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SECURITIES AND EXCHANGE COMMISSION HISTORICAL SOCIETY

The Roundtable on Regional Administrators

Thursday, May 29, 2003

2:00 - 5:00 p.m.

1 MR. POLLACK: I'll start by introducing the
2 panel, starting from my right, and then Judge Sporkin will
3 do it from his left.

4 The first panel participant here is Jack Bookey,
5 who joined the Commission in 1961, and became director of
6 the Seattle regional office in 1973 and served there until
7 1994.

8 Jack also has the distinction of having been a
9 mining engineer before he joined the Commission, as well as
10 an assistant U.S. attorney.

11 Next to him is Len Rossen, who joined the
12 Commission in 1962, became regional administrator in 1979,
13 first in San Francisco and then in Los Angeles. And he
14 served until 1987.

15 Next to him is Robert Davenport, who started in
16 the Denver regional office in 1958, became regional
17 administrator in '74, and finally left the Commission in
18 1996, after some 22 years as administrator of that office.

19 Next to him is Jerry Boltz, who joined the
20 Commission in 1959, and then became regional administrator
21 in Fort Worth in '69 and served as regional administrator in Los
22 Angeles from 1972 to '79. Next to him is the serving regional
23 administrator Randy Fons, who joined the Commission in 1988, and
24 then was promoted to administrator of what is now known as the
25 central regional office in Denver.

1 We look forward to hearing from each of them.

2 JUDGE SPORKIN: Let me start out with our people
3 here. To my far left is Judge Kevin Thomas Duffy, who was
4 the RA in, as I recall, what -- the late --

5 JUDGE DUFFY: '69 through '72.

6 JUDGE SPORKIN: Then went on the bench, and as
7 everybody knows, is one of the most prestigious judges in
8 the United States. He just recently has been appointed to
9 mediate the Enron case.

10 Next to Judge Duffy is Michael Stewart. And
11 Michael -- I think he was going for the record of how many
12 regions he could serve. What -- you were in Washington,
13 what -- Fort Worth, L.A. Did I miss one? Boston.

14 MR. STEWART: Boston, Miami, San Francisco.

15 JUDGE SPORKIN: You weren't in San Francisco.

16 MR. STEWART: Yes, I was.

17 JUDGE SPORKIN: He was the go-to guy at the
18 Commission. Any problems, he had to go -- he had to pick up
19 his family and go.

20 Next to him is our dear friend Bill Schief, known
21 as Chief Schief. And Bill was the regional administrator of
22 Washington. And obviously, since Washington is where the
23 home office is, the relationship was extremely close.

24 And Chief went over to head a unit at the NASD,
25 and unlike many of us, he decided he was going to have a

1 good time the rest of his days. And he's now in Boca
2 enjoying life. We would like to get him back some way.

3 Next to him is the great Bob Watson, who was the
4 RA in Fort Worth. And before that, he worked with Jerry in
5 the Denver regional office.

6 Again, Bob was like Mike. He
7 would go where the service asked him to go. And he was
8 practicing law, and now he's a general -- in-house general
9 counsel, and he's doing quite well.

10 And you've got a very fine panel here. And in the
11 audience, we have two other regional administrators, Mike
12 Wolensky.

13 Mike, you were another go-to guy. You were where?
14 In Atlanta? You were in San Francisco. Where else were
15 you?

16 MR. WOLENSKY: Started in Miami, then
17 San Francisco, and then the general counsel's office, and
18 Atlanta.

19 JUDGE SPORKIN: Miami -- was that when Miami was a
20 regional office?

21 MR. WOLENSKY: Branch office.

22 JUDGE SPORKIN: I see. Then you went to Atlanta.

23 And Dan Shea, who is Randy's predecessor here in
24 Denver, after serving -- before you were in Denver, where
25 did you serve?

1 MR. SHEA: I was in Washington in the trial unit.

2 JUDGE SPORKIN: Washington, in the trial unit.

3 And then he worked for Paine Webber. And now he is back
4 practicing law in Denver. So Randy has a good friend to
5 lean on when he has a problem.

6 So that's where we are.

7 And of course, this fellow on the right is the
8 father of this whole system, Irving Pollack, who we all had
9 the good fortune to serve under at the SEC.

10 There has been no better boss than Irv, and
11 everybody on this panel will affirm that.

12 I think you were director with -- Jerry, he was
13 your boss.

14 MR. BOLTZ: Yes.

15 JUDGE SPORKIN: Who else's boss, directly, was
16 he?

17 MR. ROSSEN: He was my boss.

18 JUDGE SPORKIN: And so -- we got Bob Friese, who is
19 from the San Francisco office. Anybody else here from the
20 Commission? Nobody else. Dan Chase. I'm sorry.

21 MR. POLLACK: Stanley, why don't you say who you
22 bossed?

23 JUDGE SPORKIN: My wife. That's the only person.
24 I mean, she bosses me, but that's the only one I can -- I
25 guess, Len, we worked together. And Bob. Dan --

1 Dan was with us.

2 Well, we've named everybody in the audience.
3 Maybe we should shift a bit more, and then we would have a
4 bigger audience out there.

5 Irv, go ahead. We've got the schedule. Let's see
6 what we can do with it.

7 MR. POLLACK: I think it may be helpful in
8 setting the stage for this discussion to just take a few
9 moments to go back to the establishment of the Commission in
10 1934 and how it was organized.

11 In 1934, there were two basic acts that the
12 SEC had to administer; the Securities Act of 1933 and the
13 Securities Exchange Act of 1934. There was no national
14 enforcement group.

15 The way the Commission operated in those days was,
16 the major division was the Corporation Finance Division,
17 which had jurisdiction over all of the filings and
18 registration statements and offerings that were being made
19 under the '33 Act.

20 And then under the '34 Act, you had what was then
21 known as the Division of Trading and Exchanges that was
22 responsible for the regulation of the exchange markets and
23 broker-dealers, who were then the only ones subject to SEC
24 jurisdiction.

25 The regional offices, principally, were

1 responsible for investigation and enforcement in their
2 particular areas. And their oversight office was the
3 Division of Trading and Exchanges, but it was really not
4 much of an oversight office; it was much more of a receiving
5 office, where it received the files and put the evidence,
6 copies of the transcripts, et cetera, in a file there.

7 The basic way the regional office was operated
8 was, they had to ask an office in another area to do a job
9 for them when they had witnesses who were in that area that
10 were involved in cases that they were investigating. A
11 very, very poor system, because each regional office was
12 desirous of working on its own cases. And so it looked upon
13 requests from another regional office as just an undue
14 burden in their effort to carry out their own functions.

15 And most of the regional offices, if not all of
16 them, were staffed by former assistant U.S. attorneys, who
17 were thought to have been the proper implementors of the
18 SEC's program, which, in that day, emphasized principally
19 boiler rooms and bucket shops.

20 The establishment of the basic principles
21 governing the markets was pretty much done back in
22 Washington, either by the Corporation Finance Division or
23 the people in the Division of Trading and Exchanges. But I
24 think the principal point to remember is the regional
25 offices were pretty much their own overseers and operators

1 in their area.

