

**National State Attorney General Program
Columbia Law School**

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1. New Fraud Update Website

By Jim Tierney

There is a terrific new website that exists to help law enforcement and the general public keep track of state and federal fraud investigations and settlements. See: <http://www.fraudupdate.com>

The site is hosted by the Center for the Study of Economic Crimes that is a collaborative project of the Florida State University School of Criminology and the St. Thomas University School of Law in Miami whose Dean, Robert Butterworth, served with distinction as Florida's Attorney General for twelve years.

Fully supported by current Florida Attorney General Charlie Crist, this is a wonderful resource.

2. WI AG files suit against Best Buy

By Tom Daykin

May 24, 2005

Best Buy Co. Inc. failed to provide rebates promised to its customers, refused to honor extended service plans and did other things that violated Wisconsin consumer protection laws, according to a suit that the state attorney general's office filed Tuesday.

The lawsuit, filed in Dane County Circuit Court, asks a judge to restrain Best Buy from engaging in what Attorney General Peg Lautenschlager calls "deceptive practices." The lawsuit also seeks civil penalties and forfeitures against the consumer electronics retailer, which is based in Richfield, Minn., and has around 15 stores in Wisconsin.

A Best Buy spokesman couldn't be reached for comment. In September, the company denied any wrongdoing after the state Department of Agriculture, Trade and Consumer Protection referred its investigation of consumer complaints about Best Buy to Lautenschlager's office.

State officials have received around 215 complaints from Best Buy customers since June 2002, said Scot Ross, a spokesman for Lautenschlager's office.

According to the suit, consumers were given Best Buy gift cards instead of promised cash rebates after making purchases at the stores. Consumers also were told they would receive multiple rebates if they bought the same product more than once, but they were limited to a single rebate.

The retailer also marketed its extended service plans as having a "no-lemon policy," under which a product requiring a fourth repair would be replaced by a comparable product. Despite that policy, Best Buy has refused to replace products that needed multiple repairs, the suit says.

Other consumers complained that Best Buy refused to make on-site repairs at their homes or offices, as had been promised under the extended service plan, the suit claims.

Best Buy also misrepresented magazine subscription offers that came with purchases at the stores, resulting in charges after a brief free trial expired; failed to disclose restocking fees that were charged to consumers who returned store products; and didn't tell customers that gift cards were good for only 90 days after being issued.

The Ohio attorney general's office filed a similar lawsuit against Best Buy in August.

In New Jersey, Best Buy agreed in May 2004 to pay \$133,500 to the state and to make sure its advertisements complied with consumer protection laws. In agreeing to that settlement, Best Buy did not admit to any wrongdoing.

3. TX AG seeks new trustees for \$80 million

While the co-trustees of the Sybil Harrington's trust want more time to distribute to Texas Panhandle charities the 80 (m) million dollars left of her 100 (m) million dollar trust, the state attorney general thinks it's time for someone else to do the job.

The co-trustees -- Laurie McWeeney of Timbercreek Village and the New York-based U-S Trust Company -- say they need five more years to dole out the 80 (m) million dollars the trust had at the end of 2003.

They filed a petition in March asking Potter County's 320th District Court to extend the life of the trust fund until June 2009. That's well past the April 2004 termination set by Harrington, a philanthropist and wife of oilman Don Harrington. She died in 1998.

But Texas Attorney General Greg Abbott responded in April to their petition by asking the 320th Court to deny the extension and take control from McWeeney and U-S Trust. He wants control given to someone who would distribute the money within a year after a court renders judgment in the legal dispute.

The attorney general's office filing blasts the co-trustees for taking too long to distribute the money.

4. DE Records Act Ruled Unconstitutional

By Rita K. Farrell

New York Times

Judge Joseph J Farnan Jr rules that Delaware's Freedom of Information Act is unconstitutional because it denies access to state's public records to nonresidents like Matthew Lee, New York-based consumer advocate, who was denied access to documents related to Delaware's settlement with Household International in 2002 over what state called predatory lending and insurance

practices; Household International is now unit of HSBC Holdings; Farnan's ruling is significant because Delaware is home of many major companies

5. MS General Fund receives \$100 million MCI settlement

By Laura Hipp

MCI has settled with the state of Mississippi for \$100 million, Attorney General Jim Hood announced this morning.

The \$100 million will go straight into the state's general fund, Hood said. "It will come in handy to deal with our budget deficit," said Hood, who wants lawmakers to use the funds for education and law enforcement.

A New York bankruptcy judge is expected to approve the settlement Wednesday, Hood said. The money would be transferred to state accounts 10 days later.

Mississippi had been pursuing a claim for more than \$1 billion in back taxes and penalties from MCI Inc., the former WorldCom. The state had wanted to bring a tax liability lawsuit in a Mississippi court rather than in the Manhattan court that presided over the long-distance company's Chapter 11 bankruptcy case.

Hood's office is investigating KPMG, WorldCom's accounting firm, for the remaining \$900 million. MCI, which emerged from bankruptcy protection in April 2004, has previously objected to the state's tax claim. "It was nothing but a tax evasion scheme," Hood said.

Income from out-of-state subsidiaries of WorldCom was marked as royalty payments, and therefore was not taxable, he said. That practice, which occurred from 1998 to 2002, violated state tax laws, Hood said. The income should have been counted as corporate income, he said.

The settlement announced today also includes the old WorldCom headquarters in downtown Jackson at Amite and President streets, a 106,000-square-foot building. That package includes two to three parking lots, the old Burwell's Deli building that fronts State Street, and four or five other smaller buildings in that area, Hood said.

