

Mutual Funds and Conflicts Concealment among Public Officials at Ohio State

Many judges, lawyers and public officials hold investments in mutual funds in which they have likely received insider tips – *Betty Montgomery, case study*

What is a mutual fund?

It is an investment program funded by shareholders that trades in diversified holdings and is professionally managed. The SEC states: “A mutual fund is a type of investment company that pools money from many investors and invests the money in stocks, bonds, money-market instruments, other securities, or even cash.”

Public officials must disclose financial holdings and relationships

Public officials are required to disclose their financial holdings annually so that parties relying on their *impartiality* know when their judgments could be biased by their personal financial interest in one party or the other.

Public officials, conflicts of interest, impartiality, and who gets to choose

When a public official has a financial holding in one of the parties coming before him, that official has a sworn duty to disclose that financial holding to the parties. It is the official’s duty to disclose any matter that *might* affect that official’s impartiality. **It is not the duty of the parties to discover this information; it is the duty of the official to DISCLOSE the information.** If the parties mutually agree to allow the official to remain, then that is their choice. However, if either party believes that the conflict could affect that official’s impartiality, then that official must disqualify themselves from participating further.

Former Ohio attorney general Betty Montgomery failed this test in the OSU Marching Band scandal. See below.

The mutual fund shell game

Lawyers have injected into the state and national ethics law a deceptive and vaguely worded exemption from disclosure of the stocks in the mutual fund when the holder “does not personally direct the fund.” **This exemption is meaningless** because the very act of purchasing the fund is a personal direction to select one fund over the thousands of choices.

Legalized payola

Judges, politicians and bureaucrats all invest heavily in mutual funds. Judges often use the disclosure exemption and fail to disclose when their mutual fund holds stock in one of the litigants. The Judicial Conference lists pages of circumstances where mutual fund stocks must be disclosed. However, judges hide behind their claim not to have to disclose.

Mutual fund managers tip politicians about upcoming boosts in value for particular funds in exchange for favors. This is how politicians and judges can go to Washington and become magically wealthy in a few years.

The mutual fund exemption has become a blanket for insider stock tips

Business and politics have become corrupted by this manipulation of the mutual fund disclosure rules. The *have's* benefit from the insider tips, the *have not's* pay for it and are the victims.

US ethics law on mutual fund exemptions from reporting has legitimized insider trading among the judiciary, Wall Street and Washington, D.C.

Confront most politicians and judges about the stock held by their mutual funds, and they will claim that they are not required to disclose them. They'll feign ignorance and say they don't know what's in them.

Three telling things that are wrong with that response:

1. The person is admitting that he invests in funds without knowing anything about the stocks that comprise them. If this official is really that clueless, then why was he elected to steward your tax dollars? Why is he a judge if he is so careless?
2. The person chose certain mutual funds over thousands of choices, so the idea that he is not directing his investing to certain funds and sectors is disingenuous.
3. Ethics rules demand disclosure to avoid "even the appearance of impropriety." In other words, you may not be biased, but **the appearance of bias dictates recusal**. Therefore, the so-called mutual fund exemption is an empty shell designed to fool the masses, nothing more. It does nothing but give insiders an excuse to trade in their inside knowledge for their benefits and that of their cronies.

The Mutual Fund Scam

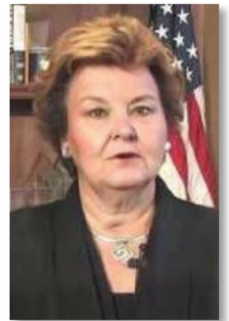
Scenario: You are the CEO of ABC company and want to influence a politician. How can you bribe him legally? You tip him off that if he were to invest in XYZ mutual fund; he might see a dramatic boost in that fund's returns in six months. Wink. Sure enough, in six months your ABC company, which is held by XYZ, goes public, creating a windfall. The politician then sells his shares, and thus becomes addicted to ABC's insider tips. He's drunk the Kool-Aid.