2 Now, with that beginning, I think it would be
3 appropriate now to allow the panelists to each state, in
4 their own administrations, what was the most
5 memorable case you had, and how did it affect the
6 Commission's overall enforcement and regulation policy, and
7 whatever its impact was.

8 And we ought to start, maybe, with you Bob,
9 because I think you probably had the longest service of
10 anybody on the panel.

11 MR. DAVENPORT: Thank you, Irv. It's hard to put
12 your finger on the most significant or memorable case.

13 The Denver region, as most of us know, was very
14 fortunate in having a lot of promoters that had great
15 visions. They liked to push the envelope. They rose
16 to the occasion.

17 When the Commission passed a rule, they found a
18 way to dance around it, so we had a lot of things in Denver
19 over the years.

20 1958 was the middle of the uranium boom. That's
21 when hundreds and hundreds of Reg As were filed under the
22 old S3(b) (1), one-sheet Reg As. They called it the license
23 to defraud. Thousands of them were put in the marketplace.
24 They all became dormant. They were resurrected in later
25 years by the promoters of shell companies.

1 In the '60s and '70s, we had the exotic securities
2 investment contracts, the silver contracts. In the '70s and
3 '80s, we had the penny stock boom, and that's when millions
4 and millions and millions of dollars exchanged hands in this
5 region. They called it penny stock, but it was a misnomer.
6 There was so much money in that market it was unbelievable.

7 The Wall Street Journal coined Denver as the Wall
8 Street of the West. 17th Street as the Wall Street of the
9 West.

10 1982 -- the crash of the penny stock market --
11 that's when I think the Commission really showed what kind
12 of mettle it had.

13 We picked up the phone in Denver and called
14 Washington and called the NASD, and in about a week
15 50 examiners moved into the Denver region one Sunday night.

16 The next morning, on Monday, we went into
17 28 different firms. We had teams of lawyers set up. The
18 examiners would call in daily.

19 And in about two weeks, there were 28 firms
20 examined. Eleven were closed, six did voluntary
21 liquidations, six injunctive actions were filed, and four
22 SIPC trustees were appointed. It was an end of an era.
23 That was in 1982.

24 JUDGE SPORKIN: 19 -- what was that?

25 MR. DAVENPORT: 1982.

1 JUDGE SPORKIN: Are you sure of that date, Bob?

2 MR. DAVENPORT: Positive.

3 JUDGE SPORKIN: Because as I recall, under Casey,
4 in '72, we did the same thing, if you recall. Remember, we
5 went out and --

6 MR. DAVENPORT: No. That was a different one.
7 This is one we did with the NASD. John Pinto was a --

8 JUDGE SPORKIN: Yeah. That's one we did -- that's
9 how you got -- Rule 15-C-211 came out of that.

10 MR. DAVENPORT: Yes. But the big boom in Denver
11 was in 1975 to '82. And '82 is when the price of oil went
12 down, and that's what caused the crash, and that's when they
13 sent all the examiners in.

14 And then one of the things we had was the blank
15 checks out here. The blank checks was when the S-18 came
16 into being. We had 138 S-18s in 1985. Sixty-three of them
17 were blank checks.

18 JUDGE SPORKIN: You have to explain what you mean
19 by a "blank check."

20 MR. DAVENPORT: There were two -- there were blank
21 checks and blind pools.

22 A blind pool has always been, basically,
23 permissible. When someone makes a filing, and they say,
24 "We're in the oil business. We would like to raise money.
25 We would like to explore in Wyoming, Montana, North or

1 South Dakota," you know, that was all right. They made the
2 best disclosure they could.

3 Blank checks was something the promoters came up
4 with in Salt Lake City. They would try and file S-18s and
5 say, "Give us your money, and we're going to look around.
6 We can't tell you what kind of business we're going to go
7 into, but we're going to look around."

8 Well, generally, what they had was a merger
9 candidate in the wings that couldn't go through the
10 registration process. So this was a way you could form a
11 company, get the money, and then merge with the company that
12 couldn't go public itself.

13 Well, the Commission was reluctant. They didn't
14 want to sue them. They said, "We don't think it's fraud."
15 But on February 14, 1986, that was when it all happened.

16 Valentine's Day, a big truck came up to
17 the Denver office. It had 33 boxes on it. Each box
18 contained an S-18 blank check.

19 Every one of those 33 had the same attorney, the
20 same accountant, the same transfer agent, incorporated in
21 the last three months, all had 5,000 capital, no business;
22 and all had, the investigation revealed, undisclosed
23 promoters.

24 The Commission said, "That's enough." We sued
25 them. So that was the end of the blank checks.

1 And then the last thing was something that Don
2 Hoerl and Jack Kelly spearheaded and was, to my knowledge,
3 the first sting operation that the Commission ever
4 participated in.

5 In the late 1980s and early 1990s, a sting
6 operation in Salt Lake City with the FBI, Postal, Justice,
7 U.S. attorneys -- a very sophisticated operation.

8 The FBI had hidden cameras in trucks and offices.
9 They sent in an undercover agent from Atlanta, 26 years
10 old, with a Rolex watch and a red Corvette. He moved right
11 in with the promoters.

12 It resulted in 98 individuals being indicted or
13 charged with fraud, in an injunction or information.
14 But that's a capsule summary.

15 MR. POLLACK: Okay. Jack, what about you?

16 MR. BOOKEY. Thanks. Jack Bookey from the Seattle
17 regional office.

18 A couple of things come to mind. In the early
19 '70s, we got a call from Stanley Sporkin, and you said,
20 "You've got a pyramid-scheme promoter coming your way named
21 Glen Turner, and he's got an operation called 'Dare Be
22 Great.' He has run across the country" -- and this is the
23 early '70s -- "and he has already raised \$2 million. He is
24 operating in Washington and Oregon. You gotta stop him."

25 So we rounded up a group of people, and we went

1 out and -- it was a typical pyramid-scheme operation. They
2 were selling motivation tapes, and they had all the
3 multi-levels.

4 We were looking for what we called the investors
5 who had a slogan called "Fake It Until You Make It." And
6 that meant, in order to bring in other investors into their
7 scheme, they had to look prosperous. They had to own a
8 Cadillac.

9 So I remember being in Portland one day. We're
10 going down the street -- we have a bad address, and we're
11 going down the street, and finally we see this old pink
12 Cadillac with the enormous fins. I said, "We've got the
13 right address."

14 We put together the action. We filed it in
15 Portland. And on the other side, for the defense -- for
16 "Dare Be Great," they got the two best trial lawyers in
17 Portland. They had the president of the Trial Lawyers
18 Association, and the chief counsel was F. Lee Bailey. For
19 the SEC, Jack Bookey.

20 Anyway, we prevailed at that trial, but it was a
21 riot. F. Lee Bailey never showed up, but they had a
22 telephone conversation with him every night. And I was
23 invited. So we would talk to F. Lee Bailey.

24 He would ask questions: "What did you do today?
25 What are you doing tomorrow, Jack?"

1 We went to the -- it was appealed. We went to the
2 circuit court, and we prevailed there, and added on another
3 kind of wrinkle to the definition of a security, because it
4 was very difficult to frame this multi-level scheme under
5 the Securities Act. And anyway, Dave Ferber argued the case,
6 and I was there.

