



Deception: Three Disturbing Case Studies

► **Lawyers too eager to serve corporate clients** found their deceptive tactics rudely exposed in the tobacco trials. As Geoffrey Hazzard pointed out in *The National Law Journal*, tobacco companies had research conducted under lawyers' supervision, so bad findings could be held back as lawyer-client confidences, while good findings could be described as the outcome of "scientific inquiry." These deceptions were "not casual or aberrant, but were systematic and sustained over decades," Hazzard wrote. "They were the work not of fringe or rogue practitioners, but of lawyers holding themselves out as reputable members of our profession. They evidence what amounts to fraud on the public."



► **Coal companies' deception may have led to the deaths of thousands of miners:** In 1994 alone, nearly 1,500 coal miners died from black-lung disease. Yet almost no deaths would be occurring, if federal regulations passed 30 years ago were followed. According to an investigation by the *Louisville Courier-Journal* in April, coal companies for decades have systematically falsified air-quality reports. Reporters Gardiner Harris and Ralph Dunlop interviewed 234 current and former miners who said they knew tests were routinely falsified. "Common practices," the reporters wrote, "include running sampling pumps less than the required time or placing them in clean air away from working areas."

EMPLOYEE OWNERSHIP TOP 10

America's Largest Companies Majority Owned by Employees

Company (industry)	Location	Number of employees
Publix Supermarkets	Lakeland, FL	103,000
United Airlines	Chicago, IL	77,900
Science Applications International (R&D)	San Diego, CA	25,000
Dynacorp (technical services)	Reston, VA	18,000
Lifetouch (photography)	Minneapolis, MN	15,000
AECOM (energy technology)	Los Angeles, CA	7,500
CH2M Hill (engineering, architecture)	Corvallis, OR	7,020
Journal Communications (newspapers)	Milwaukee, WI	6,500
Graybar Electric (electrical equipment)	St. Louis, MO	6,300
W.L. Gore Associates (manufacturing)	Newark, DE	6,000

Source: National Center for Employee Ownership, 1201 Martin Luther King Jr. Way, Oakland, CA 94612. Phone 510/272-9461.

► **To minimize claims, Allstate Insurance Co. may have systematically falsified engineering reports** after the 1994 Northridge, Calif. earthquake. That was the charge made last year in a civil suit by a former 25-year Allstate employee and a consumer group. It was echoed by the FBI, which in late April searched three company offices—including the Santa Fe Springs earthquake response center—as part of an investigation of possible report falsification. Other agencies involved in the probe are the California Department of Consumer Affairs and the California Department of Insurance. Allstate CEO Jerry Choate sent a letter to employees denying the allegations.

Dayton Pokes Dayton's

"My family started this company, but the people running it now don't provide health coverage. When I'm governor, they will." So said Minnesota candidate for governor Mark Dayton, in a TV ad filmed in front of **Dayton's** department store. He also did a press conference outside Dayton's in St. Paul, to chide it for being "derelict in its responsibility" in providing employee health coverage. He criticized the company policy of not offering health coverage until employees have worked six months, and introduced a proposal to require state employers to offer health coverage for all employees, including part-timers.

B&J Settles Fraud Suit

On May 1, Ben & Jerry's sent out checks totaling \$1.1 million to settle a class-action security fraud lawsuit, in which 1,300 investors claimed it misrepresented its financial condition in 1994, leading them to buy at inflated prices. The company was said to misrepresent problems involved with the new facility at St. Albans four years ago, when a delay in opening was announced, the company suffered its first loss since going public, and the stock plummeted from \$18.50 to \$9.50. B&J CFO Frances Rathke told *The Burlington Free Press* the lawsuit was a "nuisance case," and the company settled because a trial would have been costly. Since Perry Odak became CEO in January 1997, the stock has climbed back to \$19.

L.A. Demands Wage Disclosure

If you want to bid for contracts with Los Angeles County, your company will soon need to disclose the wages and benefits of your lowest-paid employees. The unprecedented move came in an April 28 vote by the L.A. County Board of Supervisors, on a motion inspired by L.A.'s "living wage" ordinance passed last year, requiring city contractors to pay at least \$7.25 an hour with benefits or \$8.50 without.

Gun Makers Targeted

In a dramatic protest gesture, the anti-gun group Silent March laid 5,285 pairs of children's shoes at the doorstep of **Smith & Wesson** in Springfield, Mass. The shoes symbolized the 5,285 children killed by guns in the decade 1986 to 1995. On the same day in early May, the group put another 45,000 pairs of shoes at the doors of five other U.S. gun makers—sending the message that gunmakers should be held partly responsible for gun violence. Mayor Richard M. Daley of Chicago is also considering filing a lawsuit against gunmakers, he said at a mid-June news conference. In Philadelphia, Mayor Edward Rendell has already prepared such a lawsuit, seeking millions from gunmakers to reimburse the city for the costs of gun violence. Instead of using product liability laws, they would sue for negligence, public nuisance, and fraud.