An Open Letter to AIMR and the *Financial Analysts Journal*

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This letter documents numerous apparent material violations of the standards of the Association for Investment Management and Research (AIMR), committed by certain members of the Editorial Board of the AIMR publication, *Financial Analysts Journal* (*FAJ*), in connection with the *FAJ*'s editorial review process and its book review process. These apparent violations are particularly egregious because they effectively constitute an attempt to cover up unethical and perhaps even illegal activity and to protect an "insider" member of the *FAJ*'s own Editorial Board.

The *FAJ* purports to represent the profession (not just select Editorial Board members) and constitutes a very visible public arm of the profession's preeminent standard-setting body, the AIMR. The AIMR sets very high standards for its members' conduct. Its motto reads: "Setting higher standards for investment professionals worldwide." It now appears that the AIMR is unwilling to uphold similar standards in matters involving its officials, its employees, and its volunteers. This is very unfortunate.

Background

In the late 1980s, I submitted to *FAJ* a paper on portfolio insurance and its contribution to the stock market crash of 1987. Editorial Board member Mark Rubinstein persuaded the journal not to publish this paper.[1] Rubinstein was a co-founder of Leland O'Brien Rubinstein Associates (LOR), the primary purveyor of portfolio insurance at the time.

This article later formed one of the seeds of my book, *Capital Ideas and Market Realities* (CIMR), which discusses the dangers to market stability posed by certain derivatives-based strategies, using portfolio insurance and the crash of 1987 as an example. Given my past experience with *FAJ* with regard to this subject, I was very pleasantly surprised to see a quite favorable review of my book in the July/August 2000 issue. This review, written by the *FAJ*'s Book Review Editor Martin Fridson, stated: "Jacobs' meticulously documented book presents compelling evidence . . . that portfolio insurance failed to deliver on its lofty promises."

In the January/February 2001 issue of *FAJ*, however, Fridson published an unprecedented "Postscript" to this review. In an abrupt about-face, he charges in this "Postscript" that I "marshaled selected quotations to suggest that promotions in the early 1980s by Leland O'Brien Rubinstein Associates (LOR) led investors to believe that its portfolio insurance product placed an absolute floor under their potential returns." On the contrary, he asserts, on the basis of various unnamed sources, "LOR's pre-1987 presentations were candid in describing the likely impact of greater-than-expected volatility."

Rubinstein now admits that this “retraction” of Fridson’s initial review came in response to a suggestion from him (see Burr 2001a). Before this admission, *FAJ* Editor Gifford Fong had asserted (see Burr 2001a) that “If there was pressure from someone on the editorial board, I would see that person would not be on the board.” Fong’s claim now is that “The real question is: Was Mark acting in his capacity as an editorial board member?” (See Burr 2001b.)

I was allowed a brief response to the charges in Fridson’s “Postscript” in the May/June 2001 issue of *FAJ* (see Jacobs 2001a); my original reply (Jacobs 2001b) had to be cut substantially in order to meet the *FAJ*’s space constraints. Space in that issue of *FAJ* was nevertheless available to afford yet another comment from Fridson (2001b), which effectively concludes with the assertion that "sophisticated investors who knew the right questions to ask would not have been misled" by LOR's marketing. Fridson also asserts the whole issue is a mere matter of “he said, she said,” and Fong has declined to publish any more letters on the subject.

Far from being a trivial matter of a difference of opinion, however, the way in which portfolio insurance was marketed in the 1980s had tremendous impact on the market (particularly in October 1987) and has repercussions for the securities industry today. And the whole debate revolving around the *FAJ*, going back to my original submission to the journal in the 1980s, raises extremely troubling ethical questions about the conduct of the *FAJ*, its editor, and members of its Editorial Board. In addition, it raises questions about the AIMR’s supervision of the *FAJ*, and its willingness, or ability, to hold its officials and staff to the same high standards demanded of its members.

Of particular concern is why the *FAJ*, and by extension AIMR, would want to be seen as endorsing conduct that appears flagrantly violative of securities laws and AIMR’s own standards. Also of concern is what level of disclosure, on the part of investment advisers and managers, AIMR would desire to see promulgated in its own publication? And what standards of behavior would AIMR expect to be followed by its officials and staff? In particular, are activities that AIMR would consider to be violative of the standards it sets for its members acceptable if undertaken by *FAJ* Editorial Board members?

