

## 10 Unethical Famous Examples

### #1: Enron

The energy company's bankruptcy in 2001 after allegations of massive accounting fraud wiped out \$78 billion in stock market value and led to the collapse of Arthur Andersen and the passage of the Sarbanes-Oxley Act of 2002. A class action settlement of \$7.185 billion was the largest of all time. Former President Jeff Skilling is serving a 24 year sentence.

### #2: Bernard Madoff

New York money manager Bernard Madoff's \$65 billion Ponzi scheme, the largest fraud ever by an individual, was exposed in December 2008 when Madoff, now doing 150 years in prison, confessed to his sons. The case led the SEC, which missed several opportunities to stop the fraud, to focus on Ponzi and investment advisor fraud.

### #3: Lehman Brothers

Investment bank Lehman, with \$600 billion in assets, failed in late 2008. It was the largest bankruptcy in history and a spark to the worldwide financial crisis. A bankruptcy examiner's report concluded there were "colorable" claims against its top executives and its auditor, Ernst & Young, for fraud, but neither the SEC nor the DOJ have so far filed charges.

### #4: The Bank of Credit and Commerce International

The Bank of Credit and Commerce International became known as the Bank of Cocaine and Criminals International when money laundering and widespread fraud were exposed at the bank in 1991. It went bust owing more than £10bn to its creditors. The collapse, whose effects reverberated for more than a decade afterwards, helped spur reform of UK corporate governance to keep a check on company management.

### #5: Tyco International

In 2002, Tyco International's bosses were found to have siphoned hundreds of millions of dollars out of the maker of electrical, healthcare and safety equipment. Much of the plundered money was used to fund the lavish lifestyle of Tyco's chief executive, Dennis Kozlowski, including numerous houses, a \$6,000 shower curtain and a \$2m birthday party for his wife. After a mistrial, Kozlowski and his fellow executives were sent to prison for 25 years.

### #6: Olympys

A \$1.7bn fraud at Olympus was unearthed in late 2011 by the camera maker's British chief executive. Olympus's previous management had buried losses for 13 years. The company's former chairman Tsuyoshi Kikukawa and two other executives received suspended prison sentences and an adviser to the company was sent to jail for four years this month.

### #7: Tesco

Tesco, Britain's biggest retailer, stunned the market last year when it revealed that it had overstated estimated profits by £263m by overestimating revenues paid to it by suppliers. Tesco was struggling to shore up revenues while under attack from the discounters Aldi and Lidl. The Serious Fraud Office is investigating the matter and Tesco has cleared out its board and UK management team.

### #8: HealthSouth

In March of 2003, the SEC accused CEO Richard M. Scrushy of overstating earnings by at least \$1.4 billion over four years. Scrushy was acquitted of all charges but later went to jail on a separate charge of bribing Alabama's governor. Fifteen former executives, including all five of its recent CFOs, pleaded guilty to accounting fraud.

### #9: Tyco International

CEO Dennis Kozlowski (pictured) and CFO Mark Swartz soaked Tyco for more than \$150 million in unearned

bonuses and loans from 1996 until 2002. Both are still in jail, although Swartz enjoys long weekend furloughs. Class action lawsuits cost the company another \$3.2 billion.

### **#10 Total SA**

French oil and gas company Total has been accused of building a pipeline with the aid of slave labor in Myanmar. In addition, in 1999 one of the company's oil tankers, the Erika, which had 30,000 tons of oil on board, sunk off of the coast of Brittany. A French court later asked the company to compensate the victims of the spill.