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NOTHING BUT ZZZZ BEST

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WONDER BOY

Barry Minkow - The Kid Who Swindled Wall Street.

By Daniel Akst.

280 pp. New York:

Charles Scribner's Sons. \$19.95.

The true tale of Barry Minkow, the amazing teen-age swindler, resembles the story "The Emperor's New Clothes." Mr. Minkow turned an insolvent carpet-cleaning business into a public company with a paper value of more than \$200 million. He was lionized in the press, indulged on the Oprah Winfrey show and given a hero's welcome on Wall Street. But only a few people saw, or wanted to see, that his business scarcely existed.

Daniel Akst, a former reporter for The Los Angeles Times and The Wall Street Journal, was one of those who was fooled. In 1985, he wrote an admiring feature story about Mr. Minkow for The Los Angeles Times. Two years later, he discovered that the subject of his piece was a fraud. "Wonder Boy" is Mr. Akst's witty and insightful account of how an amoral individual still in his teens was able to sell what the author calls a "hologram" of a corporation to Wall Street.

Mr. Minkow grew up in a middle-class neighborhood in Reseda, Calif. In 1982, at the age of 16, he started his own rug-cleaning business in his parents' garage and called it ZZZZ Best. He seemed like a model young entrepreneur, except for the fact that he never actually ran a profitable business.

Instead, Mr. Minkow focused his talents on getting capital for his company in any way he could. He arranged burglaries in order to collect insurance money. He borrowed \$2,000 from his grandmother and then stole her pearls. When he needed cash in 1984, he forged \$13,000 worth of money orders from a Reseda liquor store.

His thefts grew with his appetite for money. In 1985, Mr. Minkow opened a merchant's account at a local bank, which allowed him to accept credit card payments. For the next few years, whenever he needed money, he would add bogus charges to his customers' credit card accounts and receive ready

cash from the bank. If a customer complained, Mr. Minkow blamed the forgeries on crooked employees, paid up and carried on.

When he wasn't directly stealing money, he was raising it fraudulently, with a little help from his friends, a bizarre crew of retainers. He helped set up Interstate Appraisal Services, a fake company that verified ZZZZ Best's business dealings, and installed his weird buddy Thomas Padgett as owner and operator. Mr. Minkow convinced bankers and investors that he had won large contracts from insurance companies to restore buildings damaged by fire and water. Mr. Padgett, a gun-collecting body builder with a fondness for Hitler and SS jewelry, confirmed the jobs, while a ZZZZ Best vice president forged all the documents and contracts.

According to Mr. Akst, "There was always a quality about Barry that suggested he held an MBA from the Dada School of Business." When Mr. Minkow wanted to take his company public, an auditor for Ernst & Whinney insisted on seeing a ZZZZ Best restoration job. Mr. Minkow had skirted this kind of request before by claiming that the sites were confidential. This time, however, he dispatched Mr. Padgett to rent a building and fix it up to look like a ZZZZ Best work site. It was a convincing show, and the auditor gave ZZZZ Best a clean bill of health.

In December 1986, ZZZZ Best made its debut on Wall Street. By March, Mr. Minkow's shares were worth \$64 million, and a month later they ascended to \$110 million. While the stock was on the rise, Mr. Akst began hearing about Mr. Minkow's credit card fraud. On May 22, 1987, he wrote an article that carried the headline "Behind 'Whiz Kid' Is a Trail of False Credit-Card Billings." The next day ZZZZ Best stock lost 28 percent of its value. By the time the scam fully unraveled, investors had lost over \$100 million. In December 1988, Mr. Minkow was convicted on 57 counts of fraud and sentenced to 25 years in jail.

Why did so many people fall for his tricks? Mr. Akst lines up all the usual suspects - greed, Reaganism, charisma, human frailty, even the wacky ways of southern California. Yet these account for only part of Mr. Minkow's success. The other part has to do with the fact that business relies on some pragmatic ethical assumptions - for example, that a contract is a real contract and that a promise will be kept. Characters like Mr. Minkow do more than break the law. They create moral anarchy by wreaking havoc with the trust and good will that lie at the heart of business practice. As Mr. Akst correctly observes, "Barry wasn't just a thief. He had mocked the very idea of business."