



## **Ethics Alerts**

### **⇒ Excessive Pay Erodes Investor Confidence**

Lavish pay packages, stock options and special deals for executives whose companies have failed and laid off employees have eroded investor confidence already shaken by the accounting scandals, experts told Congress in recent testimony.

Eight chief executives of major corporations whose pay has prompted controversy were no-shows at a hearing by the Senate Commerce Committee, including Larry Ellison of Oracle Corp., Michael Eisner of Walt Disney Co., Leo Mullin of Delta Airlines and former General Electric CEO Jack Welch.

Executive compensation is getting fresh scrutiny as senators raise the issue of counting stock options for company officials as an expense against earnings. Big state, union and professional pension funds are pressing for changes to give shareholders more say in companies' decisions on executive pay and other matters.

Source: Associated Press (May 20<sup>th</sup>)

### **⇒ FCC Vote Could Reshape Media Landscape**

Rules governing ownership of newspapers and television and radio stations are on the verge of changes that could significantly alter who controls what people see, hear and read. The Republican majority on the five-member Federal Communications Commission is expected to allow companies to buy more television stations and, in some cases, own both a newspaper and a broadcast station in the same city.

Diverse interests opposed to deregulation have protested the changes ahead of the anticipated 3-2 vote favoring new rules. These opponents contend relaxed rules will kick off a merger frenzy as large companies gobble up media outlets, homogenizing viewpoints and diminishing the local emphasis in news and entertainment.

Source: Associated Press (June 1<sup>st</sup>)

Ethics Communication Coach is a service of RedHawk

615 Hope Road, Suite 2B, Eatontown, NJ 07724 732-440-1600 Fax 732-440-1601

PM3000179960

### ⇒ SEC Seeks 6-Month Ban on New Clients for Ernst & Young

The Securities and Exchange Commission is seeking to ban Ernst & Young from accepting new clients for six months, citing flaws in the accounting firm's system of internal controls and a failure to maintain independence from a client it audited.

The SEC pushed for the temporary ban in court papers filed as part of a case in which it accuses Ernst & Young of violating auditor independence rules by working too closely on a computer software project with PeopleSoft Inc., a client whose books it audited.

The agency lambasted Ernst's internal controls, arguing that the firm's system lacked accountability, record-keeping and any requirement of pro-active steps to ensure independence.

Source: Reuters (May 30<sup>th</sup>)

### ⇒ State Workers Win Right to Sue Over Family Leave

The Supreme Court ruled that state workers have a right to sue their employers in federal court for alleged violations of the Family and Medical Leave Act, breaking with a recent trend in which the court has restricted the ability of the federal government to impose new requirements on the states.

In a 6 to 3 ruling that was hailed by women's rights groups and public employees' unions, the high court extended the protections of the federal law to almost 5 million state employees as well as most private sector workers who were already covered by its terms.

The law, enacted by Congress in 1993, entitles employees to take up to 12 weeks of unpaid leave from work for several reasons, including the birth or adoption of a child or to care for an ill family member.

Source: Washington Post (May 27<sup>th</sup>)

### ⇒ NASD Requires Member Firms to Keep Instant Messages

The National Association of Securities Dealers said Thursday that member firms must keep instant messages, or IMs, for at least three years. "Firms have to remember that regardless of the informality of instant messaging, it is still subject to the same requirements as e-mail communications," said Mary Schapiro, NASD vice chairman and president of regulatory policy and oversight.

Source: Corporate Responsibility News Global Ethics Monitor (June 18<sup>th</sup>)  
Copyright 2003 Agence France-Presse Group All Rights Reserved

Ethics Communication Coach is a service of RedHawk

615 Hope Road, Suite 2B, Eatontown, NJ 07724 732-440-1600 Fax 732-440-1601

PM3000179961