

# Alps Precious Metals Group

## Monthly Commentary and Update

November 2018

### The Length of Frauds

#### *Fraud*

*FRAUD, noun [Latin fraus.]*

*Deceit; deception; trick; artifice by which the right or interest of another is injured; a stratagem intended to obtain some undue advantage; an attempt to gain or the obtaining of an advantage over another by imposition or immoral means, particularly deception in contracts, or bargain and sale, either by stating falsehoods, or suppressing truth.*

Do the following names ring any bells?:

Dona Branca?

Tom Petters?

James Paul Lewis, Jr.?

Nothing? Here's a brief description on each of these characters:



Dona Branca –

María Branca dos Santos, more commonly referred to as "Dona" Branca (1902 - 1992) was a Portuguese criminal known chiefly for maintaining a Ponzi scheme in Portugal **for 14 years** (between 1970 and 1984) that paid a ten percent monthly interest.

<https://worldhistoryproject.org/1988/dona-branca-is-sentenced-to-10-years-in-prison-for-maintaining-a-ponzi-scheme-in-portugal>



Tom Petters –

**Thomas Joseph Petters** is an American businessman and the chairman and CEO of Petters Group Worldwide who was convicted of massive business fraud in 2009; he was convicted of numerous federal crimes for operating Petters Group; **between 1998 and 2008**, Petters created a series of investment funds through which he raised in excess of \$4 billion through a variety of Ponzi schemes. [https://money.cnn.com/2010/04/08/news/economy/Tom\\_Petters/index.htm](https://money.cnn.com/2010/04/08/news/economy/Tom_Petters/index.htm)

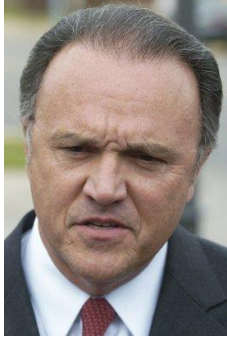


James Paul Lewis, Jr. –

**James "Jim" Paul Lewis Jr.** operated one of the largest and longest running Ponzi schemes in United States history. **Over approx. 20 years**, Lewis collected around \$311 million U.S. dollars from investors. He operated under the name of Financial Advisory Consultants in Lake Forest, Calif., and promised high returns.

<https://www.cbsnews.com/news/calif-man-charged-in-814m-scam/>

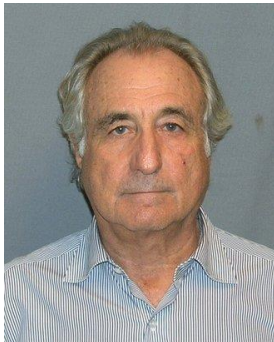
How about this guy?



Richard M. Scrushy, Jr. –

In March 2003, the U.S. Securities and Exchange Commission filed a civil suit against Scrushy and HealthSouth alleging the company had falsified at least \$2.7 billion worth of profit between 1996 and 2002 (while some of the allegations of wrongdoing began to surface in 1989, for a total of 13 years of fraud). HealthSouth agreed to pay the United States government \$325 million on December 30, 2004, in order to "settle allegations that the company defrauded Medicare and other federal healthcare programs". [https://en.wikipedia.org/wiki/Richard\\_Scrushy](https://en.wikipedia.org/wiki/Richard_Scrushy)

And who can forget?:



Bernie Madoff –

Bernard Lawrence "Bernie" Madoff is an American financier who executed the largest Ponzi scheme in history, defrauding thousands of investors out of tens of billions of dollars. Madoff's fund's last statements indicated it had \$64.8 billion in client assets. It is not certain exactly when Madoff's Ponzi scheme began. He testified in court that it started in 1991, but his account manager, Frank DiPascali, who had been working at the firm since 1975, said the fraud had been occurring "for as long as I remember." <https://www.investopedia.com/terms/b/bernard-madoff.asp>

Now consider the following testimony of Dr. Lawrence H. White before the House of Representatives on September 12, 2013 (highlights are ours):

“...The principle of the *rule of law*—as opposed to the arbitrary rule of those in authority—would have helped us to properly resolve the financial crisis of 2007-10, and can help us to avoid future financial crises. As David Hume said more than two hundred years ago, the benefits of consistently adhering to rule of law greatly outweigh any short-term convenience from ad hoc measures.

