

*You don't need a new game to attract suckers; Dennis Greenman made out handsomely with a switch on an ancient scam.*

# The April Fool's Day massacre

By Jonathan Greenberg

**U**NTIL APR. 1, Dennis Greenman, 35, was widely regarded in Florida as a genius. Since Apr. 1, Greenman has been in seclusion in his quiet \$150,000 home in South Miami, Fla., under investigation by the FBI, the SEC and a court-appointed receiver.

Florida investors in his onetime high-flying "short-term trading portfolio," 400 of them, were in awe of Greenman's ability to produce "returns" of 85% on their money. Now they are wondering where their money went.

The court receiver is Hugo L. Black Jr., son of the late U.S. Supreme Court Justice. Black is looking for a missing \$10 million and has two well-known names on Wall Street—Paine Webber and A.G. Becker—more than a little worried. At the very least, they will come out of this highly embarrassed.

Dennis Greenman's pitch apparently dazzled even these staid old brokerage houses. He would track stock and bond trades on exchanges around the world and identify every situation where the same security trades higher in one place than another. He would wire a monstrous data processor to the world's exchanges and identify every arbitrage window, however tiny and however transient, in time to cash in on it. This, allegedly said Greenman, was the purpose of his Short Term Trading Program, equipped with a mighty computer and run by an inner circle of New York traders called the Committee of Ten.

Sounds great, doesn't it? Those 400 Florida investors thought so until April Fool's Day, when federal agents shut down Greenman's offices. Says one investigator, Greenman was running the oldest investment scam in



Receiver Hugo Black Jr.  
**Tracking down \$10 million.**

the world, a pyramid game. "It's kind of a play on the old Ponzi scheme," he explains. "The word spreads that someone got back huge profits while everybody was putting money in faster than it could be withdrawn." Most investors, in fact, never took their profits. They were content with monthly statements—on A.G. Becker or Paine Webber stationery showing their investment multiplying miraculously. To discourage their withdrawals, Greenman allegedly let it be known that, once an investor took his principal out, he would not be allowed back into the fund. Greenman was using a computer all right, says Black, but not to track the world's security markets as much as to track dozens of fictitious accounts used to document his clients' statements.

If Greenman was no ordinary swindler, neither were his victims ordinary investors. They included a bank president, the ex-controller of the state of Florida, a fundamentalist Christian college and the Boy Scouts of America. Altogether, they put \$53 million into the fund. Greenman reported it had grown to \$91 million in

two years. But when federal investigators checked the books, there were no profits and only a \$19 million portfolio—largely in oil stocks. Factoring in early payouts and commissions, the total accounted for comes to about \$43 million.

Only one person, perhaps, knows what happened to that missing \$10 million of the \$53 million originally invested—Dennis Greenman, and he is not talking. He has been absent from court during the hearings for a preliminary injunction, pleading the Fifth Amendment. When a FORBES reporter drove to his home and knocked on the door one night last month, Greenman appeared shirtless, and grunted "No comment" through a nearby window.

Dennis Greenman moved to Florida from New York City in 1977 to go to work as a broker at Merrill Lynch's Jacksonville offices. Overweight and rumped—"the opposite of a flashy dresser," recalls a former client—he obviously knew a lot about computers. His technical training began at the elite Bronx High School of Science in the 1960s and later he studied science and computers in college. In 1978, aged 32, he set up a "special arbitrage fund" at ML's Jacksonville offices, but within months he switched to Paine Webber in Miami.

If not a polished man, Greenman radiated sincerity and brains. By the time he moved to Paine Webber in September 1978 he had attracted a devoted following. Investors soon started getting monthly computerized Paine Webber statements, which showed annualized returns of 75%, 85% and even higher. How could anything be wrong? There was Greenman's obvious brilliance—how could a rumped character like Greenman be a con man?—and there was Paine Webber's reputation. Further, it could hardly be a pyramid scheme, they thought, because by 1980 Greenman wasn't even soliciting new clients. He told investors his fund was "closed." Of course, there was still one way to get a piece of the action: Join a limited partnership with one of his original clients, now known as "general partners," who would get up to 50% of the partnership's profits.

