

## **Paul Gonson – Founder’s Interview**

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**Springfield, Virginia**

Dan Goelzer: Good afternoon. This is an interview with Paul Gonson for the SEC Historical Society's museum and archive of the history of the U.S. securities markets and their regulation. I'm Dan Goelzer. The date is July 16th, 2018, and we're in Springfield, Virginia. Let me start with a bit of background about Paul. For viewers who might not be aware of it, Paul served on the staff of the Securities and Exchange Commission in Washington DC for more than 37 years. During the last 20 of those years, that is from 1979 to 1998 he was the Commission's solicitor. Paul already has two oral histories in the museum, one from July 12th, 2006 discussing the evolution of the law of insider trading, and one from February 23rd, 2011 talking about the SEC and the Supreme Court and some of his background more generally.

Dan Goelzer: So, this will be Paul's third oral history, which may possibly be a record. I had the privilege of working with Paul at the SEC from 1974 to 1990, so I can testify personally to his central role in building the respect and credibility that the SEC has enjoyed in the federal courts, and particularly the U.S. Supreme Court, over many, many years. He was also a mentor and an instructor to several generations, I'm sure many hundreds, of SEC securities lawyers and other staff members.

Dan Goelzer: Paul joined the Washington office of Kirkpatrick and Lockhart in 1998, and his second oral history, the one from 2011, discusses some of this work in private practice. Moreover, in 1999 shortly after Paul left the SEC, David Ruder recruited him to help establish a new organization that came to be called the SEC Historical Society. That's what we're here to discuss today. The Society is working on a project to construct a founder's exhibit, that is, a place in the virtual museum that will be dedicated to the men and women who worked to establish the SEC Historical Society. We're trying to create that as part of the 20th anniversary of the Society's birth, which we'll be marking next year.

Dan Goelzer: As one of the three primary founders, along with David Ruder and Harvey Pitt, Paul's recollections of the beginnings of the Historical Society will certainly be a key part of the exhibit. The kinds of things that I want to touch on in the conversation with Paul today would include his recollections of the creation of the Society in its early days, some of the specific things he was involved in, and some of the challenges that the founders faced and how they met those. So, we'll turn to those subjects, but first, Paul, thank you for being here, and let me ask if there's anything you'd like to say at the beginning before we turn to the specifics?

Paul Gonson: Dan, thank you. I'm honored to speak to my role as one of the founders of the Society. I am so pleased, Dan, that you are the interviewer. As you said, you and I worked together for many years at the SEC, and I have followed your career with admiration.

Dan Goelzer: Well, thank you, Paul. As I tried to suggest in my introduction, you were certainly a major influence on my career and my development as a lawyer, as I know you were for many other people, so it's a treat and an honor for me to be able to interview you here today. Let's start at the beginning. What do you remember about where the idea of the SEC Historical Society originally came from and how you first heard about it?

Paul Gonson: Well, late in 1998 or early in 1999 David Ruder asked me to work with him to establish a Society that would do what you said, it would memorialize the SEC's role in history of regulation and finance in the United States. He had spoken with SEC Chairman Arthur Levitt, who was enthusiastic about this. I looked upon this not only as an opportunity to set up the Society, but also to work with David Ruder. David Ruder was one of the preeminent academicians in the securities field in the United States. He was Dean of Northwestern University Law School, and the author of some 30 published works on securities matters. A very, very knowledgeable man.

Dan Goelzer: So I guess it's fair to say you were enthusiastic about the project.

Paul Gonson: Indeed, yes.

Dan Goelzer: You didn't have to be convinced. You touched on this a little already, but what was the initial vision of what the Society would be, what it would do?

Paul Gonson: Well, it's been said that there's nothing as powerful as an idea whose time has come. The founders of the Society and its initial trustees, including you, Dan, embraced this idea and the question. Well, why did they? I think in part it was their desire to reflect credit on the SEC from which almost all of them had come. I think there were different versions of this vision from many different people as to what might be accomplished.

Dan Goelzer: Did you and the others discuss anything at the beginning about it being a bricks-and-mortar museum?