7 Another --

8 MR. POLLACK: And we won.

9 MR. BOOKEY: And we won. You bet we won.

10 Another one we had was an administrative
11 proceeding that was kind of unique. It was a fellow named
12 Roy Pitt, who was the secretary of the investment committee
13 for the state of Washington.

14 And he was in charge of buying something like
15 seven or eight billion dollars of bonds for the state every
16 year. And along with his purchases of bonds -- and this
17 involved eight or ten of the biggest houses in the
18 country -- he was getting hot issues. And he was also
19 borrowing money from some of the principals at the bond
20 houses.

21 And we put together an administrative proceeding,
22 and it seems to me it was one of the first times we had
23 an allegation of 10(b)(5) in an administrative proceeding.
24 It was unique. And we started the proceeding, and we went
25 about two days, and everybody folded as the evidence started

1 coming in.

2 In our area we had the Vancouver Stock Exchange,
3 and we get kept getting spin-offs of those promotions.

4 We had a mining stock exchange in
5 Spokane, Washington, and it was probably the last
6 chalk-board stock exchange in the United States. To the
7 very last day, the quotations were put up in chalk. And
8 that last day was about, maybe, 1988 or 1990.

9 Seattle was kind of a microcosm of the rest of
10 country. Whatever anybody else had, we had, usually in a
11 slightly filtered-down or smaller form. And it was a going
12 concern while it lasted. Thank you.

13 MR. POLLACK: Why don't we shift to the other
14 side. Maybe Mr. Stewart would be good enough to tell us
15 what the most memorable case was in one of the regional
16 offices, if not in all of them.

17 MR. STEWART: Well, Irv, not the
18 most memorable case that I was ever involved in. I was
19 involved in a lot of cases that I remember with Mike
20 Wolensky and other people that were the most fun and all
21 that kind of thing. But I think the most important thing
22 that I ever participated in at the Commission was when you
23 and Stanley, in 1970, recognized that there was a
24 megaproblem out there with the brokerage firms' back
25 offices. And everything stopped.

1 Those who didn't live through that can't imagine
2 what that was like. You would go into a
3 brokerage firm, and there would be, on desks and on the
4 floor and falling out of cabinets, stock certificates.

5 The brokerage firms didn't know who owned what.
6 They didn't know whether they had securities that didn't
7 belong to them; whether the securities they had, did some of
8 them belong to them.

9 And it was about to bring Wall Street down. It
10 was as dangerous a situation, in my view, that the Street
11 had faced since the Great Depression.

12 And Irv and Stanley took the position, "Unless
13 you've got to be in court, you are to stop doing whatever
14 you're doing" -- and this was across the country in every
15 regional office -- "and you get your people into these
16 brokerage firms. We have got to find out what is going on,
17 and we've got to get it straightened out."

18 And Irv, I think, that your effort and
19 Stanley's effort really saved this country a very major
20 economic catastrophe.

21 MR. POLLACK: Well, I can remember Stanley
22 threatening one of the biggest brokerage houses that he
23 would suspend them from doing business unless they sent
24 50 accountants in there tomorrow to rectify their books and
25 records.

1 The other interesting thing about that is the way
2 we first noticed that. Each week I would get a
3 breakdown of the complaints that the Commission was
4 receiving. And I began to see that the big firms were all
5 having delivery complaints; that people weren't getting
6 their securities delivered to them.

7 And so I had, at that time, Tom Rae, who was the
8 assistant director in our office, send a letter to ten of the
9 top firms saying, "We notice this. What's your problem?"

10 And of the ten firms, nine of them wrote back and
11 said, "It's none of your business. It's a business
12 problem." Only one firm recognized it.

13 And so with that, we started the inquiry. And of
14 course, what you said was true; that the Exchange had to
15 close down two days a week because they couldn't handle the
16 volume.

17 We had to depend on the Pacific Coast Stock
18 Exchange, who had the most advanced settlement system, to
19 come in and teach the New York Stock Exchange and the
20 American Stock Exchange how they were doing it, so that we
21 could get a workable system that permitted them to handle
22 the increased volume that they had.

23 So you're very right. That was a significant
24 matter.

25 And while you were out, I mentioned your

1 admonition to firms; that you told them you would put them
2 out of business unless they brought in 50 accountants. I
3 hope you remember that.

4 JUDGE SPORKIN: Was it Lehman Brothers?

5 MR. STEWART: I really do believe that was one of
6 the most important things the Commission ever did.

7 In terms of my personal and most interesting
8 cases, I worked on a lot of them in a lot of different areas
9 of the country, but I have to remember, R.J. Allen, Mike
10 Wolensky, and I -- there was a bucket shop in
11 Fort Lauderdale.

12 And the reason the case was so memorable to me, of
13 course, was that many of the defrauded victims -- we brought
14 the case in 1974 -- were returned prisoners of war from
15 Vietnam.

16 And we had the second-longest prisoner of war,
17 Howard Rutledge. He had been a prisoner for over eight
18 years. And what these guys did, they wrote him -- as they
19 did every returned prisoner -- a handwritten note.

20 And this guy said, from this firm, "As a former
21 prisoner of war myself, I know the difficulties of adjusting
22 to civilian life, and we would love to help you." Well, of
23 course, they stole their money.

24 And we had this Howard Rutledge in his starched,
25 white Navy uniform, with his medals down to here.

1 You couldn't get in the courtroom. The press was all
2 over the place.

3 And he testified, and on cross-examination, this
4 defense lawyer started asking him, "Well, when did you first
5 meet Mr. Stewart? When did you see Mr. Wolensky? How
6 often were you up at their office?"

7 And that questioning went on for a few minutes,
8 and finally Rutledge held up his hand and said, "Counsel,
9 if you're trying to suggest Mr. Stewart and Mr. Wolensky
10 told me what to say, let me tell you something. For over
11 eight years, people tried to make me say things I didn't
12 want to say, and I didn't say anything."

13 Now, you know, in terms of the Commission's
14 enforcement program, maybe it wasn't the most important
15 enforcement case, but it's the most memorable one that I
16 ever had. And I had a lot of them.

17 I won't bore everybody with all of them, but that
18 certainly was a great case.

19 JUDGE SPORKIN: Judge Duffy, I guess you had some
20 of the --

21 JUDGE DUFFY: I had merely the hangover. That's
22 all.

23 My name is Kevin Duffy, and I was
24 regional administrator in the New York region.

25 As you perhaps remember, the New York regional

1 office at that time was the smallest region. And the reason
2 I got it, I guess, is because I was interested in
3 architecture.

4 The New York Stock Exchange handled all of its
5 problems, so there wasn't much for the New York region to
6 do; however, I rode the railroad every night back and forth
7 to my home in the suburbs. And I ran into all of these
8 people who told me about what was going on with exchange
9 firms.

10 I walked into the office one day, and Arthur
11 Goldman, who was the deputy regional administrator -- I told
12 him what I was planning on doing. He said, "You can't do
13 that. You can't go and inspect a New York Stock Exchange
14 firm." I said, "Why not?" He said, "Because it's never
15 been done." I said, "Good. We'll have a first time."

16 We did. And we picked on a firm called Hayden
17 Stone. Hayden Stone ended up so deep underwater it was
18 incredible.

