

“J’ Accuse . . .”

In hatchet jobs in “L’Affaire Dreyfus” *Barron’s* printed above the graphed crash of two Dreyfus Funds that a fondness for underwriters Janssen/Meyers stocks didn’t help their performance. Yet these stocks soared over the measured time period and obviously did help, not hurt. Like the original Jew Dreyfus, victimized Peter Janssen has been made into an evil scapegoat by short sellers. Unreported was abusive naked short selling and Avalon’s heavy prepublication trading before Manuel Asensio’s bear raid on Janssen’s trio of corporate babies.

**By Robert J. Flaherty
with Milana Barbalat**

Barron’s has a problem with a story not unlike CNN’s recent fiasco in reporting U.S. planes killed American deserters with nerve gas and then failing to prove any nerve gas was dropped.

A highly volatile, unusually vocal short seller Manuel Asensio blamed underwriter, Peter Janssen, head of Janssen/Meyers, for selling such horrible stocks to the Dreyfus Aggressive Growth and Dreyfus Premier Aggressive Growth Funds that Janssen was linked with their two year collapse.

New York City-based Asensio & Co. regularly turns out Internet press releases, charging developing companies with having no worthwhile technology and their managements with deliberate fraud, doing a cut and paste job replacing the old names with the new targets. Often in the shadows silently striking with heavy shorting was “stealthy” market maker Avalon Research of Boca Raton, FL, whose CEO explains away the appearance of front running because, “If anything, Asensio copies us.” Abusive naked short selling is being overlooked by sleeping SEC and NASD regulators, and recent bear and “toxic convertible” raids make the old StockBuster Feshbachs seem like Boy Scouts.

Asensio repeated Avalon’s charge the potential of one Janssen startup identifying jaundice in babies had been overstated. Asensio added that the only reason Dreyfus bought the stock was the now suspended portfolio manager who already owned it would personally benefit.

Swallowing short seller Asensio’s unproven arguments hook, line and sinker in his July 6, 1998 story “Wounded Lion,” veteran reporter, Bill Alpert attributed the “splinter” in the Dreyfus lion’s paw to “stocks from a small New York Firm.” His



Positive thinker Peter Janssen had his last name used 21 times in Barron’s “Wounded Lion” on the collapse of two Dreyfus funds, when Janssen’s “tanked” stocks had gone up, not down. Now New York State is investigating the 39-year-old. Years from now will Janssen, like Ray Dirks, feel being unfairly accused actually was a good thing? Or will it become a life-halting event which ended his egotistical dream which he proclaimed to The New York Times in 1992 of becoming the greatest philanthropist the world has ever known? The bear raid has halved his net worth to \$15 million and he claims to have given away over \$1 million, 6.7%.

caption over a graph linked Janssen/Meyers stocks with the collapse of the two Dreyfus Funds. *Barron’s* also smeared them as “penny stocks,” although all of the ones in question are currently traded on Nasdaq and do not fit the SEC definition of a penny stock. Each meets all of Nasdaq’s increased standards for continued trading on that improving premier market.

A tireless optimist and driven would-be-disciple of Sir John Templeton, Janssen is trying to follow the path of Carnegie, the original Rockefeller and *Success Magazine* co-founder Clement Stone in adapting positive thinking to business. This should lead to success. Great wealth, once achieved, is to be used for philanthropy to make the world better. It’s all in the books Janssen reads daily and depends upon to guide his life. See *EQUITIES* June 1998 on page 15 and April 1995 *EQUITIES*, “New kid in the Planet.”

Janssen is far from perfect. He made the mistake of taking his first job with penny stock bucket shop Blinder Robinson, where *EQUITIES* was the first magazine in America to reveal their nickname “Blind ‘em and Rob ‘em.” At D. H. Blair eight years ago he was fined and suspended for 30 days. While there Janssen picked up some of the flashy style of his mentor J. Morton Davis, like taking big chunks of equity in the companies he helps. His critics call this greed. He also is considered too pushy selling stocks which are too close to the venture capital stage. On the good side, Janssen has been a wonderful salesman and inspirational leader. He pressures the CEO of each company he backs to adapt the principles of positive thinking and some wonderful things are happening.

But, *Barron's* painted Peter totally black, the way short seller Asensio describes this man he has never met or spoken to even once. When securities Asensio shorts rise, he habitually throws mud. But just because an underwriter's emerging growth stocks rise does not make him a bad person.

