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2001 SEP 28 P 4: 35

September 28, 2001

Lawrence Norton, Esq.
General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, DC 20463

Re: MUR 5225

Dear Mr. Norton:

This letter constitutes the response of New York Senate 2000 and Andrew Grossman, as Treasurer (collectively, "the Committee"), to the complaint in the above-referenced matter. The complaint is baseless and should be dismissed.

INTRODUCTION

The signer of the complaint was a fugitive when it was filed. In summer 2000, Peter F. Paul was known as a prominent businessman and co-founder of Stan Lee Enterprises, an Internet company associated with the creator of Spiderman and the Fantastic Four. Paul helped the Committee organize an August 12, 2001, fundraising event in Los Angeles, California.¹ The Committee disclosed nonfederal in-kind contributions totaling \$366,564.69 from Stan Lee Media, Paul's firm, in connection with the event.

Shortly after the 2000 general election, Stan Lee Media plummeted in value and went bankrupt. The reason was soon clear. On June 12, 2001, the U.S. Attorney for the Eastern District of New York indicted Paul on two felony counts of securities fraud. According to prosecutors, Paul had bilked the company and manipulated its stock price, while deceiving investors, the public and prominent firms like Merrill Lynch and Co. The scheme allegedly involved large, secret cash payments from Paul to a stock analyst and promoter. See U.S. Department of Justice, Press Release, Co-

¹ The Committee is a joint fundraising committee organized under 11 C.F.R. § 102.17.

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Founder of Stan Lee Media, Wall Street Analyst and Others Charged with Stock Manipulation; Loss to Investors Exceeds \$25 Million (June 12, 2001) (Attachment A).

When Paul filed this complaint on July 13, 2001, he had fled the country to Sao Paulo, Brazil. See Complaint at 5. For its preparation and filing, he turned to Judicial Watch, an organization with a proven willingness to make "purely speculative charges" before the Commission against the respondents in this matter. See Commissioners David M. Mason, Karl J. Sandstrom, Bradley A. Smith and Scott E. Thomas, Statement of Reasons, MUR 4960 (Dec. 21, 2000).

On July 26, a federal district court in Los Angeles unsealed a second indictment against Paul, this time for bank fraud and mail fraud. See U.S. Department of Justice, Press Release, Co-Founder of Stan Lee Media Arrested Today in Brazil: Complaint Charges Him With Bank Fraud, Mail Fraud (Aug. 3, 2001) (Attachment B). See also Internet media co-founder arrested for fraud, Assoc. Press, Aug. 4, 2001 (BC cycle) (Attachment C). The indictment alleged that Paul and a co-conspirator, Stephen M. Gordon, wrote a series of bad checks to Stan Lee Media from businesses they controlled, and then used the company's credit to obtain cashier's checks for those businesses. On August 3, Brazilian authorities arrested Paul at the Sao Paulo airport. He now faces trial in the United States.

DISCUSSION

A. The Commission Should Exercise Its Prosecutorial Discretion To Prevent An International Fugitive From Abusing Its Civil Enforcement Process.

This is a classic case for the exercise of Commission prosecutorial discretion. See 11 C.F.R. § 111.7(b) (2001). Paul filed this complaint as a fugitive in order to use the Commission as a weapon. Specifically, he has used the threat of Commission enforcement to extract up to \$2 million from the respondents in this matter. See Letter from Peter F. Paul to Senator Hillary Clinton (July 16, 2001) (incorporated by reference into the Complaint).

There is ample reason to believe that Paul's letter and complaint are intended to continue the fraud of which two federal grand juries have accused him. The Committee received nonfederal in-kind contributions from Stan Lee Media, the

company that Paul allegedly defrauded. By falsely claiming that he – and not Stan Lee Media – made the contributions in question, Paul seeks to obtain a "refund" of someone else's money.

