

CRS Report for Congress

Civil Charges in Corporate Scandals

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Prepared for Members and
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Summary

Since the collapse of Enron Corp. in late 2001, there has been a series of scandals involving major U.S. corporations. This report lists civil suits filed by federal regulatory agencies charging individuals and corporations with violations related to these scandals. The list is limited to corporations and their officers or employees that fit within the Enron pattern. That is, these are cases that display one or more of the following: irregular accounting and auditing, management self-dealing, conflicts of interest between firms and financial advisors (or Wall Street firms and their customers), and manipulation or abusive trading in energy markets. Small “garden variety” examples of securities or accounting fraud are excluded.

A number of these cases have also resulted in criminal indictments, some followed by guilty pleas. These post-Enron criminal charges are listed in CRS Report RL31866, *Criminal Charges in Corporate Scandals*.

The civil cases listed here include only those filed by federal regulatory agencies — principally the Securities and Exchange Commission (SEC), but also a few actions by the Commodity Futures Trading Commission (CFTC) and the Federal Energy Regulatory Commission (FERC). Private lawsuits, such as shareholder derivative actions, are not included, although many of the companies listed are targets of multiple private suits brought by investors, employees, and others.

It should be noted that the most common form of resolution of civil cases like these is the consent agreement, whereby the defendant neither admits nor denies any wrongdoing. Despite the formal non-admission of guilt, the consent agreement often imposes fines and other sanctions. These are described in the list.

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Civil Charges in Corporate Scandals

Introduction

The collapse of Enron Corp. in late 2001 marked the beginning of a long series of scandals involving major U.S. corporations. This report lists civil suits filed by federal regulatory agencies charging individuals and corporations with violations related to these scandals. The list is limited to companies and their officers or employees that fit within the Enron pattern. That is, these are cases that display one or more of the following: irregular accounting and auditing, management self-dealing, conflicts of interest between firms and financial advisors (or Wall Street firms and their customers), and manipulation or abusive trading in energy markets. Small “garden variety” examples of securities or accounting fraud are excluded.

A number of these cases, noted in the table, have also resulted in criminal indictments, some followed by guilty pleas. These post-Enron criminal charges are listed in CRS Report RL31866, *Criminal Charges in Corporate Scandals*.

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The most common form of resolution of civil cases like these is the consent agreement, whereby the defendant neither admits nor denies any wrongdoing. Despite the formal nonadmission of guilt, the consent agreement often imposes fines and other sanctions. These are described in the list.

Descriptions of the charges are mostly drawn from government agency press releases or other documents. These are accessible on the agencies’ websites. For example, SEC press releases are available at [<http://www.sec.gov/news/press.shtml>], CFTC press releases are available at [<http://www.cftc.gov/cftc/cftcpresoffice.htm>], and FERC’s at [<http://www.ferc.gov/news/pressreleases/prsr1s1.htm>]. These press releases often contain links to the actual court filings, which provide more detailed descriptions of the cases.

Additional abbreviations used in the following table are NASD (National Association of Securities Dealers), NYSE (New York Stock Exchange), and NASAA (North American Securities Administrators Association).

Table 1. List of Civil Charges Filed by Federal Regulators in Corporate Scandals

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Adelphia Communications John J. Rigas, founder Timothy J. Rigas Michael J. Rigas James P. Rigas James R. Brown, senior executive Michael C. Mulcahy, senior executive	7/24/02 (F)	SEC charges that Adelphia and the named individuals (1) fraudulently concealed corporate liabilities by placing them on the books of off-balance-sheet entities, (2) falsified reported financial results, and (3) concealed rampant self-dealing, including diversion of corporate funds to private uses. Disgorgement of ill-gotten gains and a bar from service as officers or directors of public companies are sought.	SEC Press Release 2002-110
Alliance Capital Management L.P.	12/18/03 (S)	The SEC settled enforcement action against Alliance Capital for defrauding mutual fund investors by allowing market timing in certain of its mutual funds in exchange for fee-generating investments in other Alliance Capital investment vehicles. The commission ordered Alliance Capital to pay \$250 million, consisting of \$150 million in disgorgement and \$100 million in penalties. All of the money will be distributed to the shareholders harmed by Alliance Capital's market timing arrangements.	SEC Press Release 2003-176
American Express Financial Advisors Inc.	2/12/04 (S)	The SEC and NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customers for the overcharges and will pay a fine of \$3,706,693.	SEC Press Release 2004-17

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Arthur Andersen			
Phillip E. Harlow, senior partner	1/27/03 (S)	Settled charges by the SEC relating to Harlow's work at Sunbeam Corp. Harlow was barred from practicing accounting before the SEC for three years.	<i>Washington Post</i> , 1/28/03, p. E1
Banc of America Securities LLC (BAS)	3/10/04 (S)	The SEC settled enforcement action against BAS for violations of the recordkeeping and access requirements of securities laws. As part of the settlement, BAS agreed to a censure and a \$10 million civil penalty.	SEC Press Release 2004-29
Bear, Stearns & Co. Inc. Credit Suisse First Boston LLC Goldman, Sachs & Co. Lehman Brothers Inc. J. P. Morgan Securities Inc. Merrill Lynch, Pierce, Fenner & Smith, Incorporated Morgan Stanley & Co. Incorporated Citigroup Global Markets Inc. f/k/a Solomon Smith Barney Inc. USB Warburg LLC U.S. Bancorp Piper Jaffray Inc.	4/28/03 (S)	Settled charges by New York State, NASD, NASAA, NYSE, and SEC relating to issuance of research reports not based on principles of fair dealing and good faith. The 10 firms will pay a total of \$875 million in penalties (\$387.5 million) and disgorgement (\$487.5 million).	SEC Press Release 2003-54

