

Tangled Webs

Through the ages philosophers, poets, leaders, teachers, and scholars have spoken on the merits of truth. Yet lying lives on. Here we relate two stories from the business world that, each in a different way, invite discussion of lies.

Years ago philosopher Sissela Bok defined a lie as "an intentionally deceptive message in the form of a *statement*."¹ A lie takes power from others. It allows the person speaking an untruth to manipulate another by withholding information, depriving that person of the ability to make an informed choice.

Lies harm others by causing them to act against their interest. Even small lies can carry a price for the people who tell them. They might pay a conscience penalty. Their resistance to telling other, bigger lies can gradually wear down. They can complicate their lives by having to remember the original lie and cover it with additional lies. And, if found out, they lose the trust of others and have less power in the end.

James E. Gansman was an affluent, successful, highly competent, curious, and partly unfulfilled man. In the winter of 2004 he joined Ashley Madison, a social networking site that connects people seeking extramarital affairs. Gansman was a senior partner and an attorney in the New York office of Ernst & Young. His job was to advise client companies about the cost of paying severance and other compensation to executives of firms they targeted for takeovers. However, on Ashley Madison he sought a more gentle form of combination.

At Ashley Madison the motto is, "Life is Short, Have an Affair." Users, who must be over 18, go to its Web site, *ashleymadison.com*, and sign up as members. After that, they create profiles, post photos, and interact with others on the site. Revenue for the company comes when users buy credits needed to initiate chat sessions, post messages, and send virtual gifts. Members can search for amorous contacts by location, age, and descriptive characteristics, compile lists of favorites, and give contacts a special "key" to their personal photo collection.

When members feel comfortable with new acquaintances, they graduate to in-person relationships.

¹ Sissela Bok, *Lying: Moral Choice in Public and Private Life* (New York: Vintage Books, 1978), p. 16.

The site provides advice. It recommends safe ways to arrange initial meetings in public locations such as restaurants and coffee shops, and cautions the adventurers to tell friends when they expect to return home. It discusses the risks of sexually transmitted diseases from 20 kinds of sexual activity.

In 2008 Ashley Madison introduced an "Affair Guarantee Program." For \$249 a member receives 1,000 credits and a guarantee of finding a willing partner in three months or getting a refund. To qualify, seekers must follow rules that require specific numbers and types of actions on the site.

Gansman found a willing companion. She was Donna Murdoch, 40, a consultant, securities broker, and investment adviser living near Philadelphia. The two began to exchange phone calls and text messages and met in luxury hotels in New York and Philadelphia. As the relationship advanced, Gansman tried to impress Murdoch by bragging about his role in a few corporate mergers that appeared in the media.

In time the pair settled into a routine of daily phone calls and started playing a teasing game. With both of them at a computer, looking at the same Yahoo! Finance screens, Gansman would drop clues about deals on which he was working. "The game was," she said, "I wouldn't be looking and he would give me hints: the market cap of \$2 billion or market cap of \$400 billion and here's what they do, and he'd read it to me, and ultimately make sure I guessed."² Eventually, the games stopped and he just told her company names. One day he revealed an upcoming takeover to help one of Murdoch's children with a stock market simulation exercise at school.³

These disclosures were indiscreet. Ernst & Young had written confidentiality policies. As an Ernst employee Gansman was "prohibited from disclosing nonpublic information regarding clients or other entities to anyone other than for authorized firm business, or using it for any personal purpose."⁴ Each of

² Donna Murdoch, quoted in Dennis K. Berman, "Insider Affair: An SEC Trial of the Heart," *The Wall Street Journal*, July 28, 2009, p. C1.

³ *Ibid.*, p. C1.

⁴ Grand Jury Indictment in *United States v. James Gansman and Donna Murdoch*, U.S.D.C., S.D.N.Y., 1:08-cr-00471, May 27, 2008, pp. 2-3.

the 13 years he had worked for Ernst he also had signed a statement of compliance with a second policy that forbade trading securities based on confidential information. It read, in part:

It is the firm's longstanding policy that partners . . . may not purchase or sell securities while in possession of material, non-public information and may not disclose such information to anyone except on a strict "need-to-know" basis. Violations of this policy can result in immediate dismissal from the firm.⁵

Gansman's indiscretions were Murdoch's temptations. She and her husband were in debt and struggling to make payments on a \$1.45 million home mortgage. Public announcements of big mergers can trigger rapid, large, price movements in the shares of target companies. She began to act on Gansman's tips.

