

The Corporate Scandal Sheet

last updated in May 2003

| Corporation/CEO | Scandal | Other Information | Investigations | Auditor | CEO Name and Compensations | To Democrats; To Republicans |
|---|---|---|--|-----------------------|--|--|
| AOLTimeWarner 3/29/2003 | The S.E.C. is investigating whether AOLTimeWarner falsely inflated revenues to make the AOL-TimeWarner merger look better than it really was. Upon announcement of the S.E.C. investigation in August 2002, AOL-TW immediately restated \$190 MM in earnings. (Newsbytes, Jan. 13, 2003) AOL-TW has announced that regulators suspect it has overstated \$400 MM more than the \$190 MM it had already disclosed. (New York Times, March 29, 2003) AOL-TW paid \$3.5 MM to the S.E.C. in May 2000, then the largest fine in history, to settle allegations that it had incorrectly booked marketing expenditures in 1994, 1995, and 1996. (Washington Post, July 25, 2002) | AOL TimeWarner posted a \$44.5 BB loss in 2002, the largest loss in US corporate history. | S.E.C., D.o.J., a class action lawsuit Click here to read about Milberg's class action lawsuit | Ernst & Young LLP | Gerald Levin (demoted);\$77.3 MM (in 2001) Richard Parsons | D:\$1,239,991; \$0 for Levin (for 2002) R: \$472,671; \$0 for Levin (for 2002) |
| Adelphia Communications Corp. 2/28/03 | "John, Michael and Timothy Rigas were indicted in July on charges of securities, wire and bank fraud, including the improper use of the company's funds. Prosecutors and the S.E.C. say the Rigases and two other Adelphia executives hid \$2.3 BB in debt and used company money to buy stock and luxury condominiums, build a \$12.8 MM golf course, and pay off margin loans." (Philadelphia Inquirer Dec. 29, 2002) "The indicted founder of Adelphia Communications Corp., John Rigas, has agreed to give up 34 apartments, condos and vacation homes that were bought with company money. Negotiations are also under way on at least 60 other properties." "Recently James R. Brown, the former vice-president of finance and one of the charged executives, | Stock price fell 99.7% in 2002 from \$31.71 per share to \$0.09. | S.E.C., 2 federal grand juries and an internal investigation. Click here to see the S.E.C.'s first litigation Click here to see the S.E.C.'s second litigation | Deloitte & Touche LLP | John Rigas (quit);\$1.4 MM + options (in 2000) | D:\$1,297 (for 2002);\$0 (for 2002) CEO Rigas R: \$41,952 (for 2002);\$2,500 (for 2002) CEO Rigas |

has accepted an injunction against him from the S.E.C. and agreed to provide an accounting of his involvement in the fraudulent statements Adelphia made." (Associated Press Online Jan. 17, 2003) Adelphia overstated its earnings in 2002 by \$102 MM. (Reuters, Feb. 28, 2003)

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| AES Corp. 2/14/03 | AES allegedly conspired with several other electricity companies to cause a shortage of power during the California power crisis of 2000, thus driving up the price of electricity and driving up profits. (Power Engineering International, Dec. 2002) | Stock price fell 98% from a high of \$70.25 on 10/03/00 to a low of \$0.95 on 10/16/02. | Federal Energy Regulatory Commission (FERC), Public Utilities Commission (PUC), State of California Attorney General | Not Applicable | Dennis W. Bakke (demoted):\$9.5 MM (in 2001) Paul Hanrahan | D: \$55,000 (for 2002);\$1,500 (for 2002) CEO Bakke R:\$472,671 (for 2002);\$0 (for 2002) CEO Levin |
| Arthur Andersen LLP 4/13/03 | Arthur Andersen was found guilty for obstructing justice in the government's investigation of Enron. On October 16, 2002 US District Judge Melinda Harmon of Houston sentenced Arthur Andersen to five years of probation and fined it the maximum of \$500,000. (New York Times, Oct. 17, 2002) Arthur Andersen Worldwide has paid \$59.9 MM to settle suits with shareholders, employees, and creditors over its role in Enron. (New York Times, Aug. 31, 2002) Other accounting scandals where Arthur Andersen was the auditor include (Wall Street Journal, March 13, 2002) 1. WorldCom (which hid \$11 BB in expenses) 2. Boston Market Trustee Corp-settlement of \$10.3MM 3. Baptist Foundation of Arizona-settlement of \$217MM 4. Department 66-settlement of \$11MM 5. Sunbeam-settlement of \$110MM 6. Colonial Reality-settlement of \$90MM 7. Waste Management-settlement of \$75MM Arthur Andersen is no longer in the accounting business. | Arthur Andersen gave campaign contributions to 94 senators and over half the members of the house since 1989. (www.opensecrets.org) Click here to read www.opensecrets.org's report on Andersen's campaign contributions. 40 Corporations that Arthur Andersen audited for in 2002 restated their earning at some time during that year. (Huron Consulting Group) Click here to read the Huron Consulting Group's report on restatements in 2002. Arthur Andersen has laid off 27,000 employees. | S.E.C., D.o.J.: Click here to see the S.E.C.'s litigation | Not Applicable | Joseph Berardino (quit);>\$1 MM | D:\$233,325 (for 2002) , \$0 (for 2002) CEO Berardino R:\$470,314 (for 2002);\$0 (for 2002) CEO Berardino |
| Bear Stearns 4/29/03 | Bear Stearns was one of ten banks who settled to end investigations into whether | Not Applicable | S.E.C., New York Attorney General | Deloitte & Touche LLP | CEO James Cayne:\$19.6 MM (for 2002) | D:\$477,466 (for 2002);\$5,000 (for 2002) |

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| | conflicts-of-interest led analysts to skew advice about stocks. The settlement included \$1.4 BB in penalties, \$80 MM of which Bear Stearns agreed to pay. (New York Times, April 29, 2003) | | | | | R:\$195,021 (for 2002) \$2,000 (for 2002) |
| Bristol-Myers Squibb 3/11/03 | An ongoing S.E.C. investigation into Bristol-Myers Squibb's accounting methods has caused the company to restate \$376 MM in sales in 1999, \$678 M in sales in 2000, and \$1.44 BB in sales in 2001. (<i>Guardian (London), March 11, 2003</i>) "Federal regulators are reviewing whether the company improperly inflated revenue by providing wholesalers with incentives to buy excessive amounts of some Bristol-Myers drugs." (<i>New York Times, March 11, 2003</i>) | Bristol-Myers Squibb Co. is in one of the worst slumps in its 144-year history, facing weak sales and barren new-drug laboratories. (<i>Wall Street Journal, 12/12/02</i>) | S.E.C. investigation, D.o.J. investigation, internal investigation | PriceWaterhouse Coopers LLP | CEO Peter Dolan:\$ 12.3 MM (in 2001) CFO Fred Schiff (resigned) | D:\$259,142 (for 2002);\$2500 (for 2002) CEO Dolan R:\$1,311,371 (for 2002);\$10,500 (for 2002) CEO Dolan |
| Cendant 2/20/03 | Paid \$3.2 BB out to shareholders, the largest settlement in US history, because it had overstated income by \$500 MM, which resulted in a \$14 BB stock value drop in one day. Former Board Chairman Walter Forbes resigned with a \$37.5 MM severance package even though later investigations found him partially responsible for the deception. A Federal Grand Jury in Bridgeport, Conn. is charging Forbes and his former vice-chariman E. Kirk Sheldon with massive accounting fraud, conspiracy, securities fraud, making false statement to the S.E.C., mail fraud and wire fraud. (<i>Securities Litigation & Regulation Reporter Jan. 15, 2003</i>) | After disclosing accounting problems on April 15, 1998, Cendant's market value fell \$14 BB in one day. | | Deloitte & Touche LLP | Henry Silverman:\$40.0 MM (in 2001) | D:\$223,439 (for 2002);\$15,000 (for 2002) CEO Silverman R:\$223,014 (for 2002) \$0 (for 2002) CEO Silverman |
| Citigroup Inc. 4/29/03 | Citigroup made \$1 BB in fees generated by its Saloman Smith Barney subsidiary's analyst Jack Grubman, while stockholders lost \$ 2 TT in the telecom scandal alone. Grubman recommended many telecom stocks up until bankruptcy. Citigroup worked to deregulate the S.E.C. so that brokerage and finance companies could be part of the same corporation, and then senate hearings found that it profited through | Stock value fell 30% in 2002, so CEO Weill did not take his bonus. | Senate Committee on Government affairs Click here to see the Senate Committee on Government Affairs report | KPMG LLP | Sanford I. Weill:\$30.3 MM (in 2001) | D:\$30.3 MM (in 2001) R: \$1,616,860 (for 2002) \$0 (for 2002) CEO Weill |

that conflict-of-interest scandals of Enron and Worldcom. In the end, Citigroup may write off up to 2/3rd of its fines as tax deductions.
Click here for the full story.
Citigroup was one of ten banks who settled to end investigations into whether conflicts-of-interest led analysts to skew advice about stocks. The settlement included \$1.4 BB in penalties, \$400 MM of which Citigroup agreed to pay. (New York Times, April 29, 2003) Citigroup was among 3 of the banks accused of securities fraud in the settlement. (Los Angeles Times, April 29, 2003)