Where was the balance and fairness in *Barron's* articles? Let us make the contest a little more even and provide testimony crucial for Janssen's defense. He is a much better person and his companies are much more promising than *Barron's* has let on.

In a N.Y. Society of Security Analysts debate, *EQUITIES* editor Robert Flaherty served as moderator, really referee, between the frequently shouting Asensio and Edwin Mishkin, SIPIC (Securities Investor Protection Act) trustee of now bankrupt Adler Coleman Clearing Corp.

Asensio defended the actions of naked shorts who illegally depressed and shorted several issues of a small underwriter Sterling Hanover. Secret shorts had spread rumors that negative media would destroy the underwriter and its satellite stocks, already hurt by heavy naked short selling in disgraceful, unreported pre-publication trading. Both the broker and its targeted issues collapsed. Unfortunately, several independent clearing firms also went under, including Adler Coleman, causing thousands of little guy investors unnecessary losses. Its SIPIC trustee blames illegal naked short selling, stock parking and ghost trades for the crash. Shorts weren't playing by the rules.

Angrily, Asensio responded the stocks were so junky they never should have been brought public and would have collapsed anyway. He argued the SIPIC trustee should not have been able to buy in open overdue short positions above the market price. In fact, the trustee reversed \$21 million in illegal sales by naked short sellers. He often owned over 100% of some stocks. Bears had shorted more shares than existed in some companies.

Under the RICO federal anti-racketeering act, SIPIC Trustee Mishkin filed a 1996 suit for about \$250 million against the main players in "the wolf pack" of attacking shorts. Pros used bribes, threats of violence, blackmail and above all naked shorting without borrowing the required shares to cheat the little guys. Prominent among those charged were the Fiero brothers, whose firm still is in the middle of stock collapses involving "toxic convertibles," and the Stock Doc's son at Aspen Partners.

If your company isn't sick, wait till the Stock Doc gives the media his diagnosis.

In 1995 the Stock Doc's son Stephen, a huge former football player, was caught by the NASD in attempting to obtain delivery from a company of stock at below market prices by threatening to cause the price to decline below the level necessary for continued Nasdaq listing. On tape he threatened a company CEO, "I am going to do what's called a magic trick. That's where I take your money and turn it into my money. If you want me to serve you up and wrap your fuckin' nuts around your head, I will."

This current Dreyfus situation is *deja-phew* all over again. Prepublication trading by naked short sellers before *Barron's* July blasts was horrendous. From February 1998 to June 1998, the short position in Chromatics Color Sciences (Nasdaq: CCSI-4^{13/32}) rose from 1.5 million to 3.7 million shares, up 146%, in Cytoclonal Pharmaceutical (Nasdaq: CYPH-6^{1/2}) from 148,179 to 490,000 up 230% and in MacroChem (Nasdaq: MCHM-6^{7/8}) from 620,183 to 2.6 million 317%. Somebody had placed big bets before the public was to get *Barron's* bad news second hand.

On his Internet website, Asensio ridiculed the idea that short selling had anything to do with the stock declines. What crap! Shorts had everything to do with it. Stock charts on all show skyrocketing shorting spikes and collapsing prices about the same period.

Worse, Nasdaq reports that two of the three stocks are on Nasdaq's fails-to-deliver shares purchased list. This indicates the shareholders of Chromatics, Cytoclonal and also Cytoclonal warrants (CYPH-2^{5/8}) are being victimized by illegal naked short selling. Abusive shorts have been driving their stock prices down by selling shares which do not exist. These shares have not been borrowed and later delivered as the NASD rules state they must be. Many cheated investors who bought these shorted shares have not received delivery for the stock they paid for. Regulatory SEC and NASD watchdogs should wake up and bark!

Financially Raping Commodore

The simultaneous bear raid on all three Janssen/Meyers companies caused severe June plunges in all three stocks, which are down respectively from their highs over 70%, 43% and 52%. Unmentioned in either of the *Barron's* blasts, or an August *Forbes* story, which blamed Morty Davis for the

Dreyfus Funds drop, was the role of stealthy market maker Avalon, named for the island lost in the mist. No wonder *Barron's* could not find it. Avalon mainly shorted all three companies. Some major Nasdaq traders do not know much about it.