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Bear, Stearns & Co. Inc.	2/12/04 (S)	The NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customers for the overcharges and will pay a fine of \$280,469.	SEC Press Release 2004-17
Bear Wagner Specialists LLC Fleet Specialist, Inc. LaBranche & Co., LLC Spear, Leeds & Kellogg Specialists LLC Van der Moolen Specialists USA, LLC	3/30/04 (S)	The SEC and NYSE announced the initiation and settlement of enforcement actions against five NYSE specialist firms. Through particular transactions by certain of their registered specialists, the firms violated federal securities laws and exchange rules by executing orders for their dealer accounts ahead of executable public customer or "agency" orders and therefore improperly profited from trading opportunities. The firms will pay a total of \$241,823,257 in penalties and disgorgement.	SEC Press Release 2004-42
Breck & Young Advisors, Inc.	2/12/04 (S)	The NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customers for the overcharges and will pay a fine of \$31,224.	SEC Press Release 2004-17
CSFB (Credit Suisse First Boston)	4/28/03 (S)	Settled charges by New York State, NASD, NASAA, NYSE, and SEC relating to issuance of fraudulent research reports and improper allocation of "hot" initial public offerings of stock. Paid fines totaling \$200 million.	SEC Press Release 2003-54
	1/22/02 (S)	Settled SEC and NASD charges relating to abusive allocations of shares in "hot" initial public offerings of stock by paying fines totaling \$100 million.	SEC Press Release 2002-14

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
CMS Energy Corporation (CMS)	3/17/04 (S)	The SEC settled a fraud enforcement action against CMS and Terry Woolley in connection with over \$5 billion in deceptive round-trip energy trades which grossly inflated CMS's reported revenues. CMS and Woolley agreed to cease and desist from committing or causing violations of the antifraud, reporting, books and records, and internal controls provisions of the federal securities laws. Woolley also agreed to pay a \$25,000 penalty.	SEC Press Release 2004-38
Terry Woolley, controller			
Preston D. Hopper, chief accounting officer	3/17/04 (F)	The SEC filed a civil suit for fraud and other securities law violations.	
Tamela C. Pallas, chief executive of trading subsidiary			
Canadian Imperial Bank of Commerce (CIBC)			
Paul A. Flynn, managing director	2/03/04 (F)	The SEC charged Paul A. Flynn with fraud for his role in financing unlawful mutual fund trading.	SEC Press Release 2004-12
Frank Quattrone, investment banker	3/06/03 (F)	NASD charged Quattrone with "spinning" initial public offering shares, that is, giving shares to executives in exchange for other investment banking business.	<i>Wall Street Journal</i> , 3/07/03, p. C1.
Citigroup, Inc.	7/28/03 (S)	Settled charges by the SEC regarding Citigroup's role in Enron Corporations's manipulation of its financial statements and assistance it provided Dynergy Inc. in manipulation of that company's financial statements. Citigroup was ordered to pay \$120 million as disgorgement, interest, and penalty. Of that amount, \$101 million pertains to Citigroup's Enron-related conduct and \$19 million pertains to the Dynergy conduct.	SEC Press Release 2003-87

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Columbia Management Advisors, Inc. Columbia Funds Distributor Inc.	2/24/04 (F)	The SEC charged that the firms allowed certain preferred mutual fund customers to engage in short-term and excessive trading, while at the same time representing publicly that it prohibited such trading.	SEC Press Release 2004-20
Cresap, Inc.	2/12/04 (S)	The NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customers for the overcharges and will pay a fine of \$99,458.	SEC Press Release 2004-17
Datek Securities Corp.	1/24/02 (S)	Datek agreed to pay fines totaling about \$6.3 million to settle SEC securities fraud charges relating to abusive trading on the NASDAQ stock market.	<i>Wall Street Journal</i> , 1/25/02, p. C9.
Sheldon Maschler, trader	1/14/03 (S)	The four agreed to pay fines totaling about \$53 million to settle SEC charges relating to abusive trading on the NASDAQ stock market.	<i>Wall Street Journal</i> , 1/15/03, p. C1.
Jeffrey Citron, trader			
Aaron Elbogen, CEO			
Moishe Zelcer, compliance officer			
David Lerner Associates, Inc.	2/12/04 (S)	The NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customers for the overcharges and will pay a fine of \$32,711.	SEC Press Release 2004-17
Deutsche Bank Securities	12/03/02 (S)	Paid a \$1.65 million fine to settle SEC charges relating to failure to retain e-mail records.	SEC Press Release 2002-173

