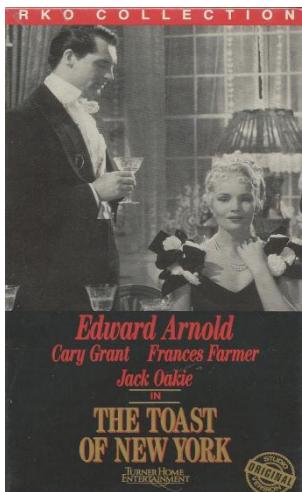




Martin A. Armstrong

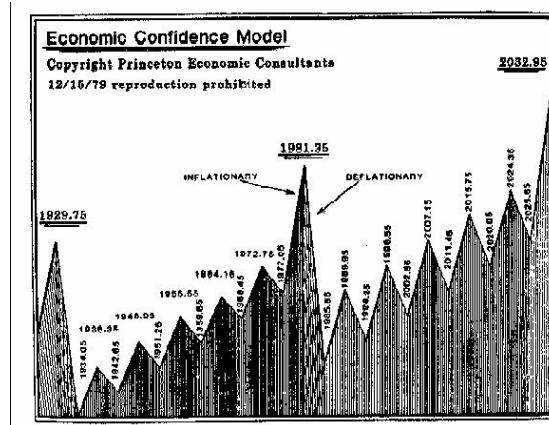
Martin Armstrong was born November 1, 1949 in New Jersey the son of a lawyer and Lt. Col under **General Patton** in World War II. **Martin** was encouraged by his father to get involved in computers during the mid-1960s. He completed engineering both in hardware and software but after being offered positions by a government contractor **RCA** in Thule Greenland, Guam, or Vietnam, he decided to go back to gold business that he had first began working while in High School to earn money for a family trip to Europe in 1964 for the summer. He continued to work on weekends through high school finding the real world exciting for this was the beginning of the collapse of the gold standard. Silver was removed from the coinage in 1965 and by 1968 gold began trading in bullion form in London. The gold standard collapse entirely in the summer of 1971 and gold became legal to trade in America during 1975 in bullion form. Previously, the market for gold had always been in coin form as long as they were dated prior to 1948.



Armstrong began his studies into market behavior when first becoming fascinated by the events during the Crash of 1966. Working through this period exposed him to the real world compared to the theories offered in school. When his history teacher showed an old black & white film, *The Toast of New York*, starring **Edward Arnold** and **Cary Grant**, which portrayed the gold manipulation of **Jim Fisk** that resulted in the *Panic of 1869*, his perception of the world was changed forever. This was the Panic when the term "Black Friday" was coined because the mob stormed Wall Street and was dragging the bankers from their offices and hanging them. The riot prompted troops to be sent in to restore peace. A scene in this move showed **Cary Grant** reading the prices of gold from the tickertape as it hit \$162 in 1869. Since gold was

\$35 in the 1960s, there was clearly something wrong with the whole linear thought process of economic history. **Armstrong** became captivated by this shocking revelation that there were not just booms and busts, but also peaks and valleys that would last centuries.

Armstrong pursued his studies of economics searching for answers behind the cycle of boom and busts that plagued society both in Princeton and in London. He began to do forecasting as a service to institutional cash market players in gold that included Swiss banks. As currency also began to float in 1971, **Armstrong** found the gyrations thought-provoking and began to notice the same oscillations that appeared in stocks in 1966, real estate into 1970, and gold as it rose to \$42 in 1968 and fell below the official price of \$35 in 1970, were manifesting in the rise and fall of currency prices. **Armstrong** became one of the very first to being forecasting currencies.



1979 hand drawing

Having the background in computers, the dream of most programmers was to create **Artificial Intelligence** in the 1960s to early 1970s that led to a lot of Sci-Fi movies and books. **Armstrong** had the unusual background in computer science in hardware and software and was perhaps the first to begin to apply his diverse knowledge from two fields together. He began creating a global model in the mid-70s and was publishing the results from about 1972. His search for answers to the oscillations of the economy led him to conclude it was what people believed more so than reality. Of this maxim has been stated as **SELL THE RUMOR, BUY THE NEWS**. He named the major long-term global model the **Economic Confidence Model**, which fine-tuned the business cycle to 8.6 years, when most, including former Fed Chairman Paul Volker, accepted that the business cycles was about 8 years. This model has become famous for since the subsequent discovery that its accuracy may be based upon the fact that it is the perfect business cycle [(365.25 days x 8.6 = 3141.15 days) = Pi] (**See "The Secret Cycle" by Nick Paumgarten; The New Yorker Magazine Oct 2009 10 Page Article on Armstrong's discovery**)



Because gold was making a high in 1980 that **Armstrong** believed would last for the typical 26 year period, he decided to retire from making markets. He had been one of the first to establish over-night markets before there were such trading desks. Relying on friends in Hong Kong and London, **Armstrong** had made markets after New York closing when no one else would. With people lining up at all sorts of stores to sell gold for cash, those dealers needed someone to buy

the scrap gold. **Armstrong** was one of the top three buyers in the country as small dealers sent their purchases to Armstrong who then contracted with Englehard in New Jersey to refine the gold pouring it into acceptable exchange traded bars. Most assumed he was speculating, but in fact, with Francis Lee, he would sell in Hong Kong, but in the cash markets, delivery was then required in London the next day. Friends would make the delivery in London in the morning and by New York opening, **Armstrong** would exchange that position with a New York contract. Getting by on at best 4 hours sleep, when his model proved to be correct on gold project both the price and time to the precise day of January 21, 1980, he announced his retirement. It was at this time that his many clients around the world requested that he still publish his analysis. He was not interested in this idea, but client eventually convinced him they would pay \$2,000 and hour for his work. Princeton Economics was thus born as the research was spun off as a separate company.

THE WALL STREET JOURNAL

June 27, 1983

On June 27, 1983, **Joseph Perkins** Staff Reporter of **Wall Street Journal** had heard about **Armstrong** and the rate people were paying to obtain his analysis and wrote a story entitled "For \$33.50 You Can Have a Minute with This Commodity Adviser." **Armstrong** eventually raised his rate to \$10,000 an hour trying more to restrict business, than attract it.

[For \\$33.50, You Can Have a Minute With This Commodities Adviser](http://pqasb.pqarchiver.com/wsj/access/72265657.html?FMT=ABS&FMTS=ABS:AI&date=Jun+27%2C+1983&author=&pub=Wall+Street+Journal+(1923+-+Current+file)&edition=&startpage=31&type=historic&desc=For+$33.50,+You+Can+Have+a+Minute+With+This+Commodities+Adviser)
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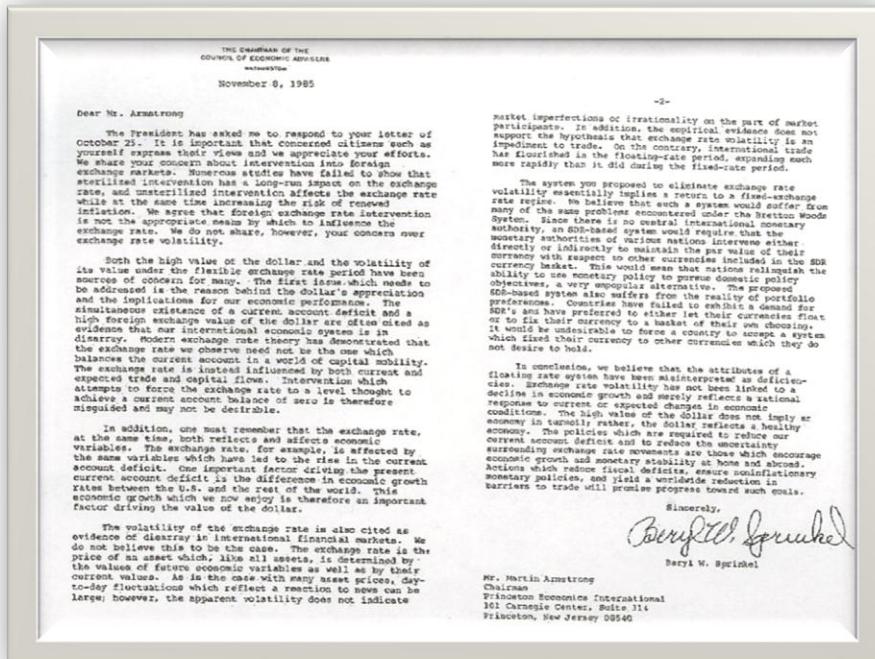
Since **Armstrong** was providing forecasting for clients generally three times during the course of each trading day, it began on a closed-circuit telex system - a forerunner to the internet among professional dealers. Eventually, the reports were transmitted by **Western Union**, and the cost to deliver such reports could be as high as \$75 each. A client taking all the all markets would have to pay up to \$250,000 annually just in communication costs. For this reason, the analysis tended to be institutional due to the high cost. This prompted the opening of offices overseas to reduce the costs of delivery. Trying to manage overseas offices from the United States was impossible, and **Armstrong** began to take in partners in each country. As a consequence **Princeton Economics International, Ltd** was born. **Armstrong** became the chairman focusing on the research while the partners became the managing directors around the globe.



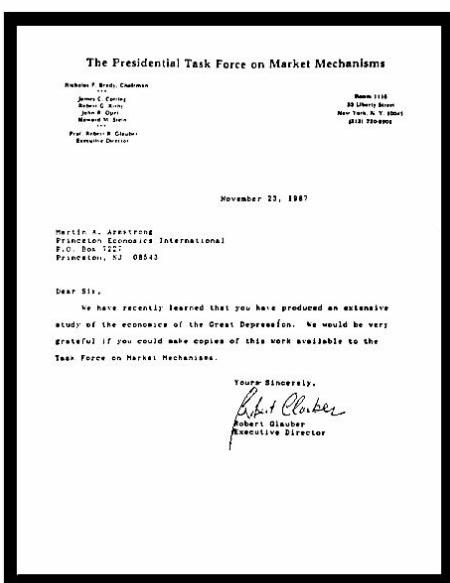
1985 Plaza Accord

From left are Gerhard Stoltenberg of West Germany, Pierre Bérégovoy of France, James A. Baker III of the United States, Nigel Lawson of Britain and Noboru Takeshita of Japan

By 1985, **Armstrong** was certainly one of the top premier Foreign Exchange analysts in the world. He stepped up in 1985 when **James Baker** was convincing **President Ronald Reagan** to create the G5 (Group of 5 now G20) nations to manipulate the currency values to affect the trade deficit, which became known as the **Plaza Accord**. In Britain, this meant the abandoning of monetarism and the adoption of a *de facto* exchange-rate target of 3 deutsche marks to the pound (ruling out interest-rate rises), and excessive fiscal laxity (in particular the 1988 budget) unleashed an inflationary spiral. This also set the stage for the eventual attack on the pound in 1992 to break that peg to the Deutsche mark.



Armstrong's work into previous floating exchange rate systems (including the American Civil War and the **Panic of 1869** when gold traded on the NYSE), led him to then warn the **President** that artificial manipulation of currency values would lead to greater instability and give birth to rising volatility. In a response from the White House on November 8, 1985, on the one hand agreed currency manipulation was not the way to go, but on the other hand, they failed to agree with the concern about increasing volatility: "**We do not share, however, your concern over exchange rate volatility,**" wrote Economic Advisor **Beryl Sprinkel**.



In 1986, **Armstrong** published ***The Greatest Bull Market In History***. This was the first study ever written that put the entire world events together demonstrating that the Great Depression of the 1930s was a Global Capital Flow problem set in motion largely by sovereign debt issues that led to a massive capital flight into the dollar the created a tidal wave of deflation. By the 1987 Crash, the **Presidential Task Force (Brady Commission)** was then calling upon **Armstrong** for help recognizing that volatility had become the number one problem. Because **Armstrong** had then forecast that the low was in place and that new highs would be seen in the stock markets before new lows, institutional brokerage houses were begging **Armstrong** to address their retail audiences. He agreed given the fact that most analysts were calling for a Great Depression. **Armstrong** then appeared before

audiences exceeding 25,000 around the world from Europe, Canada, Australia, New Zealand to Hong Kong, Singapore and Japan.

Armstrong warned that the capital flows had been shifted with the 1987 Crash much like there were after-shocks following an earthquake. He warned that the **G5** had made an egregious error trying to manipulate currency values to reduce the trade deficit. He warned that by lowering the dollar value by 40% from the 1985 high, not merely made American goods cheaper overseas, it also devalued American assets held by foreign investors and that was what caused the **1987 Crash** as they panicked and sold. Now money was being repatriated and the new capital concentration was taking place in Japan. **Armstrong** then warned would peak in December 1989. When that took place with the Nikkei reaching its high on the last day of 1989, the bubble burst and Japan would begin its Great Depression that would again last for about 26 years, the same time duration that took place in the United States after 1929. The American boom postwar began 1955. Now central bankers were calling **Armstrong** personally wanting to know if this would be a depression outside of Japan or would be another short-lived even like that of 1987?



the Euro sought the results of this global model. But in 1997, **Armstrong** was requested by the **Central Bank of China** to fly to Beijing for a meeting. **Armstrong** was perhaps the first independent Western analyst ever to be invited to China.

Just as has been seen in the **Galleon** Trial involving **Raj Rajaratnam** on alleged insider trading going on in stocks among hedge funds and board members of banks such as **Goldman Sachs**, the same trend has been going on in all markets from commodities, bonds, to currencies. This trend toward coordinated group trading began with what the British called **Black Wednesday**, Sept. 16, 1992, the day Britain was forced into a floating rate system abandoning the ERM, which resulted in a trading profit for the attackers of some £3.4 billion.

Capital flows again shifted and now turned toward Southeast Asia. By 1994.25, that trend peaked and capital began to shift once more back to America and Europe with the approach of creating the Euro and the handing back of Hong Kong to China. Indeed, the S&P 500 bottomed precise again to the day on 1994.25 as it did in 1987. About 3.14 years from the 1994.25 shift in capital flows, the **Asian Currency Crisis** appeared on target. **Armstrong** was being called upon by many governments in the West. Committees working out the plans for



Sir Alan Walters

Armstrong's friendship with **Sir Allan Walters**, who was former Prime Minister **Lady Margaret Thatcher's** personal economic advisor, was instrumental in several ways. **Alan** was well familiar with the Princeton computer models and when the British pound was under attack in 1992, **Armstrong** was called to ask what the model was projecting for the pound. **Alan** and **Armstrong** dined often together in London and **Alan** also flew in to Princeton. **Armstrong** relayed that the computer was projecting the decline in the pound and recommended it should be devalued or allowed to float. Since then Prime Minister **John Major** had vowed not to devalue the pound, the only solution

was to allow it to float to seek its own level. While it is true that **Armstrong** knew former **Prime Minister Thatcher** of Great Britain and had even visited her at her office in Victoria on trips to London, it was not true that he regularly advised **Lady Thatcher**. It is true that he named a report "It's Just Time" based upon his political discussions with the Prime Minister who made that remark regarding the upcoming elections in which she believed John Major would lose because the conservatives held power long enough and respected that there was a cyclical rhythm to politics.



Nevertheless, it was becoming increasingly obvious to foreign governments that there was a herd mentality growing among the New York Investment Bankers and hedge funds. The "**CLUB**" had succeeded in its shorting the pound, but largely because it was overvalued. The **CLUB** was now emboldened drawing first blood in the currency market. Their attacks began to increase in number and in scope taking in various commodities running the full gambit from silver in 1993, platinum using Russian officials, and even to rhodium. What was happening was an evolutionary process. The ethics that had dominated the commodity markets prior to 1980 once confined to the agricultural marketplace was infecting everything. Where grains would be stored in "official" reporting warehouses that served for delivery purposes on the futures markets, yet were not exclusive, became the tool for manipulating statistics. Agricultural products were often loaded into trucks and driven around when it came time to report the inventories. This created the false image of shortages causing prices to surge for a few days.

This game was spreading to all other markets from the commodity world. It was set in motion most likely by the merger of **PhiBro** (Philips Brothers) and **Salomon Brothers**, of **Warren Buffett** fame when he later assumed control of both firms, and **Goldman Sachs'** takeover of **J. Aaron**,

from which its current Chairman **Lloyd Blankfien** emerged. Once the commodity culture spread into the financial markets, it transformed everything into new fields of aggressive trading. The failure to merge the **SEC** and **CFTC** back in 1985, led to driving funds offshore and the birth of the hedge fund industry outside of the insane American over-regulation.

In 1993 the target market was silver, and the central player was **PhiBro** of Connecticut. **PhiBro's** huge client buying up the silver market in 1993 was none other than their new Chairman, **Warren Buffett**. When the **Commodity Futures Trading Commission** inquired wanting to know the name of the client, **PhiBro** refused to reveal the name, and were simply ordered to just get out of the market. Silver crashed and burned for two months. The **CFTC** just walked away for they are notorious in protecting the big US houses against both citizens and foreign competition. This incident sent up a red flag that such manipulations might be better off orchestrated from overseas. This is why **AIG** Trading was done in London and the next **Buffett** silver venture was also moved to London.

CFTC Administrative Law Judge George Painter retired and then commented that **CFTC Judge Bruce Levine** was effectively corrupt. *"On Judge Levine's first week on the job, nearly twenty years ago, he came into my office and stated that he had promised Wendy Gramm, then Chairwoman of the Commission, that we would never rule in a complainant's favor. A review of his rulings will confirm that he has fulfilled his vow. Judge Levine, in the cynical guise of enforcing the rules, forces pro se complainants to run a hostile procedural gauntlet until they lose hope, and either withdraw their complaint or settle for a pittance, regardless of the merits of the case."* (**See Michael Schroeder, If You 've Got a Beef With a Futures Broker, This Judge Isn't for You — In Eight Years at the CFTC, Levine Has Never Ruled in Favor of an Investor, Wall St. Journal, Dec. 13, 2000**). The CFTC has been notorious in its protection of the industry against investors. They do not deserve the status of being a regulator.

It was early 1995 when shortly after the collapse of the Mexican peso rocked the global financial system, then the **CLUB** of was unloading large amounts of Hungarian government bonds citing that their rising budget and trade deficits as the excuse. This coordinated trading began to troll the global financial markets looking for the next opportunity. There was no regulator interested in doing anything to stop them.

In 1997 the **CLUB** began to then attack the **Thai baht**, the **Malaysian ringget** and the **Japanese yen**. The Malaysian Prime Minister, **Mahathir Mohammad** spoke openly about the **CLUB**, but he was unpopular in the West so they just ignored him. On May 20th, 1997, trying to head off another economic crisis, **Armstrong** wrote directly to Secretary of the Treasury **Robert Rubin** stating:

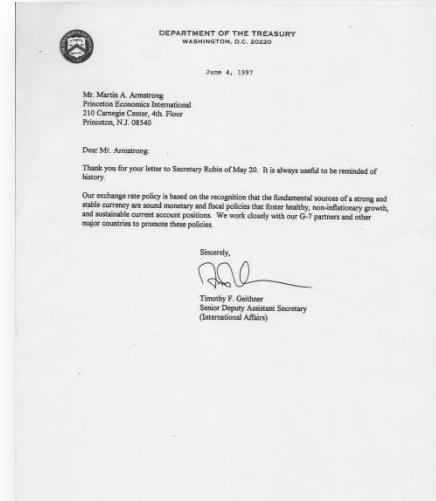
"The current conflicting statements out of the US and Japan over the value of the yen and Japanese trade surplus have obviously unleashed untold volatility within the foreign exchange markets that are endangering the stability of the entire global economy and capital flows." Armstrong continued: *"We were one of the firms requested to help investigate the 1987 Crash by President Reagan. The conclusion*

of that investigation was clear. The Crash of 1987 was caused by a 40% swing in the value of the dollar over the previous 2 year period. That volatility forced investors to withdraw from the US market due to the view of the dollar, not their view of our assets."

It was now Secretary of the Treasury **Timothy F. Geithner** who replied on June 4, 1997 stating effectively they supported a "strong and stable currency." With Hong Kong scheduled to be handed back to China in 1998, and wild statements once again coming out of the central bank and US treasury brow-beating the Japanese over the trade surplus, the next crisis was in the making. The capital panic was now hitting Asia with Japan in a depression and Hong Kong going to China, on July 2, 1997, the **Thai baht** broke and the Asian boom turned into a recession as capital rushed to Europe and Russia. It was during this **1997 Asian Currency Crisis** that **Armstrong** was asked to fly to China. Armstrong was rising behind the scenes as the person to talk to about the organized group trading that was disrupting the global economy and causing volatility to rise.

The **CLUB** owned New York and was now beyond official

scrutiny by the US government.