That did not daunt those limited partners who flocked to Greenman's fund by the hundreds. Then, quite suddenly, in May 1980 after becoming one of Paine Webber's top-yielding brokers, Greenman told clients he was moving his fund to A.G. Becker, a more efficient clearinghouse. Actually, he was at one remove from Becker, which does not have a Miami office.



Greenman's new affiliate was a tiny broker, Barclay Financial Corp., for which Becker was the clearinghouse.

Greenman's investors claim that they wrote out their checks to Becker, which authorized Greenman to set up a bank account in the Becker name and cash the checks at a Miami bank.

Barclay allowed Greenman virtual autonomy. He and his staff worked from their own office in Dadeland Plaza, a few miles from Greenman's home. Business was sensational. From May 1980 to March 1981 Barclay collected \$4.43 million in commissions generated by Greenman—98% of its revenues. Greenman's share came to \$2.62 million.

One of Greenman's most important general partners was a fundamentalist Christian attorney from Atlanta named Lynwood Maddox. Maddox let Atlanta's Christian community in on his good thing; he and his friends invested \$16 million in partnerships—\$2 million of it Maddox' money.

It was sheerest accident that Greenman was uncovered. One of his first investors was a Tampa businessman named Allen Wolfson. Enchanted with reports from Greenman, in May 1980 Wolfson arranged an \$8.5 million loan from Tampa's Metropolitan Bank & Trust Co. to set up another

Greenman limited partnership.

Unfortunately for Greenman, Wolfson was being investigated by the Tampa FBI and the Justice Department's Organized Crime Strike Force. They noticed that the 20% bank loan had been inflated by an agreement to pay \$100,000 per month for an option on the bank's building, allegedly a device to disguise a bloated interest rate of 34%. Wolfson, it turned out, had a dubious history; he had been convicted by a Tampa jury of bank fraud in 1978. (A year after he began restitution, the conviction was set aside.) That apparently had not deterred the bank from approving the loan. Metropolitan Bank Corp. President Donald Regar had invested \$100,000 in Greenman's fund himself.

The FBI, the Justice Department and the SEC started looking over Wolfson's investment. By March 1981 Greenman got nervous. He threw the Tampa investors out of the fund, paying them and a few others the \$19 million they had on account. But it was too late. On Apr. 1 the feds froze Greenman's fund and had him enjoined from spending any money or moving into the million-dollar home he had recently purchased. A federal judge named Black as a receiver.

When Black started digging, he

came up with some interesting revelations. For one thing, the broker's books on Greenman's fund were different from Greenman's. Greenman showed assets of \$91 million, while Becker's records showed only \$20 million. Adding in the \$19 million Tampa payout and commissions, there was still \$10 million missing, Black says. It is conceivable that Greenman lost (or even made) some money in his extensive options trading. But that is only conjecture.

How could Greenman persuade his clients the fund had \$91 million when Becker showed it at \$20 million? Easy. Greenman obtained "replicas" of blank A.G. Becker account forms, Black contends, and ran them through his own small computer, sending to his clients inflated balances on statements bearing fabricated account numbers. Greenman didn't miss a trick. He knew the Becker firm would send out genuine statements but saw to it that these were sent to a dozen post office boxes he controlled. He apparently would intercept the genuine statements and replace them with phony ones made out on what appeared to be genuine Becker forms.

What about Paine Webber? Did it discover what Greenman was up to and quietly kick him out back in May

Cleared and/or executed by A. G. Becker Incorporated 55 Water Street New York, N.Y. 10041 (212) 747-4000 Member-Securities Investor Protection Corporation					STATEMENT IN ACCOUNT WITH		DENNIS GREENMAN BARCLAY FINANCIAL CORP. 9300 S. DADELAND BLVD. #200 MIAMI, FLA 33156 (305) 661-1250	
PERIOD ENDING		ACCOUNT NUMBER	A.E. NO.	PAGE	SOCIAL SECURITY OR I.D. NUMBER			
SEP 26 80		588 02181	711	1				
LAST STATEMENT								

