



CNNfn INTERVIEW SUMMARY:

On April 12, 2002 Steven Abernathy, principal of The Abernathy Group was interviewed live on "Business Unusual" regarding the Merrill Lynch probe by New York Attorney General Elliott Spitzer. Spitzer accused Merrill Lynch & Co. Inc. (TICKER: MER) and other investment banks of biased research and recommendations. According to Spitzer's 10-month investigation, (these companies with both Brokerage operations as well as Investment Banking operations) investment banks have given better recommendations to (targeted) stocks than were warranted in an effort to woo/protect business to the investment banking operations. Spitzer is trying to force Merrill Lynch to disclose and address possible conflicts of interest.

OUR POSITION:

- We believe that investors should demand change. This has been an issue within the financial services industry for quite some time now, and if all these firms receive is a "slap on the wrist" it would be a phenomenal missed opportunity.
- There is a fundamental issue with the business construct. Management teams that govern these firms are highly focused on the greatest revenue generator – investment banking deals, and they utilize research as a marketing tool to win these deals. What you have is the fox watching the hen house, if you will.
- Investors should seek out financial services firms that have their own independent research and that use sell-side research as a data point only. Also, there are many independent firms out there with no investment banking or market-making activities and investors should take a little time to find out who they are.

For a transcript of this show, please contact Jacqueline Chen, Manager of Public Relations @ jchen@abbygroup.com.