Later on, that politician gives favorable treatment to ABC in return for more insider tip. This is how Washington politicians and federal judges are bribed by Wall Street and grow rich. **The mutual fund bribe.**

Case Study:

Betty Montgomery, former Ohio Attorney General

Currently heading a Task Force on the Culture of The Ohio State University Marching Band
Betty D. Montgomery, OH Attorney Reg. No. 0007102



Betty Montgomery was chosen by Ohio State president Michael V. Drake and trustee chairman Jeffrey Wadsworth to conduct an ostensibly impartial assessment of the culture of the marching band following the firing of its director, Jon Waters.

Conflict: McBee Strategic

Conflict with Jeffrey Wadsworth and Provost Joseph A. Steinmetz, and 14 of 16 McBee clients who have contracts with Ohio State and MOOC

Montgomery's 2014 financial disclosure shows several investments in **BlackRock Global Allocation** funds (Stock Symbol: MCLOX). [See Betty Montgomery's 2014 financial disclosure.](#)¹

The devil in this detail was not hard to find.

Jeffrey Wadsworth is the CEO of Battelle Memorial Institute. One of Battelle's Washington, D.C. lobbyists is McBee Strategic, LLC, a notoriously known crony firm for Barack Obama. McBee dispensed tens of billions of dollars in green energy stimulus for Obama. In addition, McBee's clients are major proponents of MOOC (Massive Open Online Course) promoted by provost Joseph A. Steinmetz. These companies include Oracle and Google.

Conflict: JPMorgan Chase

JPMorgan is a client of McBee Strategic, Jeffrey Wadsworth's lobbyist; they also donate to OSU, hold OSU contracts and support MOOC vendors

McBee Strategic lobbies for JPMorgan Chase & Co. Betty Montgomery holds stock in JPMorgan. JPMorgan is a donor and vendor to Ohio State. JPMorgan participates in The Eclipse

¹ Betty Montgomery 2014 Financial Disclosure, <http://www.fbcoverup.com/docs/ohiostate/2014-04-09-Montgomery-Betty-Financial-Disclosure-Apr-09-2014.pdf>

Foundation which is heavily promoting MOOC (Massive Open the university equivalent of the controversial Common Core initiative to exert more federal control over education. MOOC is heavily promoted by OSU Provost Joseph A Steinmetz. None of these conflicting interests were disclosed. None of these individuals recused themselves from matters that would be tainted by these conflicts where their decisions would benefit JPMorgan, and therefore Montgomery's personal financial interests.

McBee Strategic is required by law to disclose the firms who are their lobbying clients. See [McBee Strategic Consulting, 2014 Annual Lobbying](#).² The following are McBee clients with known relationships and contracts with Ohio State:

1. Alcoa
2. Babcock & Wilcox
3. Battelle
4. Boeing
5. Charter Communications
6. Citigroup
7. Eastman Chemical
8. Enterprise Community Partners
9. General Electric
10. Google
11. Honeywell
12. JPMorgan Chase
13. National Venture Capital Association
14. Oracle
15. Praxair
16. Time Warner

Conflict: Oracle

Oracle is a client of McBee Strategic, Jeffrey Wadsworth's lobbyist; Google hold OSU contracts and support MOOC vendors

Conflict: Google

Google is a client of McBee Strategic, Jeffrey Wadsworth's lobbyist; Google holds OSU contracts and support MOOC vendors

Conflict: Time Warner

Time Warner is a client of McBee Strategic, Jeffrey Wadsworth's lobbyist; Time Warner holds OSU contracts and support MOOC vendors

Conflict: National Venture Capital Association

The NVCA is a client of McBee Strategic, Jeffrey Wadsworth's lobbyist; NVCA members and directors (mutual funds) provide funding to JPMorgan, Time Warner, Oracle, Google, Charter Communications, Citigroup, GE, Honeywell, etc.

