who is tied in with the Mob.

And why was I in a cigar lounge talking to an Armenian guy named Rafi about the Mob and an Iranian exotic gems dealer? This requires some explanation.

As we know, Tuco Trading had several partner brokerages that provided the trading platforms on which Tuco’s massive volumes of short selling were transacted. One of these was Lightspeed, founded by Omar Amanat (tied to Iranian proxies Hamas and Palestinian Islamic Jihad, among others). Another was Man Financial (partner of BrokerKreditServis, a Moscow outfit with ties to Iran and Russian intelligence). And then there was Terra Nova, also tied to Iran.

The only Tuco partner brokerage I have not yet described is ViewTrade, which provided Tuco with another one of its trading platforms. ViewTrade was controlled by John Dombrowski, who previously worked at high levels for two brokerages – HJ Meyers and Barron Chase – that were part of the familiar network (see earlier chapters) of brokerages that were tied to organized crime and wrought havoc on the markets in the 1980s and 1990s.

Barron Chase was an especially colorful place. It was tied to La Cosa Nostra and the Russian Mafia, and it was charged by prosecutors with the usual crimes–market manipulation, money laundering, and extortion. But it was also charged with conspiracy to commit kidnapping.

According to federal indictments, Barron Chase's other principals included Arthur Gunning, an associate of the Colombo Mafia family; Craig Marino, a soldier in the Genovese Mafia family; Ronald Giallanzo, a soldier in the Bonanno Mafia family; and Joseph Baudanza, a capo in the Colombo Mafia family. Baudanza's son, John, became a Lucchese Mafia soldier after he married the daughter of the Lucchese family's head honcho.

Barron Chase's other principal, Zakaria Abdul Rhaman Ghalayini, helped seal the brokerage's relationship with Global Capital, which was a unit of Global Securities, the outfit affiliated with the Iranian government's Assa Corporation (which, like its parent, the Alavi Foundation, was indicted for espionage in 2009).

All of these people were also principals at Centex. Which is not suprising because the owner of Centex, Yvgeny Dvoskin, was also a co-owner of Barron Chase. Dvoksin, of course, is the alleged ring-leader of ten Russian spies arrested in 2010.

After leaving Barron Chase, John Dombrowski (future owner of Tuco partner ViewTrade) went to work for an outfit called Global American Incorporated.

I'm not sure whether Global American was affiliated with Global Securities, but it certainly boasted similar relationships. One of its principals was Muhammed Ashraf, who had been an executive at the Assa Corporation (the Iranian espionage outfit). Ashraf was also involved with Sterling Management, which was part of what FBI investigators have called the "SAAR Network" of financial firms that fund jihadi terrorist groups.

The proprietor of Sterling Management was and still is (the FBI raided the offices of these people, but failed to put any of them in jail) Yaqub Mirza, bagman in the U.S. for Yasin al Qadi (Osama bin Laden's favorite financer; hedge fund partner of Ali Nazerali).

Muhammad Ashraf was also an executive of Yasin al Qadi's BMI Inc., the outfit that invested in Global Chemical (explosives and chemical weapons factory in Chicago), soon after being implicated for funding Al Qaeda's 1998 attack on two U.S. embassies in Africa. In addition, Ashraf was involved (as was Yasin al Qadi) with Bank al Taqwa (which set up Al Qaeda's main operating base in Europe).

Global American was founded by Zaid Abdelnour, a New York hedge fund manager with a 30,000-man paramilitary army in Lebanon. Really, that's true. For now, you'll

have to take my word for it.

I will return to Adelnour (with full details about his paramiltary army) in later chapters. But I will note now that Abdelnour's Iparamilitary army is (despite Abdelnour's assurances to the contrary) aligned with Hezbollah. And like Hezbollah, Abdelnour's army likely receives finance from Iran's Revolutionary Guard.

I'll also note that Abdelnour is part of a network of closely affiliated short sellers that includes Rakesh Saxena (leader of the Marxist Naxalite terrorist group in India), Raj Ratatnam (formerly a key financier of the Tamil Tigers terrorist group in Sri Lanka); Adnan Khashoggi, Ali Nazerali, and all the others mentioned above.

Naturally, Abdelnour is yet another client of Penson Financial.

At any rate, in 2008, Dombrowski was no longer working for the guy with a paramilitary army in Lebanon. He was no longer employed by an alleged ring-leader of Russian spies at a brokerage whose other principals were top Mob bosses charged with conspiracy to commit kidnapping.

Instead, he had founded ViewTrade, which provided one of Tuco's trading platforms.

Meanwhile, ViewTrade had hired some people who brought with them a number of accounts, sixteen of which had corporate officers who, according to FINRA, had "suspicious backgrounds and engaged in low priced security transactions that should have warranted further investigation."

More specifically, FINRA stated that ViewTrade's trading for these 16 accounts (held by some larger number of people with "suspicious backgrounds") violated the Patriot Act in that ViewTrade had failed to "monitor for red flags that signal possible money laundering or terrorist financing."

Although FINRA identified possible "terrorist financing", and although it was apparent that these possible terrorists had manipulated the markets with their low-priced securities transactions, our federal regulators did not conduct any the "further investigation" that was so clearly "warranted." At any rate, none of the possible terrorists were sanctioned, much less incarcerted.

Nor did regulators shut down ViewTrade, a brokerage whose clientele included a quite large number of people whose "suspicious backgrounds" gave FINRA reason to

believe that they might be terrorists.

Of course, Tuco Trading and all of its other partner brokerages had a lot of clients with “suspicious backgrounds.” As we know, the last of Tuco’s trading platforms was provided by Terra Nova Financial, which not only had ties to Iran, but also transacted (at the height of the financial crisis in September, 2008) massive volumes of computer-generated “erroneous” (manipulative) short sales for a man named Hsu Tung Lee, who was in business with Roman Maev, a former official in the Soviet nuclear weapons program.

In 2008, Maev had just been named Russia’s honorary consul to Canada.

When I first learned of Hsu Teng Lee’s ties to Roman Maev, I thought it was incidental, and it might well be. But by the fall of 2010, anything seemed possible. After all, I had learned that a lot of the ten Russian spies arrested in the summer of 2010 were trading through Penson Financial and had ties to the network that I was investigating.

There was Russian spy Anna Chapman, employed by Navigator Asset Management (where Nazerali protégé Mark Valentine was a partner). And there was the fact Nazerali had introduced to Lines Overseas Management the Russian spies Christopher Metsos and Yvgeny Dvoskin (alleged ring-leader of the spies, and former employer of the man who founded ViewTrade).

In addition, I knew that another of the Russian spies, Lydia Guryev, had held meetings (discussed in early chapters of this series) with Alan Patricof, who is a close crony of Ali Nazerali. As I mentioned in those earlier chapters, Patricof was also the closest American crony of another Nazerali friend, Hassan Namazee (son of an Iranian diplomat caught selling fake securities in league with Westminster Securities, an outfit affiliated with the above-mentioned Felix Sater, who is tied to Russian intelligence).

Meanwhile, I was still stewing on the information that Pejman Hamidi, the Iranian fellow who set up the two strange Tuco accounts—T3 Capital and Lanai—had a relationship with the Russian spy Mikhail Semenko. Sources had told me that T3 Capital was, in fact, tied directly to the Russian government. I wasn’t yet sure that was true…but I had to wonder.

I knew from Tuco’s bankruptcy receiver that the lawyer for Hamidi’s Lanai account

was a man named Dan Gibby. In 2008, Gibby and Hamidi had founded a trading outfit called “Egoose” in partnership with Roy Jazayeri, an Iranian exotic gems dealer who did a lot of business in Armenia and had recently brought former Russian premier Mikhail Gorbachev to Trenton, Ohio. In fact, Jazayeri had brought Gorbachev to America on several occasions.

Prior to becoming involved with Egoose and the Lanai account, Gibby had been a principal at Terra Nova Financial, the outfit that transacted the massive volumes of “erroneous” short sales for Hsu Tung Lee. I wasn’t sure about the Hsu Tung Lee/Russia angle, but I knew that Terra Nova’s ties to Iran were not incidental.

At least, it seemed significant that while the SEC was investigating Terra Nova’s ties to Iran, Terra Nova’s head of trading operations was loading those Condor Air cargo planes with precious metals, and Terra Nova’s CEO was running a precious metals mining outfit with Ali Nazerali’s hedge fund partner, Yasin al Qadi (Osama bin Laden’s favorite financier).

And, of course, there was the fact that Terra Nova seemed to be tied to maniacal jihadi warlords in Afghanistan. Recall from earlier chapters that Christian Doloc, Terra Nova’s executive board director and chief technology officer, had helped his former employer, Chicago stock trader Joe Ritchie, orchestrate an ultimately unsuccessful coup in Afghanistan with a narco-trafficking warlord named Abdul Haq, who was a proxy of Iran and Russia.

In 1996, a New York hedge fund manager named Mansur Ijaz brokered a deal that saw Al Qaeda moving its headquarters from Sudan to Afghanistan. Under this deal, Sudan would expel, but not arrest Osama bin Laden. And bin Laden would be given shelter in Afghanistan by warlord Yunus Khalis, whose deputy was Abdul Haq.

Not long after Joe Ritchie and Abdul Haq plotted their coup in Afghanistan, Mansur Ijaz, the guy who brokered the Al Qaeda move, became a client of Terra Nova Financial. At this time (2001), Ijaz was also a client of Global Securities (tied to the Iranian espionage outfit). As of 2008, Ijaz was client of both Terra Nova and Penson Financial.

Joe Ritchie’s coup attempt probably had something to do with his ties to the governments of Iran and Russia. Richie was especially close to Mikhail Gorbachev and to Gorbachev’s chief economic advisor Abel Aganbegyan, who had once remarked that “my dear friend Joe Ritchie is able to use socialist principals and still

make a profit."

As it happened, Aganbegyan was also making a substantial profit, most of it from business he was doing with the Armenian Mafia and Iran. In addition to doing business together, Aganbegyan worked with Iran and the Armenian Mafia (which is essentially a proxy of Iran) to instigate Armenia's war with Azerbaijan over the disputed region of Ngorno Karabakh.

Truth is stranger than fiction, so I'll let you know that while Hamidi's Egoose partner Roy Jazayari (the exotic gems dealer) was with Mikhail Gorbachev in Ohio, Russian Mafia boss Egor Chernov (associate of Ali Nazerali) and Alexander Gorbachev (relative of the former Russian premier, Mikhail) were in Bangkok, preparing to tour some Mafia brokerages controlled by David Cordova (business partner of Otumfuo Osei Tutu II, King of the Ashanti people).

I first met Cordova back in 2001, soon after he had his first audience with the King of the Ashanti people. Cordova and the King of the Ashanti people were setting up a brokerage in Ghana. The brokerage in Ghana was supposed to complement the network of Mafia-tied Bangkok brokerages, all of which focused on manipulating U.S. stocks.

These brokerages regularly change names and move to new office space to avoid regulatory scrutiny, but Bangkok brokerages that Cordova has been involved with in the past include Kensington Capital, the Brinton Group, Sigama Capital, and Interactive Asset Management.

Back in 2001, Cordova was also hawking a fake AIDS cure with a famous Mafia debt collector named Bernie Sandow. In addition, Cordova told me that he was thinking of hiring a hit man to murder a stock broker by the name of Danny Sterk, who was former mercenary.

Sterk had fought in Cambodia and in many of Africa's most brutal wars—Sierra Leone, Congo, and Liberia, just to name a few. When I lived in Bangkok, Sterk was well known for having threatened to kill an airline ticketing agent because the agent had refused to allow Sterk's dog to sit with him on a flight to Kinshasa.

This network of brokerages in Bangkok was, until 2007, affiliated with General Commerce Bank, the Austria-based outfit discussed in Chapter 19 of this series. The people behind General Commerce included Adnan Khashoggi, Sherman Mazur, and

Rakesh Saxena—all of whom were (along with Nazerali, Elgindy and a few others) were among the closely affiliated short sellers who used to comprise the select clientele of Centex (controlled by Yvgeny Dvoskin, alleged ring-leader of Russian spies); Thomson Kernaghan (Mark Valentine); Pacific International (Curshen); and Global Securities (tied to the Assa Corporation, an Iranian espionage outfit).

Also involved with the Bangkok brokerages was Phil Gurian, right hand man to DeCalvacante Mafia boss Phillip Abramo, who was known in these circles as the "King of Wall Street." Gurian was, meanwhile, a client of Datek Securities, founded by Omar Amanat (designer of Tuco's Lightspeed platform).

When Gurian's relationship with Datek came under federal scrutiny, the Datek principals who had dealt with Gurian spun out some of Datek's assets into a new brokerage, Heartland Securities, which was quickly bought by Steven Schonfeld (co-owner of Lightspeed).