This is not a normal question of whether credibility should be "weighed in favor of the complainant or the respondent." Statement of Reasons, MUR 4960. Rather, the question here is whether an agency of the United States government should use its subpoena power and civil investigative authority at the behest of a fugitive, to help him gain access to funds that were never his. Clearly, the answer should be no. Simple prudence counsels against any further pursuit of this complaint.²

B. The Commission Should Dismiss The Complaint Because It Fails To Meet The "Reason To Believe" Threshold.

Just as a criminal court may take notice of Paul's flight from justice and fugitive status when weighing his guilt or innocence, the Commission should consider the serious allegations of fraud levied by the Government against him. Paul's complaint is wholly consistent with the fraudulent conduct that prompted two separate grand juries to indict him. It is also alarmingly consistent with the recklessness that Judicial Watch has shown in its previous dealings with the Commission. Consequently, it fails to meet the "reason to believe" threshold and should be dismissed.

A finding of "reason to believe" is only appropriate when a complaint sets forth enough specific facts that, if proven true, would constitute a violation of the Act. See 11 C.F.R. § 111.4(a), (d). "Unwarranted legal conclusions from asserted facts ... will not be accepted as true," and internal contradictions in the complaint weigh strongly against further action. Statement of Reasons, MUR 4960. When a response provides sufficiently compelling evidence to refute the violations, the complaint must be dismissed. See id.

Paul's complaint fails the "reason to believe" test in several different ways:

² The Committee incorporates the argument made by other Respondents that the fugitive disentitlement doctrine renders Paul's complaint unfit for further agency action

First, Paul has carefully crafted his complaint to mislead the Commission. The scores of check photocopies attached to the complaint prove his intent to deceive. Not a single one of the 201 checks indicates a payment of his personal funds. Moreover, Paul almost invariably fails to indicate how the checks relate to the event or how they support the existence of a violation.

Indeed, some of the checks appear to have benefited Paul himself, in ways that echo the Government's indictments. For example:

- There are three checks payable to "cash" that total nearly \$150,000 – at least two of which are drawn from companies controlled by Paul. See Attachments D-F (check copies), Attachments G-H (showing Paul control of Excelsior Productions and Paraversal). The Government's June indictment of Paul describes "secret payments ... in cash" to a stock analyst and promoter that did not conclude until November 2000. U.S. Department of Justice, Press Release (June 12, 2001).
- One check from a Paul-controlled company is payable for \$3,500 to "Steve Gordon." See Attachment I. With Paul, Gordon is a co-defendant in both indictments, and is alleged to have participated in the fund transfers that helped trigger prosecution.
- Four checks indicate no payee. See Attachment J.

The complaint is misleading in several other ways. For example, at one point Paul claims that he "agreed to support Mrs. Clinton's U.S. Senate campaign ... by making a \$55,000 payment." Complaint at 3. Through this carefully crafted language, he gives the impression that he made the payment, without saying directly that he actually did. Such word games fall far short of the complainant's duty to make a "sufficiently specific allegation." See Statement of Reasons, MUR 4960.

Second, the complaint is so contradictory that it cannot be taken at face value. See Statement of Reasons, MUR 4960 (citing internal contradictions to oppose finding of reason to believe). The central allegation of the complaint is that "Mr. Paul spent approximately \$1.9 million of his own personal funds" on the August 12 fundraising event. Complaint at 2. Yet, as noted above, none of the checks indicates any payment of "his own personal funds." See Complaint exh. 4.

The complaint collapses further under the weight of other contradictions. Paul claims to have personally financed "the entire event" in question. Complaint at 4. Yet reports filed with the Commission show that the Committee directly paid \$100,000 to the event promoter. Moreover, the amount of Paul's purported largesse changes throughout the complaint. In his letter to Senator Clinton, it ranges from "more than \$1.5 million" to "well over \$2 million." In the complaint itself, the amount is described as "approximately \$1.9 million" and "almost \$2 million." Complaint at 2, 4, 5.

Third, the facts contradict Paul's assertions. The Committee reported nearly half a million dollars in expenses associated with the August 12 event. It paid \$100,000 directly to Black Ink Productions. It also disclosed in-kind contributions from Stan Lee Enterprises totaling \$366,564.69 for other event expenses, including \$200,000 paid to Black Ink Productions above and beyond the Committee's own direct payment to that firm.

Paul himself contends that the event raised approximately \$1.5 million. If Paul were correct in his assertion that the August 12 event cost nearly \$2 million, then the event would have cost hundreds of thousands of dollars more to produce than it actually raised. Such a claim strains credulity.

