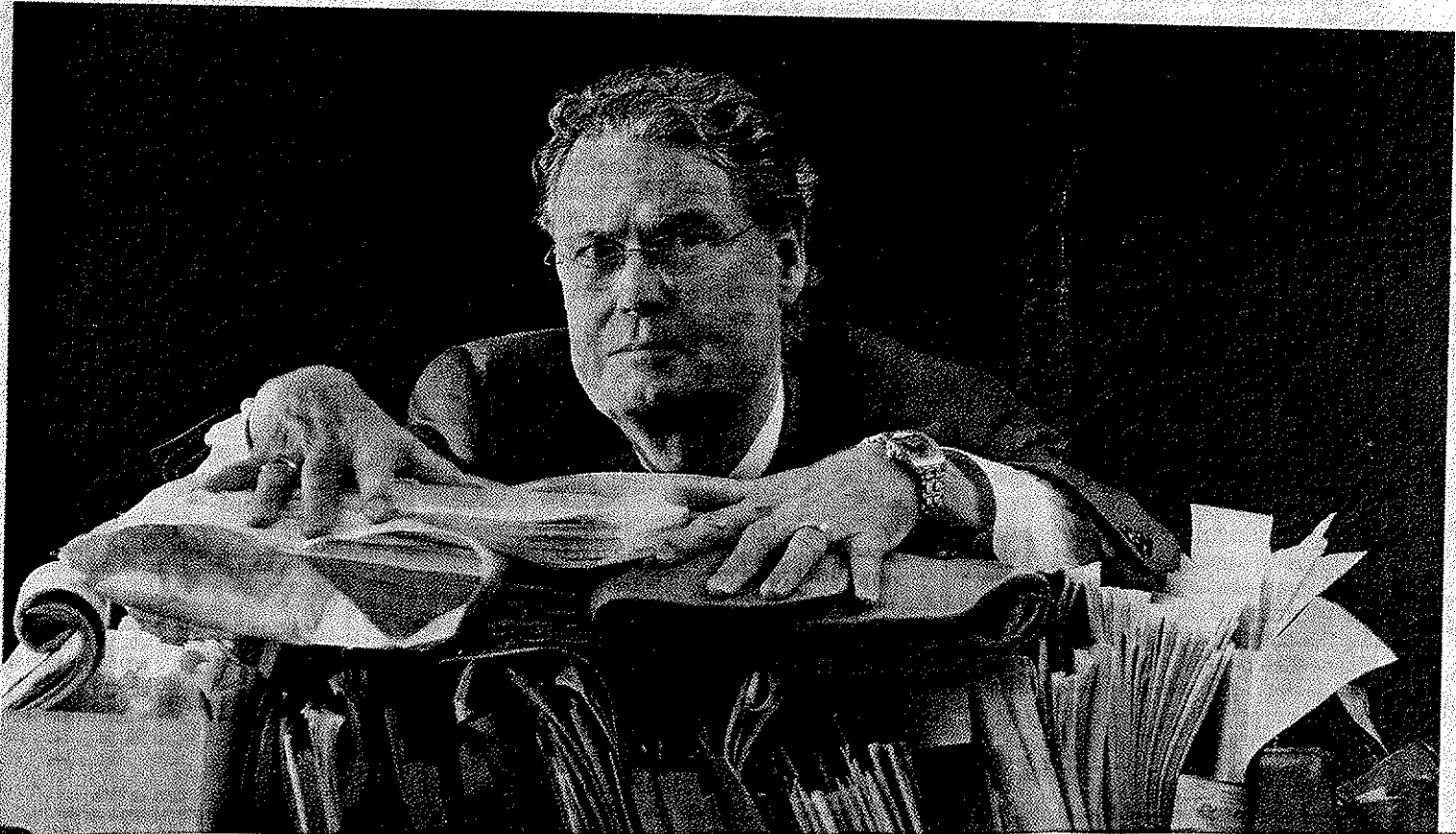


“I’m trying to get this to a point where the SEC will audit these guys.”



## D.M. stockbroker pushes for probe of failed firm

### Clients lost big when company went belly-up

By **S.P. DINNEN**  
REGISTER BUSINESS WRITER

Stock investments go sour every so often, and 99.9 percent of the time shareholders take their lumps and move on.

Not Kevin McLaughlin. The longtime Des Moines stockbroker persuaded dozens of clients in the late 1990s to buy shares of Metromedia International Group Inc. as it built fiber-optic and cell phone networks across eastern Europe and central Asia. He even invested \$300,000 of his own money in the deal.

But the business tanked, and a bloodbath ensued. Preferred shares that were bought for \$40 sank to \$1, while common stock skidded to less than 1 cent per share, as Metromedia flirted with bankruptcy.

Now McLaughlin has spent nearly \$300,000 more of his own money on the company, not on stock but on lawyers and accountants he has sicced on Metromedia’s executives and ledgers.