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| CMS Energy/ 2/27/03 | CMS overstated its revenues by nearly \$4.4BB from 2000 to 2001 by using artificial "round trip" energy trades. | S.E.C., CTFC, FERC, Justice Department, US Attorney's Office in Houston and NY, at least 12 Class action lawsuits. Click here to read about Milberg's class action lawsuit | Arthur Andersen LLP | William McCormick Jr. (resigned):\$1.9 MM (in 2001) | D:\$150,454 (for 2002); \$1,000 (for 2002) CEO McCormick R: \$225,699 (for 2002); \$0 (for 2002) CEO McCormick |
| Computer Associates Int. 2/27/03 | Computer Associates agreed to a \$638,000 penalty in April 2002 to settle charges with the Justice Department that it violated pre-merger rules after announcing it would acquire Platinum Technology Inc. (Seattle Times, July 9, 2002) It is currently undergoing investigation for alleged shifting of revenue and misstatement of revenue. (Wall Street Journal, Nov. 25, 2002) Five directors at Computer Associates, including head of the NY Stock exchange Richard Grasso and former US senator Alfonse D'Amato, failed to file reports to the S.E.C. noting company stock awards. (Los Angeles Times, Aug. 27, 2002) | The Justice Department, S.E.C. | KPMG LLP | Sanjay Kumar:\$1.0 MM (in 2002) | D:\$0 (for 2002); \$2,000 (for 2002) CEO Kumar R:\$0 (for 2002); \$3,000 (for 2002) CEO Kumar |
| ConAgra 4/8/03 | Three ConAgra salespeople have admitted to wrongly assisting Royal Ahold efforts to falsely inflate revenues by signing confirmation letters that gave inflated rebate numbers. ConAgra is one of | S.E.C., Manhattan U.S. Attorney | Deloitte & Touche LLP | Bruce Rohde:\$9.7 MM (in 2002) | D:\$56,220 (for 2002) \$0 (for 2002) CEO Rohde R:\$224,880 (for 2002) \$0 (for 2002) CEO Rohde |

seven companies the S.E.C. is investigating regarding this matter. (*Washington Post*, April 8, 2003)

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| Cornell Companies, Inc. 3/4/03 | In the wake of its Enron scandal, auditor Andersen questioned an "unusual \$3.7MM retainer" given to Lehman Bros Inc., who had financed a not-for-profit corporation who bought prisons from Cornell, assumed its debt temporarily, and leased usage of those prisons back to Cornell. There are pending class action suit claims that Cornell and its officials made misleading statements about company business to shareholders. (<i>Wall Street Journal</i> , May 1, 2002) | Stock value fell 43% after the restatement from \$17.48 on 2/5/02 to \$9.96 on 2/6/02. | 4 Class action lawsuits Click here to read about Milberg's class action lawsuit | Arthur Andersen LLP | Steven W. Logan (demoted): \$1.9 MM (in 2002) | D:\$5,750 (for 2002) \$0 (for 2002) CEO Logan R:\$12,500 (for 2002) \$0 (for 2002) CEO Logan |
| Credit Suisse First Boston 4/29/03 | Massachusetts regulators have filed fraud charges against Credit First Suisse Bank (CSFB) (New York Times, Oct. 22, 2002) because its analysts lauded stocks publicly while deriding them privately to attract and profit from investment banking business. (USA Today, Sep. 19, 2002) CSFB is one of ten banks who settled to end investigations into whether conflicts-of-interest led analysts to skew advice about stocks. The settlement included \$1.4 BB in penalties, \$200 MM of which CSFB will pay. (New York Times, April 29, 2003) CSFB was among 3 of the banks accused of securities fraud. (Los Angeles Times, April 29, 2003) The National Association of Securities Dealers (NASD) has charged former technology banking chief Frank Quattrone with undermining the independence of CSFB's research analysts and violating securities industry rules against using Initial Public Offerings (IPOs) to encourage business, (Washington Post, March 7, 2003) and federal prosecutors have charged him with obstructing justice in S.E.C. and grand jury investigations. (New York Times, April 24, 2003) The Wall Street Journal reported that Quattrone instructed his | | S.E.C., House Financial Services Committee, Massachusetts Securities Investors, NASD, internal | KPMG LLP | Lukas Muhlemann (resigned) , John Mack: info not available | D:\$532,223 (for 2002) \$6,000 (for 2002) CEO Mack R:\$868,364 (for 2002) \$1,000 (for 2002) CEO Mack |

analysts to delete email documents despite knowing that CSFB was undergoing a federal grand-jury probe. (Wall Street Journal, Feb. 28, 2003) In 2002 CSFB paid \$300 MM to settle allegations of collecting inflated commissions from buyers of valuable stock options. (Wall Street Journal, Feb. 4, 2003) Two CSFB executives were also suspended by NASD in relation to those allegations. (New York Times, Aug. 16, 2002)

Datek Online
4/24/03

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| Six Datek Online employees paid fines totaling \$70 MM to settle S.E.C. allegations of illegal trading and fraudulent bookkeeping. Amongst the largest fines were a \$29.2 MM fine to former chief trader Sheldon Maschler and a \$22.5 MM fine to former CEO Jeffrey Citron. The S.E.C. "said the group of former traders and executives made tens of millions of dollars from stock fraud that went on for nearly a decade and involved taking advantage of a Nasdaq trading system that was intended to help smaller investors." (New York Times, Jan. 15, 2003) | Former CEO Jeffrey Citron was on Fortune Magazine's 2002 list of "40 richest under 40" with a networth of \$189 MM. Citron is currently the CEO of Vonage communications. (New York Times, Jan. 15, 2003) Datek Online has merged with Ameritrade. | SEC, District Attorney of Manhattan | Not Applicable | Jeffrey Citron (quit): Info not Available | D:\$1,000 (for 2002) \$0 (for 2002) former CEO Citron R:\$25,795 (for 2002) \$4,500 (for 2002) CEO Citron |
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Dollar General
3/4/03

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| Dollar General overstated its earnings \$200 MM from 1998 to 2000. Stocks dropped 13% due to this scandal, and Dollar General paid \$162MM to settle class action shareholder lawsuits for the accounting missteps. Investigators are unsure if the multiple mistakes were deliberate or due to financial ignorance. (DSN Retailing Today, Feb. 11, 2002) | | S.E.C., and 20 class action lawsuits Click here to read about Milberg's class action lawsuit | Deloitte & Touche LLP (fired) | Cal Turner: \$3.0 MM (in 2001) | D:\$45,000 (for 2002) \$43,000 (for 2002) CEO Turner R:\$9,750 (for 2002) \$9,000 (for 2002) CEO Turner |
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Duke Energy
3/4/03

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| Duke is accused of conspiring to create the California Blackout of 2000 by working with other companies to simultaneously withhold power, thus driving up electricity prices. (Los Angeles Times, March 4th, 2003) Duke is being investigated for the "round trip" energy trades it used to falsely inflate revenues by \$1 BB over three years. | | S.E.C., the Commodity Futures Trading Commission (CFTC) state regulators and attorney general in CA, a class action lawsuit Click here to read about Milberg's class action lawsuit | Deloitte & Touche LLP | R. Priory: \$8.8 MM (in 2001) | D:\$19,109 (for 2002) \$0 (for 2002) CEO Priory R:\$516,631 (for 2002) \$3,000 (for 2002) CEO Priory |
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Dynegy