ACCT TYPE	DATE MO DAY	BOUGHT, RECD OR LONG	SOLD, DEL OR SHORT	DESCRIPTION	PRICE OR ENTRY	AMOUNT		MARKET VALUE	ESTIMATED ANNUAL INCOME		
						DEBIT	CREDIT		RATE	AMOUNT	
1	08 29			BALANCE FORWARD			3714,759.95				
1	09 05			CAPITAL DISTRIBUTIONS							
1	09 10			SHORT TERM TRADING PROGRAM							
1	09 12			CAPITAL DISTRIBUTION REINVESTED							
1	09 15	360000		JRL FM ACCT 588-02181							
1	09 15			CAPITAL DISTRIBUTION REINVESTED							
1	09 15			US TSY DUE 3-12-81 DTD 9-11-80		3413,736.00					
1	09 15			REP AGMNT US TSY DUE 3-12-81							
1	09 15			CAPITAL DISTRIBUTION REINVESTED							
1	09 26			CAPITAL DISTRIBUTION REINVESTED							
4		360000		***** POSITIONS *****							
2				US TSY DUE 3-12-81 DTD 9-11-80							
2				REP AGMNT US TSY DUE 3-12-81							
BALANCE BY TYPE						CASH ACCOUNT		MARGIN ACCOUNT		INCOME ACCOUNT	
OPENING BAL.						3714,759.95CR		.00			
CLOSING BAL.						1178,790.04CR		.00			
SHORT ACCOUNT						CONV. BOND ACCOUNT		OTHER TYPES OF ACCOUNTS		COMBINED ACCOUNTS	
										3714,759.95CR	
										1178,790.04CR	

One of Dennis Greenman's "statements" sent out last fall

**This computerized statement—a perfect replica—contradicts actual Becker records. The customer thought his \$4.59 million investment (shown as U.S. Treasury notes plus closing balance) had earned \$326,000 (shown as "capital distribution reinvested") in 28 days—an annual return of over 85%. He was wrong.**



1980? "Paine Webber swept it under the rug," Black says flatly. "It's about as dumb as what Nixon did." He has filed claims against both Becker and Paine Webber, charging them with failing to exercise due diligence.

Both firms deny it. "Our own investigation indicated that our firm should have no liability," says a Paine Webber spokesman. A.G. Becker? "There is no way that we could have known what he was doing," says Becker Vice President Suzanne Peder-son. "We had a responsibility to execute and clear trades for Barclay and we did that. Barclay was our customer—not Greenman."

These arguments don't sit well with the investors. "My funds went to Becker, came from Becker, and were to be accounted for by Becker," says Don MacLean, a former Jacksonville city councilman who, with friends, invested \$6.7 million. "Becker contracted for profit to provide the financial responsibility and they got it."

Of course, the investors could have discovered they were being taken for a ride by calling Becker to verify their account numbers and mailing addresses. This never seems to have occurred to them. Still, says Tom Tew, attorney for a number of the investors, "Becker's internal control should have noticed the fictional account numbers on the checks."

What was the purpose of all this double bookkeeping? Black says his records show that between December 1980 and April 8 of this year Greenman withdrew \$4.5 million from his Becker accounts. Black is certain that Greenman has the money, and he wants it all back.

Greenman is not talking, and his lawyer, Miami attorney Robert Paul, is not saying much. Greenman is co-operating in good faith, says Paul; he is not currently under indictment and could leave the country at any time. "But he has chosen to stay and straighten this out," Paul suggests that some of the blame belongs on the shoulders of the general partners. "There were 400 investors in the program and Greenman only knew 40 of them. I think there's a pervasive greed among these investors that is hard to be sympathetic with."

And Allen Wolfson, the investor with the checkered past who first brought the police to Greenman's trail? Wolfson got out whole when Greenman paid him off. But talk about double jeopardy! Wolfson put \$500,000 of the money in an unrelated computerized commodities trading scheme called the Chilcott Fu-

tures Fund, which promised returns as high as 100%. Still following Wolfson's trail, the FBI raided Chilcott June 15 and found that, while it was reporting assets of close to \$100 million, it actually had only \$6.3 million on account, with untallied additional millions in oil, gas and mining in-

vestments. FBI Special Agent Alfred Scudieri hints that yet another fund might be closed down soon. "Our first reaction to Greenman was that this whole thing was unusual," he said. "Now our opinion is changing. We're probably only scratching the surface." ■

*Some 270 million live in what are called the "least-developed countries." Their future looks worse than the present.*

## Poorest of the poor

By Desiree French

**H**ERE ARE THE 30 poorest nations on earth: 20 are in Africa, the others scattered along the ragged edge of the world from Yemen to Haiti. Some 270 million live in these 30 nations, with not much of a present and less of a future.