19 This occasioned me to sit down and write a
20 personal letter to the five Commissioners, indicating that
21 we were in deep trouble because the big stock exchange firms
22 didn't have the money to meet their commitments. And I
23 pointed specifically to Hayden Stone.

24 That was followed by a personal visit down to the
25 Commission. I don't think we opened the case on Hayden

1 Stone at the time. Did we?

2 JUDGE SPORKIN: Yes.

3 JUDGE DUFFY: But it was a mess, and the result of
4 it was SIPC.

5 More importantly, at the time SIPC was founded,
6 the New York Stock Exchange had \$60 million for a new
7 building. I liked the old building.

8 We took the \$60 million to cover the people who
9 went out of business because of our investigations, and they
10 still stuck in the old building.

11 The only case I really remember enjoying very much
12 was a case where we went in and got a temporary restraining
13 order. And Henry Friendly entered an order; he was
14 the chief judge of the Circuit Court of Appeals.
15 He entered an order suspending the district
16 judges's order, which I thought was interesting, since he
17 had no jurisdiction. But judges in the Court of Appeals
18 never worry about those things.

19 Anyway, it fell to me as regional administrator to
20 argue the case in front of the Second Circuit to convince
21 Judge Friendly, the chief judge of the circuit, that he was
22 wrong. I did. And I thought that the folks were going to
23 kill me. But believe it or not, two to one, we won. And
24 that really tickled me to no end.

25 It indicated, once again, that if the Commission

1 takes a firm stand where it's right, it will get the results
2 that it should get.

3 Other than that, Stanley, I didn't have anything
4 that was really exciting.

5 JUDGE SPORKIN: SIPC, of course, was the
6 Securities Investors Protection Corporation, which was
7 brought in when?

8 We had all those failures on Wall Street, and it
9 doesn't insure people's accounts -- just like banks, when
10 you put money in a bank, it doesn't insure you against
11 market loss -- but it insures you if your money is
12 dissipated.

13 The interesting part -- what Judge Duffy doesn't
14 tell you is that he almost made a career disaster move at
15 one point when the President -- well, the President was
16 going to appoint him to the SEC, through the recommendation
17 of Don Regan.

18 And everything was, I think, in line, and lo and
19 behold, Don Regan gets into a fight with Nancy -- I mean,
20 Don Regan gets in a fight with Nancy Reagan, and Don leaves
21 and Duffy never did become Chairman.

22 If he had become Chairman, you wouldn't have two
23 guards protecting you every day now, right?

24 JUDGE DUFFY: There are five, Stanley.

25 JUDGE SPORKIN: Is that fairly accurate, that

1 story?

2 JUDGE DUFFY: Yes. It's accurate.

3 JUDGE SPORKIN: And it can just show you how the
4 moment in history -- can you imagine if he was the Chairman
5 of the SEC, what that -- what the Commission would have
6 done? We would have had a lot of fun. He was an
7 iconoclast.

9 JUDGE DUFFY: Stanley -- Stanley, let me tell you
10 one thing. This was a fun thing.

11 I convinced Don Regan, at that point, to put up an
12 amount of money into the budget. It was one of the few
13 times that the Commission's budget went up to whoever
14 it is in the executive department, and then gets boosted.
15 And it was boosted substantially.

16 And that money was for a special study on the
17 world markets. And lo and behold, of course, I got knocked
18 off, and I was not going to become Chairman. We never had
19 the study, but we have Edgar.

20 JUDGE SPORKIN: Somebody sent me a note here,
21 Kevin, that talked about your visiting Phil DeMauro's home in
22 connection with Pan Am 103.

23 JUDGE DUFFY: Well, that's got nothing to do with
24 the work of the Commission. That's -- look, if somebody has
25 serious -- if someone has problems, all right?

1 Phil DeMauro was a fellow who was a retired
2 SEC investigator, and his daughter was on the Pan Am flight
3 that was blown up. She was flying home for Christmas. And
4 my wife and I went down to be with them. And we ended up
5 cooking their dinner for them at Christmas and bringing it
6 over and so on and so forth. But that's got nothing to do
7 with the Commission. That's what people do for other
8 people. That's all.

9 JUDGE SPORKIN: Well, where are we on our sequence
10 here?

11 MR. POLLACK: We can get Bob next.

12 JUDGE SPORKIN: Okay. Let's go to Jerry.

13 MR. BOLTZ: All right. Well, Jerry Boltz.

14 I started out working in the headquarters office,
15 and I think -- I wasn't sure when I joined the staff whether
16 I wanted to stay with the Commission until I actually got
17 involved.

18 And when I had the opportunity to work with people
19 like Irv Pollack and Ralph Saul, and a couple of
20 oldtimers -- Eddie Yeagerman and Tim Callahan -- I couldn't
21 resist. It was wonderful work. And Irv was inspiring;
22 great leadership, wonderful focus.

23 I did -- initially, I did some work with Eddie and
24 Tim up in the New York office, investigating and prosecuting
25 the Mafia - Carmine Lambordozzi, Arthur Tortorello, Louis

1 DeFillipo, and others -- who were running boiler rooms
2 secretly. They would have front people do it.

3 And we indicted them and convicted them not just
4 in New York, but elsewhere, so they had to get lawyers
5 elsewhere. Cleveland and Virginia and so forth.

6 And I became a legal assistant to Commissioner Dan
7 McCauley, and the Commission then wanted me to investigate
8 the New York office. And I actually did that. And as a
9 result, there was some changes made in the New York office.

10 I then went to Denver and worked with Bob, and
11 he's pretty much relayed some of the interesting stories,
12 although there was one where a couple people from the Denver
13 office were up in a little town in Wyoming and having
14 breakfast at a restaurant.

15 And there were a couple of guys in the next booth,
16 and one of them described a very complex scheme to defraud,
17 and the other guy said, "Well, what about the SEC?" And the
18 first guy says, "Hell, they can't be everywhere."

19 MR. DAVENPORT: We were sitting in the booth right
20 next to them.

21 MR. BOLTZ: And I think Fort Worth was
22 fascinating. Bob Watson and I worked together for years
23 there. I thought there were a couple of things that were
24 interesting.

25 One, we had, at one point, three state attorney

1 generals or former attorney generals under investigation.
2 Bruce Babbitt in Arkansas, Jack Gremillion in Louisiana, and
3 Waggoner Carr in Texas.

4 And with the help of Bob Watson arguing before
5 Judge Sarah Hughes in the Sharpstown State Bank case, we
6 enjoined Waggoner Carr. We convicted Jack Gremillion for
7 perjury.

8 And I think that was a significant case because it
9 involved a lot of other political figures. The governor was
10 involved, Preston Smith. And he failed to be re-elected
11 after we brought the case.

12 And Gus Mutcher, who was the Speaker of the House,
13 and Ben Barnes, who was the Lieutenant Governor. So that
14 was a significant case.

15 And I think the -- the other was -- there were so
16 many -- and this was a surprise to me -- church bond fraud
17 cases in that region. And -- and we brought a lot of them.

18 And I think the worst case was the Midcity Baptist
19 Church in Louisiana, where they purported to raise funds to
20 build educational facilities, and in fact, the money was
21 used in other ways. And the minister was very much at the
22 center of this.

