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For Immediate Release

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IN STONERIDGE DECISION, SUPREME COURT AFFIRMED PRIVATE RIGHT OF ACTION FOR DECEPTIVE CONDUCT AGAINST SECONDARY ACTORS, BUT UNDULY STRINGENTLY DEFINED WHEN SUCH LIABILITY EXISTS, SHAREHOLDER ADVOCATES SAY

WASHINGTON, January 16 -- The National Association of Shareholder and Consumer Attorneys (NASCAT) said the Supreme Court's January 15 Stoneridge decision did not shut the door to liability for secondary actors who commit primary violations in connection with corporate securities fraud. While a five Justice majority in *Stoneridge Investment Partners, LLC v. Scientific-Atlanta, Inc., et al.*, No. 06-43 found that the specific linkage between the secondary actors and the fraud in that case was too remote for them to be held liable to shareholders for fraud, it recognized instances where such liability would be appropriate.

"We are pleased that the Supreme Court reaffirmed that Section 10(b) liability extends to secondary actors who play a primary role in corporate fraud schemes," said Carol Gilden, NASCAT's president. "The Court also affirmed that under circumstances different from those in the Stoneridge case, secondary actors -- which in certain cases could include accountants, bankers, lawyers and others -- may continue to be found liable for deceptive conduct. Nonetheless, the Court imposed an overly restrictive view of the circumstances under which such liability may exist, drawing an artificial distinction between whether a secondary actor's wrongful conduct took place in the investment sphere as opposed to that of ordinary business operations."

In the underlying suit, Stoneridge Investment Partners and other shareholders in Charter Communications Inc., a national cable TV and internet service provider, alleged 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. In addition, 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*.

“While not disputing investors’ factual allegations, the Supreme Court said in effect that the roles played by Scientific-Atlanta and Motorola, under the particular facts in this case, were too remote from the wrongdoing to be held liable to Charter’s investors,” Ms. Gilden continued. “However, the fraud could not have occurred without the active, knowing participation of these actors -- each of whom engaged in conduct that was inherently deceptive itself, not ordinary business acts that merely aided the fraud -- and we agree with Justice John Paul Stevens who, writing for the three dissenting Justices, said the Court’s view was ‘unduly stringent’ in relieving them from liability.”

“We also agree with Justice Stevens and the dissent that, contrary to the concerns articulated by the majority, scheme liability for secondary actors would not shift securities offerings to foreign markets or harm U.S. competitiveness,” Ms. Gilden added. “But, rather, as the dissent noted: *‘investor faith in the safety and integrity of our markets is their strength. The fact that our markets are the safest in the world has helped make them the strongest in the world.’*”

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" wrongdoing and criminal activity.

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