Gansman and Murdoch were one of Ashley Madison's success stories. Since its founding in 2000, the site has expanded from North America to Great Britain, Australia, and New Zealand. It claims more than 6 million active members, defined as those who have logged on at least once in the past six months. Among those who sign up, men outnumber women by 7:3; however, many men are not very active and among those who buy credits women outnumber men by 3:1.⁶

The site grows with amazing rapidity and, unlike most businesses, flourishes during periods of economic hardship when couples face added financial problems and divorce is less of an option. Between 2008 and 2010 its membership rose from 2.2 million to 6 million. At one point in 2008 it got one new member every 20 seconds.⁷ In 2010 it opened new sites in Australia and New Zealand. After one month it had 205,224 members in the former and 2,832 in the latter.⁸ In Canada its membership rose 79 percent

between 2009 and 2010, from 362,086 to 649,509. The fastest growth, 291 percent, came in "female newlyweds," defined by the site as female members married three years or less.⁹

In June 2006 Gansman learned that Blackstone Group, a private equity firm, planned to acquire Freescale, a Texas semiconductor company listed on the New York Stock Exchange. Blackstone wanted the matter treated with utmost confidentiality. "Do not breathe the name of the target outside of [the] team," a colleague told him, "and please advise all others who assist you."¹⁰ Nonetheless, Gansman told Murdoch the news. On July 18 she began trading in Freescale, buying contracts for 50 August \$30 call options. The next day she bought 20 more of the same contracts.

Call options allow buyers to speculate on securities they do not own. Each option contract allows the holder to buy 100 shares of a company's stock at a specific price, called the strike price, on the day the option expires. So the 50 contracts she bought on July 18 gave her the right to buy 5,000 shares of Freescale on August 18 at \$30 a share. If Freescale were selling below \$30 a share she was not obligated to buy the shares. The calls would be worthless because she could buy shares of Freescale on the open market for less than \$30. If Freescale were selling above \$30 on August 18, for example at \$40, she could buy 5,000 shares at \$30, taking a profit of \$10 a share, or \$50,000 (minus the price of the option contracts). Options are priced based on risk. The further they are "out-of-the-money," that is, priced below the current market price of the company's shares, and the closer the expiration date, the lower their price. Buying call options allowed Murdoch to speculate on price movements with less invested than if she had bought common shares of Freescale and paid the full price at the time of purchase.

No matter how adept their calculation, Murdoch's trades violated the written policies of her employer. On her hiring, she received a policy manual and later

⁵ Ernst & Young, "Policies Regarding Trading of Securities While in Possession of Confidential or Non-Public Information ("Insider Trading");" and Grand Jury Indictment in *United States v. James Gansman and Donna Murdoch*, p. 4.

⁶ Ashley Madison, "Frequently Asked Questions," at ashleymadison.com, September 1, 2010.

⁷ "AshleyMadison.com," *Marketing Weekly News*, November 22, 2008, p. 79.

⁸ "Adultery Site Aims to Hook New Zealanders," *The New Zealand Herald*, May 9, 2010.

⁹ Shannon Proudfoot, "Adulterous Website Gets More Canadian Hits and More Women," *Nanaimo Daily News*, April 24, 2010, p. C1.

¹⁰ E-mail from an Ernst & Young partner, quoted in *Complaint, Securities and Exchange Commission v. Gansman, Murdoch, and Brodsky*, U.S.D.C., S.D.N.Y., No. 08-cv-4918. May 29, 2008, p. 12.

certified that she had read and understood it. The following two statements were in this manual.

SEC Rule 10b-5 under the Securities Exchange Act of 1934 generally makes it unlawful for any person to use . . . material inside information that has not been publicly disseminated in connection with the purchase or sale of securities.

It is the policy of [the company] that no personnel . . . may trade . . . any security of any issuer about which the individual possesses material non-public information at or prior to the time such information is publicly disclosed and available in the marketplace.¹¹

When Murdoch bought her call options, Freescale shares were selling between \$26.09 and \$27.89. The options would expire August 18. The discussions between Blackstone and Freescale continued and on August 10 Murdoch sold all of her contracts at a price that allowed her to break even. Late in August, she resumed trading in Freescale options. Between August 30 and September 7, as Freescale's stock hovered between \$30.01 and \$31.62, she purchased 610 Freescale September \$35 call options. She also bought 50 October \$30 call options, but suddenly sold them on September 8 and purchased another 80 September \$30 contracts.

