THE EXCHANGE

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The 1998-1999 SSSBSA Executive Board pictured (l-r): David Neiss, Joshua Swedarsky, Adina Loberfeld, Carla Shron, Yossi Knoll, and Joseph Dyckman. Not pictured are Susan Wohlgelernter and Marina Klochan.

The MIS Major Gets Restructured

by Yair Oppenheim

The Informations Systems major has recently gone through an overhaul that will set it on a steady course in Sy Syms through the next millenium. The path that information technology has taken encouraged the faculty and administration of the Sy Syms School of Business to consult recruiters, alumni and members of the Office of Career and Placement Services on how to do deconstruct and reconstruct the INF major to best assist future graduates in making their transition to the business world.

The product of two years of research, this committee, with its diverse membership, was best fit to handle the changes and improvements to be made in the INF curriculum. As one INF major put it: "I'm glad that the changes were made; that the choices were right and that it was done at the proper time." The changes range from the simple nomenclature (The major is officially named Information Systems,changed from the previous title, Management Information Systems) to adding more requirements and prerequisites to the major. The major now has increased its course policy of five INF electives to seven electives. The prerequisites have been increased and locked in; there is a steadier path in the courses an INF major must take, which assists in the largest change in the major, the split of the departmental courses into separate tracks: a Business Programming Track and a Systems Track. Each of the tracks requires a year of programming, as it was seen after deliberation that all graduates in the major would need to display a certain level of acumen in programming. New courses were included in the curriculum over the past year, with examples such as Java Programming and Internet for Business being but a few of the many inclusions. Courses such as C++ Programming for Business, are being offered more often as they are considered to be a necessity for graduates. Computer upgrades have been implemented, and attention has been paid to students who expressed interest in having popular courses being offered on a more consistent basis.

This all gears students in making the the best impression they can on recuiters, and it is expected to be a great success. After the implementation is complete, recruiters, being satisfied that their suggestions in retooling the INF dept. are getting their proper attention, will see Sy Syms INF majors in a new light; a light that represents a well rounded education. Another change made with recruiters in mind is altering the senior research paper to be a senior research project. The paper will be discarded in return for a project to be monitored and judged by a committee of an INF department head and an industry specialist. Associate Dean Jaskoll summed it up by saying: "I think that the way the curriculum was developed is an excellent way of collaborating the INF department with the INF industry in creating it."

Special SSSB Dinner Coverage Pages 8 & 9

Pava Heads New Academic Journal

by Isaac Galena

Moses Pava, one of our most sin cere, intellectual, and "ethical" professors, is building a fortress of intellectual, original thought in business ethics. Professor Pava has recently become Editor–In–Chief of the forthcoming international journal, Research in Ethical Issues in Organizations. The journal will be solely academic and is expected to be in the libraries of hundreds of business schools across the nation and abroad. Professors from Harvard and Wharton will be contributing articles to this highly academic research journal. The articles will be from a variety of different disciplines of thought. Pava's journal will be based on his original philosophy of focusing on the organizational level of ethics. This is a tremendous breakthrough in ethical research and it will establish Pava into the upper echelons of the academic business school elite. At the same time, Pava's own recognition will enhance the reputation and pride of the SSSB School.

Pava is no stranger to the field of business ethics. In fact, ethics are probably ingrained in his genetic coding. Pava has authored five books on the topic and has written several articles in various journals and magazines. Pava is considered an expert in the world of business ethics; he serves as a member of the Society for Business Ethics and as an editor for the Journal of Business Ethics. The Jewish community also holds Pava in high esteem. He holds a seat on the Orthodox Forum, known as the Steering Committee, which is a think tank dealing with issues of vital concern to the Centrist Orthodox community. Pava, who has delved into the Jewish perspective of Business ethics in two of his books, also serves as a reviewer of the Yeshiva University's Law and Ethics series. However, his newest endeavor will probably be his most valued and recognized work to date.

As Editor in Chief of the newest business ethics journal, Pava will add another achievement to his already exemplary line of academic credentials. However, "this journal will not just be another business ethics journal," says Pava. "It's strictly academic." The project is a novel addition to the world of academic thought in the field of business ethics. The journal does not focus on individual or personal ethical decisions in business; rather, the journal's focus is solely on the organizational perspective. "The purpose of the series," says Pava, "is to explore the central and unique role of organizational ethics in creating and sustaining a flourishing, pluralistic, free–enterprise economy." Pava continues, "The primary goal of the research studies published here is to examine how profit seeking and not for profit organizations can be conceived and designed to satisfy legitimate human needs in an ethical and meaningful way."

Pava stresses that this project will be directed from a pluralistic view. Ironically, Pava's coeditor happens to be a priest and professor from St. John's University named Father Patrick Primeaux. This editorial team dichotomy allows for a diverse, fresh, and unbiased perspective transmitted to the journal. The "organization" perspective, along with the pluralistic viewpoint grants a new format of thought for those of the business ethics intelligentsia.

"Meaning–Based Organizations" are the words with which Pava describe his philosophy. "The responsibilities an organization has to the environment and society," are some of the major issues that the journal hopes to address. Pava hopes to develop researched articles on the meaning of ethical decisions. The journal encourages authors from across the globe to submit rigorous research studies from a variety of academic perspectives. Business management, philosophy, sociology, psychology, religion, accounting, finance, and marketing are some of the major topics to be dealt with in the forthcoming journal. The Journal is set to debut in the beginning of 1999.

Although Professor Moses Pava has already contributed significantly to the universe of Business ethical thought, this journal marks a new territory and a development not only for the business ethics field, but also for Pava himself. The business ethics field will have a new developed journal containing different researched viewpoints centralized upon the organization, rather that the individual. This also marks a tremendous accomplishment in the career of Professor Pava. Pava will be regarded as an expert and the name Pava will be synonymous with academic business ethics.

Dr. Moses L. Pava, accounting professor at SSSB.

From the Editors' Desk

Spring is in the air. The Exchange has officially proven it can handle a monthly publication schedule, as I envisioned, and what does the future hold? Well, for one, I smell new computers and a slam-bang 1998 Orientation issue to bring in the next year. By now you've noticed that we've provided the students with information regarding candidates for this year's SSSBSA Executive Board elections, prior to the elections to assist them in making turnout higher and establishing the elections as a true representation of the student body's feeling, not some popularity contest. This year is bringing in feats never thought possible, and I can't tell you how ecstatic and stressful it has been (I had to mention the stress, since otherwise things would have looked too perfect). I've also recently promoted Joseph Weilgus to the status of Co-Editor-in-Chief. I believe his assistance has been invaluable in the production of the paper.

I'd like to take the time to remind students that the summer is a prime opportunity for learning, just as the rest of the year is. Whether it be summer college sessions or an internship that is "to die for", the summer is no time to shirk responsibility. Rest makes rust. If you're not doing either of the two, are not spending time learning Torah and do not even have a planned leisure schedule, then there is something wrong with you. Think about what you did last year and compare it with what you can do or with what your productive friends have done. You want that great job? That great salary? Those great benefits? This is where you earn them, my friends. This is what you show recruiters when they ask you how you spend your summers. With that said, I'd like to wish you all a great (and productive) summer, along with thanking you all for making this year the best year The Exchange has ever had.

Sincerely,

Yair Oppenheim

Yair Oppenheim
Editor-in-Chief

I would like to take this opportunity of my first issue as Editor-in-Chief to thank all of our outstanding staff for the wholehearted support which they have given to The Exchange. I would also like to encourage our readers to help contribute to the perpetuity and continuity towards a most successful paper. Without the valiant efforts our dedicated writers (yes, this does look good on your resume) this paper would not exist. We always welcome fresh viewpoints and new contributors, so please, get involved.

I really hope you all enjoy this issue and keep on supporting us. Our business school is growing in size and approaching an enrollment of 600 students. Against this background, The Exchange serves as a medium for both professors and students to express themselves on school issues as well as serving the post of a business journal. We cover various changes in the business world with insights from our professors and peers. We encourage all of our readers to respond to us with their concerns about this paper and the topics which we discuss. We are always open to new ideas and perspectives. Please keep in touch.

Sincerely,

Joseph Weilgus

Joseph Weilgus,
Editer-in-Chief

SSSB Presidents' Messages

Congratulations to the staff of The Exchange on making both this edition and this semester as successful as they've been. You truly have what to be proud of.

With finals upon us and the end of the year not far away, the time has come to look back at all that has taken place. Both Sy Syms and Yeshiva College continue to grow at phenomenal rates. This is surely an indication of the special opportunities that they provide. Our goal in all of this is two-fold. On the one hand we have been presented with the unique opportunity to help enhance our business school in its relatively early growth stages. Student involvement in clubs and extracurricular activities are the conventional outlets for this energy, but they need not be the only means available. We also have a duty to ourselves to make sure that we're getting all that we can out of our classes and shiurim. After all, to truly enhance our school, we have to make sure that it is serving its underlying purpose of providing its students with a top of the line education. Only once we have accomplished both of these goals will we be able to say that we were completely successful during our time at Sy Syms. The challenge is large but the rewards that come in the form of self satisfaction make it well worth the sacrifice. And so, while you all study for finals, I encourage you all not to focus solely upon what has to be memorized for the tests, (although that certainly should be focused upon), but also to contemplate the applicable ramifications of the topics of your memorization.

While I have your attention I'd like to thank the entire 1997-1998 SSSBSA for their hard work and dedication throughout the year. I'd like to single out Jonathan Teitelbaum for the particular recognition that he deserves for having run the most successful tutoring program that Sy Syms has ever seen. I'd like to extend a thanks to Cheri Ochs as well (President SSSBSC), for her sincerity, patience and perseverence. It's been a great year. Thank you to all of the students of Sy Syms for giving us the opportunity to do our best to enhance our school.

Sincerely,
Simcha Gissinger
President, SSSB

I cannot believe that the year is over and what a great year it has been! This year, the SSSB Student Association has sponsored more activities than in previous years. We had educational forums where the American Marketing Association invited a media planner to discuss his field of work. The Joint Business society sponsored a trip to the New York Stock Exchange. On both the Main and Midtown campuses we had alumni from the various business majors come to speak to the students about the challenges they faced when starting their first job. SSSBSA also co-sponsored Midtown Campus events such as the fashion show at the beginning of the spring semester and "80's Night", both of which were organized with the help of the SSSB students. Most recently, we went to the Yankees game. The events were a huge success; they were fun and exciting and served as a nice break for all our hardworking students. Of course, we ended the year, as with every year, with my own personal favorite, the SSSB Annual Dinner, which is always a huge success.

I truly believe, that as president of the SSSB Student Council, I accomplished what I hoped to do; to create a balance for the student body between academia and pleasure. However, I could not have possibly done it without the help and support of my fabulous Executive Board. I would like to thank Gina Elkon (Vice President), Tova Zitter (Treasurer), and Deborah Waltuch (Secretary) for doing a great job. I would also like to thank and express my appreciation to Simcha Gissinger (SSSBSA President), Mechal Weiss (TAC President) and Hannah Shonfeild (SCWSC President) for making this an unforgettable year. I hope all of you make it though finals and have a great summer.

Sincerely,
Cheri Ochs
President, SSSB

Published throughout the year by the Yeshiva College Student Council and the Sy Syms School of Business Student Association. The views expressed in these columns are of the writers alone and do not reflect the opinions of The Exchange, the student body, faculty, or the administration of Yeshiva University.

AMERICAN MARKETING ASSOCIATION

The Exchange is brought to you with the cooperation of the American Marketing Association Chapter at Yeshiva University.

From Left to right: David Neiss and Adina Loberfeld, recently elected as Presidents of The Sy Syms School of Business Student Association.

To the students:

First of all, we would like to thank this year's Sy Syms School of Business Student Association Presidents - Simcha Gissinger and Cheri Ochs for all the tedious work they have done for our growing business school. We will surely miss them and we wish them the best of luck in their careers. Secondly, we would just like to thank everyone for making this year's Sy Syms School of Business Annual Dinner such a huge success. Congratulations to all the awardees for their accomplishments.

One of our major goals for next year is to try and stimulate interest in clubs and have the students actively involved. If anyone has an idea for an event that previous administrations have never tried, please contact one of us and feel free to make some suggestions. Our focus for next year will be trying to plan many more events that interest you, the students of SSSB.

Furthermore, we have already met with the Office of Placement and Career Services and have discussed possible ways to improve the placement office for the upcoming school year. Together with the devoted staff of the office, we hope to make the job search for the students a less stressful, and even more rewarding, experience.

Finally, we would like to wish all the graduating seniors much luck in their future endeavors. As for everyone else, we look forward to seeing you all back here in the fall. Have a great summer.

Adina Loberfeld
and David Neiss
Presidents Elect, '98- '99

Investment Club Reaches New Heights

by David Knoll

Though you may not have heard the news, there is a new investment club joining the ranks of the numerous clubs in Yeshiva University. Heights Investments, Yeshiva University's newest investment club is now in full swing, fully invested in a handful of growth and value securities. The club's unique active management consisting of 12 Sy Syms students from both Stern and Yeshiva College have positioned themselves for a strong and successful summer. Currently, Heights Investments has achieved success in the form of a 21% return on capital (2/1/98-5/5/98) return by investing in strong, safe, undervalued growth companies in top industries.

How they invest.