"Avalon is headed by Mike Margolies who left Meyer Berman and went to Boca Raton, FL," begins gadfly Ray Dirks, founder of the ShortBuster Club. "There is no question Avalon hammers down stock, is somehow involved in naked short selling and is into 'toxic convertibles' big time! They just clobbered my Commodore Applied Technologies. (AMEX:CXI-7^{7/8}) (See *EQUITIES* July/August 1997) Someone from Scudder Stevens & Clark told me Avalon hit one of their toxic converts too."

Needing more expansion money very fast, Commodore agreed to a Regulation S offshore "toxic convertible." Here stock is not convertible for the debt at a fixed price but at what the recent stock price has been, in this case with a floor of 2, when the offshore buyers convert. Quickly Avalon and other shorts hammered down the price 75% from 8 to 2 so the offshore players were able to convert into many more shares. "The telltale giveaway that shorts and convertible owners were linked is that, once the stock fell to the 2 minimum conversion price, shorts didn't try to push it lower," explains the man who exposed the Equity Funding Fraud, see page 40. "Naturally no one warned the CEO of Commodore abusive shorts were poised to pounce and destabilize the common shares as soon as the convertible deal was signed. In addition to institutions, 'Joe Six Pack Investors' were hurt. I feel badly for them.

"Yes," sums up Ray Dirks. "I know of Avalon—unfortunately."

The attack on Janssen's stocks has been ruthless. *The Wall Street Journal* reports a Chromatics bull has received death threats on the internet. An anonymous short seller, Mr. Pink, published this big bull's home address where his children live and then suggested on the internet he be sent a package. This would mean a bomb and the frightened bull Alan Davidson worries about the safety of his children. These tactics are despicable, even for abusive short sellers.

Asensio turned out a damning press release, "Dreyfus fund manager engaged in fraudulent activities." The Dreyfus manager owned Chromatics Color Sciences before he went to work for Dreyfus and bought it for his funds only to benefit himself, claimed mind reader Asensio.

There is nothing illegal in fund portfolio managers trading in stocks. Many have and some still do. However, more and more funds are adopting policies to avoid this because of the conflict of interest.

In a follow up piece on July 13, 1998 "Fallout From L'Affaire Dreyfus" *Barron's* again featured Asensio's allegations against Janssen. However, they appear to amount to a little more than Janssen selling emerging growth stocks to Dreyfus Funds that specialize in that niche. As for the fact that Dreyfus Funds were the worst performers in that category, Janssen can hardly be blamed.

Barron's claimed that these three Janssen/Meyer stocks were responsible for the problems of the two Dreyfus Funds. IMPOSSIBLE! The three stocks went up until Avalon and Asensio began to drive them down. Leaks of the first upcoming July *Barron's* article hurt too. Then the trio naturally started their slide. Savage naked short selling still depresses two of these stocks today.

"We are being smeared by short sellers who want to kill our underwriting firm because they have shorted our stocks," says an emotional Janssen. "These low lifes didn't care about the truth, who gets hurt or anything except making a quick killing. Now after the *Barron's* article I am being investigated by New York State to see if I paid off the Dreyfus portfolio manager to buy our stocks, which is the lie the shorts spread. The investigation will show I am innocent."

Time will tell.

At *Barron's* writer Bill Alpert was about as apologetic as a hangman who executed someone for the wrong crime, but figured the victim probably had it coming anyway. "O.K.," concedes Alpert cheerfully. "Maybe at a certain date Janssen/Meyers stocks *may* have been ahead. On second thought *maybe* Janssen/Meyers stocks didn't make up *that* much of Dreyfus Funds assets.

"But be fair to me too," Alpert says. "I'm not taking dictation from short sellers. Maybe it's good for readers this happened. By any objective valuation yardsticks these (development stage) stocks had reached such extreme valuations they were at risk. Please quote me as believing that the trio were accidents waiting to happen."

Meantime, Janssen has plenty of company on the gallows. In early August everything was coming up roses for a company Asensio had shorted. So he took a lot of the same verbage he had earlier used in a previous press release to attack AbleTelecom Holding Corp. (Nasdaq: ABTE-6^{31/32}) and did a cut and paste job adding the name

Turbodyne Technologies (Nasdaq: TRBO-6^{7/8}), which fell 36% that day. "Just as we are on the brink of some very good news, Asensio wrote we had no valuable technology when we do," protested upset IR lady Meredith Lefforge. "Worse, he wrote he believed management was out to defraud investors. Defraud!" He charges about 21 companies with fraud, but *Barron's* didn't report that Asensio had been charged with fraud himself.