Equally flawed is Paul's assertion that he – and not Stan Lee Media – was the true source of in-kind contributions in connection with the event. As discussed above, none of the checks attached to the complaint appears to represent Paul's personal funds. He presents no credible reason to doubt what the Committee disclosed on its reports – that Stan Lee Media made in-kind contributions totaling \$366,564.69 in connection with the event.

Finally, Paul asserts no specific violation committed by New York Senate 2000. He includes the Committee in a laundry list of eight respondents, and then never mentions it again. He fails to explain what the Committee is, or why it is a Respondent in this case. Besides the complaint's first paragraph, the only direct reference to New York Senate 2000 comes in only four pages of the attachments, which simply document the Committee's refund of \$2,000 to Paul. See Complaint exh. 2.

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If Paul wants to claim that New York Senate 2000 broke the law, then he must do so directly. The burden is on him to make "a sufficiently specific allegation" of wrongdoing by the Committee. See Statement of Reasons, MUR 4960. The Commission cannot relieve him of this burden by presuming that he refers to New York Senate 2000, a joint fundraising committee with multiple participants, every time he mentions Senator Hillary Rodham Clinton or her campaign. For this reason alone, the complaint is deficient as a matter of law and should be dismissed.

CONCLUSION

If there is "reason to believe" anything in this matter, it is that Peter Paul has deceived several reputable individuals and institutions, a fact unknown to them all in August 2000. The objects of his deception appear to have included not only the Respondents in this matter, but a famous comic book creator, a major international brokerage firm, hundreds of shareholders, and the public at large.

Now, aided by an organization with a proven record of making unsupportable charges before this agency, Paul seeks to add the Commission to the list of the deceived. The Commission can and should reject his effort. Not only would it be a prudent exercise of agency discretion, but it would be the correct outcome as well, because he has failed to meet the "reason to believe" threshold. Accordingly, the complaint should be dismissed.

Respectfully submitted,



Marc E. Elias
Brian G. Svoboda
Counsel to New York Senate 2000

Attachments

ATTACHMENT A

June 12, 2001

PRESS RELEASE

**CO-FOUNDER OF STAN LEE MEDIA, WALL STREET ANALYST,
AND OTHERS CHARGED WITH STOCK MANIPULATION - LOSS TO INVESTORS
EXCEEDS \$25
MILLION**

ALAN VINEGRAD, United States Attorney for the Eastern District of New York, **JAY SKIDMORE**, Postal Inspector-in-Charge, United States Postal Inspection Service, New York, and **BARRY W. MAWN**, Assistant Director-in-Charge of the Federal Bureau of Investigation in New York, today announced the unsealing of an indictment charging **PETER PAUL**, **STEPHEN M. GORDON**, **JEFFREY PITTSBURG** and **CHARLES KUSCHE** with manipulating the stock price of Stan Lee Media, Inc. ("Stan Lee Media"), a NASDAQ-traded Internet-based production and marketing company based in Encino, California. **PAUL** co-founded Stan Lee Media, along with comic book character creator, Stan Lee, who is not charged in the indictment. Prior to the formation of Stan Lee Media, Lee had created characters such as Spiderman, the Incredible Hulk and the X-Men, while working at Marvel Comics. Stan Lee Media was created to produce and promote new comic book characters and stories created by Lee.

Stan Lee Media's fraudulent scheme was orchestrated by **PAUL**, **GORDON**, who served as Stan Lee Media's Executive Vice President, **PITTSBURG**, a Wall Street analyst and owner of the broker-dealer/research firm Pittsburg Institutional, located on Long Island, and **KUSCHE**, a stock promoter from Darien, Connecticut, who did business as W.S.C.G. Holdings, L.L.C. These defendants are all charged with securities fraud, as well as conspiracy to commit securities fraud. This case is the result of a joint investigation conducted by the United States Attorney's Office, the Postal Inspection Service and the FBI.

The defendants are charged with using various means to inflate artificially and maintain the price of Stan Lee Media stock and to profit from the sale of the stock at its artificially inflated and maintained price, as well as from other transactions involving Stan Lee Media stock. Throughout the scheme, **PAUL**, **GORDON** and **PITTSBURG** manipulated the stock by making transactions through, between and among "nominee" accounts that were set up to hide their control and ownership of the stock, and to manipulate and to disguise their manipulation of the price of the stock.