As we know, the General Commerce Bank brokerages cleared their trades through JB Oxford (founded by Nazerali's BCCI partner Irving Kott; financed by Nazerali and Boris Berezovsky, "Godfather of the Kremlin"). And they became Penson Financial clients in 2005, when JB Oxford's clearing operation was sold to Computer Clearing Services, the outfit that became Penson's principal subsidiary that same year.

Most of the people involved with these brokerages are among history's most destructive financial criminals. Khashoggi, Saxena and Mazur were all linked to the 1997 collapse of Bangkok Bank of Commerce, which precipitated the most devastating financial crisis that Asia has ever experienced. In 2009, Saxena was extradited from Canada to Thailand to face charges for his role in that disaster.

In addition to being a destructive financial criminal and short seller, Saxena was (as I have mentioned) also a leader of India's Marxist Naxalite rebels (linked to Al Qaeda affiliate Lashkar-e-Tayyiba, which is part of the Pakistani intelligence apparatus). In 1997, Saxena tried to orchestrate a coup in Sierra Leone with a band of mercenaries that included the future stock trader Danny Sterk (the guy who loves his dog).

According to the British parliament, the coup was part of an effort to secure diamond concessions. Which makes sense, given that Saxena was a business partner of Ibrahim Bah, who was one of Muammar Qaddafi's most important intelligence operatives, responsible for stirring up conflicts in Africa. Bah was also the principal broker of diamond deals between Sierra Leone rebel forces and Al Qaeda.

At any rate, in 2005, the Russian Mafia boss Egor Chernov was in Bangkok with Alexander Gorbachev and a few others. Chernov had traveled to Bangkok from Moscow, where he shared office space with the A.C. Nuclear Opportunities Fund, run by Andrey Cherkasenko, sponsor of the Miss Atom beauty contest, which gives prizes to the prettiest girls connected to the business of selling radioactive isotopes.

Cherkesenko (like the fellow running Man Financial partner BrokerKreditServis, whose "head of international" set up the Orange Diviner account at Tuco Trading) had previously run Alfa bank, and was one of the principal financiers of Iran's nuclear program.

Chernov, meanwhile, was among the clients (the others being Russian spies) whom Ali Nazerali introduced to Lines Overseas Management and Vfinance. Recall that the Vfinance broker who handled their trades was Gustavo Chacin, who once constructed a chemical weapons plant for Muammar Qaddafi in partnership with Ihsan Barbouti. (Barbouti aslo transferred nuclear technology to Iran, and was tied to Ramzi Yousef, who carried out the 1993 World Trade Center bombing that was masterminded by the Blind Sheikh).

In 2006, Chernov and his close associate Ali Nazerali had arranged for the Mafia-tied Yank Barry (a.k.a. Gerald Falovich) to open a tobacco litigation foundation in partnership with Sergei Chemezov, a Russian intelligence operative and arms dealer who has been sanctioned for illegally selling S-300 ground-to-air missiles (among other sophisticated weaponry) to the regime in Iran.

Again, all of this is documented (with more detail and evidence) in earlier chapters. But it is worth repeating in light of new information that follows.

Chernov is a mobster tied to the Mogilevich organization. When he used to travel to Bangkok, he was considered a representative of the Russian government, and was escorted from the airport in police convoys, sirens wailing, traffic forced to pull to the side of the road.

This could be because, like Alexander Gorbachev (who spends several months a year at his luxury villa in Bangkok), Chernov is a relative of the former Russian premier. Chernov's sister is judge Marina Gorbacheva, who was Russian president Vladimir Putin's closest ally in the Russian judicial system until she was caught running a fake passport ring in cahoots with her brother, Chernov.

The FBI's investigation into that fake passport ring was (as we have seen) linked to an investigation into Chernov's murder of Rex Judd (whom Yank Barry a.k.a. Falovich had recently bailed out of jail). A source who used to work closely with Chernov has told me that the FBI has arrested Chernov, and he is now awaiting trial. I do not yet know what the charges are.

But I do know that Chernov lured Rex Judd to Thailand, drugged him, and then left him to drown in the sea off the coast of Pattaya, a party town south of Bangkok.

And the story of another Chernov adventure in Thailand might provide additional insight into the bizarre relationship that he and his cronies had with Penson Financial and its clients. Back in 2003, Chernov was on one of his regular trips to Bangkok, hanging out with Alexander Gorbachev, and attending his usual round of meetings with the local network of Mafia brokerages.

A lot of the Cordova-affiliated brokerages were run by John Keeley (who was a fugitive from the law when I first talked to him in 2001, but escaped doing time in a Thai prison by bribing the right people). Among other achievements, Keeley was a member of the Irish Republican Army, which, in its heyday, received much of its training from Yasir Arafat's Palestinian terrorist group and Iran's Revolutionary Guard.

Since he was a member of a terrorist group, it seems natural enough that Keeley also orchestrated a pump and dump fraud (Oasis Resorts International) with help from Gary Coleman, the diminutive star of the American sit-com television program "Different Strokes." Coleman ("What'cha talkin' about, Willis") is no longer in show business.

At any rate, after checking in with the local Mafia brokerages, Chernov hung out in Bangkok for a while, swilling vodka from morning to night, as was his habit. Eventually, he headed to Pattaya to meet with Thomas White, who was best known as the chairman of White Pacific Securities, sister company of Computer Clearing Services, the outfit that would, in 2005, absorb JB Oxford's clearing business and then become Penson Financial's most important subsidiary. With that deal, White Pacific also became part of Penson.

It is not exactly clear what transpired next, but somehow or another, Thomas White ended up in a Thai prison. After that, he was extradited to Mexico to face charges of

having sex with underage boys. But while he was languishing in a Mexican prison, it emerged that he might not have had sex with underage boys after all. Instead, it appeared that he had been framed by a cast of characters that might have included Egor Chernov, and certainly included a San Francisco attorney named David Replogle and a young Mexican man named Daniel Garcia.

As Garcia himself would later admit, he and Replogle traveled to Mexico on multiple occasions to recruit Mexican boys to act as plaintiffs against White. In transcripts that are part of another legal case, Garcia said that Replogle paid off the Mexican boys to say they had had sex with White.

"The second [Replogle] signed up the first kid," said Garcia, "there were tons coming out of the woodwork smelling money. And from day one, [Replogle] was giving these kids cash…But it quickly escalated to where he was paying for all of their living expenses, giving them a weekly or monthly allowance…he has basically been supporting almost 30 of these kids over the past couple of years."

Meanwhile, prosecutors in California issued a felony complaint alleging that Garcia and Replogle were involved in a scheme to steal money from a man named Cliff Lambert, who subsequently disappeared. In 2008, Replogle was indicted for murdering Lambert. And, in 2008, it was assumed that the reason for White being set up had something to do with the nature of his business, which had since been absorbed by Penson Financial.

As of 2008, White's former top employee at White Pacific, Irene Shen, was the second in command of clearing and settlement at Penson Financial. Shen's boss, recall, was Christopher Sandel, who had previously been a principal and senior vice president in charge of clearing and settlement at JB Oxford's predecessor firm, Adler Coleman (which, like JB Oxford, had been founded by Nazerali's BCCI partner Irving Kott, and financed by Nazerali and Boris Berezovsky).

I knew parts of this strange story by the summer of 2010. That same summer, things got stranger when Paul Combs was found with a bullet hole in his head. Combs (also known as Aleksander Stanslawov) was a narco-trafficker and a key witness in the famous "Danger Road" case against a former Maimi police officer turned Mafia hit man who had murdered three other narco-traffickers (who got their drugs from Combs) on a remote stretch of highway known as "Danger Road" in the Florida Everglades.

Combs had been a friend of Chernov but turned on him after Rex Judd was killed. Recall that Combs had gone so far as to spray paint the garage of Chernov's Utah mansion with the words: "Egor Chernov Killed Rex Judd. Russian Maggot!"

In addition to being a narco-trafficker, Combs was a stock broker for DBS Securities, whose chief operating officer in Singapore, Frank Wong, had (perhaps unwittingly) helped Chernov lure another of his victims to Thailand by writing a letter (posted at DeepCapture.com) inviting the victim to his (Wong's) beach-side villa, where the victim would have the opportunity to meet with Chernov and other Russian dignitaries, including Anatoly Chabak, who is the biggest outside shareholder in Roman Abramovich's Evraz Group.

Wong also arranged for Chernov and the Russian dignitaries to naked short U.S. stocks that had been listed on the Singapore stock exchange. But that wasn't the only manipulative short selling perpetrated by this crowd. By the fall of 2010, I was beginning to better understand the relationships that some of these people had with Tuco Trading, the tiny, unregistered brokerage in Chicago.

The top executives of Abramovich's Evraz Group, for example, were among the people behind the Orange Diviner account. And, of course, I had learned about this network's ties to the T3 and Lanai accounts, which transacted manipulative short selling in volumes exceeding those of Goldman Sachs.

I was also beginning to learn more about the Iranian Pejman Hamidi, who had set up those two Tuco accounts – Lanai and T3. As we know, one of Hamidi's colleagues at T3 Capital was Felix Garcia, who had been a principal (along with Rafi Khan) at JB Oxford.

And we know that Anthony Elgindy's former trading partner Ferdinand Ledesma was in China, helping set up the 2,000 secret subaccounts for Hamidi's Lanai account. As we will see in a moment, Lanai and T3 had a special relationship with the Lightspeed trading platform (designed by Omar Amanat, partner of Hamas, friend of the Blind Sheikh, owner of brokerage linked to Russian government market manipulation, etc.)

In addition to Lightspeed, Omar Amanat founded Momentum Securities. The top trader at Momentum Securities was, for many years, Kirk Kazazian, who also headed up the Armenian Fund USA, an outfit that is devoted to supporting Armenia in Ngorno Karabakh. In fact, the United Nation's has sanctioned the Armenia Fund

(which receives much of its funding from Iran) for falsifying information about Armenia's terroritorial rights in Ngorno Karaback.

Amanat's other top trader (at Datek Securities) was, of course, Solomon Obstfeld (tied, along with his future hedge fund partner Martin Schlaff, to Iran, Libya, Hamas, Yasir Arafat, Vladimir Putin, and Mogilevich).

Back in 1999, Momentum Securities and the affiliated All-Tech Investments were Penson Financial's first clients. All-Tech Investments was founded by Harvey Houtkin, who also controlled Rushmore Investments, which was a founding shareholder of Terra Nova Financial (Tuco partner whose executives are tied, variously, to Iran, Hezbollah, maniacal jihadi warlords, and Osama bin Laden's favorite financier). In 2008, Houtkin also owned another brokerage, Domestic Securities, which cleared trades through Penson Financial.

In 2009, when Naresh Patel (Al Qaeda money man; member of D-Company, which is a Pakistani intelligence affiliate) was charged with transacting (at the height of the 2008 financial crisis) massive volumes of manipulative wash trades through Tuco partner Man Financial, FINRA was investigating Houtkin's Domestic Securities for serial violations of short selling rules during the financial crisis of 2008.

FINRA was also investigating more "supsicious" people who were trading through Domestic. A year earlier, Domestic had been sanctioned for violating the "International Money Laundering and Anti-Terrorist Financing Act of 2001"

In this case, FINRA just said the trading though Domestic was "suspicious". But apparently nobody sought to apprehend the "suspicious" traders. So we don't know who they were. It's a mystery.

The other mystery that remains unsolved concerns Mark Barton's 1999 assassination of nine traders at Momentum Securities (founded by Amanat) and the affiliated All-Tech Investments (founded by Houtkin).

Recall from earlier chapters of this series that Barton (a trader for both Momentum and All-Tech) had a "soap" company, TLC Manufacturing, that seemed (like Yasin al Qadi's "soap" company, Global Chemical) to have done nothing other than stockpile chemicals for use in making explosives (though, according to the cops, it might have also been in the methamphetamine business, too).

Recall also that several of the traders Barton killed or wounded had access to either nuclear weapons (in the case of James Jordan); or radioactive materials (the Pakistani Dean Delawalla, who was on his way to Iran); or the Los Alamos nuclear weapons facility (the Iranian Jamshid Havash, who also trafficked in automatic weaponry and was on his way to Iran when he died).

As readers of earlier chapters might also remember, Barton narrowly missed killing All-Tech's Iranian manager, Jaillal Irani Ramoutar, who had previously been a principal at Hanover Sterling, a brokerage controlled (according to the DOJ) by Russian organized crime and the Genovese Mafia. Hanover Sterling's clearing firm, we know, was Adler Coleman (the Kott-Nazerali-Berezovksy operation that was renamed JB Oxford and later folded into Penson Financial).

In fact, Adler Coleman and Hanover Sterling were essentially two subsidiaries of the same corrupt organization. Hanover Sterling provided unwitting companies with death spiral finance. Then a collection of affiliated short sellers (the Al Qaeda-tied Anthony Elgindy and others in his crew) naked shorted the companies out of existence, with their trades cleared through Adler Coleman.