Paul Gonson: Well, I did, and I think others did as well. I thought, as you said, it was going to be a bricks and mortar museum in Washington DC. I had visited the Merrill Lynch museum on the history of finance at the world trade center in New York City. This museum, the Merrill Lynch museum, was closed to the public and could only be visited by an appointment with a Merrill Lynch staff member who would then act as a guide. The museum is very well done and Merrill Lynch's contributions to it were featured, as certainly was understandable. So I came away thinking that we didn't have to have our own building. We could have a

museum in an existing building. But I thought it should be open unlike Merrill's museum. Either way, it would require a staff person from the SEC Historical Society there.

Paul Gonson: Also, maybe I should just add, we talked about vision. In my meeting with Chairman Levitt, he expressed the idea that this new Society could be, as he said, a cheerleader on the hill. That is, someone who could be a lobbyist for the SEC. Nobody thought that was a good idea, and we all thought that the Historical Society should be in fact independent, and appear to be independent, but that we should have a close relationship with the SEC.

Dan Goelzer: Arthur Levitt would have been the Chairman of the SEC at the time?

Paul Gonson: That is correct.

Dan Goelzer: Okay, did you all have to sort of formally reject his idea, or you just went in a different direction without telling him?

Paul Gonson: Well, we discussed it, but I think it was apparent that since our idea was to be an organization wholly independent of the SEC although working with it, that to be seen on the hill as a publicist for the SEC would run counter to that, so I don't think it took very much to finally reject that idea.

Dan Goelzer: Yes, it certainly would have been a much different organization if it had an advocacy role.

Paul Gonson: Right.

Dan Goelzer: All right, well let's bring the story forward. What happened next and what was your role in the early forming of the Society?

Paul Gonson: Well, as I said, David Ruder came to see me and we talked about it. He recruited me, that's the right word, to be a helper for him in this Society. I'm under no illusions, and I think that one of the reasons he came to me was that I was available. That is, there were a lot of other people at the SEC I think who could have done a really good, cracker jack job, but he knew, and Chairman Levitt knew, that I was about to leave, so I was somebody who could be available. David and I liked each other. When he was Chairman, we had worked together on many matters. As Chairman, he was familiar with my appellate work in the courts. He had given me many projects to work on, and some internal investigations to run.

Paul Gonson: One thing I do remember about him, for which I've been eternally grateful, he sent me to the Soviet Union. This was the era of sometimes called glasnost and perestroika. You may remember where the bitter relationship between the Soviet Union and the United States began to soften a little bit. I can still remember seeing on TV Soviet Chairman Gorbachev and President Ronald

Reagan walking together down Connecticut Avenue. So, in that context, the U.S. Commerce Department organized a high level business delegation to visit the Soviet Union around that time, right after that time.

Paul Gonson: The Commerce Department wanted to have the chairmen of U.S. business and government agencies form this delegation. For whatever reason, I don't remember whether David did not want to go or he was not able to go, David asked me to go in his place. So there was the chairman of the Federal Trade Commission and the assistant attorney general in charge of the anti-trust division. They were the so-called anti-monopoly experts. There was the general counsel of the Agriculture Department. He was an expert on how food gets distributed to people, something that works very well in the United States but very poorly in the Soviet Union.

Paul Gonson: There were others as well. The delegation flew first class on Pan Am Airways. I had a wonderful time. It was hard work, but it was a great time. Subsequently, I might add, I went to the Soviet Union and Russia on many occasions, to further that, to help them develop a capital market to transfer from a command society to a market society, and also to organize a securities regulatory agency in the image of the SEC.

Dan Goelzer: So there was some real impact coming out of those meetings then.

Paul Gonson: It really did. That was great.

Dan Goelzer: I think this may suggest a topic for a fourth oral history somewhere down the road. Perhaps it's ironic too that we're discussing this on a day that our current president is actually in Finland meeting with the current head of Russia.

Paul Gonson: That's right. That is ironic.

Dan Goelzer: Perhaps turning back to the Historical Society, did you look at any other organizations as a possible model? You were to some extent writing on a blank slate here in terms of the models for what to look to.

Paul Gonson: You know, we talked among ourselves as to how we should structure or organize this new Society. So, regarding the administrative structure of the Society, I visited the White House Historical Association, but it became apparent to me that that would not be a good model for us, because that organization basically arranges tours of the White House. They take care of artifacts in the building, and they sell trinkets. I also visited the DC Historical Society building, which is near Dupont circle in Washington, and I was not impressed with that. I called the general counsel of the Supreme Court Historical Society, who was a friend of mine. I was an active member of that Society, and I had attended many of its functions.

