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## Senate Group Investigating Firing at a Brokerage Firm

By [GRETCHEN MORGENSON](#)

The chairman of Rodman & Renshaw, a New York brokerage firm that is under scrutiny for firing a research analyst as he sought to lower a stock rating, told Congressional investigators that the termination occurred after the firm learned that the analyst had told his story to the Senate Finance Committee, a letter released by committee officials said.

Written by Senator [Charles E. Grassley](#), an Iowa Republican who is chairman of the Senate Finance Committee, the Sept. 20 letter recapped a mid-July meeting that committee investigators had with [Wesley K. Clark](#), the retired United States Army general and chairman of Rodman & Renshaw, a boutique brokerage firm that helps small companies raise capital.

The investigators met with Mr. Clark to discuss allegations made by Matthew N. Murray, a former biotechnology analyst at Rodman, that he was wrongly fired after he tried to downgrade the stock of a company that was an investment banking client of the firm. The Senate Finance Committee has jurisdiction over whistle-blower cases.

At that meeting, according to the letter, Mr. Clark said that an unidentified Rodman partner told him that Mr. Murray had “gone too far this time” by reporting the firm’s conduct to the Senate committee.

Responding in a letter that is dated Sept. 21 but that officials in the senator’s office said yesterday they had not yet received, Mr. Clark said that comments attributed to him by Mr. Grassley had been “incorrectly interpreted.” He also asserted that Mr. Murray was fired “for sound business reasons.”

The communications between the Senate Finance Committee chairman and Mr. Clark are the latest salvos in an increasingly vituperative battle between Rodman and Mr. Murray, a situation illustrating the peril that analysts can encounter when they diverge from the upbeat approach to analysis so common on Wall Street.

Last April, for example, well after Mr. Murray was fired but only three days after his situation was reported in The New York Times, Rodman amended Mr. Murray’s employment record,

stating that the firm had begun an internal review in February to determine whether he violated regulations relating to analyst conduct. Such a notation on Mr. Murray's record will make it very difficult for him to get another job on Wall Street, said David J. Katz, a lawyer at Schlam Stone & Dolan, who represents him.

Nevertheless, Mr. Murray said, "I remain hopeful that General Clark will act in his role as Rodman's chairman to uphold the right of Wall Street analysts to downgrade their research ratings on investment banking clients."

Under the terms of the Wall Street research analyst settlement struck with regulators in 2002, brokerage firms are barred from punishing their analysts for issuing negative reports on companies they follow. Analysts must also attest that the views in the research that they write are their own.

The Sarbanes-Oxley Act bars public companies from firing employees who have reported suspected misconduct to regulators, Congress or other authorities. Rodman & Renshaw, however, is a private company.

According to Mr. Murray, 39, Rodman fired him in March after he tried to downgrade shares of [Halozyme Therapeutics](#), a biopharmaceutical company, because while its stock had exceeded his price target of \$2.88, fundamentals at the company had not changed. After he contacted Rodman's investment policy committee to discuss his lowered rating, as required by the firm, he received an e-mail message from Michael King, Rodman's head of research.

"If you'd like some help regarding how to finesse the price target on HTI your conversation should be had with me," the e-mail message said.

Mr. Murray replied that he had no interest in finessing his price target.

Rodman never published the downgrade. Mr. Murray objected, and on March 2 was advised to look for another job. On March 9, Mr. Murray described his situation to an official at the Senate Finance Committee. Five days later, he received an e-mail message advising him that he was fired.

Shares of Halozyme closed yesterday at \$2.69.

The Securities and Exchange Commission is looking into Mr. Murray's firing as well, according to people briefed on the matter.

"In retaliating against Mr. Murray, it's clear that Rodman has completely ignored and violated

all of those safeguards passed to protect analysts from being retaliated against when they want to exercise their independent judgment,” said Mr. Murray’s lawyer, Mr. Katz.

Mr. Katz has filed a supporting brief in the United States Court of Appeals for the Second Circuit in a securities industry case that will decide whether statements made by an employer on an employee’s record can be immune from liability in a defamation suit.

The Senate Finance Committee said it was still awaiting documents that Rodman said would show Mr. Murray to be a “problem employee” long before he was fired.

Jill Kozeny, a spokesman for Mr. Grassley, said in a statement yesterday: “The Finance Committee continues to wait for the information General Clark said he would provide in July. Any information that can further support the statements General Clark made to committee investigators should be made available to the committee as soon as possible without further delay.”

Jay S. Auslander, a lawyer at Siller Wilk in New York, which represents Rodman & Renshaw, said the firm had not yet shared any documents with the committee because they had been trying to reach an agreement with Mr. Murray on a privacy waiver. “While we were in the process of working those issues out with Mr. Murray’s counsel, Mr. Murray took certain steps to escalate the situation,” he said. Mr. Auslander declined to elaborate.

In addition to examining the circumstances surrounding Mr. Murray’s termination, regulators are looking at Rodman’s role as an underwriter of so-called PIPE offerings — private investments in public equities. PIPE’s are the subject of regulatory interest because advance information about these offerings, which often depress the issuer’s stock as they increase its shares outstanding, can be used to generate illicit profits.

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