The Heights 20 Portfolio, the name given to the partnership portfolio at this time, consists of only five securities. Heights plans to end the year with at least ten securities, and has established that the portfolio will grow no larger than twenty securities. This is similar to that of the Janus Funds' Janus 20, a fund made up of no more than twenty stocks and with no stock comprising more then 5% of the portfolio. "We plan to accomplish this buy holding 5-10% of the portfolio in a money market account, and possibly investing in a Bond Mutual fund (this will also balance the overall portfolio and further reduce risk)," said Ari Kadish, Heights Investment Club President.

The Heights 20 Portfolio also minimizes all costs and is a no-load fund. Heights follows the principals and example set by legendary Vanguard founder John Bogle of low costs, and no-loads. Heights feels that by establishing low costs and minimizing costs to members, the fund and its members will realize higher gains through the power of compound interest.

All investors in Heights have the opportunity and are strongly encouraged to attend partnership meetings with the intent of presenting securities to buy or sell. At the moment, Heights is made up of Sy Syms and Yeshiva University students, but the partnership is targeting non-college investors who can, in most cases, make larger deposits. Most investors joined the Heights for two reasons: 1) They have made further inquiry as a response to the great word of mouth that the Heights has received, or 2) They would like to have more say, but less risk in their investments. Many members dislike the risks of owning one or two stocks because with greater risk, they face less diversification. Outside investors who have expressed interest in Heights point to the dedication and drive of the founding board members of Heights. This dedication to invest in solid securities as well as the fact that the members' capital is at stake, makes Heights an attractive investment.

Heights Investments uses Waterhouse Securities, a discount broker, to purchase its stocks. Heights will never buy less than 50 shares of a single security, with the normal purchase amount being 100 shares. These companies are ranked 2nd or higher for Timeliness in the Valueline Investment survey and all stocks purchased are ranked 3rd or higher for relative safety. A partner at scheduled meetings presents all stocks in front of all the members. A 66% approval is necessary to purchase or sell securities, making it harder to make bad decisions. Currently, Heights holds meetings once or twice a month. The President presents an agenda with the two Vice Presidents, as well as including presentations by other partners of the current positions of the respective stocks. When asked if they intend to compete against the existing Max Investment Club, Kadish said "Competition is not an issue. I wish the Max Investment Club the best of luck with their investments. My main goal is to provide my investors with the strongest possible results." If you would like to receive additional information about the Heights Investment Club, email heightsinvestments @yahoo.com.

The Exchange would like to thank Simcha Gissinger, Cheri Ochs, and their respective Executive Boards for making this year at SSSB the success that it was.

Saddam Hussein and Rational Calculus

by Ilan Scharf

Saddam Hussein views himself as former Egyptian President Gamal Nasser's replacement in the Middle East. He believes that he is destined to lead the Arab world to what he views to be its proper leadership role in the region. He and his Baathist cohorts view Iraq as a Middle Eastern Prussia with great military power and a destiny to lead the region in a Pan-Arabist empire. To accomplish this Saddam has built up his country's military and has taken political steps which demonstrate his desire to assume the mantle of Middle Eastern leadership from Egypt after it made peace with Israel in 1979. Notably, he hosted the conference which was called in order to expel Egypt from the Arab league in the wake of the Camp David Accords.

In 1980, only a few months after Saddam became the official leader of Iraq, he decided to attack Iran, and thus initiated a war that was to last for eight years. This bold move stemmed from a conclusion that Saddam derived from a number of conditions that were prevalent at the time.

After the Ayatollah Khomeini's ascent to power in Iran, Saddam immediately became worried that the new Shiite regime under the Ayatollah would encourage the Iraqi Shiite population to rebel against his regime. Iraq is roughly 55% Shiite, while the ruling Sunni population, of which Saddam is a member, comprises only 16% of the country's population. Khomeini had expressed his negative opinion of Saddam by saying that "there are three evils faced by the Iranian people, the United States, the Shah, and Saddam Hussein." Khomeini's Pan-Islamic rhetoric served to add fuel to Saddam's concerns regarding the spread of the Islamic Revolution to Iraq, which was a direct threat to the Baathi philosophy.

Saddam stepped up his anti-Khomeini activity by arresting and hanging Sheik Rutman, the leader of Dawa, the Shiite political party in Iraq. Saddam also allowed Iranian dissidents to broadcast anti-Khomeini speeches into Iran. Khomeini responded harshly and conditions deteriorated to the point where there were roughly 10 border incidents occurring each month along the Iran-Iraq border by September 1980.

Traditionally, one of Iraq's greatest weaknesses lies in its limited access to the sea. Since 1937, the country has been disputing ownership of the Shatt al Arab with neighboring Iran. The Algiers agreement of 1975 established the border at Al Faw, just to the west of Shatt al Arab. Saddam signed the agreement in exchange for the Shah's promise to halt aid to Iraqi Kurdish rebels. Saddam viewed Khomeini's ascent to power as a sign that it was now possible for him to make a land grab for the Iranian side of the Shatt al Arab.

Saddam calculated both that the necessity to invade Iran, and the conditions for an invasion, had never been better. The Shah's death in July 1980 was seen as a sign that the Ayatollah was there to stay. Saddam decided he had to stop the Islamic Revolutionary movement before it caught hold amongst Iraqi Shiites, and if he were able to gain the Shatt al Arab in the process, then the invasion would be even more tempting. Western governments, especially the US, were assumed to be in favor of the move in light of the potentially destabilizing effect that an Iranian revolution could cause if it swept through the Middle East.

The political and military conditions seemed to indicate that an invasion was possible at that moment. There were reports of disarray in the Iranian ranks as moderates battled with the more revolutionary elements of the coalition that had brought the Ayatollah to power. The Iranian army was reported to be in disarray following massive purges in its ranks. Since the revolution, the flow of weapons into Iran had been stopped. The US was angry with Iran due to the hostage crisis, and Iran wasn't on friendly terms with the USSR either, due to its recent invasion of Afghanistan. Iran was politically stranded and militarily weakened, so the time was seen as suitable for an invasion.

Saddam had tacit Western approval to go to war. He had better weapons than Iran and a well-trained army, as well as a supply source in the USSR. Furthermore, he was invading a nation that, although larger than his, was in disarray following a revolution that was still experiencing a tumultuous finale.

Yet, Saddam's calculation has been proven to be wrong by the resulting debacle of the invasion. Saddam miscalculated both Iran's ability to withstand his initial assault and his own army's capacity to conduct a proper offensive. The Iranian revolutionary fervor allowed Iran to send swarms of soldiers to face Iraq's weapons. Even with an apparent qualitative edge, Iraq was unable to fend off the waves of Iranians. Iraq went on the defensive in 1982, and stayed there until the last stage of the war.

The one calculation that Saddam seems to have made properly was that the West was unwilling to allow Iran to become the regional hegemon in the Middle East. In addition to the West, the Gulf states didn't want to fall under Iranian domination and therefore threw their support behind Saddam. The Gulf states financed Saddam's war with loans and grants, while the West provided modern weapons, advanced technology, and food for Iraq. Finally, in 1988 the cease fire was signed after Iran was put back on the defensive as a result of Iraq's newly equipped, modern army.

The war left Saddam victorious, but at a terrible price. Iraq could now boast the world's fourth largest army, equipped with many of the world's most modern weapons, including weapons of mass destruction. Yet, the war had cost an estimated $300 billion and left Iraq with an estimated $230 billion in reconstruction costs and $80 billion worth of debt. This was after possessing $30 billion in hard currency reserves at the start of the war. Post-war Iraqi oil production fell to a paltry $13 billion annually, barely enough to service the interest on Iraq's debt.

Saddam turned to the Gulf states once again and asked them to forgive their debt to Iraq. He first asked that OPEC raise oil prices, but Saudi Arabia and the other OPEC states did not believe that this was a prudent move in the oil market of the time. Saudi Arabia, one of the two largest debt holders agreed to accommodate some of the Iraqi demands, but Kuwait, the other major Arab debt holder, refused to forgive its $10 billion share of the debt. Iraq then presented a list of grievances and requests to Kuwait. Iraq wanted immediate forgiveness of its debt to Kuwait and an additional $10 billion grant for reconstruction. It wanted Kuwait to adhere to its OPEC quotas, and accused Kuwait of overproducing by two and a half million barrels of oil per day. Iraq also wanted use of Bubiyan Island, one of Kuwait's two islands in the Gulf, in order to ship its oil. Finally, Iraq demanded that Kuwait cease slant drilling in the Rumeilah oil field that straddled the border between the two countries. To give weight to his demands, Saddam began to mass troops at the Iraqi-Kuwaiti border.

Saddam felt that he would be able to invade and annex Kuwait quickly without a great deal of outside interference. Saddam calculated that following a quick invasion he could immediately raid Kuwait's financial reserves in order to replenish his depleted treasury, and gain control of twenty percent of the world's oil reserves. Militarily it would be no problem for Iraq's million-man army to overpower Kuwait's 16,000 man military.

The possibility of US interference was assumed to be nil by Saddam, due to an assumption that a green light had been given by the US. The US Ambassador to Iraq, April Glaspie, told Saddam that the US had no opinion in Arab-Arab disputes. This was in addition to a Congressional hearing in which Undersecretary of State Kelly testified that the US had no mutual self defense treaty with Kuwait, after he was asked if the US had plans to assist Kuwait if it were to be invaded. Saddam understood this to mean that there was US approval of his plan to use aggression to achieve his goals.

Saddam was motivated by his desperate situation. He had no money for reconstruction and no available credit. The only way to legally obtain more money would be for him to turn over Iraq's economy to the IMF, a measure he desperately wanted to avoid. Saddam saw the invasion of Kuwait as a solution to all of his problems. He then the concocted a list of grievances against Kuwait and massed troops at the border, under the intimation that this was mere muscle flexing as a means of intimidation. He also figured that the deterioration of the cold war would allow regional actors more freedom of action in the Middle East, now that the US-USSR confrontation was over and the Middle East was no longer seen as a surrogate for superpower confrontation. Then Saddam sought permission from the West and assumed that a green light had been granted for an invasion of Kuwait. So he invaded the tiny Emirate.

Once again Saddam had made a fatal error in his rational calculus. He misunderstood US intentions in the Gulf. He did not figure that there was no way the US would allow him to control 20% of the world's known oil reserves. Furthermore, the US could not allow such a blatant act of aggression to go unpunished in the "New World Order." The US saw itself as the single remaining superpower in the world, a role which required it to maintain a favorable balance of power in a strategic region such as the Gulf. A powerful Iraq could threaten US influence in the region, and hence adversely affect US oil supply and oil costs. Not since World War II was the US presented with such a blatant case of naked aggression, which it could reasonably deal with and have world support for its effort. The US was being presented with an opportunity to prove itself as the leader of the post-Cold War world.

Once Saddam realized that the US was not going to allow him to keep Kuwait he made the decision to stay in Kuwait anyway. He could not afford to pull out of Kuwait without some concession to save his (and Iraq's) honor. It was obvious to Saddam that he could not beat the coalition in a war, so he devised other strategies to defeat it. He decided to engage in a defensive war that would inflict heavy casualties on the coalition armies. He especially hoped that this strategy would succeed against the US, which he assumed was still suffering from the Vietnam syndrome, an inability for the general public to accept casualties. This was evidenced by the only other US intervention in the Middle East, Lebanon, which resulted in the US turning tail and running after sustaining 240 casualties. He warned Ambassador Glaspie that the US was not willing to accept 10,000 dead in a single battle, while Iraq was prepared to suffer such catastrophic results.

Saddam's second strategy was an attempt to fragment the coalition by framing the war in a Pan-Arabist, and anti-Israel, context. He first did this by attempting to link the redemption of Kuwait with the Israeli withdrawal from the West Bank. His second tactic in this strategy was his attempt to bring Israel into the war by targeting Israeli population centers with Scud missiles.

History has demonstrated the lack of success that Saddam experienced with all of his strategies. He was unable to stop the coalition from trouncing his army while sustaining shockingly low casualties itself. Furthermore, he was unable to fragment the coalition due to Israel's discipline in restraining itself from retaliation against the Scud attacks.

It seems that Saddam was performing a rational calculus in his various decisions to initiate and perpetuate the Gulf War, yet he doesn't seem to be very good at this type of calculation. In the Iran-Iraq War he was saved only due to massive aid from other states, yet he still could not achieve his goal of capturing the Shatt al Arab. His only correct assessment in deciding on the invasion of Iran was that he had Western support, due to US and European interest in limiting, or even eradicating, the Islamic revolution in Iran. His political calculation at that time was correct, although his strategic assessment of his military capability was extremely erroneous. Conversely, his military calculations regarding the invasion of Kuwait were dead on, even though they were not very difficult given the massive imbalance of power between the two states. Yet, his political understanding of the US position in the Gulf was completely off the mark.

Saddam quickly found himself stranded with no way to back out of the crisis gracefully, which led to his fatal de-

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SY SYMS SCHOOL OF BUSINESS

The Office of Placement and Career Services invites you to experience a sampling of jobs available through their office.

FULL TIME

Social Service
There is a social services job directory available at the OPCS available for BA and MSW candidates.

YUSSR
is looking for an overseas director to be housed in Minsk, Belarus. Run all activities in their Youth Center as well as numerous other Jewish youth and family activities.

Learn to swim before you take the plunge!
Brooklyn Legal Services Corp. is looking for a paralegal in matrimonial law.