Warren Buffett

They returned to the silver market in late 1997. It was **Warren Buffett** once again taking the lead point, but this time, the positions were in London, not the USA. We kept track of what the "**CLUB**" was doing and warned our clients whenever their antics were targeting them as the next victim. These coordinated attacks were becoming frequent and disruptive. The files obtain from Republic National Bank showed that the **CLUB** was now keeping track of what **Armstrong** was telling our clients. The dossier revealed every clipping and even transcripts were gathered covering what **Armstrong** said at seminars. **Armstrong** was now invited to join the **CLUB** and was flat outright told they intended to drive silver up from \$4 to \$7 between September 1997 and

January 1998, and then trash it after getting everyone long. **Armstrong** declined to join the **CLUB** and they simply said: "**stop fighting us and play ball!**" Armstrong rejected the offer and began to warn clients "**they are back**" without ever publicly revealing **WHO** was actually **THEY!** Their strategy became insane. **Armstrong** was outright told that the manipulation would be

done in London away from the US regulators. **Armstrong** later wrote in 1998 after the whole silver manipulation scheme was exposed:

"At the start of the silver manipulation I was flat. I had taken all profits and closed out all short positions. Silver was trading around \$4.29 when PhiBro walked across the ring and handed to my broker an order to buy 1,000 lots of silver every penny down for as far as you could see. They intentionally showed me the Buffet order. Later Bob Gotlieb from Republic Bank calls me and tried to get me to join the manipulation. He said, "Something big is coming down in silver," and when I asked who was behind it, he said, "Your friends in Connecticut." After being approached several times to join the manipulation, I reported to my clients that "they" were back. I would not have used the term "they" if it had been someone other than the same crew as in 1993. I was told that the silver price target was \$7. I reported that information on our website. I was NOT short. I knew what they were capable of doing. Then I left the country for my usual fall tour. I was invited by the government of China to discuss the Asian crisis. I visited the government there in December 1997. Upon my return silver was at \$6.40 and everyone indeed had been led to believe that it was me because the orders were routed through Republic to give the market the impression that I was the one buying the silver. In fact, it was Republic buying the silver itself and moving it to London."

The **CLUB** was now intent upon recruiting **Armstrong**. The trick, as always, was to reduce the reported inventories to create an illusion of a shortage. Silver was being shipped from New York to London to create the **SQUEEZE**. To **Armstrong's** dismay, he received a phone call from his friend **Sir Alan Walters**, who became Vice-Chairman of **AIG Trading** in London. While **Sir Alan** continued to be a major voice in economic affairs, and remained in the news for his opposition to the "consensus" politics of **Prime Minister John Major**, and also opposed to the creation of the single European currency, the **CLUB** then used **Sir Alan** to try to turn **Armstrong**. **Sir Alan** called **Armstrong** and said he would be flying in to the States in the morning and wanted to visit him at Princeton. Based upon their friendship, **Armstrong** cleared his calendar and was looking forward to seeing his friend. **Sir Alan** arrived with the head silver trader from London for **AIG** who now tried to convince **Armstrong** to stop publicly talking about market manipulations. **Armstrong** replied he would never say **WHO** anyone was, and that since he was not a retail advisor, it would certainly not be general news.

After the meeting, things got out of hand and the legal battles that emerged in the future, stemmed from this battle with the **CLUB**. An analyst on the payroll of **PhiBro** had a main contact at the **Wall Street Journal** who he convinced that the culprit was **Armstrong** trying to talk the markets down for he was short. They decided to slander **Armstrong** and get the press to target him claiming he was the one trying to manipulate the market down. It was an interesting strategy, but one that did not bother **Armstrong** since he was not a retail advisor and institutions would just laugh at the story. The **Wall Street Journal** called **Armstrong** and outright accused him of this nonsense coming out of the "*Connecticut boys*" as they were called at **PhiBro** and the conversation got hostile. The reporter told **Armstrong** to give him the name who was buying the silver in London if there was really a manipulation. **Armstrong** resisted, but finally he realized the journalist would never print what he said anyway for he was acting more like a prosecutor than an independent journalist and so he told him – **Warren Buffett!** Armstrong said go ahead, print it! The journalist laughed exclaiming everyone knew **Buffett** did not trade commodities. **Armstrong** responded: "That was how much he knew!"

The **Wall Street Journal** published the article blasting **Armstrong**. The London newspapers were fed stories by the "CLUB" claiming that it was **Armstrong** who was the largest silver trader in the world. This strategy to somehow use the press to go after **Armstrong** backfired, for it now made the manipulation allegation public. This now forced the regulators to respond. Something the **CLUB** did not want in the first place. The **CFTC** called **Armstrong** asking where was the manipulation since they could see it was not him, yet never asked him WHO was behind it. **Armstrong** responded it was in London and out of their jurisdiction. The **CFTC** responded they could make a call to London, and **Armstrong** said then that ball was in their court never expecting them to actually follow through.

A few hours later, **Armstrong's** phone rang. It was a good source in London who also was helping to monitor the "CLUB" actions. He had urgent news that never quite made the press that the **Bank of England** had called an immediate meeting of all silver brokers in London in the morning. Clearly, the **CFTC** had made the call since they never bothered to ask WHO the main lead buyer was. Within the hour, **Warren Buffett** made a press announcement to head off the **Bank of England** investigation. On February 4th, 1998, **Warren E. Buffett** was forced to come out and state he had purchased in London \$910 million worth silver. **Buffett** added: "*Berkshire has had no knowledge of the actions or positions of any other market participant and today has no such knowledge.*" Someone had to have called **Buffett** to inform him of the **Bank of England** action and convinced him to come out publicly rather than allow them to reveal what **Buffett** had done. After all, it was **Buffett** who had rescued **PhiBro-Salomon Brothers** in 1991. In 1987, **Buffett's Berkshire Hathaway** purchased 12% stake in **Salomon Inc.**, making it the largest shareholder and **Buffett** the director. The **Wall Street Journal** called **Armstrong** when **Buffett** came out and revealed his silver investment asking **Armstrong**, "*How did you know?*" **Armstrong** replied: "*It's was my job to know!*"



Nonetheless, there were serious questions as to why Mr. **Buffett's** order was executed in London at a premium price when the silver was available at a discount in New York all the time. The spin circulating around was that the silver in London is a higher quality than that in New York. This was just rubbish. The answer was because the 1993 silver manipulation failure. There is no doubt that silver had been manipulated on numerous occasions both in recent times as well as in the past. Silver has in fact filled the history books with legend, riots, manipulations and financial panics, one of which nearly bankrupted the United States in the process during the late 19th century. Silver was also responsible for bankrupting the **Hunt Brothers** in 1980. Silver thereafter declined and made new lows going into November 1999 falling under the 1998

low. The rumors then were **Buffett** had bailed out and it was now so much for the long-term investment.

Armstrong was now involved in an outright war with the **CLUB** who were determined to silence him and Princeton Economics. **Armstrong** began to then openly write about the silver manipulation realizing no regulator would do anything, but the gloves were now off. See: **Silver Manipulation**, Squeeze or Bull Market? Part I and Part II, by Martin A. Armstrong © 02/20/98 Princeton Economic Institute. Indeed, manipulations have been going on for a very long time and are nothing unusual. Examples include the enforcement action in the Hunt **silver manipulation** and the **1998** action against **Sumitomo Corp.** for **manipulation** of the copper market. **Salomon Brothers** for manipulating the US Treasury Auctions and recently **Attorney General Eric Holder** has announced an investigation in the manipulation of oil prices. Yet again, no New York firm has ever been charged by the US regulators, and if anything, they always protect them in the end limiting actions purely to civil violations. Criminal charges are reserved for those who compete against New York.

Perhaps you will recall that it was **Salomon Brothers** who were the first aggressive bond traders who called themselves "**Big Swinging Dicks**", and were the inspiration for the books **The Bonfire of the Vanities** and **Liar's Poker**. In 1991, **Salomon** trader **Paul Mozer** was caught submitting false bids to the U.S. Treasury by Deputy Assistant Secretary **Mike Basham**, in an attempt to purchase more Treasury bonds than permitted by one buyer between December 1990 and May 1991. The firm portrayed him as a rogue trader, but in fact, it was consistent with the aggressive nature of transaction going on at **PhiBro-Salomon Brothers**. **Salomon** was fined \$290 million, the largest fine ever levied on an investment bank at the time. **Salomon's** CEO left the firm in August 1991. The interesting aspect was those who would like to claim there are no manipulations, they cannot explain then why **Warren Buffett** had to step in and save Salomon Brothers after they were caught **MANIPULATING** the US Treasury Markets. **Buffett** became Chairman of **Salomon** until the crisis passed; on September 4, 1991, he testified before **Congress**. The firm was eventually purchased by **Travelers Group**.

The scandal is covered extensively in the 1993 book "Nightmare on Wall Street" by **Martin Mayer**. **Salomon** was trying to knock out **Drexel Burnham** of **Michael Milken** fame but suffered a \$100 million loss when it incorrectly bet that **MCI Communications** would merge with **British Telecom** instead of **Worldcom**. Subsequently, most of its proprietary trading business was disbanded. **Salomon Brothers'** bond arbitrage group that was the center of the allegation of manipulating the US Treasury Auctions was also the breeding ground for the core group of founders and traders (led by, among others, **John Meriwether** and **Myron Scholes**) for **Long-Term Capital Management**, the hedge fund that collapsed in 1998 sparked by the failure to manipulate the Russian economy using the **IMF** loans to guarantee their trading.

There have been major manipulations of markets such as rhodium and then there was the manipulation of Platinum where the "**CLUB**" joined forces with Russian politicians to recall the supply for inventory purposes driving the prices sharply high. **Ford Motor Company** was filing suit over that manipulation. **Bart Chilton**, a commissioner for the **CFTC**, has stated his intention "***to speak out on the matter***" of the commission's multiyear investigation into the silver market, adding: "***I think the public deserves some answers in the very near future.***" Recently, two separate lawsuits were filed in federal court in Manhattan alleging that banks **J.P. Morgan Chase & Co.** and **HSBC Holdings Inc.** manipulate the price of silver futures by "amassing enormous short positions." The suits allege that by managing giant positions in silver futures and options, the banks have influenced the prices of silver on the **New York Comex Exchange** since early 2008. The **CFTC** has been in the midst of a high-profile, two-year-old investigation of the silver market.

In May 1998 the Russian ruble came under attack in what the **Wall Street Journal** described as "***a heavy assault by financial speculators led by Soros.***" Panicking at the threat of wholesale capital flight, the **Yeltsin** administration raised interest rates on its government bonds, known as GKOs (or "Gekkos") from 20% to 50% to 80%. Hedge funds were now buying Russian debt by the ton, and they cleverly enlisted the **IMF** to ensure there would be no losses. GKO banks were now paying insane rates of interest up to 150%. Russian workers were going unpaid and Russian troops were being fed surplus dog food. **Goldman Sachs** is then believed to have turned to its former Chairman (1990-1992) **Robert Rubin** for help, who became US Treasury Secretary. From January 20, 1993, to January 10, 1995, **Robert Rubin** served in the White House as Assistant to the **President Clinton** for Economic Policy directing the National Economic Council whose purpose was once again to enable the White House to "coordinate" all departments consolidating policies ranging from budget and tax to international trade. The NEC became an internal G5 coordinating all policy presented to the President's office, and monitored any implementation.

This was **Rubin's** job and he made the NEC function. He ushered in NAFTA and in January 1995, **Rubin** was sworn in as Secretary of Treasury. The threat of a default on debt by Mexico led to then Secretary **Rubin** creating a new strategy bringing in Federal Reserve Board Chairman **Alan Greenspan** providing \$20 Billion in US loan guarantees to the Mexican government to protect once again US banks. On July 18, 1996, **Armstrong** appeared before the **House Way & Means Committee** to testify on why US corporations could not compete outside the United States.

Armstrong explained there was a serious problem since only the United States taxed worldwide income when Europe did not. This meant that if foreign corporations sold at the net cost level of American corporations, they still made a 35% profit. The committee was shocked, but there was no political support to eliminate worldwide taxation to restore American competitiveness that was costing jobs. Government instead, preferred to manipulate currencies to maintain policies.



Robert Rubin



Sen. Phil Gramm (R-Texas) Rep. Jim Leach (R-Iowa) Rep. Thomas J. Bliley, Jr. (R-Virginia),

In 1997 and 1998, Treasury Secretary **Rubin** now teamed up with Deputy Secretary **Lawrence Summers** and **Alan Greenspan** who now solicited the **IMF** to effectively manipulate the global markets with the same problem emerging in Russia. Time Magazine on February 15, 1999, called them "**The Committee to Save the World.**" Yet **Rubin** objected to expanding regulation to the over-the-counter markets that led to the collapse in 2007 with the cash derivatives market. He also tore down the one regulation that made sense out of the Great Depression the - **Banking Act of 1933** that created the **FDIC** and prevented banks from trading and speculating commonly known as the **Glass-Steagall Act**. Because of this **Salomon** scandal that centered over aggressive trading, it became **Rubin's** agenda to eliminate the **Glass-Steagall Act** and that was accomplished by turning to three Republicans, despite the fact that **Rubin** was a **Clinton** Cabinet Member. This was accomplished in the passing of the **Gramm-Leach-Bliley Act** in November 1999 opening the door to financial services conglomerates offering a mix of commercial banking, investment banking, insurance underwriting and brokerage that led to the 2007 Mortgage Crisis. This ensured the **CLUB** could do as it liked and set the stage for **Armstrong** believed would be the downfall of the West escalating the ultimate implosion of Sovereign Debt that never seems to be repaid.

Once the big New York Investment Bankers did a reverse takeover of Government, the game was changed forever. **Rubin** now ensured efforts of guaranteeing all loans first by Mexico and then by Russia, that provided now the Perfect Trades that would guarantee the **CLUB** against any losses. This encouraged wild speculation based upon WHO you KNEW, not analysis. Russia's foreign debt was reported to have been US\$23 billion in July, 1998. On June 27, 1998, the **London Financial Times** (*front Page 2nd Section*) covered an Institutional Seminar **Armstrong** delivered to the clients of the firm in London. He warned that the computer models were forecasting that Russia would collapse in a matter of months. The meltdown took place right on cue and this manifested into what became known as the **Long-Term Capital Management** bailout. It was **Rubin** and his then "**The Committee to Save the World**" who stepped in to save the bankers who would go down with a Russian default. It was more than just a Russian default.



Barry Riley

The rubble of the rouble

Europe should be worrying over Russia's troubles

"More Americans seem to perceive, like Martin Armstrong, that western Europe could be only a Boris Yeltsin in the making if the economic reform process by a kind of Indonesia, boasting with nuclear weapons, they might take their money home."

Regarded Germany's DAX as the best investment in Europe, while only a Boris Yeltsin government could have been worse, wrote those trouble spots like Russia, implemented by investors, it was important to them than Russia, which was the best investment in Wall Street sharpie higher, while the US was the poor second.

Europe's oil imports are steady, but down from 2001, as do exports to the US, with American investors overruled

guaranteeing all investments no matter how bad. The Russian bonds were now guaranteed to be paid in US\$ removing even the currency risk. The **Wall Street Journal** called it "***How The Rich Get Richer with IMF Funding,***" (July 14, 1998) "***Just how did the IMF get into the business of using US taxpayers' money to advance (such) capital flight from Russia?***"

The collapse of **Long-Term Capital Management** in 1998 took place because the same pack traders forming the **CLUB** all attacked the same market in force. With the reverse takeover of government by Wall Street, it was a new day for something had changed once **Rubin** made into the **Clinton** White House. The dynamics of the **CLUB** had now become emboldened. From this point on, the **CLUB** wanted that riskless guaranteed trade. The US government would never criminally charge anyone from the **CLUB** for there was already and incestuous relationship not just in campaign contributions, but from an official standpoint in that they relied upon the **CLUB** to sell its own bond offerings raising money for the Treasury. After all, the Salomon scandal had taken place over manipulating the Treasury auctions no less. They held the strings to the entire national debt. The government needed them to keep funding going.

Consequently, it was Russian debt that **CLUB** needed guaranteed so they could jump in with both feet – no risk at all! The **CLUB** was using the **IMF** to guarantee all losses. **Treasury Secretary Robert Rubin** resigned once the bailout was complete and the banks were living high off of taxpayer's money. He was succeeded on July 1, 1999, as Treasury Secretary by his deputy, **Lawrence H. Summers**, who is now back under **President Obama**. If anyone thinks that there is no “**CLUB**” then they should explain the 2002 settlement as well regarding the scandal in analysis.

The debt had been aggressively leveraged thanks to **Long-Term Capital Management**, and the ex-Salomon traders. The **CLUB** had expanded now to include ex-bankers. The bailout was \$22.6 billion almost matching the amount Russia owed to its Wall Street creditors. If this was not done, the NY bankers would have failed or suffered huge capital losses. The downside was the fact that close ties with government would encourage even wilder trading in the years that passed as long as you knew; you were now "**TOO BIG TO FAIL**"



Larry Summers

The central issue at hand that had been judged in court previously was the **CONFLICT OF INTEREST BETWEEN THE INVESTMENT BANKING AND ANALYSIS DEPARTMENTS** of ten of the largest investment firms in the United States. The investment firms involved in the settlement had all engaged in actions and practices that had allowed the inappropriate influence of their research analysts by their investment bankers seeking lucrative fees. The abuse of analysis led to a settlement in 2002 involving **Bear Stearns & Co. LLC, Credit Suisse First Boston Corp., Deutsche Bank, Goldman Sachs, J.P. Morgan Chase & Co., Lehman Brothers Inc., Merrill Lynch & Co., Inc., Morgan Stanley, Salomon Smith Barney, Inc., and UBS Warburg LLC.**



Armstrong's battle with the CLUB was far from over. As an institutional advisor at **Princeton Economics International, Ltd.**, Armstrong was duty bound to warn the firm's clients of the next targeted attack when they were to be the victim. From the CLUB's perspective, they wanted him silenced. They did not like **Princeton Economics** for they could not control its forecasting and it would be the CLUB that told the government Armstrong was manipulating the world economy because **Princeton Economics** advised clients with assets valued at more than half the US national debt. After all, they judged Armstrong by themselves presuming that the markets could be manipulated at will. On March 15, 1999, Armstrong warned their Japanese corporate clients at the Tokyo institutional seminar at the Imperial Hotel, that they were now the next target of the CLUB. Armstrong delivered this warning to a packed house. Virtually every major Japanese corporate was there. (*Transcript available at ArmstrongEconomics.COM*). The scheme knew that the Japanese took back cash each year for March 31st and then wired the funds back out the first week of April. The CLUB would force the yen lower before March 31st, and then cause it to crash and burn creating a huge gap and thus a big profit for the annual rollover. Now Armstrong also explained how to defeat the attack by locking in the exchange rate in dollar/yen at the same time funds were being move to Japan for the annual rollover thereby eliminating the risk when the funds were sent back overseas in April.

"There have been aggressive short positions placed on the yen by some of the big hedge funds. In our special report written a few weeks ago we mentioned that one of the funds lost 15%. That has now been reported publicly in the Wall Street Journal so I suppose I am free to mention that it was a George Soros fund. He took a very large bet on shorting the dollar. Many people were looking for a test of par again and that effort was immediately erased once the yen broke above 116. Volume at that point was largely short covering up to the 123.5 area. This is a reflection of how big the positions have become, again due to the euro. So bets are increasing. There is another hedge fund still aggressively short the dollar. They would probably account for the move up to the 130 area in a matter of a few days - and we are talking about billions of dollars. They have been bragging to some people in New York that they were going to target the Japanese corporates by trying to force the dollar down to make the Japanese repatriate at the highest possible price and then reverse their trade in early April to force the dollar up to in turn force the corporates into the opposite extreme. Obviously some of these traders are now in a very difficult position, but now they must target the Japanese corporate community. They are running out of third world countries to attack, they have lost the euro and they are only interested in what they perceive to be guaranteed trades."

Indeed, the **CLUB** was forced to bailout out of their position trying to attack Japan. The yen moved from about 80 on the IMM to about 100 by the end of 1999 (125 to 100 on the cash) at a loss that was said to have been more than the gains on the attack of the British pound in 1992. Within a matter of months, they would even the score.