On two different days *EQUITIES* informed Asensio's office we were closing this story and offered to interview him. Asensio had not replied as we went to press. *EQUITIES* wanted to ask him about the "fraud and deceit" default judgment of \$248,250 against him on the day the market crashed 22.6% on October 1987 when Asensio worked at D.H. Blair spinoff, now defunct Steinberg & Lyman. (Incidentally, while



"Made a fortune by shorting Perfect Birth Control Co. The SEC says she had inside information the product doesn't work."

Barron's highlighted Peter Janssen's eight-year-old \$40,000 fine, it skipped Asensio's 1994 \$7,500 one for violating the rules of fair play.) "President Steinberg testified Asensio had gone beyond the brokerage firm's bounds," said an anonymous source. "Instead of selling securities for a client, Asensio claimed it was too late to get a sale in, when in fact he sold to a related party, turned it over and made a huge profit. After he plea bargained on conference calls, which included an attorney for the State of Florida, Asensio claimed that he wasn't aware of the jury trial even though he had been served with papers. Later he discovered that the process server's license had expired and successfully reversed the jury's guilty verdict. The upset client appealed, assigned his interest to a company Asensio destroyed in a bear raid and the case is still ongoing, pressed by a lady

lawyer known as Bulldog Bluth."

Avalon CEO Michael Margolies, whom the NASD fined \$31,931 for churning, unauthorized use of options and failure to maintain the stop limit of 20% margin on shorts, admits to the early shorting, but explains that Asensio copied an Avalon written report to short soaring Chromatics. Shorting Cytoclonal and MacroChem were also covered via internal memos for Avalon's sales force to pitch to institutional and high net worth customers.

While on March 23 *Barron's* Bill Alpert did feature Margolies as "Our Man in Boca," "On the recent stories they never called us," says Margolies. "We called potential buyers of Chromatics' product and they all laughed and said they would not buy it."

As for the naked short selling, Margolies argues, since his firm takes no proprietary short positions for itself, then the blame for any fails to deliver borrowed shares can't be Avalon's. His clearing company or his clients would be at fault. Incredulously, crusader Ray Dirks responds, "If you tell your clients to short something and they do it, you have no part in what happens? Bullshit!"

Asensio does have his defenders. Most shorts operate secretly in the shadows. He dares go public and is now a public figure. "His targets may not all be frauds, but most have been over-promoted, often on the Internet to gullible investors," says a trusted *EQUITIES* source. "He has a very good track record and it's on his website. Asensio was right and early on energy hype Solv-Ex. I think he will also be proven right on Turbodyne, which I have visited. After I left their headquarters I wanted to scrub myself all over with a Brillo pad. If Manuel gets extreme sometimes, is he really any worse than the raging bulls he goes after?"

An old Wall Streeter who refused to be quoted by name for fear of being attacked says, "Manuel, whom I once worked with, is part analyst and part character assassin." "He uses guilt by association," adds straight-arrow PR man Richard Wool of stuffy Hill & Knowlton. On June 12 on his website Asensio headlined, "Chromatics' stock fraud exposed." On June 26, the Harvard MBA added, "Former Bre-X consultant promotes Chromatics' stock."

All it amounted to was Chromatics had hired the same IR firm as the fraud Bre-X. It was large staid old Hill & Knowlton, whose clients have included Gillette and P&G. Additionally, Asensio's fraud charges described many perfectly legal, but very complex transactions, which most of Wall

Street engages in. In reverse mergers in private placements, the NASD permits charging unconscionable fees and taking big chunks of stock, and Janssen/Meyers has. It may be immoral, but it's not illegal. Peter Janssen adds, "Asensio's definition of fraud is when a stock he shorted goes up."

Entrepreneurs often put everything they own into making their ventures work. Naturally from time to time, some must sell shares. Insider trading and fraud is how Asensio describes it. Asensio also charges fraud because money manager Michael Schonberg had earlier purchased 30,000 shares in May 1996 and after he joined Dreyfus bought 1.8 million shares of Chromatics. Contrary to the impression Asensio spread, Schonberg's buy looked smart until Avalon and naked short sellers crushed the price. All three Janssen/Meyers startups are legitimate entrepreneurial efforts, not stock promotions. The CEOs have spent a combined 29 years at them trying to build something from nothing.

Following *Barron's* charges, Janssen's reputation is at a low. What pains Janssen most is the attack not on himself, but on the companies he is helping to build. This driven man treats them like his children.

