
Special Report: A fame-seeking Philly trader's rap falls flat

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By [Matthew Goldstein](#)

NEW YORK (Reuters) - Tyrone L. Gilliams Jr., a commodities trader, part-time online preacher and hip hop event promoter, is not one for understatement.

In a promotional video for a celebrity-studded charity event last December -- among the headliners was rapper Sean "Diddy" Combs -- Gilliams mugs for the camera. Posing with stacks of money on his lap, he bills himself as a mogul, a philanthropist and a self-starter.

But now one of his investors is crying foul, suing the Camden, New Jersey, native and Ivy League graduate for fraud.

David Parlin, a businessman from Cincinnati, Ohio, claims Gilliams misappropriated much of his private foundation's \$4 million investment and used the money to pay for trips to the Bahamas, outings at Miami nightclubs and shopping sprees at Saks Fifth Avenue and a Cherry Hill, New Jersey Mercedes Benz dealership.

On its face, the investment venture that Parlin sunk some of his foundation's money into seems dubious. He was promised, according to court papers, a five percent a week return -- the kind of performance that would make even Ponzi king Bernard Madoff blush. And it was an investment strategy using U.S. Treasuries, where the current yield on a 10-year T-bill is 3.2 percent.

Worse, Parlin says he didn't even know the money had been passed on to Gilliams to manage until shortly before he filed the lawsuit. He's also suing New York financier Vassilis Morfopoulos, who transferred the foundation's money to Gilliams.

SCAMS GALORE

It appears Parlin's due diligence was not complete.

But some securities experts are not surprised. Nearly two-and-a-half years after Madoff's decades long investment fraud came to light and prosecutors charged Allen Stanford with running a \$7 billion Ponzi scheme, there has hardly been a pause in the number of new dubious investment schemes. Unfortunately, yield-hungry investors have been slow to grasp that if an investment opportunity sounds too good to be true -- it probably is.

Last year, for instance, the Securities and Exchange Commission brought 47 enforcement actions against the architects of apparent Ponzi schemes. That's just seven fewer than securities regulators filed in 2009. And tips about new investment schemes keep coming to the SEC on a regular basis.

"Every day we see tips alleging Ponzi schemes," says Thomas Sporkin, who oversees the SEC's new market intelligence unit, which is responsible for vetting and filtering the more than 30,000 tips securities regulators get each year from the public. "Unfortunately, investment schemes appear just as prevalent as ever."

Tuesday, SEC Chairman Mary Schapiro, in testimony on Capitol Hill, told the House Oversight and Government Reform Committee that "fraudulent investment schemes disguised as investment opportunities" accounted for 22 percent of the agency's enforcement actions in 2010.

Indeed, securities experts say each year individual investors -- even sophisticated ones who should seemingly know better -- lose hundreds of millions of dollars to financial charlatans. But many under-the-radar scams tend to get overlooked by regulators and short-shrift from the financial media because the dollars involved are relatively small and the alleged scamsters don't work for big Wall Street banks like Goldman Sachs Group or JP Morgan Chase.

"You hear more about the bank cases because there is often a big pot of money at the end of the day," said Ross Intelisano, a New York securities attorney with Rich & Intelisano. "But I get called on these small scams all the time. But sometimes they are even too small for us to get involved."

It's too soon to say how the Parlin case will play out. Parlin, who made his fortune from founding a Midwestern-based company that refurbished automated teller machines company called The ATM Exchange, has had at least one discussion about his 2010 investment with agents in the Cincinnati office of the Federal Bureau of Investigation, according to a court filing.

SUPPORTING PLAYERS

For his part, Gilliams, who did not respond to repeated requests by Reuters for comment and does not appear to have retained a lawyer, is keeping an uncharacteristic low profile. Earlier this year, he suddenly abandoned a small office he had in downtown Philadelphia, skipping out on the rent, according to court records.

The official headquarters for his TL Gilliams LLC trading firm, which claims to have offices in two dozen locations around the globe, is a so-called virtual office located in a building in a Philadelphia suburb. Mail is collected for Gilliams at the location and a receptionist takes phone messages. But a person familiar with the facility says the trader rarely shows up in person.

Beyond Gilliams, the litigation and interviews by Reuters also reveals an array of middleman and unregistered investment advisers, each of whom may have played a part in the investment venture. For instance, Morfopoulos, the New York financier who invested Parlin's money with

Gilliams, has his own questionable track record. In 2005, he was sued by the federal government for failing to pay nearly a quarter of a million dollars in back taxes.

Christopher Chang, the lawyer for Morfopoulos, says his client was duped just like Parlin and "denies any participation in the fraud perpetrated by Tyrone Gilliams." Chang adds that his client intends to fully cooperate with Parlin in helping him get his money back.

Laura Keller, a San Francisco financial consultant, said she recommended Gilliams to Morfopoulos and another Bay Area investor group based on a recommendation she'd got from Blackhawk Wealth Solutions, a San Diego-based investment advisory firm. Phone calls and emails to Blackhawk executives weren't returned.

Says Keller: "Proper questioning and trust and prior working experience and their vetting made the referral strong."

Other middlemen who may have been involved in the deal, according to court records and interviews, were Brett Smith, also named as a defendant in the lawsuit, and Santiago Delgado of Global Fortress Inc. based in West Palm Beach, Fla.

