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No tears shed for Eliot Spitzer

Advisers see irony in fate of Wall Street's scourge, who was brought down by revelations of high-priced trysts

By **Aaron Siegel**
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Shock, glee and pity characterized the reaction of the financial services industry to last week's resignation of New York governor and former attorney general Eliot G. Spitzer after revelations of his involvement with a prostitution ring.

"Mr. Spitzer was a very aggressive attorney general who did a lot and caught many people with their hand in the cookie jar," said Thomas Grzymala, a principal of Forensic Analytics LLC of Kensington, Va. "Now the tide has turned and Eliot Spitzer, by his own admission, has not lived up to his own standards."

Mr. Spitzer's imperious personality and his trail of scorched-earth battles with those in the financial business whom he often characterized as public enemies resulted in little sympathy on Wall Street when the 48-year-old Democrat said he would step down from the state's top job after just 14 months.

His resignation is effective today.

"People on Wall Street are smiling for the first time in a while," said Danny Sarch, principal at Leitner Sarch Consultants Ltd., a broker-dealer-recruiting firm in White Plains, N.Y.

"He was really disliked on the Street, and was seen as vindictive, holier-than-thou and sanctimonious," Mr. Sarch said.

"This is a guy who built his career as a holier-than-thou crusader. He positioned himself as a high moralist who could do no wrong in many high-profile cases," said Larry Barton, president and chief executive of The American College in Bryn Mawr, Pa. "He is fallible, human and made an egregious mistake."

Despite his personal flaws, the pugnacious former governor drew praise from advisers for many of his accomplishments as attorney general.

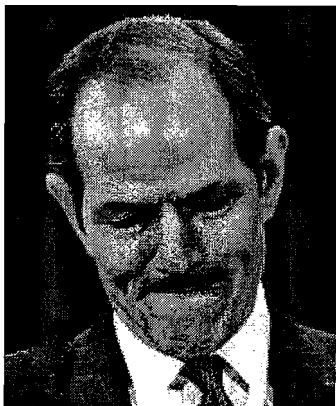
Mr. Spitzer "deserves a lot of credit" for bringing mutual fund market-timing issues to the attention of federal and state regulators, and "getting those issues resolved," said Niels Holch, executive director of the Coalition of Mutual Fund Investors in Washington.

"I can't think of anyone who has done more to address securities industry fraud than Eliot Spitzer," said Laurence S. Schultz, partner at Driggers Schultz & Herbst PC, a securities law firm in Troy, Mich. "It is incredibly unfortunate that some of our greatest persons have frailty that contributes to their downfall. That really detracts from a lot of the good that he did."

While Mr. Spitzer was "overzealous" in the mutual fund arena and in his attacks on many insurance companies, "many of the things he did as attorney general weren't totally wrong, and he brought to light many industry practices that were not good," said Michael Kresh, president and chief investment officer of M.D. Kresh Financial Services Inc., an Islandia, N.Y., firm that manages \$100 million in assets.

"It is so bizarrely ironic that someone who based his career on the law and doing what is right would be caught up in a prostitution [investigation]," Mr. Kresh said, noting that he is "totally perplexed, disappointed and more than a little angry" at Mr. Spitzer.

STREET FIGHTER



Bloomberg

Eliot Spitzer: Despite his personal flaws, the former governor drew praise from advisers for many of his accomplishments as attorney general.

After being elected New York's attorney general in 1999, Mr. Spitzer discovered the extraordinary powers at his disposal under the state's 1921 Martin Act.

The law enabled him to conduct investigations, while those who were being questioned did not have the right to counsel or a right against self-incrimination.

In the aftermath of the tech bubble, Mr. Spitzer stepped out in front of the Securities and Exchange Commission and pointed a harsh spotlight on the conflicts of interest in brokerage equity research. He also attacked the mutual fund industry for permitting favored investors to buy and sell fund shares after the close of daily trading, and targeted New York Stock Exchange Chairman Richard A. Grasso for his hefty compensation as head of the not-for-profit exchange.

While many decried his zealotry, others claimed that Mr. Spitzer was merely identifying systemic wrongs that had become accepted over time as business as usual.

Following two four-year terms as New York's top lawyer, Mr. Spitzer ran for governor on a platform of reforming a dysfunctional state government. He was elected by capturing more than 65% of the votes.

In his first executive order as governor in early 2007, Mr. Spitzer signed the Establishment of Ethical Conduct Guidelines, which stated: "Government employment is a privilege rather than a right, and is based upon the trust and confidence placed in the state's workers by the public."

The statement went on to say: "All state employees therefore must act in a manner consistent with that public trust and must not take any actions that are intended, or appear to be intended, to achieve personal gain or benefit."

It is still unclear whether Mr. Spitzer will be charged with criminal violations in connection with his high-priced trysts.

Separately, his lawyers were in court in New York last week fighting accusations that Mr. Spitzer's administration used state police to spy on the state senate's top Republican, Joseph Bruno, for political purposes.

By stepping down, Mr. Spitzer became the first governor of New York to resign since 1913, when William Sulzer was impeached and removed from office after fighting with fellow Democrats controlled by the Tammany Hall political machine.

Today, Lt. Gov. David Paterson, 53, is scheduled to be sworn in to replace Mr. Spitzer, becoming New York's first black governor and the nation's first legally blind governor.

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