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Dynergy Inc.	9/24/02 (S)	Dynergy settled SEC charges relating to improper and misleading accounting (relating to fictitious "round-trip" energy trades) by paying a \$3 million fine.	SEC Press Release 2002-140
	12/19/02 (S)	CFTC settled charges that Dynergy and West Coast Power manipulated the price of natural gas by reporting false price and volume information. Dynergy agreed to cease and desist from further violations and pay a \$5 million fine.	CFTC Release 4728-02
Gene S. Foster, vice president Jamie Olis, vice president Helen C. Sharkey, manager	6/12/03 (F)	Charged by the SEC with disregarding accounting advice from Dynergy's outside auditors, establishing secret side agreements to conceal their improper conduct, and concealing transaction details from the company, the company's auditors and the investing public.	SEC Press Release 2003-72
Enron Corp.			
Andrew Fastow, chief financial officer	10/02/02 (F) 1/14/04 (S)	Based on charges of violations of anti-fraud, record keeping, and internal controls provisions of securities laws, the SEC seeks disgorgement of ill-gotten gains, including compensation, civil money penalties, and a bar from serving as an officer or director of a public company. The commission settled its action in coordination with the Justice Department's Enron Task Force, which entered into a guilty plea with Fastow on related criminal charges. In resolving the parallel civil and criminal proceedings, Fastow has agreed to serve a 10-year sentence, to disgorge more than \$23 million, and to cooperate with the government's continuing investigation.	SEC Press Release 2002-143 SEC Press Release 2004-6
Michael J. Kopper, corporate official	8/21/02 (S)	To settle SEC charges of securities fraud, related to misleading accounting practices, Kopper agreed to disgorge and forfeit about \$12 million, and to be barred from serving as an officer or director of a public company.	SEC Press Release 2002-126

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Hunter Shively, natural gas trading supervisor	3/13/03 (F)	The CFTC charged Shively and Enron with manipulating natural gas prices and operating an illegal futures exchange.	CFTC Release 4762-03
Richard A. Causey, chief accounting officer	1/22/04 (F)	Charged with violating, and aiding and abetting the violations of, the antifraud, periodic reporting, books and records, and internal controls provisions of the federal securities laws.	SEC Litigation No. 18551
Jeffrey K. Skilling, president, CEO, COO	2/19/04 (F)	Charged with violating, and aiding and abetting violations of, the antifraud, lying to auditors, periodic reporting, books and records, and internal controls provisions of the federal securities laws.	SEC Press Release 2004-18
Enron Broadband Services, Inc.			
Kenneth D. Rice, CEO	3/12/03 (F) 5/01/03 (F, amended)	Charged with violating antifraud laws and personally reaping \$150 million in unlawful profits. The suit seeks disgorgement and civil money penalties.	SEC Press Release 2003-58
Joseph Hirko, CEO			
Kevin P. Hannon, chief operating officer			
Rex Shelby, vice president			
F. Scott Yeager, vice president			
Kevin A. Howard, executive			
Michael W. Krautz, executive			

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Foreign Currency (forex) Futures Contracts	11/18/03 (F)	The U.S. Commodity Futures Trading Commission announced that it filed six separate federal injunctive actions, charging a total of 31 individuals and entities with engaging in fraud in the sale and solicitation of illegal foreign currency futures contracts. The CFTC actions resulted from participation in <i>Operation Wooden Nickel</i> , an undercover law enforcement sting run by federal enforcement personnel.	CFTC Release 4867-03 <i>New York Times</i> , 11/20/03, sec. C, p. 1, col. 2 <i>Wall Street Journal</i> , 11/20/03, p. C1
Gateway, Inc.	11/13/03 (S)	The SEC charged that Gateway, Inc. violated the antifraud, reporting, and record-keeping provisions of the federal securities laws, and without admitting or denying the commission's findings, Gateway consented to cease and desist from committing or causing any violation or future violation of these provisions.	SEC Press Release 2003-157
Jeffrey Weitzen, CEO	11/13/03 (F)	The SEC charged that each engaged in a fraudulent earnings manipulation scheme to meet Wall Street analysts' expectations and that each made false statements and concealed from the investing public important information about the success of Gateway's personal computer business in the second and third quarters of 2000.	
John J. Todd, senior vice president, CFO			
Robert D. Manza, controller			
Gemstar-TV Guide International, Inc.			
Henry C. Yuen, CEO	6/19/03 (F)	Charged with securities fraud whereby the two overstated revenues and reported the inflated revenues to the investing public. The suit seeks antifraud injunctions, civil money penalties, disgorgement of ill-gotten gains, and a permanent bar from service as an officer or director of a public company.	SEC Press Release 2003-75
Elsie M. Leung, CFO			