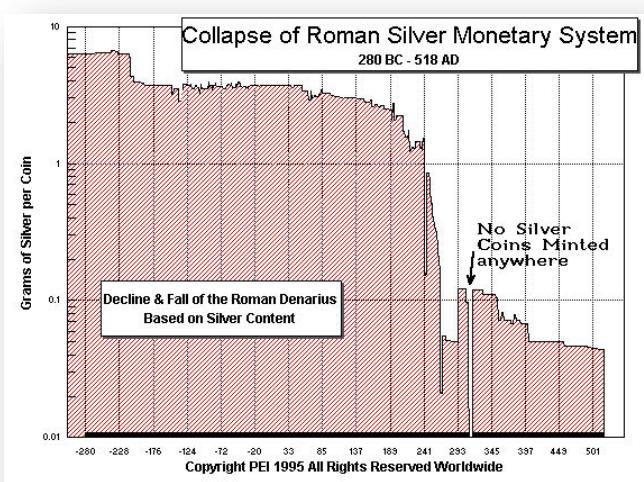
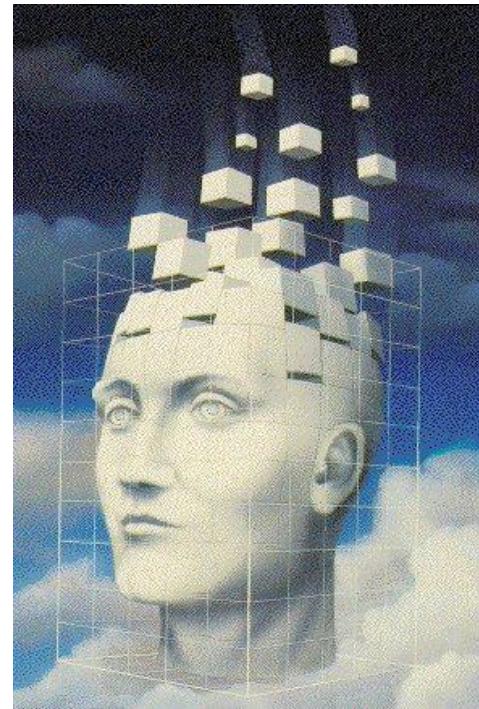
The **Crash of 2007** has been an accumulation of this trend that finds coordinated trading to seek that guaranteed perfect riskless trade with political backing. The 1998 bailout of nearly a \$30 billion was made through **Long-Term Capital Management** who was an aggressive hedge fund that incorporated the culture of **PhiBro-Salomon**. Why bailout a hedge fund? They owed to NY bankers who would suffer losses, plus it looked better from the standpoint that the hedge fund took the blame rather than the banks. It was the same indirect tactic used to bailout **AIG** that was an insurance company once more to save the same bankers. This time, the bailout jumped from almost \$30 billion in 1998 to nearly \$800 billion for the 2007-2009. When you know there is no risk of loss, caution goes out the window. Government has become Santa Claus for the **CLUB**. Government now supported the **CLUB** with backdoor deals protecting them against the Perfect Storm. The reverse takeover of government was simply brilliant.

While **Lloyd Blankfein** testified as a government witness in the **Galleon** trial on March 24, 2011, he replied to question as to the role of **Goldman Sachs** stating: "*We're like a middleman. ... It's a service we do for the world.*" He then changed the last two words to "*our clients.*" The greatest problem exists when the banker you trade with, is also a trader. The 2002 **CONFFLICT OF INTEREST SCANDAL** is alive and well, just in a different form. The line between client and target becomes blurred. Unless you have traded SIZE, quite frankly you do not realize that there is a lot more to it than simply buy-sell. It is like trying to turn a battleship around in a river. Good luck! HOW one gets in an out of a market is a separate distinction from selling the high or

buying the actual low print. Small traders can do that. When you are trading billions, you also have to consider the size of the market itself and how long it will take to liquidate a position without causing a nightmare. The failure to understand the attitude of the major brokerage/banking houses was more than what meets the eye. It is ALWAYS an adversarial position and you have to be cautious not to be the target that is picked—off for profit.

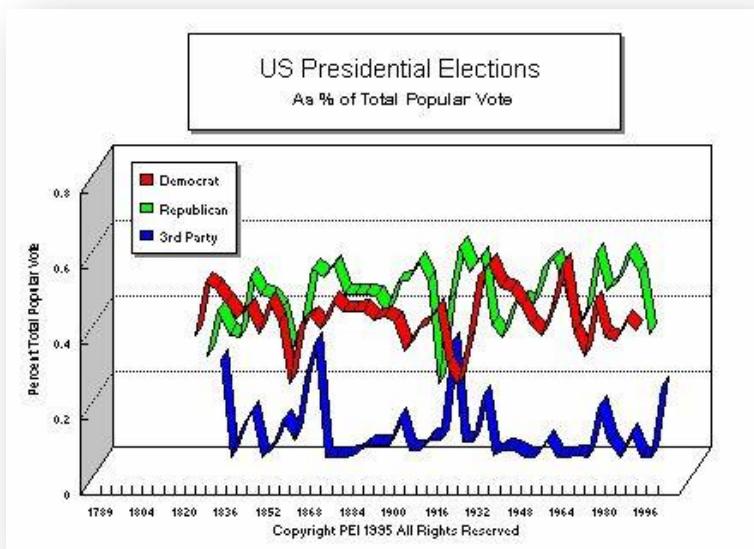
- The Computer Models -

The computer model designed by **Armstrong** was by far the most comprehensive ever undertaken in the field of economics and financial forecasting aside from probably being the first in the industry. Absolutely every market around the word, every economic statistic from all countries, not merely for a few decades, but for as far back as possible had been gathered. Respecting that the key to forecasting is truly the accumulation of **EXPERIENCE** that **Armstrong** defined as a real **KNOWLEDGE BASE**, the thrust of the model was to create truly the first real world **Artificial Intelligence** system, not an Expert System based upon predetermined rules that are typically palmed off as **AI**. Instead, **Armstrong** taught the computer **HOW** to conduct analysis from his own live observations. There were no predetermined rules such as **IF INTEREST RATES RISE THEN SELL**, or any other claimed correlation. The computer model was design to learn from the historical data and construct its own **KNOWLEDGE BASE**. In this manner, the computer model was able to forecast not just markets and



economies, but the changes in politics as well as the rise and fall of nations. This system was in place by 1981 in its expanded version. Voice activation was added by 1985. Its forecasts on the political front became shocking, and for the first time perhaps in history, the accumulative knowledge of centuries came together in a whole new and dynamic way available for inquiry and thus, providing a whole new way of acquiring knowledge.

The political forecasting around the world was provided to major institutions. Everything from the Middle East had been projected by the computer not from the stand point of only politics. The deep correlations began to show that the economy was the primary factor. Even the Lebanese War was predicted for the **Universal Bank of Lebanon** who gathered all the data on their currency



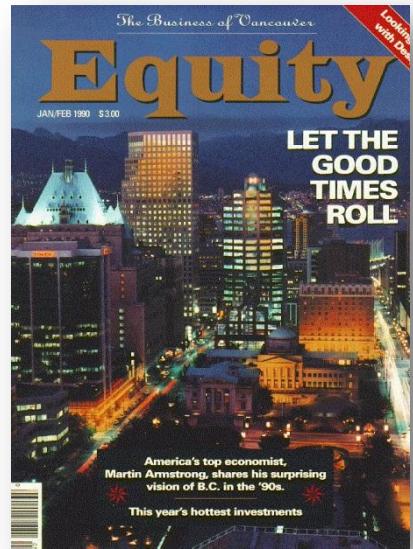
and it was fed into the computer with the stunning result that it projected their currency would collapse in about 10 days. The computer was correct, but only with these shocking results happening over and over did it finally make sense. The computer did not know the fundamentals behind each forecast. Instead, it was tracking to footsteps of capital. It became abundantly clear that capital would start to move in advance of war on a flight to safety because some are in the know as to what is about to take place. The computer was picking up those changes in capital flows that were ABNORMAL.

It was after the correct forecast calling for the collapse of Russia in 1998 that opened the eyes of perhaps too many people. The forecast by the computer had become too well known. Numerous banks and hedge funds were trying to convince Armstrong to get on the grave train with the **IMF** to double your money in Russia – GUARANTEED! Armstrong declined warning them that Russia would collapse. This forecast had even made the front page of the **London FT** on June 27, 1998 (*see above*). This is when the **CIA** finally called and former staff, **Barclay Leib** and **James Smith**, made the arrangements for **Armstrong** to meet with the **CIA** who was now looking at this technology and its implications for geopolitical forecasting. Armstrong declined the **CIA** request to go to Washington and build a computer for them. He offered that PEI would be glad to run any study they would like. They declined, simply stating that they had to own the model. **Armstrong DOES NOT believe the CIA had anything to do with events that took place afterwards.** That, he believes, remains solely the responsibility of certain members of the **CLUB** who simply blamed **Armstrong** for their losses in Russia and then in Japan. Since people judge others by themselves, **Armstrong** believes that this was the source from which the allegations arose claiming he was manipulating the world economy by being too influential. It was documents that surfaced from the confidential files of **Republic National Bank**, purchased by **Hong Kong Shanghai Bank Corp (HSBC)**, where the allegation that **Armstrong** was manipulating the world economy seems to have emerged. The files accused **Armstrong** of advising on over \$3 trillion dollars, an amount equal to about 50% of the total US National Debt in 1999.

In January 1990, Armstrong was voted *Economist of the Decade* after a review of his forecasts throughout the '80s. In 1998, he was voted Fund Manager of the Year having produced one of the highest returns ever in the shortest amount of time. Even Time Magazine commented in 2009 that Armstrong had produced some scary forecasts. The NY Post had named Princeton Economics the Most Prestigious research firms in the United States. The Australian on June 30, 1989 wrote:

"The size of Princeton's data base, which forms the basis of its forecasting and advice to clients, is said to be unsurpassed, even by the World Bank. As an example of the group's dedication to gathering information, several years ago eight Princeton researchers spent a year in the British Library tracking international currency movements since the turn of the century. The group's annual October economic conference is attended by about 200 representatives of central banks, governments and leading institutions."

The International Business Wire also covered the correct forecast surrounding the collapse of Russia and the change in trend that took place precisely to the day July 20th, 1998.



Article: Princeton Economics Correctly Predicted July 1998 Stock Market Correction; New Hedge Fund Capitalizes on Forecasting Ability.

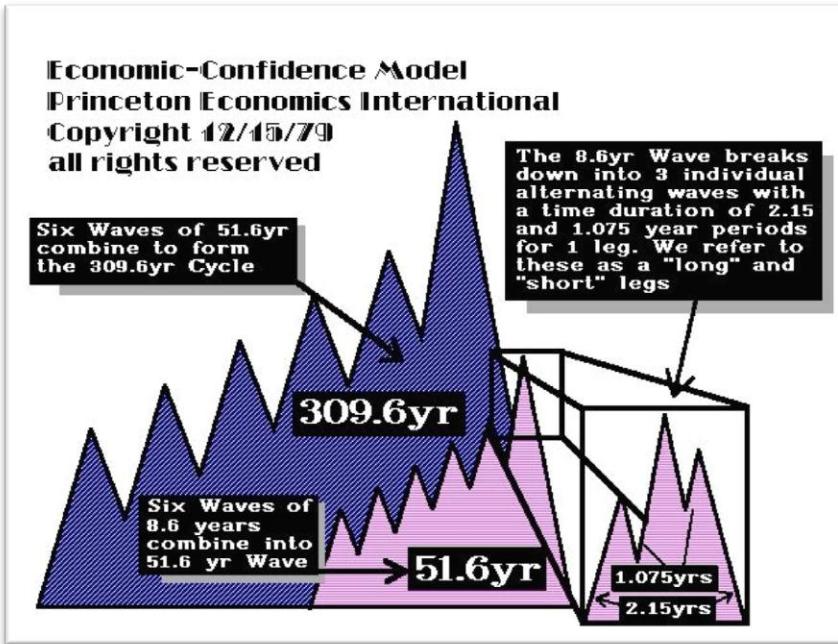
Article from: Business Wire Article date: September 2, 1998

NASSAU, Bahamas--(BUSINESS WIRE)--Sept. 2, 1998--An artificial-intelligence-based computer model that compares current world economic statistics to data going back more than 100 years has helped accurately predict the July 1998 stock market correction. As early as May 1997, the proprietary model, developed by **Princeton Economics** International (PEI) at a cost of more than \$60 million, forecast a shift in capital flows worldwide that PEI reported in several issues of its publication, the **Princeton** Capital Markets Review, would likely signal an important turning point for U.S. and European markets in July of this year.

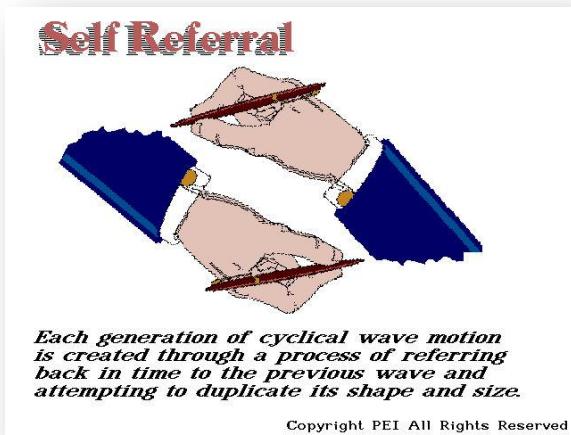
Armstrong's research led him to agree with **Niccolò Machiavelli** (1469 – 1527) that history repeats because the passions of man never change. The human population acts much like the rest of the herding animals. Scare one on the outer edge of the herd, his panic then causes others to stampede without actually observing the threat. The herd or zebra panics because individuals are doing the same. While as individuals we do not all respond the same way, in a group our behavior is radically different and is influenced by the behavior of the group. Walk into a library and you will act differently than in a restaurant. **Stanley Milgram's** (1933 – 1984) experiments tapped into this duality of human nature, not just with his shock experiments, but taking one person and placing him in a busy street staring up into the sky, did not alter the behavior of the people walking by. Increasing the test group to 3 or more people staring into the sky cause others to now stop and do the same.

Human society thus displays collective and individual behavior patterns that are strikingly different. As a result, like a body of water, it presents a close approximation of a continuous medium through which energy, in the form of collective action (panic), is capable of traveling at great speeds manifesting into global economy disturbances. This form of energy wave (human emotion), are important for they are actually transferring momentum in the changing states (bull v bear) markets or economic booms v recessions. At first waves propagate through the human collective society without affecting its mean velocity. But as the waves reach more rarefied emotion when the boom reaches extreme altitudes, the amplitude increases and we see exponential spike highs typically manifesting in at least a doubling in current price levels in the shortest amount of time, generally 13 months or less. As the amplitude increases, the nonlinear effects cause the waves to break, transferring their momentum to the mean flow creating the panic as the majority try to sell, but confidence has been shaken, resulting in no buyers or very few.

This process plays a key role in controlling the economic dynamics of human society and actually furthers the inherent patterns of progress since the “cause” is then investigated and society attempts to correct and prevent that cause from taking place again. Society tries hopelessly to create that perfect world where things only move progressively higher in a linear manner for it fails to grasp the natural nonlinear dynamics driving society. The nonlinear system does not satisfy this static ideal model for the result or output (panic/recession) is not directly proportional to the input. Human society is nonlinear because it is so diverse in culture ensuring we are all not robots. This paradox of individuality (free will) co-existing with collective behavior created a nonhomogeneous system, which is linear in appearance for the most part, yet stands separately from the presence of a function of the independent variables. Therefore, within the population, there will always be at least two main groups like Republicans and Democrats. The internal swings in the moods of the population account for the political swings between the two groups that alternate the role of holding that coveted position of being the majority. This is a nonlinear system according to a strict definition. Yet, because of the false assumption that the majority of the time it is linear where individuality reigns over collectivity, we tend to believe we are subject to control by man. We can pass a law that thou shall not kill, but it does not prevent murder. Therefore, we tend to be trapped in our approach to economic and social science still looking only for a linear system, albeit, consisting of multiple variables for the general purpose of study. This willful blindness of the nonlinear core nature, has led to the attempts to manipulate the markets certainly by government, and at times, by private concerns. This becomes the theory behind attempts to manipulate markets as well as inside trading.



History repeats because indeed the passions of man never change, only his toys. Implicit within this statement is the FRACTAL nature of society and its economy. Patterns replicate through time and manifest on each level because it is a grand unified manner in which all things move. It is the reason life perpetuate through what is called a system of self-referral. This is why children have traits of the parents. This same process appears through all things and has been established to take place where there is nothing truly random, just a high degree of complexity.



This also explains why fundamental analysis fails because it tries to reduce every move to a single cause. Consequently, stocks can decline on good news and the excuse given is that the news was not good enough. The same will happen with interest rates changes. A direct correlation between changes in interest rates and price movement does not exist nor is there a link to proportion relationships. In truth, we are dealing with a highly complex adaptive system that has billions of variables. There can be war that affects the economy, but each war involves different parties. Thus, there is similarity on the one hand, but

diverse complexity of the other. Each variable is interlinked to everything else around it. **Benoît Mandelbrot** (1924–2010), the famed mathematician, showed how there was order within what appeared to be chaos. Markets and economies have many dimensions. There is no single method that will yield the answer to this riddle. They must be approached both from **TIME** and a **PATTERN** perspective.

- The Legal Battle Begins -

AMERICA'S NUMBER ONE POLITICAL PRISONER

AMERICA'S NUMBER ONE POLITICAL PRISONER

While **Princeton Economics** did manage money in public funds for **Deutsche Bank** and others, there was never any problem alleged with ANY of the actual funds management operations around the world. **Princeton** did not HOLD the money for clients, but retained a limited power of attorney and the banks provided the accounting and auditing. However, **Princeton** was asked to bail out a French owed broker dealer by the Japanese government since they were one of the top 20 firms in underwriting corporate bond issues. Princeton purchased the firm in 1995. It was through this subsidiary that the legal battles emerged.

Princeton Economics became involved in bailout Japanese corporations through taking over their investment portfolios. Under Japanese law, losses only needed to be reported WHEN realized. There was no mark-to-market accounting. Princeton was asked by the Japanese government to rescue the corporations. It did so by issuing a corporate note and purchasing the pre-existing portfolio that had declined 40-60% FROM ITS ORIGINAL PURCHASE PRICE. The note was issued at the face value of the portfolio on the books of the Japanese corporation.

Indicted Exec Says Practice Common

Article from: Chicago Sun-Times Article date: October 17, 1999 Author: MARK PITTMAN

Martin Armstrong, charged with bilking Japanese investors of almost \$1 billion, said his only fault was in going along with a common business practice in Japan that lets companies delay reporting losses. In an interview, **Armstrong**, 49, contended that the charges stem from his accepting money-losing stock portfolios from Japanese companies in exchange for promissory notes issued by his company, **Princeton Economics** International Ltd. The so-called **Princeton** notes could be carried on company books at face value to hide losses at a time Japanese stocks were being battered. "Everybody knew what we were doing," said **Armstrong**, a widely quoted market analyst and chairman ...

The failure to understand the completely different laws and accounting system in Japan only served to confuse the non-Financial American press and the government. **Mark Pittman** was a writer at **Bloomberg**, and was one of the few to understand the nature of the notes for the outset, while most others merely repeated whatever the government said without any independent analysis or verification. One of the few such investigative reporters was in Tokyo who wrote for the Wall Street Journal from Tokyo and had the opportunity to investigate in Japan, was Bill Spindle who wrote on August 9, 2000. Because the allegations were complex, at first they appeared to be blaming Armstrong for taking losses and hiding them. The government theories would keep evolving preventing anyone from getting a real understanding of the claims. Spindle thus wrote:



"Mr. Armstrong says he is innocent. Much of the money at issue was lost by his Japanese clients in the early 1990s, he says, and he was just trying to earn it back for them."

Spindle thus reported from Tokyo with at least some knowledge of what the market there was all about:

"It was more than Mr. Armstrong's dazzle that pulled in clients. His investment products had a special appeal for some: They could be used to conceal paper losses after the early-1990s collapse of the country's stock and real estate markets.

Mr. Armstrong called one '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 portfolios's original, higher value. ...

[C]ompanies were able to book the notes at the redemption value, not the lower market value of the assets invested, and this had the effect of tucking losses under the rug."

Yet it was more than just misunderstanding the notes and the difference between the face value and the actual amount of money received. The Japanese SOLD the portfolios to Princeton for unless they did so, once they were liquidated, they would have had to report the loss if they still belonged to the Japanese. Thus, there NEVER was any solicitation for management services. Princeton was simply buying the portfolios. The government acknowledged in the criminal complaint that the notes were either (1) this rescue note paying a variable rate of interest, or (2) was a basic fixed rate yen borrowing. In NEITHER instance was there any solicitation for management nor that meant NO trading in the United States could flow to the noteholder. It was simply not their property and more than if you borrow \$10,000 to buy a home, you then sell it for \$100,000, the bank is not entitled to a percent of the profits; just the return of the principle \$10,000 plus interest. The Criminal Complaint stated the notes were UNSECURED, and that meant that no account in the United States belonged to a noteholder any more than a corporation who issues commercial paper somehow manages money for the person who bought it in the marketplace. The complaint stated at Section 5:

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.

d. The notes are issued in varying principal amounts, sometimes stated in U.S. dollars and sometimes stated in Japanese yen. Although some of the fixed-rate notes are issued in U.S. dollars, both principal and interest payments due under those note are to be paid in Japanese yen. At least a few of the fixed rate notes that I have reviewed appear to carry actual rates of return far in excess of their stated interest rates as a result of the fact that the dollar/yen exchange rate used in the notes substantially differed from market rates prevailing at the time the notes were issued. In some instances I have found that the actual rate of return on the notes is greater than 20 percent even though the stated interest rate is 4 percent.¹

To make matters worse, the government attorneys involved did not understand foreign exchange. They converted the notes to dollars and then concocted their charges on this basis. What they were doing was no different than let us say you borrow \$100 in 2000; repay it in 2010 plus interest. Now comes the government and they say calculating this in euro shows a fraud because you borrowed 100 euros in 2000, and the euro went up to 150 and you now owe 50 euros on your dollar loan. The criminal complaint clearly shows they did not understand currency at all and converted everything to dollar to create a crime.

