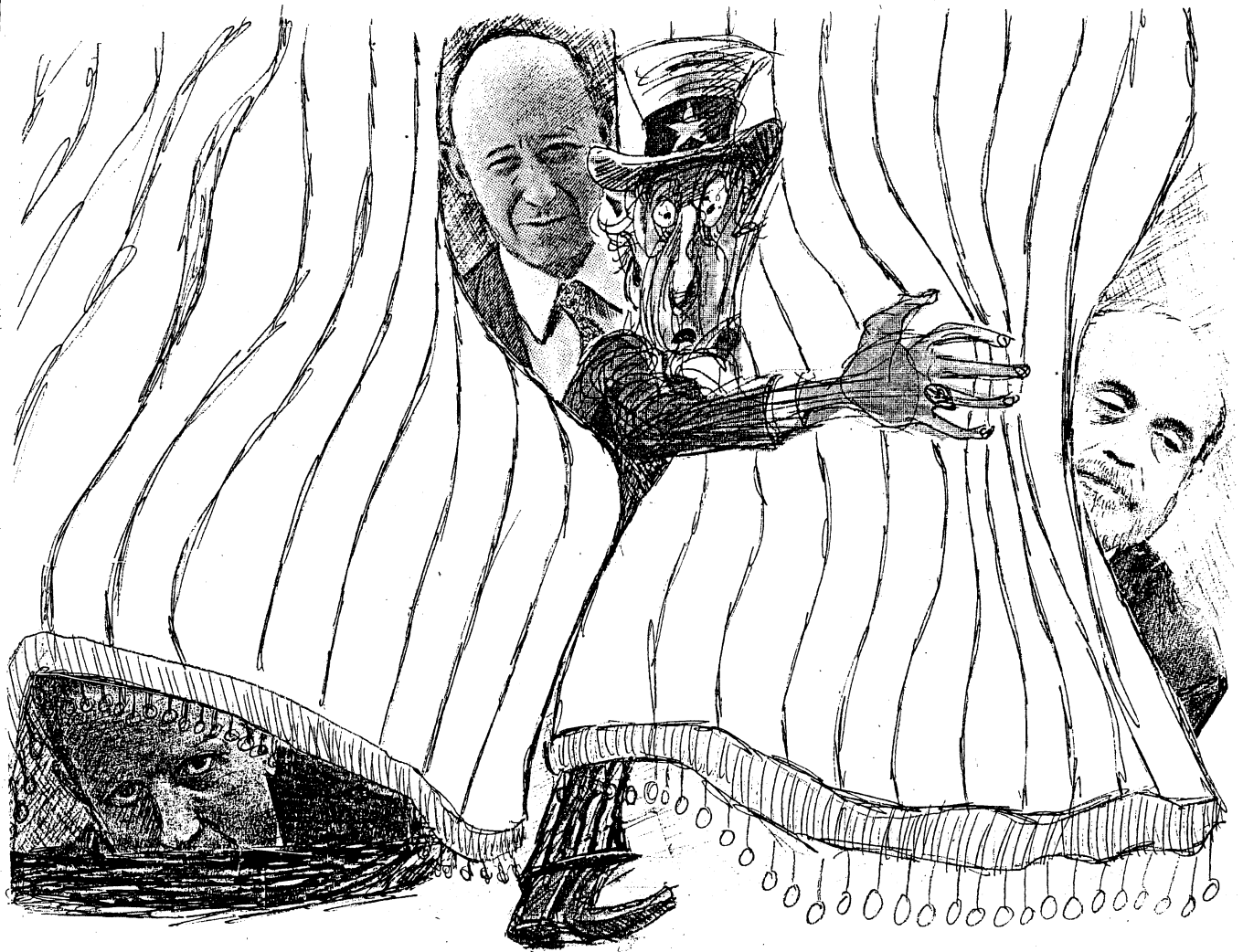


# Armstrong Economics™

## Behind The Curtain



## The Full Monty PART THREE

Martin A. Armstrong  
former Chairman of Princeton Economics International, Ltd.

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Comments Welcome: [ArmstrongEconomics@GMail.COM](mailto:ArmstrongEconomics@GMail.COM) (Internationally)

# The Art of

## POLITICAL MANIPULATION EXTENDS TO THE JUDICIARY

Never in my wildest dreams did I think that the American Judicial System had been so corrupted, that one stood a better chance of a fair trial in some Banana Republic. The SEC & CFTC in my case never bothered to serve Princeton Economics International, Ltd giving the company a chance to hire a lawyer. For you see, individuals cannot represent a corporation pro se (directly), for the Supreme Court has held that corporations can only be represented by lawyers, Rowland v California Men's Colony, 506 US 194 (1993).

The SEC & CFTC never took the time to ever serve the corporations and that by itself in a real court meant that there could be no case. Federal Rules of Civil Procedure 65(a) Preliminary Injunction (1) Notice. The court may issue a preliminary injunction only on notice to the adverse party. In the real world, they just illegally seized the companies' and would not allow any lawyer to represent them. Justice Stevens had written, "disposing of lawyers is a step in the direction of a totalitarian form of government." Walter v Nat'l Ass'n of Radiation Survivors, 478 US 305, 371 (1985).

The SEC & CFTC REQUESTED Alan Cohen by name. He was Judge Owen's former law clerk and personal long-time friend. They secretly negotiated illegally with Mr. Cohen who was now appointed as the receiver over foreign corporations, that there was also no jurisdiction to do and violated international law. They usurped the internal management of the companies that was as absurd as if Japan claimed General Motors violated their law and they put in a receiver and ran General Motors from Tokyo firing all the employees. They then had Cohen stand up on October 14th, 1999 and effectly pled the corporations guilty within about just 30 days. Alan Cohen was appointed as a judicial officer who was suppose to be as impartial as the judge himself. Here we have him illegally violating his oath of office and dealing with the SEC & CFTC in secret meetings. He even entered a written agreement whereby he illegally agreed to hide ALL non public evidence from myself and anyone on the company.

### §13(b) MEMORANDUM OF AGREEMENT

The Receiver and the JPLs acknowledge and agree that they shall not and they shall direct their respective agents and representatives not to provide any non-public information regarding Group or its Assets to Martin Armstrong, Martin Armstrong, Jr., Victoria Armstrong, any person or entity known to be under their direct or indirect control or acting in concert with any of them, any other former officer, director or employee of PEI or PGM, unless the provision of such information is either (a) agreed to by the Receiver and the JPLs, (b) required by applicable law, or (c) required by order of Either Court.

While at first I assumed this was the brainchild of the Government, as time went by, it started to appear that Alan Cohen was perhaps the real brains behind this whole sham. For he moved quickly searching for the investigative research that I had conducted for over 10 years. He was obsessed with getting control of that very damaging evidence, not to me, but to Goldman Sachs, and the "Club" as a whole. He went after my lawyers in New York, Mr. Martin Unger, and in New Jersey, Richard Altman. He threatened both with being thrown in jail on contempt of court if they did not turnover all the evidence I had given them to be held in trust for safe keeping after receiving death threats and a bullet was left in my mailbox.



Alan M. Cohen

## MANIPULATING THE SEC & CFTC

One of the interesting aspects of the Bernie Madoff case was the revelation that emerged from tapes where he was instructing another how to lie to the SEC. He explained that they were stupid and easily manipulated. The one thing that has shocked me more than anything, is the total incompetence of government attorneys. EVERY person I have spoken to from the press, to even William D. Cohan, asks the same question. **What are you doing here?** Any professional in the industry understands that the private notes were (1) purchasing pre-existing portfolios that were then liquidated and could not have been solicitations for managed accounts or else the Japanese would have had to report the loss taken when their portfolios were sold, which would have defeated the whole bail-out structure, or (2) were nothing more than Fix Rate Borrowing of Japanese Yen - known in the industry as the famous Yen Carry Trade. "There are no defaults." (Tr; 9/13/99, p15 Trenton, NJ 98-5018)

To illustrate how government attorneys seem to be mindless, on September 13th, 1999 before Judge Kaplan in New York City, the SEC and CFTC argued they needed a receiver, Alan Cohen, stating in open court, there were "significant yen positions in late August, in the hundreds of millions" of dollars (Tr; 9/13/99, p6, Line 14-15). Judge Kaplan asked: "Can either of you give me more specific information about the content of that account..." (Tr; p6 L5-7). The Government argued that they needed a receiver to manage these huge positions. So they put a lawyer in charge, not a fund manager.

"We would urge for at least those open positions that an impartial, an independent receiver needs to be appointed to make the decisions on those positions rather than Mr. Armstrong."

(Tr; page 7, L14-17)

Showing that SEC & CFTC attorney are either completely stupid, or just liars, a few pages later on the same transcript they argue I lost \$1 billion, that years later Republic had to repay since they illegally took funds & were illegally trading in the accounts, claiming that this loss was the result of:

"their strategies were extremely risky, that they lost a billion dollars in foreign currencies in yen and in index trading. They apparently were not hedged."

(Tr; pages-13-14)

If one borrows yen, he must repay yen. Hence, you convert the yen to dollars to capture 6-7% in interest rates compared to 0.1% in Japan at the time - hence the Yen Carry Trade. When it comes time to repay the borrowing, one takes the dollars and buys yen for the repayment. The SEC & CFTC obtained their receiver Alan Cohen who either did not understand what he was doing, or intentionally attempted to now create a loss.

The SEC & CFTC argued they needed a receiver to manage hundreds of millions of dollars in yen positions. This was the HEDGE and this proved that their allegation that there was a loss because there was no hedge, is just beyond understanding when they argue there are positions in yen that requires a receiver.