As part of the scheme, **PAUL** and **GORDON** hired analyst **PITTSBURG** to tout Stan Lee Media to the investing public. To that end, they made false and misleading statements in "research reports" published by **PITTSBURG** and in interviews with the news media by **PAUL** and **PITTSBURG**, including predictions of the future performance of Stan Lee Media and the future price of the stock that **PAUL** and **PITTSBURG** knew to be false at the time they were made. **PAUL** and **GORDON** paid **PITTSBURG** to issue such statements and **PAUL**, **GORDON**, **PITTSBURG** and others failed to disclose fully to the investing public that **PAUL**, **GORDON** and others paid **PITTSBURG** in cash and stock in exchange for his "research reports" and other touting of Stan Lee Media.

Meanwhile, **PAUL** and **GORDON**, knowing that selling too much of their stock at one time would cause the price of the stock to drop, began borrowing large sums of money from Merrill Lynch & Co. through the nominee accounts, using Stan Lee Media stock as collateral. This technique allowed

PAUL and GORDON, effectively, to sell their stock to Merrill Lynch & Co., without negatively impacting the stock price.

Later, in order to sell large blocks of Stan Lee Media stock that they secretly owned and controlled in nominee accounts, PAUL and GORDON made undisclosed payments to PITTSBURG and KUSCHE, who purchased and arranged for others to purchase the stock. The secret payments, which were made in cash and stock, amounted to approximately 55% of the amount that was paid for the blocks of stock. By conducting the transactions in this manner, PAUL, GORDON, PITTSBURG, KUSCHE and others were able to disguise the fact that these blocks of stock were actually being sold for less than one-half of the prevailing market price.

Beginning on or about November 29, 2000, PAUL and GORDON stopped making the previously described payments to PITTSBURG and KUSCHE, which caused its price to plummet, leaving the investing public with worthless stock and leaving Merrill Lynch & Co. with no valuable collateral to use to recover the approximately \$5 million that it had lent to PAUL, GORDON and others. By December 13, 2000, the price of the stock was less than a \$1.00 per share. The stock has not traded since December 18, 2000, and Stan Lee Media filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code on February 16, 2001. Individual investors and financial institutions are estimated to have lost in excess of \$25 million as a result of the Stan Lee Media fraud scheme.

The charges against each defendant carry the following maximum sentences: as to the securities fraud count, 10 years imprisonment, 3 years of supervised release, a \$1,000,000 fine (or twice the gross gain or loss), and an order of restitution; as to the conspiracy count, 5 years imprisonment, 3 years of supervised release, a \$250,000 fine (or twice the gross gain or loss), and an order of restitution.⁽¹⁾

In announcing the indictment, United States Attorney **ALAN VINEGRAD** stated: "The story underlying this case has no super-heros, nor is it in any way comical. Rather, it is an all-too-real and sad account of greedy securities fraud perpetrators and unwitting victims. The defendants - a corrupt co-founder, his partner, a stock promoter who struck secret kickback deals, and a Wall Street analyst willing to sell his recommendations for cash and stock - profited illegally at the expense of victim investors throughout the United States, both individual and institutional, who lost millions of dollars because of the defendants' fraudulent practices. This prosecution should send the strong and clear message that such market manipulations will not be tolerated. We will bring those responsible to justice and continue our efforts to protect the fundamental fairness of our nation's securities markets. I want to extend my deep appreciation to the Securities and Exchange Commission and the NASD Regulation's Criminal Prosecution Assistance Group, in addition to the FBI and the Postal Inspection Service, for their invaluable assistance. "

JAY SKIDMORE, Postal Inspector-in-Charge of the Postal Inspection Service, stated: "Today's arrests mark the successful conclusion of a significant mail fraud investigation involving a scheme to swindle the American public by the manipulation of stock prices. Today's law enforcement action sends a clear message that the Postal Inspection Service remains ever-vigilant in maintaining the integrity of the United States mails and protecting the nation's mail system from criminal misuse."