¹ 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 which they received from a Japanese investor. The stated rate of interest on that note is 4 percent. However, that 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. The additional gain in the rate of return works as follows. The note was sold for \$10,420,000 but must be repaid in an "equivalent" amount of ¥1.5 billion. The Note further specifies that interest will be calculated on the basis of the specified yen equivalent amount. However, applying the yen/dollar exchange rate applicable on the date of the Note's issuance, the specified yen value of the note is substantially greater than the dollar amount actually invested. Accordingly, the rate of return on the dollar investment, when calculated on the basis of the inflated yen equivalent, yields a return of approximately 24 percent. In other words, at the time the Note was issued, the parties used an exchange rate different from prevailing market rates and that effectively undervalued the dollar and overvalued the yen. The Note thereby provides an additional 20% return to the investor

Alleging Armstrong paid some people 20% when he only owed 4% illustrated that the government became lost in their own mental wanderings. They obviously tried to convert everything to dollars and then alleged fraud based upon fluctuations in the currency when the contracts borrowed and were repayable in yen, not dollars.

From the outset, the government was protecting the New York banks. It was **Republic National Bank** who ran to the Feds, not a noteholder, when **Armstrong** threatened to sue them. **Armstrong** informed the court that after discovering irregularities in the accounts at **Republic**, he suspected that their staff was illegally trading in the company accounts, he went to counsel **Richard Altman** of **Pellettieri, Rabstein & Altman LLP** in Princeton, New Jersey to file suit. **Altman** sent an email giving them one week to return the missing funds. By the end of that week, the FBI was raiding Princeton Economic's office.

ARMSTRONG: I contacted my lawyers ... on August 29 ... 1999, to send a letter [from] Richard Altman.

I went to him, I explained what happened, I told him I wanted to file suit against Republic.

He sent a notice, I believe to Dov Schlien [Republic's President], asked for a reply back by September 1, or we would file suit. On September 2, the FBI came into the office, I think it was the 2nd or 3rd..." (Tr; 4/10/07, p48-49)

Republic was supposed to be the custodian, but instead, they twisted the facts to try to escape liability telling the government that **Armstrong** conspired with their own employees to illegal trade in the corporate accounts and hide the losses from the noteholders. That would make sense if the noteholder (1) owned the accounts, which they did not, and (2) if the trading belonged to the noteholder, which it did not. The bulk of the trading was in Japanese yen and this was simply hedging **Princeton's** yen exposure since repayments were due in yen – not dollars. The **SEC** acknowledged as much by their lead counsel on the case, **Dorothy Heyl**, who has left the **SEC** and now works for **Milbank, Tweed, Hadley & McCloy LLP**:



HEYL: The documents show that Martin Armstrong marketed promissory notes to numerous Japanese companies and that he promised them that their investments would be kept safe in segregated accounts that were Republic New York Securities accounts, with Republic acting as custodian and guaranteeing the safety of the investment.

(Tr; 10/14/99, p24, L17-22)

Dorothy Heyl

The government attorneys were also at a loss for understanding the real way banks play with your deposits and are clear too much in bed with them to be objective. Each night, they sweep the accounts and lend overnight excess cash in what is call the REPO market. This is a 24hr market that led to the collapse of Lehman Brothers in 2008. The money can go anywhere and the depositor has no knowledge it is even taking place. This is why **Long-Term Capital Management** was bailed out as well for the failure to cover its losses, ripple through the entire economy. The government complete misread the idea that Princeton was stating it was keep its funds segregated. They assumed that meant account A from B. But since FDIC insurance was \$100,000, such segregation would be pointless and offer no protection. Instead, Princeton was stating it would retain cash in FANNIE MAE short-term paper that was IMPLIED AAA, and thus was NOT acceptable collateral at an exchange or for the REPO market. Professionals understood this meant that Princeton would do its best to block the bank from placing cash in the REPO market where it would be at risk as was the case in the 1998 Russian debacle and again in 2007-2009 fiasco. This has NOTHING to do with commingling accounts that did not belong to a noteholder anyway. These allegations were dropped as was the case with a PONZI scheme, which is what Madoff did; take money with no actual business. In the end, the plea was written by the government and Armstrong was taken to court after 7 years of being unable to go to trial, and after being stripped of all his legal materials and place into solitary confinement, as **Bloomberg News' David Glovin** report. **Judge John F. Keenan** acknowledged that **Armstrong** was being treated like a hostage and was not allowed to speak freely stating on the record "*an allocution should be prepared for you to read to me ...*" (Tr; 8/17/06, p19, L8-9). **Armstrong** then read in court the government's script:



Judge John F. Keenan

ARMSTRONG: "Among the things that were represented to investors by my agents in Japan on my behalf and with my knowledge when the investments were solicited was that investor's money would be held in accounts at Republic New York Securities, and my agents also told investors that their monies in those accounts would be separate and segregated from Republic's own accounts and would not be available to Republic for its own benefit."

(TR; 8/17/06, p20, L17-14)

The allegation of COMMINGELING was dropped when the government realized **Republic National Bank** lied to them from the outset. **Dorothy Heyl** also admitted in open court that it was **Republic** to ran to the government, and to try to escape liability, claimed the Net Asset Letters sent to **Princeton** to confirm receipt of funds and balances from time to time, were on file at **Republic** and that they were then claiming they were false despite the fact they were on file in the bank between 1995 and 1999. It did not dawn on them that if there was some conspiracy between **Armstrong** and **Republic**'s staff, then why were the NAV letters on file in the bank and subject to audit by the **Federal Reserve**? If the letters were intentionally false, then there should have been no record of them in the bank!

HEYL: I think it is important to focus also on the net asset value letters that were sent by Republic New York Securities Corp. to the Japanese investors. These letters have been analyzed by Republic Bank who refer this matter to the SEC, the CFTC and other authorities, and they have analyzed 200 letters or more and compared them to the actual statements for those accounts or more and compared them to the actual statements for those accounts and found them to be overstated virtually every instance.

(Tr; 9/13/99, p15-16)

Not only did **Dorothy Heyl** admit that **Republic** ran to the government, she states that the allegation that the NAV letters were false was made by **Republic** who was trying to escape liability, and eventually had to plead guilty in 2002 returning all the funds they took in return for absolute immunity for its directors from any criminal prosecution. Additionally, **Republic** lied about providing the letters. They did not know who a noteholder was since they signed no account forms and the letters were addressed to **Princeton** not to any noteholder. Again, in the forced plea of **Armstrong** the government wrote, there was no longer any mention of false NAV letters nor was there any claim that any account belonged to any Japanese. As for any trading, the government had **Armstrong** now say in open court it was only for the "*general*" benefit of a noteholder, not their property. This merely implied that **Princeton** hedged to ensure it could eventually make repayment. A huge difference from trading that belonged to a third party. Under this theory, the losses by the NY banks in the mortgage scandal was also for the "*general*" benefit of all mortgage holders who could now sue the banks for failure to properly hedge their exposure on the individual's mortgage.

ARMSTRONG: I did conduct trading in commodities futures contracts for the benefit of note holders generally. And I conducted that trading in commodity trading accounts I opened and which were maintained at Republic New York Securities based in New York City.

(Tr; 8/17/07, p19-20)

Judge Keenan noticed the use of the word “based” in New York realizing that there would be no jurisdiction if nothing took place in New York. He asked about the accounts: “*Some in Manhattan?*” But none were. The only thing in New York was perhaps an exchange, but the trading was not even the property of a noteholder. **Judge Keenan** let it slide and just accepted the plea. (Tr; 8/17/06, p19-20)

The star lawyer for the **Commodity Futures Trading Commission** **Dennis M O’Keefe** handled the previous big high profile case, the alleged **Sumitomo** Copper Manipulation. This is the man that pushed for the contempt and knew that there was case law stating that unless there had been a contract to specifically trade futures for a client, there was no jurisdiction to claim Commodity Fraud {see *Tatum v Legg Mason Wood Walker, Inc.*, 93 F3d 121, 122-123 (5th Cir 1996); *Kearney v Prudential-Bache Securities*, 701 Fsupp 416, 421 (SDNY 1988)}. If someone robbed a bank and invested the proceeds into futures, it does not convert a bank robbery into a commodity fraud. Yet **O’Keefe** still pressed for a case absent any such contracts that negated even any commingling claims.



Dennis M. O'Keefe

O’KEEFE: Our focus is slightly different. It focuses on the fact that futures trading is done in those accounts at Republic that you have heard about after the notes were solicited in Japan. So our focus is on what happened to the money after it got to the United States.

After it got to the United States, your Honor, it was commingled at least as early as November 1997, on the books of Republic. And they were commingled for a variety of purposes at the direction of Mr. Armstrong.”

(Tr; 10/14/99, p33, L6-14)

The screenshot shows the homepage of THE NATIONAL LAW JOURNAL. At the top, there are links for "Day Free Trial", "National News", and "Washington News". Below that, there are links for "Home", "Legal Business", "Law Schools", "Columns", "Verdicts", and "Opin". A navigation bar at the bottom includes "NLJ Home", "News", and "Former GC Disbarred for Alleged Misuse of Confidential Information". The main article headline is "Former GC Disbarred for Alleged Misuse of Confidential Information". The text below the headline discusses the disbarment of Dennis O'Keefe for misusing confidential information from his government enforcement work. It also mentions a \$150 million settlement he obtained from Sumitomo. A small photo of Dennis O'Keefe is shown on the left side of the article.

To the shock and dismay of everyone, the star government attorney was subsequently disbarred for doing the very same thing in the previous **Sumitomo** case that **Armstrong** believed was going on in his case. **O’Keefe** extracted a \$150 million settlement from the Japanese firm **Sumitomo** to settle the copper manipulation allegations. For years, there were allegations that **O’Keefe** misused his inside knowledge of the Sumitomo case. The **National Law Journal** reported that **O’Keefe** conducted “a slew of misdeeds, including breaking the government’s revolving-door rules, revealing confidential information he obtained while in government, knowingly making false statements, destroying evidence, perjury and lying to bar counsel.”

[<http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=900005441579&slreturn=1&hbxlogin=1>]

Armstrong knew that the **Sumitomo** case had really unearthed the **CLUB**. While the news focused on **Sumitomo** placing all the blame on the Japanese, the **National Law Journal** conceded that the investigation began to turn up other leading firms including **Merill Lynch & Co** who had to be sold to **Bank of America** when they got caught up in the 2007 Mortgage debacle. All of these firms have always flocked together. **Armstrong** suspected the case brought against him was knowingly false, and was improperly used to confiscate all investigative materials gathered for years documenting the movements of the **CLUB**. On February 7th, 2000, **Armstrong** stood before **Judge Richard Owen** and publicly made it known the the tapes and evidenced seized by the receiver **Alan Cohen** constituted the evidence regarding the oranized manipulation of markets.

"The ... tapes... we made as a journalist, so to speak. I did a number of pieces and monitored a significant effort by a number of investment banks and fund managers who attempt to organize together in manipulating markets. I wrote extensively about several cases on that, and I made tapes to back up myself in support of that.

These are tapes that are, again, I do not see where they are particularly relevant to this particular case, your Honor. They have significant implications for a number of well known players and investment banks on the street that probably do reveal criminal behavior, but that does not necessarily involve this case. They are things that I wrote about. It is well documented that I was exposing the silver manipulations that were – went by a number of firms including Republic Bank. The CFTC even contacted me personally for information in that investigation and as well as that led to the Bank of England getting involved into the investigation."

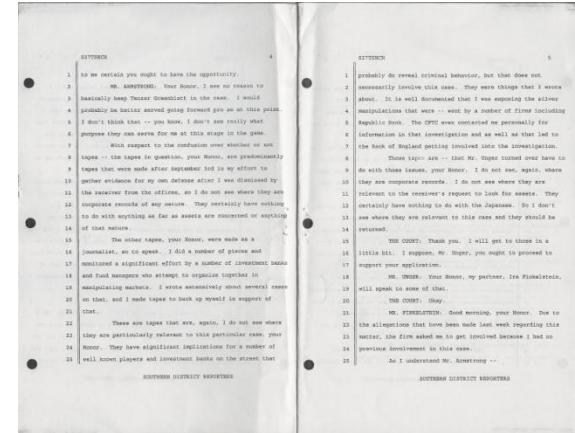
(Tr; 2/7/00, p4-5)

From the outset, the SEC and CFTC demanded to seize the corporations and to deny them the right to even hire a lawyer. Dorothy Heyl asked the court for this power and it was granted.

HEYL {SEC COUNSEL}: We want the assets to be frozen with a reasonable carve-out for living expenses and no money for attorney's fees

(99-Civ-9667 SDNY; Transcript: 9/13/99, p24-25)

If you think this is unusual, they then appointed **Goldman Sachs' ALEN COHEN** as the receiver who then pled the corporation guilty right away at the request of the SEC. So if your thought being American was something special, you are living in a delusion. There are absolutely **NO** constitutional rights at all and the government can take whatever property it desires without a right to hire lawyers, to answer or challenge any allegation, or a a right to a trial. The constitution is ignored whenever it gets in the way of Government lawyers.





Patrick Leahy Chairman US Senate Judiciary Committee who would not even respond to the illegal actions taking place showing that the Senate silently supports the arbitrary actions of Judges

Federal Judges can do as they like and the damage is done without any right t6o ever aooeal a damn thing. And they say Russia and China do not respect human rights or the right to due process of law? What about right here in the United States? Write ti the head of the Senate Judiciary Committee **Patrick Leahy** and he will not even respond, no less do his job to oversee the Judiciary. **Dorothy Heyl** then stood before the court and informed **Judge Owen** that **Alan Cohen** of **Goldman Sachs** would be pleading the companies guilty on Octover 14th, 1999 in just about 30 days.

HEYL [SEC COUNSEL]: Actually it is a permanent injunction with respect to the SEC, and it is to be consented to by Alan Cohen, as receiver....

(99-Civ-9667 SDNY; Transcript: 10/14/99, p9, L18-20)

Although the Constitution authorized only one case or controversy, the Government can invoke as many as it desires to ensure absolute victory. The Government admitted:

AUSA BRIAN COAD: ... it is true that Judge Owen is dealing with a case that is actually further along. It is the same case essentially, only in a civil context. The CFTC and the SEC filed actions against Mr. Armstrong for a TRO [Temporary Restraining Order] at the same time that Mr. Armstrong was arrested on the complaint in this [criminal] case.

(99-Cr-997 SDNY; Transcript: 10/15/99, p4, L3-7)

Unfortunately, **Armstrong's** case was amazingly assigned as most high profile SEC cases in New York, to their favorite **Judge Richard Owen**. In **Harvey A. Silvergate's** popular book, *Three Felonies A Day, How the Feds Target the Innocent* (2009), he wrote about **Judge Owen** stating he was assigned to the bench by **President Richard Nixon** in 1973, and was "widely reputed to be one of the most pro-prosecution judges in the entire federal court system..." (id/p110). This was the judge who first stripped a defendant, **Steven H. Fisher**, of all his lawyers, and then harrassed him to the point he committed suicide. Then joked how he never appealed his rulings. **Armstrong** believes that **Judge**

Owen was showing signs of dementia from the outset. Lawyers today have spoken openly about **Judge Owen** to the press and his response has been to no longer make rulings in open court. He will now rule only from the bench.

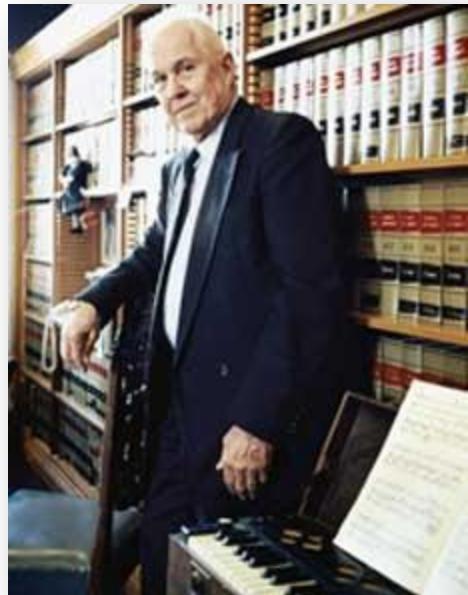
This was the Judge that not only attacked all of **Armstrong's** lawyers threatening them with contempt when they offered to represent him for free, but he through **Armstrong** in prison on civil contempt for more than 7 years refusing him bail at any price. The contempt was put in place for an alleged failure to turn over \$1.5 million of assets on January

14th, 2000. When friends offered to put up the whole \$1.5 million for bail, he refused. Realizing that \$1.5 million out of \$3 billion was like holding someone responsible for less than a tenth of a penny out of a dollar, he later raise it to \$10 million. Plus, the contempt was based upon a **POSSIBLE** restitution, it turned out he did not owe.

Armstrong tried in vain to appeal, but he ended up with another notorious judge who was reputed to have ice water in his veins rather than blood. This was **Judge John M. Walker, Jr.** His uncle is former **George Herbert Walker, Jr.**, co-founder of the New York Mets. He is a first cousin of U.S. President **George H. W. Bush**, the two having a grandfather in common. Judge **Walker** presided over the tax fraud trial of **Leona Helmsley**, whom he sentenced to four years in jail. His family connections and position as a NY Federal Judge came in handy when on the evening of October 17, 2006, as he began his drive home from the city, he ran over a police officer named **Daniel Picagli** in New Haven, Connecticut who was directing traffic in the middle of the road. The officer was wearing a black raincoat and a reflective vest, and died four days later. **Police Chief Francisco Ortiz** said the "*officers did not feel it was necessary to test [Judge] Walker for drugs or alcohol*". The prosecutor declined to press charges, saying nothing indicated "*intentional, negligent or reckless conduct*" by **Walker**.



Judge John M. Walker, Jr.



Judge Richard Owen

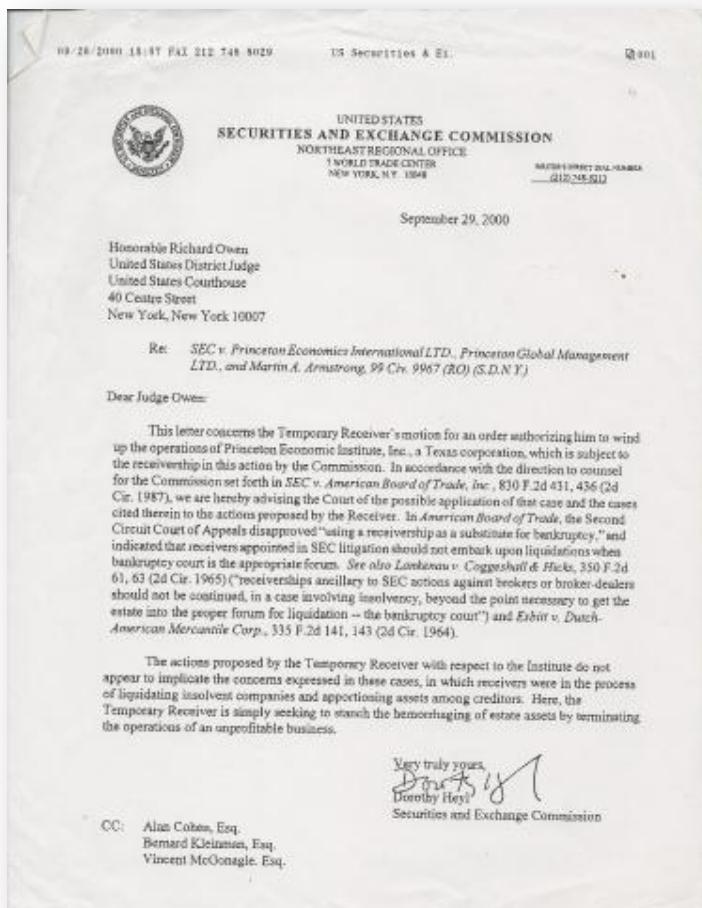
It was **Judge Walker** who constantly protected **Judge Owen**, at first claiming the Court of Appeals had no jurisdiction to review the contempt. That opened the door for **Owen** to do as he liked. Finally in 2006, **Judge Walker** delivered what has been regarded by many lawyers as the most anti-American decision in history. He justified the contempt power with a distorted view of history claiming the power of judges before the Revolution as if there were no constitution, insisting it is an "*inherent power*" of judges to throw anyone in prison they desire without a trial, right to lawyers, or anything that remotely represents a free democratic society.



Justice Sonia Sotomayor

Judge Walker wrote that even though they imprisoned **Armstrong** for more than 7 years, the "*length of coercive incarceration, in and of itself, is not dispositive of its lawfulness*" since "*a court may jail a contemnor 'indefinitely until he complies'*" **Armstrong v. Guccione**, 470 F.3d 89, 151 (2d Cir. 2006). Another judge on that three judge panel presiding in the Second Circuit Court of Appeals was now **Justice Sonia Sotomayor**. She disagreed and said the due process of law required that **Armstrong** be given hearings. She was also instrumental in then recusing **Judge Richard Owen** and having the case reassigned. The contempt was simply vacated when the case was reassigned to a new Judge and the Supreme

Court had ordered the government to respond, which is often the sign that they will hear the case. By vacating the contempt, the government then argued there was nothing to hear in the Supreme Court. This was the second recusal in a row for **Judge Owen** in 2006, for he was also recused from **US v Quattrone**, 441 F.3d 153 (2006) perhaps demonstrating that he was simply creating too much of an embarrassment in high profile cases.