Do the FAJ and AIMR condone Fridson’s characterization of LOR’s presentations of portfolio insurance as “candid,” even though they appear to violate securities law?

In his “Postscript,” Fridson states, on the basis of his conversations with various unnamed sources, that “LOR’s pre-1987 presentations were candid in describing the likely impact of greater-than-expected volatility.” Let’s look at some of these presentations.

LOR claimed in its advertisement entitled “Investing's Third Wave” that “Dynamic Asset Allocation assures a minimum required portfolio return while providing the upside potential of equity investing. This strategy has the effect of insuring an equity portfolio against loss--*a guaranteed equity investment”* (emphases in original).

Other LOR advertising pieces strongly imply a guarantee of return. For example, one advertisement promises to “Put a Lock on Market Gains.” An LOR marketing piece by Robert Ferguson and Larry Edwards (1985) asserts that “It doesn’t matter that formal insurance policies are not available. The mathematics of finance provide the answer. . . . The bottom line is that financial catastrophes can be avoided at a relatively insignificant cost.”

But portfolio insurance performance is *not* guaranteed, even by the mathematics underlying it. It depends critically on assumptions about market volatility, continuous prices, and interest rate changes. When these assumptions are violated (as they were in

October 1987), the strategy can fail. Yet the dependence of the strategy's performance on assumptions about these and other risk factors is not mentioned in LOR's advertisements.

I believe that LOR's characterization of portfolio insurance as a "guaranteed equity investment" and its failure to disclose the risks inherent in the strategy were misleading and deceptive. Section 206 of the Investment Advisers Act of 1940 (the Act) prohibits advertising that is false or misleading (even if the deception is unintentional). Thus statements made in LOR's advertising would appear to be in violation of securities law.

Furthermore, AIMR Standard IV(B.6) stipulates: "Members shall not make or imply, orally or in writing, any assurances or guarantees regarding any investment except to communicate accurate information regarding the terms of the investment instrument and the issuer's obligations under the instrument." To quote directly from the standard: "Standard IV(B.6) prohibits statements or implications that an investment is 'guaranteed' or that superior returns can be expected in the future based on the member repeating past successes." This statement covers advertisements such as LOR's "Investing's Third Wave."

AIMR Standard of Professional Conduct I(A) requires that members "maintain knowledge of and comply with all applicable laws, rules, and regulations . . . of any government, government agency, regulatory organization, licensing agency, or professional association governing the members' professional activities." LOR's advertisements appear to be noncompliant with Section 206 of the Act and with AIMR Standard IV(B.6). Fridson's (2001a and 2001b) defense of these presentations demonstrates a lack of familiarity with or disregard for the laws and standards governing the securities industry; this is all the more troubling as Fridson is a member of the AIMR Board of Governors, as well as the Editorial Board of *FAJ*.

Do the FAJ and AIMR condone, as Fridson does, the manner in which LOR represented performance results?

Fridson's "Postscript" states (again, based on unnamed sources) that "LOR mentioned that highly favorable result [that the cost of the insurance could be negative] as a possibility, not a likelihood." Yet LOR asserts in its own advertisement "Fiduciary Hedge Program" that: "There is a cost, or premium, for the minimum return assurance that the Fiduciary Hedge Program provides. However, with the FHP in effect more of the fund's assets can be placed in higher expected return albeit riskier asset classes. The net effect can be to increase the total fund's expected return by 1 to 2 percent per annum." There is no mention of the risk factors associated with the strategy itself (rather than the assets employed), let alone the fact that a higher commitment to riskier asset classes (i.e., equity) can result in an even bigger loss in the event of the strategy's failure.

Further, the LOR advertisement "Investing's Third Wave" states: "Hypothetically, over the 10 years ending 1981, one dollar invested in the S&P 500 would have returned $1.89 (6.5% per annum); one dollar invested in T-bills would have returned $2.18 (8.1% per annum); one dollar invested in the S&P 500 and in T-bills in accordance with the principles of Dynamic Asset Allocation would have returned $2.61 (10.0% per annum)." The conclusion to be drawn would seem pretty straightforward: Portfolio insurance can more than pay for itself via excess return over that available from alternatives, including a full investment in the market.