New York Medical College
Positions are available for clinical research assistants. Excellent opportunity for those pursuing a career in health sciences.

Rockefeller University
has a number of scientific and technical positions. Great employment opportunities as research assistants.

Victim Services
is looking to fill a positions for Research associate.

JCC
JCC's all over the country are looking for people to work in Jewish communal service.

Job Path
A transitional employment program for developmentally disabled individuals is looking for a Job Developer.

Jewish Schools
Beit Rabban, Westchester Day, Park East, JEC and Moriah are looking for a variety of teachers.

Shearim
Fellowship for those who love Jewish learning and serving the Jewish community.

The Osborne Association
Client Advocate, Counselor/Court Advocate and Research Analyst Consultant positions open for criminal justice org.

City of NY Parks & Recreation
There are a plethora of jobs available with the Parks Department.

U.S. Attorney's Office, Duval & Stachenfeld, LLP
are in need of a paralegal specialist.

Diamonds & Jewelry
JDM Import Co. and Namdar both have various office positions available.

Oren Tours
is looking for tour guides who speak fluent Hebrew to lead tours for Israeli groups visiting the U.S.

CompUSA
is looking for individuals to service existing corporate accounts.

SUMMER POSITIONS

Market Research
Schulman, Ronca & Bucuvalas, Inc. is hiring telephone interviewers. No experience necessary.

The Everett Public Interest Internship Program
has a number of positions available in non-profit center.

Proskauer Rose LLP
is offering paid summer internships in their Marketing Department.

Research Associate
Tenant Data Corp., Inc. has a positions available for someone to collect general information from companies.

Thieme
Medical and scientific publisher looking for people in editorial, production, marketing depts.

Arnold Public Relations
There are paid summer internships available with their client, Fleet Bank.

Powell Tate
Special projects assistant needed for paid summer internship.

American Committee for the Weizmann Institute of Science
Media relations needs someone interested in publicity.

Warner Brothers
Summer internship available in marketing & sales.

Wenner Media, Inc.
The publisher of Rolling Stone and other popular magazines is looking for someone to assist in the promotion department.

Stern's
Learn the day to day operations of managing a retail business.

Sales & Marketing
Turner Broadcasting Sales needs someone in the support areas of the sales office.

Prudential Preferred Financial Services
is looking for a human resources intern.

WLIR
Learn programming, promotion, production, marketing and sales at this radio station.

New York Legal Assistance Group
Intern at this not-for-profit legal services organization.

Science Research Booklet
is now available at the OPCS for those interested in doing research this summer at AECOM & elsewhere.

Jewish Communal Services
JCRC and American Joint Distribution Committee have non-paid internships available.

Mt. Sinai & YAI
have paid and volunteer positions in clinical and research functions available.

Spelling Entertainment, Comedy Central
has great internship opportunities available. Must be able to gain college credits.

Publishing
Hadassah Magazine & Inc. Magazine are looking for summer interns to assist in proofreading, fact checking, etc.

International Foundation of Employee Benefit Plans
Get paid experience in the employee benefits industry by joining the I.F. Interns Program.

Entertainment Employment Journal
The 1998 Spring and Summer Entertainment Employment Journal is available at the OPCS.

Young & Rubicam, Ogilvy & Mather
Ad agencies have summer internships available in many areas. See OPCS for more details.

Political, Governmental and Legal Internships
The OPCS has a pamphlet of internships in the above fields, compiled by the Poli Sci faculty.

The Cloisters
Eight paid internships are offered. Conduct gallery workshops and develop public gallery talk.

Cornell Medical Center in Westchester
An eight-week program which combines clinical and administrative assignments with seminars and lectures.

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ISRAEL REPORT

A Free-Floating Shekel?

by Shmuel Cahn

Recently, the Israeli government in conjunction with the Bank of Israel has publicized its new policy of free-floating exchange rates for the Shekel. These new economic freedoms were scheduled to take effect in honor of Israel's fiftieth birthday, celebrated on May 1.

Under the new rules, the price of the Shekel will be allowed to fluctuate naturally based on the prevailing supply and demand situation, like many of the world's prominent currencies. Until now, the Bank of Israel has constantly intervened in the foreign exchange markets to keep the shekel within a narrow trading range, for fear that it would rapidly depreciate if left to market forces. Specifically, a price range allowing for fluctuations of about 10% was set by the central bank. To ensure that the Shekel did not leave this trading range the central bank often had to intervene in foreign exchange markets by expending foreign currency to purchase Shekels. This would absorb the excess supply of Shekels, and hence keeps its price from falling. While this form of intervention in the markets can be carried out for years, it is costly since foreign currency must constantly be spent, without receiving very much in return. A free-floating Shekel would absolve the Bank of Israel from performing this duty on a regular basis. Equally as important, a free-floating currency is viewed as a sign of economic maturity. It signifies that a country's economy has grown and matured to the point where it has ample foreign trade, and where it has no need to fear that people will suddenly make its currency worthless.

In addition to the restrictions on exchange rates, a host of other restrictions are being rescinded. Specifically, Israelis will now be allowed to own foreign currency when in Israel, they will have unlimited use of their credit cards when abroad (which will presumably increase the amount of money that Israeli tourists spend, and hence increase the supply of Shekels on the world market), Israeli corporations will be allowed to hold the proceeds from the issuance of foreign securities in foreign banks, and Israelis will be able to purchase real estate with dollars (now the transactions are denominated in dollars, but completed in Shekels, for example).

Some elements of the original plan which would have benefited the world financial community have been delayed indefinitely. One of these is the provision that would have allowed Israeli pension funds, insurance companies, and the like to invest up to 10% of their assets abroad being cancelled. Also, the regulations which restrict foreigners from dealing in Shekel options and futures that are longer than one month is being kept in place due to the fears of the Ministry of the Treasury.

Specifically, the Treasury is afraid that if foreigners are allowed to freely trade Shekel futures and options they will be able to force its devaluation, something which should be avoided. That is precisely why until now the transfer of Shekels has been so closely regulated, to ensure that the price does not drop. The Bank of Israel, on the other hand, believes that the Israeli economy is strong enough to withstand such pressures on a regular basis. For those unusual circumstances when these pressures might become unbearable, the Israeli currency would have to receive emergency aid as some of those in Asia did last year. They are assuming that the Shekel won't suffer this kind of meltdown because the Israeli economy is in much better shape than those of East Asia. Specifically, the Israeli economy is not founded on excessive international borrowing, and therefore its currency isn't at risk for devaluation.

A full deregulation of the Shekel would be productive because it would show that the Israeli economy has matured to the point where its currency is not considered worthless. It also benefits tourists and businesses who wish to be able to easily spend money in Israel without having to worry about it being stuck there (it was previously illegal for foreigners to buy foreign currency in Israel), and Israeli tourists and businesses that wish to easily enter into transactions abroad without having to worry about limits on their spending or limitations on their rights to hold foreign currencies. Although it would be foolhardy to do so prematurely, because foreign currency traders could force a severe devaluation, the Israeli government has decided that the time is right, in time for Israel's Fiftieth Anniversary. Hopefully the liberalization methods that are being adopted will be enough to reinforce Israel's status as a mature economy worth trading with and investing in, while protecting it from currency speculators wrath (by prohibiting futures and options).

Are Investors Rational?

Making the "Punishment" Fit the "Crime"

by Joey London

A President is assassinated. A ValuJet plunges to the ground. Tainted burgers cause deaths at Wendy's. Tampered Tylenol bottles cause the nation's pharmacies to remove shelved Tylenol bottles. How should the stock market react to these events? In most cases, the market forgives corporate indiscretions and political events. The death of a president really should have no long term effect on companies like Coca Cola or General Electric and in a matter of days, the market rebounds to its former position. Companies also have learned to use "spin control" to turn lemons into lemonade. Wendy's is still around, and so is Tylenol. But ValuJet is gone. Why? Planes crash every other week, but for ValueJet, a company singed with a myriad of prior operational and financial problems, the problem was more than spin control could handle and the Florida crash proved to be its last straw.

The market reacts similarly to statements regarding net income, revenue, and reported earnings. These terms are just a few of the bottom-line figures investors and managers look at to estimate corporate growth and future earnings. These figures are indicators for the particular company as well as the entire industry.

The SEC requires all publicly owned companies, whether traded on the NYSE, NASDAQ, or OTC markets to report earnings on a quarterly basis and to conduct yearly external audits. Despite the high regard for reported earnings figures, is it possible for a deviation in company announcements of actual earnings to trigger a reaction that far exceeds the deviation?

Cendant Corp. is a prime example. In this case a $115 million deviation in reported income triggered a $15 billion loss in the market value of Cendant Corp.'s stock valuation. On Wednesday, April 15, 1998, Cendant Corp. announced that they had discovered a possible accounting error by overstating their 1997 earnings by as much as $115 million. The company had reported 1997 earnings of $872 million, or $1 a share, before special charges. The complaint alleges that Cendant (and its predecessor corporation, CUC International Inc.) and certain of its officers violated the Securities Act of 1933 by publishing a false and misleading prospectus and by overstating its 1997 income by as much as $115 million. The result was that the price of CUC stock issued to HFS shareholders was artificially inflated at the time of the merger as a result of the misrepresentations.

How should investors react to this accounting fraud? And more importantly, how did they react? Does logic dictate that they should only react to a degree of $115 million dollars? To what end is it rational to react to such news? Take the case of Oxford Health. On October 27, 1997, Oxford Health announced lower than expected earnings, of not such significant proportions. What happened to Oxford? Their stock devalued more than 85%! Was it mainly because of the DJ's 500 point crash that fateful day or was it because of the lower-than expected earnings? Does Cendant news lead investors to believe that Cendant is another "Oxford Health" waiting to happen? When investors hear such impacting news, they should not solely focus on the present earning reports but must also look at the basic company itself—its management, its structure, its philosophy, and the direction of the company and the industry.

Cendant Corp. was formed in December 1997, from the $11 billion merger of HFS Inc., an owner of hotel chains and real estate brokers, and CUC International, a direct marketing company. Cendant, based in Parsippany, NJ, and Stamford, Conn., incorporates Ramada, Howard Johnson, Avis, Century 21 and Coldwell Banker. After the earnings announcement, Cendant's stock fell $16.56 to $19.06, and closed at $18.875, a drop amounting to more than 47 percent in just one day alone! The Cendant news and the decline in its stock cast doubt over the purchase of American Bankers, a deal reached last month after Cendant won a bidding war with American International Group Inc. (AIG), industry analysts said. Analysts said that with Cendant's stock down so sharply, it may no longer be able to complete the American Bankers purchase, and that insurance regulators may be less willing to approve the deal after Cendant's announcement. That prompted speculation that Cendant's problems may create an opportunity for AIG. Analysts also said other Cendant deals now in doubt are its $3.1 billion cash acquisition of National Parking Corp., a London-based operator of 500 car garages in Britain, and the $220 million purchase of Providian Auto and Home Insurance Co. Thus, the impact from an accounting error can be more devastating than just having earnings lowered from $872 million to $757 million.

But the Cendant fallout is far from over. Analysts are now calling into question the originally deemed "seamless fit" of Henry Silverman's HFS and Walter Forbes' CUC. Analysts such as Hambrect & Quist's James Pettit, commenting on the HFS/CUC merger, call the recent news announcement and stock decline "the last shoe to drop." Merrill Lynch & Co. Inc., Goldman Sachs & Co., Morgan Stanley Dean Witter and Hambrect & Quist were among the investment houses cutting their Cendant ratings. The sharp drop in its stock price also helped fuel a decline in the broader market as investors worried that stock prices in general were excessively high. It also called into question Cendant's plan to use its once-rich stock price to continue the acquisition spree that built its predecessor companies.

Thus, while no one can predict how and where a hurricane will strike, it follows that soundly constructed buildings will stand and poorly constructed buildings will collapse. The same is true for companies and corporations. Planes fly and planes crash. Sound airlines will fly again tomorrow, the less sound will have flown their last mile.

State And Society

by Ilan Scharf

How can we overcome market failure in determining environmental policy?

Environmental pollution represents a classic failure of the private market to allocate resources effectively when transaction costs are high and property rights are poorly defined. Collective intervention is necessary to avoid the destructive effects of treating natural resources in the public domain as though they were free goods (Chapman 1993, pg. 63).

Unfortunately, collective intervention is not synonymous with sound policy. There are gaping holes in our current environmental policy. A strong case can be made that our environmental policies inherently create high costs relative to their impact and destroy private property values unnecessarily and arbitrarily.

For various reasons of history, ubiquity, and contracting costs, environmental resources, such as the atmosphere, are not held privately and are not marketed or subjected to cost regulations. Their common property status indicates that their conservation is dependant on public choice and some form of management. If we have a pollution problem, it is because of a reluctance to make such choices or to establish effective machinery for its implementation (Baden & Stroup 1981, pg. 49).

The combustion process provides an illustration of the importance of property rights and markets. Both the automobile designer and the driver pay a great deal of attention to the amount of gasoline that passes through a cars engine and exhaust system. Yet, traditionally, neither paid much attention to the quantity and quality of the atmosphere that passed through the carburetor, even though the oxygen in the atmosphere is an essential component of combustion. The reason is simply that gasoline is controlled by private interests, and therefore has an explicit cost, whereas the atmosphere is not controlled by any such institution, and therefore has no explicit cost. This resource is treated as though it were free and is thereby overused. Simultaneously, third-party effects of both the gasoline and atmosphere uses are widely felt (Baden & Stroup 1981, pg. 51).

