

News Release

Washington Legal Foundation
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For Immediate Release

May 21, 2003

WLF INVITED TO TESTIFY BEFORE CONGRESSIONAL COMMITTEE ON RELATIONSHIP BETWEEN TRIAL ATTORNEYS AND SHORT SELLERS

The Washington Legal Foundation (WLF) has been invited by the House Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises, chaired by Rep. Richard Baker, of the House Financial Services Committee, chaired by Rep. Michael Oxley, to testify on May 22, 2003, on the relationship between trial attorneys and short sellers. The subcommittee is interested in hearing WLF's testimony as part of the larger issue of hedge fund regulation. The committee will also hear from William Donaldson, Chairman of the Securities and Exchange Commission, and several hedge fund managers.

In its prepared statement, WLF brought to the committee's attention examples of cases where plaintiff's attorneys in class action cases may have provided short sellers with information about the timing of the filing of the lawsuits against publicly traded companies. In one case recounted by the *Wall Street Journal*, short sellers shorted J.C. Penney Co. stock before the suit was filed against Eckerd Drug Stores, which is owned by J.C. Penney, and then profited after the stock price dropped following the filing of the suit.

As part of WLF's new INVESTOR PROTECTION PROGRAM, WLF filed a complaint earlier this year with the SEC requesting an investigation into whether any SEC laws or regulations, including insider trading, may have been violated in the J.C. Penney case. The U.S. Chamber of Commerce urged the SEC to act on WLF's complaint. WLF further petitioned the SEC to develop rules requiring plaintiff's attorneys to give prior notice to the SEC and the public when they meet with stock analysts, short sellers, and others. WLF also submitted comments to the SEC for its Hedge Fund Roundtable which was held last week.

In its congressional testimony, delivered by WLF's Senior Executive Counsel Paul Kamenar, WLF called upon the SEC to investigate the covert relationship between the trial attorneys and short sellers, and to protect investors and the integrity of the securities markets from any improper manipulation.

For further information, contact **Daniel J. Popeo**, WLF Chairman and General Counsel, or **Paul Kamenar**, WLF's Senior Executive Counsel, at 202-588-0302. WLF's testimony is available on WLF's website at www.wlf.org.