BARRY W. MAWN, Assistant Director-in-Charge of the Federal Bureau of Investigation in New York, stated: "Adjectives like 'fictional,' 'larger than life' and 'exaggerated' aptly describe not only the superhero comic book characters of Stan Lee Media, they also describe the fraudulent business practices such as the 'research reports,' the false statements to the media and the other means by

which the defendants sought to inflate and maintain the price of Stan Lee Media stock. They manipulated the market, made illegal profits and thought they had gotten away with their scheme. When the final chapter is written in this investigation and prosecution, just as so often happens in comic book adventures, truth and justice will prevail."

The case is assigned to United States District Judge Leonard D. Wexler. This morning, STEPHEN M. GORDON was arrested in California, and CHARLES KUSCHE was arrested in Connecticut. JEFFREY PITTSBURG was previously arrested on these charges. The government will seek the extradition of PETER PAUL, who is believed to be living in Brazil.

The government's case is being prosecuted by Assistant United States Attorney Kenneth Breen.

The Defendants:

PETER PAUL

DOB: 9/2/48

ADD: Brazil

STEPHEN M. GORDON

DOB: 10/26/50

**ADD: 14246 Valley Vista Blvd.
Sherman Oaks, CA 91604**

JEFFREY PITTSBURG

DOB: 3/9/44

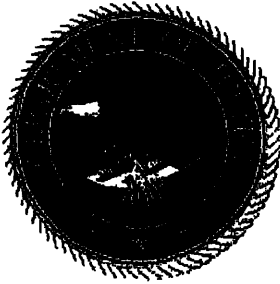
**ADD: 4 Crystal Drive
Great Neck, NY 11021**

CHARLES KUSCHE

DOB: 5/10/54

**ADD: 12 Fairfield Avenue
Darien, CT 06820**

1. The charges contained in the indictment announced today are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

ATTACHMENT B**JOHN S. GORDON**

United States Attorney
Central District of California

Thom Mrozek, Public Affairs Officer
(213) 894-6947
thom.mrozek@usdoj.gov

August 3, 2001

**CO-FOUNDER OF STAN LEE MEDIA ARRESTED TODAY IN BRAZIL; COMPLAINT
CHARGES HIM WITH BANK FRAUD, MAIL FRAUD**

Peter F. Paul, a co-founder of Stan Lee Media, Inc., was arrested today in the Sao Paulo, Brazil airport and is being detained by Brazilian authorities pending extradition proceedings to the United States. Paul was arrested pursuant to charges brought by federal authorities in Los Angeles and New York.

A federal criminal complaint filed in United States District Court in Los Angeles was unsealed on July 26. The complaint charges Paul and Stephen M. Gordon, a former senior executive of Stan Lee Media, each with one count of bank fraud and one count of mail fraud. Paul, 52, is a resident of Calabasas who has been sought by federal authorities since he was charged in New York in June 2001 with securities fraud and conspiracy to commit securities fraud. Gordon, 50, of Sherman Oaks, California was also charged in New York with the same offenses.

In relation to the case filed in Los Angeles, Gordon made his first court appearance on July 26, at which time a United States Magistrate Judge set bond at \$300,000. A preliminary hearing in this case is scheduled for August 15, and an arraignment is scheduled for August 20.

As alleged in the Los Angeles complaint, Paul and Gordon engaged in a scheme to defraud Stan Lee Media and a branch of US Bank out of approximately \$1.3 million.

Stan Lee Media was an Internet company co-founded by comic book icon Stan Lee and Paul. Stock in Stan Lee Media was traded on the Nasdaq stock exchange until it was delisted in May of 2001. Paul was the company's CEO until June 2000, but he continued to make executive decisions after another CEO was brought in. Gordon was executive vice president for operations and acted as the company's chief operating officer with control over the company's bank accounts.

During early 2000, Stan Lee Media's stock was being traded at more than \$20 per share. In late November and December of 2000, the share price of SLM's stock plunged, and SLM subsequently fired most of its staff and filed for bankruptcy protection.

