

DARTH VADER RETURNS

JULY 2005

The evil empire strikes again! Citigroup/Smith Barney once again out does themselves with their immoral creativity and ingenuity. Their ability to steal and defraud without conscience is chilling. Citigroup/Smith Barney has been ordered to pony up \$208 million to settle Securities and Exchange Commission fraud charges that two of its subsidiaries profited on transfer-agency discounts at the expense of individual investors. Citigroup/Smith Barney profited from discounts they received through a transfer agent for over five years. By law, they are supposed to pass those discounts on to their clients. Instead these *Dark Sith Lords of White Collar Crime* mislead, lied and covered up when recommending the transfer agent to mutual fund boards of directors.

In a disgusting cloak and dagger type move Citigroup/Smith Barney recommended to mutual funds to use its sham affiliate to replace First Data Investors Services Group who was the third party firm that had acted as a transfer agent for its mutual funds. What Citigroup/Smith Barney neglected to inform mutual fund directors, was that First Data had agreed to discount its fees by up to 60% over five years and continue to do the work under a subcontracting deal with a Citigroup affiliate known as Citigroup Trust Bank. The discounts, instead of being passed on to mutual fund shareholders were pocketed by Citigroup.

SEC enforcement division director Linda Thomsen stated that *"Fund advisors cannot place their own interests above the funds' interests, and must come clean about compensation and benefits they receive and any conflicts of interest they might have."* Mark Schonfeld head of the SEC's northeast regional office stated that *"Citigroup's hefty penalty should send a strong message to others that this type of conduct will not be tolerated."*

The pontificating of SEC officials and other misguided regulators is always a source of amusement for me. Do they honestly think that Wall Street takes them seriously? Citigroup/Smith Barney engaged in another case of well-thought out premeditated fraud. Dealing with criminals of this magnitude with fines and lectures is laughable. In other news Citigroup/Smith Barney is raising capital to fund a Death Star, details are sketchy.