

PUTNAM, LABOR UNIONS, & CONGRESS

JANUARY 2004

Putnam Investments was trying to make amends on Tuesday with the investing public by cutting fees, boosting disclosure and promising to be *good boys and girls from now on*. Ironically, at the same time, a former employee of the company was testifying to Congress at the extent of Putnam's malfeasance and the lengths to which the crooks in charge and their big money friends went to protect themselves.

Ari Weinberg from *Forbes* magazine reported that the Boston-based unit of Marsh & McLennan, which is the sixth largest U.S. mutual fund firm, said it would cut expense ratios on all of its funds and disclose more information on total costs and manager compensation. The actions stem from a partial resolution announced by the Securities and Exchange Commission in November, which alleged "Putnam committed securities fraud by failing to disclose potentially self-dealing securities trading by several of its employees."

At a Senate Governmental Affairs subcommittee hearing, Peter Scannell, who is on leave from Putnam, revealed many gory details of behind the scenes behavior at Putnam. Scannell stated that he was assaulted by a stranger in what he believes was an effort to deter him as he uncovered massive mutual fund timing by members of the Boilermakers Union Local 5. Once again another classic example of life imitating the "*Sopranos*."

According to the Congressional record, Peter Scannell was a member of the company's Preferred Services Specialist Group, when translated from Wall Street "**BS speak**" means "**breaking the rules and doing anything and everything for our wealthy clients even if it means stepping on our long term Main Street investors.**"

Ari Weinberg reported yesterday that for three years at Putnam, Scannell began collecting data about timing to present to management and, eventually, to securities regulators. His first attempts to stop the practice internally were criticized and laughed at by supervisors one even said "it isn't criminal," according to Scannell.

On Jan. 30, 2003, Scannell told a supervisor that he would no longer accept orders from market timers. Just three days later, Scannell was assaulted while sitting in his car.

"As I looked up, I could see a large burley man with a full beard, New York Yankee's cap and grey sweatshirt that had "Boilermakers Local 5" emblazoned across the chest are in large bold letters," Scannell said in his testimony. "This was happening in split seconds when I felt something smashing down on my head while he was strangely talking very loud but furious. He said I 'better shut the f@#* up' and repeated this and some reference to my working at Putnam a number of times while smashing my head and my left hand...repeatedly with what the police told me later was a brick," Scannell's testimony continued.

Scannell spent a day in the hospital. Since then, on leave from Putnam, Scannell took a few months and eventually hired an attorney to contact the SEC. Feeling that the national regulator was ineffective after months of meetings and conversations, Scannell took his concerns to the office of Massachusetts Secretary of State William Galvin. In late October, Galvin filed an "administrative complaint" action against Putnam for its work with the Boilermakers. Two weeks later, the SEC announced its own partial settlement.

When watching this ongoing circus in Washington I get the sinking suspicion that Congress has no clue how to deal with the problem. When looking at our esteemed representatives I get the

feeling that there is a light on in the attic but nobody's home. If Congress stays the course and handles this case like they do everything else what we will have is another round of more ridiculous regulation like Sarbanes-Oxley that confuses everyone, adds undue expenses to the good-guys, and provides plenty of loopholes for the sharks to swim through.



***“YO! You toucha my mutual fund I
breaka ya face!”***