When the Feds began investigating (they arrested one of the short sellers, Mafia capo Phillip Abramo, the "King of Wall Street", and charged him with market manipulation and murder), the operation simply shut down, with Adler and Hanover declaring bankruptcy, only to reconstitute themselves as JB Oxford.

At any rate, key to this operation had been Hanover principal Jaillal Irani Ramoutar. Soon after Hanover went bankrupt, Omar Amanat (tied to Hamas, the Blind Shiekh, etc.) got Ramoutar a job as manager at All-Tech, where Ramoutar was almost murdered (along with the radioactive traders who were scheduled on flights to Iran) by Mark Barton, the Momentum and All-Tech Trader who was stockpiling explosives.

Fortunately, Ramoutar recovered from that ordeal and later hooked up with his Iranian friend Pejman Hamidi. By late 2007, Hamidi (likely with help from Ramoutar) was directing efforts to set up those two accounts (Lanai and T3) that would soon beat out Goldman Sachs by virtue of their massive volumes of short selling.

Meanwhile, Hamidi and Ramoutar founded a trading outfit called Pristine Capital in partnership with two shadowy Venezuelan operators, Oliver Valez and Charles Vaccarao. Valez had helped set up Tuco Trading.

Vaccarao has worked as a “government relations” consultant, though it’s unclear which governments he was consulting. He is famous for his sometimes public rants, reminiscent of Hugo Chavez and Mahmoud Ahmedinijad, asserting that America is a “criminal state.”

I don’t know if America is a criminal state, but such assertions are worthy of note when it is not Obama campaign volunteers chanting them, but a shadowy Venezuelan market manipulating and government consulting partner of an Iranian whose family members were working for the Revolutionary Guard and employing terrorists while this same Iranian was preparing to use two accounts at an unregistered brokerage to bombard the U.S. markets with manipulative short selling in volumes exceeding those of Goldman Sachs, broker to the most powerful hedge fund managers in America.

How do I know Hamidi’s immediate family members worked for the Revolutionary Guard? How do I know that one of his closest family members mentored the leader of Palestinian Islamic Jihad and employed a terrorist and an undercover Iranian government agent who was shipping weapons to Hezbollah? Well, Hamidi told me, though I’m not sure he meant to do so.

I will elaborate, but first you must endure my story about Rafi the Armenian. Also, a story about some suspicious people in Latvia who hacked into the computers of America’s biggest stock brokerages.

Rafi is not, in fact, among the main characters in this story. So far as I know, he doesn’t manipulate the markets. He owns a cigar shop, around 30 miles outside of Chicago.

But I had heard that Hamidi’s other partner, Roy Jazayeri (the exotic gems dealer who brought Mikhail Gorbachev to the U.S.), sometimes hung out at Rafi’s cigar shop. And when he was there, he would meet with an Iranian-Armenian guy named Mark Gavoor and an Armenian fellow named Dro Yerevante Kholamian, who was tied in with the Mob.

Or so I’d heard. I wanted Rafi to tell me if it were true.

I wanted Rafi to tell me because Mark Gavoor’s son had recently married the daughter of a woman named Ida Tjeknavorian, who had been the chief economist at the Alavi Foundation (the Iranian government outfit indicted in 2009 for espionage).

This is the same Alavi Foundation that controlled the Assa Corporation (also convicted of espionage, previously linked to Global Securities). And it is the same Alavi Foundation that was, like Palestinian Islamic Jihad's leaders, taking directions from Iranian government agents stationed in New York.

Mrs. Tjeknavorian's sister, Atchuk, meanwhile, had been a top diplomat at the United Nations Industrial Development Organization. I didn't know whether that was relevant. And truth be told, I didn't know whether Ms. Tjeknavorian work as chief economist of the Alavi Foundation was important. It was possible that she worked for the Alavi Foundation before the 1979 Islamic revolution, in which case she would have been working for an American ally, which is what Iran was before the Ayatollah took over.

More interesting, perhaps, was Dro Yerevante Kholamian. He owned a brokerage called Spike Financial Services, and FINRA had fined Spike for transacting large volumes of (manipulative) naked short selling at the height of the financial crisis in August and September of 2008. Spike's clearing firm, of course, was Penson Financial.

Meanwhile, one of the principals at Spike was a fellow named Fredrick Douglas, who was simultaneously running the day-to-day operations of Tuco Trading. Naturally, Douglas had played a key role in helping the powerful Russians set up the Orange Diviner account. And he had worked with Hamidi to set up the Lanai and T3 accounts.

As I mentioned, the Tuco bankruptcy receiver had a stroke before he could finish investigating the Orange Diviner account. But he wrote at length about the dealings between Frederick, the two Hamidi accounts, and Penson Financial.

For example, he noted that " T3 had a unique relationship with Tuco in that Tuco did not charge it any Commissions…Tuco benefited, however, in that T3's large trading volume allowed Tuco to obtain lower rates from Lightspeed [the trading platform designed by Omar Amanat, tied to Hamas, Palestinian Islamic Jihad, the Blind Sheikh, etc.]."

Moreover, "T3 charged its individual traders commissions. The commissions would be collected by Penson, paid to GLB [Tuco's parent], and in turn, paid to Frederick [Douglas Frederick, the man who ran Tuco's day-to-day operations], and Frederick would then forward that amount to T3."

That is, after Hamidi set up the accounts, Penson and Frederick dealt directly with the people (including Hamidi) who traded through those accounts. This means that Penson and Tuco cannot claim (as brokerages often do when confronted about their "suspicious" clients) that they did not know whom they were serving.

Recognizing Frederick's role in this affair, I set out to learn more about him. What I learned is that prior to joining Tuco, Frederick was a principal at a little brokerage called NT Securities. That operation was run by guy named Timothy Doc Pham.

Timothy Doc Pham is a bit of mystery. I haven't been able to find much information about him, other than the fact that he sits on the board of a Vietnamese company called Cavico, and most of the other board members of Cavico are Vietnamese army generals who work for Vietnam's Ministry of Defense.

Nothing wrong with that. I myself did quite a lot of business with Vietnam's Ministry of Defense, back when I was running the Ho Chi Minh City operations of a consulting firm that was the first American company to open an office in Vietnam after the war. It was, at that time, simply smart business to affiliate one's company with the Vietnamese military.

More interesting than Timothy Doc Pham are NT Securities other principals—namely, Frederick (future manager of Tuco Trading) and three others: Michael Teryazos, Keith Massey and Michael Paciorek.

Mr. Teryazos had previously worked as a senior vice president at SE Global, a brokerage that was affiliated with Computer Clearing Services, the outfit that was folded into Penson.

SE Global was controlled by two men: Bruno Wu, who is one of the richest people in China; and Yucheng Ding, who was the chief economist for the securities arm of CITIC, the Chinese state-run investment vehicle.

CITIC is a massive operation that does business with countless Americans, most of whom are ordinary business people, but it is possibly worth noting in the context the other information that I will present, that there is evidence that CITIC is an instrument of the Chinese military.

For example, a company called Poly Technologies, which was registered as a CITIC

subsidiary, was revealed some years ago to be the primary commercial arm of the People's Liberation Army Equipment Sub Department. U.S. undercover agents posing as Mafia figures were able to purchase more than 2,000 Ak-47 machine guns from Poly Technologies, and the company's U.S. subsidiary illegally shipped advanced radar systems, minicomputers, and communications equipment for use in the PLA's UH-60 Blackhawk helicopters.

Again, that might be nothing. But Computer Clearing Services (Penson's principal subsidiary as of 2005) had many similar relationships. For example, one of Penson's new clients (as a result of the CCS deal) was (and still is) a brokerage called Etech, which is closely affiliated with SE Global. Etech is controlled by a prominent businessman named Gareth Chang.

When the CITIC/Poly Technology scandal broke, Gareth Chang, in his capacity as a member of the advisory board at the Rand Corporation's Center for Asia-Pacific Policy, quickly authored a report detailing the scandal and noting the "participation of high-level cadre children ('princelings'), such as [former Chinese leader] Deng Xiaoping's son-in-law He Ping, in the arms trade."

It is likely that Chang authored this report to divert attention away from his own close relationships with the Chinese government and Deng Xiaoping's family members. Indeed, as nobody knew at the time when Chang authored his report, Chang had become the central figure in what has since been described as one of the biggest losses of American military secrets since World War II.

In the 1930s, Chang's uncle led the Chinese Nationalist's negotiations with the communists and developed a close relationship with Deng Xiaoping. Gareth Chang (owner of Etech) later built on this relationship and became a close confidant of Deng's children (the "princelings") and the Chinese government.

In the 1990s, Chang went to work for the U.S. company Hughes Electronics (which, I will note as a disclaimer, was then one of my clients in Vietnam, though I no longer have any affiliation). While Chang was working for Hughes, a Hughes satellite called Apstar 2 crashed in a test flight. Soon after, Chang began pressing Hughes executives to share information with the Chinese.

In a memo to Hughes executives, Chang wrote: "We need to personally share our findings with the Chinese leadership. A senior Hughes executive…should meet with General Shen [Rougjun] of COSTIND and Chairman Liu of CASC before anything is

said to the media [regarding Apstar and other Hughes equipment]."

There was no reason whatsoever for Hughes to be talking to the Chinese about Apstar.

But Chang had already developed a close relationship with General Shen Rougjun. And in time, Chang even managed to secure a job at Hughes Electronics for Shen's son, Shen Jun. At the behest of Chang and Shen Jun, Hughes proceeded to funnel Hughes military secrets to General Shen Rougjun.

Soon after, the State Department charged Hughes Electronics with 123 violations of the law for transferring rocket and satellite data to China, thereby enabling the Chinese to build new warheads, and significantly modernize its ICBM force. Chang himself was not charged, but it is clear that he was the guy who instigated the transfers—and, again, this was one of the biggest loss of U.S. military secrets in history.

I do not mean to suggest that China had a hand in the U.S. financial crisis. To the contrary, China (unlike Iran, the jihadis, and the subversive Mafia-intelligence apparatus that runs Russia) has a big stake in the prevailing order and the health of the global financial system. It seems to me that China is a natural ally of the United States.

But having spent a part of my career in China, I can say that Chinese government officials are extremely smart and, for the most part, they do right by their people.

Just as the United States takes precautions, it would be in China's common sense interest to build an offensive capability on the off chance that relations between the U.S. and China were to go sour. And one way to do that would be to build relationships with criminal brokerages that would be willing (if necessary) to participate in a financial attack.

China is not a hostile adversary of the United States. But like those that are hostile to the U.S., it seems (judging by Etech, SE Global and many similar examples) to have taken note of a gaping crack in the American financial system. That crack is the clearing and settlement system (of which Penson Financial is a prominent component) that enables ill-intentioned traders to manipulate the markets by short selling stock that they don't intend to deliver.

Anyway, after working for the CITIC affiliated SE Global, Mr. Teryazos moved to NT Securities, where he hooked up with Douglas Frederick (future manager of Tuco Trading). He also hooked up with Michael Paciorek and Keith Massey. These guys were the people who effectively ran NT Securities, and three of them – Teryazos, Paciorek, and Massey – went on to found an outfit called Pinnacle Capital Markets.

In March 2007, the Securities and Exchange Commission announced an "Emergency Order" shutting down a Pinnacle Capital Markets account that had been set up through JSC Parex Bank in Latvia. The SEC said that for more than a year, "foreign based unknown traders" tied to the Pinnacle Latvia account had been hacking into the computer systems at E-Trade, TD America, ScottTrade, Vanguard Brokerage Services, Fidelity Investments, Merrill Lynch, and Charles Schwab.

Having hacked the computers, the "foreign based unknown traders" accessed personal brokerage accounts and sold all the shares in those accounts. Somehow key to this "high tech market manipulation scheme" (as the SEC called it) was the account that the Latvian JSC Parex Bank held at Pinnacle.

In typical fashion, the SEC said nothing more that made any sense. For starters, the SEC called this a "pump and dump" fraud. In fact, it calls almost everything a "pump and dump" fraud, because a "pump" is easy to understand, and it is perceived as small-time fraud — and so long as the SEC refers to the hacking of computers and the year-long infiltration of countless personal accounts at America's largest broker-dealers as nothing more than a "pump and dump", nobody will panic.

What the SEC did not explain is how the markets could possibly have been "pumped" by traders who were breaking into peoples' accounts and selling all the shares they could get their hands on. Clearly, a pump did not feature prominently in this scam. What mattered was the dump – and, most likely, the point was to put downward pressure on the markets.

Moreover, it is likely that what the hackers were selling were not actual shares. They were simply creating computer blips that indicated a sale of shares, while other blips showed that the shares were still held by the unwitting victims. In other words, the hackers were flooding the markets with phantom stock.

The computer hacking was scary, but what made this scheme possible was the fact that regulators and clearing firms (such as Penson, which, of course, cleared the Pinnacle trades) do not enforce delivery of real shares. If the computer says a share

has been delivered, the share is said to have been delivered, never mind if what is being sold is nothing more than phantom stock.