According to the complaint, in early November 2000, Gordon, acting as the chief operating officer of Stan Lee Media, deposited a series of insufficient funds checks into two Stan Lee Media business checking accounts at a US Bank branch in Encino, California. The bad checks were written on bank accounts controlled by Paul and Gordon. Because of Stan Lee Media's good credit standing, US Bank immediately issued cashier's checks payable to the other businesses controlled by Paul and Gordon. As a result of this scheme, Gordon, with Paul's assistance, caused US Bank and/or Stan Lee Media to suffer losses of more than \$1 million.

Bank fraud carries a maximum possible penalty of 30 years in federal prison, while mail fraud carries a potential penalty of five years in prison.

A criminal complaint contains allegations that a defendant has committed a crime. Every defendant is presumed innocent until and unless proven guilty beyond a reasonable doubt.

In addition to the charges filed in Los Angeles, Paul, Gordon and others face charges in the Eastern District of New York arising out of an alleged scheme to manipulate the price of Stan Lee Media stock.

This case is the product of an ongoing investigation by the Federal Bureau of Investigation.

Release No. 01-119

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ATTACHMENT C

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The Associated Press State & Local Wire August 4, 2001

The Associated Press State & Local Wire

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August 4, 2001, Saturday, BC cycle

SECTION: State and Regional

LENGTH: 231 words

HEADLINE: Internet media co-founder arrested for fraud

DATeline: LOS ANGELES

BODY:

Brazilian authorities arrested the co-founder of **Stan Lee Media** in connection with a federal fraud case that claims he bilked the company and a bank of \$1.3 million.

Peter Paul, 52, was detained at the Sao Paulo airport on Friday and was jailed pending extradition to the United States, U.S. Attorney David Seide announced. **Stan Lee Media**, an Internet company that produced and promoted comic book characters and stories, filed for bankruptcy in February.

It was co-founded by Paul and by Stan Lee, who created such characters as Spider-man and the Hulk.

Prosecutors in Los Angeles accuse Paul and a former senior executive, Stephen M. Gordon, of depositing checks from corporate bank accounts they controlled into **Stan Lee Media** accounts at an Encino branch of U.S. Bank in November.

Gordon was released after posting \$300,000 bond during arraignment Wednesday.

The men knew they could not cover the checks but they used the company's good credit to withdraw more than \$1 million before the checks bounced, prosecutors allege.

The two are charged with two counts of mail and bank fraud.

Paul, Gordon and two other people also face federal charges of securities fraud and conspiracy to commit securities fraud. They are accused of manipulating the company's stock and costing investors more than \$25 million.

Lee is not charged with wrongdoing.

LOAD-DATE: August 5, 2001

Source: [All Sources](#) > [News](#) > [News Group File, Most Recent Two Years](#) ⓘ
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ATTACHMENTS D-F HAVE BEEN REMOVED

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ATTACHMENT G



September 19, 2001

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Stan Lee Media Co-Founder Indicted

By Laura Rich

Jun 12 2001 06:11 PM PDT

Charges by the U.S. Attorney's Office end months of speculation about the cause of a precipitous stock drop last fall.

Peter Paul, a co-founder of online entertainment company Stan Lee Media, Inc., was indicted on charges of stock manipulation Tuesday by the U.S. Attorney's Office in New York.

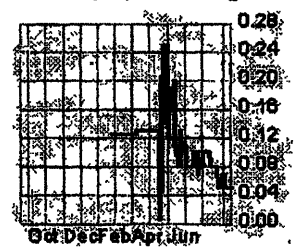
The indictment comes six months after Stan Lee Media reported in a government filing that Paul had been fired and that the company was the subject of an informal investigation by the Securities and Exchange Commission.

That investigation was prompted by the rapid decline last fall of Stan Lee Media's stock, a precipitous plunge that ultimately led the stock to be delisted from the Nasdaq and forced the company to file for bankruptcy protection in February.

The U.S. Attorney's office is seeking extradition for Paul, who is believed to be living in Brazil, according to the indictment. Three others were indicted along with Paul, the indictment stated, including former Stan Lee Media Executive VP Stephen M. Gordon; stock promoter Charles Kusche of Darien, Conn.; and Jeffrey Pittsburg, a Wall Street analyst and owner of investment firm Pittsburg International. All four are charged with securities fraud and conspiracy to commit securities fraud. Their alleged crimes are believed to have cost Stan Lee Media investors more than \$25 million, according to the indictment.