LOR's advertisement fails to disclose the possibility of losses and the limitations inherent in the model results presented. Furthermore, it fails to note the source of the strategy's outperformance—namely, the fact that during the simulation period, stocks rose less than T-bills. As I have pointed out (Jacobs 1983b and 1999), it pays to be insured (less than fully invested) in such periods, because holding cash is more profitable than owning stock. However, over the long run, equities *have* outperformed cash. My own simulations

over the longer, 1928-82 period show that the decision to "purchase" portfolio insurance would have resulted in an enormous wealth sacrifice compared with a full investment in stocks.

Under Section 206 of the Act, investment advisers are prohibited from using model results in advertisements unless disclosures are made regarding the possibility of losses, the limitations inherent in model results, and any material effects of market or economic conditions on the results portrayed (see Clover Capital Management, Inc., SEC No Action Letter, October 28, 1986). LOR's presentation of model results would appear to violate this section of the Act and, by extension, AIMR Standard I(A).

Furthermore, the advertisement's presentation of hypothetical historical simulated results, without disclaimers, seems meant to imply that the performance over this (as noted above, highly atypical) period will continue in the future. This would appear to violate Standard IV(B.6) (described above) and also the spirit of Standard V(B). Standard V(B) was designed to overcome, among other problems, managers' presentation of "performance for a selected time period during which the fund produced excellent returns or outperformed its benchmark."

Do the FAJ and AIMR support Fridson's view that statements made in LOR's advertisements can be offset by more cautionary language in its published articles?

Fridson implies in his "Postscript" that the overstatements in LOR's advertisements, which he acknowledges in his original review, can be balanced by more cautious statements that LOR made in their *FAJ* articles. From a legally required disclosure viewpoint, this is not the case. Each advertisement of a registered investment adviser must meet the requirements of Section 206; disclosures in other venues cannot "make good" for a lack of required disclosure in the advertisements.

In any case, the overall presentation of portfolio insurance in LOR's published articles consistently downplays or ignores the potential risks to the strategy. My complete response to the Fridson "Postscript" (Jacobs 2001b) discusses at some length the presentation in two articles that appeared in the *FAJ*. The Rubinstein (1985) article cited by Fridson pays lip service to the risks of portfolio insurance while greatly downplaying their effects on the strategy. Another LOR article (Rubinstein and Leland 1981) calls portfolio insurance "tantamount to insuring the equity portfolio against losses by paying a fixed premium to an insurance company."[2] Furthermore, LOR's Robert Ferguson, in a 1986 FAJ article titled "How to Beat the S&P 500 Without Losing Sleep," uses simulated results to show the superiority of a leveraged portfolio insurance strategy, but does not disclose any of the limitations of model results required by securities law.[3]

Not only did LOR's principals and employees not adequately disclose the limitations of their strategy in their published articles, they went so far as to deny that it was possible for their strategy to fail. I had written publicly about the possibility of portfolio insurance failures in the early 1980s.[4] According to my simulations covering the 1928-82 period, the insured portfolio stopped out, falling below its floor and failing to deliver any upside capture at all, in two years. Furthermore, over the entire time period, insuring the portfolio resulted in a significant wealth sacrifice, rather than the return enhancement LOR had claimed in advertisements such as "Investing's Third Wave." LOR immediately disputed these findings in a series of letters and articles.[5] Only after the 1987 crash did Rubinstein (1988) concede that stop-outs could occur; he said they were "virtually impossible to prevent."

As LOR provided *FAJ* articles written by LOR principals and employees to prospective clients and used them to market products, these articles constitute research reports as defined in AIMR Standard IV(A), as well as advertisements subject to Section 206 of the Act.

Various subsections of Standard IV(A) cover the presentation of investment products to clients and prospects. Standard IV(A.1c), for example, requires that AIMR members "make reasonable and diligent efforts to avoid any material misrepresentation in any research report or investment recommendation." The commentary on Standard IV(A.2) states that "In the case of complex quantitative analysis, analysts must clearly separate fact from statistical conjectures and identify the known limitations of the analysis."[6]

Even LOR's ADV filings with the SEC (see Jacobs 2001b) assert that the strategy replicates a protective put, with no mention, prior to the crash of 1987, of the risk factors of synthetic put replication. And LOR's client contracts relegated the possibility of strategy failure to a footnote, on page 18 (see Rubinstein 1999).

Thus LOR's advertisements and other material used in their marketing efforts fail to adequately disclose the strategy's behavior under adverse market conditions. I do not believe they would meet the standards for disclosure set forth by the AIMR. Yet they are defended by Fridson in AIMR's own publication.