Because a large number of individuals are involved in the use of the collective environment, the costs of private contracts for its use are prohibitively high. The ultimate result is that the private costs of marketed goods are ultimately too low, while the total social costs are too high. The existence of common property resources and the resulting third party effects of private contracts create inefficiencies in the economic system.

There are third-party effects associated with virtually any contract, but they are usually trivial, and the costs of overcoming them are high enough that they may be excused. Although there are differences of opinion, few people would assume that environmental problems are to be ignored as trivial. These problems are consistently increasing in sophistication as the socioeconomic system increses in complexity and density. Questions of efficiency, as well as equity, arise in the differences between the people who receive the private goods and those who bear the costs of pollution. The fact that pollution control policies will ultimately involve the loss of some personal freedom cannot be raised as an instinctive reaction to the advocacy of public action. The very existence of third-party effects indicate that individuals are being coerced to bear the costs of private contracts to which they were not a party. Clearly we must concern ourselves with the greater freedom, beyond its crude understanding within the private sphere.

Rawls contractarian view of the state seems to lend itself to the justification of forming a collective environmental policy. Rawls bases his ethics on the model of a contract that is made by objective bargainers under a veil of ignorance (Rawls 1971, pg 157). The parties to the contract understand that concepts such as poverty and wealth, or elites and underclasses, do exist, yet they do not know into which category they themselves fall. Since, according to Rawls, people are conservative by nature, and fear being placed in the disadvantaged categories, they will naturally strive to accommodate the problems pertaining to those disadvantaged segments of society.

This veil has been stretched by some to include environmental planning in a number of ways. There is a great debate about whether or not to thicken the veil to include inanimate objects, such as the ocean or a mountain (Thero 1995, pg. 99-105), but that is beyond the scope of this topic. Here it is best to concentrate on the contractualist obligations derived under the veil of ignorance pertaining to human interactions with the environment.

One way that Rawls uses ethics to justify regulation of private contracts which affect the environment is the notion of the primary good. A primary good is what a rational person desires, regardless of all else. If health can be viewed as a primary social good, then there is justification for stemming the atmospheric release of materials that are hazardous to the health of third parties (Manning 1981, pg. 159). Another application of the primary good, in this environmental case, is that self respect is a primary good, and that if a person is powerless to control the environmental pollutions effects on that person,then one loses self respect (Manning 1981, pg. 160). This second use of the primary good as self respect is only very tenuously linked to environmental harms; it is worth noting, however, as it deviates less from Rawls definition of primary goods than the introduction of the new primary good, health .

A second application of Rawls to environmental ethics is the notion of an obligation to succeeding generations. Parents care about their offspring and therefore make stipulations for their welfare in the original contract even if the succeeding generations are not part of that original contract (Manning 1981, pg. 162). Among the problems with this formulation are the many rational people who choose not to have children, and the tenuous assumption that an ancestor will have the same benevolent feelings toward his distant offspring as he would have toward the first one or two generations of his offspring (Thero 1995, pg. 97).

Of course, if the parties to the contract are expanded to include all theoretical future generations, the problems with this assumption fall away. This assumes that each generation must be treated as an arbitrary contingency, and factored into the veil of ignorance. The objective parties know that there are many generations, but not into which generation they fall. Therefore, they will want to establish safeguards to assure that each generation is granted use of the environment. The basic standard might be that each preceding generation should use a standard of causing more benefit than harm (Manning 1981, pg. 163-164).

Now that we can see an ethical justification for collective action regarding the market failure in environmental regulation, it is time to examine how a correction can reasonably occur. Professor J. B. Ruhl, of Southern Illinois University, uses a model of a fictitious Supreme Court case, which was formulated by Prof. Lon Fuller, of Harvard. The case is entitled "The Speluncean Polluters." The case is a fictitious brief of a Supreme Court case, in the year 4310, that is deciding the fate of the world as it is faced with an environmental catastrophe. The world will come to depend on a miracle substance, called placidium. Only a fifty year supply remains, and the extraction of that supply will cause the extinction of two hundred plant and animal species, as well as harmful third-party effects on the neighboring human population. Without the supply of placidium the world cannot maintain its futuristic quality of life standards, yet if the placidium is mined then irreversible environmental damage will occur. The court decides to allow the extraction of 60% of the supply, if the extracting company pays for the relocation of the harmed citizens and species, and sets up an institute dedicated to the study of alternative sources of energy (Ruhl 1997, pgs. 343-373).

This futuristic case is an extreme example of the nature of the environmental issues which we face today. The overall criteria that the court must use, according to Ruhl, is that a rational balance of interests must be sought. This includes all the private parties to the agreement, as well as the third parties that will be affected by the actions of the private parties to the contract. In order to come to a rational balance, a cost-benefit analysis must be made regarding environmental policy and resource allocation. Some things, such as quality of air, or the enjoyment of unspoiled habitats, may seem unquantifiable, but we must rely on existing statistical and quantification methods in order to place a dollar value on these things (Ruhl 1997, pgs. 349).

Furthermore, the cost-benefit analysis must be free of bias. There must be a balance between the interests of all parties, including the private interests, the third parties, and the environment itself (Ruhl 1997, pg. 350).

A number of objections are raised in dissenting decisions, but all are answered by the majority opinion. The first objection states that the results of the cost-benefit analysis and its effects on policy do not emanate from a free market. Yet, while the market is an important source of quantitative data, it cannot be relied on to produce sound policy regarding all the parties affected by the contract. The court points out that collective goods are not traded on the market, and the intrinsic value of non-market players cant be expressed only by monetary figures. Therefore, the market cannot be the sole primary source of information in determining fair and sound environmental policy (Ruhl 1997, pg. 352).

Another objection claims that a cost-benefit analysis and the market, even when utilized properly, are not a good means for establishing an ecological policy. This is due to problems and issues facing ecological policy that are beyond the scope of cost analysis. The court responds that it is possible to perform a cost-benefit analysis without losing sight of the social values expressed by society. The degree to which the environment is revered by the society will be reflected in the quantification process of intangible, and ownerless, common goods (Ruhl 1997, pg. 352).

The issue of property rights is dealt with by establishing that the third-party effects are violating the property rights of the third party, and therefore the private property protections claimed by the parties to the contract are in fact not a valid protection. Yet, what if the opposite extreme were to occur, namely that environmental ethics would run amuck and destroy whatever private property does exist in the name of environmental deism? This scenario is not realistic in a cost-benefit analysis, because it is not a rational quantification of a social value.

The cost-benefit divining rod is a valuable tool for assessing the impact and costs to private parties and third parties regarding environmental policy. Yet, it must be a task that is performed coldly and rationally in order to be effective and fair. Ultimately, it is still in the hands of a human being to decide how much value to give intangible goods, therefore the cost-benefit model must be used carefully and methodically. The cost benefit is a good method for accomplishing the goal of obtaining a rational balance of the interests of all parties which would be represented in the objective meeting, under a veil of ignorance.

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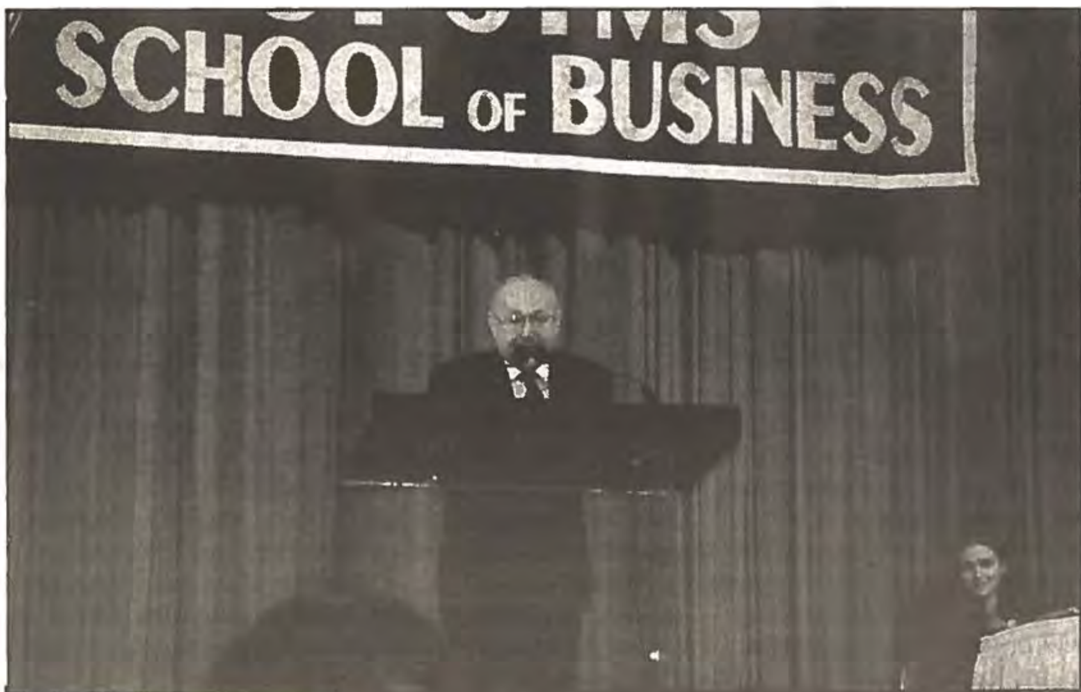
The 1997-98



Sy Syms delivering a speech to the dinner guests

Professor and Mrs. Brown

Past Presidents Cheri Ochs and Simcha Gissinger

Valedictorian Rachel Greenberg addressing dinner guests

The 1997 / 1998 Sy Syms School of Business Dinner took place Monday night, on May 4th at the Grand Ballroom at Manhattan Center Studios. The dinner was a resounding success with over 400 guests in attendance, including representatives from over 90 firms that recruit students from Yeshiva University. "The dinner's purpose is twofold; firstly to recognize the academic and extracurricular activities of students, and secondly to give students the opportunity to network with people in the business world," said Avi Karesh, Dinner Committee Co-Chair.

The dinner's program began with greetings from Mr. Sy Syms. Mr. Syms spoke about the development of the school and how pleased he is with the caliber of the students that the school is producing. After Mr. Syms, the valedictorian at the Sy Syms School of Business Midtown campus, Rachel Greenberg, was introduced. Ms. Greenberg, a dual major in Accounting and Finance, spoke about the remarkable warmth generated by the professors and students at the school.

Following Ms. Greenberg, Dean Nierenberg was called upon to introduce the Vice President for Academic Affairs, Dr. William Schwartz. Dr. Nierenberg expressed the school's feelings at the loss of Dr. Schwartz who has been a major contributor to the advancement of the Sy Syms School of Business. Dr. Schwartz will be leaving his position at the close of this academic year to resume teaching at the Benjamin N. Cordozo School of Law. Dr. Schwartz then introduced Ivan Seidenberg, Vice Chairman of Bell Atlantic Corp., as the night's keynote speaker.

Mr. Seidenberg was named the CEO elect of Bell Atlantic the previous week, making his appearance an even greater privilege. In addition to congratulating those who received awards, Mr. Seidenberg discussed the changing nature of business in the face of the digital revolution. He recommended that all students gain as comprehensive a background as possible by taking a wide variety of classes, particularly in the information technology area.

After Mr. Seidenberg's oration, the attendees enjoyed their dinner. The program resumed at the conclusion of the dinner with an address from the Main Campus valedictorian, Mr. Seth Poloner. Seth, an Accounting major, recognized the contributions of faculty and students to the overall image of the Sy Syms School of Business to no surprise. He emphasized that the lessons that the Sy Syms professors teach outside of the class are sometimes just as important as those inside.

Associate Dean Ira Jaskoll and Assistant to the Dean Diane Persky presented student awards for academic excellence and service to the school. In addition, Assistant to the Dean Diane Persky and Dr. Deborah Cohn announced the five winners of $1000

SSSB Dinner

stipends from the Ad Club of New York.

Shaindy Kahn, Co-Chair of the dinner committee, issued a special presentation to Dr. William Schwartz on behalf of the students of the Sy Syms School of Business. Shaindy commended Dr. Schwartz on his unyielding commitment to the improvement of the school, its programs and the personal attention he gives to the students. In an emotionally charged response, all in attendance acknowledged Dr. Schwartz with a standing ovation and thunderous applause. After graciously accepting the plaque presented to him, Dr. Schwartz eloquently thanked the students of Sy Syms.

Following the presentation to Dr. Schwartz, Adina Loberfeld, Dinner Committee Co-Chair, presented the award for Professor of the Year at the Sy Syms School of Business Midtown campus. This year's recipient was Dr. Martin Leibowitz. Dr. Leibowitz thanked the students with his characteristic charm and geniality that exemplifies his commitment to the students of Sy Syms.

Sy Syms School of Business Student Association President Simcha Gissinger conducted the presentation for the Professor of the Year award at the Main campus. For the second consecutive year, the students at the Main Campus elected Dr. Charles Snow as Professor of the Year. Gissinger extolled Dr. Snow for his commitment to teaching students the ethical side of business as well as the functional side. Dr. Snow accepted his award and thanked the students and faculty of the Sy Syms School of Business.