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Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Peter C. Boylan, co-president	1/5/04 (F)	The SEC charged that these executives participated in Gemstar's widespread and complex scheme to inflate its licensing and advertising revenue and to mislead investors about the company's true financial performance.	SEC Press Release 2004-1
Jonathan B. Orlick, general counsel			
Craig Waggy, CFO			
Goldman, Sachs	4/28/03 (S)	Settled charges by New York State, NASD, NASAA, NYSE, and SEC relating to issuance of research reports not based on principles of fair dealing and good faith. Paid fines totaling \$110 million.	SEC Press Release 2003-54
	12/03/02 (S)	Paid a \$1.65 million fine to settle SEC and NASD charges relating to failure to retain e-mail records.	SEC Press Release 2002-173
	9/04/03 (S)	Charged Goldman Sachs willfully violated the provisions of the Exchange Act that prohibit fraud by broker-dealers and government securities dealers. Ordered Goldman Sachs to disgorge \$1,742,642 in bond trading profits and prejudgment interest and to pay a penalty of \$5 million.	SEC Press Release 2003-107
John M. Youngdahl, vice president	9/04/03 (F)	SEC filed securities fraud charges alleging that he traded the 30-year bond using confidential information from the Treasury Department.	SEC Press Release 2003-107
	11/12/03 (S)	John M. Youngdahl settled the commission's pending insider trading charges against him. He will be permanently enjoined from committing securities fraud and will pay a civil penalty of \$240,000.	SEC Press Release 2003-155
H. D. Vest Investment Securities, Inc.	2/12/04 (S)	The SEC and NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customers for the overcharges and will pay a fine of \$725,216.	SEC Press Release 2004-17

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Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
HealthSouth	3/18/03 (F)	SEC charges were based on overstatement of reported earnings by at least \$1.4 billion since 1999. Assets of CEO Richard Scrushy were frozen by court order.	SEC Press Release 2003-38
Richard Scrushy, CEO	3/19/03 (F)	Charged with accounting fraud by the SEC, which seeks monetary penalties and a bar from serving as an officer or director of a public company.	SEC Press Release 2003-34
Heartland Advisors, Inc.	12/11/03 (F)	Charged by the SEC with misrepresentations, mispricing, and insider trading in two Heartland Group high yield bond funds.	SEC Press Release 2003-171
William Nasgovitz, CEO			
Paul Beste, COO			
Jilaine Bauer, general counsel			
Kevin Clark, senior vice president			
Kenneth Della, treasurer			
Thomas Conlin, portfolio manager			
Greg Winston, portfolio manager			
Hugh Denison, associate director			
John Hammes, independent director			
Gary Shilling, independent director			
Allen Stefl, independent director			
Linda Stephenson, independent director			

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
FT Interactive Data Corp., independent pricing service			
Raymond Krueger, client			
Homestore Inc.			
John Giesecke, Jr., CEO	9/25/02 (S)	SEC charged that Homestore's revenues were fraudulently overstated by 60% during 2001. The three individuals agreed to pay fines totaling about \$5 million, and were barred from serving as officers or directors of public companies.	SEC Press Release 2002-141
Joseph J. Shew, CFO			
John DeSimone, vice president			
Jeffrey Kalina, ^a senior manager	1/9/03 (S)	Charged by the SEC with financial fraud scheme. Agreed to settle with the commission and cooperate with the government in its investigation.	SEC Litigation No. 17924
Thomas Vo, ^a manager	9/18/03 (S)	The SEC charged the defendants variously with violating or aiding and abetting violations of numerous provisions of the federal securities laws.	SEC Press Release 2003-120
Sailesh Patel, ^a director of business development			
Jessica McLellan, ^a manager			
Sophia M. Kabler, senior vice president			
Adam S. Richards, manager of financial planning			
David Slayton, CFO of NameProtect, Inc.			
Brian Wiegand, CEO of NameProtect, Inc.			

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Household International	3/19/03 (S)	SEC charged Household International with false and misleading accounting statements regarding delinquent loans. Household agreed to cease and desist from these accounting practices.	SEC Press Release 2003-35
ICN Pharmaceuticals	12/29/02 (S)	SEC securities fraud charges were settled when ICN agreed to comply with detailed corporate governance and disclosure-related undertakings for a period of five years and to pay a \$1 million fine.	<i>Hepatitis Weekly</i> , 13/03/02, p. 21.
ImClone Systems			
Samuel Waksal, CEO ^a	6/12/02 (F) 3/11/03 (S)	SEC charged Waksal with insider trading and sought disgorgement and a bar from serving as an officer or director of a public company. Waksal settled the suit by agreeing to pay about \$800,000 and submitting to the bar on being an officer/director.	SEC Press Release 2002-87
Jack Waksal	10/10/03 (F)	SEC charged Jack Waksal with trading ImClone Systems stock as a result of insider information provided by his son, Samuel Waksal.	SEC Litigation Release No. 18408
InterBank Funding Corp.	7/23/02 (F)	The SEC filed fraud charges relating to the concealment of losses in a group of mutual funds.	<i>Wall Street Journal</i> , 7/24/02, p. C12.
Simon A. Hershon, CEO			
J. P. Morgan Chase & Co.	7/28/03 (S)	Settled charges by the SEC regarding its role in Enron Corp.'s manipulation of its financial statements. J.P. Morgan Chase was ordered to pay \$135 million as disgorgement, penalty, and interest.	SEC Press Release 2003-87
KPMG	1/14/02 (S)	The SEC censured KPMG for violating auditor independence rules by serving as auditor for a company in which it had made substantial investments.	SEC Press Release 2002-4

