

Investigations into corporate scandals continue to progress, albeit slowly in some cases. Here's a quick rundown of where things stand and what's up next. **Click on the navigation at the bottom to see information on other cases.**

Adelphia Communications Corp.

The Allegations: Prosecutors say members of the cable company's founding family and two former executives looted the firm "on a massive scale." The firm, now operating under bankruptcy-court protection, has been accused of hiding business relationships and inflating its financial results.

Who's Who:

- John Rigas, Adelphia's founder
- Timothy Rigas, former chief financial officer
- Michael Rigas, former executive VP
- James Brown, former VP
- Michael Mulcahey, former VP and assistant treasurer

What's Happened: All were indicted on federal fraud charges. The Securities and Exchange Commission filed civil claims, and Adelphia sued the Rigases. Mr. Brown pleaded guilty to securities fraud and agreed to testify against the Rigases, who have denied wrongdoing. The jury found John and Timothy Rigas guilty of fraud and conspiracy. Michael Rigas was acquitted of conspiracy, but the jury deadlocked on the other counts, for which the judge declared a mistrial. Mr. Mulcahey was acquitted on all counts.

What's Next: The government is seeking forfeiture of \$2.5 billion in allegedly illegal proceeds. John and Timothy Rigas each face 30 years in prison on the most serious charge of bank fraud.



John Rigas

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Credit Suisse First Boston / Frank Quattrone

The Allegations: Frank Quattrone, a former star technology investment banker at CSFB, is accused of directing employees by e-mail to destroy evidence sought in an investigation of the allocation of shares in initial public offerings.

Who's Who:

- Frank Quattrone, former technology banker
- David Brodsky, former general counsel

What's Happened: Mr. Quattrone pleaded not guilty to charges of obstruction of justice and witness tampering. CSFB, without admitting or denying wrongdoing, paid \$100 million to settle charges by the SEC and the National Association of Securities Dealers that the company obtained excessive commissions from about 100 hedge funds in exchange for IPO shares. The NASD suspended four brokers who worked with Mr. Quattrone for failing to cooperate with its inquiry. Mr. Brodsky became a key witness against Mr. Quattrone after prosecutors learned that the lawyer reminded Mr. Quattrone about the government probe just two days before the e-mail at issue in the case. Mr. Quattrone's first trial resulting in a mistrial last October when a federal jury in Manhattan failed to reach a verdict. Mr. Quattrone was sentenced to 18 months in prison, two years probation and a \$90,000 fine after being convicted May 3 in his retrial.

What's Next: The defense is planning to take the case to federal appeals court. Mr. Quattrone could still face a possible permanent securities-industry ban in a separate civil case brought by the NASD.

[Quattrone Gets 18 Months in Prison \(9/8/04\)](#); [Quattrone Lawyers Request Anonymous Jury \(4/8/04\)](#); [Regulators Fine, Suspend Frank Quattrone \(1/23/04\)](#); [Judge Declares a Mistrial in Quattrone Case \(10/24/03\)](#)



Frank Quattrone

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Enron Corp.

The Allegations: Prosecutors and regulators say the former energy giant created off-the-books partnerships and used aggressive accounting methods to hide massive debt and inflate the firm's bottom line.

Who's Who:

- Kenneth Lay, former chairman, CEO
- Jeffrey Skilling, former CEO
- Andrew Fastow, former chief financial officer
- Michael Kopper, former managing director
- Ben Glisan, former treasurer

What's Happened: Mr. Kopper pleaded guilty to money laundering and wire fraud. Enron's former accounting firm, Arthur Andersen, was convicted of destroying documents and has dissolved. Mr. Glisan pleaded guilty to conspiracy, was sentenced to five years in prison and was ordered to surrender \$938,000. He settled SEC civil claims. Wesley Colwell, a former Enron accountant, settled SEC charges over inflated earnings and agreed to cooperate with the civil and criminal probes. Mr. Fastow pleaded guilty to fraud and admitted to conspiracy to inflate profits in return for a 10-year sentence, and his wife Lea, under the terms of a revised deal, pleaded guilty to filing a false tax return and will spend no more than 12 months in jail. Both agreed to cooperate with the government.

What's Next: Mr. Fastow is expected to be a key witness in the case against Mr. Skilling and Enron's former chief accounting officer, Richard Causey, both of whom face trial after being indicted on 42 counts, ranging from conspiracy to securities fraud. They also face SEC civil charges. Both pleaded not guilty. Mr. Lay was indicted July 8, 2004, for his role in the alleged schemes.