Since Alan Cohen becomes head of Goldman Sachs Global Compliance, then you would have to assume he understood the nature of the yen positions was a neutral hedge. So what did he do? The first act of his appointment was to sell all the yen positions converting a hedge into speculation. He lost at least \$100 million in the first 30 days. He then blames that loss also on me. If Alan Cohen had been just a ordinary lawyer, I would expect he did not know what he was doing. But since he is the man who is in charge of ALL international transactions and GLOBAL COMPLIANCE for Goldman Sachs, he MUST have known what he was doing and deliberately liquidated the hedge to try to create a loss to blame me for.

Alan Cohen was clearly requested by name by the SEC & CFTC and as things developed, it appeared that this was far more than just being friends with Judge Richard Owen. Alan Cohen was at first a partner in O'Melveny & Myers, LLP, a firm often linked with various members of the "Club" in New York. The head of the SEC who made that selection of Alan Cohen, then leaves the SEC and is made an immediate partner at where? O'Melveny & Myers, LLP. The last time this took place, the Second Circuit Court of Appeals use to be an honest court. They vacated the case because it was a conflict of interest for the SEC director to request a specific law firm for a receiver, and then take a job at that same firm. Of course, it is not that the law has changed, it is just that the judges no longer enforce the law when it does not benefit their friends.

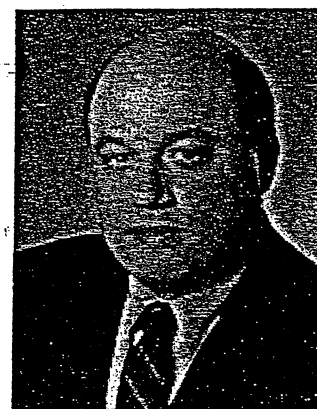


Andrew J. Geist a Partner at O'Melveny SEC Head of Enforcement

After Alan Cohen throws me in contempt, confiscates all of the evidence against the "Club" over my objections in public on February 7th, 2000, guess where he now goes? Goldman Sachs as head of Global Compliance. So now we have the head of the SEC NorthEast Region who started the case and requested O'Melveny & Myers, LLP, who becomes a partner sharing in all the legal fees taken from the company to pay for the receivership, and Alan Cohen becoming head of Goldman Sachs Global Compliance. You would think that he should now resign from the court as receiver? But no, he continues to work for Goldman Sachs and simultaneously is in charge of running Princeton Economics In't, Ltd.

The main lawyer at O'Melveny & Myers LLP who is doing the day-to-day operations, then makes it clear that they are also now looking for the model. He appears to now lie to Martin Weiss who was willing to "rent" the Princeton Economic Institute to keep the publications and research going, trying to get him to pay \$50,000 to move one portion of the office, but never had any good faith intentions of allowing the publications to continue. On October 3rd, 2000, an employee of the Institute James Smith came to testify with a proposal in hand from the Department of Energy requesting we construct a model since we were forecasting oil would rise to \$100 by 2007, from the current \$10 level. Everyone objected from the SEC, CFTC, Alan Cohen and Tancred Schiavoni from O'Melveny & Myers, LLP. It became very clear, they were conspiring to shut down the Institute at all costs. Schiavoni in an email to Martin Weiss now admits he wants the source code to the entire model or he will shut down the Institute.

"So that there is no misunderstanding, we are going to ask the Court direct that any compensation payable to Armstrong, Sr. by Weiss be deposited into a frozen escrow account pending a determination of title and compliance relevant portions of the PI. In part, we are doing this because Armstrong Sr. has refused to turn over the uncompiled source code for the model that is being licensed. Without the uncompiled source code, no one can repair the model other than Armstrong. Accordingly, it looks like Armstrong structured the 'consulting' agreement to benefit indirectly from a corporate asset that he has withheld. Among other things, we are concerned about leaving him in a position to constantly blackmail Weiss who have no other choice but to turn to Armstrong to maintain the software as long as it remains missing."



Tancred Schiavoni

While Shiavoni is demanding the computer model now from Martin Weiss' lawyers at Hecht & Steckman, P.C. (see below), the overall strategy was to simply (1) lie to create a case claiming the accounts in Philadelphia at Republic New York Securities were the property of investors that did not exist, and (2) keep me in jail on contempt for life if possible denying counsel, right to appeal, or even a trial. For you see, they knew what they were doing from the outset, and I believe this was to use the Government to seize all investigations that would have exposed the organized manipulations and to stop all forecasting that prevented the "Club" from targeting selected victims. For you see, in the criminal complaint filed on September 13th, 1999, the Government admits that the private notes were UNSECURED and were either fixed rate borrowings of yen (MEANING NO TRADING COULD POSSIBLY BELONG TO ANY NOTEHOLDER ANY MORE THAN BORROWING MONEY FROM A BANK MAKES YOU A FUND MANAGER FOR THE BANK), or were a variable rate note given in return for the purchase of a toxic portfolio. If the accounts belonged to a client, then they would have been SECURED notes, accounts would have been in their name, and statements would have been sent directly to them since at best we would have had just a LIMITED POWER OF ATTORNEY that never existed.

CRIMINAL COMPLAINT \$5c

c. Some of the notes are issued in the name of the purchasers and others are issued in the name of Cresvale-Tokyo as a nominee for the purchaser. Some of the notes pay fixed and others pay variable rates of interest. Although all of the documents I have reviewed to date indicate that the notes are unsecured, repayment of some of the notes are guaranteed by PEI.

Just three months before my case started, the Supreme Court reversed the Second Circuit and the same court, the notorious Southern District of New York, instructing then that when a transaction is UNSECURED, there was NO JURISDICTION to seize anything because there was no title that was undisputed. That meant that ONLY a trial by jury could determine whose property was whose - not a judge, Grupo Mexicano v Alliance Bond Fund, 527 US 308 (1999). However, we have no rule of law because there is no way to force any court or judge to obey the law. The Supreme Court is just irrelevant. They cannot enforce anything they decree. It is all just a fictional world in which we live.

The Government conceded not only were the notes UNSECURED, but most were never issued and were merely journal entries on the books of the registered broker-dealer in Japan that they claimed I owned 100%. That meant, all notes were 100% insured by the Japanese government to whom we had to put up \$5 million for that insurance. This meant it was I, the broker-

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Via Facsimile (316-2068)

November 1, 2000.

Tamara V. Schiavoni, Esq.  
O'Melveny & Myers LLP  
152 East 53rd Street  
New York, NY 10022-4611

Re: Principes Economica Institute

Dear Tanc:



RE: Principes re: license stipulation  
1/2/01 8:54:25 PM Eastern Standard Time  
TSchiavoni@OMM.com (Schiavoni, Tamara)  
tschiavoni@OMM.com (Max200@ol.com)  
tschiavoni@OMM.com (Schiavoni, Tamara)

that there is no misunderstanding, we are going to ask the Court that any compensation payable to Armstrong Sr. by Weiss be paid into a trust escrow account pending a determination of title and since relevant portions of the Pt. in part, we are doing this because Armstrong Sr. has refused to turn over the uncompiled source code, no one that is being licensed. Without the uncompiled source code, no one can repair the model other than Armstrong. Accordingly, it looks like along structured the "consulting" agreement to benefit indirectly from the asset that he has withheld. Among other things, we are asking the Court to leave him in a position to consistently blackmail Weiss w/ "code" but to turn to Armstrong to maintain the software.

Mr. Schiavoni  
November 1, 2000  
Page 3

Mr. Weiss is  
Schiavoni and  
Receiver and the  
checklist of certain  
the November 10 is  
that list by tomorrow

trib001

dealer was the victim since it was responsible in Japan. The SEC, CFTC, US Attorney and the receiver all manipulated the entire facts to get to Princeton at all costs. The Wall Street Journal conducted its own investigation in Japan and published an indepth account on August 9th, 2000 where they had actually confirmed that these allegations were false, without understanding the actual government position. They wrote:

"Armstrong called one [note] 'the rescue product.' Companies TRADED in a losing portfolio of stocks, bonds and other assets for a 'Princeton note,' redeemable several years in the future for the portfolio's original, higher value."

Wall Street Journal, August 9th, 2000

The Wall Street Journal confirmed that these were NOT solicitations for managed accounts. The Japanese were NOT investing in some speculative product. They sold their portfolios for a note - that was it! When the Japanese filed suits against Republic restating the government allegations that they created, suddenly they reversed themselves and magically now told the truth that there was no management.

"The credit review report described the various Princeton entities' accounts at Republic Securities as accounts owned by the Princeton entities, all of which were 'owned and controlled' by Armstrong, not by any Noteholder. There is not a word in the report to the effect that Armstrong, much less Republic Securities, had undertaken any obligation to third parties to keep the assets in each account separate. To the contrary, the essence of the report is that Armstrong had every right, as the person with authority over each Princeton entity account, to do as he wished with the assets in those accounts, which were described as the proceeds of loans obtained by Armstrong and his Princeton entities. "

Republic National Bank reply to Yakult & Marusen

So what we have is nothing but a fraud to illegally seize Princeton Economics. Since from the first day on September 13th, 1999, they admitted that the notes were all UNSECURED meaning they NEVER could have been an account belonging to a noteholder and there was no solicitation to open managed accounts or to invest in a fund where profits flowed back to them. If Alan Cohen did NOT know the alleged structure was FALSE and there was no crime any more than borrowing money from a bank converts you into a fund manager for the bank, then how is this guy head of GLOBAL COMPLIANCE for Goldman Sachs?