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
KPMG Michael A. Conway, senior partner Joseph T. Boyle, managing partner Anthony P. Dolanski, partner Ronald A. Safran, partner	1/29/03 (F)	The SEC charged KPMG and four individuals with permitting Xerox Corp. to manipulate accounting practices to close a \$3 billion gap between actual operating results and the results reported in published accounting statements. The four individuals were at various times leaders of the team that performed the Xerox audit.	SEC Press Release 2003-16
Kirkpatrick, Pettis, Smith, Polian Inc.	2/12/04 (S)	The NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customers for the overcharges and will pay a fine of \$39,935.	SEC Press Release 2004-17
Kmart			
Joseph A. Hofmeister, vice president Enio A. Montini Jr., vice president	2/26/03 (F)	The SEC charged the two with accounting fraud and seeks disgorgement of ill-gotten gains and money penalties.	<i>Wall Street Journal</i> , 2/27/03, p. A3
Legg Mason Wood Walker, Inc.	2/12/04 (S)	The SEC and NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customers for the overcharges and will pay a fine of \$2,315,467.	SEC Press Release 2004-17
Lehman Brothers	4/28/03 (S)	Settled charges by New York State, NASD, NASAA, NYSE, and SEC relating to issuance of research reports not based on principles of fair dealing and good faith. Paid fines totaling \$80 million.	SEC Press Release 2003-54

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Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Lehman Brothers Inc.	2/12/04 (S)	The NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customers for the overcharges and will pay a fine of \$123,882.	SEC Press Release 2004-17
Lernout & Hauspie	10/10/02 (F)	SEC charged L&H with accounting fraud, related to overstatement of revenues by at least \$100 million.	<i>Boston Globe</i> , 10/11/02, p. E2.
Linsco/Private Ledger Corp.	2/12/04 (S)	The SEC and NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customer for the overcharges and will pay a fine of \$2,232,805.	SEC Press Release 2004-17
Lucent Technologies	2/27/03 (S)	Lucent settled an SEC investigation into its accounting practices with a consent agreement that did not require restatement of earnings or payment of a fine.	<i>Wall Street Journal</i> , 2/28/03, p. B7
Marque Millennium Group, Inc.	12/15/03 (S)	The SEC charged Littell with defrauding investors and Meckel with failing reasonably to supervise Littell. Littell and Meckel each settled the actions without admitting or denying the commission's findings	SEC Press Release 2003-172
Wilfred Meckel, principal			
Robert T. Littell, director of investments			
Martha Stewart Living Omnimedia			
Martha Stewart, chairman and CEO ^a	6/4/03 (F)	The SEC charged her with illegal insider trading.	SEC Press Release 2003-69

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Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Peter Bacanovic, stockbroker ^a	6/4/03 (F)	The SEC charged him with securities fraud	SEC Press Release 2003-69
Massachusetts Financial Services Co. (MFS)	2/5/04 (S)	The SEC charged MFS and its chief executive officer, John W. Ballen, and its president and chief equity officer, Kevin R. Parke, with violating federal securities laws by allowing widespread market timing trading in certain MFS mutual funds in contravention of those funds' public disclosures. The commission censured MFS and ordered it to pay \$225 million consisting of \$175 million in disgorgement and \$50 million in penalties.	SEC Press Release 2004-14
John W. Ballen, CEO	2/5/04 (S)	The commission prohibited Ballen and Parke from serving as an officer or director of any investment adviser and from serving as an employee, officer, or trustee of any registered investment company for three years. Additionally, each was ordered to pay a penalty of \$250,000 and disgorge over \$50,000 in ill-gotten gains derived from MFS's market timing practices.	SEC Press Release 2004-14
Kevin R. Parke, president and chief equity officer			
Massachusetts Financial Services Co. (MFS)	3/31/04 (S)	The SEC announced a settled enforcement action against MFS related to the company's use of mutual fund assets to pay for the marketing and distribution of mutual funds in the MFS Fund Complex (MFS Funds). As part of the settlement, MFS agreed to a series of compliance reforms and to pay a penalty of \$50 million, which will be distributed to the MFS Funds.	SEC Press Release 2004-44

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Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Merrill Lynch	4/28/03 (S)	Settled charges by New York State, NASD, NASAA, NYSE, and SEC relating to issuance of fraudulent research reports not based on principles of fair dealing and good faith. Paid fines totaling \$200 million.	SEC Press Release 2003-54
Henry Blodgett, managing director and senior research analyst	4/26/03 (S)	Charged by the SEC with issuing false research reports, Blodgett agreed to pay \$4 million and to be censured and barred from the securities industry for life.	SEC Press Release 2003-56
Robert S. Furst, senior executive	3/17/03 (F)	The four are charged by the SEC with aiding and abetting accounting fraud at Enron Corp., by engaging in fraudulent transactions designed to overstate Enron's earnings. Merrill Lynch (the firm) was also charged, but agreed to settle the charges by paying \$80 million in disgorgement and penalties.	SEC Press Release 2003-32
Schuyler M. Tilney, senior executive			
Daniel H. Bayly, senior executive			
Thomas W. Davis, senior executive			
Morgan Stanley	4/28/03 (S)	Settled charges by New York State, NASD, NASAA, NYSE, and SEC of making undisclosed payments for research reports. Paid fines totaling \$125 million.	SEC Press Release 2003-54
	12/03/02 (S)	Paid a \$1.65 million fine to settle SEC and NASD charges relating to failure to retain e-mail records.	SEC Press Release 2002-173
	11/17/03 (S)	Settled charges by the SEC that they failed to provide customers important information relating to their purchases of mutual fund shares. As part of the settlement, Morgan Stanley will pay \$50 million in disgorgement to certain Morgan Stanley customers and will place on its website disclosures regarding the purchase of different mutual fund share classes.	SEC Press Release 2003-159