Do the FAJ and AIMR endorse Fridson's view that the level of disclosure on the part of LOR in the 1980s was adequate?

Fridson's "Postscript" answers an implicit "no" to the question he poses at its outset: "whether users of the product were, or should have been, surprised by portfolio insurance's performance on Meltdown Monday." The implication is that LOR presentations were candid in disclosing the strategy's possible risks under the type of conditions that were experienced during the market crash. But a look at what happened to portfolio insurance in the aftermath of the crash of 1987 indicates that users of the strategy were very unpleasantly surprised; this suggests that they had *not* been well informed about the real risks of the strategy. In fact, the great majority of portfolio insurance users canceled or failed to renew their policies (see Ring 1988). Tellingly, the amount of insured assets managed by LOR fell from $54 billion in early 1987 to $8.4 billion in early 1988 to $154 million in early 1989 (according to LOR's ADV filings with the SEC).

AIMR Standard IV(B.1) on fiduciary duties states that "the manager . . . has the responsibility to ensure that the client's objectives and expectations for the performance of the account are realistic and suitable to the client's circumstances and that the risks involved are fully understood and appropriate." An LOR advertising display entitled "What LOR's Sophistication Means" (discussed in the *Wall Street Journal*, January 4, 1988: B4) assured that "all the implications and expectations of the selected strategy are known in advance. No unhappy surprises." In fact, investors' virtually complete abandonment of the strategy in the wake of the 1987 crash indicates in deed, if not in word, that they were very unhappily surprised.

Do the FAJ and AIMR find the standard of disclosure espoused by Fridson to be reasonable, in light of the requirements of U.S. securities law?

In his "Postscript: Reviewer's Response," Fridson states that "sophisticated investors who knew the right questions to ask would not have been misled" by LOR's presentation of portfolio insurance. This standard would place the burden of discovery on the investor, rather than the onus of disclosure on the investment adviser.[7]

In fact, the standards of disclosure to which investment professionals are held are not a moot point or, as Fridson might have it, a mere question of "he said, she said." They are, rather, a matter of law. Section 206 of the Investment Advisers Act holds that *caveat*

emptor is NOT an adequate standard for the securities industry. The U.S. Supreme Court decision in SEC v. Capital Gains Research Bureau, Inc. (1963) gives cogent reasons for the high standards of disclosure imposed in the securities industry:

> The Investment Advisers Act of 1940 was the last in a series designed to eliminate certain abuses in the securities industry, abuses which were found to have contributed to the stock market crash of 1929 and the depression of the 1930's. . . . A fundamental purpose . . . was to substitute a philosophy of full disclosure for the philosophy of *caveat emptor* and thus to achieve a high standard of business ethics in the securities industry. . . . As we recently said in a related context, "It requires but little appreciation . . . of what happened in this country during the 1920's and 1930's to realize how essential it is that the highest ethical standard prevail" . . . in every facet of the securities industry. . . .

I believe that LOR's overreaching marketing in the 1980s, marketing that did apparently rely on a *caveat emptor* standard of disclosure, helped to create a faddish demand for portfolio insurance, leading to $100 billion in "insured" assets by the fall of 1987. The enormous magnitude of required insurance selling on October 19, 1987, turned what might have been a modest correction into a crash even greater than the Great Crash of 1929.[8] This was exactly what the disclosure standards under 206 were designed to protect against.

Many of AIMR's own standards aim, with good cause, to ensure adequate transparency of the investment process. Transparency is vital to the health of the securities business, as it encourages investor confidence and willingness to invest. Disclosure is in turn vital to transparency. It is thus particularly disappointing to read (see Burr 2001a and 2001b) that a spokesperson for the AIMR apparently considers it perfectly acceptable that the *FAJ* publish a piece by a member of AIMR's Board of Governors that endorses a standard of disclosure that she admits is entirely at odds with securities law and AIMR's own standards.

Is it ethical for the FAJ's book review editor, or others writing in the journal, to use unnamed sources to make substantive critical points?

In his "Postscript," Fridson relies on various unnamed sources to rebut the copiously documented portrait of the marketing of portfolio insurance presented in *Capital Ideas and Market Realities*. Fridson declined to name these sources in his follow-up, "Postscript: Reviewer's Response," stating only that they were not vendors or users of portfolio insurance but "'anonymous critics' [who] had no obvious reason either to attack Jacobs or defend Leland O'Brien Rubinstein Associates." Now, however, an article in *Pensions & Investments* (Burr 2001a) uncovers the fact that it was LOR's own Rubinstein who "suggested" to Fridson that he "consider writing a 'correction' to his original review."

