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CAREERS

ZZZZ Best Founder Minkow Indicted on Racketeering And Fraud Charges

By **DANIEL AKST**

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LOS ANGELES -- Whiz-kid entrepreneur Barry J. Minkow was charged in federal court with racketeering, money laundering, and fraud in connection with ZZZZ Best Co., a company he founded as a teenager.

Mr. Minkow and 10 of his associates were named in the 54-count indictment here Friday, six months after the carpet-cleaning company was forced into bankruptcy proceedings and then liquidated.

Only recently a financial Wunderkind whose paper fortune exceeded \$100 million, the 21-year-old Mr. Minkow now faces a possible fine of as much as \$13.5 million and a maximum sentence of 350 years.

Such severe penalties aren't likely. But more charges may be forthcoming as a host of law-enforcement agencies continues to pick through the rubble of a company that at one point had a stock-market valuation exceeding \$211 million -- based almost entirely on revenue that never existed.

"This case is the most massive and elaborate securities fraud perpetrated on the West Coast in over a decade," said Robert C. Bonner, the U.S. Attorney for Los Angeles. "The resulting losses to investors in ZZZZ Best stock and to banks are estimated to be in excess of \$50 million."

Authorities said Mr. Minkow spent Thursday night in jail after surrendering to Los Angeles police when he learned of the sealed indictment. In it, Mr. Minkow and various associates are accused of defrauding investors and banks by falsely claiming millions of dollars in building-refurbishing jobs that the company never actually had.

Among those deceived in the scheme, according to the indictment, were the investment firm Drexel Burnham Lambert Inc., the accounting firm Ernst & Whinney, and the law firm Hughes Hubbard & Reed. Union Bank, a unit of London-based Standard Chartered PLC, incurred a loss of about \$7 million and First Interstate Bank of California, a First Interstate Bancorp unit, had a loss of about \$1.8 million because of ZZZZ Best, the indictment says.

Mr. Minkow declined to comment as he was led away handcuffed from a hearing at which bail was set at \$2 million.

Mr. Minkow and his career are now the subject of continuing investigations by the local U.S. Attorney, the Federal Bureau of Investigation, the Internal Revenue Service, the Securities and Exchange Commission, and Los Angeles Police Department.

Among other things, the federal indictment alleges that around July 1, Mr. Minkow stole \$500,000 from the company and gave it to two associates who allegedly laundered most of it through Las Vegas, Nev., casinos.

The indictment also makes racketeering charges against Mr. Minkow; Thomas G. Padgett, 37; Mark L. Morze, 37; and Mark Roddy, 36. They tried to make it seem that ZZZZ Best was highly profitable as a result of millions of dollars of non-existent refurbishing work it was supposedly receiving from insurance companies, according to the indictment.

Also named in the indictment were Brian Morze, 41; Daniel Krowpman, 42; Charles B. Arrington III, 27; Norman Rothberg, 52; and Edward M. Krivda, 30. They were charged with "participating in and aiding and abetting various fraudulent activities," the U.S. Attorney's office said.

Jack N. Polevoi and Jerry N. Polevoi, both 40, were accused in the indictment of helping Mr. Minkow in the alleged \$500,000 theft. Eugene Lasko, 56, was charged separately with conspiracy to participate in the theft and laundering scheme.

None of the various defendants could be reached for comment.

The indictment also accuses Mr. Minkow of filing phony documents with the SEC, attempting to bribe an informant who told Ernst & Whinney of wrongdoing at ZZZZ Best, and of announcing phony financial results last May.