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Mutuals.com, Inc. Richard Sapio, CEO Eric McDonald, president Michele Leftwich, compliance officer	12/4/03 (F)	Charged by the SEC with deceiving hundreds of mutual fund companies and their shareholders by improperly helping institutional brokerage customers and advisory clients carry out thousands of market timing trades and illegal late trades in shares of those mutual funds.	SEC Press Release 2003-169
NewCom			
Sultan Warris Khan, CEO Asif Mohammad Khan, vice president Steven Conrad Veen, CFO	6/09/02 (S)	The three paid fines and were barred from serving as directors or officers of public companies to settle SEC charges of securities fraud related to overstatement of revenues.	<i>Los Angeles Times</i> , 6/12/02, p. C4.
Nicor Energy, LLC			
Kevin M. Stoffer, president and CEO Andrew J. Johnson, director of financial services John Fringer, vice president John F. Weir, director of gas services	12/10/03 (F)	The SEC filed a civil enforcement action alleging that the executives inflated net income by \$11 million in 2001 by using an array of improper accounting tools for the express purpose of hitting earnings targets.	SEC Press Release 2003-170
Pilgrim Baxter & Associates, Ltd. Gary L. Pilgrim, president, CIO Harold J. Baxter, CEO	11/20/03 (F)	Charged with fraud and breach of fiduciary duty in connection with market timing of the PBHG Funds.	SEC Press Release 2003-161

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Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
PNC Financial Services Group	7/18/02 (S)	PNC agreed to cease and desist from accounting improprieties resulting from transactions with special purpose entities (SPEs). Approximately \$762 million in bad loans and venture capital investments were transferred from PNC's books to SPEs. Concurrent with the SEC order, the Federal Reserve Bank of Cleveland executed a Written Agreement with PNC, relating to the same transactions.	SEC Press Release 2002-109
PricewaterhouseCoopers	7/17/02 (S)	PwC and its brokerage affiliate settled SEC charges relating to violations of auditor independence rules, and agreed to a \$5 million fine.	SEC Press Release 2002-105
Putnam Investment Management LLC	10/28/03 (F)	Putnam engaged in securities fraud by failing to disclose to the funds or to the fund boards the potentially self-dealing transactions in fund shares by Scott and Kamshad.	SEC Press Release 2003-142
	11/13/03 (S)	Putnam agreed to undertake significant and far-reaching reforms in corporate governance, compliance, and ethics. Putnam also agreed to a process for calculating and paying restitution for losses attributable to excessive short-term and market-timing trading by its employees. The amount of civil penalty and other monetary relief to be paid by Putnum remains open and will be determined at a later date.	SEC Press Release 2003-156
	4/8/04 (S)	The SEC announced the final settlement (which supplements a Commission Order entered on November 13, 2003) against Putnam. The firm has been ordered to pay a \$50 million civil penalty and \$5 million in disgorgement for violating federal securities laws by failing to disclose improper market timing trading by Putnam portfolio managers. All the money obtained by the commission will be distributed to investors harmed by the market timing trading.	SEC Press Release 2004-49

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Justin M. Scott	10/28/03 (F)	The SEC complaint alleges that for their own personal accounts Scott and Kamshad engaged in excessive short-term trading of Putnam mutual funds for which they were portfolio managers, which violated their responsibilities to other fund shareholders.	SEC Press Release 2003-142
Omid Kamshad			
Qwest Communications			
Joel Arnold, vice president	2/25/03 (F)	The eight individuals are charged by the SEC with engaging in civil fraud by inflating Qwest's revenues by about \$144 million in 2000 and 2001, through various deceptive accounting practices. The SEC seeks monetary penalties and/or bars from serving as officers or directors of public companies.	SEC Press Release 2003-25
Grant Graham, financial officer			
Thomas W. Hall, vice president			
Bryan Treadway, assistant controller			
John M. Walker, vice president			
Douglas K. Hutchins, director			
Richard L. Weston, vice president			
William L. Eveleth, vice president for finance			
Raymond James Financial Services, Inc.	2/12/04 (S)	The SEC and NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customer for the overcharges and will pay a fine of \$2,595,129.	SEC Press Release 2004-17
Raytheon	11/25/02 (S)	Raytheon agreed to cease and desist from violations of the SEC's Regulation FD, which prohibits selective disclosure of financial results. The company was not fined.	<i>Boston Herald</i> , 11/26/02, p. 31.