23 And when we started the investigation, he came to
24 my office and said he wanted to pray for me. And I said,
25 "Well, pray for the victims as well."

1 And he was indicted and the church was put into
2 receivership, which is kind of interesting to have a church
3 in a receivership.

4 And I remember that the minister was very
5 interested in testifying before the grand jury, and he was
6 very eloquent. And the U.S. Attorney said, "What shall we
7 do?" And I said, "Let's put on some of the older people who
8 invested and bought these securities of the church." And we
9 did.

10 And one of the men was an older man -- I think he
11 was 89 -- who testified. And after he testified, he had a
12 heart attack right in front of the grand jury and died.
13 Needless to say, they indicted the minister.

14 There were other interesting cases in Fort Worth,
15 and I'll let Bob tell some of them. But I then went to
16 Los Angeles.

17 And I think one of the fortuitous things that
18 happened, I developed a relationship with the Wall Street
19 Journal early on. And as a result of that, we got an early
20 glimpse of a case, Equity Funding Corporation, which
21 resulted in the indictment and conviction of Stanley
22 Goldbloom and six other people. We also indicted and
23 convicted the auditors in that case.

24 And it was interesting because Stanley Goldbloom,
25 when I came to Fort Worth -- I mean, came to Los Angeles, he

1 was on a NASD district panel that welcomed me.

3 And so -- and there were -- there were other cases
4 that Lennie and Bob Friese and others and I worked on.
5 Goldstein, Samuelson, Kaiser Resources, Geotech, and so
6 forth. It was great fun.

7 And it was the greatest time in my career, because
8 I think, at that time, the staff of the Commission had a
9 unified sense of mission and was very effective and had
10 great leadership. And I really enjoyed the time.

11 JUDGE SPORKIN: You know, your narration reminded
12 me, Jerry, of the Equity Funding case, where -- in those
13 days, we didn't have all the nice tools that the Commission
14 now has.

15 And I got a call one day from a broker who we had
16 sued and wanted to be in our good graces, and he says that
17 he has an account with Stanley Goldbloom -- I think there
18 was \$500,000 in it -- and he wants the money.

19 He said, "What should I do?" I said, "Well, send
20 me the check." Or I said send it to you. Somebody. Either
21 he sent it to me, and I sent it to Jerry or --

22 MR. BOLTZ: Send it to the judge.

23 JUDGE SPORKIN: That's what I said.

24 MR. BOLTZ: I think it went to the Court.

25 JUDGE SPORKIN: Yeah. "Go and take the check and

1 send it to Judge Ferguson." And he sends it to Ferguson,
2 and Ferguson gets a \$500,000 check in the mail.

3 Randy, you would never do anything like that now.

4 And the judge doesn't know what this is all about,
5 and he calls Jerry, and he says, "Jerry, I got a check for
6 you." And he calls Jerry, and Jerry comes and picks up the
7 check. And you put it in your safe?

9 MR. BOLTZ: No. Well, we had it deposited with
10 the Court. It stayed with the Court.

11 There was another check -- we got a tip that
12 Stanley Goldbloom had an account with a brokerage firm in
13 New York with over a million dollars in it. And I called
14 the brokerage firm and told them I wanted the money sent to
15 the Court, and they sent it on my say-so. And Goldbloom was
16 so angry that he tried to sue me. It didn't work, though.

17 JUDGE SPORKIN: Well, you know, I think it's
18 interesting that nowadays, I don't think
19 anybody would try that stuff; just say, "Send it to the
20 Court."

21 But that Court, though, based upon Irv and Jerry
22 and my recommendation, put in Bob Loeffler. He was a
23 great -- he is still a judge there. Ferguson was one of the
24 great --

25 MR. BOLTZ: Bob Loeffler has passed away.

1 JUDGE SPORKIN: But Ferguson said to Jerry, "Get
2 the best person you can find to be the trustee here. We
3 want to do it right. I don't want to appoint a crony or
4 anything like that."

5 And I guess after consultation with Irv, they came
6 up with Bob Loeffler, who is one of the really fine lawyers,
7 securities lawyers, and he did a magnificent job, as I
8 recall.

9 MR. BOLTZ: Yes, he did.

10 JUDGE SPORKIN: Did everybody get all their money
11 back, or almost all their money back?

12 MR. BOLTZ: Well, they got a lot of it back. And
13 it had gone into bankruptcy, you know.

14 JUDGE DUFFY: Stanley, when you were a district
15 judge, did you get any checks like a million dollars in the
16 mail?

17 MR. POLLACK: It's still in the safe.

18 JUDGE SPORKIN: Somebody, who will remain
19 nameless, told me one day, "Dad, you know, we couldn't get
20 away with what you guys used to do at the SEC." Maybe he's
21 right. Maybe he's right.

22 But look, we had to do the best we could with the
23 tools that we had. And the statute of limitations has
24 passed now, so we don't have anything to worry about.

25 Right?

1 MR. BOLTZ: I couldn't get over being an
2 enforcement attorney even after I left the SEC in 1979.

3 One time Jan and I went hiking in Yosemite, and we
4 had to stay in a little motel after we finished the trip,
5 and we had to share a table with a couple of women from
6 Florida. And one of them was a daughter of a Mafia person,
7 who told us all about this public company and what all they did.
8 So I reported it, and we nailed them.

9 JUDGE SPORKIN: Well, Chief, you're next. Mike,
10 did we get you yet?

11 MR. STEWART: Oh, yes.

12 JUDGE SPORKIN: We're up to Chief Schief. And we
13 had some great times there with Alex Brown.

14 MR. SCHIEF: Yes, indeed.

15 JUDGE SPORKIN: It was a great office.

16 MR. SCHIEF: I would first like to echo what
17 Michael said about the back-office crisis, because in large
18 part, I thought that was an era that really affected the
19 entire securities market and the ability of the SEC and the
20 state administrators and the NASD to regulate the
21 broker-dealer community.

22 I can remember during that period of time, having
23 presidents of broker-dealers firms, where those firms had
24 their books and records so out of whack that they could not
25 compute their capital. And most of them were probably

1 insolvent.

2 So we were telling them that they would have
3 X number of hours -- as we brought them in for interviews,
4 X number of hours to get those books and records in shape
5 and get them accurate; otherwise, we would close them down
6 by going into court. So everything that Mike had mentioned
7 is really, in my view, one of the major areas that we did
8 during that period of time.

9 The second thing that I would like to mention
10 is -- since Jerry mentioned his church case, I would like to
11 mention one that we had against the Oldtime Gospel Hour down
12 in Charleston, West Virginia.

13 The Oldtime Gospel Hour is run by Jerry Falwell,
14 and I'm sure you know that. They were selling church
15 bonds. They had these TV programs, and they were
16 selling church bonds throughout the nation, and their pitch
17 was, "Double your dividends by investing in these bonds.
18 You get a dividend by doing this for God. You get a
19 dividend by getting these bonds, and you profit by them."

20 So we thought that was absolutely fraudulent and
21 misleading. They didn't tell anybody about how this was
22 being handled within the church and so forth.