The goal is to prove McLaughlin’s contention

that he did his best by the investors and to show that they were victims not of bad luck, but rather of a global shell game of disappearing revenues and assets sold off on the cheap.

It’s almost unheard of that a stockbroker would go to such lengths for clients. But 56-year-old McLaughlin has both his money and client money at stake, as well as his reputation with people who believed in his recommendation but paid a price.

McLaughlin doesn’t focus on what the investment has cost him, but what it has meant to his clients.

“This is about how a lot of small investors got ripped to shreds,” he said.

The battle so far has been waged without huge success. McLaughlin has accumulated tall piles of documents. But he has been unable to convince bigger, more powerful investors to join his cause.

It also does not appear that he has been able

### Do your homework before you invest

The CFA Institute, which awards the chartered financial analyst designation, offers tips for investors.

**GOALS:** Why are you investing in the first place? What is the money for?

**RISK:** Figure out your tolerance to risk and how much volatility you can withstand. Also, realize that different industries carry different risk levels.

**INVESTMENT CLIMATE:** Sometimes stocks beat bonds, sometimes they don’t. Stocks focused overseas will be driven by the climate of their host country.

**RELATIVE RETURNS:** How is your individual investment doing relative to its peers — or indexes.

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# D.M. broker pushes for probe of failed firm

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to coax the Securities and Exchange Commission into the squabble, even though it went after Metromedia earlier this year for not filing mandatory quarterly or annual financial reports since 2004.

McLaughlin has taken his case to the court of public opinion. Besides the SEC, he has written to members of Congress to alert them to his plight.

He has written media baron Rupert Murdoch, chief executive officer of News Corp. Its News America unit, which handles media interests in the United States that include the Fox television network, was listed in SEC documents in July as owning 9.1 million shares of Metromedia.

McLaughlin wants the SEC to either grant Metromedia a waiver from filing required reports, or halt final approval of its Aug. 27 sale to a British partnership until the government can inspect financial documents that Metromedia properly files.

"I'm trying to get this to a point where the SEC will audit these guys," McLaughlin said.

The SEC doesn't comment on whether it is investigating a company, said spokesman John Heinie. But, in April, Metromedia acknowledged that the SEC had contacted it last spring asking whether it should de-register the company for failing to file needed papers.

Natasha Alexeeva, vice president and general counsel for Charlotte, N.C.-based Metromedia, said the SEC has not yet followed up with her on that meeting. She said McLaughlin's complaints were

not raised by the SEC.

Alexeeva also said her employer has produced documents McLaughlin requested. Metromedia is a complicated company, she said, with more than 50 enterprises at one time.

But she said it's not Metromedia's fault if McLaughlin can't comprehend the company's finances. "He doesn't seem to have a good understanding of financial reporting, and there's nothing we can do about that," Alexeeva said.

Nonsense, said McLaughlin. He hired a forensic accountant to pick apart Metromedia's books, and he still hasn't been able to figure out how a \$71 million in-flow of cash reported in 2000 inexplicably plunged to \$5.9 million a year later. Further, he noted that the company's outside accounting firm resigned in 2004 after questioning whether it could properly audit Metromedia's books.

Metromedia, whose main business line today is telephone services in the republic of Georgia, is still putting its books in order. But Alexeeva said that "there's absolutely no money missing, and management's not hiding anything."

The company made bad business decisions in the past, Alexeeva conceded. But new management has turned things around, she said, noting that people who bought the shares at a penny each might be thrilled to receive the \$1.80 that the takeover company has offered.

Bob Hawk got 80 cents each for the preferred shares that he paid \$40 each for in 1998 and 1999. Hawk thought he would use dividends paid on that stock to help build his retirement savings account,

but the former purchasing agent from Boone discovered differently when Metromedia shares collapsed.

Hawk, who lost about \$80,000 and at age 72 continues to work part time, applauded McLaughlin for pursuing Metromedia.

"Kevin is very conscientious about his customers," Hawk said. "He doesn't like to see them getting screwed."

Hawk said he doesn't feel Metromedia was looking out

for the interests of investors. McLaughlin, however, "is doing what other people should be doing."

Alexeeva said the buyout is a done deal. But shares of the company are still actively traded, and McLaughlin said the partnership that bought Metromedia has not yet paid him for about 1,000 common shares that he owns.

Still, McLaughlin's time may be short. He said he feels that once Metromedia transitions to its new ownership, it will be in private, off-shore hands and beyond the reach of U.S. regulators.

Until that day comes, though, he has vowed to keep up the pressure to get answers to the questions he has for his clients, his family and himself. He mentions equitable treatment, not vengeance, but it's clear that the struggle has taken a toll on him.

"They've made my life miserable," he said.

McLaughlin has started a Web site, [www.metromediasmissingmoney.com](http://www.metromediasmissingmoney.com), to serve as an electronic clearinghouse for information he has gathered in his inquiry.

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