In this case, the same stock that was sitting (according to the computers) in the personal accounts at the big broker dealers was also sitting (according to the computers) in the accounts at Pinnacle, and then sold (according to the computers) through Penson, which (according to Penson's computers) cleared the stock to other buyers who then held the stock (according to the computers) when in fact, they had actually obtained nothing.

Meanwhile, though, the boards would have shown massive selling of stock—the kind of selling that can trigger a panic and a collapse in prices. And though the SEC said the computer hacking had been occurring for more than a year, it managed to press charges for only the "high-tech market manipulation" that occurred over a two week period (presumably the two weeks when the SEC finanlly noticed what was happening).

So the extent of the damage done over the course of the full year is unknown.

This is what DeepCapture means when we talk about a "crack in the financial system." There is nothing to prevent "unknown foreign traders" from selling, and failing to deliver, virtually unlimited amounts of essentially "phantom" stock. And when confronted with this obvious crack in the financial system and the brokerages responsible, the SEC seems incapable of doing anything about it (other than putting under investigation the person who brings them this news).

When the SEC discovered the computer hacking, it issued an "Emergency Order" shutting down the Latvian account at Pinnacle, but it took no action against Pinnacle for processing trades in shares that did not exist, and it took no action against Penson, which cleared the trades. At the time, the SEC was still claiming that naked short selling (which is what this was, in essence) rarely occurred.

In September 2008, the SEC issued another "Emergency Order" stating (with bureaucratic language that didn't get straight to the point, though the message was clear) that naked short selling was causing the financial system to implode. Still, it has managed to prosecute no more than a half-dozen cases of short-side manipulation.

The SEC has also apparently never got around to figuring out the identities of those

“foreign based unknown traders” that were manipulating the markets through Pinnacle. This would have required someone at the SEC to contact that bank in Latvia, and I assure you, the SEC would not go to the trouble of finding Latvia on a map.

Alternatively, it could have asked Pinnacle and Penson who the traders were, but the SEC doesn’t hassle criminal brokerages.

After the SEC failed to prosecute Pinnacle for its role in what the SEC called an international “high-tech manipulation” scandal, Pinnacle, of course, went happily on its way, continuing to process trades for an untold number of criminal but “unknown foreign” traders.

In 2008, FINRA fined Pinnacle for systematically violating the Patriot Act by failing to implement mechanisms to prevent the brokerage from being used by what FINRA calls “suspicious” traders – i.e. either the Mafia, terrorists, or rogue states. But the fine was, of course, minimal, and the SEC never acted.

Really, the SEC needs to be dismantled and the job of monitoring some of these brokerages needs to be handed over to the national security agencies. The problem is that severe.

Of course, the SEC was moved to shut down Tuco Trading by “Emergency Order,” but to my knowledge, it has never made any effort to prosecute the people who transacted the massive volumes of manipulative short selling that went though that weird, little brokerage. Nor does the SEC seem inclined to prosecute any of Tuco’s partner brokerages, which no doubt continued to do business with Tuco’s suspicious clientele after Tuco was shut down.

Recall that while ViewTrade, for one, was dealing with suspicious terrorists, Tuco Trading opened another suspicious account, this one for Warren Sulmasy. As we know from earlier chapters, Sulmasy previously owned the Russian Mafia brokerage Harbor Securities in partnership with Alain Chalem, who was executed in his New Jersey mansion in 2001, shortly after the above-mentioned Russian Mafia boss Felix Sater (tied to Russian intelligence) threatened to kill him, and one day after Chalem and Felix’s father (also tied to Russian intelligence) had a fierce argument.

While Sulmasy was getting situated at Tuco, Pejman Hamidi, was, of course, setting up the Lanai and T3 accounts. Soon after, we know, Ferdinand Ledesma (former

partner of the Russian Mafia and Anthony Elgindy, the guy tied to Palestinian Islamic Jihad, Al Qaeda, Hamas, and the Kosovo Liberation Army) was in China setting up the more than 2,000 subaccounts for Hamidi's Lanai.

Around the same time, Hamidi founded another trading outfit with Jaillal Irani Ramoutar, the Iranian fellow had worked for the Mafia brokerage Hanover Sterling (clearing trades for the Nazerali-financed Adler Coleman) before he moved to All-Tech, where he was almost killed by Mark Barton. The new outfit founded by Hamidi and Ramoutar was called Formation Trading. Their partner in Formation was Jamie Caputo, who was simultaneously working for a brokerage called Carlin Equities.

Carlin, which has been fined (lightly) by FINRA for naked short selling, was financed by Arik Kislin. We've met Kislin before. He's the "member" (according to the DOJ) of Vyacheslav Ivankov's Mafia gang. Ivankov, recall, was otherwise known as "Little Japanese" – and he was assassinated on a Moscow street in 2009, shortly after revealing that he had been employed by the Russian intelligence services.

Kislin is the nephew of Semyon Kislin, another member of the Little Japanese Mafia gang. By his own admission, Semyon used to sell high-tech electronics equipment to KGB operatives stationed in New York. His partner in that operation was Russian Mafia boss Tamir Sapir, who is now the above-mentioned Felix Sater's partner in a money laundering operation called Bayrock.

Kislin was also a long-time business partner of Babeck Seroush, an Iranian arms dealer who was tied to Russian intelligence. In 1984, Seroush was indicted for smuggling microchips for nuclear missile guidance systems from the United States to North Korea, via Moscow.

Soon after, Arik Kislin spent time in jail for money laundering. His cellmate was none other than Yvgeny Dvoskin (later alleged to be the ring-leader of the ten Russian spies arrested in 2010).

The manager of Carlin Equities is Aleksandr Shvartz. It is hard to know why he is allowed to operate a brokerage, given that he has been prosecuted for a money laundering scheme that he perpetrated with Aleks Paul, an exotic gems dealer who was linked (by the DOJ) to a market manipulation and money laundering scheme perpetrated by the above-mentioned Felix Sater and A.R. Baron (former clearing firm of Omar Amanat's Datek Securities).

Aleks Paul, like the above-mentioned Rakesh Saxena, has done business with Ibrahim Bah, the Libyan intelligence operative who brokered Al Qaeda's diamond deals in Sierra Leone. As we saw in earlier chapters, the DOJ's 2001 indictment of Paul, Felix Sater and A.R. Baron was part of a larger DOJ investigation into a network of brokerages that were helping the Russian government and the Mogilevich organization manipulate the U.S. markets and launder money through the Bank of New York.

At any rate, Hamidi set up Egoose with Roy Jazayeri, the exotic gems dealer, and he set up those other operations with Jaillal Irani Ramoutar, the Venezuelans, and the guy who was working for Arik Kislin's brokerage. Meanwhile, Hamidi set up the Lanai and the T3 accounts at Tuco.

At the same time, Hamidi registered himself at a brokerage called First New York Securities, controlled by Dan Cherniak, who had, in the 1980s, been (along with the above-mentioned Felix Sater) one of the select partner-traders who effectively ran a Mafia brokerage called Gruntal Securities.

Recall from earlier chapters that one of Gruntal's clients was the Gambino organized crime family, and another of the brokerage's partner-traders, Maurice Gross, had (according to the New York attorney general) conspired with a Pakistani fellow named Mohammad Ali Khan to alight with some of the Gambinos' cash.

First New York Securities was set up with capital from a fund called Infinity, which had previously been invested in a SAAR Network terror-finance company called Newcom. Also invested in Newcom was the Isosceles Fund, which then employed Anna Chapman (one of the ten Russian spies arrested in 2009). Other investors in Newcom included Asif Mohammad Khan and the above-mentioned Muhammad Ashraf, formerly of the Assa Corporation (Iranian outfit indicted for espionage).

So, right. By late 2010, I had put together much of this story. And I had been to see Rafi the Armenian at his cigar lounge 30 miles outside of Chicago. Rafi confirmed that Mark Gavoor (whose son married the daughter of the Alavi Foundation's chief economist) and Dro Yerevante Kholamian (owner of naked short selling outfit Spike Trading, which employed Tuco manager Douglas Frederick) regularly met at the cigar lounge.

When I asked Rafi whether he had heard these guys talking to an Iranian exotic gems dealer about plans to crush the markets, Rafi concluded that I might not be an

oilman after all. He gave me an odd look. Then he sold me a $25 cigar and disappeared into the backroom.

So I never found out whether Roy Jazayari (the exotic gems dealer) had met with the other guys.

But I figured I had enough to start calling the jihadi Zuhair Karam again. As expected, Zuhair became cooperative after I told him the full story. He confirmed that my information was correct. And when I told Zuhair that I knew that his family were financiers of Palestinian Islamic Jihad leaders, he didn't deny it. He said that Palestinian Islamic Jihad was a legitimate political group.

I also told Zuhair that I knew that he had worked with Hamidi to set up the T3 and Lanai account. I wasn't sure about that, but since I knew a lot of other stuff, Zuhair figured I must have known about his involvement with the two accounts. He said he had helped Hamidi, but insisted (as he had in our earlier discussions) that he had been "just one of the little guys,' and didn't know what the accounts were for.

That was enough. It was time to call Hamidi. By this time, I had found a court case stating that some of Hamidi's family members were big shots at the Ministry of Energy in Tehran. So I started with that—I said I was interested in the Iranian oil business, and I told Hamidi I thought he could help me because his family worked for the Ministry of Energy.

Hamidi seemed surprised that I knew about his family, but he graciously agreed to tell me what he knew. After talking about the oil business in Iran for about an hour, I told Hamidi we had a common friend—Zuhair Karam. I said I knew from Zuhair that Hamidi's family worked for the Revolutionary Guard. I said that I was pleased to learn this because I was planning to travel to Iran and it would be a big help if I could meet with the Guard.

Hamidi stammered a bit. Finally, he said that, yes, his family worked for the Guard, but he didn't think it would be possible for me to meet them. I said that was fine, but maybe there was something else he could help me with. I said I knew that he had worked with T3 Capital and I knew that the Russian government was involved with T3. I said I was interested in knowing more about the Russians—were they really government? Mafia? Or what?

Hamidi stammered again. He said, "Uh, Russian government…Russian government.

Ok, yes, Russian government…I mean, Russian Mafia…I don't know. The Russians, yes, there were some Russians at T3, they kept to themselves. What they were doing…it was top-secret."

"Right," I said, "that's what Mikhail Semenko told me. You know Semenko, don't you? Semenko told me he knew you."

Hamidi said, "Semenko…"

"Yeah," I said, "at the World Affairs Council."

"Uh," said Hamidi.

"Yeah, Semenko said he told me he knew you."

"He said that?"

"Yeah, I was surprised when I saw the news…I mean, I didn't know he was a Russian spy. But you knew him pretty well, didn't you?"

"Uh…Semenko…I mean, yes, I met him…at the World Affairs Council."

I said, "right."

Then I told Hamidi I knew he'd been shorting the markets big-time before Bear Stearns went down—I said I had heard he'd made a bundle.

Hamidi stammered some more. Then he recovered himself and said—yeah, he was even standing on his desk, shouting out sell orders.

I said, "Nice."

I figured that was enough for the time being, so I told Hamidi I was really interested in learning more about oil and hoped we could stay in touch. I said it would be great if he could tell me anything more about the Russians at T3.

He said, "Uh, the Russians…the Russians…"

Hamidi seemed a bit confused by this conversation. He kept saying, "The Russians…"

But he didn't say more after that. So I told Mr. Hamidi I wouldn't take any more of his time. I said I hoped that we could continue the conversation in the coming days.

He said–yes, absolutely, call anytime.

The next day, I wrote an email to Hamidi reminding him that I would like to know more about the Russians. Hamidi said he would see if he could get me some names of the Russians. I wrote back, basically just saying, thanks for your time, and, by the way, I think Israel's 1982 invasion of Lebanon helped create Hezbollah.

Two days later, I received a 2,000 word email from Mr. Hamidi that began, "Did you know that [Israeli Prime Minister] Netanyahu is 1/2 Persian and is totally fluent in Farsi, not only speaking but writing it as well? Another mind blowing fact. And the entire Iraqi government is Persian…Underneath the surface, the US and Iran and Israel are great allies, trying to consolidate power into the hands of the Iranians…"

Then he mentioned the movie "Syriana" and said, "I believe firmly that the US government funds films through front companies owned by the CIA. There's proof of this everywhere." However, Mr. Hamidi suggested that Iran's foreign service was craftier than the American foreign services. He said Iranian diplomats are "the world's smartest negotiators," which is probably true.

Mr. Hamidi added that Islam is a "truly horrific religion that seems designed by the devil himself." He said that Iran hates the Russians, but the Russians are, in effect, stooges for Iran. He added that Iranian president "Ahmedinijad is a plant, a mole, to take down the clerical establishment because the clerical establishment has gone corrupt…"

Mr. Hamidi concluded, "Lastly, I have a surprise for you…" The surprise was that he had a cousin who was "against the clerical regime." But, he said, the regime "constantly invites [my cousin] back to Iran to lecture at the University of Tehran. He's untouchable because his father is one of the richest men. I call my cousin Anoush."