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| Dynegy paid \$3 MM in fines | Stock value fell 99% | Congress, | Arthur Andersen | Chuck Watson | D:\$69,624 (for 2000) |
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| 4/14/03 | in Sep. 2002 to the S.E.C. to settle charges that it defrauded investors by using "round-trip" energy trades to inflate revenues by \$300 MM in 2001. (<i>Washington Post</i> , Sep. 25, 2002) | from \$57.15 on 5/1/01 to \$0.51 on 7/25/02. | S.E.C., the Commodity Futures Trading Commission, state regulators, the attorney general of CA. | LLP | (fired): \$24.2 MM (in 2001) | \$1,000 (for 2000) CEO Watson R:\$317,176 (for 2000) \$126,250 (for 2000) CEO Watson |
| EA Engineering, Science, and Technology Inc. 3/11/03 | Former employee Steven Becker overstated revenue by \$1.4 MM in 1999 due to pressure from "managers who had emphasized the importance" of meeting projected earnings. EA engineering has been found guilty of misstating financial results by the S.E.C., and it was forced to restate earnings in 1997, 1998, and 1999 by the S.E.C. (<i>Baltimore Business Journal</i> , Nov. 15, 2002) | EA engineering became a private corporation in January of 2003. (<i>The Baltimore Sun Jan. 9, 2003</i>) | S.E.C. | Arthur Andersen LLP (fired) | Loren Jensen :\$242,864 (in 1999) | D:\$0 (for 2000) \$0 (for 2000) CEO Jensen R:\$0 (for 2000) \$0 (for 2000) CEO Jensen |
| El Paso Corp 3/21/03 | "El Paso Corp. has agreed to pay more than \$1.7 billion to settle lawsuits accusing the company of manipulating California's natural gas market." (Associated Press State & Local Wire, March 21, 2003) FERC found El Paso guilty of manipulating California natural gas prices in 2000 and 2001. El Paso gas trader Todd Geiger was prosecuted by the FERC for falsely making up 48 gas trades. El Paso is now out of the energy trading business. (<i>New York Times</i> , Dec. 2, 2002) | El Paso stock dropped 90% between March 2002 and February 2003. | FERC, internal | Deloitte & Touche LLP (2001) Pricewaterhouse Coopers LLP (2002) | Gary Hedrick :\$2.2 MM (in 2001) | D:? (for 2002) \$250 (for 2002) CEO Hedrick R:? (for 2002) \$250 (for 2002) CEO Hedrick |
| El Paso Electric Corp 3/6/03 | El Paso Electric agreed to pay \$15.5 MM to the state of California to settle charges that it worked with Enron to manipulate California's power in 2000 and 2001. (<i>Los Angeles Times</i> , Feb. 14, 2003) | | FERC | KPMG LLP | William Wise (resigned): \$29.3 MM (in 2001) | D:? (for 2002) \$3,000 (for 2002) CEO Wise R:? (for 2002) \$0 (for 2002) CEO Wise |
| Enron Corp. 4/13/03 | Enron generated 96% of its reported \$979 MM income in 2000 by using six "accounting techniques" to make it appear that the company was earning money. Enron reported having a debtload of \$10.2 BB in 2000, when it was really \$22.1 B. (Guardian (London), March 7, 2003) One of the largest shams Enron recorded was a \$111 MM deal with Blockbuster video for video-on-demand that never went through. (New York Times, March 13, 2003) "Corporate | Stock value fell 99.8% from \$90 on 8/23/00 to \$0.11 on 11/30/01. Enron saved over \$1 BB in taxes by establishing over 600 subsidiaries in the Cayman Islands, and Enron paid no income taxes in four of its past five years. Click here to see a list of excellent Enron-related links Click here for the corporate library's Enron scandal page | Congress, S.E.C., D.o.J. Team of attorneys representing investors and employees in civil lawsuits See the Senate Committee on Government affairs' Enron Report: See the Congressional Joint Committee on Taxation's | Arthur Andersen LLP | Ken Lay (left company): \$33.0 MM (in 2000) | D:\$741,669 (for 2000) \$8,000 (for 2000) CEO Lay R:\$1,793,154 (for 2000) \$321,050 (for 2000) CEO Lay |

profits reported to the I.R.S. in 1998 were \$155 billion less than those reported to shareholders." (New York Times, Feb. 13, 2003) Although it was once the US's largest energy trader, it collapsed into the US's largest ever bankruptcy on Dec. 2, 2002. Seven former Enron executives are facing criminal charges. (Wall Street Journal, April 4, 2003) Three British bankers were indicted for Enron-related wire fraud in late June 2002. (USA Today, June 28, 2002) Former Enron Executive Michael Kopper gave back \$4 MM after he pled guilty to fraud and money laundering. (New York Times, Aug. 25, 2002) Andrew Fastow, who allegedly masterminded Enron's intricate financial deals, was arrested on "dozens of fraud and conspiracy charges" which could land him up to 140 years in jail, and then released on a \$5 MM bail. (Washington Times, Oct. 3, 2002) Former senior Enron energy trader Tim Belden pled guilty to conspiring with others to create the California power crisis. (New York Times, Oct. 21, 2002)

report on Enron

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| Ernst & Young LLP 5/5/03 | The Federal Deposit Insurance Corporation (FDIC) is suing Ernst & Young for \$2 BB for fraudulent accounting of Superior Bank FSB which the FDIC says cost it \$750 MM when Superior Bank's FSB failed. The FDIC suit alleges that there was a conflict of interest between Ernst & Young and Superior Bank FSB stemming from the lucrative consulting fees that encouraged Ernst & Young to delay reporting accounting problems as soon as they were discovered. (Wall Street Journal, Nov. 4, 2002) The S.E.C. has filed civil charges against three auditors at Ernst & Young for accounting irregularities which cost Cendant \$3.2 BB. (New York Times, Nov. 1, 2002) Ernst & Young has been charged with failing to keep its accountants | S.E.C., FDIC, Congress | not applicable | Rick Bobrow :info not available | D:\$590,328 (for 2002) \$1,000 (for 2002) CEO Bobrow R:\$1,313,955 (for 2002) \$0 (for 2002) CEO Bobrow |
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independent from the companies they audit by the S.E.C.. (New York Times, Nov. 14, 2002) Ernst & Young is being sued by several rich people, including two Sprint executives, for allegedly selling faulty tax advice which claimants say Ernst & Young knew was faulty. (New York Times, Feb. 7, 2003) Congress has begun an investigation into why Ernst & Young did not uncover accounting irregularities at Healthsouth. (*Business Week*, May 5, 2003)

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| General Electric Corporation 3/13/03 | GE is undergoing informal investigation by the S.E.C. for the excessive retirement package former CEO Jack Welch received, which includes GE footing the bill for tickets to sporting events and operas, usage of a company Boeing 737 jet, a posh Manhattan apartment, and even toiletries. Welch has agreed to pay back GE \$2.5 MM a year for now, (New York Times, Boston Globe, Sep. 17, 2002) experts say that his package is worth much more than that. | Click here to learn why GE was awarded "most-Enron-like" company in 2002 by United for a Fair Economy. | KPMG LLP | Jeffrey Immelt \$37.5 MM (in 2001) CEO Immelt; Jack Welch (retired) >\$99.0 MM (in 1999) former CEO Welch and \$16.2 MM (retirement comp. for 2001) | D:\$778,695 (for 2002) \$786,900 (for 2000) R:\$987,234 (for 2002) \$1,182,346 (for 2000) |
| Global Crossing 3/13/03 | Global Crossing swapped network capacity with carriers to boost sales and falsify earnings while former Chairman Gary Winnick made over \$700 MM selling stock. After the company filed for Chapter 11, Winnick pledged \$25 MM to help the workers who had lost their savings in the collapse while workers actually lost more than ten times that amount, people lost tens of thousands of jobs, and stockholders lost billions. (Internetnews.com, Dec. 31, 2002) Former VP of finance and whistleblower Roy Olofson claims that Global Crossing falsified more than \$1 BB in revenue through round-tripping and that its auditor, Arthur Andersen, permitted improper bookkeeping entries. (<i>Washington Times</i> , Feb. 13, 2002) | Global Crossing has its headquarters in Bermuda. Click here to read John Hovel's amazing Global Crossing report. | S.E.C., D.o.J., Congress, FBI, over 60 class action lawsuits. Click here to read about Milberg's class action lawsuit | Arthur Andersen LLP | Robert Annunziata: \$4.6 MM (in 2000) R:\$430,867 (for 2002) \$6,000 (for 2002) CEO Annunziata |
| Goldman Sachs 4/29/03 | Goldman Sachs was one of ten banks that settled to end investigations into whether conflicts-of-interest led | | SEC | Pricewaterhouse Coopers LLP | Henry Paulson, jr.: \$12.1 MM (for 2002) D:\$2,277,590 (for 2002) \$0 (for 2002) CEO Paulson |

analysts to skew advice about stocks. The settlement included \$1.4 BB in penalties, \$110 MM of which Goldman Sachs agreed to pay. (New York Times, April 29, 2003) Goldman Sachs may end up paying the benchmark fine of \$100 MM for its IPO "laddering". The SEC is considering filing civil charges against Goldman Sachs for offering hot initial public offerings to buyers in exchange for purchasing additional shares. (AFX - Asia, Nov. 6, 2002) Goldman Sachs has agreed to pay \$1.65 MM in fines to the SEC for allegedly deleting emails that were needed for regulatory investigations. (AFX - European Focus, Nov. 18, 2002)