On the next trading day, Monday, September 11, *The New York Times* reported the possibility that Freescale would be bought and its stock jumped 20 percent, up \$6.31 to \$37.06. Murdoch sold all her options for a profit of \$158,970.

Others also profited. Earlier, Murdoch had met another man through the Ashley Madison site, Richard Hansen, managing director of an investment banking firm near her home. The firm had hired her and was now her current employer. Hansen was her supervisor. She never revealed her relationship with either man to the other. Yet she tipped Hansen. On the same day Murdoch first traded in Freescale, he bought 2,000 shares of the company's common stock in accounts registered to each of his two daughters. On September 11, he sold these shares for a total gain of \$45,820.

Murdoch also tipped her father, Gerald L. Brodsky, 73, a man with a past conviction for securities fraud. Years before, as president of a company that sold medical newsletters, he had reported millions of dollars in false income to shareholders. In 1993 he pled guilty to one criminal count of defrauding share-

holders. He was sentenced to a year and a day in prison and had to pay \$1,318,864 in restitution.¹² Brodsky was clever in his trading. He asked an old friend to buy 370 September \$35 call options. On September 11 he told this friend to sell them, netting a profit of \$63,400.

And so it went. For more than a year Murdoch traded in the options of 18 target companies, sometimes tipping others, who traded too. She had made approximately \$390,000, but she had been imprudent. Acting with foreknowledge, she at times bought seldom-traded contracts. On some days her trading was all or most of the activity in those contracts. By early 2007 she had appeared on watch lists at the Securities and Exchange Commission (SEC). The SEC monitors trades to identify any that appear suspicious because of their size, their timing, or the individuals who made them. In May an investigator from the agency called her on the telephone. She concealed her actions and denied trading on inside information, then told Gansman about the call. He suggested she get an untraceable cell phone for their calls.¹³

Murdoch continued trading options into November until she learned an SEC investigation was under way. Soon the Department of Justice launched a criminal investigation. Trying to hide her relationship with Gansman, she took her laptop computer to a store and asked a technician to erase the hard drive beyond restoration. The technician accepted the job without question, but did not succeed. Later, when an FBI agent interviewed her, she gave deceptive answers and turned over false documents. Gansman was also named in the investigations. When word of them got to Ernst, it put him on administrative leave. "We are going to jail," he told Murdoch and accused her of ruining his life.¹⁴

Ashley Madison faces continuous criticism. "It's like dumping raw sewage into the culture," states the head of a pro-marriage group.¹⁵ According to Noel

¹² *United States v. Gerald L. Brodsky*, No. 93-cr-10 (E.D. Pa. 1993), judgement entered April 26, 1994: Securities and Exchange Commission, "Gerald Brodsky Enters Guilty Plea," *News Digest*, Issue 93-213, November 4, 1993, pp. 3-4.

¹³ Berman, "Insider Affair: An SEC Trial of the Heart," p. C1.

¹⁴ *Ibid.*, p. C1.

¹⁵ Charmaine Yoest, president of Americans United for Life, quoted in Kelly Jane Torrance, *Washington Times*, September 5, 2008, p. B1.

¹¹ Grand Jury indictment, pp. 4-5.

Biderman, 38, the founder of Ashley Madison, such comments are misguided. Biderman is a former sports attorney who shifted his career into online commerce. He married in 2002. He and his wife have two children. He says his marriage is happy and characterized by fidelity. "I do not cheat, no. I've been faithful to date," he says. Once when asked how he would feel if his wife cheated he replied: "I'd be devastated." However, he said, "I wouldn't blame a Web site."¹⁶

Biderman believes that humans are genetically disposed to philander, that monogamy is unnatural. Equating marriage with monogamy is a "broken paradigm."¹⁷ People naturally stray. Ashley Madison does not persuade anyone to abandon a happy, fulfilling matrimonial bond. Rather, it protects anyone who has already decided to have an extra-marital affair.