Paul Gonson: As you noted at the SEC I was solicitor, and in that context, I had handled many cases before the supreme court and had argued four cases there. The Supreme Court Historical Society has functions in the courtroom usually moderated by a Justice to which members are invited to attend, and I attended many of those. They also put out a scholarly publication. So, I thought that it would be a good idea to model ourselves after that organization, and we did. My friend, the general counsel of the Supreme Court Historical Society was very helpful to us. Made suggestions to us, gave us some documents, bylaws, and things like that that we could model ours against.

Dan Goelzer: Do they have the same sort of independence from the Supreme Court that the SEC Historical Society has?

Paul Gonson: They do - absolutely independent from the Court, but obviously they were very closely intimate with the Court having their programs in the courthouse of the Supreme Court building and they are usually moderated by a Justice.

Dan Goelzer: Let's talk about some of the other people involved in this. You touched on David Ruder and, to some extent, Arthur Levitt. Were there others who were important in the early days of the forming of the Society?

Paul Gonson: We went about establishing what might be called the founding board of trustees of which you, Dan, were a member.

Dan Goelzer: Yes, I was a member.

Paul Gonson: We tried to select the highest quality persons that we could. Most of them were lawyers, and most of them were alums of the SEC, including former general counsels and former division directors and office heads. Most of them are based in Washington or New York City, but there were some trustees from other cities as well, and it is to their credit that the out of towners attended most of our trustee meetings, which were usually held in the conference rooms of the law firms from which the DC trustees came. David, Harvey, and I anointed ourselves as leaders. David became chairman of the board, Harvey president, and I as secretary treasurer.

Paul Gonson: When Harvey was appointed SEC chairman in the summer of 2001 by President Bush, I succeeded him as president, and when I stepped down about a year or so later my recollection is that Ted Levine succeeded me as president. These are very, very high quality people.

Dan Goelzer: Yes, I think Bob Kueppers was at Deloitte at the time was also.

Paul Gonson: Yes, Bob Kueppers I think was the only non-lawyer-

Dan Goelzer: Yes, that's probably right.

Paul Gonson: -on the board. He was very good, and he became, as you know, very active thereafter. He was very prominent person.

Dan Goelzer: What were the early operations? How did the work get done at the beginning?

Paul Gonson: Well, the work there was done was done by the three of us. It was David, Harvey, and I. We met in Harvey's conference room, and he provided the sandwiches and the goodies and the drinks.

Dan Goelzer: I certainly remember some of those meetings in the Fried Frank conference room.

Paul Gonson: That's right. The Fried Frank lawyers did all the work. They did the heavy lifting, so when we had to prepare a certificate of incorporation as a non-profit organization in Washington, they prepared that and they prepared the application to the IRS for 501c3 status, which ultimately was granted. They also provided an office for our brand new executive director that we had hired.

Dan Goelzer: I'll just note that Noah Berlin, who at some point in those days was a young associate at Fried Frank, is still the Society's general counsel, although he's on the PCAOB's legal staff now.

Paul Gonson: Yes. Noah was a terrific guy. He was a young lawyer, you're right.

Dan Goelzer: Yes.

Paul Gonson: Very good man.

Dan Goelzer: I was going to ask if there was a legal dimension. You've mentioned incorporating and getting approval as a 501c3. Those, I suppose, would have been some of the milestones.

Paul Gonson: Those were the formal things. There were some other legal work as well that are bylaws to be drafted and other documents. The Fried Frank lawyers really did a terrific job, and of course they did it gratis. They made no charge to us.

Dan Goelzer: Well, then speaking of getting the work done, at some point a decision was made to hire a full time executive director. I wonder what you remember about that decision and that process.

Paul Gonson: Well, we couldn't do everything ourselves we realized, and as we had more and more ambitions we realized we needed to have a professional person helping us. In my view, the best thing we did in the early days was to hire Carla Rosati as our executive director. She was and is a creative dynamo. We had advertised for an executive director, and we interviewed quite a few people, but Carla was the shining star, and there was no question that she was the one to be picked. It worked out fine. I think that the history shows that she was a very fine choice.

Dan Goelzer: So you were part of that selection process?