MISREPRESENTING EVEN THE SEGRAGATION OF ACCOUNTS

The SEC deliberately lied about accounts stating I "promised them that their investments would be kept safe in segregated accounts." (Tr; 10/14/99, p24, L17-22). This was a lie pretending the accounts were managed accounts when the whole issue of segregation was that we would ensure Republic would not take the funds and lend them out overnight where they did not require notice to me under US law. This is why we rolled the cash in T-notes. In the criminal plea, the script the government had me read stated "that their monies in those accounts would be separate and segregated from Republic's own accounts" not account A from account B that did nothing since SPIC insurance would be \$500,000 at best. The issue among professionals, was US banks lend money overnight and do NOT in any way disclose that risk in advance. Professionals understand what goes gon. The Japanese were purely concerned about Republic taking funds and losing them overnight where there is no insurance. **THIS WAS THE WHOLE RISK!**

**THE GOVERNMENT ADMITS THAT THEY ALLEGED ONLY WHAT  
REPUBLIC NATIONAL BANK TOLD THEM WAS THE PRETENDED CRIME**

In Footnote 1 of the Criminal Complaint, we find an amazing statement by the US Attorneys calling into question whether or not these people are even competent in the field of finance. For here they completely screw up the fact that the private notes borrowed yen, paid 4% in yen, and repaid yen. The "Club" deliberately lied telling them we paid up to 24% more, not 4%, by calculating the notes in dollars. That is like taking a dollar loan, recalculating each payment in Mexican peso, and then charging the fraud in peso rather than in the currency of the transaction.

Notice that this states "attorneys for Republic Bank ... have analyzed" the notes. They took yen transactions and recalculated everything in dollars and then told the government there was a crime using the differences in dollars without ever explaining what they were doing was playing a shell game with the currencies.

"In at least some instances, it appears that the actual rate of return on the fixed-rate notes is far greater than the simple interest rate stated on the face of each note, For example, I have been informed by attorneys for Republic Bank that they have analyzed one note's actual rate of return is in fact approximately 24 percent -- nearly 20 percent greater than the 4 percent interest rate stated in the note."

**Criminal Complaint, p5, fn 1**

This is just unimaginable. Here we have people with the power to destroy any major company or even indict the President of the United States. Yet there is no qualification that demands they understand the subject matter of what they allege crimes to have taken place. You just can't keep switching back and forth between currencies to create crimes that did not exist. If you contract to buy your home in dollars, and the dollar falls now by 50% against the euro, under their theory, the bank can now demand you pay twice the dollars because they recalculated it in euros.

**ALAN COHEN LIES TO KEEP THE CONTEMPT GOING**

The night I was thrown in jail for the next 7½ years on contempt of court when the statutory maximum on civil contempt is 18 months under 28 USC §1746, the partners in Princeton Economics group had their own lawyer there to observe. When he saw I was being railroaded, he left and told everyone not to come to the United States for they would never get a fair trial. Out of an alleged \$3 billion fraud, I was thrown in prison for \$1.3 million they claimed was missing.

Justice Alito himself had previously held that in order for there to be a fraud, the alleged amount had to be 5-10% of the gross in order to meet the "general materiality criteria." In re Westinghouse Securities Litigation, 90 F3d 696, 714 n.14 (3rd Cir 1996). Even the SEC regulations state "the misstatement or omission of an item that falls under a 5% threshold is not material." SEC Staff Accounting Bulletin No 99, 1999 WL 1123073 (SEC Release No SAB-99). I was thrown in prison for less than .002% of the alleged fraud as Judge Owen stated that there was "1.3 million out there somewhere." (Tr; 99-Civ-9667, p198 L5-6).

The SEC, CFTC, and US Attorney all knew that Alan Cohen had created a contempt on something that was absurd. \$1.3 million was too small to sustain the contempt. They got rid of all the lawyers on April 24th, 2000, SEC v PEI, 84 FSupp2d 443 (SDNY 2000). Now it would be easy to lie to the newspapers and the courts. One of the partners Nigel Kirwan had put in an affidavit regarding missing assets alleged by the Receiver that had been distributed nearly 2 years before the case began.

With no lawyers, I had no contact to have challenged what Alan Cohen told the court. He said Kirwan had never signed any affidavit. Judge Owen stated in court:

"Of course we've got a lot of funnies in this case like with Mr. Kirwan who gives us an affidavit ... [but] he's asked to give the signed copy he never gives the signed copy."

(99-Civ-9667; Tr; 8/16/00, p30)

This is how they raised the contempt from \$1.3 million to \$15 to impress everyone that now this was serious money. Liars who tell so many lies are always caught because they can't keep them straight. Alan Cohen compelled Nigel Kirwan to a deposition in Australia, of course denying me counsel or notice, in the Supreme Court of New South Wales on Friday, 27th April, 2001 (Docket SCC1105-NV-A1). On page 88 of this transcript they then show Nigel Kirwan this affidavit they told the court in New York and the press he had **NEVER** signed to boost the contempt from \$1.3 to \$15 million. Kirwan is asked:

Q: I will get you to identify the document first - I think your signature appears on the last page?

A: Yes.

Q: And that's a declaration you made in relation to the proceedings that are in the United States/?

A: Yes, that's correct.

For you see, again, here is the **DOCUMENT PROOF** that Alan Cohen all along had the **SIGNED** declaration/affidavit of Nigel Kirwan and he deliberately lied to the court to get the contempt raised from \$1.3 million to \$15 million. And this is the guy who is the **HEAD OF GOLDMAN SACHS GLOBAL COMPLIANCE!**

**INDEPENDENT WITNESSES EXIST THAT THE CONTEMPT  
WAS DELIBERATELY USED AS TORTURE & COHEN SIDED WITH REPUBLIC**

This manipulation of the entire Judicial process does not end there. It became clear early on that Alan Cohen was in my belief just corrupt. When I tried to explain the transactions, he abruptly states, we believe Republic. It was clear that they were planning on just defrauding the Japanese entirely, and blame it on me letting Republic walk away with the cash. Against advice of counsel, I agreed to give interviews to the Japanese press and got out my recommendation that they file suit in the United States against Republic or they would not see a dime. The Japanese filed suits, and that then changed the game.

The Government was now trapped. They wanted to desperately shut down Princeton Economics that I believe Rubin had some input into, yet they could not give back the money Republic took. They kept me in jail on contempt so I could not move to trial and bought time to try to figure out a way from this mess. A BOP officer at MCC had sat in on a telephone conversation between Dominic Reha, counsel for the BOP, and AUSA Brian Coad. She asked what they were suppose to do with me being I was there on civil contempt. The US Attorney's Office replied: "We are trying to break him. He is probably innocent. Republic's documentation is so bad we can't prove a case at trial." After this conversation, the staff member came to me and personally apologized for my treatment.

**REPUBLIC NATIONAL BANK GET IMMUNITY FOR ITS DIRECTORS  
IN RETURN FOR GIVING BACK \$606 MILLION WHICH IT HAD STOLEN  
TO COVER-UP THE PARKING OF TRADES IN THE ACCOUNTS FOR THE BANK AND ITS OWN STAFF  
ILLEGALLY TRADING IN THE ACCOUNTS OF PRINCETON ECONOMICS INTERNATIONAL, LTD**

Republic finally agreed to return the money and plead guilty and the deal was now cut that the bank and all its senior directors, were given **ABSOLUTE IMMUNITY** from any criminal prosecution. They agreed to return \$606 million, benefiting from the currency swing. The government handed them about \$400 million in profit that belonged to Princeton Economics, its partners, and employees.



After years of being denied resources, I finally got one of the real experts in the country, **Michael M. Mulligan**, founder of FCL advisors of Great Falls, Virginia who has been an expert in some of the biggest cases in America regarding finance. He immediately pointed out that "[s]ince the obligations on the Princeton Notes were Yen denominated" the ultimate determination was not dollars, but the dollar/yen exchange rate. (Letter to the Court dated February 27th, 2007). He points out that the "Receiver apparently does not consider the conversion rate." He went on to point out that **Alan Cohen** "has not consistently incorporated trading information into their analyses."

He goes on to point out that where the Receiver claimed there was a \$283 million loss, that Republic's own audit showed the same period was a \$14 million gain. He then states plainly, "from Republic Bank of NY show that Mr. Armstrong's trading record reflected gains as late as February 1998." He then states clearly:

"Our limited review of the accounts in question has always caused us heatburn as the number of trades, cancelled trades and other information about Republic Bank of NY's internal controls - or lack thereof - as well as findings in other ancillary proceedings suggest that Republic or its agents were defrauding the Princeton accounts."

Ibid. (Page 2)

He then points out that the government had withhold evidence for years and refused to provide the accounting. "I now think I understand why - after six years of working on this case - none of our production requests have been answered."

"[W]hereas the Government has been alleging significant trading losses attributable to Mr. Armstrong, other documents suggest that at least as of February of 1998, the relevant Princeton accounts reflected gains. Third, based on the documents provided to us by the Government, it is questionable why Mr. Armstrong would have pled to a crime that may not have occurred."

Id./page 3

If the courts will NOT investigate the conduct that takes place, who can ever now trust a single thing in any federal court? There is nothing to suggest that when there is a mistake, that it will ever be corrected. The problem that exists, the "**Club**" just owns the Government and the courts and there is nothing anybody can do about it.

ALAN COHEN LIES AGAIN TO KEEP THE CONTEMPT GOING FOR 5 MORE YEARS

It is very clear that Alan Cohen and thus Goldman Sachs, deliberately lied to the American public and the entire world if not the Judiciary, to keep me in jail for life if they could, denied any trial, lawyers, right to appeal - anything that is remotely believed to be a fundamental American right. They effectively argued for the repeal of the Constitution of the United States and again misrepresented even the allegations. **Alan Cohen** personally lied to the court telling it that there were now huge losses that took place prior to the allegation that were not included in any complaint or indictment. For Republic agreed to make ALL noteholders whole in order for **ABSOLUTE IMMUNITY** for board members to walk away scot-free. So Cohen now told the court there were other losses, pre-1995 when business with Republic began. But the alleged false Net Asset Value letters were not issued by Princeton nor myself, but Republic. So if there was some new fraud that took place BEFORE Republic, then who issued false Net Asset Value Letters? **NOBODY!**

**ALAN COHEN:** Losses that occurred in the Prudential period and at the period at Republic prior to the first false NA[V] letter [by Republic] are not embraced within the restitution of HSBC because obviously they weren't in the predeposition period, they weren't involved in it, and in the period before the false NA[V] there is no as description of criminal liability.

