**WHAT HAPPENED TO BARRY MINKOW?**

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In March of this year we learned that Barry Minkow was under investigation for securities fraud. More recently he confessed to one count of insider trading and will be sentenced June 16. Given that Minkow appeared to have recovered from his earlier exploits, it disheartens one to hear of this relapse, that the previously thought redeemed Barry Minkow was more recidivist than repentant. Whatever happened to the man that he returned to his childhood tricks? What lessons are there for the rest of us?

When sixteen years old in 1983, Barry Minkow created ZZZZ Best as a carpet cleaning business and later expanded it to the business of insurance restoration. As his business grew, Minkow took the company public in 1986, making him the youngest CEO to take a company public. By the time he was 21, his net worth exceeded $100 million.

Many hailed Barry Minkow as a boy wonder. He appeared on the Oprah Winfrey show in April 1987, and Oprah sang his praises, raising him as a role model for the youth of the country. He challenged teens to think big and achieve great things. He also wrote a book, *Making it in America*, which told how he began with nothing and turned ZZZZ Best into a multi-million dollar enterprise.

Sadly, Minkow’s story had more fiction than fact. The insurance restoration segment was completely bogus. This contrivance involved a huge Ponzi scheme, obtaining cash from one set of creditors or investors, paying off some earlier claimants and pocketing the rest. Minkow’s success came as a result of phony revenues and a cash shell game. Additionally, he was implicated with organized crime.

The boy wonder was indicted in 1988 on various counts of securities fraud, mail fraud, tax evasion, and a variety of other charges. He was actually tried on mail fraud and credit card fraud and found guilty on December 14, 1988. He was sentenced to 25 years in prison and required to provide restitution. Minkow was released from prison in 1995.

Shortly after his release, Barry started an anti-fraud business and assisted the FBI, the SEC, and other enforcement agencies. He used his knowledge of how to commit fraud to assist them in capturing white collar criminals.

During prison, Barry Minkow became involved in Christianity. Having taken online religion courses from Liberty University, Minkow eventually became senior pastor at San Diego’s Community Bible Church. He seemed to have turned a corner—repenting of his past deeds and becoming a servant to others. It appeared a wonderful story of redemption and rebirth.

He also wrote several books detailing his life of crime. He published *Clean Sweep: The Inside Story of the ZZZZ Best Scam* in 1995, which detailed what actually took place inside his firm. In 1997, he published *Buyer Beware: How to Avoid Cons, Swindles, Frauds, and Other Trickeries.* In this book, as the title suggests, he offered tips to consumers about how they could protect themselves from people like him.

He turned more spiritual in his next two books. *Cleaning Up: One Man’s Redemptive Journey through the Seductive World of Corporate Crime*, written in 2005, looked at his own life and discussed how he turned from criminal to FBI assistant. He discussed how we all have slipped up and need to come clean. Then in 2007 he published *Down, But Not Out: 10 Steps for Rebuilding Your Life, Your Career (and all that stuff)*. He claimed that we have all failed (or soon will) and that we can reclaim our lives from these failures. He supplies a list of suggestions to carry out this goal.

All of these post-prison activities turned out to be short-lived. Recently he was accused of securities fraud, primarily dealing with Lennar, a construction company. Minkow shorted Lennar’s stock, apparently using inside information, and then engaged in a smear campaign designed to drive down the stock price of Lennar. In March Minkow pled guilty to one charge of insider trading, and sentencing is scheduled to occur on June 16.

This state of affairs leaves us flummoxed. How can a guy come clean like this, working for the good guys and serving as a pastor, and return to the filth of securities fraud? Is there any hope for us? Is it possible that one can turn from such behavior and become productive members of society?

For some insight, we talked with Sam Antar about these events. Sam was the CFO of Crazy Eddie during the 1980s. He and cousin Eddie Antar, CEO of Crazy Eddie, carried out their own scam by inflating revenues and decreasing cost of sales by increasing inventory, among other things. Sam pled guilty to three crimes and was under house arrest for six months and paid a fine of $10,000. He has since then made many speeches about white collar crime and has a [blog about the subject](http://www.whitecollarfraud.com/).

Sam insisted, “Everybody wants closure, but there is no closure. You can never know anybody’s real intentions.” The words sting, but he was speaking as an adult in a world of teenagers who know only puppy love.

People generally like to trust first and verify later. Perhaps we are hardwired to trust. Maybe we are too lazy to verify. Either way, fraudsters take advantage of this human tendency.

Sam Antar likened white collar criminals to magicians. “They prey on people’s implied trust and their unwillingness to examine things.” In other words, criminals build walls of security between themselves and others; a false wall, to be sure, but one that gives the client or the banker or the auditor a sense of trust.

While we would like to believe a story of redemption, how do we know? In fact, we asked Sam how do we know that he is not still a con artist. “You don’t and you never will,” was his response. We are not readers of the heart and thus lack the skill to pierce this mystery.

Sam added that he has the same criminal mind as before. He thinks thoughts similar to those he had during the 1980s, but his behavior has changed. If we can believe him.

He likened it to the great truth of Alcoholics Anonymous. For alcoholics to recover from alcoholism, they must admit that they are alcoholics. Not that they were, but that they are and always will be alcoholics.

In this we take some solace. White collar criminals can rehabilitate, but it takes enormous self-honesty in a world of smoke and mirrors. Even so, the temptation to return to one’s prior life is huge.

Are we any different? Maybe we haven’t committed securities fraud, but each of us has his or her own indiscretions. Do we squarely and honestly evaluate our ethical and moral status and make amends, or do we pretend that we are pure and need no atonement?

We are left wondering about that sentence. How much justice and how much mercy should be meted out on June 16? How many disincentives does society want to supply for would-be copy cats? We wish the judge much wisdom in this decision.

*This essay reflects the opinion of the authors and not necessarily the opinions of The Pennsylvania State University, The American College, or Villanova University.*