"Each of these developmental companies is pioneering to do something important in medicine," Janssen explains. "They will survive this bear raid because each has lots of cash, token debt, patents, and dedicated management. These are not shlocky penny stocks, but real companies trying to make a difference to the world."

Forward with Flaherty

Being still developmental stage companies, none of the three has significant revenues or naturally any profits or p/es. However, instead of looking Backward with *Barron's*, let us look Forward with Flaherty.

Two of the three startups have deals with a giant company and expect future revenues, and Chromatics hopes for a deal soon.

Cytoclonal Pharmaceuticals has a patent for microbial fermentation for the piclatoxol, generic version of Taxol™, from the endangered Pacific Yew Tree. This is Bristol-

Meyer Squibb's largest selling drug at 1997 sales of \$940 million. In June Cytoclonal announced a potential \$50 million deal with Bristol-Meyer, taking into account R&D and upfront license payments, possible milestone payments and minimum annual royalty payments. It also received a Lung Cancer Marker Patent. CEO, Dr. Arthur Bolton, is a Yale Ph.D. with black eyes which bore into you. A trim black belt, Bolton seems more driven than Janssen.

MacroChem has patented technology for the transdermal delivery of existing pharmaceutical drugs including Topiglan, a transdermal gel for Male Erectile Dysfunction. Since only a gel is involved, heart patients and others who cannot use Viagra because of their medications or the blindness side effect, might use this product. Even friendly analysts worry, if the drug is so hot, why a big company hasn't signed on to it.

In July MacroChem CEO Alvin Karloff announced a new deal with American Home Products for another undisclosed transdermal penetration related product. He claims the agreement includes licensing fees, milestone payments, the purchase of some MacroChem stock and royalties. "Our objective is not contract revenues but licensing," he says. "I can't go into it, but it should be significant."

In 1985 Mrs. Darbey Simpson Macfarlane watched from an intensive care unit while her own premature two-pound baby was continually debilitated from painful heel pricks for blood tests, increasing the risk of infection. Mrs. Macfarlane and her husband, who is a vice president of Chromatics, determined to come up with a non-invasive pain-free device to test for and diagnose jaundice in newborns by analyzing their skin color.

Chromatics has a patented FDA approved medical device for the non-intrusive diagnosis and monitoring of chromogenic diseases one of which is Bilirubin Jaundice, which undetected can lead to brain damage or death. Asensio has labeled her effort a "fraud," just a stock promotion whose price will plunge under \$1.

"Come on," says H&K's Dick Wool, who states he would resign the account if

he thought it was phoney. "Chromatics' device has been tested thoroughly. Darbey has displayed it at major conferences, including Amsterdam, New Orleans, even China. No one besides Asensio and Avalon Research said it doesn't work and babies would still have to take a blood stick test.

"None of the charges Asensio is spreading are true, and the front running before his mis-statements has been a disgrace," the IR man continues. "On June 11 we issued a very long press release refuting every charge, Chromatics Color Sciences Responds to False Allegations. If you ever met Darbey Macfarlane, you would meet a great person, who is totally obsessed with helping babies. She hasn't made a lot of money to date. The allegations about insider trading are bogus. Chromatics has three of the top people in the world who know about color science and the medical science of jaundice. All are working on this, Dr. Ian Holzman, Chief of Newborn Medicine, at Mt. Sinai Hospital, a doctor at Rensselaer Polytech and a professor at a hospital in Michigan (Dr. Jeffrey Maisels, Clinical Professor of Pediatrics, Wayne State University). One believes the painless non-invasive test would be a wonderful happening for babies all over the world."

All of the above trashed trio of development stage companies are highly speculative but clearly legitimate efforts to build a viable business. Some may fail, but all have dedicated long-time CEOs. Then why the bitter personal attacks? It's the nasty times in which we live. All stocks in this amazing bull market are overvalued, especially blue chips. So if Asensio merely pointed out a company he or Avalon has shorted is overpriced, he'd cause yawns. Panic comes from attacking the character of associated people.