\$1,226,394 (for 2002)
\$71,000 (for 2002)
CEO Paulson

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| Halliburton 3/14/03 | Judicial Watch is suing Halliburton and its former CEO Vice President Richard Cheney for overstating profits by \$445 MM between 1999-2001. (Los Angeles Times, Oct. 26, 2002) Halliburton increased its number of off-shore tax subsidiaries under Cheney's leadership (1995-2000) from 9 to 44. It also improperly booked \$100 MM in construction costs before the deal was closed. | Stock value fell 81% from \$47.99 on 5/22/01 to \$9.10 on 7/10/02, and has since risen (\$19.43 on 3/13/03) likely due to Iraq-related prospects. Cheney was paid \$162,000 in deferred compensation from Halliburton in 2002. (Wall Street Journal, April 14, 2003) Click here for links to articles about (former CEO) VP Cheney and Halliburton. Click here to learn more about Cheney and the off-shore tax havens. | S.E.C., Judicial Watch lawsuit. | Arthur Andersen LLP | Dave Lesar: \$10.3 MM (in 2001); Richard Cheney (resigned): \$2.4 MM (in 2000), \$162,000 deferred compensation (in 2002) | D:\$19,250 (for 2002) \$0 (for 2002) CEO Lesar \$3900 (for 2000) \$1,000 (for 2000) CEO Cheney R:\$154,700 (for 2002) \$0 (for 2002) CEO Lesar \$218,141 (for 2000) \$14,161 (for 2000) CEO Cheney |
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| Harken 3/18/03 | Former Harken board member President George W. Bush was investigated for insider trading by the S.E.C. in 1991, and the S.E.C. concluded that Bush was not guilty, but a letter sent to the S.E.C. one day after that finding showed that Harken's lawyer had warned him not to sell stock on negative inside information. (Washington Post, Nov. 1, 2002) Harken's stock dropped in value from \$4 a share in June 1990 to \$1.25 a share in December 1990. It rose to \$8 in 1991, however, as Bush engineered the creation of a jointly-owned subsidiary of Harvard Management and Harken to | Click here for an brief history of Bush and Harken Click here for links to articles about (former board member) President Bush and Harken. | S.E.C. | info unavailable | info unavailable | NA |
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assume \$20 MM of Harken's debts. Harvard Investment held as much as 30 percent of Harken's stock at one time, and sold 1.6 million shares of Harken between Sept. 1991 and Oct. 1992. (*Wall Street Journal Oct. 9, 2002; Washington Post Oct. 10, 2002*)

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| HCA 3/14/03 | <p>HCA has paid more than \$1.7 BB to settle fraud claims that involve over nine years of investigations by the Justice department. HCA's history with scandal includes having pled guilty to 14 fraud-related felonies in 2000 and settling allegations in Dec. 2002 that it overstated expenses charged to Medicare, sub-contracted the wound-care centers at HCA hospitals, and provided kickbacks to doctors who refer patients to HCA. (<i>Independent on Sunday (London), Dec. 29, 2002</i>)</p> | <p>Stock value fell 28% from \$51.50 10/3/02 to \$36.94 11/11/02.</p> | <p>The Justice Department, private investigators hired by whistleblowers</p> | <p>Ernst & Young LLP</p> | <p>Jack Bovender :\$11.8 MM (in 2001)</p> | <p>D:\$117,814 (in 2002) \$4,000 (for 2002) CEO Bovender R:\$241489 (for 2002) \$5,500 (for 2002) CEO Bovender</p> |
| Healthsouth 4/24/03 | <p>Eleven HealthSouth executives have pleaded guilty to fraud related charges, including all five CFOs HealthSouth has had. (Associated Press, April, 24 2003) According to the S.E.C., Healthsouth engaged in \$2.5 BB of accounting fraud. (Wall Street Journal, April 4, 2003) All of the executives engaged in or had knowledge of meetings where records were forged to mislead auditors, under the leadership of Chairman Richard Scrushy. Scrushy allegedly oversaw the creation of "a sophisticated electronic surveillance system that may have intimidated senior officials into keeping quiet." Also, Scrushy may have performed insider trading when he sold \$99 MM of shares of Healthsouth in May and June, just before an August announcement of how a change in Medicare reimbursement would hurt annual earnings. More deceptive still, Healthsouth said that the change would affect their earning by \$175 MM, when really it would only affect them by \$20 MM or \$30 MM; the amount of damage was overstated so</p> | | <p>House Energy and Commerce Committee, FBI, S.E.C., D.o.J., internal Click here to read the S.E.C.'s complaint.</p> | <p>Ernst & Young LLP</p> | <p>Richard Scrushy (fired): \$18.8 MM (in 2001)</p> | <p>D:\$53,250 (for 2002) \$1,000 (for 2002) CEO Scrushy R:\$101,175 (for 2002) \$1,000 (for 2002) CEO Scrushy</p> |

that the company could begin to dig itself out of its years of accounting fraud. (New York Times, March 24, 2003) This is the highest number of criminal convictions in a single corporate case in US history; Enron is second with seven. (*Wall Street Journal*, April 4, 2003)

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| Homestore.com 3/14/03 | Four Homestore.com executives pled guilty to charges including conspiracy to commit securities fraud, wire fraud, and insider trading. (Los Angeles Times, March 4, 2003) Homestore executives used "round tripping" to falsify revenues, then sold their shares before the stock dropped in value - cheating stockholders of millions. | Stock value fell 98% from \$35.29 on 7/6/01 to \$0.69 2/2/02. | S.E.C., FBI, US Attorney's Office in LA Click here to see the D.o.J.'s press release. | Pricewaterhouse Coopers LLP | Stuart H. Wolff :\$13.5 MM (in 2001) | D:\$0 (for 2002) \$0 (for 2002) CEO Wolff R:\$0 (for 2002) \$1,000 (for 2002) CEO Wolff |
| HPL Technologies, Inc. 3/18/03 | Former CEO and founder David Jepejian overstated revenue in 2002 by 328% by recording \$28 MM worth of non-existant sales. (PR Newswire (US) Oct. 17, 2002) Lepejian and his wife own 35% of HPL stock, but apparently made "little to no profit" through the shady deals. The D.o.J. has charged Lepejian with criminal and civil fraud charges. Lepejian has settled eight charges with the S.E.C. by agreeing to never serve on the board of a corporation again. (<i>San Jose Mercury News</i> , Sep. 11, 2002) | Stock value fell 71% in one day from \$14.10 on 7/18/02 to \$4.00 on 7/19/02, and eventually hit \$0.10 10/17/02. | D.o.J., S.E.C., class action lawsuits including: Milberg | Pricewaterhouse Coopers LLP | David Lepejian (former CEO, founder) :\$184,046 (in 2002) | D:\$0 (for 2002) \$0 (for 2002) CEO Lepejian R:\$0 (for 2002) \$0 (for 2002) CEO Lepejian |
| ImClone Systems Inc. 3/18/03 | Former CEO Sam Waksal paid \$800,000 to settle charges that he regarding \$5 MM of stock sales based on insider information; he allegedly dispersed information to family and friends, including Martha Stewart, regarding the FDA's pending rejection of the company's new cancer drug, Erbitux. (Gazette (Montreal, Quebec), March 12, 2003) Waksal has also pled guilty to six charges including securities fraud, bank fraud, conspiracy to obstruct justice, and perjury. In his bank fraud plea, he confessed to forging a lawyer's signature for a \$44 MM bank loan. (<i>Financial Times (London)</i> , Oct. 16, 2002) | Stock value dropped 74% from \$62.80 on 12/24/01 to \$16.29 12/25/02. | Congress, S.E.C., D.o.J., class action lawsuit Click here to see the S.E.C.'s complaint Click here to read about Milberg's class action lawsuit | KPMG LLP | Samuel Waksal (arrested): \$40.3 MM (for 2001) | D:\$5,000 (for 2002) \$6,000 (for 2002) CEO Waksal R:\$0 (for 2002) \$0 (for 2002) CEO Waksal |

