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Problems of Style, Substance Created Exodus From Giacchetto

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The elite of Hollywood and New York who palled around and did business with Dana Giacchetto have quickly distanced themselves from the hotshot SoHo money manager in the week since it was disclosed that many high-profile clients had bailed on him recently.

Even some who no longer do business with Giacchetto but still consider themselves fans and friends weren't willing to offer public words of support. Such is the shelf life of loyalty in the entertainment business.

"People are really embarrassed," suggested a top agent.

Giacchetto has been in the spotlight in the week since The Times revealed that such stars as Leonardo DiCaprio, Cameron Diaz, Matt Damon and Ben Affleck, among others, have disassociated themselves from the 37-year-old financial advisor amid complaints that he traded on stars' names and prepared confusing financial reports.

Even Michael Ovitz and his partner, Rick Yorn, who represent such stars as DiCaprio and Diaz at their management firm AMG, and Richard Lovett and other agents and clients at Creative Artists Agency, have cut financial ties to Giacchetto.

Some clients are said to have been frustrated by their inability to get timely answers to questions about their portfolios.

Giacchetto had been particularly chummy with both the Ovitz-Yorn and CAA camps, from which he derived a lot of business.

Giacchetto, who has often talked openly about his investments, Hollywood friendships and clientele, declined comment Thursday.

Sources say Giacchetto, who has preached conservative investments in blue-chip stocks and corporate bonds, also put some clients in options, which tend to be riskier than stocks.

Though Giacchetto consistently claimed in interviews earlier this year that he controlled more than \$400 million through his asset management company, Cassandra Group, a March 31 filing with the New York state attorney general's office says that the aggregate market value of the securities portfolios managed by the firm at that time was \$100.2 million.

This week, a former client also contended that Giacchetto's ties to a Chase Manhattan Bank venture fund were severed in part because of the bank's disillusionment with the kind of speculative ideas the manager was bringing them.

Regarding the demise of the deal that Giacchetto and Chase Capital Entertainment Partners announced last November, one former client said, "He thought the Chase deal would enable him to find money for clients of Cassandra to finance their projects.

"Chase was frustrated with him because of what he was bringing them. He was bringing them business they didn't want to approve and were never going to approve. It didn't meet Chase's criteria. Chase is more conservative."

Sources said the bank, for example, rejected a deal to invest in the money-losing Paradise Music & Entertainment, a publicly traded company that Giacchetto put money in and hoped to turn around.

While a number of his former clients who got in and out of the Paradise investment at the right time said they made money on the stock, others may still be showing a loss.

Sources say Giacchetto invested clients in Paradise twice, once at \$1 a share and once at \$4.25 a share, and the

stock closed Thursday at \$2.56 on Nasdaq.

Cassandra was among a host of asset managers to lose money on Iridium, a telecommunications satellite company whose value plummeted when the company filed for bankruptcy in August. Sources say some clients were livid with Giacchetto's decision to invest their funds in Iridium bonds that have lost 90% of their value.

Some of Giacchetto's investment recommendations stemmed from personal connections. He invested in and has advised Paper Magazine, a 15-year-old Manhattan pop culture publication that showcased him in a July interview. In the question-and-answer session, Giacchetto discussed his investment philosophy, his image as a "party animal" and his market predictions. There was no mention of his financial involvement with the magazine.

"Although people might say, 'Well, Dana must be a risky guy because he worked in the entertainment business,' actually my investment philosophy is the exact opposite," he said. "Right now is the first time we're recommending any Internet company, and I'm buying [America Online] because I believe that that's going to be the premiere brand."

The magazine's co-founder and publisher, David Hershkovits, said that Giacchetto, along with a handful of his clients, owns less than 5% of the 70,000-circulation publication.

"We met at a party or an event somewhere and started talking. I found out that he loved the magazine and also that he was in the money-management business. So I thought, 'Let's talk,' " Hershkovits said.

Hershkovits, who conducted the question-and-answer interview with Giacchetto, titled "Dana Giacchetto Shakes His Money Makers," said that he discusses the magazine's plans with Giacchetto periodically.

"Dana is just a generous guy with a great heart and someone who really didn't need to get involved with us. We're an independently owned company, not a fast-track type," Hershkovits added.

Giacchetto's glowing press coverage, which portrayed in several cases a shameless name-dropper and fast-living party animal, was especially irksome to some former entertainment clients and to the conservative faction at Chase.

"This has been waiting to happen," said a former entertainment executive client. "I had some money with him. I did very nicely . . . but, early on, I said, something's weird. Money people don't gossip. He talked too much and dropped names like no one else I had ever heard in Hollywood."

A source close to the Chase deal also noted: "How many money managers get that kind of ink all the time? They had him in clubs until 4 in the morning with entertainers. One can say that's where his business is, but at 9:30 in the morning the stock market opens. It was over the top."

Many believe Giacchetto set himself up by bragging about all his notable Hollywood ties.

In a May 9 cover story on Ovitz in New York Times Magazine, Giacchetto was quoted as yelling commands to an out-of-sight assistant such as, "Get me Leo"--as in DiCaprio--and, "Get me Michael!"--as in Ovitz.

As some of the worst offenders in Hollywood have learned, the price of over-hyping can be very expensive. And the image of a hipster money manager to the stars schmoozing the stars and promoting himself in articles didn't help.

"I took my money away because I was watching him travel so much to be with stars," said one Hollywood talent agent.

According to sources, some former clients did not receive up-to-date statements or answers to questions about their accounts.

"He stopped taking care of business," said the representative of one former movie star client.

A source who works in Hollywood's financial circles suggests that it's not unusual for actors and other creative professionals to be naive about their investments.

One former client who claims to have made money with Giacchetto acknowledged that he paid little or no attention to how his money was managed.

"I put my money with Dana on the condition that we'd never have a conversation about it," said the onetime client, who still considers himself a friend of Giacchetto.

Asked whether he had lost money with Giacchetto, he said, "I take full responsibility for spending all my money."

Descriptors: GIACCHETTO, DANA; CELEBRITIES; FINANCIAL PLANNING; CONSULTANTS; MISMANAGEMENT