(Transcript; 1/7/02, p17, L1-4)(99-Civ-9667)

In 2004, the criminal prosecution now revised the indictment because of a Supreme Court decision Blakely v Washington, 542 US 296 (2004) that said everything had to be in the indictment. There was no new charge claiming anything to do with a new fraud pre-1995. The statute of limitations was 5 years, and was up in August 2004 (1999+5). So if there was any new fraud, the Government had the opportunity to allege it, but did NOT! This meant that what the Receiver Alan Cohen told the court to keep me in prison on January 7th, 2002, was a lie. To make this point even clearer, in 2005, the Prosecutor in the criminal case stood up and admitted there were no new victims, and made it very clear, that they were now seeking a criminal restitution from me to be paid to Republic and its new owner, HSBC. So if there was any victim remaining, why did the Government say they were all made whole as per the deal it made with the "Club" after getting their hand caught in the cookie-jar back in 2002?

AUSA ALEXANDER SOUTHWELL: So to be clear, in the event of a conviction, we will request, your Honor, that there be an order of contribution reimbursing ultimately HSBC, who basically made good and paid out these losses for whatever reasons that they did. They compensated the victims ... We frankly think that there is money available, which is part of the reason why Mr. Armstrong has been held in civil contempt..."

(SDNY 99-Cr-997)(Tr; 6/24/05, p11-12)

**C** may be the first letter in conscience and club, but the later possesses nothing of the former. They have manipulated the government and made real fools out of judges if they did not participate willingly. The entire legal structure was designed to prevent precisely this sort of ruthless conduct. There is suppose to be an indictment by the GRAND JURY. Here it was Cohen claiming there was a second fraud pre-1995, with nothing but words. He has shown the world, there is no rule of law in America.

To make matters worse, Republic National Bank after pleading guilty, intervened into the criminal case to enjoin me from sharing any evidence with the American public and the alleged Japanese victims. Judge Lawrence M. McKenna granted that motion. So all the evidence against the "Club" was to be sealed and the American public would not be allowed to see it. If I was the criminal, the law states I could get MORE time if I did not help the victims. Here we have a court ordering I was not allowed to help the victim against Republic National Bank/HSBC at all!

It still gets better. the "Club" did its best to stop my access to the press and that seems to be continuing. It turned out that Alan Cohen obtained also a court order that any telephone call I made while in prison was to be recorded and sent to him. All my conversations with Gretchen Morgenson were recorded and sent to Cohen as he was at Goldman Sachs. Marcus Vetter, a European documentary film-maker, wanted to fly in to Fort Dix to interview me - DENIED!. William D. Cohan who wrote House of Cards was trying to get in to see me to interview me for his upcoming book on Goldman Sachs. After a tremendous difficulty, he was finally allowed in for 1 hour. They came to break it up on the dot, and wouldn't even let me say good-bye without remarks. He asked me, "Can Goldman Sachs control inside the BOP?" The answer is obviously YES because Allan Cohen is still acting as an officer of the court despite being the head of Goldman Sachs' Global Compliance.

One must ask based upon this documented court record, if Cohen would lie to the court to keep me in prison on contempt for 5 years AFTER Republic made everyone whole, then what is he capable of as head of Global Compliance? Is Goldman Sachs telling the truth about ANYTHING? Keeping me in prison on contempt for 5 years to turnover assets to pay victims that did not exist, is a real FRAUD. Even at the criminal sentencing, yes I was ordered to pay \$80 million in restitution, but then given full credit for what Republic paid \$606 million, leaving me with NO restitution at all!

# THE SECRET CYCLE

What gets more complicated is the model. Gretchen Morgenson with Louise Story wrote a front page article in the New York Times on December 24th, 2009, showing how Goldman Sachs was constructing products in the CDOs and then betting against their own clients after selling them. This evolution in the complete breakdown of ethics that has made the Investment Banks, lies at the core of this entire barbaric conduct of the "Club" where there is no loyalty to anyone. Before they even ask about a product, the first question is - "What's in it for me!"

The one thing I have learned in the past 10 years that distinguishes a **CRIMINAL** from a decent person, is that a low-life does nothing for any other person but himself. If he begins with that premise, I understand why he is in jail and that he is typically guilty. Ethics and decency do not go into the consideration of this sort of person. They are true **SOCIOPATHS** who will do nothing for society and care nothing about what others even think about them. The bottom line, they do not place any value on reputation. For such things are irrelevant.

It appears that the anonymous tip that Goldman Sachs gathered everything from our offices possible, may in fact be true. For you see, Goldman Sachs wants to claim they are the smartest and the brightest. It is very curious that when our model then was warning this cycle was the big one for real estate, they created the ABX index on real estate that just so happened to peak precisely to the day on February 26th, 2007 (as did the Japanese Nikkei 225 among other things). With Alan Cohen running the full entity of Princeton Economics International, Ltd, he had access to our research and in my desk were even my personal notes on this 2007 peak and how it was 51.6 years from the start of the real estate boom in 1955. Gretchen Morgenson wrote:

"Worried about a housing bubble, top Goldman executives decided in December 2006 to change the firm's overall stance on the mortgage market, from positive to negative, though it did not disclose that publicly."

New York Times, 12/24/09, B4

Did Goldman Sachs deliberately seize everything, stop the Institute from publishing, so it could have an inside track on this manipulation without fear of Princeton Economics jumping up and down and warning their own clients that they sold deliberate toxic portfolios to? One thing for sure. If Princeton Economics were still publishing, a lot of institutions would never have bought that nonsense. The press still ran stories calling the crash the interesting title: "Armstrong's Revenge!" The fact that SEC stated everything was then destroyed in the World Trade Center collapse, but who knows what was stolen before?



BY NICK PAUMGARTEN

The New Yorker Magazine - Oct. 12th, 2009

## EVERYONE KNEW ABOUT THE MODEL

As I will explain later on, even the Department of Energy wanted us at Princeton Economics to construct a model for them on oil prices after we put out our long-term forecast in 1997 that oil would hit \$100 by 2007. The ONLY people who wanted our model silenced, were members of the "Club" for they saw this as competition insofar as it was educating their potential victims.

The former Chairman of the SEC, Christopher Cox, testified before Congress at Congressman Waxman's Oversight Committee. He was asked by Congressman Issa, "should the Congress bring to bear additional resources ... [to create] predictive modeling..." (Tr; p122, L2933-35). Keep in mind that the entire investment community began to try to create models post-1986. Mr. Cox replied:

"With respect to modeling all of the risk in the system, I suppose at some point you run up against the problem of trying to create such a level of exactitude that you rebuild the whole world in all of its complexity. That is probably an aspiration that we ought not to have."

SEC Chairman Cox, p124, L2999-3003.

Congressman Snow asked whether we should have some sort of a model instead of flying by the seat of our pants.

"I share the basic thrust of your question here, which is can't we do better? Can't we find ways to do better? It seems to me, and this is retrospective, the question is leverage in the system. When loans and debt gets to be some fraction of GDP, it probably ought to send off some signals, because GDP represents the earning power, the debt represents the obligation.

Congressman Cooper talked to us about future obligations that vastly -- that rise at a very significant rate relevant to the GDP of the United States. That sort of thing in rough and ready terms we should be able to model and have signals go off."

Congressman Snow, p125, L3016-3027

The very structure of the Princeton Model was far beyond anything created by any other firm. The sheer cost was massive not to mention the data collection that was necessary. Most firms did not want to spend tens of millions to create something that mapped the entire world. Cox knew precisely what that model structure was for he states it would require a model "to create such a level of exactitude that you rebuild the whole world in all of its complexity."

Indeed, even Time Magazine recently commented on the model's forecasts calling them "eery" because of precisely this "exactitude" of which Cox spoke. No doubt he will deny he was referring Princeton's model, but that is not very credible after the events of October 3rd, 2000 and a whole court hearing on closing down the model by stopping the publication of all forecasts requested by the SEC.

The SEC and CFTC have clearly crossed over into Erebus, where they are no longer alive protecting the Constitution and the American people, but not entirely dead for they go out of their way to protect the Investment Banks at the expense of the world economy and stability among nations. They are just not trustworthy.

\*TIME Magazine 11/30/09, p30

# it

is one thing to be a market-maker who builds a business by providing a honest service for clients, and another to be a predator feeding on your own clients who trust you.

Gretchen Morgenson I have regarded as one of the best investigative journalists in the United States. She has a nose for the financial industry, and she has done a great service investigating this entire mortgage mess. Her latest article on how Goldman Sachs appears to have deliberately constructed products to implode and thus by betting against their own clients, they would reap rewards that would have made them historical profits beyond imagination.

The troubling aspect of all of this is that the very people that created the worst financial implosion since at least the South Sea and Mississippi Bubbles of 1720, and perhaps since the meltdown of Rome during the 3rd Century, are deeply entrenched in advising government or are appointed positions in government.

Gretchen points out that Goldman Sachs did let a select few in to buy short positions in the mortgage market - namely Paulson & Company, Magnetar and even Soros Fund Management.

Gretchen also pointed out, in "just five months after Goldman had sold a new Abacus C.D.O., the ratings on 84 percent of the mortgages underlying it had been downgraded."

There is something inherently wrong to create products designed to fail. It is completely in character to assume that in fact Goldman Sachs and others acted in bad faith and created products they knew would fail. Of course, in the American system of justice, there is plenty of fact to criminally indict those who had a hand in such a scheme. A jury's purpose is to decide the validity of the claims both pro and con. But Goldman Sachs is far too big and powerful to indict. You will never see NY eat its own like that.

