

BIG PIMPIN

JULY 2005

Lawyers, regulators and politicians rejoice! You are getting paid. Time for some “*big pimpin*” up in NYC! Class-action attorneys and politicians have been partying down like P-ditty! This past month Citigroup has agreed to pay \$2 billion to settle a class action suit over its role in hawking off Enron stock and bonds. J.P. Morgan is going to pay about \$2.2 billion to settle the same suit. We have made several inquiries into what investors might expect to receive from this settlement. In a best case scenario, six cents on the dollar, in a worse case three cents. The winners once again are the lawyers who more than likely are still hung over from the Cristal, and politicians like Eliot Spitzer who use these hollow victories as stepping stones to the New York Gubernatorial mansion. The following are some of the major payouts regarding malfeasance and Enron to date.

J.P. Morgan Chase, June 2005: Another multi-billion dollar settlement by another Wall Street big shot.

Citigroup, June 2005: The evil empire’s **\$2 billion** settlement over the sale of stock and bonds before the energy company’s collapse more than doubles all other Enron-related settlements combined Citigroup states that its litigation reserves are sufficient to cover all costs associated with the settlement.

Enron directors, January 2005: Ten former Enron directors agree to pay **\$13 million** from their pockets as part of a **\$168 million** settlement of a suit brought by shareholders whose investments were wiped out.

Lehman Brothers, November 2004: The investment firm agrees to dole out **\$222.5 million** to investors over underwriting the sale of Enron debt right before the company declares bankruptcy.

Bank of America, July 2004: The financial supermarket pays out **\$69 million** to investors who lost billions.

Canadian Imperial Bank of Commerce, December 2003: Bank agrees to pay **\$80 million** over SEC civil charges that some CIBC employees helped Enron manipulate its financial statements.

Citigroup, J.P. Morgan, July 2003: These usual suspects agree to pay a total of **\$305 million** over actions related to loans and trades the firms' made with Enron and Dynegy.

Merrill Lynch, February 2003: The first brokerage firm to settle with regulators, Merrill agrees to pay **\$80 million** to resolve civil charges that it aided Enron in fraudulently overstating earnings. Of course, they neither admitted nor denied wrongdoing.

Andersen Worldwide, August 2002: Enron’s chief auditor agrees to pay **\$60 million** to settle lawsuits related to the company’s collapse.

TOTAL \$5,184,500,000.00

Questions to ponder...

1. Where has all booty gone? I don’t know of a single investor that has received a dime. Not to mention the governments take, how is the Securities and Exchange Commission short on cash with all of the money they have collected? With all the money that Eliot Spitzer has collected for

New York State there should not be a single solitary pothole in the entire state, yet driving on the Cross Bronx Expressway is reminiscent of *Rhino Run* at Busch Gardens.

2. Why hasn't a single executive at a major investment firm done any jail time? Martha Stewart did hard time for lying about a personal stock trade, yet the big boys on Wall Street acted in concert to defraud the public out of billions and they all walk. We need a constitutional amendment against "*neither admitting nor denying wrongdoing.*" This plea coupled with a fine paid by shareholders of the corporation the white collar crook works for is the equivalent of a "*get out of jail free card.*"

3. What is the point of handing out tiny "*parking ticketesque*" size fines? The purpose of a fine is to be punitive. These investment firms have socked away billions in reserves to pay their way out of jail. These "fines" are a cost of doing business no different then a phone bill or printing costs. In fact they are a tax deduction. Brokerage firms throw money at regulators and lawyers with the same arrogant contempt of Sonny Corleone in the Godfather after beating up the FBI photographer at his sisters wedding. Wall Street operates in a catch me if you can manner; however they are prepared when caught. After paying the latest fine J.P. Morgan will still have at least \$3.6 billion in litigation reserves. It's a simple cost of doing business.