² McBee Strategic 2014 Lobbying Clients, <http://www.fbcoverup.com/docs/ohiostate/2014-08-09-McBee-Strategic-Consulting-2014-OpenSecretsLobbying-Spending-Database-accessed-Aug-09-2014.pdf>

Betty Montgomery Financial Disclosure, filed Apr. 9, 2014

OHIO ETHICS COMMISSION

Analysis of holdings in BlackRock Global Allocation Inv C (Stock Symbol: MCLOX)

Source: BlackRock MCLOX Annual Report Oct. 31, 2013

No.	Interest	McBee Strategic LLC / Jeffrey Wadsworth (Battelle Labs) / Ohio State Clients	Known Facebook Cartel Member	Financial Interest
1	Morgan Stanley (Currency Transactions)		X	\$ 83,298,908,594
2	Goldman Sachs International (Currency Transactions)		X	42,630,122,062
3	Google, Inc. Class A (Top Ten holding)	X	X	547,108,127
4	General Electric Co.	X		503,337,933
5	JPMorgan Chase & Co (Top Ten holding)	X	X	414,864,852
6	Oracle (incl. Salesforce.com) (Top Ten holding)	X	X	392,659,798
7	Citigroup	X	X	340,899,017
8	Microsoft Corp		X	204,343,538
9	Wal-Mart Stores, Inc. (James W. Breyer, Accel Partners LLC)		X	158,224,653
10	Twitter, Inc.		X	121,241,585
11	State Street Corp.		X	100,589,199
12	Charter Communications, Inc, Class A	X	X	86,904,157
13	Fedex Corp	X		76,009,999
14	Duke Energy Corp.	X		70,706,126
15	Red Hat, Inc.		X	64,784,882
16	Praxair, Inc.	X		33,692,651
17	The Walt Disney Co.		X	29,525,251
18	NBCUniversal Enterprises, Inc.		X	28,918,890
19	Adobe Systems, Inc.		X	15,022,777
20	Eastman Chemical	X		11,390,276
21	Time Warner Cable, Inc.	X	X	10,925,360
22	General Dynamics Corp.	X		9,701,607
23	Wellpoint, Inc.	X	X	9,646,678
24	Accenture PLC, Class A		X	9,055,347
25	Boston Scientific Corp		X	8,439,221
26	Alcoa	X		102,203
27	IBM		X	22,114
	Total:	14	20	\$ 129,177,146,897

Table 1: Analysis of Betty Montgomery 2014 Financial Disclosure holdings in companies associated with McBee Strategic and Facebook.

Betty Montgomery failed to disclose that she is invested in 14 of the 16 McBee Strategic clients, who also have contracts and relationships with OSU Trustee president Jeffrey Wadsworth, President Michael V. Drake and the university. In fact, a director for McBee's Eastman Chemical client, Robert M. Hernandez, is chairman of Montgomery's BlackRock fund (Stock Symbol MCLOX).³ Such nondisclosure is against the law. If the nondisclosure was an intentional deception, it is criminal.

³ BlackRock Global Allocation Inv C Annual Report, Oct. 31, 2013, <http://www.fbcoverup.com/docs/ohiostate/2013-10-31-MCLOX-BlackRock-Global-Allocation-Inv-C-Annual-Report-Oct-31-2013.pdf>

Conflict: Wellpoint, Inc.

Conflict with Michael V. Drake & his colleague, Woodrow A. Myers, Chief Medical Officer, Wellpoint, Inc.

In fact, Montgomery even holds stock in Wellpoint, Inc. (see Table 1, No. 23) which donated to her campaign in 2006.⁴ Woodrow A. Myers is chief medical officer at Wellpoint, Inc. and is a Stanford black alumni colleague of OSU President Michael V. Drake. *See* Table 1.

Montgomery's BlackRock fund last year participated in \$83 billion in Morgan Stanley and \$43 billion in Goldman Sachs currency trades alone. Both companies are notoriously known to be colluding with McBee Strategic.

