**Love Lost**

You are on the investment committee of a union pension fund. A portion of the fund has been invested in Orecchio Capital Entertainment. This is a fund that invests in debt and equity in various entertainment properties. John Orecchio had been recommended to you by a fellow board member. Over the past four years, his fund has had above average earnings relative to an index fund of entertainment companies.

Everything seemed to be on track for four years. And in the fifth year it all fell apart.

In the fifth year, John Orecchio was charged with fraudulently causing Orecchio Capital to make "capital calls" on accounts containing the union pension funds, knowing the funds that he was causing to be withdrawn were not going to be directed toward (i) investments; (ii) legitimate management fees; or (iii) overhead expenses attributable to the pension plan investors. Rather, Orecchio caused the capital calls to occur in order to obtain funds that he could convert for his own use and benefit. It was alleged that the losses totaled $2.4 million.

Pleadings filed by his attorney cite his "wining and dining" of union officials that had "spiraled out of control." Your name is mentioned by attorneys because he took you to New England Patriots games in the luxury box seats.

He also is alleged to have used $1.5 million for first-class plane tickets, luxury hotels stays, and "client events." The most colorful of these "events" centered on his relationship with a female dancer at Crazy Horse Detroit.

Court records show that Orecchio used $180,000 in union pension money to renovate the premises in return for the owner making one of the strippers the club manager.

Union funds were also used to invest in a racing horse farm in Michigan that became home for the stripper and for Mr. Orecchio when he was in the Detroit area.

Mr. Orecchio claimed both expenses were legitimate investments in the entertainment industry.

The attorneys and the legal system will handle Mr. Orrechio’s fate. Union members need to know what the Board has learned from this experience. How will the Board reduce the probability of something like this happening in the future?

 The Board begins its discussion.