Jeffrey Skilling and Kenneth Lay

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HealthSouth Corp.

The Allegations: The SEC accused the hospital operator's former chairman of inflating earnings results in order to meet Wall Street expectations. Authorities say the company inflated earnings by at least \$2.5 billion.

Who's Who:

- Richard Scrushy, former chairman and CEO
- William Owens, former chief financial officer

What's Happened: Fifteen former executives pleaded guilty and agreed to cooperate with the investigation. Former vice president Catherine Fowler, for example, admitted being part of a conspiracy to make it appear that stock had been sold in 2002, when it really was sold in 2001. The string of guilty pleas included admissions of wrongdoing by all five of HealthSouth's chief financial officers. Separately, two other top executives pleaded guilty to fraud charges stemming from an FBI investigation of possible violations of federal antibribery laws linked to the company's contracts to run a hospital in Saudi Arabia. HealthSouth's fraudulent and improper accounting now totals between \$3.8 billion and \$4.6 billion.

What's Next: Mr. Scrushy was indicted Nov. 4, 2003, on 85 counts that charged him with falsifying books, records and accounts at the company. He pleaded not guilty and said he was unaware of the fraud, which he blamed on Mr. Owens and other executives. The trial is set to start Jan. 5, 2005.

[Ex-HealthSouth Chief Hosts TV Show \(3/02/04\)](#); [HealthSouth Is Focus of Kickbacks Probe \(1/29/04\)](#); [HealthSouth's Scrushy Is Indicted \(9/11/03\)](#);



Richard Scrushy

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ImClone Systems Inc. / Martha Stewart

The Allegations: Authorities believe company founder Dr. Samuel Waksal tipped off family and friends that the drug maker's application for a promising cancer drug was about to be rejected, allowing them to dump the stock before it tumbled. Dr. Waksal shared the same broker with his close friend Martha Stewart, and authorities believe the broker arranged to tip off Ms. Stewart that Dr. Waksal's family was selling stock.

Who's Who:

- Dr. Samuel Waksal, former CEO
- Martha Stewart, decorating guru and Waksal friend
- Peter Bacanovic, Merrill Lynch broker for Dr. Waksal and Ms. Stewart
- Douglas Faneuil, Merrill Lynch brokerage assistant

What's Happened: Dr. Waksal was sentenced to 87 months in prison after pleading guilty to charges that included securities fraud. He must pay more than \$4 million in fines and back taxes and was banned for life from leading a public company. The SEC brought civil insider-trading charges against Dr. Waksal's father, Jack Waksal. Ms. Stewart and Mr. Bacanovic were indicted on charges including obstruction of justice, tied to Ms. Stewart's sale of ImClone shares. Both pleaded not guilty. Mr. Faneuil pleaded guilty and became the government's star witness in the criminal trial of Ms. Stewart and Mr. Bacanovic. The judge in that trial dismissed the most serious charge of securities fraud against Ms. Stewart. The jury convicted her on the remaining counts and Mr. Bacanovic on all counts but one. Ms. Stewart has resigned all of her posts at her media empire. She still faces an SEC civil complaint against her for insider trading.

What's Next: Ms. Stewart was sentenced July 16 to 5 months in prison, 5 months of home confinement and two years probation, plus a \$30,000 fine. The judge ordered a stay of sentence pending her appeal. Mr. Bacanovic received a similar sentence, but his fine was set at \$4,000. An unfavorable verdict against Ms. Stewart in the civil case may mean other fines and other penalties.



Martha Stewart and Samuel Waksal

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Parmalat

The Allegations: Italian prosecutors are probing alleged fraud and market rigging linked to Parmalat's disclosure in December 2003 that its \$4.8 billion account at Bank of America didn't exist.

Who's Who:

- Calisto Tanzi, founder and former CEO
- Fausto Tonna, former finance director
- Luciano Del Soldato, former finance director
- Stefano Tanzi, son of Calisto, former CEO of Parmalat
- Francesca Tanzi, daughter of Calisto, former CEO of Parmatour



Calisto Tanzi and Fausto Tonna

What's Happened: Parmalat filed for creditor protection in late December. An audit recently put its debt at about \$18 billion -- eight times more than claimed in September. Mr. Tanzi admitted to diverting about \$500 million from Parmalat to Tanzi family-owned companies, including Parmatour, headed by his daughter Francesca. U.S. regulators have charged the company with securities fraud for a \$1.5 billion bond sale conducted ahead of its collapse. U.S. law firms have filed class-action suits against Mr. Tanzi and other company officials and outside financial firms.