23 And the other thing was, we found that they were
24 counting the money that was coming in -- the money was
25 coming in in envelopes from ladies and men from all over the

1 country. They were counting the money on Jerry Falwell's
2 kitchen table. I mean, it's just all this cash is coming
3 in, and they are counting it.

4 So we go down to Charleston, West Virginia, and we
5 have an accountant. They knew we were coming into the
6 courthouse on this particular day. The place was jammed in
7 front of the courthouse. The people of Charleston knew we
8 were coming. They were all in support of Jerry and his
9 Oldtime Gospel Hour. They didn't want us to be doing
10 anything to disrupt that.

11 So we go there, and we finally settle the case,
12 but that was a huge effort to try to get somebody who had
13 the ability of a church to stop doing what they
14 were doing.

15 The other thing I would like to mention is the
16 case that Tranes Pashgoff -- you remember this one,
17 Stanley.

18 He discovered during the course of one
19 investigation that some promoters out of Baltimore had
20 befriended Speaker McCormick, the House of Representatives
21 speaker, who was getting old in age, and they were using his
22 office to promote some of their stocks.

23 They were calling from his office. They were
24 sending mail from his office,
25 postmarking it on Capitol Hill, so forth. So there was an

1 investigation that went on with that.

2 And they were able to show a number of things.

3 And finally, one person broke, and that person was willing
4 to be wired.

5 That's the very first time I had ever had any
6 experience in having an FBI wire somebody and have them
7 listen in the garage of this office building of what was
8 going on in the conversation. So that's what happened in
9 that case.

10 This particular person, who was part of the
11 conspiracy, was wired and developed all this evidence. The
12 case finally went to a criminal case, and these people were
13 prosecuted.

14 So I thought those things were truly highlights of
15 my time at the SEC regional office.

16 JUDGE SPORKIN: Why don't we go with Bob Watson
17 next. All right, Bob.

18 MR. WATSON: Well, I had the good fortune to serve
19 not only with and under Jerry Boltz, but also with and under
20 Don Stocking, with whom Jerry served, Bob Davenport served,
21 Jack Bookey served, and I served, as well as Don Malawsky,
22 former regional administrator of the New York office.

23 Don was regional administrator of the Denver
24 office for many years and -- he was here when I joined the
25 Commission, and he was here when Jerry and I moved down to

1 Fort Worth.

2 He taught us many wonderful lessons, but the main
3 thing he taught us was, don't worry about politics, don't
4 worry about pressure, don't worry about anything except
5 doing the right thing for the people you represent, the
6 investors. And it was a wonderful lesson that we learned,
7 and we tried to follow it.

8 He had a philosophy of management, which
9 I found very appealing. In those days, we investigated and
10 tried our own cases. There were no trial units. If we won
11 a case, nobody else could have won that case, according to
12 Don Stocking. And if we lost a case, there was nobody in
13 the world who could have won that case.

14 So he was a great guy to work for. And Jerry was
15 exactly the same. And I tried to emulate them to the best
16 of my ability after I became a regional administrator.

17 But after Jerry and I got to Fort Worth, we found
18 there was a target-rich environment, as the fighter pilots
19 like to say, because there hadn't been much in the way of
20 securities regulation in Louisiana, Arkansas, or Oklahoma,
21 ever. And so we found some interesting cases.

22 One of the most interesting was a case by the name
23 of Arkansas Loan & Thrift Corporation, which we quickly
24 changed to Arkansas Loan & Theft Corporation.

25 And that involved one of those attorneys general

1 that we indicted, the attorney general of Arkansas. It also
2 involved the Faubus administration, which
3 some of you may recall, and the fact that Winthrop
4 Rockefeller was in his first term as governor and was
5 running for re-election against the Faubus-anointed
6 candidate at the time we filed this case.

7 And there is no question that this case had a
8 tremendous impact on that election and resulted in
9 Win Rockefeller being re-elected in a landslide.

10 But it involved a typical Ponzi scheme, where the
11 promoter had bribed the attorney general to render an
12 opinion that it was not subject to regulation under state
13 banking law.

14 He was issuing passbook savings accounts, and he
15 had raised several million dollars in and around Fort Smith,
16 Arkansas, of all places. And so it was a similar situation
17 to what has been described here.

18 When we got up there, the whole town was waiting
19 for us, and they weren't happy, because we were about to put
20 a stop to the Ponzi. You know how people who are already
21 investors hate to see that.

22 We walk in the courthouse on a Monday morning, and
23 we walk past the judge's chambers, and there are three of
24 the defendants sitting in the judge's chambers chatting with
25 the judge.

1 So we go down to the clerk's office, and the clerk
2 says, "Oh, by the way, Judge Williams isn't going to hear
3 this case. He used to represent those people. We're
4 bringing in a senior judge to hear the case."

5 Well, the senior judge was 86 years old. His name
6 was John Miller. You may have heard of the Miller Act. He
7 was a congressman and a senator, who was elected to both --
8 from Arkansas, as an independent, not as a Democrat. And he
9 was the greatest judge, present company not excepted, I have
10 ever known.

11 And in any event, at the hearing on the
12 preliminary injunction, the courtroom was packed. And by
13 then, he had read all of the transcripts of testimony, which
14 we had provided, together with the exhibits, and he was
15 convinced that this was a fraud, a Ponzi.

16 So here in front of all these people, he starts
17 off his remarks by saying, "When I was in the Congress in
18 1933, we passed something called the Securities Act. And
19 then the next year we created the Securities and Exchange
20 Commission." And I really relaxed at that point.

21 So he goes ahead, and he issues the preliminary
22 injunction, and he appoints a receiver and everything. And
23 then, just as we were about to end the hearing, someone in
24 the audience stands up and says, "Your Honor, may I be
25 heard?" And the judge says, "Well, I guess so. Who are

1 you?" And he said, "Well, Your Honor, I'm a minister in
2 Jonesborough, Arkansas. And we have our building fund
3 deposited with Arkansas Loan & Thrift Corporation, and I
4 submit to the Court that we should be given preferential
5 treatment when it comes to distributing any assets that can
6 be found." And the judge said, "Well, I'm sorry, sir, but
7 even though you are a minister, we can't give your
8 congregation preferential treatment." And the minister
9 says, "Well, Your Honor, I would agree with you except for
10 one thing. That's God's money." And the judge said, "Well,
11 God should have taken better care of it, then."

12 And that quote appeared on the front page of the
13 Arkansas Gazette.

14 MR. POLLACK: I know that story well because I
15 used to repeat it.

16 MR. BOLTZ: If I could just add something about
17 Don Stocking. He was not only a wonderful administrator,
18 but at the time, because he brought so many of us along in
19 our careers -- and Bob mentioned some of the names.
20 It's been said that Don Stocking was like yeast; that
21 he really, really helped promote and get other people to
22 develop.

23 MR. POLLACK: The only one left now is Lennie and
24 Randy. So Lennie, you go, and Randy can wind up.

25 MR. ROSSEN: Just to pick up on some of what

1 others have said, Jerry, when you mentioned that there was
2 that comment about, "Well, the SEC can't be every place,"
3 that was so true.