What must be understood about this whole game, is that the Investment Banks are now into everything. They are predators who just roam the landscape looking for profit, and they care less about the law. They have a sort of Political Immunity that goes far beyond the "too big to fail" category. By infiltrating every sector, and now the head of the CFTC is ex-Goldman Sachs, one must ask, when will Goldman Sachs take even the White House?

How can there be any real investigation when countless people occupy bureaucratic posts and/or are advisors? Is a real full scale investigation possible? I seriously doubt it.

Gretchen pointed out that "[f]rom 2005 through 2007, at least \$108 billion in these securities was issued ... [a]nd the actual volume was much higher because synthetic C.D.O.'s and other customized trades are unregulated and often not reported to any financial exchange or market."

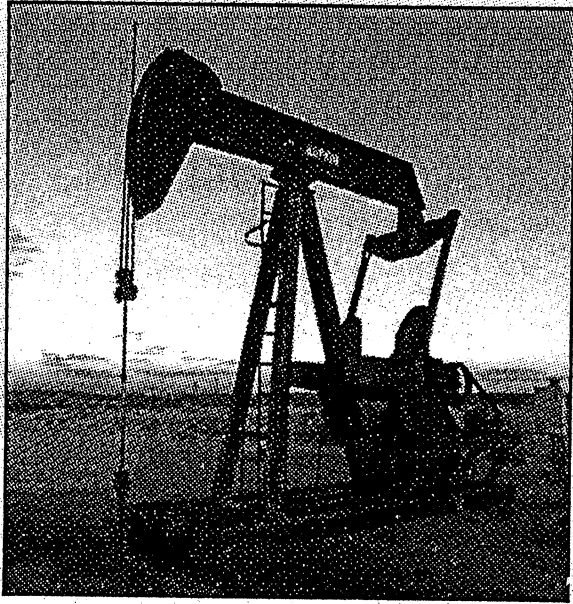
It is interesting that Hank Paulson scared the hell out of Congress demanding \$700 billion to fix the problem. There is something seriously wrong underlying this whole market manipulation.

The real estate market was the largest investment sector in the economy. People who do not invest in stocks, bonds, commodities, look to their home equity as savings and that was going to cover their future. This is what these guys screwed with. This is the the one area that now sets the tone for the prolonged economic decline.

Often, each generation gets burned. This is the baby-boomers. Their parents had two World Wars and the Great Depression. If anything, it looked like they escaped that fate and would go down as the only generation to beat the wheel of fortune. Then came the Crash of 2007.

This is why I was focusing on this 2007 turning point being 51.6 years from 1955. The next 8.6 year target brings us about 51.6 years from the Kennedy Assassination that was followed by the '60s love fest and the '64 tax cuts.

We are headed into the storm. Each of these waves has a different focus. This one was real estate.



# The Oil Manipulation

The Housing Bubble was the nightmare from hell that will most likely lead to a prolonged economic depression in that sector for 26 years from the 2007 high. But there was another Bubble being run by the "club" and that was in oil.

The "club" prefers commodities. They know this field and have less competition. But do not misunderstand that they take a bear market and flip it into a bull market, when not even they can pull that off with their political contacts & games. The cycle must be going in that direction. What they end up doing, is building their own ego by this nonsense that they can actually create a market trend.

Their attempt to get Princeton Economics into their fold to control the information simply failed, it became all out war between them and myself. We put out a major forecast in 1997 when crude oil was about \$10. We had warned that our major long-term forecasts on oil would show it should rise and hit \$100 by 2007. Most forecasters would never even say such a thing. But we were specialists in long-term forecasting and it was never once that I can recall wrong.

When my case began in 1999, Judge Owen was confronted by an inconsistent problem. The Department of Energy requested that we build a model for the country on oil given our forecast was taken seriously among the real movers and shakers. On October 3rd, 2000 James Smith came to court with the proposal. The SEC, CFTC, US Attorney, and Alan Cohen

the Receiver who was Goldman Sachs' head of global compliance, all objected. They insisted that the employees be dismissed, thrown out the door, and the Princeton Economic Institute be stopped from making any forecasts. The senior people were Katherine Gresham at the SEC and Nancy Page at the CFTC, with Brian Coad at the US Attorney's Office.

They were adamant about stopping any and all forecasts, even though I was in jail on contempt of court, they wanted the employees stopped as well. James Smith came to court to take the stand and testify that what they were doing would be beneficial to the government. It was to protect the American people and this was coming as a request from the Department of Energy.

Judge Owen refused to allow James Smith to testify in public. He ordered that the employees be stripped of their jobs and thrown out on the street denying even their pensions. They had me in jail. But that was not good enough. The SEC and CFTC clearly wanted to aid the wishes of the NY Investment Banks and meant stopping our forecasts and to hell with the consumer. This could not sink to a lower level of corruption as far as what I believed. There was no reason to stop Princeton Economics from helping the people of the United States. The only reason I could imagine, was to help the market manipulators and that it did. When crude oil bottomed at \$10.35 on Dec. 21, 1998, it rallied into Sept. 30th, 2008 reaching the \$147.27 level. But it was Goldman Sachs who was forecasting then oil was headed to \$300. With no model, Princeton was silenced.

It is impossible to compel any market to move in the opposite direction of the trend. The presumption that anyone can turn a bull market into a bear market or in reverse, is just absurd. Look at Japan. At the peak of the Nikkei 225 in December 1989, the Japanese Postal Savings Fund was the largest pool of money in the world - about \$1.5 trillion. That vast amount of money was employed by the government of Japan to manipulate the markets. They tried desperately to support the NEKKEI and failed. They used the money to bailout banks and to try to further manipulate the economy and the stock market, they lowered interest rates to about 0.1%. Even that had only the effect of sending capital out of the economy to earn 6-7% rates of interest in the United States creating the famous **Yen Carry Trade**.

Every effort by the Japanese Government was made to manipulate the market and the economy. That failed completely creating what most people now call the **"Lost Decade."**

If government cannot by sheer will with vast amounts of money reverse a bear market, then obviously neither can the private sector even banning together. The **"Club"** is not that smart to understand what is really taking place, for they too bath in the glory of their own perceived power. They are like the fool in the corner who cracks jokes that are not at all funny, yet he delights in his own applause. They can clap all day like a toy monkey who sits on his box, yet they fail to see the consequences of their own stupidity.

The **"Club"** takes markets pointing in the direction they want to make a market and then they fuel the engine. What is possible is to enhance a cyclical trend. In other words, it would be possible to mitigate a decline on a percentage basis easing the fall just as it is possible to over-shoot where a market would have gone on the upside. This is what was done to oil.

Even **Warren Buffett** had to publicly then admit that he bought **ConocoPhillips** at the very top and that was a "dread wrong" decision. But this is suppose to be the **"Oracle of Omaha"** who bought the market at the very high like a first time novice. In my opinion, anyone who has long-term trading experience should be able to smell a high. What happened?

It is one thing to get a small trade dead wrong. But when markets are bubbling and you are at 300% higher than the last major high of 1980 at \$40, I cannot imagine an experienced trader buying the top. It just makes no sense. If you cannot smell that type of a bubble top, then you cannot have any trading experience that I know of.

The curious other factor is that at the same time analysts in the **"club"** were not saying \$200 oil, but \$300. I don't care who he is, that kind of a forecast must be supported with detailed research, not just wild stories and opinion. There is something seriously wrong with stories of glory.

The **"Club"** has bought analysts ever since the days of Henry Kaufman and Salomon Brothers. It started to get suspicious that certain forecasts would be made and you saw on the floor Salomon taking the other side.

This is one of the reasons why I and Princeton Economics International, Ltd, had become such a threat to the **"Club"** for we were too big to buy, and we were not for sale. Government needs studies to support various spending projects. They will also pay firms for predetermined studies. This is why we donated our research to all governments with no charge refusing to accept any payments whatsoever!

The forecasts claiming oil was now going to go to \$300, were plants. There is no question the **"club"** would have been big sellers as soon as that rush to buy came into focus. That was their exit strategy. They never get into a trade without having a clearly laidout exit strategy.

The danger we face is that the government will go down in flames long before they will ever admit that they have aided the **"Club"** or been manipulated by it. They are like the Catholic Church in denial. They will kill those who try to expose what they have done to our future. This is not Capitalism, it is corruption.

The **"Club"** will not trade fairly. They have to have an edge. They are not the smartest nor the brightest bulb in the box. They are just good at rigging the game. That is where it ends.

There is much ado stirred up over the oil market and how the fundamentals did not reflect the prices movements. There was no decline in supply, and demand had actually begun to decline. **Goldman Sachs'** analyst **Arjun Murti** took on the mantle of being the "oracle of oil" as he was named by the **New York Times**. He was touting \$200 oil in what professionals call "talking your own book." This whole thing about broker-dealers who produce research but control what is said is a disgrace to the forecasting field. This is precisely the same thing that took place with **Henry Haufman** who was the analytical voice of **Salomon Brothers** helping to make them known as the "King of Wall Street" back in the 1980s.

Once the house becomes one of the biggest speculators in the market, somehow this is not an ethical position to be in where the bucks of the firm is used to influence the media to pay attention to their analyst and then quote him all the time that benefits the house position.

There should be regulation that separates research from brokering. The primary reason why I rarely gave interviews and not about the markets in general, was because the client made it clear they were paying the big bucks and didn't want to see it given out for free by the Wall Street Journal. This had also the effect of securing integrity and reliability for there was no doubt in the mind of a client that the forecast was being somehow influenced by another hidden agenda.

