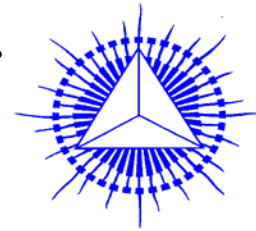


ATLANTIS INVESTMENT CO., INC.



Market Watchdog Congressional Staff Briefing

Remarks of Anne K. Anderson
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The Role of Independent Research in Providing Unbiased Investment Recommendations and The Importance of Soft Dollar Compensation to Independent Research Producers

Independent Research Producers provide a unique service to institutional investors, providing unbiased opinions and analysis of public companies. Those who will take the time to explore this group here today will find that the history of the independent research is full of examples of seemingly prescient forecasts that have confounded the better known investment pundits.

As an independent research producer who has been providing research to institutional clients since 1986, I can tell you that there are a few simple reasons for the success of this group in achieving this record:

The first is Incentives. Unlike the analysts who produce research for investment banks, we are not compensated for encouraging clients to trade in and out of stocks, creating commission volume whether or not there is significant change to the investment outlook for a company. We are not compensated for raising money for the companies we feature in our reports. Investors chose independent research because our incentives are aligned with theirs.

A second reason for success is Objectivity. We must make objective decisions every day based on publicly available information. Our assessments explore variables that some would chose to ignore, looking for patterns of information that tell a story. We identify negative trends earlier than most investment analysts because we see the discrepancies between management comments and reality. We are not incentivized to conceal negative information. We write SELL reports and we take responsibility for our recommendations, right or wrong.

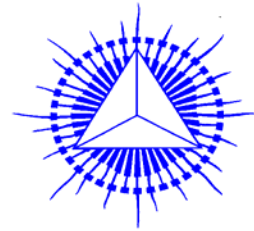
A third reason for our success is Experience. We have seen stocks run up too high on overly optimistic projections. We have seen stocks slide when concealed facts are belatedly presented for public scrutiny.

Who has access to our work? Although institutional clients pay for it, many investors have benefited through publication of our views.

Mine is a subscription service, meaning that institutional investors choose to subscribe to the service for a period of time. My clients commit to a certain volume of commissions in order see the stream of ideas produced by my company. I have no knowledge of the trading done by my clients in order to pay for my service. I literally do not know when or what securities they are trading in order to meet their commission commitment. Trading is done through a "fully disclosed third party broker" chosen by the client. I don't even know what terms are negotiated between my clients and their designated third party broker.

As the tradition of commission payments for investment services has evolved over the years, competition has intensified for those commission dollars. You could not find a more competitive industry than ours. Independent research producers compete for commission dollars with all types of investment services, including quote and trading systems, economic services, performance consultants, and even with

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directed commissions where my clients are required by their clients to use commission volume to pay for services chosen by pension plan administrators and their employers.

Commissions on institutional trades have declined over the years. We are all competing for a slice of a shrinking pie.

What will happen if commission payments for independent research is outlawed? Would our clients still pay for our services?

No. I flatly state that there would be no market for independent research under those circumstances. If commission payments for research are outlawed, clients would have to purchase our services using their own revenue dollars. To hire us, they would have to fire their associates. Our clients, the portfolio managers and analysts who review our work and use it to determine their investment transactions, would no longer have access to our research, because we could not continue in business.

What makes sense to me as an Independent Research Producer? What better use could be made of commissions?

The payback on research expenditures is measurable in performance. Research should continue to be purchased using commission dollars. Plan sponsors should be required to disclose what portion of commission dollars are used to fund their own purchases of services. There should be guidelines that limit the use of commissions to pay for services that do not directly contribute to the performance of client portfolios. Practices such as commission payments to consultants who allocate client assets between money managers should be subject to review. Certain consultants collect commissions in compensation for performance reviews, and then use those performance reviews to direct client assets, setting up additional revenue opportunities for themselves based on their recommendations of one money manager over another. In an environment where "pay to play" is now the focus of regulatory activity, these types of commission transactions are the ones that should be subject to scrutiny.