Hamidi said that maybe he would introduce me to Anoush. If I were to meet Anoush, he said, I would have to remember that Anoush was an important man.

I thought we had a good conversation going, so I sent Mr. Hamidi another email, trying to be a bit provocative, outlining some strange views on the Iran-Israel

relationship. Then (perhaps a bit too hastily) I sent him another email with an attached document that listed the names of all the people who had accounts at Tuco Trading.

I didn't write much in the email, just a simple question – "Do you know any of these people?"

I never heard back from Mr. Hamidi again. He stopped answering my emails.

Mr. Hamidi seemed to me to be a young man, who was still learning to conceal his surprise. Much to Mr. Hamidi's credit, he seemed not yet to have honed his skills at deception and dissembling. And he was somewhat discombobulated because, of course, he didn't know who the hell I was.

Maybe his confusion as to my identity and intentions explains why he seemed to be clumsily hiding information and at the same time revealing information. His somewhat overdone claim to despise Islam, going so far as to call it the religion of the devil, can be interpreted either as attempt to conceal his real beliefs, or an attempt to curry favor with an American.

Alternatively, maybe he really does despise Islam. They call Iran the Islamic Republic, but plenty of people who support the Iranian government are not religious. I do not know what to make of Mr. Hamidi's concerns about CIA front companies. Maybe he thought I was a pajama-wearing CIA operative.

Or maybe he was just making small talk. I don't know.

Mr. Hamidi's statement that Iranian president Ahmedinijad is a "mole" who is going to take down the clerical establishment is one that has been floated by Ahmedinijad's regime itself. Another theory quietly encouraged by Ahmedinijad's team is that all the president's talk about the return of the Hidden Imam is in fact evidence that he is opposed to the clerical regime. After all, according to Islamic lore, when the Hidden Imam returns, the first thing he will do is eliminate corrupt clerics.

Ahmedinijad's people began floating these theories after the 2009 street protests in Tehran. Their goal was apparently to focus the opposition on the Ayatollah while allowing Ahmedinijad to have it both ways, suggesting to the clerics that he was a stalwart of the regime, while also letting on that he was an anti-establishmentarian.

Nowadays, Ahmedinijad seems to be trying to calm the restless Iranian population by suggesting (counter-intuitively, though perhaps correctly) that he is, in fact, a potential friend of those who oppose clerical rule.

As for Mr. Hamidi's insistence that Iran and Israel are natural allies – well, that is counterintuitive, too, but it is certainly not out of the question considering that the two countries have secretly cooperated in the past. For example, in the Iran-Contra scandal, the TOW missiles that the U.S. sold to Iran (as part of the deal brokered by Khashoggi) were delivered through Israeli channels.

Trita Parsi, founder of the National Iranian American Council (the above-mentioned front for the Iranian regime) has written a book suggesting that Iran has secretly built relations with Israel, so perhaps this is a message that is being quietly floated by the Islamic regime, even as Ahmedinijad publicly proclaims his desire to drive Israel "into the sea."

Indeed, it is possible that officials in both Iran and Israel work together to maintain the status-quo of low intensity conflict and semi-chaos in southern Lebanon, Gaza, and the West Bank. The chaos boosts Iran's influence and enables Hezbollah to continue its narco-trafficking and other criminal activities unhindered. By the same token, the conflict boosts the profile of Iran's proxy, Hamas, and allows Israeli politicians to flaunt their toughness in the face of war.

Many of these Israeli politicians (such as foreign minister Avignor Lieberman) receive most of their campaign funding from Russian mobsters who hold Israeli passports. The Mob's businesses, such as drug running and shady casinos (like the one that the above-mentioned Martin Schlaff built for Yasir Arafat while bribing successive Israeli politicians) also flourish in the state of semi-chaos.

The bottom line is this: I called Mr. Hamidi to talk about oil. I let on that I knew the Russian government was involved with T3. I told Hamidi I knew he was acquainted with a Russian spy, and I said that I aware Hamidi had been massively shorting the markets before the collapse of Bear Stearns.

I then sent Mr. Hamidi an email asking again about the Russians. He, in return, sent me a long diatribe about Iranian foreign policy.

It seems to me that this diatribe echoed the messages that are quietly delivered by at least some factions of the Iranian government, the same government that

employs Mr. Hamidi's family members. I do not know what he thought he was dealing with, but for some reason (either to curry favor with me, or to make a show of appearing that he had nothing to hide), he told me that his cousin was Anoush, and that it would be advantageous for me to meet Anoush.

Then, suddenly, Mr. Hamidi seemed to have second thoughts and cut off all communication with me. Or maybe it was his intention from the start to send one political diatribe and end the conversation with that.

Either way, I subsequently did some research to find out more about Anoush. And as it turned out, Anoush was a pretty interesting guy.

Anoush's full name is Anoushiravan Ehteshami, and he is a professor and the head of the Middle East program at Durham University, a prestigious school in England. While Mr. Hamidi was getting those accounts set up in 2008, Professor Ehteshami was embroiled in a controversy. It seems he organized a panel discussion at Durham University about Iran and stacked the panel with people tied to the Iranian regime. Some anti-regime Iranian students were upset, and were staging protests.

The students would have been angrier still if they'd known that Professor Ehteshami, in his capacity as the head of the university's Middle East Studies program, had formed a joint venture agreement with the Iranian regime which basically ensured that studies of Iran produced by the university would be conducted in partnership with the Iranian embassy. (If you care to read it, I have posted a copy of the joint venture agreement at DeepCapture.com).

Perhaps also unknown to the students was the fact that Professor Ehteshami had hired Hadi Soleimanpour as a research assistant. While working as a research assistant at Durham University, Soleimanpour, a former Iranian abassador to Argentina, was indicted in Argentina for directing a 1994 Hezbollah terrorist attack on a Jewish community center in Buenos Aires. In fact, that synagogue bombing was one of the most deadly Iran-Hezbollah terrorist operations ever conducted.

Years earlier, Professor Ehteshami had served as doctoral advisor to Ramadan Abdallah Shaleh, who later joined Sami al Arian at the University of South Florida, from where Shaleh and Sami al Arian co-directed the U.S. operations of Palestinian Islamic Jihad. (These are the guys who were taking directions from Iranian government agents in New York).

By the time Sami al-Arian was jailed on terrorism charges, Shaleh (Ehteshami's doctoral student) was labeled by the U.S. government as a "Specially Designated Global Terrorist" and had moved to Syria, from where he is (with help from Iran) still waging war as the top leader of Palestinian Islamic Jihad.

These are the same Palestinian Islamic Jihad leaders who were on close terms with Omar Amanat (designer of Tuco's Lightspeed trading platform); Tuco employee Zuhair Karam (whose family financed Palestinian Islamic Jihad, while Zuhair helped set up the Lanai and T3 accounts at Tuco); and Anthony Elgindy (the destructive short seller whose family brought Sami al-Arian to the University of South Florida, where he teamed up with Professor Ehteshami's recent doctoral graduate Mr. Saleh).

In addition to receiving directions from Iranian government agents in New York, Mr. Shaleh and Sami al-Arian were (according to Mr. Shaleh himself) receiving by far the biggest chunk of their funding from the International Institute of Islamic Thought, a SAAR Network outfit where Sheikh Yusuf DeLorenzo served as a board director. (DeLorenzo, recall, was the Elgindy and Amanat pal who founded the Al Safi Trust naked short selling platform. Previously, he ran GSISS, with Al Qaeda operative Alamoudi).

In 2008, Professor Ehteshami was (in addition to employing a terrorist) doing work for the Cordoba Foundation. A U.K. non-profit organization called the Centre for Social Cohesion (citing, among others, David Cameron, now prime minister of Britain), has reported that the Cordoba Foundation is a Muslim Brotherhood front with ties to Anwar al Awlaki (the Al Qaeda leader who was a close associate of Omar Amanat before he was implicated in the September 11 attacks and fled to Yemen).

The Cordoba Foundation denied the charges, noting that Cameron had made them in a speech before the Community Security Trust, which is (according to the Cordoba Foundation) a "well-known pro-Zionist organization."

In addition, Professor Ehteshami is a close associate of Bijan Khajehpour, a London-based Iranian businessman who (recall from earlier chapters) had employed one of the people who set up the National Iranian American Council, a front for the Iranian government. (An NIAC's board member, recall, co-founded an Iranian social networking organization with Man Financial's vice president of trading control).

The NIAC (like the Assa Corporation and Palestinian Islamic Jihad's leaders) took

directions from Iranian government agents stationed in New York.

Of course, it is possible that Professor Ehteshami is an opponent of some or all of the factions that comprise the regime in Iran. Professor Ehteshami certainly claims to “oppose” clerical rule. But Iran is a complicated place. Some “opponents”, like former president Akbar Hashemi Rafsanjani, who is believed to have had a hand in the 2009 street protests in Tehran, are, to some extent, actually formulating Iranian policies. And, as I mentioned, president Ahmedinijad himself is quietly suggesting that he, too, is an opponent of clerical rule.

Many other “opponents” are, in fact, employed by the regime, a regime that might be fracturing, but a regime that is nonetheless united in opposition to the United States. In addition to supporting the “democracy” movement in Iran, Mr. Rafsanjani was also, during his time as president, responsible for ordering more overseas terrorist attacks (including the one in Argentina that was directed by Professor Ehteshami’s special research assistant and many of others targeting Americans) than any other Iranian leader.

In any case, if Professor Ehteshami were an opponent of the regime, as opposed to being a component of some faction of the regime, it is unlikely that he would have hired a “former” Iranian government official named Nosratollah Tajik to work at his university. But Professor Ehteshami did, indeed, hire Mr. Tajik. He hired Mr. Tajik to be the “Honorary Fellow” of his university’s Middle East department.

While Mr. Tajik was working as Professor Ehteshami’s Honorary Fellow, he was being watched by undercover U.S. government operatives and the Israeli Mossad. This is because Mr. Tajik had previously been one of the principal Iranian government agents responsible for recruiting Hezbollah soldiers and training them for terrorist operations around the world.

As the U.S. and Israeli agents watched, they discovered that Mr. Tajik wasn’t doing the sort of work that university Honorary Fellows usually do. Instead, he was spending his time trying to acquire a Millennium 35 mm naval gun system with anti-guided missile capabilities, which he intended to deliver to Hezbollah.

He also spent $3 million acquiring night-vision binoculars and laser-guided machine guns, and tried to ship them to Hamas and to Professor Ehteshami’s former doctoral student, the guy who runs Palestinian Islamic Jihad.

Ultimately, the British arrested Mr. Tajik, and deported him back to Iran.

Under Professor Ehteshami's guidance, Durham University became so intertwined with the regime in Iran that it came to the notice of the U.S. embassy. In documents unveiled by Wikileaks, U.S. diplomats note that members of the Revolutionary Guard had visited the university. Apparently, the U.S. embassy believed that U.S. diplomats could use Durham University as "political cover" to make contact with Iranian officials who might be opposed to clerical rule.

None of which is to suggest that Mr. Hamidi himself was working for the Iranian government. I have no secretly recorded tapes of Mr. Hamidi orchestrating his short selling with the Revolutionary Guard, or the Iranian undercover operatives working for his cousin, whom he calls "Anoush."

I tell Mr. Hamidi's story, however, to show that there is nothing more than a phone call to a close relative standing between a guy who was running Millennium 35 mm naval gun systems to Hezbollah, and a guy who had two accounts (one with 2,000 secret subaccounts in China) ready to bombard the U.S. markets with manipulative short selling in volumes equal to the total short selling volume transacted by Goldman Sachs.

I tell this story merely to note that it is not entirely typical for an Iranian whose other family members work for the Revolutionary Guard to set up trading outfits in partnership with shadowy Venezuelans, the Russian government, and people working for Mafia brokerages (one of which was financed by a Russian intelligence asset who did business with an Iranian arms dealer who'd been indicted for trafficking nuclear weapons components to North Korea).

Nor is it typical for an Iranian with these sorts of relationships to flood the markets with manipulative short selling (equal to the total short selling volume of Goldman Sachs) through a little unregistered brokerage in Chicago whose trading platforms and clearing services were provided by people with eminently close ties to the Russian government, the Iranian regime, Palestinian Islamic Jihad, the Blind Sheikh, an Al Qaeda operative who plotted an assassination with Muammar Qaddafi, the Mogilevich organization, Hamas, Pakistani intelligence, Saudi intelligence, the House of Islamic Money, a 30,000 man paramilitary army in Lebanon, maniacal jihadi warlords, and Osama bin Laden's favorite financier.