Armstrong maintained from the outset that the contempt was a ploy for other reasons. Publicly, they would pretend this was all about turning over assets for a **POSSIBLE** future restitution. They were denying **Armstrong** his right to trial by jury, counsel, and

anything else that one remotely associates with a Free Democratic Society. Behind the scenes, they were demanding that **Armstrong** turn over the **SOURCE CODE TO THE MODEL** or they would shut down the **Princeton Economic Institute**. While they could not shut down the Institute for any legitimate reason, the **SEC** in a letter admitted that it was not insolvent but it was then losing money when run by **O'Melveny & Myers, LLP** who cut off all foreign clients. They then eliminated the **First Amendment** right to a free press and wanted all publications silenced. There is truly no right that is either sacred or respected anymore. From the outset, **Armstrong** believed it was all about shutting down **Princeton Economics** one way or another. It stood independent against the corruption in New York. That, it seems, would not be tolerated.

There is serious disagreement among judges as to the extent of their contempt power. **Justice Antonin Scalia** wrote the "*prosecution of individuals who disregard court orders (except orders necessary to protect the courts' ability to function) is not an exercise of [t]he judicial power of the United States.*"



Justice Antonin Scalia

Young v US ex rel Vuitton, 481 US 787, 815 (1987). One of the most respected Jurists is Judge Richard Posner warned that there is the danger of abuse and that "criminal punishment [can be] masquerading as civil contempt" and made clear that civil contempt is just an equity remedy and NOT the "inherent" power of courts of self-defense that is limited to criminal contempt. **Matter of Grand Jury Proceedings Empanelled May 1988**, 894 F2d 881, 885 (7th Cir 1989). Nonetheless, **Judge John M. Walker** in **Armstrong v Guccione**, 470 F3d 89 (2d Cir 2006) held Martin Armstrong in prison for more than 7 years on civil contempt claiming "inherent" power, but the contempt was vacated **ONLY** when it appeared the Supreme Court was about

the review the case to prevent any ruling that how Armstrong was treated was truly medieval.

On October 3rd, 2000, the court held a hearing where it was to rule on closing down the **Princeton Economic Institute**. Since it was not insolvent, it could not file for bankruptcy which would have got it away from the **SEC & CFTC** not to mention Judge Owen. The government wanted to stop the forecasting at all costs. So how do you shut down a publication when Free Speech is supposed to be protected by the **First Amendment**? You claim you are shutting it down to save money. The Institute had nothing to do with Japan nor was **Armstrong** a director or signature on any of its accounts, no less a shareholder. But ownership meant nothing in this case. The goal was simply to stop all forecasting.

James Smith, who worked at the Institute, came to court that day. He brought a letter from the **Department of Energy** asking **Princeton Economics** to construct a model on oil, which had fallen to nearly \$10 in 1999, and was widely reported that Princeton was forecasting oil would hit \$100 in 2007. This shocking forecast was covered by Bloomberg News and was widely reported around the world. This prompted the **Department of Energy** to reach out and request a model be constructed. This was the FIRST request by the US government to create a price forecasting model. It was opposed by the **SEC, CFTC, O'Melveny & Myers, LLP**, and of course **Goldman Sachs' Alan Cohen** who was running **Princeton**

Economics for the court as the receiver. The shocking result was they refused to allow James Smith to even testify as to the **Department of Energy** requests:

ARMSTRONG: Your Honor, may I present something to the court?

THE COURT: I don't know... What does it purport to be?

ARMSTRONG: It is a [letter] from Sadia National Laboratories. It's an example, your Honor, of what can be done but what is not being done right now. This is an e-mail and letter ... to Mr. Jim Smith, who is here. They are a national security laboratory owned by the U.S. Department of Energy. They are asking the Institute ... to assist in building a model for the Department of Energy in crude oil.

This shows, your Honor, that there is something that should be saved. And I believe that the Institute is entitled, the employees are entitled to at least ... attempt to do so freely. ...

THE COURT: Frankly, I don't see that this helps us ... I'm not going to receive something like this ...

ARMSTRONG: And I have another one, your Honor.

THE COURT: Forget it. I'm not going to receive anything that is offered today. ...

ARMSTRONG: Your Honor, I have Mr. Jim Smith who has come up here, who that was addressed to. He works at the Institute -- ...

THE COURT: What do you represent Mr. Smith would testify to if he took the stand?

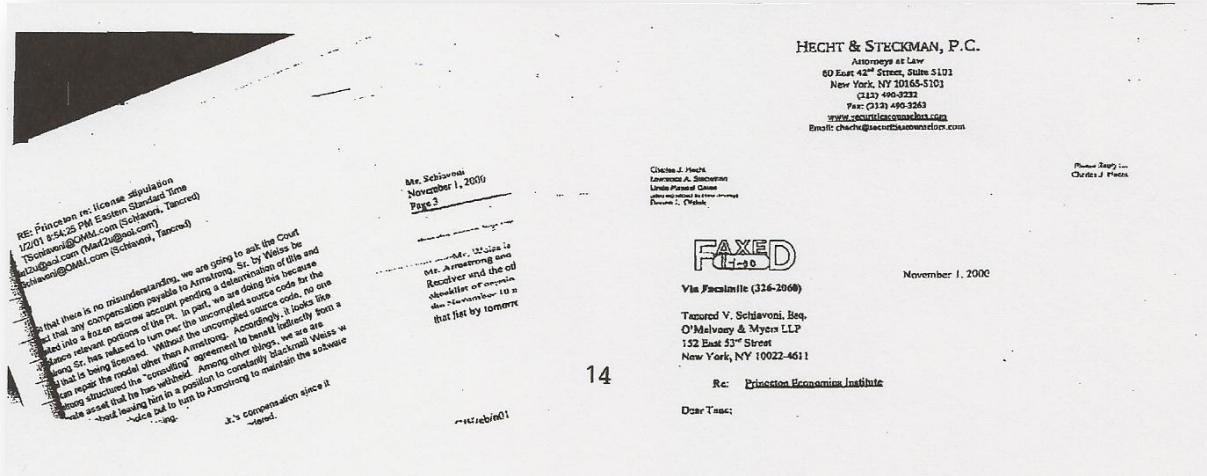
ARMSTRONG: What is in these documents, your Honor.

THE COURT: No, that is too general. I would have assumed he would have given me an affidavit of what he was going to say."

(TR; 10/03/2000; p38-42)

Judge Owen stripped the **Princeton Economic Institute** of all counsel and forced **Armstrong** to represent the employees and corporation on October 3rd, 2000. This was completely illegal for the Supreme Court had previously held that corporations could ONLY be represented by lawyers, not pro se, ROWLAND v. CALIFORNIA MEN'S COLONY, 506 U.S. 194 (1993). Judge Owen refused to allow any evidence to be presented and refused to allow **James Smith**, a staff member of the Institute, to even testify.

They were intent upon shutting down the **Princeton Economic Institute** at all costs. Knowingly violating the law is the name of the game because they shift the burden to the citizen to **PROVE** there are any rights. By then, it is too late! There is no way to stop the government from doing anything illegal and **NO** other judge in the **Second Circuit** would act.



In an email written by **Tancred Schiavoni**, of **O'Melveny & Myers LLP** acting as the legal counsel for the receiver, **Alan Cohen** who was a personal friend and former law clerk no less and appointed by **Judge Richard Owen**, the demand for model was made to counsel for **Martin Weiss** who was interested in leasing the **Princeton Economic Institute** to keep the research publications in place. **Judge Owen** would allow nothing of the sort. Everything was to be silenced at once. **Schiavoni's** email to Weis' lawyer **Charles Hecht**, said it all.

"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 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, of
O'Melveny & Myers LLP

The amazing thing is how behind the scenes, they demanded the source code for the model, yet publicly they were trying to pretend the model was nothing. **Judge John F. Keenan** even accused **Armstrong** of getting the idea for the model from a 1996 movie named **PI**. It did not

matter that the model was first published in 1979, nor the fact that the alleged fraud they claim began in 1995. They simply throw whatever they can out there, and hope that nobody pays too close attention to the facts.

From the outset, there were serious problems. **Armstrong** had self-surrendered in Trenton, New Jersey, where **Judge Freda Wolfinson** presided over the bail hearing. The US Attorney, **Mary Jo White** even showed up personally demanding no bail. But there was a serious problem. They never bothered to even call any alleged noteholders to verify any allegations made by **Republic National Bank**. The government just too Republic at its word and seized **Princeton Economics** with nothing but that. On September 13, 1999, the government was forced to admit they never took the time to speak to anyone. **Armstrong's** lawyer, **Richard Altman**, stood before the court and pointed out that there were "no defaults" and no complaints filed by any noteholder. (Tr; 9/13/99, p15, L18). **Judge Wolfinson** was shocked as **Richard Altman** pointed out: "Suffice it to say, the Government cannot come before you and say that 100 million, 200 million, 300 million, a billion 10 million, went into Mr. Armstrong's pocket, and they have access to the accounts at Republic Bank." (Tr; p8, Line 18-21). There was never any allegation that one cent was stolen. **Altman** also pointed out that "since 1991" over "\$2 billion in notes have been redeemed" with no problems. Unable to tell the court that they ever spoke to a noteholder, the Government conceded they were basing the charges on an account in a newspaper started by **Republic National Bank** itself. **Altman** pointed out to the court the serious question of veracity as to where their information came from to start the case. "From a newspaper?" (Tr; p15, L12).



Richard Altman exposed the Government's case for what it was:

*Mary Jo White
The US Attorney SDNY*



Judge Freda Wolfinson

"there are no complaints by foreign investors. There are no complaints made in writing, sworn to. There's no investigation conducted by the federal authorities to confirm that. It's just rank hearsay which is a product of not understanding what these transactions are about. There are no defaults. There are no complaints. And yet we're hearing this hysteria that there's a billion dollars missing. There's no question that the transactions were conducted through a public bank. They can determine from an audit of Republic Bank what was lost and where it went, but it didn't go to him [Armstrong]. ... We're going to find there's no crime here ...[a]nd we don't even have a victim." (Tr; p15-16)

The **SEC** and **CFTC** coordinated their filings waiting for **Armstrong** to self-surrender in Trenton, to make certain he could not simultaneously appear in New York, where the **SEC** also admitted “we have based our analysis of this on documents we obtained from the Japanese through a translator. We haven’t, in fact, been able to talk to the Japanese investors, but the documents presented to us by the Japanese regulatory authorities indicate that Mr. Armstrong said that he would invest the monies conservatively, that he would maintain the monies in segregated accounts at Republic ... What he did, instead, was to risk all of their monies in risky strategies involving currency and commodity trades that cover this up.” (**Tr; 9/13/99: p11, Line11-21**). This illustrated the complete lack of understanding since the notes were payable in yen, there

had to be currency hedging. **Judge Lewis Kaplan** while granting the Temporary Restraining Order (TRO), pointed out that the documents did not support the allegations.



JUDGE KAPLAN: Just bear with me. Let’s focus on this document for a moment. It says on the first page, which actually has a No. 2 at the bottom, that their overriding principle is preservation of capital and their approach to management can be characterized as extremely conservative. But then on the following page where they explain their investment technique they go on to say, that the funds can be invested in substantially anything, that it is made through leveraged derivative investments such as futures and options, using gearing so that the exposure to the market can be leveraged up to 10 times the initial investment. If

that’s conservative, the last ant I saw is an elephant.”

(**Tr; 9/13/99: p13, Lines 5-16**)

When **Judge Kaplan** asked: “*What’s the evidence that it is false?*” The **SEC** counsel **Ms. Heyl** replied: “*That their strategies were extremely risky, that they lost half a billion dollars in foreign currencies in yen and in index trading. They apparently were not hedged.*” (**Tr; p13-14**). **Mr. O’Keefe** chimed in arguing that “*Republic had no authority whatsoever to do anything with the accounts except on an order from Mr. Armstrong.*” (**Tr; p20**) He assumed anything Republic did had to have been approved by **Armstrong**. Yet at the same time, the **SEC’s Ms. Heyl** acknowledged that the wanted a receiver because there were outstanding positions that they said needed to be managed. “They had significant yen positions in late August in the hundreds of millions.” (**Tr; p7**). The **CFTC’s Mr. O’Keefe** then argued, “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; p7**). He got his request and **Alan Cohen** was appointed receiver, who then liquidated the entire hedge causing a loss of up to \$100 million. On the one hand, he blamed losses on **Armstrong** for NOT being hedged, and then said they needed a receiver to manage open positions of yen (the hedge) who then

liquidated everything. This was like an episode from dumb and dumber, or it was outright intentional. Can regulators be truly that stupid? Did **Alan Cohen**, who is head of ***Global Compliance*** for **Goldman Sachs**, simply liquidate all hedge positions not knowing this was the hedge to repay the notes in yen, or was this intentional to create the image of a loss and blame **Armstrong**? If **Goldman Sachs'** employees are supposed to be the best and brightest, something is just not quite right here.

Something was terribly wrong. They cared not about the law, the image of the United States, or anything whatsoever one expects of a nation that was supposed to be the leader of liberty in the world. This case demonstrated that there is simply nothing different between the United States and any third world dictatorship. Courts are just pomp and circumstance. A show to pretend there is some truth, honor, and justice. In reality, they are simply a tool of the government to carry out whatever political objectives are at hand.

There were no contracts soliciting the Japanese to invest in futures. There was no solicitation to raise money for some new investment scheme. The notes were either (1) purchasing damaged pre-existing portfolios, or (2) fixed rate yen borrowings. Neither case was the notes to raise money for speculation. But there was an even bigger problem. The majority of the notes had **NEVER** been formally issued. They were simply in "street name" (in the name of the Japanese Broker dealer) on their books in Japan. This was acknowledged in the ***Criminal Complaint*** of September 13, 1999: "**5c. Some of the notes are issued in the name of Tokyo as a nominee for the purchaser.**" The general manager of the Japanese broker dealer, John Gracy, sent an email to **Alan Cohen** explaining **AFTER** the case began, that the notes were never issued. He asked if **Mr. Cohen** wanted him to then issue the notes changing the entire case desperately trying to fabricate one in the United States.

When it became painfully obvious to **Armstrong** that **Alan Cohen** had no intention of running **Princeton Economics** to sustain the business, **Armstrong** consented to do interviews with the Japanese Press to get the word out that the Japanese should file suit against **Republic National Bank**. **Armstrong** had spoken to **Cohen** and explained **Republic Bank** was illegally trading in the accounts. **Cohen's** reply was he believed **Republic**. It had become clear that **Cohen, SEC, CFTC, Department of Justice, and O'Melveny & Myers, LLP**, appeared to be protecting the bank and were eager to portray them as innocent to escape liability and pin the blame on perhaps rogue traders within their ranks at best. But as long as they could claim **Armstrong** was part of the conspiracy, then **Republic Bank** would escape with the missing funds. **Armstrong** consented to an interview by **Ji Ji Press** conducted by **Tomoko Yamazaki**. He stressed that **Republic** was taking the funds and the Japanese had to sue **Republic** in New York. That was the only hope. That message was heard loud and clear in Japan and suits were then filed. That forced the US Government into having to deal with **Republic's** underhandedness.

A deal was struck to protect the bankers as always. They received **ABSOLUTE** immunity from **ANY** prosecution whatsoever provided they returned all missing funds. They accepted the deal and on January 7, 2002, they all stood in court patting each other on the back for such a great job.

The problem, how to keep Armstrong in jail if all the alleged victims were made whole? The answer **Cohen** came up with was to create a new fictitious crime **BEFORE** Armstrong dealt with **Republic National Bank**. **Alan Cohen** now told the court there was another crime to justify keeping **Armstrong** in prison indefinitely, but failed to describe its nature, how much was involved, and who were the new alleged victims:



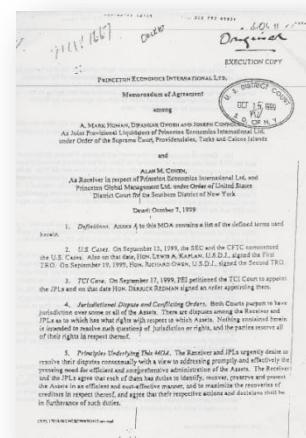
Alan Cohen, Receiver
Goldman Sachs Head of
Global Compliance

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

(99-Civ-9667; TR; 1/07/02: p17, Lines 1-4)

For the next **FIVE YEARS**, it was indeed **Goldman Sachs' Alan Cohen** who would ensure that in fact **Armstrong** remained in jail now without ANY description or notice of an alleged crime. There was no notice whatsoever. **Armstrong** was now to stay in jail because he refused to turn over assets when there was nothing even alleged to have been a crime. The **Supreme Court** had ruled in the landmark case, ***Brady v. Maryland***, 373 U.S. 83 (1963), that the Government attorneys **MUST** turnover exculpatory evidence to those it accuses. In other words, when the government has evidence that proves you innocent, it **VIOLATES** your civil right to withhold it to prevent you from putting on a defense. **Cohen** entered into a **SECRET** contract with the **SEC, CFTC**, and the **Department of Justice** agreeing to withhold **ALL** non-public evidence from **Armstrong**, his family, or any employee. This was in direct defiance of the **Supreme Court** ruling. The **SECRET** and illegal **MEMORANDUM OF AGREEMENT** read as follows:

§13(b) 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 Groups of 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 employees 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."



MOA

This **MOA** is so shocking that **Judge Richard Owen** agreed to it, and no a single other judge has addressed the issue. Everyone just ignores what has been going on. Cohen withheld ALL evidence whatsoever. He refused to provide Armstrong with ANY material to put on a defense. To illustrate the point of just keeping Armstrong now in prison with ANY charges whatsoever as if this were a nation run by some military dictator, in the parallel criminal case in 2005, three years later, Assistant US Attorney **Alexander Southwell**, now or **Gibson, Dunn & Crutcher's**

New York office, stood before the court and admitted there were no other pretended victims prior to **Republic**. It was all just made up by **Cohen** to ensure Armstrong would never be released. **Southwell** told the court:



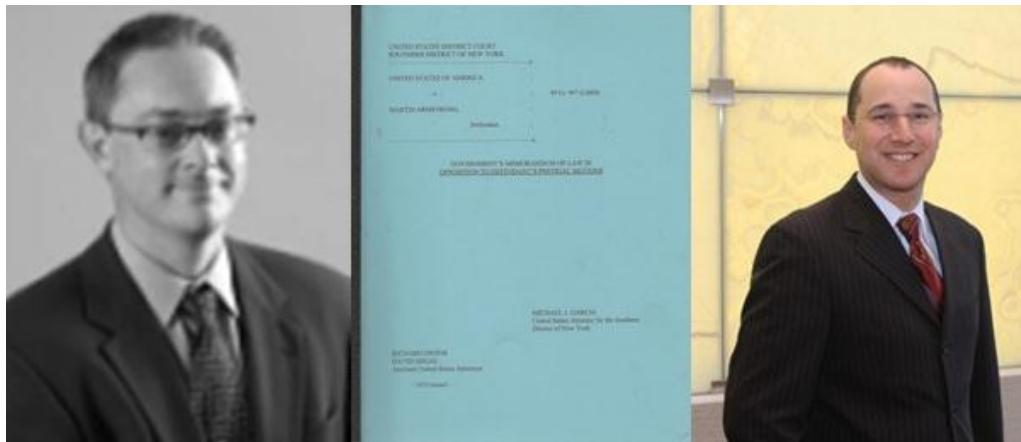
Alexander Southwell

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...

(TR; 6/25/05: p11-12)

HSBC purchased **Republic National Bank** and it was part of the immunity deal for its directors as well because they did not come forward and got behind **Republic's** claims to their benefit of \$1 billion, the amount it is believed they were indemnified by **Edmond Safra** personally concerning this ordeal. The glaring problems are many. **Cohen** admitted the settlement was covering all alleged false NAV letters issued by **Republic** – NOT **Armstrong**. So if there was a new crime BEFORE **Republic**, someone else had to issue false NAV letters. There were none. Thus, there was as **Cohen** admitted, no “description” of a crime. Secondly, **Southwell** also admitted that any restitution is owed ONLY upon a conviction by a jury trial. In **Grupo Mexicano de Desarrollo v. Alliance Bond Fund**, 527 US 308 (1999), it was held that courts CANNOT freeze assets concerning disputed title (UNSECURED) obligations. Monies may be seized and frozen ONLY when there is a secured interest because the title can be established and a jury need not determine that fact. Hence, as the **Criminal Complaint** made clear from the outset, in **§5c, “all of the documents I have reviewed to date indicate that the notes are unsecured.”** It is clear that there is just no way to compel a judge or a government attorney to obey the law. They do as they like and the burden is ALWAYS on the citizen to prove his civil rights are violated. It matters that this in itself is a **CRIMINAL ACT** under **18 USC §241**. Citizens cannot criminally prosecute anyone, so the government has to indict its own people – a HIGHLY implausible likelihood.