The brokerage houses should offer to pay the fee of any research the client signs up for with no restricted list of certain favorite analysts. For that would allow the same problem with court appointed lawyers. To get on the list, you must play ball with the government. Most court appointed lawyers have never won a case in their life as a court appointed lawyer. The same corruption will infiltrate research has to be approved by the broker. Then to get on the list, the analysts will still be pressured to talk a pre-approved game-plan.

**Merrill Lynch** in 1985 had a client who was trading gold and created the biggest one day lost in history up to that point in time - \$25 million. He did not trust floor brokers and would not use stops. He refused to listen to brokerage house advice. I got a call from

**Merrill Lynch** in Geneva. They offered to pay my full hourly rates to (1) advise this client, and (2) teach him how to trade. They even agreed to pay for my air time and all expenses to please do the project. You have to keep in mind that in 1985 the largest futures fund was about \$100 million. So this client lost in one day about 25% of the biggest hedge fund on a single trade.

I flew to Stadt and was given even an office from which to remain in contact with the world. Beside the downhill skiing and the parties that had head of state and ministers from around the world, there was a chalet filled with original works by Picasso that hung over the sofa, Renoir's Little Girl in a Straw Hat over the mantle, sculptures by Rodin and a Marie Antoinette chandelier just in the living-room. This was oil money. But the key, **Merrill Lynch** wanted the business and wanted to see him profitable to sustain that business long-term. He wanted someone independent who he could trust. They paid the bill for he may have been the biggest futures trader post-World War II. (for the details you will have to wait for the memoirs).

**Matt Taibbi** reported in his **Rolling Stone** article, that **Goldman Sachs** had the **Commodity Trading Futures Commission** in its pocket. He explained that in 1991, **J. Aron** argued that they were a big trader and thus needed to also hedge oil. The **CFTC** granted this status, which was indeed showing how the regulators bend-over-backwards for the "Club" at all levels.

To exceed exchange limits, one must go through a serious review demonstrating that you have real product. I had to go through that in Platinum for Onassis. I had to show physical holdings. I had to show also I had the funds to cover the whole position at any time. **Buffett** in his \$1 billion silver buy, was done under the table and outside the country. This would have required a massive investigation and exchange limits would never have allowed such a position.

**J. Aron** had one of these exemptions in oil when it was **NOT** a hedger. Why would the **CFTC** allow this to take place? **Taibbi** explained that not only did the political appointed boss at the **CFTC** remain in the dark, but so did politicians.



## NEW YORK CRUDE OIL WEEKLY

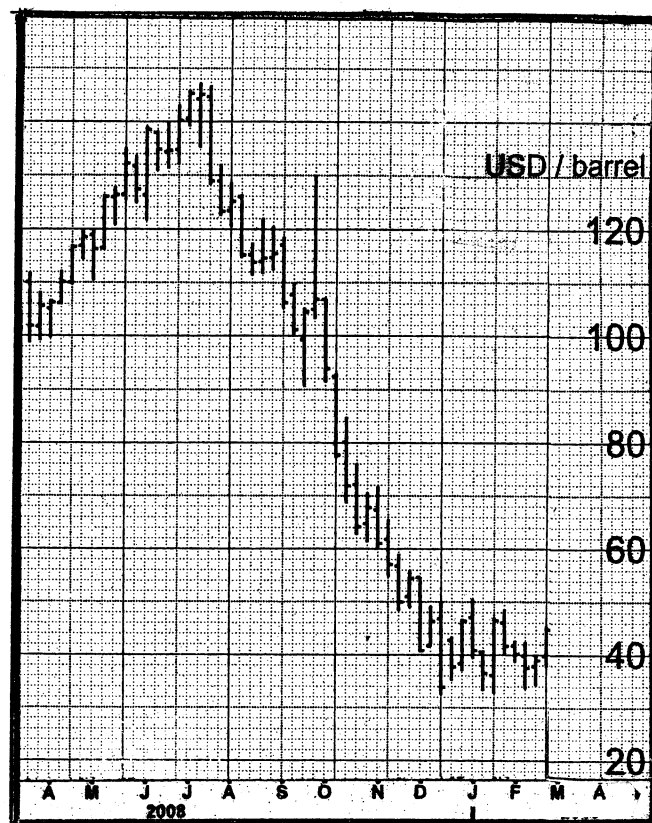
Taibbi explains that it was at a hearing where **CFIC** lawyers let it slip. "Yeah, we've been issuing these letters for years now." When Congress asked to see these letters of exemption, they said they had to ask the permission of **Goldman Sachs** to reveal them. The **CFIC** refused to produce the letters until **Goldman Sachs** approved.

**Goldman Sachs** had been obtaining these hedging exemptions for speculation. That was completely defeating the entire purpose of trading limits. What bothers me is that here we have the **CFIC** accusing me of "manipulating the world economy" trying to force the full disclosure of all our clients outside the USA on the theory that by merely advising people that they all did whatever I said, and thus I would constructively exceed these trading limits that now justified destroying the company and imprisoning me for life if they could, when they were creating hedging exceptions for the "Club" when there was no such hedging to begin with. Was it really that they thought I was honestly manipulating the whole world, or was it that the advice we produced interfered with the objectives of the "Club" that they seemed to protect at every level?

The tell tale sign that the crash in oil was in fact the result of a **CONTAGION** gone wrong, is the complete collapse with such a massive decline in such a short period of time. First, **Buffett** buys oil at the top and every fundamental he claims to rely on was not supporting a sustain \$150 oil price. If he bought at the top, either he is one of the worst traders I ever saw, or he was buying into a game he believed was going higher even when the fundamentals were showing nothing that support such a move.

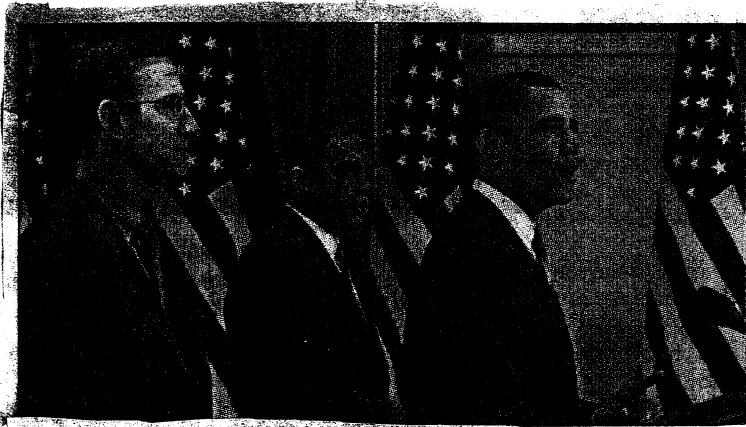
This collapse took place because it was the same identical crisis that took place in **Long Term Capital Management**. They lost in Russia, so they sold everything else to get cash. Here too, the loss in CDS debt market cascaded causing a rush to get cash and the massive liquidation of oil position.

The collapse in oil was massive and it was the result of the CDS collapse that ran through everything just as what took place with the Russian collapse and **Long-Term Capital Management**. These positions are all becoming interrelated.



Above we have the Weekly Chart on Crude Oil and we can see a sharp and clean 23 week decline. The high took place on July 11th, 2008 at \$147.27 with the low forming on December 19th, 2008 at \$32.40. While the decline for the first 3 weeks was 18.3%, this still suggests that there was not a complete meltdown. The late spike rally from about \$90 to \$130 in late September 2008, has all the hallmarks of some game playing. Notice the decline in October become very pronounced. This is in line with the sheer collapse and the hunt to raise cash. This second phase is a 12 week decline (2x6 on the Volatility model) that is where the real meltdown took place. This drop was 75.07% in just 12 weeks. **THAT DID NOT TAKE PLACE EVEN IN THE GREAT DEPRESSION!** It took from September 1929 until July 1932 to fall nearly 90%. Here we have a collapse that is by far perhaps one of the sharpest declines in history.

This type of decline is indicative of certainly not professionals, but of a sheer panic. The complete decline is nearly 79% in 23 weeks (5 months). This is a **CONTAGION** representing massive liquidation of unrelated investments in a portfolio.



President Barack Obama, with Office of Management and Budget Director Peter Orszag, left, and Deputy OMB Director Rob Nabors, discusses his \$3.6 trillion fiscal 2010 budget.