Using unnamed sources to attack another's veracity seems unethical and a violation of the ethics promulgated in AIMR Standard II(B.1), which states that "members shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation or commit any act that reflects adversely on their honesty, trustworthiness, or professional competence." Failing to disclose the material role played by one with such a vested interest in the argument seems unethical in the extreme.

Is it ethical for FAJ Editorial Board members to exert pressure on matters where they have substantial financial interests?

Not only did Rubinstein apparently exert pressure on the *FAJ*'s Book Review Editor to reverse a previous favorable review, but back in the 1980s, he was allowed to review an article submission that was extremely critical of a product he had created and was in the business of marketing. In a piece that appeared in *Pensions & Investments* (Burr 2001a), Rubinstein accuses and excuses himself: "I did have a conflict of

interest. The question is, did it affect my judgment? It didn't because I was the best qualified to evaluate it [the submission]. I look at myself as an academic first. . . . I was naïve as an academic."

At the time, it should be noted, Rubinstein was not only an academic but also a partner in a firm that controlled more than half of the $100 billion portfolio insurance business. Clearly, he was not merely a naïve academic.

In fact, Rubinstein's action in regard to this submission was merely one in a series. Not only did he reject my 1988 submission to *Financial Analysts Journal*, but he had rejected another article of mine (Jacobs 1984) critical of portfolio insurance, which had been submitted to another journal of which he was also on the Editorial Board. At least one other author has gone on record as having had an article critical of portfolio insurance rejected by Rubinstein in the 1980s (see Derivatives Strategy 2000).

Furthermore, this is not the first time Rubinstein has (apparently successfully) influenced a review of my book, *Capital Ideas and Market Realities*. He sent an e-mail to Michael Brennan, which was designed to influence Brennan in advance of his review of the book for *Risk* (April 2000).[9] In the e-mail, Rubinstein talks about having reviewed several papers on portfolio insurance in the 1980s, at least one of which he accepted. It is noteworthy that the critical portion of the article he refers to (Garcia and Gould 1987) is on the whole extremely mild, focusing on the ability of insurance to deliver upside capture.[10]

Rubinstein's actions go well beyond the objective, disinterested role of an Editorial Board advisor. They would appear to violate AIMR Standard II(B.1), as well as AIMR Standard IV(A.3), which requires that members "use reasonable care and judgment to achieve and maintain independence and objectivity in making investment recommendations or taking investment action."

Do the actions of FAJ Editor Gifford Fong live up to AIMR standards?

FAJ Editor Gifford Fong has written articles on portfolio insurance. At least one (Fong 1989) highlighting a multiple asset performance (MAP) insurance strategy, appears to follow a policy of *caveat emptor*, presenting simulated results with none of the legally mandated disclosures on model limitations. As the article is currently posted on the Gifford Fong Associates' website (www.gfong.com), and hence would be considered by the SEC as an advertisement, it would appear to violate the disclosure standards on advertising in Section 206 of the Investment Advisers Act and AIMR Standard I(A).

Furthermore, AIMR Standard III(C) requires that members "disclose to their employer all matters, including beneficial ownership of securities or other investments, that reasonably could be expected to interfere with their duty to their employer or ability to make unbiased and objective recommendations." I would hope AIMR was informed of the interests of Fong's firm, Gifford Fong Associates, in portfolio insurance products, particularly as Fong has been managing the recent debate about such products in the pages of *FAJ*.

FAJ's editors should adhere to the same standards and ethical codes governing AIMR members. Was AIMR informed at any point that the review of articles critical of portfolio insurance by vendors of such products might entail conflicts of interest on the part of Editorial Board members? AIMR has been quick to weigh in on the recent controversy over possible conflicts of interests in analysts' recommendations (having put out in July 2001 an "Issues Paper on Analyst Independence"). Should apparent conflicts of interest affecting its own journal not elicit similar care and attention?

AIMR Standard III(E) requires that "members with supervisory responsibility, authority, or the ability to influence the conduct of others shall exercise reasonable supervision . . . to prevent any violation of applicable statutes, regulations, or provisions of the Code and

Standards." By publishing Fridson's "Postscript," which defends LOR's advertisements, and Fridson's "Postscript: Reviewer's Response," with his statement about "sophisticated investors," the *FAJ* and its editors appear to endorse behavior that violates securities law disclosure requirements.