Paul Gonson: Yes, the three of us, Harvey, David, and I.

Dan Goelzer: Okay. Carla of course retired from the Society about a year ago, in March of 2017, and certainly a lot of what the Society is today is attributable to her work. I think we're very fortunate to have Jane Cobb as successor.

Paul Gonson: Yes, she seems to be terrific in the little bit of work I've done with her and the things I've seen her accomplish.

Dan Goelzer: Well, you mentioned at the beginning that Arthur Levitt saw the Society as potentially a sort of cheerleader for the SEC, which didn't, I think for good reasons, pan out. What was the Society's relationship like with the SEC in those early days?

Paul Gonson: Well, it was very cordial. We decided, as I mentioned, that we would have no formal connection with the SEC, but we would nonetheless maintain a close relationship with it. Jack Katz, the SEC secretary at that time, was very helpful. He was an old friend and I had worked with him extensively at the SEC. I met with him frequently at the SEC, and he came to quite a few of our meetings, and that was sort of the conduit by which we were establishing what I call a cordial relationship, but a hands-off relationship.

Dan Goelzer: Maybe a little bit, then, analogous to what you said about the Supreme Court Historical Society, the Commission has consistently let us have our annual meeting at the SEC, which is usually in the form of some sort of a program or discussion.

Paul Gonson: They've been very, very good about it, and some of these meetings have been, I think, not only very good but spectacular. They're usually held on June 6th, which is the anniversary of the establishment of the SEC in the Securities Exchange act in 1934 on June 6th. In a way we were taking over, if I can put it that way, the anniversary celebration, or jointly with the SEC. We would have it in the SEC building. We would have some programs that were, I thought, magnificent programs. That was a good example of how we cooperated together, but were not co-opted by them.

Dan Goelzer: Well, while we're talking about relationships with other organizations, let me ask you about a different one. There's, of course, also a group that I think you and I are both members of, ASECA, the Association of SEC Alumni. Sometimes some perhaps confuse the two or see some overlap between the two. What was the relationship with ASECA?

Paul Gonson: Well, we had a good relationship with ASECA. Of course, we were just starting out. They had been formed much earlier than we were, and when I was president I had exploratory negotiations with the president of ASECA about a

possible merger. We thought that if we would merge we could have some savings, we could have a single office instead of two offices, we could have a single executive director instead of two executive directors. But the idea foundered as we both came to realize that our differences were significant. The Society was at pains to let everyone know that we were not merely an SEC alumni organization. We were an organization -- while we had a lot of SEC alumni -- dedicated to establishing a museum for the history of financial regulation and finance in the United States.

Paul Gonson: ASECA, on the other hand, was fiercely and proudly an alumni organization. The Society was going to build a museum of some kind, while ASECA's chief, I guess, activity was to hold an annual dinner at which cash awards were generally given to SEC staff and other people who had written various kinds of articles and were then juried. At that dinner they would award the William O. Douglas award, sort of an alumni year award to a highly respected alum.

Paul Gonson: Well, William O. Douglas is best remembered as a long term Supreme Court Justice. He was a very effective chairman of the SEC, and the honor is named in his capacity as chairman. Also, our funding was different. ASECA relied on substantial contributions from members and non-members from organizations. ASECA obtained its funds mostly from its very large membership, as annual dues and still does. And from the profit from this annual awards dinner, which attracts hundreds, I mean, I think it's now up to 700 or 800 people who pay big bucks to attend that, and that's how they generate their funds.

Dan Goelzer: At least to my recollection, ASECA started out with something of an enforcement alumni focus.

Paul Gonson: Exactly right. They were the enforcement people. Then, it sort of broadened out from that.

Dan Goelzer: As I said at the beginning, one of the things I wanted to ask you about was hurdles and challenges and how they were overcome. You've already touched on some things that might be regarded as challenges, but is there anything else you'd cite in that regard?

Paul Gonson: Well, maybe one thing which is not particularly known because it never happened was we were worried that the acronym of the SEC Historical Society, SECHS, would be called 'sex'. It never was. That never came to pass. Also-

Dan Goelzer: I have to say I have a lot of sympathy for that, because when I was at the PCAOB we labored under being called the "peekaboo."

Paul Gonson: I have to admit that I called it peekaboo too. A lot of people did.

Dan Goelzer: We didn't care for that.