Life has not been getting better in the 30. Their economies depend on the food they grow—83% of the labor

force work the land. Worse, agricultural production per capita has decreased in the past two decades. In some cases total food production—not just per capita output—has actually fallen. In Ethiopia, for example, total food production dropped 16.5% between 1974 and 1979.

The Brandt Commission report, set up at the suggestion of then-World Bank President Robert McNamara, makes the point better than FORBES

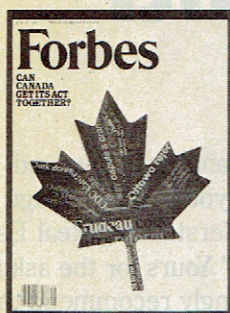


A sugar cutter in Haiti

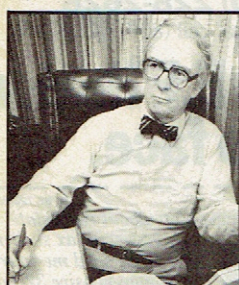
**Will help from outside be even harder to come by?**



July 20, 1981  
Volume 128,  
Number 2



**67 Cover Story:** "Canada is less a country than a collection of little worlds," says one member of Pierre Trudeau's cabinet. Now the glue that joins them is coming unstuck.



**35 Computer Scam:** A former Supreme Court Justice's son is determined to get to the bottom of it.



**40 NL Industries:** How Ray Adam turned lead into oil services.

## 31 Insurance: Where Are The Profits?

Universal life insurance is a new wrinkle that looks like a great deal for the customer but maybe not for the insurance companies.

## 32 Oil Companies: Who Needs Enemies?

Some of big oil's best friends live on Wall Street. So what The Street is saying now is a double shock.

## 34 Companies: Toronto-Dominion Bank

Aggressive Canadians make for good business—and unsettling thoughts.

## 35 Investments: The Great Computer Scam

You don't need a new game to attract the suckers; just wrap an old one in the trappings of high technology, and they will beat a path to your door.

## 37 International Affairs: Poorest Of The Poor

These are not "less-developed," they are least-developed. Their present existence is unimaginably bleak, their future probably even bleaker.

## 40 Companies: NL Industries

Getting the lead out of National Lead.

## 42 Companies: Square D Co.

Over and over again, Square D shareholders have had to give up short-term earnings in the interest of the long term. Over and over again, Mitch Kartalia has proven the wisdom of that strategy.

## 46 Housing: The Final Whistle?

After trying to sell their five-bedroom house in Fairfax, Va. for five months without a single realistic offer, Carilyn and John Redman decided to raffle it off. Ingenious? Sure, but also more than a little ominous.

## 47 Housing: The Bluebird Of Happiness

It's a second mortgage, to hear the bankers tell it. But a house is to live in, not to leverage.

## 52 The Up-And-Comers: Emerson Radio

Remember that famous old name? Its current owner is Steve Lane's cost-conscious little company, which sees a glittering prize ahead after "20 years of walking around turning off the lights."

## 58 Companies: Cleveland Wrecking Co.

Construction means destruction, which is just the way Bill Fenning likes it.

## 60 Companies: Denny's Inc.

When in doubt, don't panic.

## 65 Companies: Kellogg Co.

Hardly anything has as much snap, crackle and pop on its earnings report as cereal. But, to keep on growing, the autocrat of the breakfast table may have to settle for lower profits from something else.

## 67 Cover Story: Trudeau's Real Strategy

Those socialistic energy policies are not a real ideological leap to the left; they are ammunition in Pierre Elliott Trudeau's battle to keep his country from breaking apart.

## 75 Economics: Louis Kelso And The Two-Factor Theory

A man who upsets both Right and Left can't be all bad.

## 82 Taxing Matters: The Bounty Hunters

Like many a government program, the Targeted Jobs Tax Credit was a well-meaning idea that didn't work. That's where Roy Johnson comes in.

## 83 The Numbers Game: The Great Railroad Wrangle

It sounds like a vaudeville routine. But it's serious business.

## 84 Personal Affairs

There are tax shelters and tax shelters. In the oil business, some can get gooey. Also: How to stay out of the boneyard when you have been blindsided; how to incorporate yourself for fun and profit.