Effectively, the **Grupo Mexicano** decision was also against the New York courts. It made it very clear that the right to trial by jury prevents disputed assets from just being seized. In that case, **Alliance Bond Fund** moved to seize all assets in the United States belonging to **Grupo Mexicano** simply because they too held **UNSECURED** bonds. The Supreme Court ruled that there was no such historical jurisdiction for that type of relief. **Grupo** came about three (3) months **PRIOR** to the start of the case against **Princeton Economics**. Here too the debt was **UNSECURED**, but there was nothing in default. The same legal result was required. Judge Owen refused to listen. Before the lawyers could take an appeal, he then attacked them, threatening them with contempt, and seizing all their funds as well. He ensured there would be NO appeal of his decision regardless how illegal it had been from the outset.



Richard Owens

2006 Reply Brief

David Siegal

In 2006, **Armstrong** had to really defend himself pro se. He moved before **Judge Lawrence McKenna** for a Declaratory Judgment to establish the nature of the notes. The 46 page response was written by the two main prosecutors, **Richard Owens** now of **Latham & Watkins in New York** and **David Siegal** now of **Haynes and Boone, LLP New York**. On page 36, they admitted: "*All of the Princeton Notes known to the Government were unsecured.*" That confirmed several important issues. (1) the accounts in the USA did not belong to the Japanese, (2) that meant there was **NO** trading that belonged to the Japanese, (3) there could have been no commingling when the accounts did not belong to anyone else, and (4) **Armstrong** was illegally stripped of all assets by the freeze, denied counsel of choice, and kept in prison on contempt for more than 7 years when there was no constitutional basis to have frozen anything that was **UNSECURED** from the outset. So much for the right to **Trial by Jury!** And elephants are pink and fly on only weekends. Even the **Second Circuit NY Court of Appeals** overruled their position the year before that was just ignored.

"Moreover, the law does not always accompany an entitlement to assets with pretrial restraint provisions, to the contrary, pretrial restraint is the exception, not the rule. ... [there is] no general equitable power in federal courts to issue preliminary injunction restraining assets in civil proceeding[s]."

US v Razmilovic, 419 F3d 134, 141 (2d Cir 2005)(Justice Sotomayor was one of 3 who decided the case)

In 2006, the **Supreme Court** also came out with a major decision which stated bluntly that **Armstrong's** case could not stand when denied the right to hire counsel of choice, **United States v. Gonzalez-Lopez**, 548 U.S. 140 (2006). The Supreme Court effectively held it was automatic reversal for the one thing government cannot do, is to prevent citizens from hiring the lawyer of their choice. If this were not true, then the Government could ensure that good independent counsel could never find work if the Government was free to ensure he could not represent citizens. As always, when **Armstrong** raised this before **Judge John F. Keenan**, he simply said, let the **Court of Appeals** deal with that. Judges do not have to obey the Supreme Court for they can't ever be fired.



Judge P. Kevin Castel

While **Judge P. Kevin Castel** vacated the contempt after **Judge Richard Owen** was recused, he still defended the court trying to pretend there was no abuse. This was the only way to defeat the Supreme Court – vacate the contempt to prevent them from reviewing the contempt. **Judge Castel** was a former clerk to another notorious judge named **Kevin Thomas Duffy**, who was up there in the ranks with **Judge Richard Owen**. In open court, **Judge Castel** said those who thought Armstrong was not treated fairly were wrong. He also said to Armstrong “*you stood before Judge Keenan and freely admitted your guilt.*” (Tr: 4/27/07; p102). However, the purpose of civil contempt is to COERCE people. It is a throwback to medieval torture, and when corruption goes too far, there is no breaking point. It becomes an all or nothing venture. Contempt can be imposed until you die without any right to trial by jury or constitutional rights.



Patrick Henry 1736-1799

To submit to tyranny leaves nothing worthwhile to live for. You are either free or you are not. Living under tyranny or freedom becomes the choice. This is what **Patrick Henry** (1736-1799) meant when he said: “**Give me liberty or give me death!**” Contempt is a throw-back to medieval torture practices. The fact that judges claim this as an “inherent power” illustrates that everything the Revolution was fought for has been circumvented by the Judiciary. Those who think it is just imprison citizens until they are finally willy to say whatever their captor demands, would look closely at those paraded before the cameras by Iran and told to criticism their Western countries and confess to whatever they demand.

The Government either argues you are insane to justify your imprisonment, or they go in the opposite direction claiming you are too smart to be in society while pretending they are not corrupt. After trying the first approach, it was the latter eventually taken as evidenced by the cross

examination of **Dr. Paul Appelbaum**, the Director the Division of Psychiatry at Columbia University, explained to **Judge Castel** that despite any desire for liberty, **Armstrong** realized the contempt was for ulterior purposes and he had ***no breaking point***.

APPELBAUM: He expressed a belief to me that there is a desire on the part of some of the parties to the case, particularly the commodities futures trading commission, to silence him with regard to any further speech or writings dealing with the markets, and that this is not really a case about money or assets, it's a case about trying to silence him, as he put it, take away my freedom of speech.

(99-Civ-9667 SDNY; Tr: 4/27/07, p28)

When **Judge Castel** tried to pretend this wasn't true asking if **Armstrong** was "rational" in his thinking? **Dr. Appelbaum** concluded yes and "he did not have any diagnosable psychiatric disorder" (Tr; p28). When **Judge Castel** asked why **Armstrong** did not want former employees to testify on his behalf, **Dr Appelbaum** explained that **Armstrong** was concerned after **Judge Owen** threatened all his lawyers with contempt surrounded by hostility, he said **Armstrong** believed "*there would be no point in exposing them to that retaliation because it wouldn't do any good anyway.*"

Armstrong complained on numerous occasions that **Alan Cohen** and **Tancred Schiavoni** would never provide him with a list of the alleged missing assets to produce. As a matter of law, nobody should be thrown in jail on contempt without an ORDER expressly stating what it is he must do to be released. This entire contempt was a subterfuge, for as early as February 7th, 2000, just weeks after being jailed, **Armstrong** informed **Judge Owen** he had no such order.

ARMSTRONG: Your Honor, the large problem that exists here is that no specific list has been provided by the receiver [**Alan Cohen**] as to what is actually he is looking for. On the testimony, your Honor, there is also mention here about a Ming vase. I also testified, your Honor, that there is no receipt for purchase of a Ming Vase, that it was a simply souvenir purchased from a holiday and that I could never possibly produce a Ming vase, I never purchased one in my life. ...

COHEN: Judge, perhaps I could address that. ... I suggest that we can give Mr. Armstrong pictures of all the coins that we have collected so far on that list and he can tell us where the rest of them are.

JUDGE OWEN: I thought you did that?

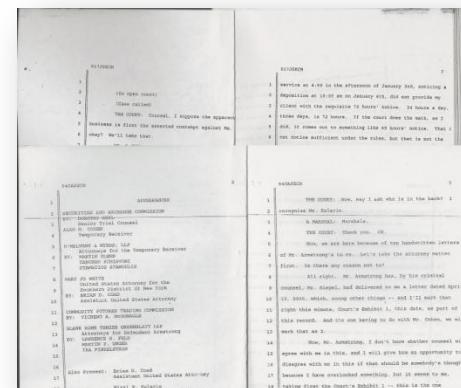
(TR: 2/7/00; p14-15)

Even **Judge Owen** knew that **Goldman Sachs' Alan Cohen** never complied with the law and violated the Constitution and **Armstrong's** Civil Rights. You cannot just throw people in prison and tell them to figure out what it is they have to do to get out. It was all a giant fraud upon the public. When **Armstrong** got the **Second Circuit Court of Appeals**, **Judge Walker** just protected **Judge Owen** and **Alan Cohen**. The trick judges pull is they simply never address your argument and mention something else to support their predetermined conclusion to deny your rights. **Judge Owen** slipped, admitting he thought there was some listing of what was missing. But once **Cohen** got him to throw **Armstrong** in prison without checking the details, he would now never release him on any such grounds for that would admit that **Judge Owen** himself had violated **Armstrong's** civil rights.

Further evidence the contempt was a ruse came when the contempt was first imposed for \$1.5 million. A friend of **Armstrong's**, owner of **Money Radio** in Los Angeles **Buzz Swartz**, offered to put up the whole amount for bail. **Judge Owen DENIED** the bail showing the contempt was never about money. It became explicitly clear - this was all about stopping any trial and shutting down **Princeton Economics**. There was a political agenda at work, for nobody would obey the law whatsoever. When it comes to contempt, as **Judge Walker** claimed contempt it is an inherent power that descends from judges under the former king. How does one inherit powers of tyranny from judges against which the American people rose up in revolution? **Judge Walker** wrote: "*Thus, we have little difficulty concluding that the district court's inherent power to order coercive civil confinement is of ancient and traditional origins.*" The Revolution is just ignored. **John Stuart Mill (1806-1873)** wrote in his famous work, **On Liberty** in 1859: "let us not flatter ourselves that we are yet free from the stain of legal persecution."

The **Constitution** begins stating that "We the people" had a primary purpose and that was to "**secure the blessings of liberty.**" Those who created the United States divided government into three branches to provide checks and balances following the wisdom of **Charles-Louis de Secondat, baron de La Brède et de Montesquieu** (1689 – 1755) who wrote: "**there is no liberty if the power of judging be not separated from the legislative and executive powers.**" ¹ **Montesquieu**, Spirit of the Laws 181, as quoted in **The Federalist No. 78, p. 523** (J. Cooke ed. 1961). But write to the Senate Judiciary Committee about a judge, and they will not respond as was the case of **Senator Patrick Leahy** of Vermont. Try writing to your own Congressman, and they typically respond, they do not get involved with the courts. So there are no checks and balances and the Constitution has been marginalized left merely as propaganda.

The press began to suspect something was going on in the courts when **Armstrong** was to appear in court before **Judge Richard Owen** on April 24th, 2000, and **Judge Owen** put a hand written note on the door announcing the court was closed to the press. **Noelle Knox**, a journalist for the **Associated Press** at the time, was either in the courtroom before the note was put on the door or she went in anyway. When **Armstrong** arrived in court, **Judge Owen** was already seated and there was no normal procedures being followed. Before he began, he ordered the Marshall to see who everyone was in the courtroom. Upon discovering **Ms. Knox**, she was told to leave. She walked up to the bench and objected stating she represented the **Associated Press**. **Judge Owen** became hostile and ordered she be removed. She then wrote for the AP on April 27th, 2000, three days. She wrote that extraordinary events took place all "**[i]n a closed hearing...**" that goes against everything a free society stands for.



Transcripts 1/7/00 & 4/24/00

Judge Owen altered the transcripts trying to cover up the illegal closure. The top transcript states “*open court*” and on 4/24/00 it is simply omitted. The Supreme Court ruled in **Waller v. Georgia**, 467 U.S. 39 (1984) that closing a courtroom required reversal of everything that took place in the proceeding. In a free society, courts are open to the public to prevent summary actions by governments that are the hallmark of tyranny. The Supreme Court held:

“the party seeking to close the hearing must advance an overriding interest that is likely to be prejudiced, the closure must be no broader than necessary to protect that interest, the trial court must consider reasonable alternatives to closing the proceeding, and it must make findings adequate to support the closure.”

Judge Richard Owen made no such ruling or findings. In fact, the reason he closed the court was because **Armstrong** was told by his lawyers that **Judge Owen** was meeting ex parte (illegally behind the curtain) with the receiver **Alan Cohen** and **Tancred Schiavoni** and that was simply not allowed. **Armstrong** asked what the hell was going on. **Armstrong** then moved to recuse **Judge Owen**, and of course he denied that motion as always. He was forced to admit he closed the court because the **Associated Press** had published that fact. He wrote in response to this closing was due to **Armstrong’s** allegations against himself.

“[Because of these allegations] were quite derogatory to lawyers in several directions, not to mention the court, the court determined to explore them in a ‘robing room’ – type setting, although using the courtroom itself ...”

SEC v Princeton Economics International, 199 FSupp2d 113, 117 (SDNY 2001)

Here, **Judge Owen** closed the court to protect himself and **Goldman Sachs’** Alan Cohen. That is completely illegal. Even the **Second Circuit** Court of Appeals held: “*Trials and pre-trial hearings are open to the public under the First Amendment, unless some extraordinary circumstances requires their closure*” **US v Alcantara**, 396 F3d 189, 196 (2d Cir 2005). Yet, in this case, they refused to recuse **Judge Owen** or rule on a single thing he had done. **Armstrong**, his family, and over 200 employees were denied a fair trial or appeal on any issue. There was no excuse at all even offered, suggesting indeed there has been a hidden agenda from the outset.

Judge Owen was simply ruthless. After removing **Armstrong’s** lawyers, forcing **Armstrong** to now represent himself since there is no right to counsel in civil cases, that **Judge Owen’s** is a “*ruling that has some wondering if he can get a fair trial.*” The **Associated Press** in its article of April 27th, 2000, then quoted **Armstrong** reporting for the first time what he had to say: “I’m in here to keep me quiet. ... I will never receive a fair trial before **Judge Owen**. There’s a hidden agenda going on here.” The entire press was now beginning to watch closely what precisely was going on in **Judge Owen’s** courtroom. It had become just outrageous and nobody would dare investigate.

Everything just kept getting worse, but this would benefit **Judge Owen's** next high profile case – **Frank Quattrone**, the **First Boston** Investment Banker. It became clear that someone was altering the court record changing the transcripts right down to words spoken in court. **Armstrong** then met a lawyer who was back on appeal and had lost his trial before **Judge Batts** in New York. The Judge got caught changing the transcripts and the **Second Circuit Court of Appeals** acknowledged the practice, recommended that the judges stop the alterations, but refused to reverse his conviction. After the revelation that Federal Judges reserved the right to change the transcripts of what was actually said in court, **US v Zichettello**, 208 F.3d 72 (2nd Cir. 2000) where it was admitted that the "*Southern District of New York follows a practice that is unusual and perhaps unique.*" When he appealed to the Supreme Court, the Government responded that his case wasn't worthy of review because it was a onetime thing. **Armstrong** prepared an affidavit under oath outlining numerous alterations to the record and asked for **Judge Owen's** recusal once again because he kept changing the transcripts.

Armstrong went to court on September 23rd, 2003 and since he entered an affidavit under oath, he was entitled to a hearing and to even call Judge Owen as a witness. The courtroom was packed with somewhere between 100 and 200 people. The word was out that Armstrong was challenging a practice that was notorious in New York and everyone knew it. **Judge Owen** was clearly intimidated by the audience. He knew the press was there all the time and was not about to then commit perjury. **Judge Owen** publicly admitted to doing making changes, but claimed he did not change anything material. He should have recused himself, but again refused simply stating:

"I don't remember ever making any change to a transcript of any substance whatever. I may have stuck in a coma. I may have stuck in a dash. But I don't Remember ever changing anything of substance."

Once a Federal Judge becomes a witness in the trial, **Federal Rules of Evidence 605** bars him from presiding. **Judge Owen** became a witness testifying as to what he was altering in the public record, which in itself was a crime.

TITLE 18 - CRIMES AND CRIMINAL PROCEDURE

PART I - CRIMES

CHAPTER 73 - OBSTRUCTION OF JUSTICE

18 USC Sec. 1506 Theft or alteration of record or process; false bail

Whoever feloniously steals, takes away, alters, falsifies, or otherwise avoids any record, writ, process, or other proceeding, in any court of the United States, whereby any judgment is reversed, made void, or does not take effect; or Whoever acknowledges, or procures to be acknowledged in any such court, any recognizance, bail, or judgment, in the name of any other person not privy or consenting to the same - Shall be fined under this title or imprisoned not more than five years, or both. (June 25, 1948, ch. 645, 62 Stat. 770; Pub. L. 103-322, title XXXIII, Sec. 330016(1)(K), Sept. 13, 1994, 108 Stat. 2147.)

The **Second Circuit** refused to hear the appeal and once again protected **Judge Richard Owen** illustrating that Judges will never eat their own and that all laws are only there to prosecute

citizens, not government employees, Judges regard themselves as above the law for no one would dare investigate anything. Even though the **Second Circuit** acted like the most corrupt institution belonging to some third world dictator, the fall out would spill over into the matter of **Frank Quattrone**.



Frank Quattrone

Sorkin of the **New York Times** and author of *Too Big to Fail*, visited **Armstrong** in prison to discuss the matter. He and other journalists did not report the event, but began to take careful notes in court and to compare with the transcripts released by **Judge Owen** later.

While the **Second Circuit** reassigned the case denying any wrong-doing by **Judge Owen**, they took a shot at **Sorkin** criticizing him claiming his account did not match the transcripts. Of course, judges can never be wrong or criminals. Those distinctions are reserved purely for the citizens of SUBJECTS of the state to more accurately reflect how judges view the people. **Armstrong** called **Sorkin** after that decision and he explained his notes were spot on and indeed **Judge Owen** was changing the transcripts in **Quattrone's** case as well. The **Second Circuit** wrote

in **UNITED STATES v Frank QUATTRONE, 441 F.3d 153 (2nd Cir 2006)**:



Andrew Ross Sorkin

In attempting to argue that numerous media commentators noted the allegedly biased conduct of the trial court judge, Quattrone cites only one newspaper article in the text of his Opening Brief though he collects others in a footnote: Appellant Br. 101 & n. 38. However, the very article that Quattrone employs to establish improprieties has at least one material mischaracterization of the court's trial management. The article claims that Brodsky testified upon cross-examination "No" when asked "Did you think he [Quattrone] had done anything wrong?" See Andrew Ross Sorkin, A Shift in Testimony in Ex-Banker's Trial, N.Y. TIMES, Apr. 23, 2004, at C3. This characterization was completely accurate. See J.A. 291 (Tr. 1371). What was inaccurate, however, was the next sentence of the article: "The judge . . . immediately struck the answer from the record . . ." Sorkin, supra, at C3. The record clearly reflects that upon objection, the trial judge allowed Brodsky to testify "No" but instructed the witness to move on without providing further commentary. J.A. 291 (Tr. 1370-71). Id./fn41

When **Frank Quattrone** was charged in New York City, it was becoming clear that New York prosecutes anyone **BUT** those in New York to further the financial position of the New York banks. **Michael Milken** of **Drexel Burnham** was a Philadelphia firm that created the junk bond market taking business from New York. There was the Chicago futures firm, **Refco**, also charged in New York. **Quattrone** was the leader in the IPO market going into 2000 from First Boston. It just seems that any firm that takes business away from New York finds themselves torn apart in a legal persecution. In the case of **Princeton Economics**, by alleging **Armstrong** conspired with **Republic's** own rogue staff, the bank would be able to take \$1 billion from the Japanese and never have to pay a dime. Everything always benefits New York even though nothing was in New York. Judge Keenan even asked Armstrong what took place in New York. Armstrong could think of nothing other than the COMEX exchange on which he traded personally once in a while since the currencies traded in Chicago. Judge Keenan asked if any accounts or notes were sold in New York, but there were no sales and no accounts even in New York City.

THE COURT: Some in Manhattan?

ARMSTRONG: Pardon?

THE COURT: Some in Manhattan?

ARMSTRONG: Well, the exchange is in Manhattan, yes.

THE COURT: Okay, fine. Go ahead.

(99-Cr-997 SDNY; Tr; 8/17/06; p19-20)

As a matter of law, even if there was a case, it could not be brought in New York City.

In July 2003, **Judge Milton Pollack** of the same court dismissed a class-action claim charging that **Merrill Lynch** intended to bilk investors through misleading research from Internet analyst **Henry Blodget**, who resigned from **Merrill Lynch** in 2001. It was a major victory in court for **Merrill Lynch** as well as **Morgan Stanley**, **Credit Suisse First Boston**, and **Goldman Sachs**--as judges dismissed claims in two class action suits related to the firms' tainted stock research. The suits charged that the firms intended to defraud investors by touting certain Internet and telecommunications stocks. The cases were specifically related to recommendations **Blodget** made on **Real Media** and **Interliant shares**. In his ruling, **Judge Pollack** said the investors involved were largely "*high-risk speculators*," and that the research reports contained significant disclosure suggesting that the stocks in question were volatile. **Judge Pollack** shut down any lawsuits against the big New York bankers for bogus research. Though research practices at many of the brokerage firms have been exposed as illegal, individual suits against the firms were being blocked by the courts. Numerous cases against **Morgan Stanley** Internet analyst **Mary Meeker** had been dismissed, as well as many cases

against **Blodget. David Trone**, a **Prudential** analyst who followed the brokerage industry, told the press he expected **Pollard's** decision to have a chilling effect on similar suits. "*While other areas of litigation have at least some legitimacy, we believe research misrepresentation claims were more conspiracy theory than intelligent fact-based claims.*" New York protects its **Investment Banks** at all costs. They will never be criminally prosecuted and they are beyond reach of private investors. The only one allowed to prosecute conspiracy theories is the Federal Government.