What's Next: Parmalat administrator Enrico Bondi has asked an Italian judge to seize the assets of every company director and internal auditor since 1990. Several banks, including BoA and Deutsche Bank, are under investigation. Seventeen people have been jailed, including Mr. Tanzi, his son, former financial officers and outside auditors, though none have been formally charged.

[Behind Parmalat Chief's Rise \(3/8/04\)](#); [Bank of America, Parmalat Probed \(3/3/04\)](#)

Rite Aid Corp.

The Allegations: Federal prosecutors charged that Rite Aid's former management inflated the company's reported net income by \$1.6 billion in the late 1990s. An alleged cover-up plot included the destruction of evidence and fabrication of documents, the government charged.

Who's Who:

- Martin Grass, former chairman and CEO
- Franklin Brown, former general counsel and vice chairman
- Franklyn Bergonzi, former chief financial officer

What's Happened: Several of Rite Aid's former top executives accepted plea agreements with prosecutors. Mr. Grass agreed May 13, 2004 to a revised plea, and was sentenced May 27 to serve 10 years in prison. He was also fined \$500,000 and barred by the SEC from ever serving as an officer or director of a public company. Mr. Bergonzi pleaded guilty to one count of conspiracy and was sentenced May 26 to two years and four months in prison. Mr. Brown was convicted of conspiracy, conspiracy to obstruct justice, obstruction of grand jury proceedings, obstruction of government-agency proceedings, witness tampering and five counts of lying to the Securities and Exchange Commission. He was acquitted of wire fraud.

What's Next: Mr. Brown faces a maximum sentence of 10 years on the witness-tampering charge and five years for each of the nine other charges. But any sentence likely would be significantly reduced under federal guidelines. Mr. Brown's sentencing date isn't yet known.

[Rite Aid's Ex-CEO Is Sentenced \(5/28/04\);](#)



Franklin Brown

Tyco International Ltd.

The Allegations: Prosecutors allege the industrial conglomerate's former CEO and former CFO stole more than \$170 million from the company, illegally reaped \$430 million from stock sales and used questionable accounting to hide their actions.

Who's Who:

- L. Dennis Kozlowski, former CEO
- Mark Swartz, former chief financial officer
- Mark Belnick, former general counsel

What's Happened: Tyco has admitted to finding more than \$2 billion in erroneous accounting, and under SEC pressure agreed to restate results back to 1998. Tyco sued Messrs. Kozlowski and Swartz. Mr. Kozlowski claims Tyco owes *him* millions of dollars in deferred compensation. Messrs. Kozlowski and Swartz were charged with stealing from the company. After a trial in New York state court in Manhattan that took six months, followed by two weeks of jury deliberation, the judge in the Kozlowski-Swartz case declared a mistrial on April 2, 2004. Mr. Belnick was charged with falsifying records to cover up improper loans. Mr. Belnick was acquitted in July 2004.

What's Next: Prosecutors say they will seek to retry Messrs. Kozlowski and Swartz, for whom tax-evasion trials are also pending.



L. Dennis Kozlowski

WorldCom Inc.

The Allegations: The government says several top executives were involved in a massive accounting fraud that hid costs and inflated profits by more than \$10 billion over nearly four years.

Who's Who:

- Bernard Ebbers, former CEO
- Scott Sullivan, former chief financial officer
- David Myers, former controller
- Buford Yates, former accounting director
- Cynthia Cooper, VP internal audit

What's Happened: The SEC sued WorldCom for fraud. The firm filed for bankruptcy protection after admitting an initial \$3.7 billion fraud, though the amount is now estimated at \$11 billion. WorldCom hired Michael Capellas, former head of Compaq, to lead the company, and renamed itself MCI. Two external probes found Mr. Ebbers and top managers, aided by numerous employees, conspired to carry out fraud. Mr. Ebbers, who was ousted in April 2002, has been indicted on numerous counts of fraud. Mr. Sullivan, fired after an internal audit run by Ms. Cooper revealed the accounting scheme, pleaded guilty to fraud and faces up to 25 years in prison, though he is likely to get a lighter sentence for his cooperation. Messrs. Myers and Yates pleaded guilty to securities fraud.

What's Next: Prosecutors hope to use testimony from Mr. Sullivan and other top executives in their case against Mr. Ebbers, who pleaded not guilty. A trial date hasn't been set. Shareholder claims against executives and analysts are proceeding.

[Ebbers to Face Criminal Charges](#) (3/02/04); [How a WorldCom Accountant Caved](#) (6/23/03)



Bernard Ebbers and Scott Sullivan