CRS-21

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Reliant Resources	1/31/03 (S)	Reliant agreed to a \$13.8 million fine to settle a FERC investigation into evidence that Reliant withheld power to drive up electricity prices in California on June 21 and 22, 2000.	<i>Orange County Register</i> , 2/11/02, p. OC Register 1.
Rite Aid			
Martin Grass, CEO	6/21/02 (F)	The SEC filed charges of accounting fraud, based on massive overstatement of financial results from 1997 through 1999. The SEC seeks disgorgement of bonuses and civil penalties, and a bar from serving as an officer or director of a public company.	<i>Los Angeles Times</i> , 6/22/02, p. A1.
Frank Bergonzi, CFO			
Franklin Brown, vice chairman			
Robertson Stephens	1/09/03 (S)	The SEC's charges relate to the allocation of stock in "hot" initial public offerings during 1999 and 2000. In exchange for receiving allocations (i.e., being allowed to buy offered shares), over 100 customers paid millions of dollars in the form of excessive commissions. Robertson Stephens paid \$28 million to settle the charges.	SEC Press Release 2003-3
Paul Johnson, senior research analyst	1/09/03 (F)	Charged by the SEC with issuing fraudulent research reports and failing to disclose significant conflicts of interest.	
SWS Financial Services	2/12/04 (S)	The NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customers for the overcharges and will pay a fine of \$66,468.	SEC Press Release 2004-17

CRS-22

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Safety-Kleen			
Paul R. Humphreys, CFO	12/12/02 (F)	Charged by the SEC with financial fraud related to overstatement of net income by \$534 million between 1997 and 1999. Complaint seeks disgorgement and officer and director bars.	SEC Litigation Release No. 17891
William D. Ridings, controller			
Kenneth W. Winger, CEO			
Thomas W. Ritter, Jr., vice president	12/12/02 (S)	Enjoined from violating securities laws.	
Susan Moore, financial reporting manager		Agreed to cease and desist from violations of securities fraud and reporting laws.	
Salomon Smith Barney	4/28/03 (S)	Settled charges by New York State, NASD, NASAA, NYSE, and SEC relating to issuance of fraudulent research reports and improper allocation of "hot" initial public offerings of stock. Paid fines totaling \$400 million.	SEC Press Release 2003-54
	12/03/02 (S)	Paid a \$1.65 million fine to settle SEC and NASD charges relating to failure to retain e-mail records.	SEC Press Release 2002-173
Jack Grubman, managing director and research analyst	4/28/03 (S)	Charged by SEC, NASD, NYSE, and New York state with issuing fraudulent and misleading research reports; agreed to pay \$15 million fine.	SEC Press Release 2003-55
Schering-Plough Corp.	9/9/03 (S)	Charged by the SEC with violating the disclosure requirements of Regulation FD and Section 13(a) of the Securities Exchange Act of 1934. In settling the charges, Schering agreed to pay a \$1 million civil penalty and to cease and desist from committing such violations in the future.	SEC Press Release 2003-109
Richard J. Kogan, chairman of the board and CEO	9/9/03 (S)	Agreed to cease and desist from causing any violation of Regulation FD in the future and to pay \$50,000 as a civil penalty.	SEC Press Release 2003-109

CRS-23

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Security Brokerage, Inc.	12/23/03 (F)	Charged by the SEC for participating in a scheme to defraud mutual fund shareholders through improper late trading and market timing principally through mutual funds managed by Alliance Capital Management and Massachusetts Financial Services.	SEC Press Release 2003-183
Daniel Calugar, president			
Security Trust Company, N.A.	11/25/03 (F)	Charged by the SEC with facilitating and participating in fraudulent mutual fund late trading and market timing schemes by a group of related hedge funds.	SEC Press Release 2003-164
Grant D. Seeger, CEO			
William A. Kenyon, president			
Nicole McDermott, senior vice president			
Southwest Securities, Inc.	2/12/04 (S)	The NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customers for the overcharges and will pay a fine of \$36,971.	SEC Press Release 2004-17
Sunbeam Corp.			
Al Dunlap, CEO	9/03/02 (S)	To settle SEC accounting fraud charges, the two agreed to pay fines totaling \$700,000 and were barred from serving as officers or directors of public companies.	Knight Ridder Tribune News Service, 9/03/02, p. 1.
Russell Kersh, CFO			
Trump Hotels & Casino Resorts	1/16/02 (S)	Company agreed to cease and desist from making misleading statements in pro forma accounting releases.	SEC Press Release 2002-6