4 Because when I look back on what we did.
5 I started at the Division of Enforcement. I worked
6 for Irving Pollack and then for Stanley Sporkin. And we had
7 the tiniest staff you ever could imagine compared with
8 today. And as small as the staff was, it was so very
9 effective because we had the leadership of two great people,
10 our co-moderators of today.

11 We had Irv, who was our ultimate role model, who
12 set the standard for integrity and high expectations. And
13 our people would work so hard that, at times, I used to say,
14 "What am I doing here? I could be making real money if I
15 worked this hard someplace else."

16 And I came for two or three years, and then ended
17 up staying there for ten. For many,
18 many Thanksgivings, I missed Thanksgiving dinner because
19 Sporkin and I and a guy by the name of Bob LaPrague were
20 usually in. The buildings were shut down, and we were
21 pounding out summons, complaints, and moving papers for
22 temporary restraining orders constantly.

23 There was something about Thanksgiving. They just
24 managed to do it. But it captured the essence of what it
25 was like to work for Irv and Stan.

1 Well, as tiny of a staff as I thought I had, Irv
2 then -- and Stanley -- sent me out to San Francisco when
3 that office, which, I think, had been headed by a gentleman
4 who had opened the office back in '35 or so -- Art
5 Pennekamp, and a gentleman. A great guy.

6 But he had been slowing down and the office had,
7 frankly, been just vanishing, other than one or two great
8 hires that they did, one of whom I will mention shortly.

9 I think we had a staff of 21, and
10 that encompassed compliance examiners, attorneys, clerical
11 support, everybody. That was it.

12 And the region that we had was a sweeping one.
13 And the first thing I discovered when I got there was that
14 we hadn't been doing too much in the last few years
15 of that administration.

16 One of the main cases that I remember we got
17 involved in was, I got a call from a guy by the name of Dick
18 Nathan, who was in the general counsel's office, who said,
19 "There's something called Holiday Magic."

20 And Holiday Magic is just like that multilevel
21 distributorship that was mentioned earlier with the Glen
22 Turner -- was it Turner?

23 MR. BOOKEY: Yes.

24 MR. ROSSEN: See, Turner -- that was the easy
25 case. So when Bookey takes credit for it, I want you to

1 understand that was the easier one, because it was a pure
2 multilevel distributorship.

3 How he got jurisdiction on that one, I -- my hat
4 is off and always will be off to him.

5 Our guy, however -- this was something called --
6 William Penn Patrick, who ran Holiday Magic, raised hundreds
7 of millions of dollars nationwide, but they tried to
8 structure it with something different.

9 They actually had a product and the product was
10 some sort of cosmetic, and that was supposed to be the
11 distinction that made it not within the jurisdiction of the
12 SEC.

13 Anyway, I get this call from Nathan, and Nathan
14 says, "They're headquartered out your way, and the FDC says
15 they can't quite get to it. Can you do it?" And I said,
16 "Sure," because that's what we always said when Irv said can
17 you do something.

18 And thank goodness, we had a guy by the name of
19 Bob Friese on the staff, who is sitting here, and Bob did an
20 incredibly effective job of developing several things.

21 We brought an injunctive action.
22 Eventually, it went to criminal, which was brought by the
23 New York office, which is where it had originated,
24 in the New York office.

25 But the most interesting

1 part of it was, we obtained the definite jurisdiction for
2 the Commission that was somewhat at issue, and we prevailed,
3 due to the great, great support of our general counsel's
4 office, but also through the great work that Bob did.

5 But then we had local things happening, too.
6 There was something called Quimby Island Reclamation
7 District. This is -- if you know San Francisco, there's
8 the delta area, which is a beautiful area where people go
9 with house boats and fishing and lots of fun.

10 And these promoters, just classic types, they
11 bought some land. They created a quasi-governmental entity
12 called the Reclamation District. They sold the land they
13 had bought, most of which was underwater, to the district,
14 and then they proceeded to sell bond-anticipation notes.

15 They raised many millions of dollars. It was sold
16 very much nationwide. Some of the best and brightest of the
17 brokerage con men got involved in selling it because it was
18 a natural conduit. It was perfect.

19 It's a governmental entity. Of course, there was
20 no revenue, at all, coming in to ever repay the bonds, but
21 that wasn't necessarily disclosed.

22 And most importantly, they made money on every
23 single phase of it. When they stepped up the value from
24 what they had paid for the land, they made great profit
25 selling it to the district. They then proceeded to sell

1 these local bond units.

2 We even ended up naming someone like the bond
3 counsel, because, as you know, when you sell bonds, you must
4 have a counsel's opinion, and we named him, as well.

5 It's a very interesting example of dealing with
6 the local problems of where you are.

7 Now, I confess. When I was in the division, we
8 dealt with million-dollar promotions all the time.

9 I will echo Mike's comment. I remember walking
10 into the back office of a major brokerage firm in Manhattan
11 and literally walking on carpeting this thick of
12 securities. Securities that had originally been
13 piled in piles and just fell over.

14 I looked behind the radiator, and there was
15 securities -- hundreds of securities, certificates, behind
16 the radiators. They had completely lost track of it all.
17 And that's the kind of thing you dealt with from the
18 division point of view.

19 But when I got out to California,
20 we were the cops on the beat. We were the local
21 presence of the Commission.

22 And one of the things I take a little bit of pride
23 in is, I made it a point of getting together with the NASD,
24 which, fortunately, had a new head man, who had just come in
25 when I came there, and the state of California, Department

1 of Corporations, and we were able to do so much more by that
2 cooperative effort.

3 We would have lunch every month or two, but it
4 paid off so tremendously because -- I think I grew my staff
5 from 21 or 22 up to about 27 or 28, with the understanding
6 that when I really got stuck, I would say, "Stanley, I need
7 a litigator." And Stanley would send out people like Bob
8 LaPrague and others as well.

9 The Commission was a fantastic place. I think I
10 speak for all of us. The most enjoyable part of my
11 professional life was the Commission time. Nothing has ever
12 come close to the rewards that it provided then.

13 But most importantly -- let me also mention, we
14 worked on a case called Las Vegas Hawaiian Land. Something
15 like \$7 million was raised by these promoters in Hawaii, who
16 were selling undivided interests in some Las Vegas desert
17 land.

18 The case was worked for us by Julie Lutz, who is
19 currently on Randy's staff now. And Steve Machtinger.

20 Quimby Island was worked by a guy by the name of
21 Mark Zanetti, who is a fine, fine prosecuting attorney in
22 the northern district of California today.

23 We had great people. We did more work than that
24 number of people ever could have accomplished. And we're
25 very proud of what we did.

1 JUDGE SPORKIN: Randy, let me ask you, why don't
2 you -- if you want to give your own stories, fine, but why
3 don't we try to move the agenda, and could you talk a little
4 bit about the relationship with the Commission, the
5 reorganization that recently went through to be able to --
6 you know, tell us what the regions were.

7 Irv gave you the background at the beginning when
8 the regions were everything. They were micro-SEC. They did
9 '33 Act filings. They did enforcement. And where are we
10 now with the regions?

11 MR. FONS: We're no longer with '33 Act filings.
12 That's for sure.

13 The regional structure changed a lot. And the way
14 that the regions work with the home office, I think, has
15 changed a lot, just in my relatively short history.