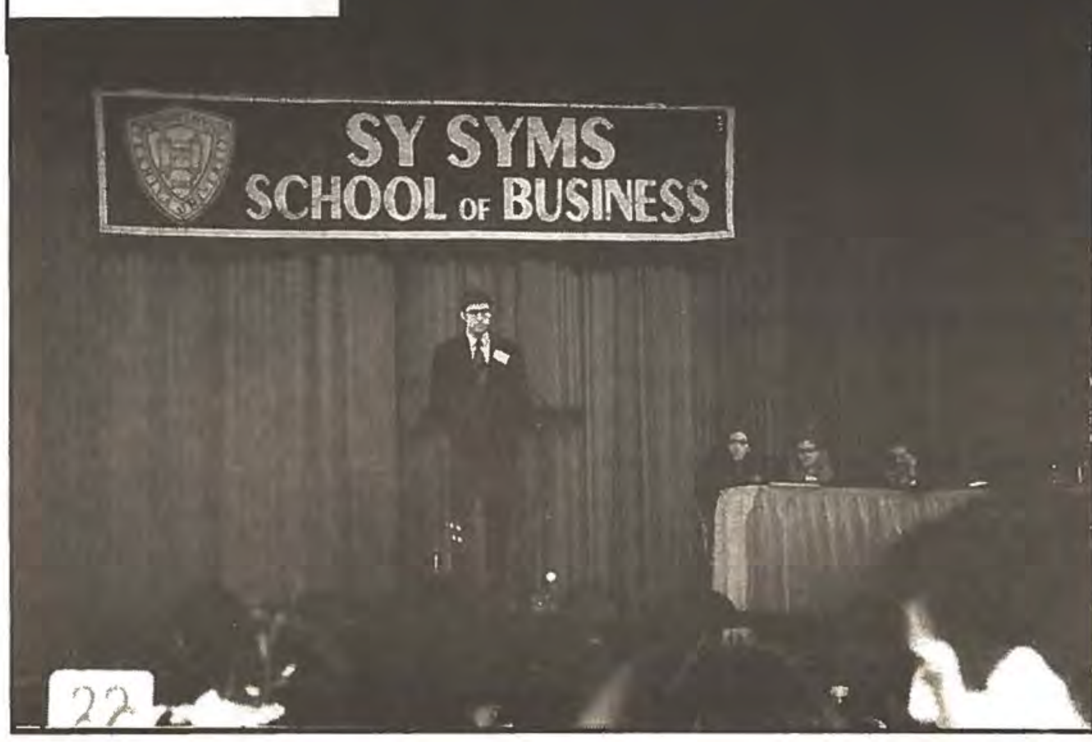
Dinner Co-Chair Avi Karesh recognized the assistance and support of Dean Dr. Harold Nierenberg and Associate Dean Ira Jaskoll in the planning and implementation of the dinner. The dinner committee also recognized the exceptional effort of the staff at the Office of Placement and Career Services and the Office of the Dean. A special presentation was made to Adrienne Wolf, who worked in the Office of Placement and Career Services for eight years. Adrienne continued to help the dinner committee in planning the event even after she moved to a new job at the Kwasha Lipton Group.

The Sy Syms School of Business Annual Dinner is the culmination of Sy Syms Student Association and Student Council activities throughout the year. Each year the number of attendees grows, and this trend is anticipated to continue as the enrollment for the Sy Syms School of Business has again grown to new heights. Next years' student body will be almost six hundred strong. The school can also boast a placement record of 99%. Sy Syms School of Business students are being recognized for their superior commitment and education. All of these factors are helping to make The Sy Syms School of Business a respected name in the business world.

Keynote Speaker Mr. Ivan Seidenberg

Esteemed guests enjoying the dinner

Mr. Syms having a moment with students



Valedictorian Seth Poloner addressing the dinner guests

1998 Business Awards and Honors

Sy Syms School of Business Valedictorians	**Rachel Greenberg** **Seth Poloner**
New York State Society of Certified Public Accountants Award for Superior Scholarship in Accounting Studies	**Danielle Victor**
Harry R. Mancher Award for Excellence in Accounting	**Rachel Greenberg** **Seth Poloner**
Henry Brout Award for Scholarship and Service in Accounting	**Jason Botnick** **Rachel Goldstein**
Joseph Herbst Award for Excellence in Accounting	**Adina Krohn** **Tova Zitter**
Bernard Brown Award for Excellence in Business Studies	**Yael Bistricer** **Simcha Gissinger**
Dean's Award for Scholastic Achievement In Accounting	**Jonathan Sicklick** **Tova Zitter**
Dean's Award for Scholastic Achievement in Finance	**Daniel Cohen** **Michael Welfeld**
Dean's Award for Scholastic Achievement In Information Systems	**Shani Eichhorn** **Jennifer Gluck** **Shira Stieglitz**
Dean's Award for Scholastic Achievement in Management	**Rachelle Butler** **Jeffery Rothman**
Dean's Award for Scholastic Achievement in Marketing	**Tamar Davis** **Joel Orgel**
Dean's Award for Service and Character in Accounting	**Gila Blaxer-Rapp** **Yehuda Sheinfeld**
Dean's Award for Service and Character in Business	**Cheri Ochs** **JonathanTeitelbaum**
Mildred Schlessberg Accounting Society Alumni Award For Service in Accounting	**Gina Elkon**
Sy Syms Award for Excellence in Service	**Michael Insel** **Lon Smolensky** **Gina Thaler** **Deborah Waltuch**
Mildred Schlessberg Accounting Society Alumni Award for Outstanding Service	**Joshua Klavan**
Student Council Award for Outstanding Service	**Hannah Charpak** **Zahava Kahan** **Amy Kaplan** **Eta Katsman** **Monnie Klein** **Avi Turkel**
The Wall Street Journal Student Achievement Award	**Solomon Mardakhayev**
Dean's Award for Highest Ranking Junior	**Jeremy Blank** **Devorah Ifrah**
Dean's Award for Highest Ranking Junior in Accounting	**Barry Goldgrab** **Yitzchok Moshel** **Michelle Silver**
Dean's Award for Highest Ranking Junior in Information Systems	**Tzveya Schwartz**
The Advertising Club of New York	**Adina Gewirtz** **Sharon Ginsberg** **Susan Hanuka** **Abraham Hidari** **Joel Orgel**
1998-1999 SSSBSA Uptown Treasurer	**Yossi Knoll**

Interest Rate Swaps

by Elijah Kaplan

As we all know, swaps are a common financial instrument used for various purposes. The largest volume of swaps is in the interest rate area and are appropriately called "interest rate swaps." Interest rate swaps were originally introduced in the early 1980's to help corporations and governments protect themselves from the highly volatile interest rates that were being offered at the time.

An interest rate swap is a contract between two parties in which each party agrees to make a series of interest payments to each other on scheduled dates in the future. Each interest payment is computed using a different formula. For example, let us take the simplest form of the interest rate swap, also known as the "plain vanilla" or "fixed for floating rate swap." Let us say that today, June 19, the XYZ corporation agrees to make payments each December 19 and June 19 for the next three years to a swap dealer, which we will call ABC Bank. The interest payments will be based on a dollar principal amount of $20 million, which is known as the Notational Principal. XYZ promises to pay ABC interest at a fixed rate of nine percent, and in exchange ABC promises to pay XYZ interest at the LIBOR rate which takes effect exactly 6 months before each payment or settlement date. Once these parties agree to the terms, they must enter into an International Swap Dealers Association (ISDA) Master Agreement and Certification.

Today we observe LIBOR, and as a result the bank and corporation know what their respective payments will become December 19. Normally the interest rates are netted out, and only the net amount is paid out. On December 19 we observe LIBOR again, and that determines ABC's interest payment on June 19 of the following year, and so on. In effect what XYZ is doing is buying a claim on a series of interest payments at LIBOR for interest payments of nine percent. The actual computation for the payments are as follows: (LIBOR- 9) X (notational principal) X (# of days in the six month period/360)/100.

People tend to find it confusing that LIBOR, at the beginning of the period, sets the rate paid at the end of the period. In order to clarify this we must consider why XYZ would enter into such a contract. Let's assume that XYZ is currently engaged in a loan, with three years remaining, in which payments are reset every six months on June 19 and December 19 according to LIBOR. XYZ will probably pay LIBOR with additional basis points. Therefore, XYZ is highly exposed to interest rate risk. By entering into the swap, XYZ's exposure is eliminated. Any increase in the interest it owes is offset by the interest it receives from ABC. In other words, XYZ converted their floating rate loan into a fixed rate loan at nine percent.

Initially the present value of the two interest rates involved are equal. Since it has no value to either party from the onset, it is not recorded on the books as an asset nor a liability. Once the interest rate rises or falls, however, then the two parties either gain or lose and it can be considered either as an asset or a liability.

The ultimate question that remains is why would XYZ do this interest rate swap? There are a number of reasons. One possibility is that the loan has been outstanding for a number of years, and was originally accepted with the hopes that interest rates would fall. At this point in the loan, XYZ feels a rise in interest rates is likely to happen and they want to absolve themselves of that risk. Another possible reason is that the company would like to have a level of certainty as to the amount it will pay every period, to provide them with an "insurance policy." In addition, this is cost efficient. The corporation could accomplish the same thing by taking out a fixed rate loan and use the proceeds to buy an offsetting security which pays LIBOR. However, this is much more costly and time consuming. Another possibility is that perhaps one of the two companies has a poorer credit rating. To understand this let's look at another example. Company A is offered a loan with a fixed rate of 11% or a floating rate of LIBOR + 1%. Company B is offered a loan with a fixed rate of 10% and a floating rate of LIBOR + .5%. Company A pays the higher rates because they are not as creditworthy as Company B. Company A would like to borrow at a fixed rate while Company B wants to borrow at the floating rate. Each company has a comparative advantage in the different markets. In the fixed market Company A would have to pay 1% more, yet in the floating market they would only pay .5% more. Each company borrows in the market where they have the comparative advantage and then the swap is initiated. Company A agrees to pay 9.8% and gets LIBOR in return. They currently owe LIBOR + 1. Therefore, they effectively have a fixed interest rate payment of 10.8%, which is less than the 11% they would have paid had they taken a loan out for a fixed rate. Company B agrees to pay LIBOR and receives 9.7% in return. They initially owed 10%, so they are paying LIBOR + .30% which is also .20% less than what they would have gotten in the market. Parenthetically, the financial institution which is engineering the swap is making a 10% profit.

Avraham's First M&A Deal

by Michael Gewirtz

Why does the Torah record Avraham's purchase of an Achuzat Kever from Ephron in such vivid detail? What was the purpose of the first acquisition in the Torah?

Nechama Lebowitz in her commentary on the Torah provides two possible approaches to this story. One opinion is that this episode demonstrates how Hashem's blessing to Avraham was coming to fruition, in that he now possessed land in Eretz Yisrael. The question that arises from this explanation is why didn't Avraham purchase land in the past?

The second approach posits that this episode was a test of Avraham's faith in Hashem. Hashem had promised to give Avraham the land, and nonetheless Avraham had to go through an arduous negotiation process to purchase the small plot of land. However, this explanation is also problematic, because would not this test pale in comparison to Avraham being asked to sacrifice his only son? Perhaps an analysis of Hashem's promises of land to Avraham will help us shed some light on this issue.

If we were to quickly read through chapters 12 - 17 we would find that Hashem makes promises to Avraham on four occasions. Does Hashem need to constantly reassure Avraham of the sincerity of his promises? Would not a man who was willing to sacrifice his only son, without even uttering a question, be considered a believing man? Clearly, each individual blessing added some more information to Hashem's plan.

The first promise comes when Avraham enters the land of Eretz Canaan, and Hashem tells him that his descendants will receive the land. One chapter later Hashem once again promises the land of Israel, except this time Hashem personally includes Avraham in the blessing. The third blessing enlarged the boundaries of Eretz Yisrael that Avraham will receive, stretching it to reach the Euphrates River.

The fourth blessing then becomes problematic; what more could Hashem have promised Avraham? Rav S. R. Hirsch explained that in the fourth promise Hashem gave the blessing of the land being an Achuzah. According to Rav Hirsch, Achuzah does not mean that we will possess or control the land, rather the land will grab hold of and control us. How does a land take control of a person? Rav Hirsch explains that the blessing was that Bnei Yisrael would develop an emotional attachment to the land.

Where then do we find the beginning of this blessing? What point can we clearly mark as the origin? The evident answer is when Avraham buries his wife in Eretz Yisrael. This is the start of a passionate connection to the land of Israel, the fulfillment of the fourth blessing. In fact, we do not find that the land that Avraham had acquired is called an Achuzah until after he has buried Sarah. The reason the Torah refrains from calling the land an Achuzah until that point is obvious, for it was not dear to our hearts until Sarah was buried in it.

Now that we understand the importance of the Torah relating to us the purchase of the land, we should ask ourselves, why did Avraham have to be put through a difficult process to purchase the land? Perhaps the lesson to be learned is that even though Hashem has promised something, it does not mean that we don't have to make a strenuous effort to ensure that the blessing comes true. In other words, don't sit back and take everything for granted.

[Authors Note: The author would like to thank Andrew Schein for his ideas on the topic.]