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| JP Morgan Chase & Co. 4/29/03 | JP Morgan Chase was one of ten banks who settled to end investigations into whether conflicts-of-interest led analysts to skew advice about stocks. The settlement included \$1.4 BB in penalties, \$80 MM of which Morgan Stanley agreed to pay. (New York Times, April 29, 2003) JP Morgan Chase had already agreed to pay \$50 MM to settle conflict-of-interest allegations with the SEC. (Washington Post, Nov. 26, 2002) JP Morgan Chase helped Enron Corp. set up "prepay transactions" to inflate profits, which Enron used to list \$5 BB of loan-based debt as income. (Detroit Free Press, March 7, 2003) The S.E.C. has charged JP Morgan with "laddering" hot Initial Public Offerings (IPOs) (offering hot IPOs to investors who promise to buy greater amounts of stock). JP Morgan has been fined \$6 MM by the National Association of Securities Dealers (NASD) for illegal IPO practices in the past. The S.E.C. is pursuing legal action for JP Morgan's involvement with Enron. (Guardian (London), April 16, 2003) | | S.E.C., Congress | Pricewaterhouse Coopers LLP | William B. Harrison: \$21.9 MM (for 2001) | D:\$539,975 (for 2002) \$14,000 (for 2002) CEO Harrison R:\$391,097 (for 2002) \$1,000 (for 2002) CEO Harrison |
| Kmart 3/25/03 | Two former VPs have been indicted by the S.E.C. and D.o.J. for securities fraud, specifically for improperly including a \$42.3 MM payment from American Greetings Co. too early. (Detroit News, March 18, 2003) These are considered to be only the first results of investigations into a "company (that) collapsed in January 2002 under a team of executives known inside Kmart as the Frat Boys, who misused corporate jets, drove luxury leased cars, and received lavish salaries while steering the company into the largest retail bankruptcy in history."(Detroit Free Press, Feb. 27, 2003) | Stock value fell 50% from \$12.80 on 8/20/01 to \$6.34 on 9/21/01, and fell 86% \$4.98 on 1/7/02 to \$0.69 on 1/22/02. Kmart market value has fallen 99.06% between 8/17/01 and 3/19/03. | Congress, FBI, S.E.C., D.o.J., a class action lawsuit, internal investigations Click here to read about Milberg's class action lawsuit | Pricewaterhouse Coopers LLP | Charles Conaway: \$29.4 MM (in 2000) | D:\$82,500 (for 2000) \$0 (for 2000) CEO Conaway R:\$585,517 (for 2000) \$0 (for 2000) CEO Conaway |
| KPMG 3/20/03 | KPMG is being charged with fraud by the S.E.C. for auditing Xerox, which has paid a \$10 MM fine (Denver Post, Jan. 5, 2003) to settle claims that it inflated | | Investor lawsuits, S.E.C. investigations: Click here to read the S.E.C.'s first litigation | Not Applicable | Jakob Baer: info unavailable | D:\$251,882 (for 2002) \$0 (for 2002) CEO Baer R:\$1,322,281 (for |

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| | earnings by \$1.4 BB (Business Week, Aug. 12, 2002). KPMG has paid \$200 MM to settle class action lawsuit for its auditing practices with RiteAid and Oxford Health Plans Inc. (Wall Street Journal, March 11, 2003) KPMG is being sued by several rich people for allegedly selling faulty tax advice, which claimants say KPMG knew was faulty. (New York Times, Feb. 7, 2003) | | Click here to read the S.E.C.'s second litigation Click here to read the S.E.C.'s third litigation | | | 2002) \$0 (for 2002) CEO Baer |
| Lehman Brothers 4/29/03 | Lehman was one of ten banks who settled to end investigations into whether conflicts-of-interest led analysts to skew advice about stocks. The settlement included \$1.4 BB in penalties, \$80 MM of which Lehman agreed to pay. (New York Times, April 29, 2003) | | S.E.C., New York Attorney General | Ernst & Young LLP | Richard Fuld: \$7.5 MM (for 2002) | D:\$53,418 (for 2002) \$3,000 (for 2002) CEO Fuld R:\$709,700 (for 2002) \$0 (for 2002) CEO Fuld |
| Lucent Technologies 3/20/03 | Lucent misstated 2000 revenues by \$679 MM by improperly booking sales. A two year S.E.C. investigation resulted in no fines; Lucent only had to sign an agreement saying that it would not break the law in the future. (New York Times, Feb. 28, 2003) | "In the past two years, Lucent has reduced its workforce to less than 40,000 from more than 150,000. Revenue plummeted to \$12 BB last year from a peak of \$ 25 BB." (The Washington Post, Feb. 28 2003) | S.E.C., internal | Pricewaterhouse Coopers LLP | Henry Schacht: \$21.6 MM (in 2001) | D:\$35,500 (for 2002) \$0 (for 2002) CEO Schacht \$32,500 (for 2002) \$0 (for 2002) CEO Schacht |
| Martha Stewart Living Omnimedia 3/25/03 | CEO and founder Martha Stewart is being investigated by the S.E.C., and the D.o.J. for insider trading for selling \$225,000 worth of ImClone stock in Dec. 2001 just before the company announced that the FDA would not approve its new cancer drug, Erbitux. Stewart is also being charged with obstruction of justice in that investigation; she was close friends with ImClone's CEO, Sam Waksal. (Financial Times (London), March 21, 2003) | June 27, 2002, Seven days after the House Energy and Commerce Committee requested an investigation of Stewart's Imclone trade, Stewart made political contributions totaling \$108,333. | D.o.J., S.E.C. Click here to see the HECC recommendation to investigate Stewart. Click here to see the S.E.C. complaint. | Arthur Andersen LLP | Martha Stewart: \$1.7 MM (in 2001) | D:\$140,832 (for 2002) \$120,666 (for 2002) CEO Stewart R:\$1,000 (for 2002) \$1,000 (for 2002) CEO Stewart |
| Merrill Lynch & Co 4/29/03 | Merrill Lynch is one of ten banks who settled to end investigations into whether conflicts-of-interest led analysts to skew advice about stocks. The settlement included \$1.4 BB in penalties, \$200 MM of which Merrill Lynch agreed to pay. (New York Times, April 29, 2003) Merrill Lynch was among 3 banks accused of securities fraud in the | | S.E.C., D.o.J., FBI, Senate, NY Attorney General | Deloitte & Touche LLP | David Komansky :\$16.1 MM (in 2001) | D:\$315,896 (for 2002) \$1,000 (for 2002) CEO Komansky R:\$465,947 (for 2002) \$0 (for 2002) CEO Kamansky |

settlement. (Los Angeles Times, April 29, 2003)
Further, Merrill Lynch paid \$100 MM to the NY State Attorney General to settle accusations of misleading investors. There appears to be a conflict-of-interest between Merrill Lynch's investment and brokerage houses since Merrill Lynch's analysts called some stocks "crap" and "falling apart" in private emails, yet gave them the highest recommendation possible. (Sunday Telegraph (London), May 26, 2002)
Merrill Lynch paid \$80 MM to settle SEC allegations of its willful involvement in misleading investors regarding Enron. (Chicago Tribune, Feb. 21, 2003) 4 executives have been charged by the S.E.C. with helping Enron fraudulently inflate its 1999 earnings. (New York Times, March 18, 2003) In Dec. 1999 Merrill Lynch made \$8 MM profit by setting up one such \$60 MM sham deal. (New York Times, Aug. 8, 2002) Two of these executives, Thomas Davis and Schuyler Tilney, have already been fired for refusing to testify about their role in the creation of Enron's LJM2 entity, which allowed Enron to keep some of its debts off of its balance sheets. Davis and Schuyler were two of the 96 Merrill employees who invested about \$16 MM of personal funds in LJM2. (New York Times, Sep. 19, 2002)