LIGHTS. CAMERAS. ACTION

Some of the allegations of profligate spending outlined in Parlin's lawsuit filed in Manhattan federal court would seem to dovetail with images of Gilliams' over-the-top lifestyle, which were captured last year in a series of videos he had posted online under the banner "TLG TV." (vimeo.com/19156957)

Gilliams, who graduated from the University of Pennsylvania in 1990 and was a standout basketball player for the Ivy League school's team, hired a team of professional videographers to follow him around. He appears to have been trying to position himself as some sort of high-living Internet reality TV star who made a fortune trading oil, gold, diamonds and sugar.

His TLG TV was something like an online version of "Keeping up with the Kardashians," the reality TV show about a celebrity family that parties hard for the cameras, crossed with "Trading Places," the 1983 hit movie about Philadelphia commodities traders starring Eddie Murphy and Dan Aykroyd. In one online video, Gilliams brags that he will get Kim Kardashian, the reality show's star, to walk the red carpet at the charity gala held at Philadelphia's Ritz-Carlton Hotel. (vimeo.com/17522005)

Kardashian was a no-show at Gilliams' "Joy to the World Fest" event. Aside from Combs, other celebrities who did turn out included actor Lance Gross and Sheree Whitfield, from "The Real Housewives of Atlanta," another reality TV show. Also attending the gala were local politicians such as Pennsylvania State Senator Anthony Williams and Chaka Fattah, a Democratic congressman from Philadelphia. Tickets for the events sold for between \$250 and \$1,200.

But in the wake of Parlin's lawsuit a number of people who worked with Gilliams in arranging the event are distancing themselves from the trader. Privately some now say they question just

how much money was raised for charity from the gala and how Gilliams got the start-up money to organize the event.

These people say Gilliams often arrived at a nightclub surrounded by a bevy of armed security guards, or showed up at some luxury car dealer and put down a deposit on an Aston Martin.

"I saw a lot of money going out but not much money coming in," said Tim Fontaine, a videographer and producer with The Artist Warehouse in Chester, Pennsylvania, who was hired by Gilliams to produce the "TLG TV" online videos. "I have footage where I see him blow \$70,000 on drinks. The idea was to party with the rich and famous ... and to see the world through Gilliams' eyes."

A representative for Combs declined to comment. But the weekend of the event, Combs also was in Philadelphia for the grand opening of a new nightclub called Vault. More than two decades ago, Gilliams and Combs were part of a group of investors in a failed venture to represent professional athletes called Bad Boys Sportz. But the men are not reported to be close friends.

There are just as many unanswered questions surrounding Gilliams' commodities trading business.

The website for his firm, TL Gilliams LLC, (tlgilliams.com/) says the trader works with a "team" to analyze deals but offers few details. Neither Gilliams nor his firm are registered with the Financial Industry Regulatory Authority or the National Futures Association. On the website, Gilliams says he expects to become an owner of a "major refinery in Brazil."

MINING DISASTER

The litigation involving Parlin is not the first time Gilliams' trading business has sparked controversy.

A year ago, Gilliams teamed up with a group of investors that tried to acquire \$10 million in assets from a bankrupt coal mining operation in Utah. But the deal was scuttled when "T.L. Gilliams surreptitiously withdrew \$10 million that had been deposited in the bank account" of the company the parties formed to buy the mining assets, according to court papers filed by lawyers for Kenneth Rushton, the trustee in the U.S. bankruptcy case for C.W. Mining Company.

In advance of the sale, the \$10 million had apparently been deposited in the bank account by Gilliams' firm, though it is not clear exactly whose money it was. The court record is not clear on why the money was withdrawn or what happened to it.

A few weeks before the sale was scheduled to take place, a U.S. bankruptcy judge held a hearing to determine whether Gilliams' group had the financing to complete the transaction. During that proceeding, Joseph Giordano, who at the time was a principal with Fieldstone, a small New York investment firm, testified that he and Gilliams had worked together for "multiple years" on various transactions. Giordano also told the court he and Gilliams "co-manage" a trading account that "has approximately \$400 million in it."

It's not clear, however, if such an account even exists.

Giordano, who no longer works for Fieldstone, could not be reached for comment. The only registered fund that Giordano is listed as having managed is the Fieldstone Value Partners Fund, which as of four years ago had raised less than \$1 million.

Parlin's lawsuit claims that Gilliams transferred \$450,000 of his \$4 million to a bank account held in the name of Fieldstone Value Partners Fund. Parlin says the money transfer "appears to have been part of a Ponzi scheme orchestrated by Gilliams."

Officials with Fieldstone did not respond to a request for comment.

Neither Parlin nor his lawyer Louis Craco will comment on the litigation. But court papers reveal that in January, Parlin began demanding that Morfopoulos return his \$4 million because the Cincinnati businessman had not received any of the promised returns on his investment. It wasn't until mid-March that Parlin says he ultimately learned that Morfopoulos had inked a deal behind his back with Gilliams to manage the money.

On April 13, Parlin filed suit in Manhattan federal court against Gilliams and Morfopoulos, claiming they had defrauded him and that Gilliams misappropriated his money.

As it happened, just a few weeks before Parlin learned of Gilliams involvement, the Philadelphia trader was planning to raise money for new investment vehicle. On February 28, Gilliams filed a registration statement with the SEC for the "Black Fox Fund" -- a planned \$20 million stock-focused fund.

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