The fact that nothing took place in the United States and that all allegations concerned a registered broker-dealer in Japan partly owned by **Princeton Economics Int'l, Ltd** (non-US corporation), demonstrates that the abuse of prosecutions that have been taking place in New York was exposed by the Supreme Court in June 2010 in a major case, **Morrison v National Australia Bank, Ltd. 561 US – (2010)**, which wrote:

Section 10(b) [Securities Exchange Act] does not provide a cause of action to foreign plaintiffs suing foreign and American defendants for misconduct in connection with securities traded on foreign exchanges.

(a) It is a “longstanding principle of American law ‘that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.’” *EEOC v. Arabian American Oil Co.*, 499 U. S. 244, 248 (*Aramco*). When a statute gives no clear indication of an extraterritorial application, it has none. Nonetheless, the Second Circuit believed the Exchange Act’s silence about §10(b)’s extraterritorial application permitted the court to “discern” whether Congress would have wanted the statute to apply. This disregard of the presumption against extraterritoriality has occurred over many decades in many courts of appeals and has produced a collection of tests for divining congressional intent that are complex in formulation and unpredictable in application. The results demonstrate the wisdom of the presumption against extraterritoriality. Rather than guess anew in each case, this Court applies the presumption in all cases, preserving a stable background against which Congress can legislate with predictable effects.

Whatever the Supreme Court may rule is very nice. However, because of their own Rule 10 claiming they lack the resources to hear every petition, they pick and choose. There is nothing in the Constitution giving them such discretion. They are the ONLY Constitutional court. All others exist only at the discretion of Congress. Thus, by Rule 10, the Supreme Court has constructively amended the Constitution ruling that there is no such right to be heard. Therefore, the lower courts do not have to bother following anything they say, for who is going to enforce it? The Prosecutors? Right! We have no tripartite government because Congress refuses to review the actions of judges and then the Supreme Court has reduced itself to a bunch of old men and women who pontificate on the porch, but nobody really listens.

The Oldest Bench Ever

Extreme aging in the federal judiciary—and the trouble it causes.

By Joseph Goldstein

Posted Tuesday, Jan. 18, 2011, at 7:01 AM ET

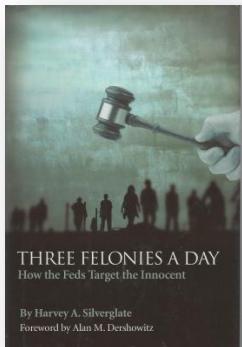


Judge Richard Owen of the U.S. District Court in Manhattan gathered a group of lawyers in his courtroom in 2007 to discuss the possible leak of sealed documents in a business case. As the hearing got under way, Owen, then 84, asked for someone to explain this newfangled mode of communication the lawyers kept mentioning—e-mail. "It pops up in a machine in some administrative office, and is somebody there with a duty to take it around and give it to whoever it's named to?" he asked.

Some of the lawyers figured that Owen, whose chambers came with a mimeograph machine when he became a judge in 1973, was just behind the times. Others wondered if the judge's memory was failing him. After all, the most famous case in his long career—the back-to-back trials of Silicon Valley investment banker Frank Quattrone—had revolved around a single e-mail. Yet he now acted as though this was the first he was hearing about it. "He didn't understand what was happening in his own courtroom," said one lawyer present that day.



From the outset of the case, **Armstrong** believed that the **SEC** and **CFTC** managed to manipulate the assignment of their cases to **Judge Richard Owen** for several reasons. Owen seemed to have significant problems with his mental capacity. At the contempt hearing, **Judge Owen** claimed he heard testimony that **Armstrong** had poured some sort of fluid into computer hard drives to destroy them. The discussion was about the computer self-destruction overwriting the model with "x" making them unrecoverable. A program used to simply partition hard drives named **Partition Magic** was transformed into the mind of **Judge Owen** to some sort of dishwashing fluid supposedly poured into the computer of which there was no such testimony. Yet on appeal, of course the Second Circuit refuses to address the senility of judges. So if you end up with a lunatic, your personal rights vanish for there is no way to challenge a judge at all. As reported by Joseph Goldstein, so many lawyers have complained about Judge Owen, the solution is he will decide on the papers and not do so in public hearings any more. One must guess that the clerk just now tell the judge what the government wants.



The problem with **Judge Owen** has been the fact that he is just insanely biased. **Harvey Silverglate**, who was on the **Michael Milken** defense team, notes that **Judge Owen** is one of the most pro-government judges in the nation. Whatever the government requests, **Judge Owen** simply grants regardless of the rights of the individual or the restraint of the Constitution. Whatever the law might be matters nothing. This has been the sad reputation of **Judge Owen**. This appears to be a man who allegedly does not believe in the American Constitution as any restraint upon his personal power or that of the Government.

Further evidence of **Judge Owen's** bias for the government was illustrated in a famous case, **United States v. Salerno**, **481 U.S. 739 (1987)** the Mafia Case. Congress had just enacted a new bail statute. The Government wanted to take it to the Supreme Court to manipulate it to be used against everyone. They selected Salerno to be the test case. **Judge Owen** issued a bizarre order that made no sense to enable the Government to appeal. Why would any judge grant a person bail in a second case after sentencing him to 100 years on the first? The dissent noted: "**On November 19, 1986, respondent Salerno was convicted after a jury trial on charges unrelated to those alleged in the indictment in this case. On January 13, 1987, Salerno was sentenced on those charges to 100 years' imprisonment. As of that date, the Government no longer required a pretrial detention order for the purpose of keeping Salerno incarcerated; it could simply take him into custody on the judgment and commitment order. The present case thus became moot as to respondent Salerno.**" **Judge Owen** accommodated the Government by granting this strange bail. But more importantly, why would he grant that bail knowing he was in custody on the other case? Clearly, **Judge Owen** discussed with the Government in Chambers off the record – behind the scenes knowing he would be reversed.

US v Salerno 481 US 739 (1987)

Had this judgment and commitment order been executed immediately, as is the ordinary course, the present case would certainly have been moot with respect to Salerno. On January 16, 1987, however, the District Judge who had sentenced Salerno in the unrelated proceedings issued the following order, apparently with the Government's consent:

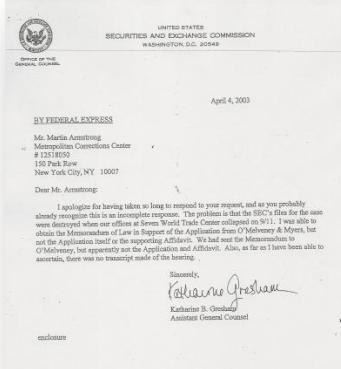
"Inasmuch as defendant Anthony Salerno was not ordered detained in this case, but is presently being detained pretrial in the case of *United States v. Anthony Salerno, et al.*, SS 86 Cr. 245 (MJL),"

"IT IS HEREBY ORDERED that the bail status of defendant Anthony Salerno in the above-captioned case shall remain the same as it was prior to the January 13, 1987, sentencing, pending further order of the Court."

Order in SS 85 Cr. 139 (RO) (SDNY) (Owen, J.). This order is curious. To release on bail pending appeal "a person who has been found guilty of an offense and sentenced to a term of imprisonment," the District Judge was required to find

"by clear and convincing evidence that the person is not likely to flee or pose a danger to the safety of any other person or the community if released. . . ."

18 U.S.C. § 3143(b)(1) (1982 ed., Supp. III). In short, the District Court which had sentenced Salerno to 100 years' imprisonment then found, with the Government's consent, that he was not dangerous, in a vain attempt to keep alive the controversy as to Salerno's dangerousness before this Court.



The telltale signs that the Government was refusing to allow **Armstrong** to even defend himself was the fact that they (1) refused to provide him access to his own evidence and all discovery, and (2) moved for a restraining order to prevent Armstrong from assisting the alleged Japanese victims.

When Armstrong requested his discovery, the SEC responded stating that it was destroyed in the World Trade Center attack. Under the law, the case should have been dismissed. The Supreme Court held previously, which of course is ignored by the lower courts when it is against the Government's self-interest, made it clear:

"A rule thus declaring I prosecutor may hide, defendant must seek,' is not tenable in a system constitutionally bound to accord defendants due process."

Banks v Dretke, 540 us 668, 157 Led2d 1166, 1193 (2004)

When Alan Cohen refused to investigate Republic National Bank telling Armstrong "We believe Republic" making it clear that if the initial allegations stood, Republic would be able to simply take all the money blaming Armstrong and the Japanese would NEVER have received a dime. Armstrong believed that Cohen was blocking the case from the outset. For this reason, Armstrong did interviews with the Japanese press to get the message out that they needed to come to the United States and file suit against Republic and the receiver. They did! At last, Republic had to respond and for the first time they were forced to admit everything they told the government to start the case was a lie. Republic reversed its story admitting that Armstrong was not managing money and in fact the accounts did not belong to the Japanese noteholders.

"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's 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."

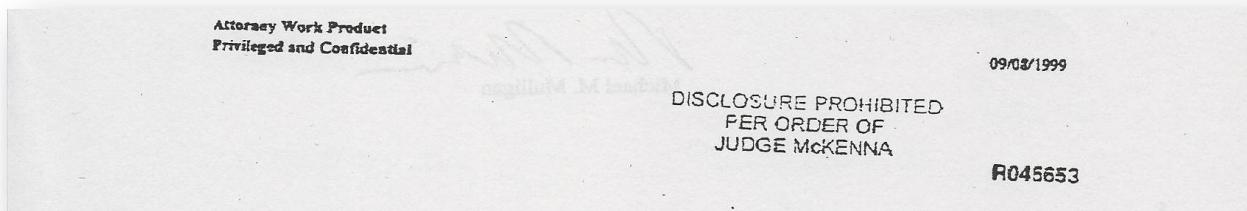
Republic Response to Yakult & Maruzen Lawsuit, SDNY(p9)

Now **Republic** at last was forced to tell the truth. The Government (**SEC, CFTC, Justice Department**) now conspired with **Republic** to protect the New York Bankers against the Japanese. They refused to provide **Armstrong** with access to any evidence to mount his defense. Only after nearly three years, the Government was caught in a box. The Japanese suits would force discovery. All the cases were assigned to **Judge Owen**, of course, who protected the bankers at all costs. They then cut a deal with the NY Bankers agreeing that if they returned ALL the money they had taken, they would give **ABSOLUTE**

IMMUNITY to all the bankers both for taking all the money and for lying to the government to start the case. To prevent Armstrong from moving to trial, **Armstrong** was stripped of all counsel, thrown into prison on civil contempt denied bail even when friends offered to put up the whole amount in cash, and to obstruct justice and **Armstrong's** right to a fair trial, they refused to provide him with any documentation to go to court. **Armstrong's** court appointed counsel revealed in open court that the Government had been withholding all **Republic National Bank** documents for three years defeating any right to a Speedy Trial.

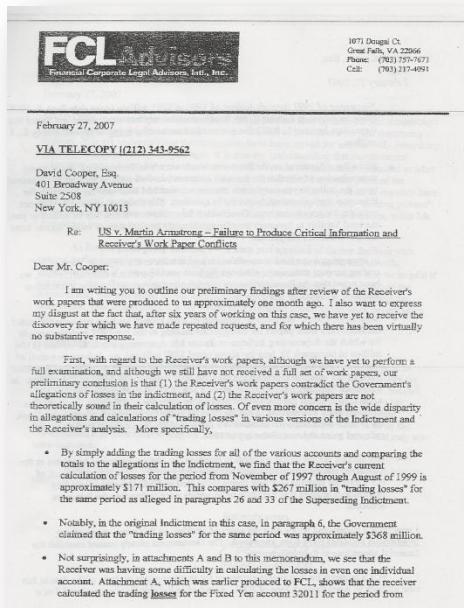
MR. SIEGEL: To clarify the record, the assistant [US Attorney] Mr. Owen[s], I spoke to him last week and he indicated that they have documents now that the Republic matter was concluded, that they can now turn over to the defense that they were holding back. How much that entails, I would have to defer to assistant US Attorney Mr. Owen[s].

(99-Cr-997; Tr; 1/14/02, p20, L2-7)



Matters continued to get much worse. The Government then escorted **Republic National Bank** into the criminal case before **Judge Lawrence M. McKenna**. They supported Republic National Bank, which pled criminally guilty in 2002 and agreed to pay \$606 million restitution to prevent personal indictment of the

Board of Directors who tried to abscond with all the money, and then moved to GAG Armstrong and to prevent him from assisting the Japanese in any way. They delayed the case for nearly two more years and Armstrong personally objected, the court appointed lawyers were of course silent. **Judge McKenna** ruled against **Armstrong** and he was then not allowed to share any documents with the Japanese whatsoever. Above, is the stamp placed on every document **GAGING Armstrong** from helping the alleged victims?



The court appointed forensic accountant **Michael Mulligan**, who had previously worked for the SEC and in the ENRON Case, issued a letter to the lawyers and the courts outlining that the allegations were false and that the government claims that there were trading losses was out right **FALSE**.

I now think I understand why – after six years of working on this case – none of our production requests have been answered. The Government clearly cannot establish the financial allegations in their Indictments.

There were internal documents from **Republic National Bank** itself who had conducted an audit and found that **Armstrong's** trading was profitable up to just 6 months prior to the filing of any charges. He made it clear that the withholding of documents for six years was now obvious. There was no crime as alleged.

Conclusion

There are at least three major implications from these findings. First, we need to receive documents that we have been requesting for the last six years because not only the Government's allegations of fraud, but also its computations, appear to be flawed. Second, whereas 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.

It is truly amazing that you have all of these Government officers, sworn to tell the truth, yet are about as truthful as a politician running for office. It is all about winning and there is no justice left in America. Numerous officials, their supervisors, judges and appellate judges were involved. Yet no one would speak out. What does this say about even leaving any money in New York? A New York bank can rip you off, and there is absolutely no rule of law remaining to secure your liberty and property.

Former employees though this whole thing was a covert plot by the CIA to grab the model. Certainly that is possible that they could have been behind the curtain whispering in the ears of the judges to ensure they would deny **Armstrong** his fundamental right to Equal Justice for All. Certainly this remains a possibility after Armstrong declined to build a model for the CIA following its correct forecast of the collapse of Russian in September 1998.

Nevertheless, **Armstrong** believed this was instigated simply by the NY bankers. Whether the **CIA** chimed in later might be debatable. But since the computers were at the World Trade Center lab and were destroyed in the 911 attack, **Armstrong** does not believe this had anything to do with the **CIA**.

Armstrong from the outset had **Judge Lawrence M. McKenna** as the presiding judge in the criminal case. The Government moved to recuse him desperately trying to get the case reassigned to their favorite they could count on doing whatever they wanted - **Judge Owen**. **Judge McKenna** declined. The receiver, **Goldman Sachs's** head of Global Compliance **Alan Cohen**, admitted on January 7th, 2002 that **Republic**

National Bank was pleading guilty getting absolute immunity for all bankers provided they simply returned the money they had taken in the first instance. They agreed to pay everyone so that the directors would not be criminal prosecuted. **Cohen** then told the **Judge Owen** there were other losses before **Armstrong** dealt with Republic that were huge to justify keeping **Armstrong** in prison indefinitely. He admitted, "**there is no as description of criminal liability.**" Now there was not even an allegation. **Cohen** just said throw away the key because the New York bankers want it that way. This is when **Prosecutor Southwell** in 2005 then admits there was no other fraud or losses and wanted **Judge McKenna** to step down because his wife had done some work for HSBC, claiming any possible restitution would be owed "**reimbursing ultimately HSBC, who basically made good and paid out these losses for whatever reasons that they did.**" (6/24/05).



Judge Michael Mukasey
Appointed Attorney General by Bush

Jailed N.J. financier moved to 'solitary'

He's been held 6½ years on contempt. He is now accused of damaging jail.

By David Glovin
BLOOMBERG NEWS

Martin Armstrong, the financier from Maple Shade who has spent 6½ years in a New York jail on contempt charges, has been moved to "solitary confinement" after being accused of damaging prison property, his son said.

Armstrong, the former money manager and founder of Princeton Economics International Ltd., was jailed in January 2000 by the judge overseeing a civil suit by the Securities and Exchange Commission after he failed to surrender \$14.9 million in gold bars and rare coins. Armstrong says he does not have them, and his fourth appeal is pending. No one has ever spent more time in jail for civil-contempt of a federal court order.

Since then, Armstrong has been held at a 12-story prison in Lower Manhattan, along with accused gang members, drug dealers and terrorists awaiting trial. On Aug. 10, after he was accused of damaging a vent, Armstrong was moved to a new cell block where he must stay in his cell 23 hours a day, defense attorney David Cooper said.

"He's just in a cell, by himself," Armstrong's son, Marty Jr., said. "They took him away from all his legal documents, which is all the more critical with the trial coming up."

Justin Andrews, a spokesman for the Metropolitan Correctional Center, would not comment on Armstrong's transfer from the regular population, where he spent his days in the prison law library. The correctional center, Andrews said, does not have solitary confinement though it does use a "special housing unit" as punishment.

Armstrong's financial reputation was built on his theory that economic cycles recur over centuries. From an office overlooking Tokyo's Imperial Palace, his defunct New Jersey-based firm grew to manage as much as \$3 billion for Japanese investors.

U.S. authorities said Armstrong hid huge trading losses by using funds from new investors to pay off old ones. On Sept. 13, 1999, the SEC and the Commodity Futures Trading Commission sued Princeton Economics and Armstrong, and prosecutors filed criminal fraud charges, saying he swindled Japanese investors out of \$700 million.

A criminal trial is scheduled for Oct. 24.

Cooper said the prison accused Armstrong of damaging a vent cover after a disagreement with a guard. Armstrong denies wrongdoing and was in the library when the vent was damaged, his attorney said. Armstrong has not been told when he will return to his regular unit.

"It's 23-hours-a-day lock-down," Cooper said. "Why they want to do this now, I don't know."

The Government appears to have gone behind **Judge McKenna's** back who refused to recuse himself asking the **Chief Judge Michael B. Mukasey** (for he was leaving and became Attorney General) to reassign the case against **McKenna's** denial of their motion. The case was reassigned to **Judge John F. Keenan** who immediately blamed **Armstrong** for the 7 year delay and ordered a trial within two months. When the government saw **Armstrong** was preparing for trial, they came in with an offer of 15 years to plead. **Armstrong** refused. The next day they offered 10 year with credit for the contempt. **Armstrong** again refused to plead. They then threw him into **solitary confinement (reported by Bloomberg News)** and took away all his legal defense materials that he believed the government now reviewed his whole defense. They then told **Armstrong** if he insisted upon going to trial, this was the way he would go. Denied his defense materials and denied any phone call except once a month for 15 minutes. Then then offered a **FORM B** Pleading saying they would drop all charges leaving only a conspiracy and a maximum sentence of 5 years against which he was supposed to be able to argue for time served.

Adviser Jailed Since 2000 Pleads Guilty in Securities Fraud Case

By GRETCHEN MORGENSEN

Martin A. Armstrong, a financial adviser who has been in jail since January 2000 on a civil contempt charge, pleaded guilty yesterday to a charge of securities fraud in a criminal case stemming from trading losses incurred by his firm in 1999.

At a hearing yesterday afternoon in United States District Court in Manhattan, Mr. Armstrong, founder of Princeton Economics International, admitted to deceiving corporate investors and improperly commingling client funds in a case that prosecutors said resulted in commodities losses of more than \$700 million.

Judge John F. Keenan said that Armstrong, 56, could receive a sentence of as much as five years in prison and a fine of at least \$250,000.

The judge said he had not decided whether to credit Mr. Armstrong with the time he had already spent in jail when sentencing him on Jan. 3. Mr. Armstrong, however, said the financier should have been released from jail after 18 months as required by the civil contempt statute.

Mr. Armstrong, jailed in the Metropolitan Correctional Center in Lower Manhattan, pleaded guilty to the conspiracy charge after spending almost a week in segregated confinement in Section A of the jail, his daughter said. Prison officials segregated him after contending that he had damaged an air vent in a recreational area of the jail, she said.

"I think the government just wore Marty out," said Thomas V. Sjöblom, a partner at Proskauer Rose, who represents Mr. Armstrong. "The

Trading losses of \$700 million led to criminal charges.

court system has not been gracious in any respect toward Martin Armstrong since the criminal judge in Trenton gave him bail in September 1999."

After being released on bail in New Jersey seven years ago as the case was unfolding, Mr. Armstrong was indicted again by federal prosecutors in Manhattan, Mr. Sjöblom said. The Securities and Exchange Commission and the Commodity Futures Trading Commission sued Mr. Armstrong and ordered him to turn over assets. Mr. Armstrong was jailed on civil contempt charges after failing to surrender \$14.6 million in gold bars and rare coins to the government; assets that Mr. Armstrong claimed he did not have.

Last January, Mr. Sjöblom argued before the United States Court of Appeals for the Second Circuit that Mr. Armstrong had been imprisoned unlawfully for six and a half years and should be released; the appellate court has not ruled on the matter.

"The court of appeals needs to resolve this contempt issue because it impacts the sentencing in the criminal case," Mr. Sjöblom said.