[I]f you're predisposed to having an affair, don't have it in the workplace, because someone's going to lose their job. Or don't go on a singles dating site and pretend to be something you're not, because that's unfair to the other person—that's going to end badly for you as well, don't go and break the law and visit an escort.¹⁸

Dislike of Ashley Madison often manifests itself in resistance to its advertising. "I feel I should have the right, as long as I'm following the regulations, to advertise my product," argues Biderman.¹⁹ Broadcast television networks have rejected its commercials, but it has placed them on CNN, ESPN, Fox News, and MSNBC. In 2009, NBC and the National Football League refused to run its ad during the Super Bowl. A few months later, when it saw a spike in new members from Utah, it placed ads on two Salt Lake City radio stations. However, when the owner of one station heard it on his morning commute, he ordered it stopped.²⁰ And later in the year the Toronto Transit

Commission turned down \$200,000 to put the company's ads in its subways, buses, and streetcars. Biderman disagreed with the commission. "I just think they're mistaken about the average . . . rider's willingness to accept these kind of ads in exchange for cheaper fares," he said.²¹

In May 2008 a New York grand jury charged Gansman and Murdoch with 1 count of conspiracy for furthering an insider trading conspiracy and 11 counts of securities fraud based on Murdoch's trades.²² Murdoch alone faced two additional charges. She was charged with one count of making false statements for lying to the FBI and one count of obstruction of justice for paying an individual to erase evidence from her hard drive. The government collected voluminous evidence of the scheme, about 280,000 pages altogether. A criminal case against the two began. Instead of plotting together, though, their paths would now separate.

The case went to the federal courthouse in Manhattan, where it was assigned to Judge Miriam Goldman Cedarbaum, the same jurist who presided over the trial of Martha Stewart. Gansman pled not guilty. Murdoch initially pled not guilty. Then she decided to change her plea to guilty on all counts and to cooperate with the government for a lighter sentence. At the time she was taking medication for depression. Instead of sticking by her benefactor, she would testify against him.

Before Gansman's trial began, his attorney entered a motion to dismiss the charges. It argued that Gansman never traded on insider knowledge, never knew of Murdoch's trades, and never benefitted financially from her trades. It was correct that Gansman had never traded on confidential information himself. Yet it strained credulity to believe he

²¹ Quoted in Don Peat, "Cheating Ad Nixed," *The Toronto Sun*, December 12, 2009, p. 4.

²² The law prohibits insider trading, defined as buying or selling a security when in possession of significant information not yet available to the public when those purchases or sales violate a duty to keep that information confidential. It also prohibits "tipping," where a person with "material, nonpublic information" breeches a duty of confidence to share that information with a person not covered by such a duty. And if the tipped person buys or sells securities based on the information those transactions also violate the law. See 15 USC §78j and 78ff, 17 CFR §240.10b-5 and 240.10b5-2, and 18 USC §2.

¹⁶ Quotations are from Zosia Bielski, "His Not-So-Cheatin' Heart," *The Globe and Mail*, November 6, 2009, p. L1.

¹⁷ Noel Biderman, quoted in Proudfoot, "Adulterous Website Gets More Canadian Hits and More Women," p. C1.

¹⁸ Noel Biderman, quoted in Frank Dobrovnik, "2,000 Spouses Looking for Action, Ashley Says," *Sault Star*, April 23, 2010, p. A1.

¹⁹ Ibid.

²⁰ Sean P. Means, "Infidelity Ad Dumped by Salt Lake City Radio Station," *The Salt Lake Tribune*, April 16, 2009.

had no knowledge of Murdoch's trades. The government produced records of more than 7,000 phone calls and text messages between the two. Murdoch's testimony also undermined his claim of ignorance. This exchange from the hearing on her plea agreement is an example.

JUDGE CEDARBAUM: But because of your work you were familiar with the serious consequences of trading on inside material non-public information, isn't that correct?

DONNA MURDOCH: Yes, your honor.

JUDGE CEDARBAUM: All right. What is it that you agreed with Mr. Gansman to do?

DONNA MURDOCH: Well, I knew that he was violating a duty of confidentiality that he owed to these companies and I knew that I was trading based on those terms. I did discuss sometimes with him and sometimes not, not what exactly the specific amounts I was trading, but many times it was discussed with him.²³

It was also correct that Gansman had received no financial benefit from Murdoch's trades. However, the government argued that the definition of benefit under the law was broader than pecuniary gain. It also included the reputational enhancement to the tipper from benefiting a friend or relative who receives the tip. Still, even with Murdoch's testimony, it proved difficult to pin down Gansman's motive with precision.

JUDGE CEDARBAUM: Did you [and Gansman] have an agreement of some kind? Did you share money at all?

MS. MURDOCH: Money, no, your honor.