And if an innocent man gets hurt, so what? Blaming a scapegoat has been going on since the first "L'Affaire Dreyfus." *EQUITIES* thinks abusive naked short sellers should be exposed and barred for life from the security business. In contrast Peter Janssen, who wants to make our world a better place, should be encouraged, not defamed, for his public venture capital efforts. "J'Accuse..." □

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EQUITIES

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Peter Janssen's Side of the Bear Raid

Although two July *Barron's* articles have tied the stocks of Janssen/Meyers Associates' investment banking corporate clients to the poor performance of two Dreyfus Aggressive Growth Funds, these three emerging medical companies were rewarding their investors richly until a recent bear raid by abusive naked short sellers. While the Dreyfus Funds went down, see graph on the bottom right, the Janssen/Meyers stocks went up over the same period, see three charts on the top right.

See the dramatic difference in performance between the two downward Dreyfus Funds and the three upward Janssen/Meyers stocks. The divergence proves it was not a decline in these stocks, at least before the bear raid and *Barron's* July articles, that caused Dreyfus any performance problem. The facts are in direct contradiction to what *Barron's* printed. Like the French generals in the original L'Affaire Dreyfus, *Barron's* has blamed an innocent man. Unmentioned was stealthy Avalon Research, whose CEO Mike Margolies was earlier profiled by *Barron's* writer Bill Alpert as "Our Man in Boca."

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BARRON'S • Upper Mutual Funds Quarterly

July 6, 1998

Wounded Lion

One splinter in the paw: stocks from a small New York firm

BY BILL ALPERT • Many have heard how the lion hurt his paw: Two Dreyfus mutual funds stepped on some sharp-edged, illiquid penny issues. Media and, reportedly, government investigators are looking at Michael L. Schonberg, who until April 8 was lead manager of both funds: Premier Aggressive Growth and Aggressive Growth. The funds were down about 13% and 16%, respectively, last year, and were off another 15% and 20% in this year's first half.

Schonberg's reasons gave no hint of exotic tales. He arrived at Dreyfus in 1990, after more than 20 years of picking stocks at other firms, including UBS Asset Management, where he had been chief investment officer. At Dreyfus, however, Schonberg started analyzing on such stocks as non-defense Systems of Excellence, best known for its Massey special "SEMI" and for its promoters, who piled gaily to original stock from a few years ago. The Dreyfus funds also owned more than a million shares of Ultram, whose stock slipped from \$36 two years ago to a few cents when Ultram filed for Chapter 11 in April. But why would a manager from MetLife Bank's white-shoe Dreyfus unit scold from records of stuff that most investors wouldn't step in? Maybe part of the puzzle lies with Janssen-Meyers Associates, a small Manhattan investment banking partnership run by Peter S. Janssen and Bruce Meyers.

The two brokers launched Janssen-Meyers in April of '88, after working together at D.H. Blair. Blair had bits on their banners. In March 1991, Janssen, then a salesman at Blair, contacted a \$40,000 NASD fine and a 30-day suspension, for alleged violations including falsifying a non-account form in his wife's name. That same year, Meyers transferred to a Florida bus on supervisory work after being accused of failing to adequately oversee a broker who had been disciplined.

The two brought some of Blair's aggressive sales tactics to Janssen-Meyers, which got a warning from the Federal Election Commission not to use lists of campaign donors for finding prospects — so illegal practice. Janssen-Meyers, for its part, denied using FEC data for business-solicitation purposes.

Among their firm's investment banking clients is Dreyfus & Matthews, chief executive of Chromalox, a specialty chemicals International, Chromalox, based in New York City, hopes to market its Colomate light sensor to monitor the skin color of infants suffering from dangerous levels of jaundice.

Manufacturers had tried to promote the Colomate technology since the mid-1980s, when able unsuccessfully pitched it as a cost-cutting project to Clairiv, Hasen, Bloomfield's and Aves,