Interviewing for Success

by Ilya Rogol

On Monday, March 23rd, at eight o'clock in the evening, a group of eighteen international students met in Belfer Hall with former Yeshiva College and Sy Syms students Eyal Amsalem, an accountant at Deloitte & Touche, and Lev Janashvili, who works in Investor Relations at Broadgate Associates. Eyal, born in Israel, works in the auditing division and has used his foreign background on assignments for two of the company's Israeli firms. Lev, born in Russia, was responsible for getting the first Russian company to go public on the New York Stock Exchange. The topic of the night was "Interviewing Techniques and Adjusting to the Professional Work Place for Foreign and International Students."

Bob Bomerbach of the Office of Placement and Career Services spoke first about the importance of the students' research about the company with whom they wish to obtain a position, and went on to explain the importance of proper attire in the workplace.

Next, several speakers explained the importance of the Placement Office, and how it helps students put together a resume and prepare the interview. Speakers stressed that the resume has to be perfect and mistake-free, as a small typo could completely disqualify a student from a company position. They also suggested showing the resume to many different people so that perfection is ensured.

The speakers then spoke of the importance of preparing for the interview, specifically in knowing the resume and its contents well, as well as vital facts about the company. Each speaker shared personal experiences with the students and what challenges they encountered in past interviews.

Each speaker concluded with relaying information and ideas about adjusting to the professional workplace environment. The speakers discussed the challenge of transferring from student to professional, and each once again used personal experience to get their message across.

Upon conclusion, the speakers were available to answer students' questions. Among the questions asked were inquiries about getting a visa, a subject of the utmost importance to foreign students. Mr. Amsalem, an Israeli citizen when he graduated from college, answered the question by explaining that upon being accepted for a job in a big company, they provided a special lawyer who took care of it right away. Another student asked if the speakers felt they were at a disadvantage with regard to the campus recruitment process because they were foreign students. Both Lev and Eyal answered that they used their "differences" to their advantage and always focused on their strengths, whether it was quickly adjusting to a new culture or learning a new language.

The International Business Club is very young, but thanks to Radislav Arama, the founder of the club, Peter Cukier, the club's president, and to Bob Bomerbach and Naomi Kapp of The Office of Placement and Career Services, this program proved to be a huge success.

The Great

Continued from Back Page
charging the mutual funds fees that exceed the costs of managing them."

"Okay, but the board of trustees of the Mutual Series mutual funds is supposed to seek out the best management for the lowest price they can. They could have fired Heine, switched to Franklin on their own, and collected that $610 million for shareholders of the mutual funds. Franklin now intends to get its $610 million back by raising loads and management fees on the funds; if the boards of trustees of the Mutual Series funds had given the management contract to Franklin directly, they could have negotiated lower, not higher, fees."

"So what you're saying is that Michael Price really sold control of the boards of trustees, something that he does not own. If I see where you're headed, you're going to tell me that Fidelity really owns Fidelity Magellan."

"Of course Fidelity owns Fidelity Magellan. In practice, they select the board members. The shareholders always vote for Fidelity's choices. Imagine if you said that you wanted to conduct a comprehensive review of all mutual fund management companies and select the best manager for the lowest price available. Do you think Fidelity would even think of putting you on the board?" Cano did not pause for an answer, "No, boards of Fidelity mutual funds always decide that, 'surprise, surprise', Fidelity offers the best deal. And every other mutual fund company works the same way. No matter how bad the fund performance or how high the fees, the boards never think the shareholders would be better off with another management company."

DIJ knew a thing or two about mutual funds. "Except Vanguard. The Vanguard management company is owned by Vanguard mutual funds so any profit is returned to shareholders. But I see your point. Control of a mutual fund is worth a lot of money, about 4% of the fund's assets based on recent deals in the industry. So if we could get control of Fidelity Magellan's board of trustees, we could move the management to our own company. Since Fidelity Magellan has $60 billion in assets, we could sell our management company for about $2.5 billion. But how do we persuade the four million Fidelity Magellan shareholders to vote for our candidates for the board of trustees?" But even before he finished asking the question, DIJ knew the answer. He looked at his watch. "We have a boat to catch, we're going to Boston." Boston, land of bean, cod, and Magellan.

A Fund Divided

DIJ strode to the podium of a small auditorium on the Northeastern University campus. "Welcome everyone, to the first full meeting of our group. Shake hands with the person next to you, you're shaking hands with a millionaire. . .if every one of you does your part.

"Most of you know most of the plan but I'm going to begin with a brief review. Our goal is to get the shareholders of Fidelity Magellan to elect enough of our candidates to the board of trustees to give us control of the fund. The first action of the new board will be to fire Fidelity as the management company, and hire Juan Sebastian de Cano Fund Management, Inc.

"Cano Jiang, will you please stand up? Let's have a round of applause for the originator of our scheme and the president of the newly-formed Juan Sebastian de Cano Fund Management, Inc. All of you have been given shares in this company, that is how you will all get rich. But let me postpone discussion of that aspect until I've addressed our campaign strategy.

"A direct campaign to move the management of the fund is unlikely to work. Instead, we have decided to create four organizations of Fidelity Magellan shareholders. These organizations will seem to be independent, even opposed to one another. And they will begin without any obvious political purpose. Fidelity will be lulled into working with these groups.

"After the groups are established and have organized core groups of shareholders, one will announce an attempt to solicit proxies for the board election. Even then, Fidelity will not worry because no one organization will appeal to more than a fraction of Magellan shareholders. Once one group announces, the other groups will announce their own proxy solicitations, supposedly as a defensive effort to prevent other shareholders from getting a disproportionate influence on the fund. Each group will strive to collect proxies from 15% of the fund shares.

"Even at this point, Fidelity will not be too worried. Each group will have modest demands and no group will command enough proxies to control the board. But when all the proxies have been collected, we will have 60% of the votes and will put our board in place. This board will steal the fund for us. Even after the theft, Fidelity will have no recourse since they have no legal right to control Magellan for their own profit. Of course we have no legal right to do that either, but possession is nine-tenths of the law. We have arranged to take control, sell out and disappear with the cash before anyone knows what happened.

"Now let us hear from our four shareholder groups. First the report from the Magellan Millionaire's Association. J. Withers Bradley, you have the floor."

The Shareholder Groups

A trim, athletic-looking man in his early sixties came to the podium. From his expensively-cut grey hair to his Ferragamo loafers, he was the picture of casual corporate perfection. He flicked the cuffs of his Paul Stuart suit and began to speak in a practiced baritone with just a hint of an Oxford accent.

"We are going to organize the 100,000 wealthiest shareholders in Magellan. Although they represent less than 3% of the shareholders, they control 25% of the votes because they have an average of $150,000 in the fund. Most are long-term shareholders who invested modest amounts before the mid-1980's.

"Our campaign will center around the erosion of quality caused by letting the riff-raff into the fund. We will lobby for an account fee of $100 per year to be imposed, while the annual expense charge is reduced by 0.5%. This will save our members a lot of money. Also we will harp on the mistakes Fidelity has made: the 1995 distribution error, the inability to keep top management, and so forth. We have decided on the slogan, 'They turned our country club into a public course!'

"Because we have to reach a comparatively small number of shareholders, we are going to organize a series of parties at Ivy League school reunions, golf tournaments, the America Cup races and so forth. Our agents will circulate at these affairs, drumming up support and members.

"Once we have taken over Magellan, our shareholders will be split off into the Magellan Classic fund. Magellan Classic will hire Cano Management A to run the fund. We have just signed an agreement with J. P. Morgan to buy the Cano Management A for $1 billion. . ."

A prolonged cheering interrupted the speech at this point. J. Withers Bradley looked faintly pained. When it subsided, he decided to skip the explanation of why Morgan was bidding so aggressively, as they hoped to use Magellan Classic to get 100,000 new clients for their immensely profitable Private Banking group. So he merely said, "Thank you, now let me call upon Harriet Smedly, head of our 401(k) group."

Harriet was the picture of no-nonsense corporate responsibility. Her voice was clear and almost devoid of inflection or accent. "Fidelity is the largest provider of 401(k) services and the Magellan fund is one of their best selling points. T. Rowe Price is working with us to develop a program to steal Fidelity's 401(k) business by getting control of Magellan.

"We rate off the 401(k) shareholders into Magellan Retirement Fund, and switch the management contract to Cano Management B. We sell the management company to T. Rowe Price. Their salespeople begin an immediate, carefully-planned hard sell to get companies to move the entire 401(k) business to them. That is why they are willing to pay us $1.75 billion for these accounts."

Another blast of applause brought a small smile to Harriet's lips. "We're going to push the idea that Magellan has been run for the benefit of short and medium term investors in taxable accounts. Too little income, too little turnover. Too much focus on the short-term. Retirement account investors want the fund run from a long-term, tax-deferred perspective. They will hate J. Withers' idea of an account fee, and instead they will want to re-open the fund and impose a higher sales load, since they do not pay the load.

"Our group has the advantage of knowing all the companies that use Fidelity for a 401(k) plan, and we will work with their Human Resources departments as an educational club to help employees plan for retirement. Once we're in the door and have the names of the Magellan holders, we will start agitating."

Next up was the Efficient Magellan Club headed by Professor Charles "Cheapskate" Ponders. The professor was dressed in sensible, well-made, inexpensive clothes that had obviously been carefully preserved for many years. He looked uncomfortable without a piece of chalk in his hand. He coughed quietly a few times and began.

"I cannot promise you the kind of money Harriet and J. Withers were able to raise, the Efficient Markets types are just not as profitable as millionaires and 401(k) participants. These people really belong in Vanguard," and Ponders' voice broke a little as he could never speak of his favorite fund family without emotion, "but Vanguard would not pay.

"We are going to move the Efficient Magellan Club members to Magellan Cheap. The management contract for Magellan Cheap will be awarded to Cano Management C. Cano Management C will be sold to AIM for $500 million.

"AIM will let Magellan Cheap shareholders transfer to their existing funds without paying loads. The only thing an efficient market investor likes better than a no-load fund is getting into a load fund without paying the load. So AIM picks up one million new customers at $500 each.

"Our pitch will be that expenses of mutual funds keep going up. The average mutual fund investor pays 35% more in fees now than in 1980. This is true despite the increased popularity of no-load funds and the added efficiency from the extraordinary growth in the size of funds. This extra money buys funds that are less likely to match index funds than in the past. We will stress the disastrous attempts at market-timing at Fidelity and the immense expense of the largest research staff in the industry. Our campaign slogan will be 'Indexify Magellan.'"

The professor recieved only polite applause. He gestured to Milicent Maples to present the final club. Milicent began with a midwestern twang. "Our target shareholders worshipped Peter Lynch. They are aghast at the managers who followed him. Even though the performance was very good, the new guys jettisoned all of St. Peter's principles. They got into technology stocks, they did top-down investing, they chased hot stocks in hot industries, they tried to time the market and they bought stocks popular with Wall Street. Then, after playing around with the fund for a year or two, they disappeared.

"We're going to start with an offer to send a free Collector's Edition of One Up on Wall Street to any Magellan shareholder. We've hired some Peter Lynch look-alike actors to travel around the country to investment clubs and financial planning seminars.

"After the split up, these shareholders will be diverted to Peter Lynch's Magellan. This will be managed by Cano Management D which will be sold to Franklin. We figure Michael Price is the closest thing to a Peter Lynch around today. Franklin figures these guys are worth a cool $2 billion."

At this the audience erupted into prolonged applause. $5.25 billion was more than twice the $2.5 billion they had started out to steal. Even after DIJ and Cano took their thirds, that left $1.75 billion to split among the rank and file. For $17.5 million a head, there was no way these robbers could be stopped!

Factual Interruption

Before the exciting conclusion of The Great Fund Robbery, a work of fiction, I would like to point out the underlying fact.

Mutual funds are owned by their shareholders. The shareholders elect a board of trustees who are supposed to make sure that the fund is run only for the benefit of the shareholders. The law requires that a majority of the board be independent of the fund sponsor.

Fidelity, like most mutual fund sponsors, ignores this law. They use the same nine trustees for all 243 of their mutual funds; the trustees earn hundreds of thousands of dollars a year for this privilege. Only a lawyer would argue that these people are not Fidelity employees and, in fact, a judge has ruled that they are employees of the sponsor.

If you were appointed director of a mutual fund, the first thing you would do is carefully examine all management companies and select the one that did the best job for the lowest price. The Fidelity trustees every year, for all 243 funds, decide that Fidelity offers the best deal. As far as I know they have never even interviewed another management company.

How can nine people oversee every

Fund Robbery

aspect of 243 mutual funds? Easy, according to the senior outside director, they spend five seconds on each fund. They see if the performance is above average and the fees are below average. In other words they spend much less time than the average fund investor spends. Magellan would get better oversight from nine randomly picked shareholders than from Fidelity's nine rubber stamps.

What if performance is below average (as it was for more than half of Fidelity's funds last year) or fees are above average? Do the trustees demand lower fees? Do they fire Fidelity and move to a management company with better performance? No, they "talk" to the manager.

I will bet dollars to doughnuts (note to those under 30, doughnuts used to cost much less than a dollar) that the trustees have not even read the prospectuses of the funds they are supposed to oversee. It would take almost a year to do this, plus another month per year to keep up with the changes, and these trustees are part-time employees. How can anyone say they are looking after the shareholders if they do not even have time to read the things the funds send out?

