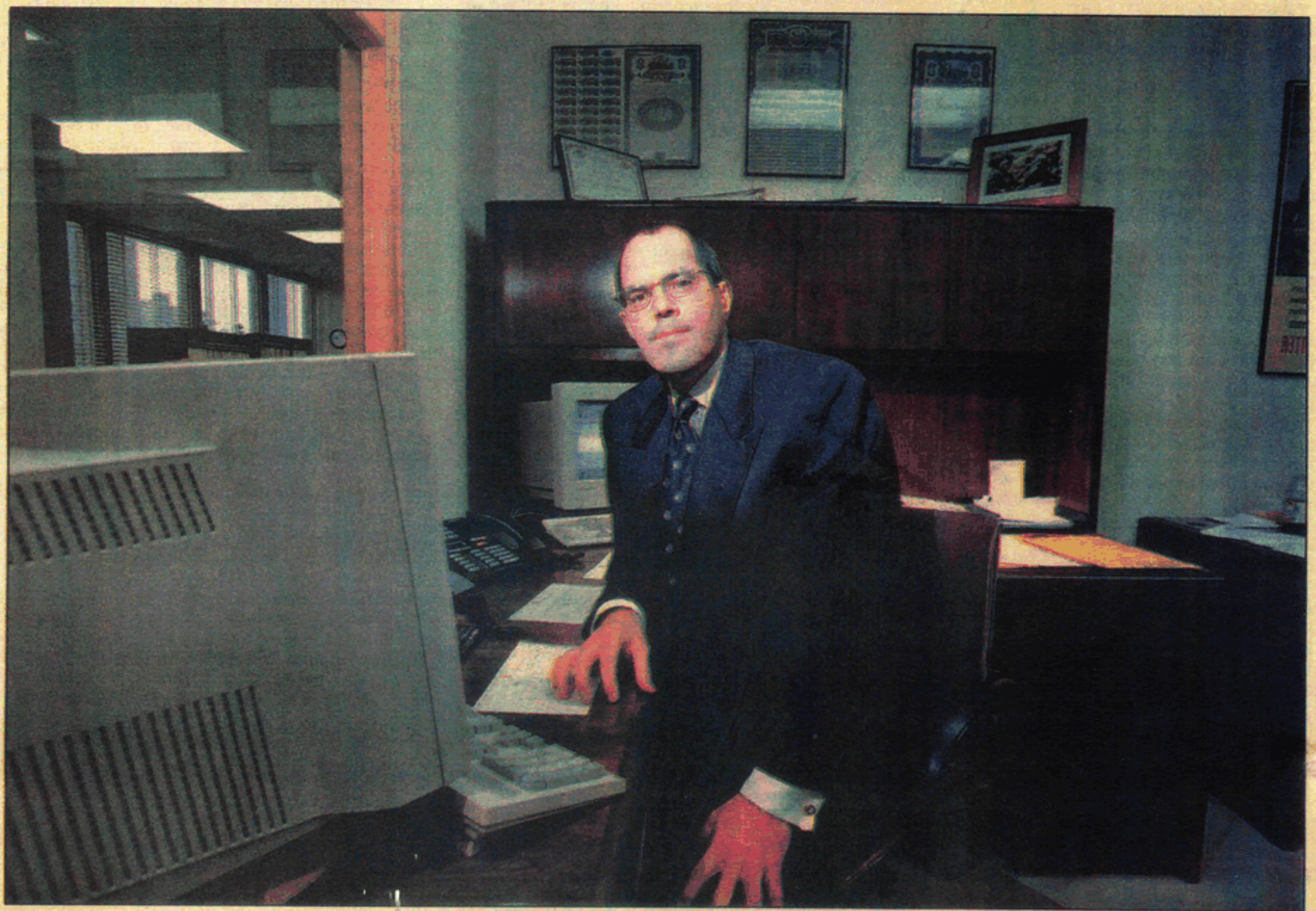


Some brokers make a career of selling themselves short. Among them, part-time Miami resident Manuel Asensio, whose latest target is West Palm Beach-based Able Telcom.



PHILIP GREENBERG/For The New York Times

Manuel Asensio is a New York stock market short seller whose specialty is exposing what he regards as fraudulently overrated companies.

Company filing complaint against short sellers

ABLE

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brary.

Asensio's mother is the founder and president of the Migrant Association of South Florida and the free Caridad Health Clinic for migrant farm workers in Boynton Beach.

Asensio, recovering from recent jaw surgery, agreed to be interviewed by e-mail for this story because he could not talk. He typed his comments and sent them by e-mail last week.

After getting his MBA from Harvard in 1982, Asensio worked for 11 years at Bear Stearns & Co., an investment banking and brokerage firm, doing corporate finance deals on Wall Street and making money on the market the way most people do — by buying and selling long.

In 1993 he formed his own company, Asensio & Co., which underwrote New York City bonds and initial public stock offerings.

His career took a turn in 1996 when his firm's analysis showed that the sales and profits of General Nutrition Cos. were bound to fall. In February 1996, amid a heavy promotional push for its products, General Nutrition offered more than 16 million shares of stock at \$21.50 a share.

All eight analysts covering the vitamin and supplement firm rated the stock a "buy," Asensio said, but he thought the health

company would flop.