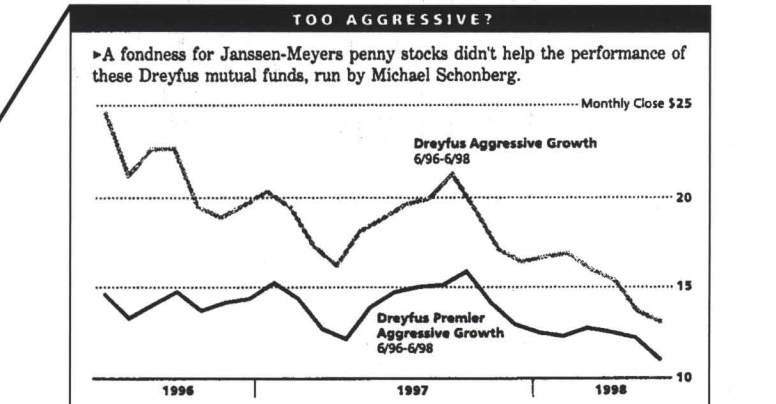
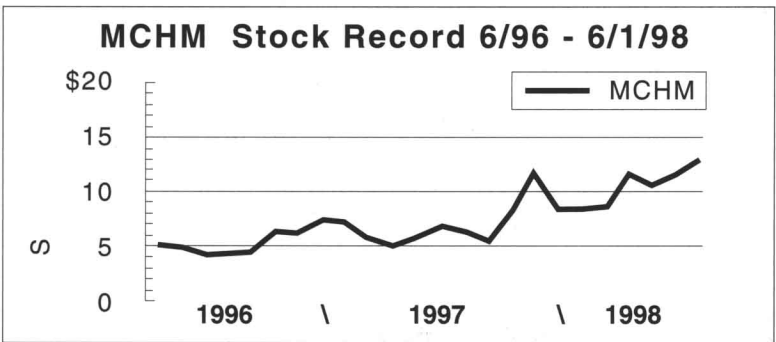
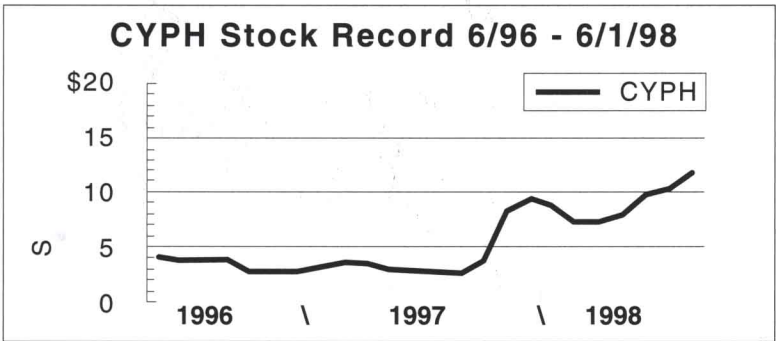
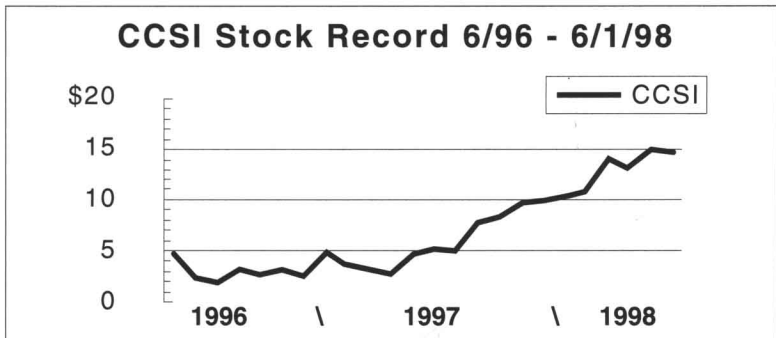
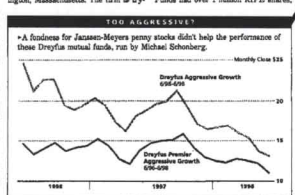
which almost reached \$9 in February. In recent months, the shares of these four Janssen-Meyers deals have tumbled, however, falling to half their peak levels. Your New York short-seller Manuel P. Janssen contends that the shares had been supported by the Dreyfus fund's heavy buying, under Schonberg's hand. The Dreyfus manager's motivation, Associates suspect, is that Schonberg had personal positions in Janssen-Meyers stocks, such as a 30,000-share personal stake in Chromalox. Such personal trading is not illegal per se, and Dreyfus has said it believes Schonberg followed its rules. Astoria & Co., the short-seller's firm, had shorted Chromalox's Color Sciences.

Janssen-Meyers general partner Bruce Meyers alleges that market makers have gone up to short his firm's stocks, aiming to get Janssen-Meyers and its backing, directly out of business. To Meyers' consternation, market makers can legally sell or purchase short without first borrowing shares. "They're battling with the lady," he guesses. "But they are stronger than I am, because they don't need money to buy or sell stocks."

This selling pressure on Janssen-Meyers' stocks led to a "disturbing" appearance of Peter Janssen's name in a 1997 issue of *Cytopical* just a day before Meyers put out a "wrong buy" on the stock. But the Janssen-Meyers principals have said the firm's other top recommendation, too, such as the 400 shares of MacChesney that have been sold since the year began.

