

# ***And the Hits Just Keep on Coming: Corporate and Mutual Fund Scandals in Review***

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# ***Where have we been?***

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Repeatedly, over the past twenty-five years, signal market participants have abandoned ethical principles in the pursuit of material well being:

# ***Where have we been?***

Aug. 26, 2004 - Fraud charges against Van Wagoner Capital Management, Inc. (VWCM).

Aug 26, 2004 - Enforcement actions involving conflicts of interest between research and investment banking at Deutsche Bank Securities Inc. and Thomas Weisel Partners LLC.

Aug. 18, 2004 - Enforcement action against Janus Capital Management LLC (JCM).

Aug. 19, 2004 - Freddie Mac allegedly manipulated reported earnings.

Aug 9, 2004 - SEC fines Halliburton \$7.5 million

Aug. 3, 2004 - Enforcement actions against Fidelity Brokerage Services, LLC.

Aug. 2, 2004 - Enforcement actions against Franklin Advisers, Inc.

# ***Where have we been?***

Jul 30, 2004 - Shell to Pay \$151 Million in Regulatory Fines

Jul 28, 2004 - Citigroup, Deutsche Bank, Goldman Sachs and Miller Tabak Roberts Securities pay \$5 million each in fines and restitution to investors

Jul 27, 2004 - Complaint filed against Royal Ahold (Koninklijke Ahold N.V.)

Jul 27, 2004 – Complaint filed against the former chief financial officer at Capital One Financial Corp.

Jul 26, 2004 - Enforcement actions against two NYSE specialist firms, SIG Specialists, Inc. and Performance Specialist Group LLC.

# ***Where have we been?***

Jul 22, 2004 - Ernst & Young agreed to settle claims

Jul 14, 2004 - First American Bank Corp. sued for engaging in redlining

Jul 12, 2004 - NASD fines Piper Jaffray

Jul 6, 2004 – SEC requests detailed information from mutual-fund firms about how and why they pay to be included in 401(k) plans

Jul 1, 2004 – Administrative proceedings against Goldman, Sachs & Co.

Jun 21, 2004 - Charges against Pilgrim Baxter & Associates, Ltd. (PBA)

# ***Where have we been?***

Apr 5, 2004 - Putnam Investments employees reportedly violated the firm's corporate expense policies

Mar. 31, 2004 - Enforcement action against Massachusetts Financial Services Company (MFS)

Mar. 30, 2004 - Enforcement actions against NYSE specialist firms: Bear Wagner Specialists LLC; Fleet Specialist, Inc.; LaBranche & Co., LLC; Spear, Leeds & Kellogg Specialists LLC; and Van der Moolen Specialists USA, LLC.

Mar 15, 2004 - Bank of America Corp. and FleetBoston Financial Corp. settle allegations by New York state Attorney General Eliot L. Spitzer

Mar 10, 2004 - Bank of America settles SEC charges

Feb 12, 2004 - Legg Mason Wood Walker Inc. returns \$4.3 million to clients it overcharged

# ***Where have we been?***

Dec 10, 2003 - Freddie Mac settles federal regulators' allegations of management misconduct and directors' complacency

Dec 4, 2003 - Civil fraud charges against Mutuals.com

Dec 1, 2003 Civil charges filed against Invesco Funds Group Inc.

Nov 25, 2003 - Criminal charges filed against three former top executives at Security Trust Co.

Nov. 17, 2003 - Enforcement action against Morgan Stanley DW Inc.

Feb. 4, 2004 - Franklin accused of securities fraud

Dec. 17, 2004 - The California Public Employees' Retirement System sues the New York Stock Exchange and seven specialist firms

# ***Where have we been?***

Nov 13, 2003 - Administrative proceeding against Putnam Investment Management LLC

Oct 30, 2003 - New York Attorney General announced plans to formally charge Richard Strong, chairman and founder of Strong Financial

Oct 29, 2003 - Fraud charges against Edward J. Strafaci, the former portfolio manager of the Lipper convertible hedge funds

Jul 29, 2003 - Enforcement proceedings against J.P. Morgan Chase and Citigroup

Apr 28, 2003 – Stock market analysts pay millions in fines

Apr 25, 2003 - Settlement of charges involving stock analysts at the largest Wall Street firms



# ***Other cases:***

Adlephia Communications

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Enron

Gateway, Inc.

Global Crossing

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Homestore, Inc.

ImClone

Tyco

WorldCom

# ***Earlier cases:***

“The integrity of the entire U.S. Treasury securities auction market was called into question when Salomon Inc., in August 1991, admitted it tried to “monopolize” or “corner the market” in a particular U.S. Treasury security.

The National Association of Security Dealers was found to be "failing to police wrongdoing the NASDAQ Stock market, the second largest stock market in the world." The Washington Post (August 8, 1996. Page A1.)

...and let's not forget: Long-Term Capital Management, an investment partnership started in 1994

# ***What to do?***

Board election policies - We continue to believe it is the responsibility of the SEC to collect, review, summarize and grade companies based on their disclosure, communication and board election policies. We suggest the SEC do this by issuing an opinion on the fairness of the board election process at a given company.

# ***What to do?***

Globally: Create a broad based coalition of institutional investors to address and continually monitor these issues:

- ✓ SRI mutual funds
- ✓ Faith-based pension funds
- ✓ Labor based mutual and pension funds
- ✓ State and local pension funds

# ***What to do?***

We must profit together as partners, or “perish together as fools.”

Paraphrased from  
Martin Luther King