Given that the Lanai and T3 volume was so massive, it is likely that it was generated

by a high-frequency algorithmic computers, some of them hooked up to those 2,000 Lanai sub-accounts in China. But we don't know who else was trading through those accounts in China. It could have been other Iranians. It could have been anyone – that's what is scary.

And I will stress: the massive short selling transacted by Hamidi's two accounts appears (judging by the data from Penson Financial, which cleared the trades) to have targeted the big banks and other pillars of the American economy. And this unbelievably massive volume was all transacted in the month before the 2008 collapse of Bear Stearns.

So far as I can tell, the SEC never conducted a thorough investigation of Tuco. Apparently, the Commission shut the brokerage down by "Emergency Order" only because it had so massively exceeded margin limits. Tuco's founders disappeared. One of the brokerage's silent owners, Michael Kestler, headed to Cozumel, an island off of Mexico, where he now manages a bar called Mezcalitos.

So, yes, I tell this story because it seems kind of strange. Also, because this kind of crap happens in the markets and nobody investigates. Not the SEC. Not the media. Nobody.

The big volumes at Penson (large portions of which obviously came from Tuco) were mentioned (without specifically naming the brokerages) in that report for the Defense Department's Irregular Warfare Support Program – the report I mentioned in the first chapter of this series. And I know that the authors of that report are aware of the T3 and the Lanai accounts, though perhaps not who was behind them.

But I have no idea if anyone in the government is taking that report seriously. Indeed, as far as I can tell, the only person monitoring this story with any regularity is a guy (me) who works in his pajamas.

To be continued…

ty joye

CHAPTER 21

The Miscreants' Global Bust-Out (Chapter 21): How a Small Gang of Organized Criminals Wrecked the World

Posted on 18 August 2011

It should be clear to anyone who has read the first 20 chapters of this series that manipulative short selling contributed to the financial crisis of 2008. And it could happen again. Or, rather, it may already be happening again. That's why multiple governments in Europe last week took dramatic steps to curb short selling of financial stocks.

But expect no such action from U.S. regulators. No matter how brazen the attacks, no matter how far the markets sink, the Securities and Exchange Commission has stated unequivocally that it intends to do nothing. According to SEC spokesman John Nester (quoted by Bloomberg on August 12, 2011), the SEC "does not intend to further restrict short sales" because the SEC already has "sufficient rules" in place.

We at DeepCapture do not think that banning or even restricting legitimate short selling would be good for the markets. But the SEC's claim that it is adequately protecting the nation from illegitimate (i.e., manipulative) short selling is laughable.

Recall that at the height of the financial crisis in September 2008, the SEC issued an "Emergency Order" stating (in careful, bureaucratic language, though the message was clear) that manipulative short selling had contributed to the demise of several big banks and brought the financial system to the brink of collapse. Three years later, the SEC has yet to prosecute a single one of the criminal short sellers who (according to the SEC) nearly brought the nation to its knees.

Meanwhile, the SEC continues to allow traders to short sell stock that they have not yet borrowed. That is, traders can still flood the markets with what is, in effect, phantom stock. When the SEC claims to have "sufficient rules" in place, it means that short sellers are required to locate and deliver real shares within three days. But there is little to prevent traders from flooding the markets in multiple, successive, three-day waves—over and over until stocks go into death spirals.

And even when traders fail to deliver stock within three days (as they still often do), the SEC does precisely–nothing. As for the many other tactics that short sellers use to manipulate the markets—well, the SEC doesn't do anything about those either. Again, in the three years since the financial system nearly imploded up until today (when the financial system seems once again to be on the verge of imploding) the SEC has prosecuted exactly zero short-side market manipulators.

So maybe this is a job for some other agency. At a minimum, the national security community ought to be taking a close look at outfits like Penson Financial, the

previously obscure brokerage that suddenly (in 2008) became the largest brokerage on the planet, by volume. As we have seen, most of that new volume was manipulative short selling targeting the big banks and a select number of other companies that were critical to the stability of the American financial system.

Indeed, as we know, the vast majority of the short selling targeting financial stocks leading up to and during the 2008 cataclysm was transacted through Penson Financial and one other relatively obscure brokerage, Wedbush Morgan. The short selling of financial stocks that went through these two obscure brokerages exceeded the total short selling of financial stocks transacted by Goldman Sachs, Citigroup, Merrill Lynch, Morgan Stanley, and JP Morgan–combined.

The Wedbush and Penson data (showing a sudden and massive surge in new short selling targeting the same stocks and transacted by people who all, at the same time, chose to use the same two obscure brokerages) is strong evidence that there was a deliberate (and probably coordinated) attack on the U.S. markets. And we have a pretty good idea who was responsible. At least, we know enough about Wedbush and Penson to account for some significant portion of the manipulative short selling transacted during and leading up to the financial crisis of 2008.

Wedbush Morgan referred much of its trading to Bernard Madoff's criminal brokerage. And, as we know, Madoff was using some significant portion of the money from his Ponzi fund to cover up "failures to deliver" liabilities that his brokerage had accrued as a result of transacting manipulative short selling for his clients (many of whom seem to have directed their trades through Wedbush, which referred them to Madoff).

It is almost certain that the people responsible for this manipulative short selling were the criminals (or entities closely affiliated with the criminals) who were "feeding" the Madoff Ponzi fund (i.e. the fund that was used, in part, to cover up the manipulative short selling). We know who was feeding Madoff's Ponzi. And we know (though it took upwards of two years for DeepCapture to figure it out) who many of Penson Financial's key clients were in 2008. And as it happens, there is considerable overlap between the two.

That is, the people who were feeding Madoff and the traders who were Penson's key clients inhabit the same distinct network of closely affiliated financial operators. I list them below, if only in furtherance of my contention that this might be a job for the nation's national security officials (who tend to be honest and patriotic) rather

than the Securities and Exchange Commission's lawyers (who tend to be deeply captured and weaselly).

As we know from earlier chapters, the key feeders to Madoff's criminal outfit (which operated with the full acquiescence and even the help of the SEC, which named one of its most important short selling loopholes "The Madoff Exemption") included the following:

- At least two of Al Qaeda's most important financiers: Sheikh Khalid bin Mahfouz, and (through others named below) "Specially Designated Global Terrorist" Yasin al Qadi;
- the people (Apollo Management's co-founders) who brokered the relationship between the Iranian regime and Credit Suisse, which transferred $1 billion to Iran's nuclear weapons and ballistic missiles program;
- Credit Suisse, which transacted trades (ultimately through Madoff) for secret accounts held by Libya, Sudan and a big, U.S.-based Iranian government outfit (the Assa Corporation) that was indicted in 2009 for espionage and funding Iran's nuclear program;
- Marc Rich (key financial advisor to the Iranian regime who rented office space in the 1980s from the above-mentioned Assa Corporation and was indicted in the 1980s for trading with Iran while U.S. soldiers were dying trying to rescue America diplomats who were held hostage in Tehran);
- Ivan Boesky (financial advisor to the Iranian regime; shared Iranian Assa Corp. office space with Marc Rich in the 1980s);
- The top financiers (e.g. Jeffrey Picower) of Ivan Boesky in the 1980s;
- Many other key financial advisors to the Iranian regime–e.g. Ali Nazerali (hedge fund partner of "Specially Designated Global Terrorist" Yasin al Qadi); Abbas Gokal; Adnan Khashoggi. (all through Lines Overseas Management);
- Key financial advisors to Libyan dictator Muammar Qadaffi (e.g., Martin Schlaff; Adnan Khashoggi; Mufti al Abbar);
- The Mogilevich organization (a Mafia outfit closely intertwined with the Russian intelligence services);
- Russian oligarchs closely tied to Russian president Vladimir Putin and the Russian intelligence apparatus (through Bank Medici, which also fed Madoff Mogilevich money);
- Russian spies (through Lines Overseas Management);
- La Cosa Nostra;
- The ruling families of Abu Dhabi and Dubai;
- many of financial criminal Michael Milken's closest associates, most tied to Russian organized crime.

◦It should be noted that a number of those named above are also among Milken's closest associates.

As we know from earlier chapters, the clients of Penson Financial and its partner brokerages (i.e. the clientele responsible some significant portion of the volume that made Penson the world's largest brokerage in the lead-up to the 2008 financial crisis) included:
◦many of Al Qaeda's most important financiers (including the two involved with Madoff);
◦traders tied to Hamas (e.g. Omar Amanat, who brokered many of Penson's other client relationships);
◦the Muslim Brotherhood;
◦traders tied to Palestinian Islamic Jihad;
◦traders tied to Hezbollah;
◦traders tied to the Iranian regime, Iran's terrorist proxies, and Russian intelligence assets (generating at least 20 percent of Penson's volume in the month before the 2008 collapse of Bear Stearns);
◦a large network of jihadi and Russian Mafia traders who had been involved with a brokerage (Global Securities) that was affiliated with the Assa Corp. (Iranian government outfit indicted for espionage in 2009);
◦key financial advisors to Libyan dictator Muammar Qadaffi (e.g. Al Qaeda operative and Saudi billionaire Abdurrahman Alamoudi; also the above-mentioned Madoff feeders);
◦the ruling families of Abu Dhabi and Dubai;
◦traders tied to Pakistani and Saudi intelligence;
◦a billionaire leader of the Marxist Naxalite terrorist group (linked to Al Qaeda and Pakistani intelligence);
◦D-Company (Mafia outfit and Al Qaeda affiliate trained by Pakistani intelligence);
◦the largest financier of the Tamil Tigers (linked to Al Qaeda and Pakistani intelligence);
◦a fund manager who commands a paramilitary army allied with Hezbollah in Lebanon;
◦the Mogilevich organization (Russian Mafia outfit closely intertwined with the Russian intelligence services);
◦hedge funds and traders linked to Russian spies;
◦Russian spies (through Lines Overseas Management);
◦Russian oligarchs closely tied to Vladimir Putin and the Russian intelligence apparatus;
◦Multiple traders implicated in the 1999 scandal that saw the Russian government

and the Mogilevich organization manipulating the U.S. markets, and laundering money through Bank of New York
◦Traders who perpetrated the financial terrorism (timed to coincide with Al Qaeda's September 11, 2001 attacks on the World Trade Center and the Pentagon) that destroyed MJK Clearing, then the largest clearing brokerage in America;
◦La Cosa Nostra;
◦Michael Milken's closest associates (i.e., America's most notorious short-side market manipulators, most tied to Russian organized crime and/or La Cosa Nostra)
◦All of Bernie Madoff's key feeders.

In upcoming chapters, I will add to the list, but this will only reinforce my conclusion that the clientele of Penson Financial and Bernie Madoff's brokerage (the two brokerages responsible for most of the short selling targeting financial stocks in 2008) was comprised largely of market manipulators with ties to either organized crime, rogue states, jihadi terrorist groups, or (in a number of cases) all of the above.

Moreover, this should not be at all surprising. As I have shown, organized crime has a massive presence on Wall Street. And naturally enough, organized criminals are often responsible for the sorts of financial crimes (such as coordinated, manipulative short selling) that require a degree of…organization.

Moreover, it is not at all conspiratorial to suggest that financial operators tied to organized crime inhabit a close-knit "network" that also includes financial operators tied to jihadi terrorist groups and hostile foreign governments. As I have shown, terrorist financiers and the governments of rogue states have developed remarkably close relationships with organized crime and American financiers tied to the Mafia.

In demonstrating this fact, I merely confirm what Admiral Dennis Blair, then Director of National Intelligence, said in his 2010 report to Congress. Recall that Admiral Blair said that there was "dangerous nexus" between terrorist groups, organized crime, and the governments of rogue states. Admiral Blair also said that organized crime "almost certainly will increase its penetration of legitimate financial and commercial markets, threatening U.S. economic interests and raising the risk of significant damage to the global financial system."

On July 25, 2011, the White House not only reinforced this assessment, but also issued an unprecedented Executive Order declaring it to be a "national emergency."

Amazingly, not one major newspaper reported on this “national emergency.” So I will stress that the White House, for the first time in history, issued an Executive Order stating that the President was “declaring a national emergency with respect to the unusual and extraordinary threat that significant transnational criminal organizations pose to national security…”

In explaining why this is a “national emergency”, the White House stated that Mafia groups (a report issued the same day by the President’s national security staff singled out the Moscow-based Mogilevich organization) “have increased and deepened their ties to foreign governments and the international financial system…There is also evidence of growing ties between significant transnational criminal organizations and terrorists.”

The White House stated further that transnational criminal organizations were “undermining economic markets” and “currently pose significant threats to U.S. domestic and foreign economic interests, as well as…the stability of the international political and financial systems.”

The White House did not specify what it meant by the “stability” of the financial system. But it seems to me that the information we have about Penson Financial and Bernie Madoff’s operation is evidence enough that the American financial system has indeed been penetrated by organized crime and its affiliates (e.g., financiers tied to hostile foreign governments and jihadi terrorists).