Paul Gonson: Also, there were questions early on about how we were going to pay for everything. You know, we talked about how we were going to fund it.

Dan Goelzer: Yes, I would imagine that really for any non-profit, particularly one starting, funding, where the money's going to come from, is a challenge.

Paul Gonson: We realized that fundraising would be an important ongoing function. Carla had done fundraising in her early positions. She was very good at it, and she used to tell me, "Introduce me to the person or organization from which you want some money, and leave it to me," which expressed a great amount of confidence, but it was well placed confidence because she always showed up back at the office with a contribution. She was really very good at that. Then, all the trustees were expected to make a significant gift each year and every year. I have been making it every year up to including this year. The trustees successfully prevailed on their firms to make annual recurring contributions, and I would dare say that many, maybe most, of the prominent law firms and accounting firms have made and are continuing to make substantial contributions every year.

Paul Gonson: Some of the trustees, including myself and yourself, were members of the Federal Bar Association's federal securities law committee, and the FBA made annual \$25,000 gifts for many years.

Dan Goelzer: The support from the FBA is continuing. Now the Society provides some content for their magazine in return. We've written articles about things in the virtual museum that might be of interest to people in the federal securities bar.

Paul Gonson: That I did not know. That's very good.

Dan Goelzer: Well, then beginning to think about the museum itself, how was the initial collection developed? I think initially the thought was that it would be a traditional museum with a physical collection.

Paul Gonson: Well, we encouraged everybody. By everybody I mean everybody: trustees, SEC staff, alums, strangers, to contribute documents to the Society. A flood of documents were contributed of all kinds, which would be very helpful I think to researchers. Where we were going to put all of these documents became more and more a difficult issue. They started to accumulate. History associates, which had transcribed oral history tapes for us, had a warehouse in an office building in Rockville. Carla considered that space as an alternative repository that would temporary or permanent. We would take our documents to that warehouse as an alternative to creating our own repository, or a partnership with the SEC, or a local law school to house a repository.

Paul Gonson: I taught at Georgetown Law School at that time as an adjunct professor and I visited then Georgetown law school dean Judy Aren and proposed the idea of having Georgetown be a repository. She was very courteous, but she did not

want that at all. So, we really had at that point really no place, no firm place, to put all these documents.

Dan Goelzer: Just before we go on, you just referred to the oral histories. To my recollection, one of the core ideas of the Society was to get oral histories from people who have been involved in the history of the SEC while they were still available to give oral histories. Can you expand on that? What do you recall about where the idea came from of oral histories and how that developed?

Paul Gonson: A founding trustee, Alan Levinson, did a marvelous job. He headed up the committee for oral histories for the Society. He recruited volunteers to be interviewers and selected the persons to be interviewed. These were mostly senior persons who were or had been at the SEC. There was a sense of urgency to get their oral histories while they were still alive. Generally, the interviewers knew the persons who were interviewed. He rejected the suggestion for professional interviewers or academicians. That was really the start of very many oral histories, which I think are crucially important to the museum.

Dan Goelzer: I noticed in preparing to talk to you that the first oral history was Milton Kroll, and that was taken on September 13th, 2001, two days after the 9/11 attack. I'm sure we both remember Milton, who would have been on the staff probably in the 40s and early 50s.

Paul Gonson: Yes, Milton was a very early guy. Yes, I can sort of reminisce about all of the people that he worked with, and we took oral histories from all of them. Yes, he was a very early person. He was also a terrific lawyer and a very nice guy.

Dan Goelzer: Very nice guy.

Paul Gonson: I worked with him a lot.

Dan Goelzer: All right, well you were talking about the problems or attempting to address the issue of where to house a gallery. When did you first become aware of the idea of switching to the concept of a virtual museum -- an online museum -- and what was your reaction to that?

Paul Gonson: In my time, I remember very little discussion about what was to become a virtual museum. We had a lot of discussion about a bricks and mortar museum, and we had some discussion I guess about what later would be called a virtual museum. I specifically remember very little of that. Carla likes to say that she was the spark plug to create the virtual museum, and maybe she was. I really don't know. That would have come after my time. I remember that we had some discussion about using the internet, but most of us thought it meant our website, and we believed that it was not as attractive as a museum, so that never really went anywhere.