Conflict: Eastman Chemical

Conflict with Jeffrey Wadsworth and his McBee Strategic lobbyist

Montgomery's BlackRock holdings conflict with Jeffrey Wadsworth and his McBee Strategic lobbyist. One of McBee's clients is Eastman Chemical Co. BlackRock MCLOX fund's Chairman is Robert M. Hernandez, a

director of Eastman Chemical Co. Therefore, Montgomery benefits personally from decisions and recommendations favorable to Eastman > McBee > Wadsworth > Ohio State. She is not impartial in any way, shape or form. She is acting unethically and illegally by continuing to be involved in Ohio State matters. Period.

2.5 billion reasons why Betty Montgomery is biased

Montgomery's BlackRock fund holds \$2.5 billion in shares in the McBee/Ohio State clients listed above. These are 2.5 billion reasons why she failed to disclose her conflicts of interest in the OSU Marching Band Affair. Montgomery is painfully partial to Wadsworth, Drake and Battelle. Her failure to disclose these materially significant holdings may be a criminal in her failure to tell the public that she could not be impartial.

Michael Drake likely shielded Montgomery from liability should these egregious conflicts come to light, as they now have. Fraudulent nondisclosure has no shield from liability.

Montgomery's excuse could be to try and claim that Ohio ethics law exempts her from disclosure of her BlackRock holdings; claiming that she does not direct the fund, and therefore, does not have to disclose the stocks—**even when she holds 14 of the 16 McBee Strategic stocks.**

⁴ Wellpoint, Inc. Political Donations, 2006, Betty Montgomery, p. 3
<http://www.fbcoverup.com/docs/ohiostate/2006-WELLPOINT-INC-Follow-The-Money-Political-Contributions-2006.pdf>

Conflict: Betty Montgomery's Holdings

Montgomery holds stock in 14 of 16 Jeffrey Wadsworth / McBee Strategic / Ohio State's clients

We have just illustrated 2.5 billion reasons why such explanations are a gross abuse of the principles of fairness, not to mention common sense. Clearly, one cannot hold stock in 14 of your boss's 16 crony firms and pretend not to be biased.

This is likely why Washington, D.C. is broken; hidden agendas galore

This abuse of the ethics laws explains why there is so much double-dealing in politics and justice. **Our officials are on the make, on a massive, unprecedented scale.** For this reason, nothing they do makes sense to us, but it absolutely does to the insiders. This financial double-dealing is why Washington, D.C. is broken.

The Fix

The fix to this mess is surprisingly simple. Require holders of mutual funds to disclose, on a bi-annual basis, the stocks held by their mutual funds. This would require little effort since the funds report their stockholdings bi-annually now.

Require judges to recuse themselves if they hold even one share in a litigant. Require the same of politicians and bureaucrats. This simple requirement will allow citizens to easily check to see if the official has interests that require his or her disqualification from a matter.

* * *

Postscript

Suddenly, Betty Montgomery's unpaid status is being emphasized by the university. According to Ohio ethics law, unpaid consultants are not required to file personal financial disclosures. This appears to be the reason her status has suddenly become important—to skirt the Ohio Ethics laws. Nonetheless, her prior positions within the State of Ohio caused her latest financial report to be released. **No public official can be shielded from liability when they have acted fraudulently.**

An attorney rarely works for a well-funded institution like Ohio State for months without compensation. Is Montgomery getting compensation from her cronies? BlackRock, Arent Fox LLP, David Vaughn Consulting Group, or from a magical new clients of her law firm, MacMurray Petersen & Shuster LLP, 6530 West Campus Oval, Suite 210, New Albany, OH 43054, (614) 939-9955? Call them and ask. Tellingly, clients of attorney firms can be confidential, so it is not likely that she will disclose her magical new client(s). Attorneys appear to have created an out for every situation that could get them in trouble... except for fraud.