Merck & Co.
3/25/03

Merck recorded \$12.4 BB of income through pharmacy benefits that its subsidiary, Medco, never actually collected. (Chicago Tribune, July 9, 2003) Merck has agreed to pay \$42.5 MM to settle class action lawsuits claiming that Medco "pocketed billions of dollars in rebates from manufacturers and other fees that they said should have gone to thousands of health plans and millions of consumers." Lawyers claim that Medco has kept more than \$4.1 BB since 1995. (New York Times, Dec. 10, 2002)

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| S.E.C., Shareholder lawsuits Click here to read about Milberg's class action lawsuit | Arthur Andersen LLP | Raymond Gilmartin: \$28.0 MM (in 2001) | D:\$111,437 (for 2002) \$3,000 (for 2002) CEO Gilmartin R:\$440,029 (for 2002) \$20,000 (for 2002) CEO Gilmartin |
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| MicroStrategy 3/26/03 | Three Microstrategy executives, CEO Michael Saylor, COO Sanju Bansal, and CFO Mark Lynch, disgorged \$10 MM in an S.E.C. settlement alleging accounting fraud in December 2000. Each of the men were also fined \$350,000, the largest fines in S.E.C. history for cases not involving insider trading. Microstrategy repeatedly delayed or prebooked deals to inflate company earnings. (Washington Post, January 8, 2002) The greatest loss in stock value was due to the company's restatement of income on March 20, 2000. The 1997,1998, and 1999 records of profit were turned into records of loss with the 1999 posting, for example, changed from a \$12.6 MM profit to a \$40.3 MM loss. (Chicago Sun-Times, March 20, 2000) Stock value slid from a March 10, 2000 high of \$313.00 to an early March 20 value of \$226.75 to \$86.75 later that day. It traded at \$24.11 in late March 2003. Microstrategy agreed to pay \$97.0 MM in a class action suit in Oct. 2000. Stock had lost \$15.9 BB in value between March and the time the suit settled. (Washington Post, October 25, 2000) | CEO Saylor lost more than \$10 BB on March 20, 2000 because he owned 55.7% of Microstrategy's shares. (Chicago Sun-Times, March 20, 2000) | S.E.C., shareholder lawsuit | Pricewaterhouse Coopers LLP | | D:\$49,000 (for 2000) \$24,000 (for 2000) CEO Saylor R:\$15,900 (for 2000) \$2,000 (for 2000) CEO Saylor Michael J. Saylor :\$150,000 (in 2000) |
| Morgan Stanley 4/29/03 | Morgan Stanley was one of ten banks who settled to end investigations into whether conflicts-of-interest led analysts to skew advice about stocks. The settlement included \$1.4 BB in penalties, \$125 MM of which Morgan Stanley agreed to pay. (New York Times, April 29, 2003) Morgan Stanley had already paid the S.E.C. \$50 MM to settle allegations that conflicts-of-interest led them to issue dishonest stock analysis. (Washington Post, Nov. 27, 2002) Morgan Stanley may face civil charges from the S.E.C. for "laddering" IPOs. (CBSMarketWatch.com, Feb. 26, 2003) | | S.E.C., N.A.S.D., State Attorney of New York | Deloitte & Touche LLP | Philip Purcell: \$11.7 MM (in 2002) | D:\$678,785 (for 2002) \$2,000 (for 2002) CEO Purcell R:\$1,206,729 (for 2002) \$5,000 (for 2002) CEO Purcell |
| Network Associates 3/27/03 | Network Associates restated its income three times: in 1999 it changed its 1998 | Stock value fell 83% from \$66.25 on 12/31/98 to \$11.06 on | S.E.C. , D.o.J. | Coopers & Lybrand LLP | George Samenuk :\$7.6 MM (for 2002) | D:\$400 (for 2002) \$1000 (for 2002) CEO Samenuk |

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| | statements to reflect acquisitions, in 2002 it restated 1998-2000 revenue to account for some tax liabilities, and in 2003 it restated because of a change in how revenue related to resellers is reported. The latest restatement was due to the S.E.C. reporting these new accounting problems. (<i>Washington Post</i> , March 27, 2003) | 4/20/99 and 63% from \$11.25 on 12/26/00 to \$4.13 12/28/00 | | | | R:\$500 (for 2002) \$0 (for 2002) CEO Samenuk |
| Peregrine Systems 3/27/03 | Peregrine reported that it had misstated its income by \$1.5 BB, but later revealed it had misstated by \$4.1 BB. The company used several deceptive accounting techniques, including fictitious sales, misbooked transactions, and deferment of revenue to invent two-thirds of its income. This information was not released until the week after four members of the board had already quit, including Chairman John Moores who made more than \$611 MM in stock sales since the company's initial public offering in 1997. (<i>San Diego Union-Tribune</i> , March 1, 2003) | Stock value fell 69% quickly from \$79.50 on 3/21/00 to \$24.50 on 4/17/00 and 99.77% from \$26.31 on 9/4/01 to \$0.06 on 9/27/02. | S.E.C., D.o.J., shareholder lawsuits | Arthur Andersen LLP, then KPMG LLP | Stephen P. Gardener (left): \$855,318 (in 2001) | D:\$1,450 (for 2002) \$0 (for 2002) CEO Gardner R:\$500 (for 2002) \$0 (for 2002) CEO Gardner |
| Phar-mor 3/27/03 | "Michael Monus, the former president of Phar-Mor, was convicted in 1995 on 109 counts for masterminding a \$1.1 BB embezzlement scheme. He was fined \$1 MM and sentenced to 19 years in prison." (<i>Los Angeles Times</i> , July 13, 2002) | | info not available | Not Applicable | Michael Manus (fired): info not available | info not available |
| PNC Financial Services 3/27/03 | PNC restated its 2001 income by \$155 MM under S.E.C. questioning, and five senior executives have since resigned. (The Philadelphia Inquirer, August 29, 2002) The S.E.C. found that PNC had moved \$762 MM of debt off its books and into 3 special purpose entities, which allowed it to overstate its earnings by 52% in 2001. PNC's actions caused its stock value to drop 15% the day it restated. (<i>Pittsburgh Post-Gazette</i> , July 30, 2002) | | S.E.C., Class action lawsuit Click here to read Milberg's class action lawsuit | Ernst & Young LLP | James E. Rohr: \$9.8 MM (in 2001) | D:\$33,768 (for 2002) \$1,500 (for 2002) CEO Rohr R:\$58,633 (for 2002) \$1,000 (for 2002) CEO Rohr |
| Pricewaterhouse Coopers LLP 3/27/03 | PricewaterhouseCoopers (PwC) paid the S.E.C. \$5 MM for not meeting independence standards with 16 corporations that it audited over the course of five years. | | S.E.C. | Not Applicable | Sam DiPiazza: Not Available | D:\$217,343 (for 2002) \$1,000 (for 2002) CEO DiPiazza R:\$990,118 (for |