JUDGE CEDARBAUM: Well, did he receive something in exchange for this agreement?

MS. MURDOCH: He received a gift or two. He received—I don't know what he received himself for sharing the information.²⁴

Here Murdoch's attorney Paul Schechtman stepped in to offer an explanation.

MR. SCHECHTMAN: Judge, I think it is fair to say that the arrangement here was . . . an arrangement of a personal nature. I think it is that relationship that Mr. Gansman hoped to foster by giving this information. It was a personal relationship and not a monetary relationship.

JUDGE CEDARBAUM: So in exchange he hoped to gain a closer relationship?

MR. SCHECHTMAN: Or to cement a closer relationship, I think. A close relationship. I think that is right, your Honor.

JUDGE CEDARBAUM: Now [Ms. Murdoch], did you tell Mr. Gansman if he gave you these tips you would give him more affection than you otherwise would?

MS. MURDOCH: Absolutely not, your Honor.

JUDGE CEDARBAUM: It is a puzzling agreement to me.²⁵

Murdoch's testimony that Gansman knew about her trades was enough for Judge Cedarbaum to turn down his motion for dismissal. His trial went forward in May 2009. It lasted for eight days and included additional testimony by Murdoch. In the end the jury convicted him of six counts of insider trading.

In February 2010 Judge Cedarbaum sentenced Gansman to one year and one day in federal prison followed by six months of supervised release. In March he was disbarred because of the conviction and no longer can practice law in New York.²⁶ In August he settled a concurrent civil case brought by the SEC, agreeing to a judgment of \$250,000 to disgorge a share of the profits made from Murdoch's trades.²⁷ In the same settlement Murdoch agreed to a final judgment of \$404,054, which was waived based on her inability to pay. Earlier, her father had agreed to a penalty of \$265,924, equal to three times his illegal profits plus interest.²⁸

Murdoch has yet to be sentenced in the criminal case.

²³ Transcript of Plea Allocution of Donna Murdoch *United States v. Donna Murdoch*, U.S.D.C., S.D.N.Y., 08-cr-471, December 23, 2008, p. 16–17.

²⁴ *Ibid.*, p. 17.

²⁵ *Ibid.*, pp. 19–20.

²⁶ *In the Matter of James E. Gansman*, 898 N.Y.S.2d 18 (2009).

²⁷ *Securities and Exchange Commission v. Gansman, Murdoch, and Brodsky*, U.S.D.C., S.D.N.Y., No. 08-cv-4918 (2010); Securities and Exchange Commission, litigation release No. 21629, August 18, 2010.

²⁸ Securities and Exchange Commission, litigation release No. 21059, May 27, 2009.

A Family of Brands

Avid Life Media is the parent company for six brands. Each is a social networking site for a separate niche in the dating universe.

Ashley Madison: A brand described as "the world's leading infidelity service." It targets people who want to break the monotony of their marriage by having an affair.

Hot or Not: A site where "hot singles age 18 to 34" post photographs, rate each other, and contact other members.

Established Men: A site designed to help "rich, successful men and sexy sugar babies" find each other and verify the relationship is what they seek.

Cougar Life: A place for "strong, successful, sexy older women" and "vibrant, ambitious young men" to come together.

Man Crunch: A community for gay men seeking long-lasting relationships. Its motto is: "Putting the MAN back in romance."

Swappernet: A site for "real couples" seeking other couples, singles looking for threesomes, and "wife-swapping adventurers."

Eroticy: An adult personal ad site with erotic photos and videos. It allows members to have "no strings attached fun."

Source: Avid Life Media at www.avidlifemedia.com/brands.html.

Ashley Madison is only one brand in a larger stable. Its parent company is Avid Life Media, headquartered in Ontario, Canada. Avid Life markets six other "targeted niche brands," as shown in the box, each with a Web site of its own. Its mission is: "To hook up like-minded individuals who share the same passions and desires; regardless of their lifestyle preferences."²⁹ In 2009, the company had earnings of \$8 million on sales of \$30 million. Ashley Madison accounted for only 15 percent of its sales. The rest came from its other sites.³⁰

In 2010 Avid Life proposed a merger with a much larger media advertising firm, Moxey Media, after which the company would make a public stock offering, allowing average investors to buy its shares. The merger made strategic sense. A combination of two profitable firms, one with a network of popular, expanding, recession-proof Web businesses and the other with sophisticated advertising tools, should have charmed investors. It did not. An investment banking firm hired to find partners willing to fund the deal made no progress. Fund managers who might ordinarily have seen an attractive risk showed

no interest. One Canadian billionaire whom they approached as a potential investor had this to say.