"That was the moment that started us shorting heavily," he said. "It was our first big deal."

Within several months, the shares fell to \$14 from about \$25. By the end of that summer, General Nutrition was the target of a shareholders class action lawsuit alleging that it had concealed internal problems and overblown its financial prospects. The suit has been dismissed and is on appeal. The company's stock was trading last week at around \$28. The company declined to comment about Asensio.

In the two years since the General Nutrition experience, he counts 15 short-selling campaigns.

"These 15 deals are all epic struggles," Asensio said. "All of them have attacked us as the sole source of their misfortune."

In one of those cases, he issued 27 negative reports against Solv-Ex, an Albuquerque, N.M.-based concern that pinned its hopes on developing a technology to extract oil from sand. Solv-Ex has since been delisted from Nasdaq, sued by the Securities and Exchange Commission for fraud and misrepresentation and filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code.

Solv-Ex denies the SEC's charges and says it will clear its name.

Company officials still believe that Asensio logged onto

America On Line's Motley Fool chat forum using several different screen names at the same time to make it look like Solv-Ex had several critics. Asensio said he did no such thing.

"The problem is that initially you tend to take this stuff not seriously enough because he's so far out in left field," said Solv-Ex senior vice president Herb Campbell. "But he just keeps coming and coming and coming."

Able's retained spokesman Scott Eskew said, "This guy's an opportunist, there's no doubt about that. He can take a company and drive it right out of business if the company's not that strong."

In Able's case, Asensio issued three critical reports in two days in mid-July hammering Able for failing to disclose that some executives of MFS Network Technologies, the WorldCom subsidiary that it was buying, had resigned after the sale. Asensio also said Able had no collateral, cash flow or earnings to support financing the acquisition.

Able spokesmen say that the MFS officials left to take lucrative stock options, not because they lacked confidence in Able, a telecommunications construction company that lays cable and designs turnpike toll systems. As for the financial problems, Able says Asensio didn't know what he was talking about.

Able's stock (Nasdaq: ABTE) had begun dropping before

Asensio's reports. Its descent began about the time in July when Able disclosed it would partially pay for MFS with a \$20 million financing arrangement. The announcement made investors jittery.

When the stock was at about \$14, Asensio issued a "strong sell" recommendation in a report titled "Able's dire financial condition begins to unfold." His report predicted Able's stock would sell "well below \$3 per share." Able stock plummeted to \$10 in two days and has since leveled off.

If Asensio were Able's only gadfly, the company could be sure it knew who its enemy was. But the company apparently has become a magnet for Wall Street short sellers.

About 14 percent of the company's outstanding stock — 1.4 million of 9.97 million outstanding shares — is now held by short sellers, well above the Nasdaq average of 2 percent to 3 percent. From June 16 to July 15, short interest in Able jumped by 327 percent, according to the latest Nasdaq information. As recently as January there were fewer than 68,000 shares of Able's stock held in short position — about 0.7 percent.

Able has begun preparing a complaint to file with the Securities and Exchange Commission and the National Association of Securities Dealers, alleging that shorts fraudulently drove down its stock price by offering more shares for sale than they were able to borrow. The company

will ask the authorities to investigate three or four short selling syndicates whom it suspects of collaborating to undermine its stock. Investigators can request records from brokers showing who their clients are.

While Able would not say whom it wants investigated or if Asensio is part of the group, it does call Asensio a profiteer, dismissing his statements as fabrications.

But to Wall Street's nonconformists, Asensio is a healthy antidote to the current stock market mania.

"He's known to be aggressive, abrasive and confrontational," said David Tice, Dallas-based portfolio manager of the Prudent Bear Fund, a mutual fund that invests by shorting stock. "He's right more than he's wrong. He believes in what he's doing and he makes money for people."

Asensio describes himself simply as an investment adviser whose firm specializes in short selling. Those clients, he said, are mostly institutional, except for "certain New York personalities who are friends of the firm." These include a top ranking state politician, a film director and an art dealer, he said.

Though not shy about publicity, Asensio won't say how much money he's made.

Whatever the returns are, Asensio said they "must be viewed with an understanding of the risk and research we devote to each specific deal."

Short selling high risk compared to long trading

SHORT SELLING

From 1F

Calif., which invests money for high net-worth clients by making short sales. "The doubling of a stock can happen in a blink of an eye."

McEntire said that this year Skye lost about \$500,000 on a miscued short sale of Infoseek Corp. stock. The Sunnyvale, Calif. company's stock has been trading between about \$11 and \$44 this year.

Soaring stock prices aren't the only threat for short sellers. When a broker needs the borrowed shares back, the short seller must deliver. If he can't borrow shares from another broker, he has to buy them. The broker automatically transacts the deal when he needs the shares, sometimes giving the short seller only several days' notice.

Companies have been known to try to smoke out short sellers by instructing their investors to recall their stock. If the shorts can't borrow anywhere else to return the stock, they all have to buy at once. If that happens, the buying pressure could create a demand for the stock that would drive up its price. This in turn could interest other investors to buy the stock, further increasing its value.

It is this solution that Able Telcom Holding Corp. is hoping for in its battle with short seller Manuel Asensio.

The company believes that its stock has been driven artificially low by short sellers, and when the stock rebounds, the shorts will feel the squeeze, said company spokesman, Scott Eskew.