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| | (Washington Post, July 18, 2002). Two of those companies, Avon and Pinnacle Holdings Inc., have been forced to restate their earnings. PwC allegedly certified off-the-book transactions at Tyco which allowed Tyco executives to steal millions of dollars from the company's coffers. (<i>New York Times</i> , Feb. 8, 2003) | | | | | 2002) \$2,000 (for 2002) CEO DiPiazza |
| Qwest Communications 4/1/03 | Qwest wrongly booked \$1.1 BB in revenues between 1999 and 2001 (Washington Post, July 30, 2002) Qwest used "round-trip" trades to inflate its revenues, which is the swapping of equal amounts of fiber-optic capacity with other companies only to inflate revenues. Eight executives have been charged by the S.E.C. with involvement in booking \$144 MM in revenue early to meet earnings projections, and four of those executives have been indicted by the Justice Department for falsifying \$33 MM in revenue in 2001 as well as falsifying records for its auditor, Arthur Andersen. (CBS Marketwatch, Feb. 25, 2003) Fortune magazine named Qwest the greediest corporation in America because former CEO Joseph Nacchio and former Chairman Philip Anschutz made \$2.2 BB in company stock sales just before stock value fell. (<i>Denver Post</i> , Aug. 13, 2002) | Stock value dropped 95% from \$24.50 3/3/00 to \$1.20 8/7/02. | S.E.C., D.o.J., FBI, Congress, Milberg shareholder class action suit, Denver US Attorney's office, Minnesota Public Utilities Commission Click here to see the S.E.C.'s press release alleging fraud. | Arthur Andersen LLP | CEO Joseph P. Nacchio (quit): \$103.9 MM (in 2001) ; CEO Richard Notebaert | D:\$408,903 (for 2002) \$3,000 (for 2002) CEO Nacchio \$3,000 (for 2002) CEO Notebaert \$29,465 (for 2000) Chair Anshutz \$588,421 \$0 (for 2002) CEO Nacchio \$1,000 (for 2002) CEO Notebaert \$0 (for 2000) Chair Anshutz |
| Reliant Energy Inc. 4/1/03 | Reliant Energy's Reliant Resources had to restate \$7.8 BB in revenues in July 2002 for "round-tripping" trades in 1999-2001. (Boston Globe, July 6, 2002) Reliant is one of several gas energy companies under investigation by the Federal Energy Regulations Commission for price fixing allegations during the California blackouts. | | S.E.C., FERC, D.o.J., CFTC | Deloitte & Touche LLP | R. Steven Letbetter: \$11.1 MM (in 2001) | D:\$116,893 (for 2002) \$0 (for 2002) CEO Letbetter R:\$350,679 (for 2002) \$0 (for 2002) CEO Letbetter |
| Rite Aid Corp. 4/1/03 | Rite Aid restated \$1.6 BB of earnings in June 2002, the largest corporate restatement in history at the time. The former CEO, Martin Grass, and two aides were indicted by a federal grand jury on 37 counts of fraud, conspiracy, and lying to shareholders. | Stock value fell 78% from a high of \$49.56 on 1/13/99 to \$10.56 10/31/01, and was only \$2.24 on 3/31/03 | S.E.C., D.o.J. | Deloitte & Touche LLP | Martin Grass (fired) \$12.9 MM (in 1999); Robert G. Miller \$9.0 MM (in 2002) | D:\$40,548 (for 2002) \$2,000 (for 2000) CEO Grass \$0 (for 2002) CEO Miller R:\$41,765 (for 2002) \$1,000 (for 2000) CEO Grass |

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| | <p>The S.E.C. has accused the three men of masterminding schemes to overstate income by cheating vendors, falsifying documents, and ordering executives to inflate numbers. These actions led to a 5,533% profit overstatement in the S.E.C.ond quarter of 1999. (<i>Los Angeles Times</i>, June 22, 2002)</p> | | | | | \$2,500 (for 2002) CEO Miller |
| Royal Ahold 4/1/03 | <p>Investors lost over 6 BB Euros (\$6.5 BB) in a matter of days after Ahold restated its income by \$500 MM due to accounting irregularities in its US Foodservice unit, one of the largest food distributors in the US. Ahold is expected to escape strong punishment since the Netherlands do not have a strong regulating body like the S.E.C.. (New York Times, Feb. 27, 2003) Restatements were due to legal, yet questionable practices like "claiming profits of acquired firms as 'organic growth', booking capital gains from sale-and-leaseback deals as profit, and keeping billions in debt off its balance sheet." (Economist (London), March 1, 2003) Besides the US scandal, Ahold's Venezuelan company Disco has had trouble with scandal involving possible manipulation of debts which resulted in the firing of the CEO and three other top executives in February 2003, and investigations are active with Ahold's Scandanavian unit ICA Ahold because it overrecorded its share of income of a company that it only half owned. (<i>Washington Post</i>, March 15, 2003)</p> | <p>Royal Ahold's stock value fell 63% on February 24, 2003, to euro 3.3 BB. The company's value was euro 30 BB in late 2001. (The Economist (London) March 1, 2003)</p> | <p>Euronext, Netherlands Authority for Financial Markets, S.E.C., US Attorney of Manhattan, internal</p> | <p>Deloitte Touche Tohmatsu</p> | <p>Cees van der Hoeven (resigned) \$8.5 MM (in 1999); US Foodservice CEO: James Miller</p> | <p>D:\$0 (for 2002) \$0 (for 2002) CEO Miller R:\$0 (for 2002) \$0 (for 2002) CEO Miller</p> |
| Sara Lee Corp. 1/8/00 | <p>Three Sara Lee salespeople have admitted to wrongly assisting Royal Ahold efforts to falsely inflate revenues by signing confirmation letters that gave inflated rebate numbers. Sara Lee is one of seven companies the S.E.C. is investigating regarding this matter. (<i>Washington Post</i>, April 8, 2003)</p> | | <p>S.E.C., Manhattan US Attorney</p> | <p>Arthur Andersen LLP</p> | <p>C. Steven McMillan: \$17.3 MM (in 2002)</p> | <p>D:\$19,850 (for 2002) \$1,250 (for 2002) CEO McMillan R:\$8,450 (for 2002) \$1,000 (for 2002) CEO McMillan</p> |
| Sunbeam 4/3/03 | <p>The S.E.C. alleged that Sunbeam's leadership used fraudulent accounting</p> | <p>In 1997 the stock value hit a high of \$53, but then fell 79%</p> | <p>S.E.C., D.o.J., Manhattan District</p> | <p>Arthur Andersen LLP</p> | <p>Al Dunlap (interim - 1997): \$51.6</p> | <p>D:\$0 (for 1998) \$0 (for 1998) CEO Dunlap</p> |

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| | <p>techniques to inflate its 1997 profits by at least \$60 MM. Former CEO Al Dunlap paid \$500,000 to the S.E.C., the largest personal fine in the S.E.C.'s history, and accepted a lifetime ban from participation in corporate boards to settle those allegations. Dunlap has also paid \$15 MM to settle class actions suits regarding his role in Sunbeam's collapse. (<i>USA Today</i>, Sep. 5, 2002) Former CFO Russel Kersh likewise paid the S.E.C. \$300,000 and accepted a lifetime ban to settle fraud allegations, (<i>Business Week</i>, Sep. 6, 2002) and two other executives have settled their allegations with \$100,000 fines, and temporary suspensions. (<i>Associated Press</i>, Jan. 28, 2003)</p> | <p>to \$11.25 within a few months. Al "Chainsaw" Dunlap cut half of Sunbeam's 12,000 person workforce in his year as CEO. (Time Magazine, June 29, 1998) Sunbeam filed for Ch. 11 in February 2001 with \$2 B in debt.</p> | <p>Attorney's Office</p> | | <p>MM (in 1997)</p> | <p>R:\$0 for (1998) \$0 (for 1998) CEO Dunlap</p> |
| <p>Tyco Intl. Ltd. 4/3/03</p> | <p>Former Tyco executives CEO Dennis Kozlowski and CFO Mark Swartz allegedly stole \$600 MM from their company by bribing their board to keep secret \$170 MM of unauthorized bonuses and loans and \$430 MM of stock sold at inflated value. (<i>Toronto Star</i>, Sep. 13, 2002) Kozlowski used company funds to buy a \$30 MM apartment, a \$21 MM Yacht, (<i>Newsobserver.com</i>, March 22, 2003) as well as a \$17,100 traveling toilet box and a \$15,000 dog umbrella stand. (<i>Washington Post</i>, Sep. 18, 2002) Kozlowski has also been indicted on a 14-count charge of \$1 MM tax evasion. (<i>Toronto Star</i>, Sep. 13, 2002) 10 members of the board have been replaced since the debacle began.</p> | <p>Stock value fell a total of 86% from \$59.31 on 12/28/01 to \$23.07 2/5/02 to \$8.25 7/25/02. Tyco is incorporated in Bermuda.</p> | <p>S.E.C., D.o.J., class action lawsuits, internal Click here to see the S.E.C.'s litigation report. Click here to see Milberg's class action lawsuit info.</p> | <p>Pricewaterhouse Coopers LLP</p> | <p>L. Dennis Kozlowski (resigned): \$62.4 MM (in 2002)</p> | <p>D:\$52,000 (for 2002) \$0 (for 2002) CEO Kozlowski R:\$253,847 (for 2002) \$3,000 (for 2002) CEO Kozlowski</p> |
| <p>UBS AG 4/29/03</p> | <p>UBS was one of ten banks who settled to end investigations into whether conflicts-of-interest led analysts to skew advice about stocks. The settlement included \$1.4 BB in penalties, \$80 MM of which UBS agreed to pay. (<i>New York Times</i>, April 29, 2003) UBS AG had already agreed to pay the S.E.C. \$75 MM to settle allegations that conflicts-of-interest led it to issue dishonest stock analysis. (<i>Washington Post</i>, Nov. 27, 2002)</p> | | <p>S.E.C., N.A.S.D., State Attorney of New York</p> | <p>info unavailable</p> | <p>Marcel Ospel info unavailable</p> | <p>D:\$528,172 (for 2002) \$0 (for 2002) CEO Ospel R:\$700,135 (for 2002) \$0 (for 2002) CEO Ospel</p> |