Mr. Armstrong's guilty plea came as he and his lawyers prepared for his criminal trial, scheduled to begin

on Oct. 24. Three weeks ago, the judge that had overseen the criminal case since 2000 was replaced by Judge Keenan, who immediately scheduled a trial for Mr. Armstrong.

At the peak of his career, Mr. Armstrong managed \$3 billion in assets. The unraveling of his firm involved a bet against the Japanese yen that led to substantial losses. In January 2002, Republic Securities, a brokerage firm that housed Princeton Economic's accounts, pleaded guilty to conspiracy and securities fraud charges in the case and paid \$569 million to victims.

Ms. Armstrong spoke with her father after he appeared in court. "He didn't sound too happy," she said. "But he had been in there almost seven years with no end in sight. I certainly feel good about his decision."

The government wrote the plea script directing **Armstrong** to read this in front of the press no different than a hostage wheeled out by Iran to pretend that they too are just and honorable and that their hostage agrees with them. The **NY Times** reported that **Armstrong** just gave up. The government dropped all the allegations about commingling and the pretense of a Ponzi scheme, their favorite allegation that relieves them of having to prove every transaction was a violation.

ARMSTRONG: In connection with selling those notes, I informed the investors that I would be investing money in various -- in a variety of investments, including trading commodities futures, and in fact I did - I did conduct trading in commodities futures contracts for the benefit of note holders generally. And I conducted that trading in commodity trading accounts I opened and which were maintained at Republic New York Securities based in New York City.

THE COURT: Some in Manhattan?

ARMSTRONG: Pardon?

THE COURT: Some in Manhattan?

ARMSTRONG: Well, the exchange is in Manhattan, yes.

THE COURT: Okay, fine. Go ahead.

(99-Cr-997 SDNY; 8/17/06, Tr:-p19-20)

There was no solicitation to manage money and the accounts were never the property of the noteholder any more than a bond holder has any right to specific money in a corporation or in the government. As for the commingling, they had Armstrong statement they wrote: "**my agents also told investors that their monies in those accounts would be separate and segregated from Republic's own accounts and would not be available to Republic for its own benefit.**" (99-Cr-997 SDNY; 8/17/06, p20, L7-14). The government finally realized that it was never any security to keep accounts separate from each other that would only afford SPIC insurance that was meaningless. Instead, the segregation was to prevent cash from being taken by Republic overnight and placed into the **REPO** market where money can

Besides throwing Armstrong into Solitary Confinement and stripping him of his defense materials to force him to plea, writing the script and not allowing him to even to speak freely, the plea was supposed to be a **FORM B** Pleading where he was told he could go home that day. The government prosecutors **Southwell** and Siegal after doing

all of this, then told Judge Keenan he did not have the jurisdiction to grant credit and let **Armstrong** go home. **Judge Keenan** followed what they told him and he said he would have to apply to the court where he would serve his sentence of 5 years to seek credit for the 7.5 years of confinement.



Judge Renee Marie Bumb

Armstrong had to apply for *Habeas Corpus* in New Jersey. The presiding judge was another former prosecutor as was **Judge Keenan** and **Judge Owen**. **Judge Renee Marie Bumb** (born 1960) was a federal prosecutor appointed as a judge in 2006 by **President George W. Bush**. It was **Judge Bumb** who refused to allow **Armstrong** to file his *Habeas Corpus* dismissing it on the pretense he first had to ask the **Bureau of Prisons** to provide the credit and go through their administrative process. Despite the ruling in **Boumediene v. Bush**, 553 U.S. 723 (2008) where the Supreme Court held that not even Congress could suspend the writ of *Habeas Corpus*, **Judge Bumb** dismissed **Armstrong's** right to file a *Habeas Corpus* to ensure he would spend an additional 5 years in prison. She refused to follow the Supreme Court in **Boumediene**, or the plain language of the law. Congress expressly stated that such a filing for administrative remedies before applying to the court did **NOT** apply to *Habeas Corpus*. **Judge Bumb** suspended the right to file *Habeas Corpus* and upheld the government's right to imprison people arbitrarily without any statutory authority (law) whatsoever! The statute clearly states the law that exhaustion of administrative remedies "does not include habeas corpus proceedings challenging the fact or duration of confinement in prison." (**18 USC §3626(g)(2)**).

Judge Bumb simply refused to comply with the law endorsing the fact that the government can throw you in prison without trial or even any charge being filed. You have now NO right to even file a *Habeas Corpus* since the inferior courts will not allow you to file to demand that the government at least produce the law giving them the power to act as they are so doing.

18 USC § 3626. Appropriate remedies with respect to prison conditions

(g) Definitions.— As used in this section—

(2) the term "civil action with respect to prison conditions" means any civil proceeding arising under Federal law with respect to the conditions of confinement or the effects of actions by government officials on the lives of persons confined in prison, but **does not include** **habeas corpus** **proceedings challenging the fact or duration of confinement in prison;**

(3) the term "prisoner" means any person subject to incarceration, detention, or admission to any facility who is accused of, convicted of, sentenced for, or adjudicated delinquent for, violations of criminal law or the terms and conditions of parole, probation, pretrial release, or diversionary program;

Armstrong appealed Judge Bumb's order, but of course you get the same pro-government attitude in the Third Circuit Court of appeals. The case was summarily decided by Chief Judge **Theodore Alexander McKee**, Judge Marjorie Rendell Judge David Brookman Smith who simply held that being imprisoned without any order or statutory authority was no a fundamental right. They wrote: "***because this appeal does not raise a substantial question, we will affirm the order of the District Court.***" Alexander Hamilton in the *Federalist Papers* wrote:

"the practice of arbitrary imprisonments, have been, in all ages, the favorite and most formidable instruments of tyranny. The observations of the judicious Blackstone,¹ in reference to the latter, are well worthy of recital: "To bereave a man of life, Usays he,e or by violence to confiscate his estate, without accusation or trial, would be so gross and notorious an act of despotism, as must at once convey the alarm of tyranny throughout the whole nation; but confinement of the person, by secretly hurrying him to jail, where his sufferings are unknown or forgotten, is a less public, a less striking, and therefore A MORE DANGEROUS ENGINE of arbitrary government."

FEDERALIST No. 84

Armstrong had even submitted a previous order by former **Chief Judge Michael B. Mukasey** who had held that **Armstrong** did not have to exhaust administrative remedies because as a civil contemnor he was **NOT** within the definition of a "**prisoner**" for he was neither pending criminal charges nor was he serving a sentence. **Armstrong** raised this with **Judge Bumb**, but she just ignored the previous ruling that contradicted her dismissal of **Armstrong's** right to file in court to restore his liberty. The **Third Circuit** arbitrarily upheld **Judge Bumb** and also ignore the prior ruling. There simply is no rule of law when judges are free to do as they like, whenever they like. **Judge Mukasey** at least upheld the law, where Judge Bumb just refused to treat Armstrong with any basic fundamental rights to liberty demonstrating that the Statue of Liberty is just propaganda. **Judge Mukasey** wrote:

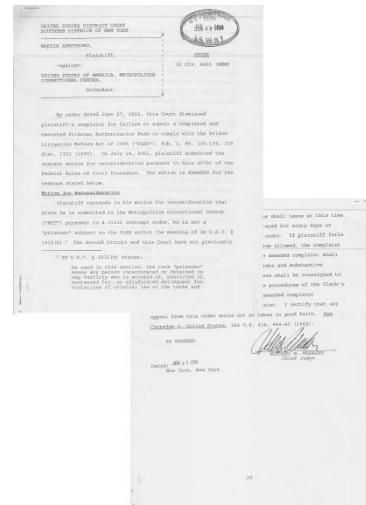
"Other courts that have addressed the issue, however, have held that a civil detainee does not fall within the purview of the PLRA's [Prison Litigation Reform Act] definition of "prisoner," because the detention is a civil-commitment for non-punitive purposes. ... In light of these decisions, it appears that plaintiff is not subject to the PLRA's full payment provision."



Judge Marjorie Rendell

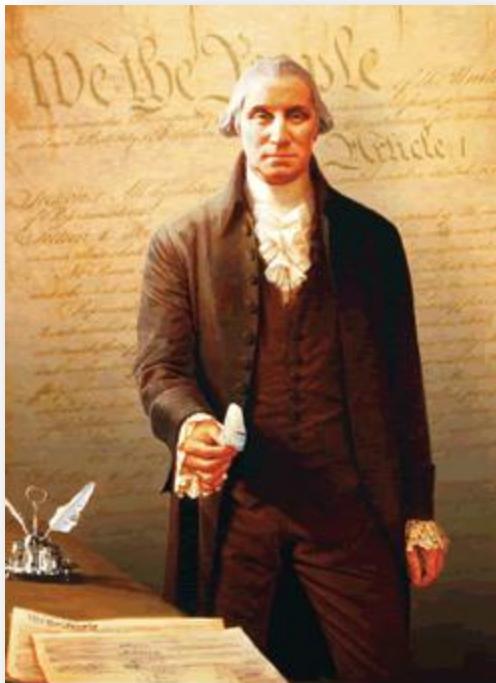


Judge Theodore A. McKee



Mukasy's Order 6/9/04

(03-Civ-4801 (MBM) June 9th, 2004 SDNY)



THE CONSTITUTION OF THE UNITED STATES

...its only keepers, the people.
—George Washington

The Supreme Court also previously ruled that the **Non-Detention Act 18 USC §4001(a)** stating “*No citizen shall be imprisoned or otherwise detained by the United States except pursuant to an Act of Congress*” indeed “proscribes” detention of *any kind* *Howe v Smith*, 452 US 473, 478 n.3 (1981). **Armstrong** has repeatedly asked upon what statute he was being held. **Not** a single judge EVER compelled the Government to even name the statute. In a Democracy, the people make the laws through Congress. In the instant case, the Judges eliminated the

The Supreme Court

The Supreme Court in **Boumediene** made it clear that NOT even Congress could suspend the right to file a writ of *Habeas Corpus* for terrorists. Yet, Judge Bumb and the Third Circuit refused to allow Armstrong to file a writ of *Habeas Corpus*? The Supreme Court stated:

“Petitioners are therefore entitled to the habeas privilege, and if that privilege is to be denied them, Congress must act in accordance with the Suspension Clause’s requirements.”

Boumediene

The Constitution clearly states in Article I, §9:

“The privilege of the Writ of Habeas Corpus shall not be suspended, unless when in Cases of Rebellion or Invasion the public Safety may require it.”

Federal Judges do not regard themselves bound by the Constitution anymore for they simply do whatever they desire with no regard for the people or the nation.

18 USC § 3585. Calculation of a term of imprisonment

(b) Credit for Prior Custody.— A defendant shall be given credit toward the service of a term of imprisonment for any time he has spent in official detention prior to the date the sentence commences—

- (1) as a result of the offense for which the sentence was imposed; or
- (2) as a result of any other charge for which the defendant was arrested after the commission of the offense for which the sentence was imposed;

that has not been credited against another sentence.

USA TODAY 11-5-09

Judge credits al-Qaeda agent for time held

Decision to soften sentence gives Gitmo detainees legal argument

The Associated Press

PEORIA, Ill.—An al-Qaeda sleeper agent who admitted having contact with the alleged mastermind behind the Sept. 11, 2001, terrorist attacks was sentenced to more than eight years in prison Thursday.

U.S. District Judge Michael Mihm could have sentenced Ali al-Marri to as much as 15 years, but he handed down the lighter sentence of eight years and four months in consideration of what defense attorneys called harsh treatment during the almost six years al-Marri was held without charges in a U.S. Navy brig.

The decision could have far-reaching consequences because the U.S. still holds more than 200 people without charge at Guantanamo Bay, Cuba. If convicted, those detainees also could argue their time in custody should be considered at sentencing.

Al-Marri, a 44-year-old Qatar native, pleaded guilty in May to conspiring to provide material support or resources to a foreign terrorist organization.

He wept through his 10-minute testimony Thursday, telling Mihm he was sorry he ever helped the terrorist organization and glad his actions never led to any harm.

Mihm told al-Marri he didn't believe he had renounced al-Qaeda and thought he was likely to attack the U.S. if given the chance. But he also said al-Marri deserved credit for the time he had spent in isolation in the Navy brig in South Carolina. While Mihm couldn't directly credit al-Marri for that time, he had the

option of giving him a lighter sentence.

Al-Marri's relatives heard the news at about 11:20 p.m. in Saudi Arabia.

"I don't know what to say," Naji al-Marri, al-Marri's brother, said by telephone. "Did they count the years he spent in prison?"

During the two-day sentencing hearing, defense attorneys showed videos and presented testimony to show the type of treatment al-Marri had endured during almost six years in the Navy brig, including sensory deprivation, lengthy interrogations and threats to harm his family. In court documents, they argued that amounted to a sentence "beyond what our nation stands for and tolerates as a matter of respect for the law."

Prosecutors had argued for the maximum sentence, presenting testimony to try to prove al-Marri would still try to inflict harm on the U.S. if he had a chance. They have 10 days to appeal the sentence but said no decision on that has been made yet.

Al-Marri admitted he trained in al-Qaeda camps and stayed in al-Qaeda safe houses in Pakistan between 1998 and 2001, learning how to handle weapons and communicate by phone and e-mail using code.

Al-Marri also acknowledged having regular contact with Khalid Sheikh Mohammed, the man who the government said was the mastermind behind the 9/11 attacks, and with Mustafa Ahmad al-Hawsawi, who allegedly helped the 9/11 hijackers with money and Western-style clothes.



AP
Al-Marri: Contact with 9/11 planner.

people entirely. This principal that in a Democracy it is the people and not judges who make the laws was made clear by the Supreme Court when it said "*[c]ourts may not 'prescribe greater punishment than the legislature intended.'*" *Rutledge v US*, 517 US 292, 297 (1996). The statute governing such "credit" directs the Attorney General to so comply, **18 USC §3585(b)**. The Supreme Court ruled on that as well stating:

"Because the offender has a right to certain jail-time credit under §3585(b), ... the Attorney General has no choice but to make the determination as an administrative matter when imprisoning the defender."

US v Wilson, 502 US 329 (1992)

Further evidence that **Judge Bumb** and the **Third Circuit** treated **Armstrong** entirely unsystematically in direct violation of law never requiring the Government to offer its authority to arbitrarily imprison him without Statutory Authority violating the **Non-Detention Act 18 USC §4001(a)**, was the fact that another court provided credit to a terrorists reported by the Associated Press on November 5th, 2009. He was held for about six years in a Navy Brig without charges.

There is just no excuse for the treatment **Armstrong** received at the hand of American judges who simply refused to follow the plain language of the statutes passed by the people of the United States. Obviously, when there are powerful players of the **New York Oligarchy** behind a case, there is nothing that will vindicate the rights of citizens in the United States. It is a mystery how **Princeton Economics** can be investigating **Goldman Sachs**, yet the head of **Goldman Sachs'** compliance, **Alan Cohen**, ends up running the very firm who was investigating them. And not a single judge saw a problem with this?

Since There Were No Contracts Soliciting Management There Could Be No Crime

Since the notes were either (1) fixed rate simple contract borrowing no different than borrowing money from a bank does not turn you into a fund manager for the bank, there could have been no trading on behalf of a noteholder positive or negative, and (2) was a variable rate note simply purchasing pre-existing portfolios of Japanese stocks that was a bailout of Japanese corporations. Either way, there was NO solicitation of funds for management.

Without a contract expressly soliciting management in futures and equities where the profits and losses flowed to the noteholder, THERE COULD BE NO CRIME. The courts simply proected the New York Bankers at all costs at the expense of the Japanese and allowed the taking of pension funds of the employees of Princeton Economics.

In is fundamental law that there has to be a solicitation to open an account and trade in stocks or futures to even constitute a securities or commodity fraud. There simply must be a contract directly soliciting such investment, which was absent in the Princeton case and this served the reason to eliminate lawyers to ensure there would be no corporate defense at all. This basic fundamental was explained in Tatum v Legg Mason Wood Walker, Inc, 83 F3d 121, 122-123 (5th Cir 1996). Previously, it was held that there must be trading "*in connection with*" a solicitation to trade futures or stocks, which did not exist in the Princeton case, Kearney v Prudential-Bache Securities, 701 FSupp 416, 424 (SDNY 1988); Crummere v Smith Barney Harris Ypham Co, 624 FSupp 751, 755 (SDNY 985). Any loss must be directly linked to the misrepresentation soliciting management to constitute a crime. The Supreme Court called this "*loss causation*" that they could not show absent a contract soliciting them to open an account to trade futures, Dura Pharm Inc v Broudo, 544 US 336 (2005).

Unfortunately, prosecutors know the courts have been stacked with former prosecutors masquerading as impartial judges. Armed with this knowledge, there is no incentive to follow the law knowing the judges will never dismiss the government's case regardless what they allege. The press is eager to sell bad news so the more outrageous the allegations, they more they sell papers. This removes the purpose of the press being free – to safeguard the rights of the people. By merely repeating the government allegations, they shut-off the most important check and balance against tyranny.

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 which they received from a Japanese investor. The stated rate of interest on that note is 4 percent. However, that 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. The additional gain in

The contracts plainly show that there could have been no crime as alleged. The Government's own statements illustrate that it was private "attorneys for Republic Bank" that created

all the allegations by conducting the analysis in dollars when the contract were in yen and told the government (*see note 5 Criminal Complaint*) that Armstrong manipulated the yen and paid some people 24% return instead of 4% by not using the same rate of dollar/yen years apart.

American Despotism

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P U B L I C

Book IV.

hand, that they believe the paper in question to have been written by him, is evidence to be left to a jury^g.

THIRDLY, by the statute 21 Jac. I. c. 27. a mother of a bastard child, concealing it's death, must prove by one witness that the child was born dead; otherwise such concealment shall be evidence of her having murdered it^h.

FOURTHLY, all presumptive evidence of felony should be admitted cautiously: for the law holds, that it is better that ten guilty persons escape, than that one innocent suffer. And sir Matthew Hale in particular lays down two rules, most prudent and necessary to be observed: 1. Never to convict a man for stealing the goods of a person unknown, merely because he will give no account how he came by them, unless an actual felony be proved of such goods: and, 2. Never to convict any person of murder or manslaughter, till at least the body be found dead; on account of two instances he mentions, where persons were executed for the murder of others, who were then alive, but missing.

{*Sir William Blackstone – Commentaries on the Laws of England 1766*}

The lesson of these events is the sad epitaph that while the Democrats have embraced Karl Marx and made the same mistakes of Rome in promising benefits that were never funded, the Republicans have embraced the hardline of tyranny and regarded the Constitution and everything it once stood for, as "*liberal*" and evil. Their stacking of the federal courts with former prosecutors has destroyed everything that we once asked our boys to give up their lives in defense of *Liberty and Justice for All* that has been reduced to a propaganda slogan. **Sir William Blackstone** wrote his *magnum opus* that became the *Commentaries on the Laws of England (1766)*. This was to reflect the rights of Americans. As Alexander

Hamilton noted in the Federalist Papers, that the colonists were to have all the rights of Englishmen. But that included the respect for the people “**for the law holds, that it is better that ten guilty persons escape, than that one innocent suffer**” (*Book IV*, p352). Today, federal judges imprison anyone accused by government for it is now “liberal” to require absolute proof of a crime **BEYOND A REASONABLE DOUBT**. This is why more than 1,000 have been freed from prison on DNA evidence showing they were innocent. Federal courts now imprison anyone and take the view that it is far better to imprison innocent people and let God sort it out the truth to ensure no guilty person shall escape. Everything that the revolution was fought over has been forgotten. As **Alexander Hamilton** wrote: “**If a majority be united by a common interest, the rights of the minority will be insecure**” (Federalist 51; Hamilton). The Republicans have torn the Constitution into shreds to further the power of the state. The way judges use to respect the rights of the people are reflected in the words of **Judge Jeremiah S. Black** in 1855.

“But in ordinary cases, to set up our mere notions above the principles which the country has been acting upon as settled and established, is to make ourselves not the ministers and agents of the law, but the masters of the law and the tyrants of the people.”

McDowell v. Oyer, 21 Pa. 417, 423 (1853) (Jeremiah S. Black).

The Democrats have followed Marx and sought to increase the power of the government to punish anyone with money, while the Republicans have embraced those same powers to strip all citizens of their rights, privileges, and immunities supporting a tyrannical government that has become obsessed with tracking everything every citizen might do. Between both extremes, governmental power has become all-encompassing no different than a monarchy.

CONCLUSION

There are those who merely repeat allegations as if they are truth. They do not address the issues and hope to discredit in order to divert attention from the tyranny of their actions. The complete absence of **Due Process of Law** throughout this case has demonstrated to the world that the United States is no different than any other despotic government. Its courts are a joke and their conviction rate has reached nearly 99% as if the Government is perfect and never wrong. The words of **Thomas Jefferson** from the **Declaration of Independence** illuminate the problem. We have traded a king only for his ministers – nothing has changed. Capital is no longer safe in the United States for certainly it will be rare to find a federal judge who will defend a citizen against the arbitrary desires of the state. American courts are as corrupt today as **Charles Dickens** once wrote about of England in 1859 **Bleak House**.

When in the Course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the Powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation. We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed,