

July 24, 2006

Despite The AMEX's 'LIHOP' Policy, GTE Gets De-listed.

On July 19, 2006 the American Stock Exchange ("AMEX"), announced that the exchange was halting trading in GlobeTel Communications Corporation (AMEX: GTE \$0.69) and was seeking to de-list the company.

The AMEX sought the delisting in response to "overly promotional press releases," GTE's failure to provide the Exchange information, and the conduct of members of GTE's management "which, in the opinion of the Exchange, are contrary to the public interest."

Both the action and the language supporting the action are firsts in an exchange's regulation. In fact, none of the 30 stock frauds uncovered, shorted and vividly exposed by Asensio & Company, Inc., received such treatment.

Parts of the problem are lop-sided regulations. We, and most businesspeople, oppose new regulations. Yet despite all the useless and harm-causing short seller regulations, many believe short selling should be even more strictly limited.

Recently, former SEC Chairman Harvey Pitt wrote in an article titled "Covering Up Naked Shorts" that "Short-selling is a useful and critically important capital market phenomenon, but only if done appropriately."

For those of you who don't remember, Mr. Pitt resigned under the cover of the eve of national elections, shortly after it was reported that his nominee to become head of the nation's brand new Public Company Accounting Oversight Board, had himself been the Chairman of the Audit Committee of U.S. Technologies, Inc. ("U.S. Technologies"). U.S. Technologies was a long-running penny-stock fraud that fired its auditors after fraud was reported to Mr. Pitt's nominee, William H. Webster.

It is perfectly understandable that few would remember Mr. Pitt's very brief tenure or his ignoble resignation. We have good cause to remember, and it's not because we were a source for the earliest reports questioning Mr. Pitt's bigwig auditor.

After Asensio & Company Inc. spent 2 years lobbying for, and then assisting in a Congressional investigation of the AMEX, not as a gesture of civil duty but in a naïve and misdirected effort to protect and expand its business, Mr. Pitt swept the entire report under the rug. This was presumably done to grease the slides of a more misguided effort to merge the AMEX with the New York Stock Exchange. The silenced report's finding was that the AMEX had let many frauds continue to trade on its exchange long after they should have been de-listed.

In Internet lingo, the AMEX had Let It Happen On Purpose, or LIHOP. So it is not surprising that we find the AMEX's first departure from its well-known (at least among short sellers) LIHOP stock fraud policy of import.

GTE's delisting can be directly traced as the end result of the New York Post's ("Post") Christopher Byron's investigative reporting. Since August 2005, Mr. Byron has been detailing the company's questionable management claims and stock-hyping press releases.

As recently as May 22, 2006 Mr. Byron suggested that the AMEX must de-list the company, or "if the AMEX can permit this scam-spewing monstrosity to continue trading in the face of all that has happened, then maybe the AMEX itself should be closed."

Mr. Byron also suggested that "The regulators of Wall Street may lack the power to arrest the burglars, but they certainly have the right to seize the burglary tools."

In response to Mr. Byron's May 22, 2006 article, GTE issued a press release calling Mr. Byron's work "journalistic pornography" and ludicrously suggesting that Mr. Byron "actually take the time to read" GTE's overly promotional press releases.

According to Gawker.com, GTE went as far as to have copies of the press release along with Mr. Boyd's photo taped on to Muni-Meter's outside the Post's Manhattan office with the statement "Christopher Byron is one NY Post columnist embodying so much of what is wrong with journalism that they ought to make it a case study in journalism schools."

The GTE case should indeed be studied in journalism school, and it should serve as the embodiment of everything positive that can be accomplished by socially responsible financial journalism at its finest. The GTE case should also serve as a lesson to those Congressional leaders who are lending an ear to absurd complaints about short sellers, by the lowest-level of public company management.