The approach of Federal Reserve and Treasury officials during the crisis, unfortunately, was to consider every possible remedy but following the rule of law. Fed chairman Ben Bernanke was quoted by the *New York Times* as declaring in 2008, at a strategy meeting with other Fed and Treasury officials, “There are no atheists in foxholes and no ideologues in financial crises.”<sup>2</sup> The implication was that anything goes in a crisis: the Fed can ignore durable principles and its own statutory limits.

Most notoriously, the Fed **at its own initiative**:

*1. Created an unprecedented special-purpose vehicle (called “Maiden Lane LLC”) to protect the bondholders of the failed investment house Bear Stearns by taking \$30 billion of the firm’s most doubtful assets off of its books, thereby sweetening an acquisition deal for JP Morgan Chase to take over the remainder of the firm’s assets and liabilities;*  
*2. Declined to do the same for the investment house Lehman Brothers; and*  
*3. Created two other vehicles—Maiden Lane II and Maiden Lane III—to buy and hold bad assets from the failed insurance company AIG.*

There was no precedent, and no apparent legal authority in the Federal Reserve Act, for such special-purpose funding operations. The Fed abandoned the rule of law, which requires those in authority to execute the law as written, predictably, and in accordance with established precedent....”

(Entire testimony: <https://www.cato.org/publications/testimony/federal-reserve-rule-law>)

What’s the difference between:

- A) Ponzi Schemers who pay no attention to the rule of law in order to conjure a false reality of resilient, cyclically-immune returns to their unsuspecting victims.
- &
- B) A Federal Reserve which pays no attention to the rule of law and subsequently creates from thin air “money” and “official entities” in order to conjure a false reality of a “resilient, recovering and strong” economy to an unsuspecting world (that is, those who were not “insiders”)?

In our view, not much. Both groups looked to enhance their power and prestige, as well as enrich those close to them – whether those “inner-circle” entities were Individuals or Institutions. Both cared not what the ultimate ramifications were for their victims, nor their posterity, nor the societal/global impact of their actions. Both were/are incredibly self-obsessed.

The average duration of the five listed Frauds was somewhere between 15-18 years. It is instructive that the longest lasting example was also the largest. If one starts the clock with the maneuverings of the Bernanke-led Fed during the “Great Financial Crisis”, the Fed’s Fraud has been in play for about 11 years.

Recently, risk markets around the world have fallen from their all-time highs. The Fed is “talking tough” and geo-political rumblings are as omnipresent as ever. In spite of that, we wouldn’t be surprised to see yet another “all is well” equity rally, especially if the current downdraft does not take out the February 2018 lows. Irrespective of what happens in the next 6 months or so, the fact remains that this entire rally has been based on a fraud just as phony as those sensational examples of yore. We believe that the fate of the fraudster is always the same, even if it is a “respected Institution”. The bigger they are, the harder they fall.

As to one elixir for falling markets, we present again this graph. When equity markets fall, Gold (and Silver) generally rally. Owning either or both Precious Metals is what we suggest:

**Gold vs S&P 500 Bear Markets**



**Source: Bloomberg \*Red shaded areas represent S&P 500 drawdowns greater than 20%\***

## **Alps and Liechtenstein Precious Metals**

Alps Precious Metals Group via our partnership with Liechtenstein Precious Metals Group is dedicated to providing the global standard for the finest and most secure storage and trading of Physical Precious Metals. Our Vault is constructed to the highest security standard in the world (“Class 10”) and, via our relationship with Lloyd’s of London, insures each client’s specie at 100% of its market value. Our trading desk provides liquidity on each and every business day with as little as next day settlement. All of these benefits are enjoyed while simultaneously being freed from the status quo global financial system. Contact us ([www.alpspmg.com](http://www.alpspmg.com)) to discuss how APM/LPM can become a trusted partner in the creation, protection and utilization of the hard money portion of your portfolio.

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