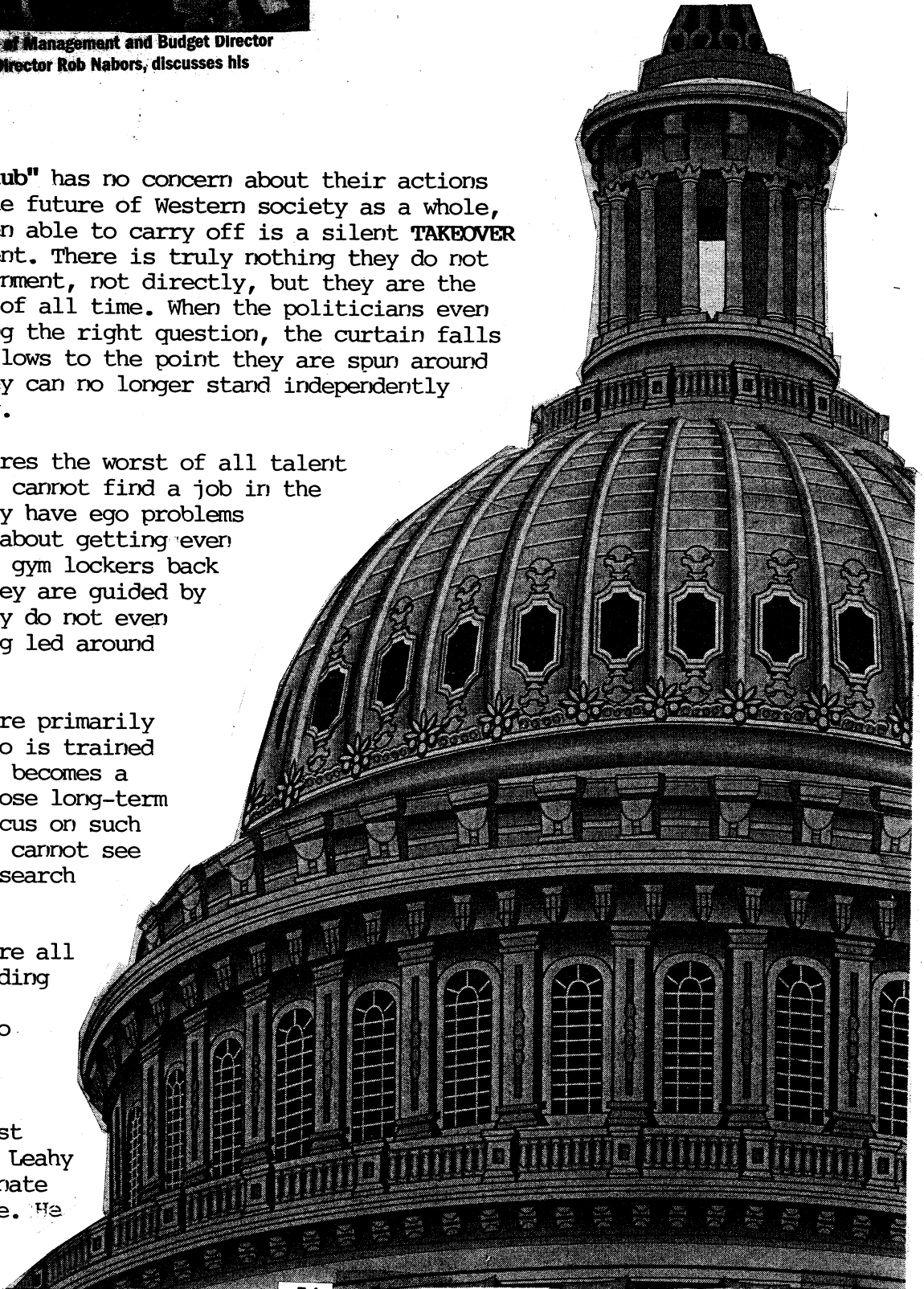
# Manipulating The Bailout

While the "Club" has no concern about their actions with respect to the future of Western society as a whole, what they have been able to carry off is a silent **TAKEOVER** of the US Government. There is truly nothing they do not control with government, not directly, but they are the great con-artists of all time. When the politicians even get close to asking the right question, the curtain falls and the bullshit flows to the point they are spun around so many times, they can no longer stand independently for they are dizzy.

Government hires the worst of all talent for either someone cannot find a job in the real world, or they have ego problems and are concerned about getting even for being jamed in gym lockers back in high school. They are guided by the "Club" and they do not even know they are being led around by the nose.

Politicians are primarily lawyers. Anyone who is trained in the law quickly becomes a word-smith. They lose long-term perspective and focus on such myopic detail they cannot see the future with a search light.

Politicians are all incapable of defending the people and our future, for they do not even see their role as protecting the country of ALL the people. Try just writing to Patrick Leahy Chairman of the Senate Judiciary Committee. He will not respond but to a Vermont voter.



If politicians **ONLY** represent those in their home state, then why is Patrick Leahy the Chairman of the Senate Judiciary Committee who then blocks judicial investigation of the corruption into the Judiciary for the rest of the nation? This is the structural flaw that has destroyed our very idea of a **Democracy**. There is no one defending the people. Politicians are far too fragmented to do the job. These posts running the major committees must be elected positions, not a politician from a state or district. To run for such a position, there **MUST** be qualifications. For example, I know what I am doing in foreign exchange, but I have no idea about being a brain surgeon. How could I sit as the Chairman over some Health Committee with no experience whatsoever?

We need elected posts with term limits. In other words, we elect the **BUREAUCRACY** and that is the head of all departments. There is a term limit to one appointment, and no election should be subject to any private contribution. The revenue of the government must pay for all elections. Stop the buying of any influence. This would (1) prevent the "**Club**" from spinning any committee, (2) would prevent donations that buy political appointments such as Secretary of the Treasury. There would be no succession of CEOs from **Goldman Sachs**. And above all, we would get rid of this clever view of politicians that they exercise the **NATIONAL POWER** but do not answer nationally to anyone. That allows corruption to keep a particular senator in place in say Vermont and that then controls the entire Judiciary. This is a system doomed to corruption and manipulation.

It is a disgrace that **Henry Paulson** was able to convince the Congress and Bush that if they did not put up \$700 billion to save the **INVESTMENT BANKS**, a depression would unfold. Worst still, he tried to slip in **IMMUNITY** for all Investment Bankers. This was an insult to a Free Society. Worse still, he got absolute discretion by pitching certain dooms-day views and what he would do with the money, and then didn't do anything he said he needed it for! All he did was sure up the trading positions of **Goldman Sachs** and the "**Club**" without any concern about commercial banking, lending, or the collapse in housing prices that the "**Club**" helped to take to insane levels of speculation creating a Bubble-Top that is now likely to last for up to 26 years from the 2007 high. They wiped out the savings of the baby-boomers!

## MANIPULATING THE BAILOUT

**Goldman Sachs** clearly was in trouble. The entire manipulation game came back to haunt them. By leveraging the entire economy through housing, they left no room to hide elsewhere. They began to show their "**ace in hole**" in September 2008.

The animosity between **Lehman Brothers** and **Goldman Sachs** dictated the "**discretion**" of **Henry Paulson** to let the **ONLY** independent Investment Bank who stood up to **Goldman Sachs** collapse. **Paulson** let **Lehman** fall as well as **Bear Stearns** who had refused to chip in for the "**Club's**" bailout of **Long-Term Capital Management** when they were not part of the Russian scam. It makes no sense that **AIG** and **Goldman Sachs** were too important to let fall and a massive depression would unfold if the government did not put up \$700 billion. Yet the only real competitors to **Goldman Sachs** **Lehman** and **Bear**, were not important enough and their fall would not create a depression. Quite frankly, had **Goldman Sachs** gone down because **AIG** went the same way as **Lehman** and **Bear**, I dare say, the result would have been no different insofar as there would have been no massive depression. It was all bullshit!

The bailout could have taken place quite routinely. Just as in the Resolution Trust days of the S&L Crisis, all the mortgages should have been sold at market value to one new fund. The people should have been able to participate and buy shares in the fund and made it tax free. Just as we did in Japan and others, you buy the toxic portfolio taking out of the company with a decade or more to pay for it. But in the American case, it should have been bought at market value and close **Goldman Sachs** and **AIG**. Instead of paying 100% to **Goldman** owed to it by **AIG**, some \$33 billion, **Goldman** should have been paid at market value, the assets put into a new fund with shares open to public sale. There would have been no foreclosures. The profits would flow to the new shareholders, and end of story. But no! **Goldman** would not survive. **Paulson** had to protect his personal investment in **Goldman Sachs**. The SEC would call that **INSIDER TRADING** for anyone other than **Goldman alumni**.

The next day **AFTER** he let **Lehman** go down, he announced \$85 billion bailout to **AIG**, and they immediately paid **Goldman Sachs** 100% just giving them \$13 billion.

The incestuous relationships among the Goldman Sachs alumni, started to bubble-up again. After the quick Goldman Sachs/AIG bailout, since other creditors of AIG did not get 100 cents on the dollar, Paulson then announced his \$700 billion bailout of the Financial Industry he called Troubled Asset Relief Program (TARP), and put in charge a 35-year old Goldman alumni named Neel Kashkari who was a unknown and has shown no special qualifications in banking.

Goldman Sachs then pulls off one of the greatest shell games in history. To qualify for TARP and to be able to get FDIC insurance and the right to now borrow from the window at the Federal Reserve, they announced that they would now convert from and INVESTMENT BANK regulated by the SEC, to a banking holding company.

Goldman Sachs can now do what no other speculator can do - they can borrow from the Fed to speculate! But Goldman gets much more out of the deal. The Federal Reserve was not subject to Congressional audits! That meant that Goldman could borrow to speculate and give some bullshit excuse to the Fed, and nobody would ever know because Congress could not even audit the Fed. By March of 2009, the Fed lent or guaranteed \$8.7 trillion under a new bailout program that nobody could even look at and audit.

Goldman got away from the SEC and was now to be regulated by the New York Fed where it had its own co-chairman Stephen Friedman in place. How could Friedman be co-chairman inside Goldman Sachs and simultaneously be the head of the New York Fed? To keep both roles, he was given by the government a special conflict-free waiver. There was no public hearing on this. Who hands out such things? With this waiver in pocket, he went and purchased 52,000 shares of Goldman Sachs. Friedman stepped down in May 2009 and was replaced by another alumni, William Dudley.

Goldman played fast and loose with its accounting by changing its fiscal year just as funds were coming in from AIG. They left December 2008 as a singleton since the previous fiscal year ended November 30th and the new one began January 2009. They avoided the whole month of December and their year over year numbers would omit December. This now let them report a \$1.3 profit.

Effectively, Goldman Sachs called the bailout money profit. It paid out \$4.7 bil in bonuses in that 1st quarter and used the inflated numbers to sell \$5 billion in new shares. Taibbi portrayed this part of the shell game as Goldman borrowed \$5 billion by issuing new shares to pay \$4.7 billion in bonuses.

Tabbi points out that Goldman Sachs was most likely getting inside information since it issued this fund raising as shares of \$5 billion 2 weeks before TARP came out and said that is precisely what they needed to do to meet the stress test. So Goldman cooked the books with what appears to be plain old insider information. They changed their fiscal year to boost their numbers, and then did a fund raising before anyone knew that these would be the requirements of TARP. The alumni came in handy.

