

AL'S EMPORIUM

Barry Minkow Still Gives 'ZZZZ Best' Effort

By AL LEWIS
A DOW JONES NEWSWIRES COLUMN

People with no conscience can do well in business -- at least until their schemes unravel.

Barry Minkow was one of those people.

"We could walk into a meeting...and I could tell a community of Wall Street investors that my company was profitable when I knew it was not -- and not blink," he said. "I was a thief and a liar and a crook."

Today, he's different.

"Today, if my wife asked me if I emptied the trash, and I forgot and I say, "Yes, I did," I'll run and empty the trash and then feel guilty, and confess that I lied."

He still lies. But now it bothers him.

"Just because I'm not committing securities fraud or perpetrating a Ponzi scheme does not mean that my life is not in dire need of constant improvement," he said.

Minkow now claims to have a conscience, a still-small voice that empathizes, chooses right over wrong, and discerns truth from delusion and deception.

I find it improbable that a renegade businessman can grow a conscience like a salamander grows a lost appendage. But some things about Minkow are improbable.

At age 16, he'd started a carpet cleaning outfit called ZZZZ Best Co. in his parent's garage in Inglewood, Calif.

Despite his youth and the low profit margins that such companies are known to generate, Minkow was able to take ZZZZ Best through an initial public stock offering in just a few years.

He claimed a net worth of \$90 million, drove a red Ferrari with a "ZZZZ Best" license plate, and appeared on Oprah as a Wall Street whiz kid.

As it turned out, though, Minkow booked as revenue the money he had borrowed from the mob, so he could borrow millions more from banks and investors. He forged thousands of documents and leased buildings that he staged as work sites when auditors wanted to check his work.

By age 23, he had been convicted of 57 counts of fraud involving securities, credit cards and the U.S. mail. A memorandum prepared by prosecutors for his 1989 sentencing described him as remorseless.

"You're dangerous because you have this gift of gab, this ability to communicate," U.S. District Judge Dikran Tevrizian told Minkow. "You don't have a conscience."

Minkow told me he didn't have a conscience because he "didn't know the Lord." A Jew, he found Jesus in prison.

After nearly eight years behind bars, he went on to Jerry Falwell's Liberty University, where he earned a master's degree in divinity. He then became pastor of Community Bible Church in San Diego.

In 12 years, he said, his flock has grown from 135 to more than 1,500. "The whole theme of the Bible," he said, "is that people can change."

At 42, Minkow said he is still making restitution payments. And he's making money doing all the things convicted felons are still allowed to do: preaching the gospel, giving motivational speeches, writing books, producing CDs, videos and Web sites, and helping law enforcement officials catch crooks.

Fraud Finder

In 2001, he started the Fraud Discovery Institute, where he profits by ratting out white-collar miscreants. Sometimes he shorts the stocks of companies he targets. Other times, people hire him for a fee.

This business model may seem ethically challenged to some, but news reports over the years credit him with uncovering about \$1.8 billion worth of fraud, many of it in multimillion-dollar Ponzi schemes. He's even received applause from the FBI.

Several executives of publicly traded companies have had to resign after Minkow uncovered fabrications on their resumes, including MGM Mirage's (MGM) former chief executive, J. Terrence Lanni, who stepped down in November.

"He has done some good things," Judge Tevrizian told CBS' "60 Minutes" in 2005. "He's uncovered several hundreds of millions of dollars' worth of frauds. And I give him credit for that."

James Asperger, the former federal prosecutor who put Minkow behind bars, said in a 2004 piece in Newsweek that "my view was that he had no moral compass. But now it appears he's turned his life around."

Last year, Denver attorney D.J. Poyfair represented Utah-based Usana Health Sciences Inc. (USNA) in a lawsuit against Minkow, who had shorted the multilevel marketing company's stock and begun trashing it online.

A court threw out most of Usana's claims against Minkow and awarded him nearly \$142,510 in attorney fees. Usana and Minkow then came to an amicable settlement on a remaining claim, and Minkow agreed to shut down his Usana Web site.

"I deposed him early on," Poyfair said, "and it became evident that he was going to do very well in front of a jury."

But does he have a conscience?

"Absolutely," Poyfair said. "I don't have any question about that all."

Now, Minkow is gunning for Lennar Corp. (LENB).

On Jan. 9, Minkow started a Web site, www.lenn-ron.com, and made a YouTube video, likening Lennar to Enron and alleged Ponzi-schemer Bernard Madoff.

Immediately after Minkow claimed that Lennar was "a financial crime in progress," Lennar's stock plunged as much as 28%. Lennar responded by denying Minkow's claims and filing a lawsuit accusing him of defamation and extortion.

A California developer named Nicolas Marsch III, who has sued Lennar over his partnerships with the home builder, is reportedly paying Minkow as much as \$100,000.

Lennar said in its lawsuit that Marsch "threatened to air [Lennar's] dirty little secrets if Lennar did not make an immediate payment of \$39 million."

Minkow said it's not true, and claims Lennar's lawsuit will only lead more people to suspect his claims are true.

"Why else would anybody care about what Barry Minkow has to say?" he said.

So far, Lennar stock has yet to recover. On Wednesday, it plunged lower, hitting \$6.16 before closing at \$7. That's 39% lower since the attacks began.

Also Wednesday, a San Diego court rejected Lennar's motion for a restraining order and injunction against Minkow's disparaging Web site.

Whether Minkow has grown a conscience is a matter of faith. But for Lennar, one thing is certain: He's still in business.

(Al's Emporium, written by Dow Jones Newswires columnist Al Lewis, offers commentary and analysis on a wide range of business subjects through an unconventional perspective. The column is published each Tuesday and Thursday at 9 a.m. EST.)

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