Recall some of the news stories of the last few years about Fidelity Magellan. Two major accounting errors sent wrong information to shareholders; the manager investigated by the SEC for "front-running" his trades, making personal profits at the expense of fund shareholders; the fund buys stocks in two companies that turn out to be frauds being investigated by the FBI; several manager changes and staff defections at Fidelity; the fund secretly dumps stocks to buy large bond positions and thereby misses big gains from the market.

I think the board of Magellan should have investigated each of these stories carefully and determined whether there was a real problem. If there was, they should have fixed it; if there was not, they should have explained that to shareholders. But how could they even read the news stories, much less investigate, with only five seconds per fund?

What does this mean for fund shareholders? It means that the management company can recklessly overcharge for its services secure that the trustees will never complain. That is why fund management companies are so valuable. I think the selling prices of fund management companies are a scandal.

Suppose you hired someone to do a job, such as paint your house. You agreed to pay $5,000. Then the painter sells the job to another person for $2,000. Wouldn't that make you think that $5,000 was too much? Wouldn't you think that maybe you could get your house painted for $3,000?

Or maybe $5,000 is a fair price but the $3,000 guy won't do a good job. If you were a director of a company that hires house painters, wouldn't you investigate this question and either look for $3,000 house painters next time or insist that the painters you hire actually do the work? Anything less would be negligent.

There have been lots of these deals recently. BankAmerica paid $540 million for Robertson Stephens & Company; Phoenix Duff & Phelps bought Pasadena Capital for $180 million and Govett & Co. for $250 million; 20th Century Companies bought Benham Management for $150 million; Oppenheimer Management Corporation bought Quest for Value for $42 million; J. P. Morgan bought 45% of American Century; Franklin (who bought Heine) bought Templeton, Galbraith & Hansberger. To my thinking, these deals collectively represent over $1 billion that rightfully belongs to shareholders.

This is why mutual fund fees keep increasing even as the cost of running funds declines. This is why thousands of "me-too" funds are started every year; you can make a fortune starting mutual funds, then running them for your maximum profit rather than the shareholders' best interests. And, sooner or later, someone will get the idea of stealing a fund. It will probably not be a colorful, amoral adventurer, like Dow "Indiana" Jones; but a raider in the spirit of the takeover specialists of the 1980's. When negligent boards oversee billions of dollars of value; someone will see an opportunity.

The Climax

It looked like a beautiful spring day in Boston, but the thermometer revealed it was many degrees below freezing. Sidney, the Investment News Network reporter, should have succumbed to hypothermia in his colorful blazer but he appeared impervious to the cold. "They're calling it Fundstock '98 and I'm here to welcome you to the defining event of the 1990's. Hundreds of thousands of mutual fund investors have gathered in Boston, home of the Tea Party, to launch a new American Revolution. This time the people are demanding that Fidelity, and all mutual funds, respect their rights as shareholders. Are they continuing the march to human freedom began here two hundred twenty three years ago? Or are they just money-grubbing cheapskates? Here to help answer is Judy Kapstein, reporter for Smart Investor who has been following this story from the beginning."

"Actually, Sidney, the Boston revolutionaries were money-grubbing cheapskates. Most of the human rights rhetoric you remember from school was from Virginia and a few intellectuals..."

"Yeah, great Judy, great stuff. But tell us what's going on here. All these people! Presenting petitions to the Fidelity trustee."

"Not quite, Sidney, they are gathering proxies to elect a new Board of Trustees for the Fidelity Magellan mutual fund. And most of them are not even Magellan shareholders, they are just here to protest or get on the news. This reminds me of all those April 15th local news stories at the post office when every financial nut comes out of the woodwork to get on TV."

"I hear you're quite a nut case yourself. You think this is all a vast conspiracy orchestrated by a mysterious guy from Indiana. Half of our viewers think you should get the Pulitzer Prize, the other half think you should be on 'The X-Files'."

"I assure you that Dow "Indiana" Jones has a hand in all this. I haven't figured out his plan, but I know he's here somewhere. He set up four front groups to gather Magellan proxies..."

"Sure, and you thought that all four groups were run by one guy. But then dozens of other groups started gathering proxies. We have Young Stalinists for Magellan (YSM), The Unified Front for the Liberation of Nova Scotia and Reduction of Magellan Management Fees (UFLNSRMMF) and, hey, over there I see the Mafia Dons Retirement Fund Reopen Magellan Committee (MDRFRMC). I thought they were all in jail."

"Yes, this is a classic DIJ technique. By inciting crazies he obscures his plan."

"Okay, Judy, so everyone is gathering proxies to elect a new Board of Trustees. What's a proxy and what's a Trustee?"

"The Board of Trustees is a group of twelve people, with nine independent of Fidelity, charged with making sure that Magellan is run for the benefit of Magellan shareholders. It is the same as the Board of Directors of any corporation. A proxy is a form that a shareholder can give to anyone, giving the recipient the right to vote in the shareholder's name."

"So today we count up the proxies and find out who has the most shareholders?"

"Not quite. In the first place it is not one-shareholder, one-vote. You get one vote for each share. So someone with $100,000 in Magellan has twenty times the vote of someone with $5,000. Also the proxies are revocable, only the last one is legal. A lot of people have sent proxies to more than one group. It will take time to determine which ones are valid. Lots of proxies are sent by people with no connection to Magellan. Each group is challenging the other groups' right to collect proxies, as well as the validity of the proxies they are submitting. So the whole thing will end up in court for months to come. Even a court decision may not solve things, so the SEC and Congress are both considering stepping in."

"Fair enough, Judy, but what is the betting line? Who is going to win?"

"Fidelity was slow to fight this thing, but in the last few weeks they have pulled out all the stops. They will certainly get more proxies than any individual group, but they will probably fall short of a majority. They have the advantage in court since some of these groups are pretty flaky, but the four major groups each have some support from the SEC or Congress.

"My guess is Fidelity will strike deals with the more responsible groups and agree to accept a more independent Board. Remember, Fidelity not only wants to keep control of Magellan, they want to keep all the shareholders happy. They cannot do that by crushing protestors.

"I think Magellan shareholders will be the eventual winners, they will get a more active Board that will guard their interests better. That may mean lower profits for Fidelity, but after today, all the big mutual funds may find themselves forced to make similar concessions. In fact, Fidelity is already preparing an advertising campaign touting their shareholder responsiveness and independent Boards."

"Thank you Judy. Wait! We've got a new development. Do you know a man named Cano Jiang?"

Above the Crowd

In a hotel room far above the hubbub, DIJ muted the television set and smiled. So far everything was going as planned. Ms. Kapstein had caused him some anxious moments as she nosed around the truth, but she had not figured out the crucial fact. There would be no negotiation, no compromise. DIJ controlled a majority of proxies and would soon control the Board. Fidelity would fight, in and out of court, but in three months Magellan would be his. DIJ had top lawyers for the courts and Professor Ponders had the SEC well in hand. Smedley and Maples had been working Congress for months. Bradley played golf with the Vice President.

Yes, DIJ thought cheerfully, they were too many steps ahead of Fidelity. By summer his control would be complete. Then a quick vote to split up the fund, switch the management contract from FMR to Cano Management A, B, C and D, sell the Cano Management companies and skip town. Switzerland was pleasant in the summer, especially with 1.25 billion dollars deposited with a discrete Zurich banker.

The scene on the television had shifted to the Magellan shareholders meeting where Cano had just caused a sensation by presenting proxies from 53% of Magellan shareholders supporting a unified slate for the Board of Trustees. 53% was the combined total from the four major front groups, plus miscellaneous diversionary groups. Those proxies had been meticulously audited. They were rock solid. Fidelity claimed they had 62% but DIJ knew there were lots of duplicates, clerical errors and revoked proxies. In fact he had arranged for lots of invalid and revoked proxies to be delivered, first to make Fidelity overconfident, then to make them look dishonest as their votes evaporated.

At that moment, power was shut off to the shareholder meeting rooms and hundreds of protestors burst in. All this was calculated to prevent Fidelity from taking any action at the meeting, and to make them look disorganized and incompetent. DIJ wanted the world to remember them on television under emergency lights, shouting into dead microphones while a near-riot broke out around them. Who would want people like that to oversee a $60 billion fund?

Snatching defeat out of the mouth of victory, unfortunately for DIJ, the International Monetary Fund Black Squad recognized Cano. After they lost DIJ in Ch'umgmu, they had made exhaustive inquiries. They figured out who DIJ left with and where he went. The IMF Black Squad does not worry about ordinary embezzlers, market manipulators and frauds, just those super-crooks whose capers could threaten the economic stability of international financial markets.

DIJ leaves our story at this point. Did the IMF Black Squad finally get him? Or did he escape as he had so many times before? All we know is that he disappeared and that Cano did not have the personal strength to hold the conspiracy together. They did manage to get their candidates onto the Magellan Board, but their plan dissolved into constant squabbling. They have yet to move the management of Magellan, nor even change the way it is run.

Judy Kapstein did not win the Pulitzer, but her book on The Great Fund Robbery was a bestseller. It will soon be a major motion picture. Milicent Maples also wrote a bestseller, a semi-fictional story of a housewife who learns about finance and political organization. The Magellan Millionaires bought an island in the Caribbean where they drown in their sorrows about the fizzled plan. Harriet Smedley is running for Congress on a platform to require all 401(k) plans to have a 100% employer match. Professor Ponders succeeded Arthur Levitt as head of the SEC.

Cano went back to South Korea in disgust. He managed to get enough contacts in the US to start an Asian mutual fund that is the number one foreign fund since its inception. Sydney, the Investment Network New Reporter, caught the flu and now wears an overcoat in cold weather. He still hasn't figured out anything that happened.

An Introduction to Restricted Stock

by Avi Goldin

A quick look through a company's annual report will tell you that the officers and directors of the company typically hold large portions of the company's stock. Mergers, Takeovers and Buyouts all consist of large portions of one or both companies' stock changing hands. What is the status of this stock? Can it be traded simply just like the shares you or I might own? What are the rules regarding how this stock is handled? These questions all deal with the status and rules of Restricted Stock.

There are two major classes of this type of stock: Restricted Stock and Control Stock. Restricted Stock is defined as any stock that had been received through a transaction other than a registered offering. This could be through an employee stock option plan, a stock compensation plan or even in the case of a company going public but a large portion of the company remaining in private hands. It is important to understand that Restricted Stock earns its status as a result of how it is issued.

Control Stock is defined as any shares that are owned by an affiliate of the company in question. This title applies to all officers, directors, and holders of 10% or more of the company's voting stock. Control Stock earns its status as a result of who owns it, therefore even if the shares might have been purchased on the open market, they can still be classified as control stock. It is possible for stock to be both controled and restricted. This occurs when an affiliate of the company receives shares through a non-open transaction.

Both of these types of stock have strict conditions under which they can be traded. The law regarding these restrictions is called Rule 144. The purpose of these conditions is to remove any advantage that these stockholders might have over people who purchased shares in regular transactions.

The first condition is a holding period that must be observed between when the stock is purchased and when it can be sold. This condition is specifically for Restricted Stock and does not apply to Control Stock. The rule states that the shares must be held for at least one full year calculated from when the shares are purchased.

The second condition is a volume limitation. This rule is in place to prevent a majority shareholder from having a massive impact upon the price of the stock by dumping a large amount of shares on the public market. By limiting the amount of shares that can be traded during a particular time period, we are softening the impact that his sale will have on the market, evening the playing ground for investors with smaller positions. Specifically, no more than the greater of either a) one percent of the outstanding shares of the class of stock to be sold or b) the average weekly volume for the four calendar weeks preceding the filing of the sale may be sold within a three month period.

The law also requires that a Form 144 be filed with the SEC notifying them of the sale prior to the execution of the order. This rule allows investors to keep track of when affiliates of the company are selling their shares. It also acts as a way of coercing the management of the company to keep the shares that they are given in compensation plans for fear that analysts might attempt to interpret their sale of the stock. This rule is particularly applicable to the CEO and board members of a company. Many analysts use insider selling as an indication that there is something wrong with the company causing a drop in the stock price. A CEO has to be very careful not to sell too much or too often, and to keep an open dialogue with the analysts explaining his reason for selling.

The fourth condition is that the sale be made either in a typical broker's transaction of with a bona fide market maker. A company that is a considered a bonafide market maker is one that takes block position in the stock or is willing to buy and sell on a regular basis for a period of time. The last condition is that the issuing company must be a reporting company with its public information widely available.

In addition to Rule 144, Rule 145 governs how to treat the stock that is reclassified as a result of a merger or a takeover. If the owner of the stock is an affiliate of the company that is acquiring it, the stock is considered to be Control Stock. If the owner of the stock is an affiliate of the company being acquired, then: 1) you may sell during the first year following the merger with compliance to the Manner of Sale and the public information requirements. 2) From the first to the second year you can sell with compliance to the Public Information requirement. 3) After the second year you can sell freely with no restrictions.

To the people who own these types of stock the restrictions generally lead to some creative financing. The goal is to find different ways that the owner can minimize the risk involved in owning a large position of one stock, which he does not have the ability to sell. One of the more popular methods is called an Exchange Fund. Each member of the Exchange Fund submits their shares and in return receives shares of the fund. Technically the person has not sold the shares, so they have not violated the terms of the law. They have accomplished their goal of minimizing risk because they now own shares of the fund, which in turn is comprised of shares from hundreds of companies rather than just one, similar to the risk involved in owning a mutual fund. Exchange funds are also methods of deferring taxes until a later date, which makes them quite popular with the wealthy.