Schonberg hasn't been speaking to his clients. Dreyfus is still reviewing the Schonberg affair, says spokeswoman Marlene Kozubski and won't comment further. The SEC and the New York Attorney General reportedly are investigating the relationship of the Dreyfus fund manager and Janssen-Meyers. Schonberg's has learned, from people who have seen trading records, that Janssen-Meyers' sale of its house stocks matched Dreyfus purchase orders for the same stocks.

Of course, Schonberg won't be the only institutional fan of Janssen-Meyers' deals. The Peritt MicroCap Opportunity fund, run by Chicago's John W. Peritt, had 30,000 *Cytopical* shares as of May 1998, although Peritt says he sold half his original position at a profit, the *Cytopical* performance has given him stomach aches. "This is probably the dumbest investment I ever made in my life," says Peritt. "It appears to be a value stock."



Fallout From L'Affaire Dreyfus

The Cutting Room Floor

TIP TOE THROUGH THE TULIPS: Probably the most important job an editor can do is warning his readers when he sees danger. When I was at *Forbes* a college classmate Carl Hathaway proclaimed the merits of the Nifty Fifty, one-decision growth stocks so powerful that the only decision a portfolio manager had to make was the initial buy. We pointed out that these were good companies, but their prices had gone crazy. After they did crash, Carl was kind enough to give me an interview years later where he called the bottom of the painful correction within 30 days.

Before the October 1987 crash, *EQUITIES* repeated Sir John Templeton's warning of a 1,000 point crash several times. With the help of my then assistant editor Michael Woods we not only predicted the crash, but called the bottom. Immediately afterwards, we scooped everyone with Templeton's lonely bullishness for U.S. stocks. *EQUITIES* stayed bullish nine years until May 1997.

Here we go again. Sir John sees a 40% correction from the top, what ever that may be, ahead for U.S. Stocks. That is a 3700 point drop in the Dow and a far greater one for most stocks with less liquidity and support.

GROWTH MODELS: *EQUITIES* with the help of William O'Neil + Co. again identified 617 of America's fastest growing public companies. We measure not by revenues, but by increases in earnings per share, so excluding the flaky money-losing internet hypes or the mañana concept companies. You cannot look at the number and the quality of these growth companies and not feel good about America's future long run. We do.

"J'ACCUSE..." Last issue on page 15 we reported that driven-to-prove-himself Peter Janssen, a would be disciple of Sir John Templeton and all the rest of that positive thinking crowd, had been attacked in *Barron's* on July 6 by short seller Manuel Asensio and painted completely black. Ridiculous. Peter even gives inspirational self help books to encourage people to improve themselves. He's trying to make a difference, and a better world. This is a man any father would be proud to have as a son.

After the first hatchet job, Peter called and asked my help editing a letter to *Barron's*. He also created an advertisement with 4 charts showing the short seller was totally wrong. Unfortunately, lawyers studied Janssen's letter and his ad and took so long, Peter didn't even respond before *Barron's* hit him again on July 13. Then Peter's lawyers suggested the new no defense defense as his best strategy. Character assassins get tired of beating up innocent people and they mug someone new. Maybe I should have become a lawyer. It looks like you can charge a lot of money for doing nothing.

For decades *Barron's* has been used by abusive short sellers to hit entrepreneurs like Ross Perot, Saul Steinberg and Steve Hilbert. Each went on to build an empire. Abusive shorts try to cripple new ventures, just to make a dirty dollar. Never mind the unreported balancing positive side, the unfairness, the jobs lost in the future as companies are slowed down or even fail, the medical efforts which never get the proper chance.

But this is too much! Here, like the French generals in the original Dreyfus Affair who blamed an innocent man, a Jew who they felt no one would dare defend, *Barron's* unfairly has blamed company builder Peter Janssen for the collapse of two Dreyfus Funds. This is a smear which could ruin the rest of his career. Now Peter is being investigated by New York State and his side, thanks to his expensive lawyers, has not been told.

So *EQUITIES* will. Learning of our intention, Janssen asked, "Are you my friend who is trying to help me or are you another hungry reporter who just wants a story?"

"Peter, I want the story and your only choice is whether to cooperate or not."

Since the second of *Barron's* one-sided, hatchet jobs on Peter is entitled "Fallout From L'Affaire Dreyfus," our lead story on page 6 can only respond, "J'Accuse..." □