Dan Goelzer: It gets to be a little hard to remember how developed the internet was in 2001, but I suspect that it was still pretty primitive.

Paul Gonson: I think it was still pretty primitive, but I don't know. The feeling was virtually unanimous that that would not work well. Now maybe at a later time as it did develop more fully it might have, but at that time we sort of dismissed it.

Dan Goelzer: Well, let me ask you about something else that I think would have been near, or right at the end of, the time that you were in office. It probably falls more under the heading of a challenge given the way it turned out. That was the 2001 major issues conference, which was a conference that was designed ambitiously to showcase the Society and discuss the current issues facing the SEC. What can you tell us about that conference and its background?

Paul Gonson: Well, unfortunately because largely of the timing you said right after September 11th, it was very poorly attended, and it ended up creating a very significant loss of, as I recall, about \$100,000. That loss was bailed out for us by Northwestern University, where David Ruder had been a very high-ranking person for many years. So, we decided that we would move on from that.

Dan Goelzer: Do you remember the role that the SEC played in that conference? It seems to me that this maybe was something that was planned jointly with the SEC and was an exception to the Society's independence.

Paul Gonson: Subsequently we had more major issues conferences with the SEC. Yes, we developed it together. They certainly weren't going to underwrite any of the dollars, and didn't, but they provided speakers and maybe they provided meeting rooms. I'm not sure anymore. These were generally held in hotel ballrooms or elsewhere. Around that time, Carla was asked to leave, with this big dip in funds, but she had refused to go, which in retrospect I think was a very good thing. She was going to be the loyal soldier and stay on, and do what she could. We, meaning the Society and the SEC, went on to put on more major issues conferences, which were successful, and I spoke at many of them.

Paul Gonson: I must say that part of the reason for the major issues conference was to say, "Look at us," you know? "We're grown up now. We're an important organization," and I think that was helpful in doing that.

Dan Goelzer: Well, as you say, the 9/11 attack really kind of knocked the legs out from under the 2001 major issues conference. I can remember traveling to New York around that time by train because Reagan airport was closed for some considerable period. Traveling became more of an issue than it traditionally was. I think that affected the conference.

Paul Gonson: Yes, it was unfortunately a bad time.

Dan Goelzer: The Society did dig itself out of that hole and go forward.

Paul Gonson: Yes, it did, and today I understand its finances are very good and have been.

Dan Goelzer: I want to ask a couple of final things, now that the Society is coming up on its 20th anniversary. What would you like people to remember about its founding or take away from the fact that Historical Society was created to memorialize the history of the SEC and securities regulation?

Paul Gonson: Well, unquestionably it's the virtual museum. I mean that's the crown jewel of the Society, and I think Carla told me there were a million hits on it.

Dan Goelzer: Yes, we have crossed the million hits threshold.

Paul Gonson: A million hits. Wow.

Dan Goelzer: Yes.

Paul Gonson: When you think about that you realize that lawyers and accountants and historians and scholars and ordinary people have been flocking to that museum to search out very interesting things there, so I think that that's probably the best thing that's happened that the Society has done.

Dan Goelzer: More broadly, why do you think it's important to memorialize and study the history of financial services regulation?

Paul Gonson: Well, you know, children ask, "Where did I come from, daddy?" I think it's human nature to know where we all came from. We, meaning not Society members alone, but members of the public -- lawyers, accountants, historians, scholars -- are fortunate to have the museum provide such a terrific answer to that question, "Where did we come from?" It is very good in terms of not only the history of finance in the 20th century but also the history of regulation of that finance. The two-fold thing is, I think, a wonderful thing to have.

Dan Goelzer: That pretty much covers what I wanted to ask you about, Paul. Thank you for sharing your memories and thoughts about the Society's founding. Thank you for the role that you played in creating the Society and laying the foundation for what it is today, and also, of course, thank you for your role in making the SEC the respected agency that it is. And on a final personal note, thank you for all your support during my professional career.

Paul Gonson: But also I want to thank you, Dan, for giving me this chance to talk about my role. I get a lot of glory from being known as a founder of this prestigious organization, but I know that this is reflected glory. I was there only for a few years in its founding, and my glory is really a reflection of the good work that so many others did, including you, Dan, for almost its 20 year history. Thank you.

Dan Goelzer: Thank you very much, Paul.