Understanding how Restricted and Control Stock work is important in developing a sense of your own position in a company. The rules and regulations are in place to protect you, a common shareholder, and level the playing field between insiders and outsiders.

Congratulations to Dr. Snow for Prof. of the Year at the Uptown Campus, and to Dr. Leibowitz at the Midtown Campus.

EDITORIAL

Defending the Accounting Major

Dear Modern Orthodox Jewish women looking to get married (and we know that there are many of you out there),

We are sick and tired of hearing your hackneyed complaints that there are not enough decent guys out there who are suitable marriage material and would like to inform you that you simply have not been looking in the correct places to find your future partners. Who are these people you may wonder? The answer is simple: accounting majors in the Sy Syms School of Business. But before you spit out your food or die of laughter, we would like to explain why young bachurs majoring in accounting would make such wonderful husbands.

As everyone knows, finding a husband in the Modern Orthodox world can be an arduous task. Before even dating, both parties go to extreme measures in gathering as much information as they can about each other. Indeed, one wonders if the Cold War would have lasted as long as it did if the CIA had been nearly as diligent in doing their job as Orthodox people are when finding "the scoop" on perspective dates. Guys go through the archaic ritual of asking their friends what they know about specific girls who catch their fancy, while girls, not to be outdone, pry into guys' backgrounds like they are private eyes on a job. We know that this entire process can be demeaning for all parties involved. It encourages religious people to gossip and disparage friends; in some cases even rabbis are asked to join the game and spill the beans on their talmidim.

With this said, we now want to tell you that it is in your hands to make the entire process a little bit easier on yourselves. Instead of being so rigid in your demands and expecting that everyone you date must either come from wealthy families or be going into medicine, Jewish women should be more open-minded when deciding whom to go out with. By having such high expectations, you people only set yourself up for disappointment. Indeed, your dream guy is a person who is nice, serious about learning, a good athlete, comes from an affluent background and will be a professional making lots of money in the future. That it is virtually impossible for such a specimen to exist does not seem to faze you in the least bit. When you are able to find a guy who has rich parents, he tends to be vain and egotistical. Although there are pre-med students who know how to learn and are rigorous in their halachic observance, even they are usually self-centered and pompous. Loving these future MD's can be a dicey proposition: no matter how much love you confer on them, they will never love you as much as they love themselves (unlike finance majors who will always love money more than they will love you).

Thus, it is time for you people to get off your high horses and have realistic expectations. Not everyone in the world can be wealthy, kind and good-looking. More times than not, you will be lucky to date a person who has even two of these required traits. The reason why girls cringe at the prospect of even dating us is simple: accounting majors, unfortunately, are perceived as being "dull-witted" individuals who are not smart enough to major in something more intellectually demanding. This stereotype is both cruel and false. Although we may lack the brashness of finance majors, the erudition of English majors and the impressive resumes of biology majors, there is no reason that you should not take us seriously. Accounting is a booming field which offers any young person looking to settle down stability, decent pay and delicious, jelly-filled doughnuts every morning. Unlike investment bankers whose careers are invariably linked to the fluctuations of the stock market or doctors whose lives are increasingly dictated by the pecuniary ways of unsavory HMOs, accountants will always be vital cogs in the capitalist machine. No matter how great or how dismal the situation gets, people will always need to do their taxes. After slaving away ten hours a day in some big five accounting firm, we will eventually climb the corporate ladder to middle management, earning low-to-mid six figure salaries.

Yet, financial stability is not the only reason why accounting majors would make such great husbands. Not to toot our own horns, but accounting majors tend to be hard-working, caring individuals interested in being the best people we can be. We are not driven by raw ambition; being spectacularly successful is not the only thing we think about 24 hours a day, seven days a week. We merely want to live simple, if not unremarkable lives, have our 1.8 children and be able to afford all of the basic luxuries needed to live a proper life in Modern Orthodox circles: summer camp for our children, periodic vacations to Israel, and Shmura Matzah. We do not need expensive cars, extravagant Bar Mitzvahs and other lavish "toys" to strum our egos. Garish displays of wealth is not what we are about. We are a content group of individuals— ordinary people who want only to drive our Honda Accords, send our children to day school, and not be the center of attention. If people think that such an outlook means that we are lazy or unambitious, then so be it. However, we are compelled to ask you this: since when has a little dose of humility been a bad thing?

Thus, before you dismiss us as "boring" or "mediocre" and refuse to give us the time of day, we feel that accountants are "good catches" for the typical Modern Orthodox girl looking to get married. While we may be circumspect when it comes to handling money and might strive to achieve less fanciful objectives, accounting majors are rock-solid individuals with few chips on our shoulders. While your parents might not be that receptive when you initially bring us home to meet them, eventually, much like foot fungus, we will wear on them. Eventually, after getting over the disappointment of not having a doctor as a son-in-law, they will grow to love us, and, perhaps, even respect us. Finding conjugal bliss in these days and ages is no laughing matter. Why shoot for the stars when you can settle down with a cute, cuddly, slightly overweight, balding accounting major whose main interests are following sports and calculating asset ratios.

Sincerely,

The Accounting Majors

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cision to remain entrenched in Kuwait. He now failed to grasp both the political and military situations. He thought he could disrupt the coalition with Linkage and Pan-Arabist rhetoric, yet didn't properly assess the value of the generous US bribes and inducements given to the Arab members of the coalition. Militarily, he failed to assess his own army's capabilities by vastly overestimating its ability to fight a modern war, while ignoring the obvious US strategy. Saddam wasn't prepared for the air campaign, and therefore attempted to draw the US into a ground war by invading Khafji, yet he was unable to foresee US patience with the air campaign or the flanking maneuver that preceded the final assault on Kuwait.

Apparently, Saddam is a rather inept rational actor, even though it does appear that he performs rational calculations before engaging in battle. It is this ineptitude which has prevented him from attaining the power he so desperately longs for, and which has kept him from being a catalyst of change in the balance of power in the Middle East.

The war did not bring the result that much of the US public thought it would, namely the removal of Saddam from power. This is due to a number of factors. First, it was never part of the US plan to remove him from power. Second, it appears as if having Saddam in power is actually beneficial to the general US strategy in the region. Saddam serves as a check to Iranian power, which is still a concern to the balance of the region. The US has a vested interest in maintaining a presence in the region and a threatening Saddam encourages regional compliance with this goal. Furthermore, Iraqi aggression has caused the Gulf states to modernize and expand their military forces, therefore they have already purchased $50 billion worth of weapons from the US in the wake of the Gulf War. This need for control could continue to serve as a reason for allowing Saddam to stay in power in Iraq.

To the Editors:

In the last edition of The Exchange, the writer of the editorial made an important point in saying that the students of the Sy Syms School of Business are not prepared for the business world as far as their writing abilities are concerned. It is a tremendous problem that a great number of students graduating Yeshiva University (not only SSSB) are lacking the necessary writing skills when entering the professional world. However, the solution that was proposed is not the correct one. Rather than have the students spend precious credits taking courses such as Business Writing (a course being offered by Yeshiva College next semester), students should be exposed to more intensive writing in courses that are already being given. The Sy Syms School of Business does not have time to burden the students with extra classes, which would make scheduling all the more difficult. Additionally, only a handful of students are willing to spend more than three years on campus. The classes they take must cover more ground in less time than those of their counterparts in other schools. Indeed, these classes must give students one of the most vital skills that college can provide; the skill of writing.

Daniel Drabkin
Sy Syms representative in
Yeshiva Unversity's Senate
SSSB 1999

Dow "Indiana" Jones and the Great Fund Robbery

Down and Out in Ch'umgmu

by Professor Aaron Brown

"Bibimbab," roared Dow "Indiana" Jones (DIJ), "and more soju." He slammed his last few won on the bar in the seediest waterfront joint he could find. The IMF was turning Pusan upside down, searching for him. But it was in Ch'umgmu that he had found smugglers who would take him to Fukuoka, Japan, avoiding formalities like customs and immigration. All the smugglers asked in return was every bit of DIJ's hard currency. In a spirit of generosity, they agreed to let him keep his won, the South Korean currency.

Since won was not too popular outside of South Korea, DIJ decided he might as well gorge himself on cheap-but-filling flavored rice (bibimbab) and drown his troubles in distilled sweet-potato liquor (soju). To think that only two months ago he was surfing on top of the Asian financial boom, en route to fantastic wealth. Now the Koreans hated him as a global capitalist who ruined their economy and the IMF thought he was a crook who bribed people and looted banks. DIJ was now number one on the most-wanted list of the fearsome IMF Black Squad.

"I can get rich," DIJ fumed, "but I can't stay rich. I feel like Sisyphus."

"What's a sissy foot?" inquired the bartender.

"Sisyphus, the King of Corinth, who was so cruel in life that the gods condemned him to spend eternity rolling a heavy rock up a hill, only to have it roll down just before he reached the top."

"Oh, that Greek stuff," nodded the bartender understandingly, "Me, I feel more like Tantalus who has to spend eternity hungry and thirsty, with cool water and ripe fruit just out of reach. I see money, but I can't get it. Something always ruins it at the last minute. It all started with that sleazy Portuguese embezzler." DIJ frowned. "Hey, I'm buying the drinks here. You're supposed to listen to my troubles."

The bartender smiled and poured two sojus. "Okay, the drinks are on me. Now will you listen to my plan? I know you are the famous financial adventurer, Dow "Indiana" Jones. I also know how the two of us can steal $2.5 billion. It's the perfect crime because we will steal something that no-one can admit to owning, so no-one can accuse us of theft. And my family will finally have its reveng on that idiot Magellan!"

"Slow down here. What's your name and, if you have such great plans, why are you a bartender in this dump?"

"Why are you here DIJ? If you don't mind me calling you DIJ?"

DIJ nodded, "Okay, point taken. But tell me your name and what Magellan has to do with anything and who that embezzler is you were talking about."

The Fund

"I'm Cano Jiang and Ferdinand Magellan was the Portuguese embezzler."

"*The* Ferdinand Magellan? The first guy to sail around the world? He was Spanish. And he sure doesn't have $2.5 billion for us to steal. He's been dead for almost 500 years!"

"He is dead, but you're wrong on all other counts. He was Portuguese, but they kicked him out for embezzling from their army in India. And he didn't sail around the world. He got five ships, lost four, drove the men to mutiny on the fifth, starved half of the remaining crew to death, then got killed in a stupid brawl in the Philippines. My ancestor Juan Sebastian de Cano was the one who brought the Victoria around the world. But Magellan gets all the credit. And the money. Until now, that is."

"Your ancestor? But you look Korean, or at least Asian. Was Juan de Cano Asian?"

"No, Basque. The Spanish paid for the ships but the best sailors were from surrounding countries. Columbus was Italian, Magellan was Portuguese and de Cano was Basque. To make a long story short, de Cano had a quick liaison in Guam, and nine months after the Victoria left my distant grandfather was born. The family has spread throughout Asia, intermarrying until there is very little evidence of our European heritage. But we remain true to Juan Sebastian de Cano, united in hatred of Magellan."

DIJ looked at his watch. "Fair enough, but I have a boat at midnight. Let's say we fast forward 475 years to 1997. Show me the money."

"Thirty-five years ago, a small mutual fund, Fidelity International Fund, was formed to buy foreign securities. Then Congress passed the Interest Equalization Act which made it unattractive for Americans to own foreign securities. The Interest Equalization Act is primarily remembered as the impetus for the creation of Euromarkets, but it also encouraged Fidelity International Fund to switch to US Stocks and close for sixteen years. We are going to steal that fund." DIJ held up three fingers. "Three questions: Who cares about a little mutual fund? What does this have to do with your family's history? And how can we steal it?"

Cano Jiang smiled. "Your third question will take a few minutes. But I can answer your first two by telling you that Fidelity International Fund changed its name. It is now called Fidelity Magellan, the largest mutual fund in the world."

Leaving Ch'umgmu, DIJ stiffened. There was something wrong. Maybe a slight change in the street noise outside, maybe a faint odor that did not belong on the Korean waterfront, maybe a sixth sense honed by years of avoiding financial police. Whatever it was, DIJ knew he had to get to his boat quickly. "Is there a back way out of here?" he barked.

Cano Jiang laughed. "Are you kidding, a waterfront smuggler's bar? We have a dozen I know about and lots that I don't." He took DIJ's arm, guiding him into the kitchen and through a small opening to the laundry chute. After five minutes of dark, twisting tunnels, they emerged below a pier.

DIJ looked around in satisfaction. No police in sight and he was in easy distance of his hired boat. "Okay, we wait here until midnight. Then I get on that boat. You have half an hour to sell me on your scheme."

"Let's start with a question, who owns Fidelity Magellan?"

"The four million shareholders who put money in the fund, of course." Cano Jiang shook his head. "DIJ, you're talking like a lawyer. Legally, those shareholders own the fund and they elect a board of trustees who are supposed to act in their interests. But remember last year when Michael Price sold the Mutual Series of mutual funds to Franklin for $610 million? What was he selling if the shareholders owned the funds?"

"He didn't sell the mutual funds, that's just the shorthand used in the news reports." DIJ tried to remember the details.

"I think he sold Heine, the company he owned that manages the funds. Franklin hopes to recoup their $610 million by

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