I don't mind investing in liquor because without it, you'd miss something in life. I tell friends to stop smoking, and I still buy tobacco companies. But Ashley Madison shouldn't be a public venture, because it can destroy families. And there is nothing worse than the effect of divorce on children. There are thousands of other stocks to buy, so why bother with this crap?³¹

Eventually, Avid Media's banker ended its efforts, attributing the withdrawal of support to economic conditions. A Canadian magazine reported that the firm backed away when its top executive read this user posting on Ashley Madison.

To be honest I'm really looking for a sugar daddy, so if that isn't you I wouldn't waste your time replying. I'm looking for a generous man that loves to take care of a younger lady, i am 18 and have just started university and my parents aren't paying a cent for it . . . So if there is a nicer gentlemen on here that really gets off on helping a young woman with some bills, taking stress of her shoulders while receiveing the same back both emotionally and physically please msg me.³²

²⁹ www.avidlife.com/about.html.

³⁰ Andrew Willis and Boyd Erman, "Avid Life IPO Could Be an Affair to Remember," *The Globe and Mail*, January 25, 2010, p. B1.

³¹ Stephen Jarislowski, quoted in Thomas Watson, "Abandoned at the Altar," *Canadian Business*, March 2010, p. 47.

³² *Ibid.*, p. 47.

As noted in Chapter 7, otherwise honest individuals can be drawn into evil by circumstances. In this story the Gansman–Murdoch alliance was born in temptation. As time passed James Gansman's early restraint gradually wore away. If, at first, he would not have betrayed his employer, during an interval of growing weakness he gradually abandoned his fidelity and came to lack any limit. Was he simply a fallible man? His attorney seemed to think so. "This is a good person who made a bad decision," he told Judge Cedarbaum just before she sentenced his client.³³

Donna Murdoch believed she was a good person too. As if in a dream she was granted knowledge of the future that could be turned into gold. At first she resisted temptation, but in the end she went into its snare. Her testimony before Judge Cedarbaum is a window into how she rationalized.

Your honor, I've, I really have tried to live a good life. I have wonderful children and I've been trying to take care of them, both my husband and my children, and our financial situation was really, really bad, really bleak. I thought I could bail us out. I thought I could keep my kids the way they were, in the schools they were in, and our house from being foreclosed on and whatnot. What I did was wrong. It was wrong. It was wrong. And I'm so sorry, and I wish . . . I could make it disappear.³⁴

Noel Biderman is comfortable with his labors, which, unlike the actions of Gansman and Murdoch,

³³ Barry Bohrer, quoted in Chad Bray, "Gansman Sentenced in Insider Case," *The Wall Street Journal*, February 9, 2010, p. C2.

³⁴ Waiver of Indictment by Donna Murdoch, *United States v. Donna Murdoch*, U.S.D.C., S.D.N.Y., 08-cr-00471 (December 23, 2008), p. 30.

are legal. "I sleep well at night," he states.³⁵ His wife Amanda, 34, believes "he's a great husband and father." "Neither of us condones infidelity," she explains, "and we separate our personal beliefs from Noel's business." Yet Amanda Biderman is troubled, saying, "I do feel really bad for the people who are being cheated on as a result of their partners becoming members of the Web site." And she anticipates social opprobrium.

I'm going to struggle when the children are older. That will be the first major conflict of interest for me. I'm preparing myself for the fact that there are likely to be parents at my children's school and nursery who will point the finger at us if they find out what Noel does.³⁶

Questions

1. What lies are present in the "tangled webs" considered here? How were they used? How were they justified by those who executed them? Who was harmed by them? Which lies were most harmful?
2. Were the punishments for James Gansman, Donna Murdoch, and Gerald Brodsky fair?
3. Is Ashley Madison based on an ethical business model?
4. How does Noel Biderman, the founder of Ashley Madison, explain and justify the business? Does he fulfill his ethical duties to all those affected by his actions?
5. What do the events in this story teach us about business ethics? About capitalism?

³⁵ Quoted in Bielski, "His Not-So-Cheatin' Heart," p. L1.

³⁶ Quotations of Amanda Biderman are in "I Feel Guilty But He's Just Trying to Help People," *The Express*, April 30, 2010, p. 37.