It also seems to me that anyone who accepts that manipulative short selling does serious damage to the American economy would rightly view the above lists of Penson clients and Madoff feeders (most of whom are still active in the markets) as evidence that we do indeed face a “national emergency.”

Of course, there are many intelligent people who believe that manipulative short selling did not contribute to the financial crisis of 2008. These people say that the financial system melted down because the banks were extremely weak in 2008. And the banks were weak because their highly leveraged balance sheets were loaded with bad mortgages, collateralized debt obligations and property that had been massively devalued as a result of the mortgage crisis that began in 2007.

There is no doubt that the banks were weak. But as the SEC suggested in its September, 2008 “Emergency Order”, the weak banks would have survived if it were not for the sudden death spirals of their stock prices, which made it impossible for

the banks to raise new capital.

And though the media seems incapable of absorbing this concept, virtually any executive on Wall Street (with the exception of short sellers) will tell you that manipulative short selling contributed to those death spirals in 2008. Actually, it is plain common sense that massive new volumes of short selling, combined with other panic inducing factors (such as steady bombardments of rumors like those that hit the markets in 2008) can create self-fulfilling prophecies, especially when it comes to the stock prices of financial firms.

But, yes, in 2008, the banks were already weak. And, yes, they were weak because they leveraged themselves to the hilt in order to buy mortgage derivatives and property whose value was wiped out as a result of the 2007 collapse of the mortgage markets.

However, I will remind you that there is a scheme known as a "bust-out". This scheme (as I explained in earlier chapters) has intermittently wrought havoc on the economy since the 1980s, when dozens of major savings and loan banks were "busted out" – that is, leveraged to the hilt, looted and loaded with toxic assets purchased from others who were in on the scheme, and then finished off by affiliated short sellers.

And it is important to remember that most of the "bust outs" that fueled the "savings and loan crisis" in the 1980s were perpetrated by either: 1) organized crime; 2) a massive Pakistan-based criminal enterprise called the Bank of Credit and Commerce International (BCCI); and/or 3) the famous financial criminal Michael Milken and his closest associates.

When I write of Milken's "closest associates," I am not suggesting guilt by association. I am suggesting that Milken and the three dozen or so people who are his closest associates are in fact guilty. They regularly work together to bust-out companies. And they regularly collude to manipulate the markets.

As I have repeatedly stressed, there are surely hundreds of people who could be considered associates of Milken, and most of them are probably law-abiding people. However, Milken and his three-dozen or so closest associates comprise what is known in legal terms as a Racketeer Influenced and Corrupt Organization (RICO). Which is to say, they are like the Mafia. Indeed, in many cases (see earlier chapters for complete evidence), they are the Mafia.

As we have seen, the Milken organization's bust-outs in the 1980s were, in many cases, perpetrated in league with BCCI, the massive criminal bank. As we have also seen, BCCI's founding shareholders and its most important operators (many of them still among Milken's closest associates) included: 1) key financial advisors to the regime in Iran; 2) financiers tied to Pakistani and Saudi intelligence; 5) people tied to La Cosa Nostra; 6) people who would later be tied to Russian organized crime 7) the Abu Dhabi and Dubai ruling families; and Saudi billionaires who would later be known as the most important financiers of Hamas, Islamic Jihad, Al Qaeda, and other jihadi terrorist outfits.

The "Miscreants' Global Bust-Out" that wiped out our economy in 2007-2008 (and which continues to bedevil the markets today) involved pretty much this same demographic. And, yes, it began with the "mortgage crisis" of 2007. Except that is wasn't a "mortgage crisis" in the sense that it was described by the media. The typical media story reported that "skyrocketing default rates on subprime mortgages" caused the mortgage markets to collapse. This was plainly false.

According to data provided by the Mortgage Bankers Association, default rates on subprime mortgages were above 8 percent every year from 1998 to 2002. In 2001, the default rate on subprime mortgages reached nearly 10 percent. But in those years there was no "mortgage crisis." And after those years, subprime default rates steadily declined.

The 2006 vintage of subprime mortgages (the vintage of mortgages commonly blamed for the 2007 "mortgage crisis") defaulted at an average rate of only 6.8 percent. The 2007 default rates were not much higher than that. And even by the second quarter of 2008, long after the mortgage markets had collapsed, the default rate was still only around 8 percent. So the link between default rates (even on the least credit-worthy subprime mortgages) and the mortgage crisis is not at all clear.

The Financial Crisis Inquiry Commission (FCIC) said as much in its February 2011 report to Congress. According to the FCIC, the "mortgage crisis" was not primarily the result of "reckless" lending to subprime borrowers. It was, rather, largely the result of the 2007 collapse in the market for collateralized debt obligations (CDOs). And the CDO market collapsed because more than half of all CDOs issued in 2006 and 2007 were so-called "synthetic" CDOs.

Regular CDOs are packages of mortgages that trade like securities. So-called

“synthetic” CDOs do not contain mortgages themselves. They contain bets against mortgages, usually in the form of credit default swaps. That is, the sellers of these “synthetic” CDOs (more than half of the overall CDO market in 2007) were people who were betting against mortgages and therefore wanted the mortgage markets to collapse.

As the FCIC also made clear, just a few specialist firms (working with no more than fifty short sellers) created all of the “synthetic” CDOs that came to comprise more than half of the overall CDO market. Importantly, those specialist firms did not package these “synthetic” CDOs with bets against average subprime mortgages. They and their short selling clients packaged them with bets against the worst possible mortgages in the nation—a select number of handpicked mortgages that seemed certain to default.

Thus, over half the market was actually comprised of securities that had been designed to implode by people who were betting that they would.

According to the FCIC, the firms that specialized in creating “synthetic” CDOs actually fueled a demand for fraudulent mortgages. Merely crappy (subprime) mortgages were not adequate because they were defaulting at a rate of less than 8 percent–and the short sellers were looking for default rates of 100 percent. The only kind of mortgages that defaulted at a rates of 100 percent were, of course, fraudulent mortgages—mortgages that were taken out by people who had zero intention of paying them back.

As is happened, there were people prepared to meet the demand for fraudulent mortgages. Beginning in early 2005, there was a massive surge in mortgage fraud. In March 2007, the FBI announced that known incidences of mortgage fraud had doubled over the past three years. And those were only the mortgage frauds that the FBI was investigating. It is more than likely that the actual incidences of mortgage fraud tripled or quadrupled between 2005 and 2007, when the mortgage markets collapsed.

This sudden surge in mortgage fraud correlated precisely with the proliferation of self-destruct CDOs. In fact, there appears little question that the creation of self-destruct CDOs could not have occurred without the mortgage fraud.

Even worse, as I will show in the remaining chapters, there is good reason to believe that the mortgage fraud industry was catering to the people who were creating self-

destruct CDOs as part of a larger scheme to destabilize the financial system.

One reason to believe this is that many of the same people who were creating the self-destruct CDOs in 2006 had also seized control of major mortgage companies. Once in control of the mortgage companies, the financial operators loaded them with debt that they used to finance fraudulent mortgages, which were precisely the sort of mortgages they needed for their self-destruct CDOs (i.e., their bets against the fraudulent mortgages they had created).

In other words, with one hand they promoted the fraudulence that with the other hand they bet against. This is what is called a "bust-out."

Indeed, the DOJ says that insiders at some mortgage companies worked in cahoots with organized criminal gangs that descended on cities buying as many homes as they could get their hands on. Often, these criminal gangs (with help from the mortgage company insiders) would take out mortgages valued at twice or more than twice the listed price of the houses they were buying.

Of course, the mortgage company insiders churned out these criminal mortgages knowing full well that the mortgages would never be paid back. That is, the insiders looted their companies—and in many cases the companies, of course, eventually imploded. If these actions were in fact connected, it means that those companies were deliberately destroyed—at great profit to affiliated short sellers who helped put them out of business, and at great profit to the people who used the fraudulent mortgages to create self-destruct CDOs.

Fraudulent mortgages represented only a small fraction of total mortgage lending, but bets against fraudulent mortgages were packaged into multiple "synthetic" CDOs. As a result, the health of the entire CDO market (and therefore the health of the mortgage market, the property market, and the banks that purchased property and CDOs) depended disproportionately on whether a relatively few fraudulent mortgages would, in fact, default. Which, of course, they would.

This must be stressed: a small number of specialist firms and short sellers deliberately created financial weapons of mass destruction that they knew would destabilize the banks and the American economy. As U.S. Senator Carl Levine stated (singling out "synthetic" CDOs as evidence): "The recent financial crisis [of 2007-2009] was not a natural disaster; it was a manmade economic assault." [the emphasis was Senator Levin's]

To the extent that the media, regulators, and politicians have picked up on this scam, the focus has been on the banks (especially Goldman Sachs) that worked with some specialist firms and a few short sellers to broker the sale of self-destruct CDOs to unwitting customers. Goldman Sachs and a few other banks are certainly culpable. They knew that some CDOs were (in the words of one Goldman executive) "shitty"—and they sold them as if they were good investments.

However, Goldman's executives did not know just how "shitty' they were. They did not know that the CDOs were, in fact, guaranteed to self-destruct. That's because the specialist firms that created these things "specialized" in hiding the outright fraudulent mortgages in the paperwork describing the CDOs.

Indeed, the specialist firms displayed a perverse sort of genius in admitting to Goldman and others that the CDOs were (in a general sense) "shitty", but not revealing that they had a 100 percent chance of self-destructing and wiping out the markets, thereby paving the way for a financial crisis that would bring even Goldman Sachs to the brink of collapse.

The paperwork for a given CDO would state (vaguely) that it contained bets against a selection of mortgages that had been given to, say, especially low income people in Michigan. The paperwork (written up by the specialist firms) would also state that these low income people had poor credit ratings and thus a higher than average likelihood of default. The specialist firms then sold the CDOs as investments that were risky (perhaps even "shitty"), but nonetheless had the potential for a big payoff for anyone with an appetite for risk.

What the paperwork did not do was identify the individual mortgages. So while the banks that brokered the sales of the CDOs (and the banks that bought them) knew in a general sense that CDOs contained selections of risky mortgages, they did not know that many of those individual mortgages were outright fraudulent.

Again, only the specialist firms and the short sellers who picked the mortgages (and in many cases created the mortgages in cahoots with organized gangs) knew that they had manufactured instruments that were guaranteed to self-destruct. That's why they were able to find people who were willing to take the other side of the bets.

The banks, the credit rating agencies, and others deserve blame for not scrutinizing

these CDOs more carefully. But all of them genuinely (and not irrationally) believed that even if mortgages defaulted at rates higher than expected—even if there was a historic and disastrous upsurge in default rates—the buyers of these CDOs could still expect to recoup some portion of their investment.

Because they did not know about the organized criminals taking out the fraudulent mortgages that were being selectively inserted into the CDOs, they did not know that these CDOs would be worth nothing.

But the specialist firms and the short sellers knew. And because they knew the self-destruct CDOs comprised half the overall market, they knew what would happen when the CDOs destructed. They knew this would not be a mere correction, or crash, or bursting of a bubble. They knew that the market would be calamitously vaporized—the first time in history that a market for a class of securities would literally drop to zero.

They also knew that the collapse of the CDO market would seriously hobble the banks. Moreover, the creators of self-destruct CDOs and/or closely affiliated financial operators took other steps to ensure that the banks would be crippled. For example, as we will see, they worked with compromised insiders at some banks (notably Lehman Brothers) to get the banks to buy overvalued Real Estate Investment Trusts (REITs) that would be wiped out once property prices plummeted as a result of the collapse of the CDO market.

Unsurprisingly, these same financial operators and their affiliates perpetrated much of the manipulative short selling that finished off the banks that had been hobbled by CDOs and toxic REITs.

One reason why the banks were so easily induced to buy these toxic assets is that they were drunk with leverage and greedy for commissions. But it must be stressed that the banks did not ultimately collapse simply because of a generalized buying spree. They collapsed because they had bought a specific selection of especially toxic assets from a specific selection of financial operators who were deliberately poisoning the banks and would subsequently perpetrate the short selling attacks that would finish them off.

So to summarize: various people in one small close-knit network of miscreants were involved in every every component of the “Global Bust-Out” that wrecked the economy. And, really, it was not so complicated: the network merely followed an

eight-step course in how to create an economic cataclysm.

That is, the miscreants:
1.Worked with and perhaps controlled organized mortgage fraud gangs;
2.Controlled mortgage companies that issued fraudulent mortgages to the organized fraud gangs;
3.Used those fraudulent mortgages to create self-destruct CDOs;
4.Ensured that the CDOs would end up on the balance sheets of major banks;
5.Ensured that a few equally toxic assets (e.g. REITs) would end up on the balance sheets of a few major banks;
6.Conducted the manipulative short selling that finished off the looted mortgage companies;
7.Conducted the manipulative short selling that finished off the banks that had been hobbled by those self-destruct CDOs and REITs;
8.Orchestrated a few other hugely damaging schemes (to be discussed later) that rocked the markets in 2008.

