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Wall Street Whistleblower

Chromatics Color's Friends in Weird Places

By [Gregg Wirth](#)

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Chromatics Color Sciences ([CCSI](#):Nasdaq) -- a New York company whose infant jaundice device, approved about a year ago, hasn't been launched because it is waiting for the "right" medical partner -- is collecting an odd assortment of supporters even as it sits atop a swirling wormhole of controversy.

First, there is **Stock Genie**, a stock-touting [Web site](#) that collects a fee (either in cash, stock or both) from each company it features. **Magic Moe**, as the site's blue-hued mascot is called, paused in its most recent mass emailing to highlight the site's tout of Chromatics Color, made about a year ago.

With a clear lack of irony, Stock Genie pointed out that Chromatics Color was (on a split-adjusted basis) "\$4.66 at the time that we profiled it and has traded as high as \$17.50, for a gain of 276%." Nice. But the Magic One fails to mention that Chromatics Color's stock has trailed off just as dramatically in recent weeks. The stock now trades for 4 5/8, down almost 74% since flamboyant short-seller **Manuel Asensio** issued reports bashing the company -- and just below the level at which the stock was profiled.

Asensio has used Chromatics Color as a big club to attack **Dreyfus** fund manager **Michael Schonberg**, leveling charges of fraud and self-dealing in Schonberg's personal and fund holdings of micro-cap stocks, including Chromatics Color.

The fact that Chromatics Color once hired Stock Genie speaks volumes. The site provides a textbook case of conflict of interest. For example, in its most recent touting for June "Profile of the Month" client **Cypress Financial Services** (CYFS:OTC BB), Stock Genie discloses just what it gets for touting a stock.

In the Cypress disclosure, Stock Genie says it has been retained "for six months, pursuant to a written agreement which provides for the immediate payment of five thousand dollars and an additional five thousand dollars over the life of the agreement for its services, including the electronic dissemination of information concerning the profiled company. Stockholders, officers, employees, agents and/or affiliates of Stock Genie may from time to time acquire, hold or sell a position in securities mentioned herein in open market or private transactions which, including the cash compensation, should be viewed as a conflict of interest."

Hey, at least they're honest.

While making it seem that Stock Genie's compensation is tied to getting Cypress' stock price up, the disclaimer also goes on to say: "Affiliates of Stock Genie in a private transaction purchased 265,000 shares of Cypress for \$249,000." That's roughly 93 cents a share -- less than half of where Cypress is trading now, at \$2. That means the stock could fall further and Stock Genie would still be ahead.

More Friends for Chromatics

Sheep cry out to be sheared.

To some short-sellers circling around Chromatics Color, there is a familiar name in the role of shearer: **Richard Wool**.

He's the powerhouse **Hill & Knowlton** flack behind the company's June 9 magnum opus rebutting every comma and dangling modifier from Asensio's reports on CCSI.

CCSI isn't the first controversial name that Wool has worked for. He also shilled for **Bre-X**, one of the great frauds of this bull market. You remember the case: It involved a fake gold mine in Indonesia and the geologist who fell out of a helicopter to his death.

And whom did Wool blame for Bre-X problems before the gold mine turned out to not exist but all the while giant red flags were being hung from every rampart? Short-sellers.

Here's a quote from a Feb. 22, 1997, article in the *Calgary Herald*: "Bre-X feels it has not [been] portrayed fairly with respect to its accomplishments in Indonesia and this is contributing to the downward pressure on its share price. It looks like a case of the short-sellers having an interest in the company's shares continuing to weaken and certain media buying into this."

According to an article in *Communication World* from Oct. 20, 1997, Wool was hired in December 1996 and worked until May 1997, well after Bre-X's partner **Freeport-McMoran Copper & Gold** ([FCX](#):NYSE) had issued its drill testing on Busang and even after an independent report was released questioning early claims of how much gold was in the mine. "One of the issues that has been raised following H&K's brief affiliation with Bre-X is whether PR agencies do enough research on potentially controversial clients before signing a contract," the article said.

And that's not all. Wool, when he was with a PR firm called **Sitrick Krantz & Co.**, worked for **Kendall Square**, a now-defunct computer systems company whose executives settled **Securities and Exchange Commission** charges of inflating sales and profits in 1992 and 1993. Wool also worked for **JB Oxford** ([JBOH](#):Nasdaq), a stock brokerage firm that was raided by the **FBI** in August 1997 and -- at that time -- had been under investigation by the SEC for at least two years.

Here's a passage from Hill & Knowlton's own Code of Professional Conduct: "Employees shall practice the highest standards of honesty and accuracy and shall not disseminate false or misleading information." And, "Employees have the right to refuse to work on a project if it is in conflict with their own personal ethics or beliefs. Staff are entitled to their personal beliefs and the right to decline involvement in a specific project without compromising their current position or career opportunity at Hill & Knowlton."

The class-action lawsuits filed on behalf of shareholders already are starting to pile up. So Chromatics Color's investors may find themselves asking: Is this another case of the Wool being pulled over my eyes?

At Least They're Reading

Looks like I hit a nerve last week when I suggested a [free stock offer](#) from **1001computers.com** and fellow traveler **travelzoo.com** was a front for gathering email addresses for an Internet suckers' list.

Travelzoo.com's president, Mark Foster, suggested competitive rivalry was behind my attack and sought to set the record straight in a "letter to shareholders" mass emailed on Tuesday.

Foster wrote:

Good ideas and success always generate opposition. Recently, a news source (possible competitor?) stated inaccurate information about travelzoo.com. This information related travelzoo.com with multi-level marketing scams and raised a question regarding sales of our mailing list.

To address these statements, we want to assure you of the following: WE HAVE NOT, AND WILL NOT, SELL YOUR E-MAIL ADDRESS (OR ANY OTHER SHAREHOLDER INFORMATION) TO THIRD PARTIES, OR MAKE YOUR E-MAIL ADDRESS AVAILABLE TO THEM.

We know privacy is important to you, and like you, we do not appreciate 'spam'. So, as a reminder, please do not