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| Ullico 4/4/03 | ULLICO's board, headed by CEO Robert Georgine, allegedly made \$10.7 MM from insider trading. (<i>Associated Press, April 1, 2003</i>) Three board members who did not participate in the trading, including AFL-CIO President John Sweeney, resigned to protest the limited disclosure of an internal report (<i>Wall Street Journal, Dec. 3, 2003</i>) which stated that the board's actions were not illegal, but that civil law dictates that they return \$5.6 MM since 19 board members owning 2% of ULLICO made more than \$13.7 MM in the stock buyback program, while pensions funds that owned 90% of the stock made only \$13.7 MM. (<i>Washington Post, April 2, 2003</i>) | "GOP Congressional leaders ... held back on conducting their own probe into Ullico ... (because) party leaders didn't want to embarrass Bush or United Brotherhood of Carpenters and Joiners President Douglas McCarron, one of Bush's best friends in organized labor." (Roll Call, March 20, 2003) | Federal Grand Jury, Labor Dept., D.o.J., S.E.C., Congress, internal, Maryland Insurance Corporation | Ernst & Young LLP | Robert Georgine: info not available | D:\$34,920 (for 2002) \$0 (for 2002) CEO Georgine R:\$24,080 (for 2002) \$0 (for 2002) CEO Georgine |
| US Bancorp 4/29/03 | US Bancorp Piper Jaffray, a subsidiary of US Bancorp, was one of ten banks who settled to end investigations into whether conflicts-of-interest led analysts to skew advice about stocks. The settlement included \$1.4 BB in penalties, \$32.5 MM of which US Bancorp Piper Jaffray agreed to pay. (<i>New York Times, April 29, 2003</i>) | | S.E.C., New York Attorney General | Pricewaterhouse Coopers LLP | John Grundhofer \$7.6 MM (for 2002) | D:\$52,649 (for 2002) \$0 (for 2002) CEO Grundhofer R:\$186,668 (for 2002) \$62,250 (for 2002) CEO Grundhofer |
| Waste Management 4/8/03 | Former Waste Management CEO Dean Buntrock and five other executives allegedly made \$29 MM dollars from annual bonuses and insider trading while stockholders lost \$6 BB by perpetrating \$1.7 BB of accounting fraud during the 1990s, according to the S.E.C.. The Waste Management executives worked with Arthur Andersen LLP to undertake "massive earnings management fraud" which included hiding debts, overestimating property values, and not writing off the cost of unsuccessful or abandoned landfill projects. Arthur Andersen has paid \$7 MM to settle a civil suit with the S.E.C. which alleged false and misleading audit reports of Waste Management from 1993 to 1996. (<i>Chicago Tribune, March 27, 2002</i>) | | S.E.C., Click here to read the S.E.C.'s complaint | Arthur Andersen LLP | Dean Buntrock (former) \$4.8 MM (in 1996) | D:\$154,464 (for 1998) \$0 (for 1998) CEO Buntrock R:\$450,170 (for 1998) \$18,000 (for 1998) CEO Buntrock |
| Williams Cos. 4/24/03 | Williams is the first company to settle the state of | | F.E.R.C | Ernst & Young LLP | Steven Malcolm: \$3.0 | D:\$85,809 (for 2002) \$0 (for 2002) CEO |

California's allegations of price fixing and creating the California power crisis. Williams paid \$400 MM and agreed to trim \$1.4 BB from a long-standing contract that it held with the state. (Associated Press Online, Nov. 14, 2002) Williams has been levied an additional \$20 MM fine by the FERC, the largest in FERC history, for anticompetition practices of Transcontinental Gas Pipe Line Co, a subsidiary of Williams. (*Corporate Crime Reporter*, March 24, 2003)

MM (in 2002) Malcolm

R:\$390,908 (for 2002)
\$0 (for 2002) CEO Malcolm

WorldCom Inc.
4/17/02

"Worldcom has restated \$11 BB (*Los Angeles Times*, Apr. 1, 2003) for costs that it had wrongly booked, which eventually led to a record setting \$107 BB bankruptcy. (*Seattle Times*, Dec. 29, 2002) Yet, the SEC settled with Worldcom without fining it. Instead Worldcom agreed not to break laws in the future, despite the fact Worldcom has committed the largest case of corporate fraud in US history which has cost investors over \$176 BB. (*PR Newswire*, Feb. 28, 2003) Amongst other things, executives created a scheme to book short term operating costs in small increments as long term capital costs so they could meet revenue goals. (*Washington Post*, Aug. 29, 2002) Worldcom also set a record for the largest single write-off in US history when it restated \$79.8 BB to reestimate the value of its assets. (*Washington Post*, March 14, 2003) The S.E.C. is investigating a \$408 MM loan Worldcom had given to former CEO Bernard Ebbers to cover personal costs. (*Washington Post*, April 5, 2002) Congressional investigators believe Ebbers knew about the fraudulent bookkeeping. (*ABC News*, July 14, 2002) Former CFO Scott Sullivan and former controller David Myers have "been indicted by the S.E.C. for securities fraud" (*Washington Post*, Aug. 29, 2003) and Sullivan has been charged with falsifying statements to secure \$4 BB in loans, which could land him 120 years more than the 65

Stock value fell 99% from \$47.22 on 7/14/00 to \$0.06 on 7/1/02. 17,000 jobs were laid off at Worldcom.

S.E.C., D.o.J., FBI, NY State Comptroller, House Financial Services Committee, internal
[Click here to see the S.E.C.'s litigation](#)

Arthur Andersen LLP (fired)

Bernard Ebbers (forced to resign): \$13.2 MM (in 2001); John Sidgmore

D:\$508,625
\$3,000 (for 2002) CEO Ebbers

R:\$510,055
\$2,000 (for 2002) CEO Ebbers

years he could already face for conspiracy, securities fraud, and making false S.E.C. filings. (*Associated Press, April 17, 2003*) Myers has pled guilty to conspiracy, securities fraud, and making false filings to the S.E.C.. (*Associated Press, Sep. 27, 2002*) Four other executives have pled guilty to securities fraud related charges. (*Chicago Tribune, Oct. 11, 2002*)

Xerox Corp.
4/9/03

In July 2002 Xerox restated its 5-year revenue by \$6.4 BB (*Los Angeles Times, July 1, 2002*) and its income by 36%, or \$1.41 BB. (*Wall Street Journal, July 1, 2002*) Xerox inflated its revenue by booking deals before they were signed, and by keeping those pre-booked deals on the records even if they fell through. KPMG, Xerox's auditor, was sued by the S.E.C. for its involvement in fraudulent accounting practices for Xerox; it is now the second auditing firm in US history to be sued by the S.E.C.; Arthur Andersen was the first. Xerox paid the S.E.C. \$10 MM to settle allegations of accounting fraud in April 2002 for its initial restatement estimate of \$3 BB. That fine was the largest fraud-related fine in US corporate history. New fraud allegations were made by the S.E.C. in Sept. 2002 for the July restatement. (*New York Times, Sep. 25, 2002*) Xerox ModiCorp, a subsidiary in India, has documented paying \$700,000 in illegal bribe monies to secure government contracts. (*Asia Times, July 10, 2002*)

Stock value dropped 91% from \$59 on 7/14/99 to \$5 on 12/4/00, and has not gone above \$12 since Sep. 2000.
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S.E.C., US Attorney in Bridgeport
Click here to see the S.E.C.'s litigation

KPMG LLP (fired)

Anne Mulcahy \$12.1 MM (in 2001) CEO
Mulcahy

D:\$56,900 (for 2002) \$0 (for 2002) CEO
Mulcahy
\$56,045 (for 2002) \$0 (for 2002) CEO
Mulcahy

Key sources
4/9/03

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