This was the "Miscreants' Global Bust-Out" that nearly brought the nation to its knees. And it will happen again, which is why I have devoted 20 long chapters to identifying (in admittedly excruciating detail) the miscreants who were responsible for much of the manipulative activities that occurred in 2008.

The remaining chapters of this series will identify more manipulators, as well as the people who were responsible for most of the mortgage fraud, most of the self-destruct CDOs, every scheme to sell overvalued REITs to targeted banks (with Lehman Brothers being the main example), and a few other factors that account for our present "national emergency."

And in identifying those people, I believe that I will be able to persuade the reader that the once and coming economic cataclysm can (in significant part) be attributed to organized crime, financial operators with ties to jihadi terrorist groups and hostile foreign governments, and the closest associates of the famously destructive financial criminal Michael Milken.

To be continued…

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deepcapture/Patrick Byrne)9/16/11:Mark Mitchell's writings seem to be striking a nerve

A Respectful Invitation to All Hoodlums, Cutpurses, Thugs and Assorted Miscreants Named Herein

Posted on 16 September 2011 by Patrick Byrne

Mark Mitchell's writings seem to be striking a nerve, at last. After months of no response but silence, in the last few weeks DeepCapture has suddenly been receiving all manner of Nasty-Grams and intimidating phone calls from various people and organizations mentioned in Mark's work. The similarity of the threats would almost make one think there was a plan. In any case, I will lay out four ground rules here.

1) DeepCapture remains committed to the highest journalist standards. Any error in our work should be pointed out immediately, and we will rectify it .

2) DeepCapture is better than mainstream media, whose intellectual self-confidence, rigor, and integrity I described in my 2008 piece, "Carol Remond Tells a Joke She Doesn't Get (DowJones)":

"Before publishing the following critique of Carol Remond's recent article on Copper River, I contacted Carol for comment. Unlike Joe Nocera and Floyd Norris (both of the New York Times), who have at least had the integrity to defend their work, however haplessly, Carol refused any on-the-record comment on this subject. Thus she joins that tradition of journalistic worthies which includes Bethany McLean, Herb Greenberg, and Roddy Boyd, who refuse to defend their work. They can critique, but not engage, opine, but not defend: the sophomores of intellectual discourse."

Because DeepCapture is better, we are happy to engage, and self-confident enough in our work that we practice "right of response" journalism: We will publish, unedited, any response (of any reasonable length) by miscreants named in our

stories. If Specially Designated Global Terrorists have spokesmen, we'll publish them.

3) All goombas should understand that the day anything untoward occurs is the day that The Collected Works of Mark Mitchell 2008-2011 appears in the in-boxes of 41.7 million people.

4) Finally, Mark has been acting entirely at my direction. So all nastiness should be directed at me, not him.

Very respectfully,
Patrick Byrne
Editor-in-Chief
DeepCapture.com

This post was written by:
Patrick Byrne - who has written 145 posts on Deep Capture.
I am a concerned citizen who has spent three years trying to prevent a meltdown of our financial system.

Contact the author

« The Miscreants' Global Bust-Out (Chapter 21): How a Small Gang of Organized Criminals Wrecked the World

16 Responses to "A Respectful Invitation to All Hoodlums, Cutpurses, Thugs and Assorted Miscreants Named Herein"

1.

Jimbo says:

September 16, 2011 at 11:37 am
The FINRA Mafia speaks:
"What we don't want to do is take the stance that somebody is not a bona fide market maker when they are really trying to get liquidity into the market," FINRA's DeMaio said. "That's really what we're looking to see: did you add liquidity?"
http://www.reuters.com/article/2011/09/1....E78F50D20110916

Reply

2.
bbhindyou says:

September 16, 2011 at 11:48 am
I LOVE IT!!
The people who have perpetrated these crimes have always counted on their ability to silence anyone who got in their way through threats and intimidation.They did not ever imagine anyone would stand up to them.My respect and admiration for the team here is greater than I have words to express.Patriotism lives.If only those who have the DUTY to protect the American people had one tenth the courage and integrity shown by those here exposing this mess.Then America and its people could be released from the domination of the people out to destroy our economy and the companies that could again make or nation the economic powerhouse it always has been.Long live capitalism and the free, fair market system!!!
Thank you,
and as always I will
bbhindyou.

Reply

3.
FedUp says:

September 16, 2011 at 1:14 pm
Thank you all for your efforts to try to fix a broken and corrupt system. Too bad our leaders in Washington are all captured. You would think our President would want

these people given justice if he was really for the lower and middle class as he claims. At least you all care. By the way I keep telling everyone about this site and your stories. However, I'm going crazy waiting on your next installment. Hurry!!!

Reply

4.
Nextplaneout says:

September 16, 2011 at 6:23 pm
A nation can survive its fools, and even the ambitious. But it cannot survive treason from within. An enemy at the gates is less formidable, for he is known and carries his banner openly. But the traitor moves amongst those within the gate freely, his sly whispers rustling through all the alleys, heard in the very halls of government itself. For the traitor appears not a traitor; he speaks in accents familiar to his victims, and he wears their face and their arguments, he appeals to the baseness that lies deep in the hearts of all men. He rots the soul of a nation, he works secretly and unknown in the night to undermine the pillars of the city, he infects the body politic so that it can no longer resist. A murderer is less to fear. The traitor is the plague.
And the Plague is the Banksters (FED,IRS), Walls Street,Captured Regulators, Bootlickin' Journalists, and 99% of every friggin POLITICIAN in Washington. These treasonous bastards have stolen America for a pocket full of pence.
Thank you Patrick and Mark for shining a light on these miscreants.

Reply

5.
Anon says:

September 16, 2011 at 7:44 pm
Wow nextplanetout, well said my friend!
Mr. Byrne & Mr. Mitchell my hat, once again, goes off to you and yours! My only hope is this wonderful piece of investigative journalism strikes the most important nerve; hopefully the only nerve left responsible for righting such a tragic, morally inferior tear in the fabric of America's backbone.
I do however wonder who does one call when police are seemingly more corrupt than the ones committing the crimes?

It's absolutely sickening to think this great nation has reached well beyond the tipping point into the black abyss due in part because those sworn to protect it not only failed miserably, but aided & abetted the rape with greasy palms.
To those responsible for such reprehensible, nefarious and egregious acts may you all freeze in the dark.
Long live the wonderful, colorful spirit of Darren Saunders! R.I.P. my friend. I'll never forget! May your story prove to be a ferocious thorn in the eyes of those who brought your untimely death; your murder none the less!

Reply

6.
jimbo says:

September 17, 2011 at 5:06 am
The revolution will be blogged!

Reply

7.
jimbo says:

September 17, 2011 at 8:44 am
Diogenes can swing his lantern in broad daylight and not see an honest man:
"Officials Eye Madoff Role of a Lawyer
By GRETCHEN MORGENSON and LOUISE STORY
Published: September 16, 2011
Federal ethics officials are expected to recommend that the Justice Department begin a criminal investigation into actions taken by David M. Becker, the former general counsel of the Securities and Exchange Commission, who determined the agency's proposal for compensating victims of the Bernard Madoff Ponzi scheme when he had a financial interest in the outcome.
A possible criminal referral from the Office of Government Ethics is expected to be part of a report issued next week by H. David Kotz, the inspector general of the S.E.C., according to two people briefed on the report's contents.
Mr. Kotz began investigating Mr. Becker's role in reversing an earlier agency compensation plan for Madoff victims after the Becker family's $2 million Madoff

stake was disclosed publicly last February."
http://www.nytimes.com/2011/09/17/busine....inquiry.html?hp

Reply

8.
citiblonde1 says:

September 17, 2011 at 10:31 am
Hi Patrick.
Glad to see you're still fighting the good fight.
Since no one understood the insanity (and corruption) of
a bureaucratic quagmire more than Joe Heller, I
thought I would give a shameless plug for my
friend Erica Heller's new memoir about life with her Dad.
Yossarian Slept Here has received universal critical acclaim
and is a NY Times recommended book so I actually don't feel all
that shameless in recommending it to you and the readers of
Deep Capture. It's also the 50th Anniversary of Catch-22.
http://bit.ly/pT7DPX
Cheers,
Elaine

Reply

•
Patrick Byrne says:

September 17, 2011 at 10:38 am
Elaine,
Yes, I read a great review of your friend's book. I am also a great fan of Heller. I think about Catch-22 quite often. Especially Snowden's Secret.
Patrick

Reply

•
citiblonde1 says:

September 17, 2011 at 1:25 pm
Patrick,
Erica will be emailing you.
She tried a few times before
but your spam filter must have
been on high alert because it didn't go through.
You will recognize her by her screen name.
Elaine

Reply

9.
Nastiness says:

September 17, 2011 at 4:16 pm
bipartisan goons.
Install a light in the freezer.
a sarcasm font.

Reply

10.
jimbo says:

September 17, 2011 at 4:28 pm
Wallstreet protest begins:
This channel will feature live streams from global non violent revolution spreading across the globe, with the first broadcasts from Wall Street Occupation in NYC that will start on Saturday, September 17, 2011. The channel will also feature live stream from solidarity protests and events in Spain, Greece, France, Belgium, Iceland and other places around the gblobe
Live Video Reports and Content about the Global Revolution which started with the North African Spring, and is extending to every country around the World.
http://www.livestream.com/globalrevolution

Reply

11.
This is scary says:

September 17, 2011 at 5:53 pm
http://www.nytimes.com/2011/09/17/busine....ef=todayspa per

Reply

12.
pitchforkready says:

September 18, 2011 at 4:54 am
My son and I have been avidly reading and sending out links for friends to read. To date few have clicked and none has read every chapter as we have. I wondered why your delay in posting the next one and feared there were threats or worse that made you hesitate to continue.
After the collapse of the Soviet Union and the "end" of the Cold War, I felt sure the next *WAR* against the United States was going to be on the economic front. And I was right. Of course, some of the corruption hails from way before. But the "miscreants" renewed their efforts in a spectacular way, making the most amazing alliances! I have yet to see how this can be countered when all our "protection" agencies have been *captured,* our Treasury emptied, and the middle class financially raped.

Reply

13.
Anonymous says:

September 18, 2011 at 6:12 am
Do you feel dupped Patrick? Is Hatch now a enemy of the people?
Hatch turned to Mike Milken and said, "Thank God for the Milken Institute and what you're doing. You've been a hero of mine for many years. I think if more people like

you would get involved, we could bring a better spirit to America…and it's time we do that."
Michael Milkens tentacles are everywhere
http://www.michaelmilken.com/photos.taf?photo=250
U.S. Senator Orrin Hatch spoke at the Milken Institute in May 2010. A senior member of the Senate committees on Finance, the Judiciary and Health, Education, Labor and Pensions, Hatch gave a wide-ranging view of current public-policy debates in Washington. After his talk, Hatch turned to Mike Milken and said, "Thank God for the Milken Institute and what you're doing. You've been a hero of mine for many years. I think if more people like you would get involved, we could bring a better spirit to America…and it's time we do that." Watch an excerpt from Senator Hatch's remarks.

Reply

14.
Anonymous says:

September 18, 2011 at 10:06 am
Here Patrick, maybe Mark can use this in Global Bust out chapter 22
Though BCCI had retained a high-powered legal team to look after its interests in Washington, two of its most active lobbyists were Senator Orrin Hatch (R-Utah) and his aide Michael Pillsbury. Both made important approaches to Washington officials as part of BCCI's attempt to remove itself from further scrutiny following its plea of guilty to the charges in Tampa.
In late 1989 Pillsbury and prominent BCCI shareholder Mohammed Hammoud visited Swaleh Naqvi in London to offer Hatch's help. This was an unusual team. Pillsbury was the former deputy under secretary for defense credited with initiating the effort to obtain Stinger missiles for the Afghan Mujahedin. Hammoud was a longtime acquaintance of Hatch who had purchased Clifford's and Altman's stock in the Naqvi-engineered deal that brought the two men millions in profits.
After the plea bargain was announced, Pillsbury was able to arrange a meeting between Hatch and BCCI lawyer Ray Banoun, during which, Banoun told The New York Times, Hatch called a Justice Department official to lobby on behalf of BCCI.
The result of Hatch's contact with BCCI's lawyers was a speech drafted by Barcella, Wechsler, and Altman and delivered by Orrin Hatch on February 22, 1990, on the Senate floor. It was a ringing denunciation of Kerry and others who had criticized the Justice Department and the plea agreement.

Soon thereafter, Hatch received a warm letter from Swaleh Naqvi, who through Altman had simultaneously recruited Holland & Knight in Miami, who cited Hatch's speech to pressure Florida banking authorities into allowing the bank to stay open. Two weeks after the speech Hatch called Naqvi again, this time to encourage him to make a $10 million loan to Hatch's friend and business partner Monzer Hourani, a Lebanese immigrant from Houston, Texas….
http://www.kycbs.net/BCCI.htm

ty joye