The alleged stock-manipulation scheme, the indictment states, involved Kusche and Pittsburg fronting for trades in Stan Lee Media stock by Paul and Gordon, who as executives of the company were restricted from making such trades for

Stan Lee Media, Inc.

Nasdaq (SC): **SLEEQ**

Last 0.05
Change +0.00

20 min. delayed

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company were restricted from making such trades for themselves. Paul and Gordon borrowed sums of money from Merrill Lynch using the stock as collateral, effectively defrauding Merrill Lynch in the process. The sums of money were used to pay off Kusch and Pittsburg to perform fraudulent trades.

Gordon's brother, Jonathan, worked at Merrill Lynch at the time. Jonathan Gordon's employment at Merrill was terminated in January because he lost money on margin trading, according to filings with the National Association of Securities Dealers.

Stan Lee Media reported in a government filing in January that it had terminated both Paul and Stephen Gordon. Gordon was arrested Tuesday morning in a Los Angeles suburb.

This isn't the first time that Paul has tangled with federal prosecutors. In the late 1970s in Miami, he was indicted on charges of wire fraud in a plot to defraud the Cuban government and served three years in a federal penitentiary. Paul relocated to Los Angeles in the late 1980s and set up businesses for celebrities such as Jimmy Stewart, Fabio and Buzz Aldrin. The latter later sued Paul and his company, Excelsior Productions, for using his likeness to sell commemorative coins.

In 1996, Paul went into business with Stan Lee to create a multimedia company around Paul's future comic creations. Through his connection to Lee, creator of Spiderman, The Incredible Hulk and The X-Men, Paul helped organize a Brentwood fundraiser for the Clintons last August. After a *Washington Post* story revealed Paul's prior criminal record, Hillary Clinton's office denied having any knowledge of Paul's checkered past before the fundraiser took place.

Stan Lee Media is still struggling through bankruptcy proceedings, and it faces a potential class-action by shareholders. In April, venture capital firm Interfase Capital of Austin, Texas, gave the company \$500,000 to maintain operations while it restructures and tries to pull out of bankruptcy. Under the terms of the financing, which is classified as "debtor-in-possession," Interfase has the automatic right to an equity amount equal to the funding it already provided. (The deal also allows SLM to tap Interfase for more money if the initial \$500,000 runs out.)

Ken Williams, CEO of Stan Lee Media, would not comment on Tuesday's charges, referring to the company's SEC filing in January, in which the firings and SEC investigation were reported.

MENTIONED COMPANIES

- **Stan Lee Media, Inc.** ([SLEEQ](#))
- **National Association of Securities Dealers, Inc.** ([dossier](#))
- **The Associated Press** ([dossier](#))
- **The Washington Post Company** ([WPO](#))

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Headline

» Stan Lee.net Co-Founder Flees Country

Mar. 8, 2001 at 06:59:09 Source: Inside.com
 Reported by Dayspring



Stan Lee Media co-founder Peter Paul has reportedly left the country for refuge in South America, seeking to avoid prosecution related to alleged stock manipulation, according to an exclusive story on Inside.com. The company named after the man that is

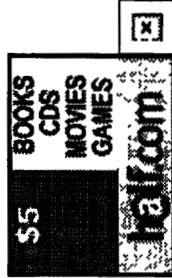




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probably the U.S.'s greatest living pop culture legend - Stan Lee - ground to a halt last December after being unable to raise additional funds to support its near-revenueless operations.

Inside.com reports that according to three knowledgeable sources closely linked to the company, Paul left the U.S. in December. Two of the sources said they believed he was in Brazil, while one of the informants said they understood that his wife had been down to see him recently. Another source said it was their direct knowledge that a third party had gathered up Paul's wife and children and escorted them to Brazil to be with him sometime very recently.

In addition to an ongoing SEC investigation, there are three different class action lawsuits pending from shareholders related to the decline in its stock. Paul, who owns 27 percent of the company according to SEC filings, wasn't employed directly by Stan Lee Media, but was a consultant through a contract with a third party company which he controls, Paraversal.

Let's ALL hope that "Stan the Man" is able to isolate himself from this disaster...

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