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Tyco International			
L. Dennis Kozlowski, CEO	9/12/02 (F)	SEC filed civil fraud charges seeking restitution of compensation and loans and money penalties. The SEC charged that the three treated Tyco as their private bank, taking out hundreds of millions of dollars of loans and compensation without telling investors.	SEC Press Release 2002-135
Mark H. Swartz, CFO			
Mark A. Belnick, chief legal officer			
Frank E. Walsh, Jr., director	12/17/02 (S)	Charged with concealing a \$20 million finder's fee received from Tyco in connection with a 2001 merger. Walsh agreed to repay the \$20 million to settle the charge.	SEC Press Release 2002-177
UBS Financial Services Inc.	2/12/04 (S)	The SEC and NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customer for the overcharges and will pay a fine of \$4,621,768.	SEC Press Release 2004-17
UBS Warburg	4/28/03 (S)	Settled charges by New York State, NASD, NASAA, NYSE, and SEC relating to issuance of research reports not based on principles of fair dealing and good faith, and for receiving undisclosed payments for research. Paid fines totaling \$80 million.	SEC Press Release 2003-54
United Currency Group, Inc (UCG)	11/19/03 (F)	The SEC filed a complaint that alleged that Adam Swickle conducted a fraudulent offering of United Currency Group, Inc.'s securities from May 2001 through December 2002 and raised approximately \$774,000 from 21 investors.	SEC Litigation Release No. 18471
Adam Swickle, CEO			
U.S. Bancorp Piper Jaffray	4/28/03 (S)	Settled charges by New York State, NASD, NASAA, NYSE, and SEC relating to issuance of research reports not based on principles of fair dealing and good faith, and for receiving undisclosed payments for research. Paid fines totaling \$32.5 million.	SEC Press Release 2003-54

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
	12/03/02 (S)	Paid a \$1.65 million fine to settle SEC and NASD charges relating to failure to retain e-mail records.	SEC Press Release 2002-173
Vivendi Universal, S.A.	12/23/03 (S)	Settled charges by the SEC that included false press releases, improper adjustments to earnings, and failure to disclose future financial commitments. Vivendi is required to pay a civil money penalty in the amount of \$50 million. Messier is required to relinquish his claim to a severance package of about \$38 million and to pay a civil money penalty of \$1 million. Hannezo is required to disgorge \$148,149 and pay a penalty of \$120,000.	SEC Press Release 2003-184
Jean-Marie Messier, CEO			
Guillaume Hannezo, CFO			
Wachovia Securities, LLC	2/12/04 (S)	The SEC and NASD settled enforcement actions for failure to deliver mutual fund breakpoint discounts (volume discounts) during 2001 and 2002. The firm agreed to compensate customer for the overcharges and will pay a fine of \$4,844,465.	SEC Press Release 2004-17
Waste Management Inc.			
Dean L. Buntrock, founder and CEO	3/26/02 (F)	The SEC charged the five with accounting fraud — a systematic scheme to falsify and misrepresent the company's financial results between 1992 and 1997. The SEC seeks disgorgement of ill-gotten gains, money penalties, and bars from serving as an officer or director of a public company.	SEC Press Release 2002-44
Phillip B. Rooney, chief operating officer			
James E. Koenig, CFO			
Thomas C. Hau, controller			
Herbert Getz, general counsel			
Bruce D. Tobecksen, vice president			

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
West Coast Power	12/19/02 (S)	CFTC settled charges that West Coast and Dynegy manipulated the price of natural gas by reporting false price and volume information. West Coast agreed to cease and desist from further violations and pay a \$5 million fine.	CFTC Release 4728-02
WorldCom	6/26/02 (F) 5/19/03 (S)	The SEC charged that WorldCom overstated its earnings between 1999 and 2002 as a result of improper accounting practices. WorldCom agreed to pay a fine of \$500 million, pending bankruptcy court approval.	SEC Litigation Release 18147
David F. Myers, controller	9/26/02 (F)	Barred from serving as officer or director of a public company; monetary penalties pending.	
Buford Yates, Jr., director of accounting	10/02/02 (F)	Barred from serving as an officer or director of a public company; suspended from practicing accounting before the SEC; monetary penalties pending.	
Betty Vinson, accountant	10/10/02 (F)	Suspended from practicing accounting before the SEC; monetary penalties pending.	
Troy M. Normand, accountant	10/10/02 (F)	Suspended from practicing before the SEC; monetary penalties pending.	
Scott D. Sullivan, CFO	3/2/04 (F)	Charged with engaging in a fraudulent scheme to conceal WorldCom's poor financial performance.	SEC Press Release 2004-25

Company/Individual/Event	Date Civil Action Filed (F) or Settled (S)	Charges	Source
Xerox	4/11/02 (S)	Xerox agreed to pay a \$10 million fine to settle SEC charges that it used fraudulent accounting to overstate its earnings between 1997 and 2000.	SEC Press Release 2002-52
Paul A. Allaire, CEO	6/5/03 (S)	The six defendants agreed to pay over \$22 million in penalties, disgorgement, and interest, without admitting or denying the SEC's allegations of securities fraud and aiding and abetting Xerox's violations of the reporting, books and records, and internal control provisions of the federal securities laws.	SEC Press Release 2003-70
G. Richard Thoman, president			
Barry D. Romeril, CFO			
Philip D. Fishbach, controller			
Daniel S. Marchibroda, asst. controller			
Gregory B. Tayler, controller			

Source: The government agencies' press releases are accessible on their websites: SEC at [<http://www.sec.gov/news/press.shtml>], CFTC at [<http://www.cftc.gov/cftc/cftcpressoffice.htm>] and FERC at [<http://www.ferc.gov/news/pressreleases/prsr1s1.htm>].

Abbreviations: NASD (National Association of Securities Dealers), NYSE (New York Stock Exchange), and NASAA (North American Securities Administrators Association)

Note: Some of these cases also resulted in criminal indictments, some followed by guilty pleas.