In general, supervision of this entire series of review, re-review, and exchange of letters seems to be lacking adequate supervision. Why, for example, would the *FAJ*'s editor allow publication of an unprecedented repudiation of a prior book review? It would seem to me that the appropriate response to Rubinstein would have been to suggest that he write a letter to the editor (as I did in response to Fridson's "Postscript"). Furthermore, it is now apparent from an article that appeared in *Pensions & Investments* (Burr 2001b) that Editor Fong declines to pursue the question of Rubinstein's involvement and, indeed, states that any further discussion of the subject is unwarranted.

As things stand now, readers of the *FAJ* are left with Fridson's last words on the subject, which could lead them to conclude that investment presentations meet disclosure standards if "sophisticated investors who ask the right questions" are not misled. Fong has refused to publish my response to Fridson (Jacobs 2001c), which points out the inadequacy of this standard in terms of both securities law and practice.[11] *FAJ* readers and investors in general are disadvantaged when interested parties are given the power to curtail open debate and suppress criticisms that deserve fairer, more honest judgment.

Conclusion

I have indicated possible violations of all five of the AIMR's Standards of Professional Conduct by various *FAJ* and AIMR officials. Many of these standards are directed at eliminating conflicts of interest that can erode professionalism. Yet my experiences indicate that the way in which business is conducted at *FAJ* is fraught with conflicts of interest. Rubinstein, a member of the Editorial Board, is able to persuade *FAJ* (and other journals) to reject papers I submitted in the 1980s, which were critical of his own firm's investment products and the way in which they were marketed. Even more astoundingly, he is able to pressure the Book Review Editor, Fridson, to write an unprecedented repudiation of the latter's prior favorable review. Meanwhile, Editor Fong allows publication of the unprecedented "Postscript," curtails discussion of the subject, and now refuses (despite his own earlier promise) to take action or even investigate Rubinstein's role. If the conflict of interest standards pertaining to AIMR members were also applied to FAJ Editorial Board members (and enforced), these questionable actions could have been avoided.

It is time for AIMR to hold its own officials and staff to the same high standards it demands of its members. Unless the AIMR is seen as willing to uphold securities laws and confront ethical issues fairly and unequivocally, it risks undermining investor confidence in our organization, in the investment profession, and in capital markets worldwide.

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[1] Rubinstein admits this in Burr (2001a).

[2] They qualify this statement only in a footnote.

[3] As we will discuss below, these articles can be considered to fall under Section 206 of the Act.

[4] These simulations are reported in Jacobs 1983a, 1983b, and 1984.

[5] LOR’s John O'Brien (1983) called my results “absolutely wrong.” Rubinstein (1984) claimed my findings were due to the use of too simple a strategy. Leland (1984) said my “conclusions are wrong.” Ferguson (1986b) later reported stop-outs in the same two years I had detected them, but subsequently attributed these to the use of too simple a methodology (Ferguson 1986a).

[6] Example 3 under this standard describes the presentation of a derivatives-based strategy, where the behavior of the strategy in adverse market conditions is not disclosed. This would seem to be directly applicable to portfolio insurance, a synthetic option strategy.

[7] Fridson had on hand by that time my published reply to his “Postscript” (Jacobs 2001a), as well as my complete response (Jacobs 2001b), both of which dealt with the importance of disclosure and specifically the SEC requirement of full disclosure.

[8] That portfolio insurance was a major contributor to the 1987 crash was a primary finding of the Brady Commission, established by President Reagan to investigate the crash. Even LOR principals Leland and Rubinstein now admit that portfolio insurance contributed to the crash (see Rubinstein 1999 and Burton 1997).

[9] Rubinstein gave me a copy of this e-mail some weeks later. Note that Brennan reviewed *Capital Ideas and Market Realities* without disclosing that he had received research funding from LOR (see Jacobs 2000).

[10] The same is true of another article (Rendleman and McEnally 1987), but Rubinstein may not have reviewed this piece, as he wrote a scathingly critical letter to the editor about it (see Rubinstein 1987).

[11] Fong, too, had on hand my published reply to the “Postscript” (Jacobs 2001a), as well as the complete text of my response (Jacobs 2001b), dealing with the importance of disclosure and the SEC’s requirement of full disclosure, prior to the publication of Fridson (2001b).