Goldman Sachs once again has key people in strategic places. At the US Treasury, the chief of staff Mark Patterson is an alumni. The new head of the CFTC who is suppose to regulate derivatives, is Gary Gensler who was Goldman's co-head of finance.

The real question is this. Since Goldman Sachs pays such outrageous bonuses, why in God's name would any senior staff leave for a government job that pays next to nothing? Something is seriously wrong with this whole picture. But Goldman Sachs contributed about \$4.5 million to the Democratic Party and it gave President Barack Obama almost \$1 million for his campaign.

Tabbi says the next bubble being now constructed by Goldman Sachs with its inside track into Washington is the Global Warming Bubble aided by the Democrats who will try to create the next scam being led around by the nose of course with the string attached to the purse of Goldman Sachs.

We MUST end political contributions. ALL elections should be funded by taxpayer money period! We cannot afford this nonsense any more. We will be reduced to wearing just sackcloth unless we get political reform and fast.

RON PAUL - THANKS FOR YOUR EFFORTS WITH FEDERAL RESERVE. IT IS NOW TIME FOR A SPECIAL PROSECUTOR. THIS IS MORE IMPORTANT THAN WHO MR. CLINTON HAD SEX WITH! OH YA! PS: NO ALUMNI!



## BEHIND THE CURTAIN

### THE COLD FACE OF REALITY

There are going to be people who will be screaming at the top of their lung about what I have just written. The louder they yell, the more they have to hide. It is time we stop the nonsense. **WALL STREET** is **NOT** corrupt and it pains me dearly to see the industry that I grew up in, tarnished and hated by so many around the world because of so few.

I cannot remain silent while some of the best fall because of the corruption that lurks **BEHIND THE CURTAIN**. I know my history well, and it is this sort of damage that is the leading cause for people to turn to Marx or call out the tanks against the people who have no recourse in a modern judicial system that has lost its constitutional role.

No matter the time, there are some who will do anything for money. I am amazed that someone who will cheat you for such a small amount, shows their true nature. For you see, obviously their own self worth and integrity is worth less than what they try to take. There is always a critical cyclical nature to these events because people just never change. This leads us to the realization of what I call the **Paradox of Solution** because the very thing that came out of the Great Depression was that stock dealing/speculation/investment, had to be separated from banking and insurance. Robert Rubin lobbied to abandon that regulation. We now see what the consequences have been. But the true **Paradox of Solution**, Goldman Sachs, the Investment Bank, became a bank putting back in place, the very system that was seen as leading to the cascade failure of the Great Depression. Will this be wave two?

## The Return of The Paradox of Solution

We have created the very system that existed in 1929 as the solution to what has taken place in the Crash of 2007. Neither **Hank Paulson** nor **Ben Bernanke** understand that what they set in motion, is the very source of the next disaster. They were only focused upon saving the investment bankers, not the economy. They wrongly assumed that as goes **AIG** and **Goldman Sachs**, so must go the economy as a whole. **Lehman Brothers & Bear Sterns** failed, but the sun still came up. I dare say that that if **AIG** and **Goldman** failed, someone else someone else would have stepped to be the new Investment Bankers and Insurance provider. They were **NOT** too big to fail **NOR** were they critical to the survival of the world economy. This was scare-tactics to save **Goldman Sachs**.

The Investment Banks today are no different than the investment trusts of the 20s. They are professional trading operations who have managed to scare the hell out of the administrators and academics who lack trading experience. I see the same identical problem be it the over-leveraged scheme buying \$10 million in debt and leveraging it to \$100 million that was marketed by Merrill Lynch and blew-up Orange Country. Then there was the Dot.Com boom, and Long-term Capital Management that blew up using the flawed ideas of **BLACK-SCHOLES**, not that thermodynamics is irrelevant, but they did not understand the full complexity of how markets function on a global scale. The data was not sufficient and you ended up with a major disaster.

Here again, they made the same stupid mistake but with the biggest market in the world - real estate. Their models failed & they knew nothing about the real risks that were associated with such instruments. When you have administrators at the top lacking trading experience, you will blow-up each and every time.

To save **Goldman Sachs**, they let **Lehman** and **Bear** fall while bailing out **AIG** whose largest counter-party was of course **Goldman Sachs**. It appears that about \$33 billion flowed to **Goldman** out of \$80 billion given to **AIG**. The clear exposure of **Goldman** to **AIG** was far beyond what was publicly admitted

Yet the Paradox of Solution has been now reset as always. **Goldman Sachs** not merely got **TARP** money, it changed its status and became a bank with access to the Fed Window to borrow. **THIS IS PRECISELY WHAT WAS SEEN AS THE DANGER IN THE GREAT DEPRESSION - INTERMIXING OF SPECULATION/INVESTMENT AND BANKING!**

This is why we had investment banks who were really broker-dealers regulated by the SEC and **NOT** the Fed because they (1) did not take bank accounts nor issued loans, and (2) were making their money from trading/speculation/investment. Banks **DID NOT** speculate with depositor's money by investment in stocks and keeping all the profits without disclosing the risk they had taken. Hence, the leverage of a commercial bank was 10:1 whereas a broker-dealer/Investment Bank could go to 50:1.

There is no longer a clear line thanks to **Paulson** and **Bernanke**, for they wanted to save **Goldman Sachs**. That is why the bailout did little to restore loans, because the bulk had nothing to do with that business - it was speculation. There is no reason why this group can continue to tackle huge risks they do not fully understand, and then turn to the government for a bailout.

Consequently, they constantly make bad investment decisions. They constantly blow-up and turn to government and the tax payers with predictions of global disaster unless they themselves are immediately rescued.

During the Great Depression, it was far from just over-leverage in purely stocks. The debt crisis created by Europe was massive. We thus had a debt implosion that wiped capital off the face of the earth. Hoover's solution was to be called his "standstill" proposal whereby all banks were to be prevented from calling any German or Central European debt. Hoover wrote that the Europeans had been kiting their debt - issuing new notes and bonds to buyer B to pay holder A. In other words, a Ponzi Scheme like Madoff, where there is no real debt reduction of business, just rotating debt from one person to the next.

The New York bankers had lent money to Germany and Central Europe because of the high rates of interest. Let me see - Is that not what happen with South America in the 1970s? Wasn't that what happened when Russia went bust wiping out the bankers and Long-Term Capital Management? Like I said, it is the same scheme over and over again. Only the instruments change, nothing more.

The New York bankers threatened Hoover saying they would not go along with his new standstill proposal. It was interesting that Andrew Mellon, a banker, advised Hoover he should bail out the banks. Hoover refused to listen to Mellon. France was insisting the US should loan Germany \$500 million. Mellon warned Hoover that if he did not then comply, the French would blame Hoover for the collapse. Anticipating this move and seeing his own staff were siding with the NY Bankers who wanted a bailout, Hoover on his own instructed Mellon that he would not comply and that his proposal of a standstill was being released to the press at the very moment the two were meeting. Mellon was then the Secretary of the Treasury like Paulson.

As for the New York Bankers who had the audacity to threaten the White House if they were not bailed out, Hoover warned them very directly writing:

"My nerves were perhaps overstrained when I replied that, if they (bankers) did not accept within twenty-four hours (his standstill proposal), I would expose their banking conduct to the American people."

Greatest Bull Market, p362, Volume II

It would have been nice to see Bush stand up and take a position like Hoover. But Hoover had an engineer background and that meant he was at least more dynamic in his thinking. Unfortunately, we are now on the verge of a major debt crisis because we bailed-out the wrong sector. We saved the speculators, at the expense of main street. It would be nice just once to have somebody who really understands the economy from a practical perspective at the helm. But who in their right mind would kiss that much ass and shake that many hands just to be remembered as some president? Thomas Jefferson didn't even list he had been president on his tombstone.

The Socialists hate me. The Market Manipulators hate me. But quite frankly, as that famous line from *Gone with the Wind* so aptly put it: "Quite frankly...I don't give a damn." As Patrick Henry said, "Give me liberty, or give me death." Liberty is the essence of the free market. Tyranny is when someone manipulates that freedom for personal gain. It matters not who they are.

This evolution I have sat back and just observed. Our clients always knew one thing. Our research was NEVER bought by some highest bidder from that dark place the ancients called Erebus. This is serious stuff, for far too many foreign governments know what is going on, but will not state it publicly for political reasons.

Just because the "Club" manipulates the markets, does NOT justify seizing all the liberty of the people to create a new round of Russia or China. I walked behind the old Berlin Wall before it fell in the days where the common command was "Papers please." We cannot risk that future again just to help some bankers and their government drones in every branch make money. For the one thing that is true, it matters NOT if the corrupt system is headed by a ruthless king, dictator, fake representatives, or by those in the private world pulling the strings publicly. A free market is something that is "FREE" of manipulation from both public and private sources. It is time we wake up and try to make it to a new world.

There will be those who will yell and say he's in jail for fraud. Well, I have no restitution, and the government will avoid the simple fact that there was NEVER any solicitation to invest in anything. We just bought the portfolio or we borrowed yen. So anyone who says otherwise has some vested interest in trying to create a distraction from the plain facts that there has been a serious abuse of power arising from New York and there is NOBODY who has the courage to defend our nation, the people, or our very future. Corruption is a bitch!

What Bernanke and Paulson did was to resurrect in fact the merger of speculation and banking in a single house. Instead of being objective and creating a standstill on all mortgages until everything was looked at, Paulson even tried including absolute immunity for his banking friends. He was too close and still had too much stock at personal risk in Goldman Sachs to let the free markets correct what needed to be fixed. He turned the clock back and merged speculation with banking, the very thing that wiped out so many banks back in the '30s.

This is the Paradox of Solution whereby the solution back in the 1930s to separate speculation from banking, has been reversed and its opposite became the solution today.