CONFIDENTIAL

13

Form No. OEC-2013
 OHIO ETHICS COMMISSION
FINANCIAL DISCLOSURE STATEMENT

This statement is to be filed in 2014

Financial information for calendar year 2013

Please type or print clearly. See instructions for assistance with this page.

SECTION A. PERSONAL CONTACT INFORMATION

Last Name Montgomery	First Name Betty	MI D
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SECTION B. STATUS (Check all that apply)

- Candidate
- Write-in Candidate
- Elected to an office
- Appointed to an unexpired term in elective office
- Public Official
- Public Employee
- Voluntary Filer

CANDIDATES: Please list the date of the first election (primary, special, or general) when your name will appear on the ballot.

Month	Day	Year
		2014

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SECTION C. PUBLIC POSITION, OFFICE, OR JOB

Position/Title (Example: council member, sheriff, board member, or job title)
Board of Trustees

Public Entity you serve in 2014, served in 2013, or will serve if elected
Bowling Green State University

Public Salary: Uncompensated
 Less than \$16,000
 \$16,000 or more

Start Date: Month Day Year
 0 9 0 1 2 0 1 2

End Date: Month Day Year
 2 0 2 1

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SECTION D. ADDITIONAL PUBLIC POSITION, OFFICE, OR JOB

Position/Title (Example: council member, sheriff, board member, or job title)

Public Entity you serve in 2014, served in 2013, or will serve if elected

Public Salary: Uncompensated
 Less than \$16,000
 \$16,000 or more

Start Date: Month Day Year

End Date: Month Day Year

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<input checked="" type="checkbox"/> Walk-in <input type="checkbox"/> Inter Office <input checked="" type="checkbox"/> No Check Rev'd by:	<input checked="" type="checkbox"/> Filer has answered every required question. <input type="checkbox"/> Filer has not answered these questions: <i>EB</i>	Date incomplete form returned to filer: _____ Date completed form returned to OEC: _____
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13. SIGNATURE - ALL FILERS MUST SIGN THE STATEMENT:

(For help, see instructions page 9 and 10)

By signing this statement:

- I swear or affirm that this statement and any additional attachments have been prepared or carefully reviewed by me, and constitute my complete, truthful, and correct disclosure of all required information, and that the address listed on page 1 is a correct mailing address.
- I acknowledge and understand that, among other potential violations and penalties, knowingly filing a false statement is a criminal misdemeanor of the first degree, in violation of Sections 102.02(D) and 2921.13(A)(7) of the Revised Code, punishable by a fine of not more than \$1,000, imprisonment of not more than six months, or both.
- I acknowledge and understand that filing a false statement may be grounds for removal from public office or dismissal from public employment pursuant to Sections 3.04 and 124.34 of the Revised Code.
- I acknowledge that, in 2013, I served in, or in 2014, I am serving in or a candidate for, the position indicated on page 1 of this statement.

If you have any questions before signing this form, please contact the Ohio Ethics Commission at (614) 466-7090.

Before signing this statement, please review to make sure that you have answered each question you are required to answer. If you have nothing to list in response to any question, check the box indicating that you have nothing to list. If the response to any required question is omitted, the Commission will return the statement to you as incomplete. **Any person who fails to file a complete statement by the appropriate filing deadline will be assessed a late filing fee and may be subject to criminal penalty.**

Deliver completed statement to: Ohio Ethics Commission, 30 W. Spring St., L3, Columbus, OH 43215

My filing fee is:

(For help, see instructions page 2)

- Enclosed (check or money order payable to "Ohio Ethics Commission")
- Submitted Online
- My public agency is required or has agreed to pay my filing fee.

YOUR SIGNATURE IS REQUIRED HERE:



Date:

3.19.14

Rev'd 12.30.13

Attachment # 1
2013 Financial Disclosure Statement
Betty D. Montgomery
Question #8 – Investments

Mutual Funds:

Blackrock Global Allocation Fd C

SEP Account Stocks:
Bank of America Corp

SEP Mutual Funds:

Blackrock Global Allocation Fund CL C