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**SHAREHOLDER ADVOCATES ASK SUPREME COURT TO RELY UPON 1934 ACT AND SEC RULE AND REFRAIN FROM “LEGISLATING” IMMUNITY FOR SILENT PARTNERS IN SECURITIES FRAUD SCHEMES**

WASHINGTON, October 8 -- The National Association of Shareholder and Consumer Attorneys today asked the Supreme Court to rely upon the clearly worded provisions of the Securities Exchange Act of 1934 and a long-standing Securities and Exchange Commission clarifying rule establishing liability for knowing participants in schemes to defraud securities investors. The outcome of a civil securities fraud lawsuit to be argued orally before the Supreme Court on October 9 could decide whether investors may hold accountable those investment bankers, accountants, lawyers, suppliers and others who defraud them by knowingly and intentionally colluding with corporate clients to “cook the books” and, otherwise, participate in schemes to artificially inflate stock prices. The Court decision in the suit, *StoneRidge Investment Partners, LLC v. Scientific-Atlanta, Inc., et al.*, No. 06-43, *cert. granted March 26, 2007*, brought by shareholders of Charter Communications, Inc., could determine the outcome of a similar “scheme liability” lawsuit brought by Enron’s shareholders, and restrict investors’ recourse in many other current and future fraud cases.

“The law clearly states that anyone who knowingly participates in schemes to defraud the investing public is liable for their conduct,” explains Carol Gilden, president of the National Association of Shareholder and Consumer Attorneys (NASCAT). “Yet, the Bush Administration’s Solicitor General and the *Stoneridge* defendants urge the Supreme Court to legislate from the bench by effectively rewriting the law to carve-out immunity from accountability to investors for the silent partners in complex securities fraud schemes.”

Ms. Gilden said *Stoneridge* raises a simple question: “Will corporate advisers and suppliers who knowingly join their clients in sham business transactions to falsify financial statements given to the public be held liable to those they defraud? The Corporate defendants and President Bush’s Solicitor General say, ‘No.’ Defrauded shareholders and the federal Securities and Exchange Commission (SEC), backed by the attorneys general of 32 states say, ‘Yes.’”

According to briefs filed with the Court by *Stoneridge* defendants and Solicitor General Paul Clements, knowing participants in fraud schemes are only liable to investors if they themselves directly lie to the market. Shareholders and the SEC, on the other hand, cite the law, which clearly states that “any person who makes or shall cause to be made” a manipulative transaction, or who “employs” a “deceptive device or contrivance,” enabling securities fraud is liable for the fraud. [See Section 10(b) of Securities and Exchange Act of 1934 and SEC Rule (10)(b)(5) below.]

Specifically, Stoneridge Investment Partners and other shareholders in Charter Communications Inc., a national cable TV and internet service provider, allege that two of Charter’s equipment suppliers, Scientific-Atlanta, Inc. and Motorola Corp., knowingly engaged with Charter executives in a scheme to inflate revenues reported to investors on Charter’s financial statements. Scientific-Atlanta and Motorola have each paid substantial fines to the SEC to settle similar charges of fraudulent conduct in the falsification of financial statements issued to shareholders of another cable company, Adelphia Communications. And, two Charter executives have been sentenced to over a year in prison for their role in creating the false paper trail for, and cover up of, the sham transactions at issue in *Stoneridge*.

“Scientific-Atlanta and Motorola are accused not of turning a blind eye to the fraud of another, but of actively participating in the fraud by their own deceptive conduct,” Ms. Gilden of NASCAT continued. “The complaint alleges these equipment suppliers willfully engaged in sham transactions with Charter to inflate revenues and operating cash flow by \$17 million, created a false paper trail and backdated contracts to make the sham transactions appear legitimate for reporting on Charter’s financial statements.”

Although declining in number, securities fraud class action lawsuits like *Stoneridge*, which must be filed and heard in federal courts, remain the primary vehicle for investors to recover legitimate fraud losses. In 2006, 118 suits securities fraud class actions were filed, down from 185 in 2005 and 235 in 2004.

The National Association of Shareholder and Consumer Law Attorneys is a nonprofit organization comprised of about 100 law firms representing consumers and investors – including pension funds and individuals – in cases of securities fraud and other forms of “white collar” wrong doing and criminal activity.

For more information on Stoneridge and the investor protection role played by private securities litigation, journalists may wish to contact the independent authorities listed below. They include a former SEC Commissioner and general counsel, a former SEC deputy general counsel, and a former chief accountant for the SEC.

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An SEC historian and former securities law professor  
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Lynn Turner  
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Director for the Center of Quality Financial Reporting at Colorado State University  
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Randall Thomas  
Professor of Law and Business and Director of Law and Business Program  
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**RULE 10 (b) (5) Promulgated by the SEC in 1951**

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange,

- a. To employ any device, scheme, or artifice to defraud,
- b. To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or

c. To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.

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**Section 10 of Securities and Exchange Act of 1934 -- Regulation of the Use of Manipulative and Deceptive Devices**

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange --

a.

1. To effect a short sale, or to use or employ any stop-loss order in connection with the purchase or sale, of any security registered on a national securities exchange, in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

2. Paragraph (1) of this subsection shall not apply to security futures products.

b. To use or employ, in connection with the purchase or sale of any security registered on a national securities exchange or any security not so registered, any manipulative or deceptive device or any securities-based swap agreement (as defined in section 206B of the Gramm-Leach-Bliley Act), or contrivance in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

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