An appraisal price has not been set, but a real estate company handling the property sets the value of the combined properties at about \$7 million.

The MCI complex in Clinton off I-20 East at Clinton-Raymond Road is tangled up in the WorldCom bankruptcy and merger with MCI, Hood said. "It was so tied up, I settled for this one," he said. "I just hope they will keep some jobs out in that building."

Officials with MCI planned to file documents with the Securities and Exchange Commission at 10 a.m. today laying out the settlement with Mississippi, officials in Hood's office said. Negotiations were stalled until two months ago, when MCI contacted former Attorney General Mike Moore. His law firm has represented MCI. "They just called me up when they decided they wanted to get serious about negotiations," Moore said.

Also, MCI officials and out-of-state attorneys hired by Mississippi to handle the MCI settlement have agreed to fund a \$4.2 million children's justice center, to be located at the Jackson Medical Mall in cooperation with the University of Mississippi Medical Center in Jackson.

Funding the center is a goodwill gesture of sorts by MCI and the attorneys, officials with Hood's office say. A move to create such a center with state funds died in the 2005 legislative session.

The center would be a comprehensive effort for victims of child abuse in which counselors, prosecutors and investigators would all be housed under one roof. Further details will be announced later, Hood said. WorldCom collapsed in 2002 amid revelations of an \$11 billion accounting fraud to inflate earnings and hide expenses. It since has re-emerged as MCI Inc., based in Ashburn, Va.

Former WorldCom CEO Bernie Ebbers was convicted of fraud, conspiracy and false regulatory filings in the WorldCom accounting scandal. The Brookhaven resident could spend the rest of his life in prison.

6. NY Inquiry of Lending Bias Fuels Turf War

By James R. Hagerty

The Wall Street Journal

May 24, 2005

A squabble between state and federal agencies may prevent New York State Attorney General Eliot Spitzer from gathering all the information he is seeking for an investigation into possible discrimination in mortgage lending.

Janis Smith, a spokeswoman for Wells Fargo & Co., yesterday declined to say whether the bank is cooperating with Mr. Spitzer's request for information. She added, however, that Wells Fargo's "primary regulator is the Office of the Comptroller of the Currency, which has a longstanding history of comprehensively examining national banks."

Mr. Spitzer has been tangling for more than a year with the OCC, which regulates nationally chartered banks. He is resisting the OCC's attempts to prevent states from getting involved in regulation of those banks.

Mr. Spitzer opened a new front in that battle several weeks ago by asking about eight lenders with operations in New York, including Wells Fargo, to provide information about their lending practices. His office is looking at whether minorities, the elderly and low-income people are being targeted by questionable lending practices. Among other things, he is seeking data on credit scores and other factors used to determine rates charged to consumers.

Juanita Scarlett, a spokeswoman for Mr. Spitzer, said most of the lenders are cooperating. She declined to discuss whether Wells Fargo is among those banks. Last week Mr. Spitzer accused the OCC of trying to thwart the lending investigation. During a speech in Washington, he cited a telephone call he received from the head of the OCC.

The acting comptroller of the currency, Julie L. Williams, responded by saying: "I was surprised and disappointed to see what I had understood to be a personal conversation recounted as part of a speech." If Mr. Spitzer's office plans to duplicate work being done by the OCC, she said, that "would potentially disrupt and certainly impede our ability to conduct our exam work promptly and efficiently."

Many bankers support the OCC's efforts to sideline state officials because complying with demands for information from multiple agencies is expensive.

Among the other lenders that have received letters from Mr. Spitzer requesting information are Citigroup Inc., HSBC Holdings PLC, J.P. Morgan Chase & Co., Countrywide Financial Corp. and Washington Mutual Inc., according to people familiar with the situation.

The investigation provides a test of whether Wells Fargo or any other national banks will snub Mr. Spitzer, whose previous crusades have forced major changes at insurers, Wall Street firms and mutual funds. Wells Fargo's chairman and chief executive officer, Richard M. Kovacevich, has been a vocal supporter of what he calls "consistent national standards" for national banks.

Mr. Spitzer, a Democrat who has declared himself a candidate for governor of New York in 2006, said in the speech last week that federal agencies like the OCC "have essentially been so beaten down and neutered, they've been rendered incapable of fulfilling their fundamental mandate." In her response, Ms. Williams said, "I completely reject that characterization."

Ms. Scarlett, the spokeswoman for Mr. Spitzer, said the New York attorney general stands by his criticism. "We have no confidence that the agency will confront unscrupulous lenders and protect consumers, especially African-Americans, Latinos and other low-income persons," she said.

7. OH AG Files Suit Against Kronheims

Customers Complaints Total More Than \$100,000 in Losses
May 24, 2005

Ohio Attorney General Jim Petro filed a suit Tuesday against a Cleveland furniture chain for failing to deliver on its promises to its customers. Petro filed the suit against Kronheims in Cuyahoga Common Pleas court for violations of the Consumer Sales Practices Act in selling furniture, according to a release from Petro's office.

The attorney general's office has received more than 120 complaints over the last six months about the furniture store. Customers claimed the store failed to deliver furniture it sold, and refused to provide refunds for furniture not received.

According to attorney general investigators, the store advertised a distress sale in January, which misled consumers and violated state law by not mentioning the sale's start and end dates. State law says a distress sale should only last 45 days, but the chain extended it without notifying customers.

Customer losses reported to date total more than \$100,000. Petro wants Kronheims to pay consumers refunds for furniture not received or provide them with the products they ordered. The suit also asks that a \$25,000 civil penalty be imposed for each violation.