16 We no longer have any registrations coming to us.
17 All of those go off to Corp Fin now, so we have lost two
18 things. One, we've lost the ability to keep track of what
19 is going on on a small-issuance basis in our regions because
20 we just don't see those things anymore. And we've also
21 lost, I think, the expertise in our offices out in the
22 regions of people who know how to go through registration
23 statements and financial statements in an offering context.

24 Some of the offices still have -- some of the
25 folks who were originally in that -- we called it the

1 small-issues branch -- who were originally in the
2 small-issues branch are still in the offices. We do in
3 Denver. I know Chicago does. So some of that expertise is
4 around, but it's unpracticed now because we haven't done
5 that in several years.

6 So essentially, where we are now is two real
7 programs. And that is the examination program and the
8 enforcement program. And there are a few offices who also
9 have a bankruptcy program.

10 And those folks will keep track of the public
11 companies that go bankrupt around the country. They also
12 help the enforcement staff, primarily in those enforcement
13 cases where bankruptcy issues arise -- either defendants go
14 into bankruptcy, or, for some other reason, we need to get
15 into bankruptcy court, we have bankruptcy counsel. But
16 those are spread fairly far and few between.

17 We have got one in Atlanta, which deals with the
18 southeast region. We have one in New York. We have one in
19 Chicago, which deals with the Denver region and the central
20 region. And I believe we have one in L.A.

21 JUDGE SPORKIN: Does anybody remember
22 when they took the jurisdiction of the small
23 issues away from the regional
24 offices? That was when?

25 UNIDENTIFIED SPEAKER: 1996 or 1997.

1 MR. FONS: I was going to say maybe even a couple
2 years earlier than that. Somewhere in the mid-'90s.

3 JUDGE SPORKIN: Dan, was the basis of it that they
4 wanted to make sure that all the regions were doing it the
5 same way, or what was the basis? Was it an efficiency
6 purpose?

7 MR. SHEA: I think it was more in
8 terms of a human resources issue.

9 My recollection is, the reason that the
10 small-issue disclosure program was removed from some of the
11 regional offices was because of efficiencies that could be
12 obtained.

13 I don't recall that Corp Fin had any huge
14 additions in staff at the time, rather that the staff was
15 reallocated to enforcement programs and examination programs
16 at the time.

17 JUDGE SPORKIN: But was it done because of
18 uniformity reasons?

19 MR. SHEA: I believe that, in part, it
20 was done because of uniformity reasons, but other reasons;
21 to reallocate resources to other needs.

22 And you remember at that time -- it was under
23 Arthur Levitt's tenure; that Arthur was starting to perceive
24 that there were issues with Internet fraud and also with a
25 growth in cooking the books. And the need to realign

1 resources to enforcement at that time.

2 JUDGE SPORKIN: Randy, there also was a
3 reorganization that involved combining certain regions.

4 MR. FONS: Yes. That happened when I was in
5 Chicago. And Chicago, at the time, did not have a district
6 office. And it's currently the only region that doesn't
7 have more than one office.

8 At that time, there was a reshuffling. We used to
9 have, I believe it was, nine regions. We went down to five
10 regions with more what are now district offices.

11 JUDGE SPORKIN: We used to have a Detroit office,
12 didn't we, at one time?

13 MR. FONS: Well, Chicago did, at one time, have a
14 Detroit office, at one time a Minneapolis office, a
15 St. Louis office, a Cleveland office.

16 I sued the former head of the Cleveland office, by
17 the way.

18 But the reorganization resulted in the
19 Northeast -- Boston, Philadelphia, New York -- all becoming
20 one region under the head of New York.

21 Miami, which was a branch office, became the
22 regional office with Atlanta as its district office.

23 Fort Worth, which was a regional office, became a
24 district office of Denver. And San Francisco became a
25 district office of Los Angeles. And the Seattle office was

1 closed. So it really did change the structure of how the
2 regional operations worked.

3 For many of the district offices which were regional
4 offices, they had one more level now of
5 management or supervision between that office and the home
6 office, for which there was a theory that Arthur
7 Levitt, I believe, had in mind in terms of deploying
8 resources and understanding what's going on and being able
9 to most effectively use those resources. Whether that
10 theory really played out is probably subject to some
11 debate, but there was a big change back in the mid-'90s on
12 that.

13 JUDGE SPORKIN: I think, unless I'm telling tales
14 out of school -- but I think that Chairman Pitt was
15 reconsidering that move. Is that a fair statement?

16 MR. FONS: I don't think it's any
17 great secret that there has been discussion about
18 reconsidering that move, and continues to be discussion
19 about reconsidering that move.

20 JUDGE SPORKIN: What do you folks think about
21 that? You were all administrators. What do you think about
22 combining the Boston reporting to -- Judge Duffy --
23 reporting to New York? Does that make any sense to you?

24 JUDGE DUFFY: Well, one word. No, it does not.

25 MR. SCHIEF: I can tell you that the NASD has

1 taken a like approach now, so that they have NASD offices --
2 one office reporting to another.

3 JUDGE SPORKIN: And I take it that --

4 MR. SCHIEF: Many of them like
5 the system because they think it gives good
6 review outside the home office.

7 JUDGE SPORKIN: Well, what about the allocation of
8 the enforcement workload between the Division of Enforcement
9 and the district regional office? How was it done in the
10 past? How is it done today? Where is that?

11 That always was a bone of contention, particularly
12 when -- as Irv explained, it used to be there was no home
13 office enforcement. It was all done in the regions. That
14 changed in '60s and the '70s, so that there was a
15 competitive force at the home office.

16 MR. POLLACK: Let me explain why that was done.

17 Before the 1960s, you didn't have the national
18 schemes in the proportions that were coming in in the 1960s,
19 so you needed some national investigation force that could
20 do the broad fraud investigations. And so we had a very
21 small staff that we started with to handle those kinds of
22 cases.

23 And that program was started as a result of
24 Chairman Bill Cary's feeling that we were missing the big
25 cases. The regions could do a good job in their own areas,

1 but you needed a force to do the broader investigations that
2 were there.

3 And I mentioned earlier that the regional offices
4 pretty much had to depend on other regions to supplement
5 their cases when they had a lot of witnesses outside of
6 their areas. And so that program was not put in to compete
7 with the regional offices, but really to handle cases that
8 were beyond the areas or scope of the regional offices.

9 It also gave us the opportunity to get U.S.
10 attorneys more interested in those cases than in the past
11 because of the tremendous publicity that they would get in
12 spending the time that was necessary in an SEC case.

13 So with the result of the home office programs, we
14 were able to get much more cooperation from the
15 U.S. attorneys around the country, because, before that, we
16 were principally concentrated in the southern district of
17 New York and occasionally in the eastern district.

18 JUDGE SPORKIN: How does that work now? Does it
19 work --

20 JUDGE DUFFY: Now, hold on. I want you to know
21 that was not done with everyone in concurrence.

22 There were times, in fact, when you two sent up
23 people to the New York regional office -- not to the office,
24 but to the region -- and Leonard Rossen will remember. One
25 time he came up to do some investigation, and the next thing

1 he knew he was in my office answering, "What the hell are
2 you doing here?"

3 MR. POLLACK: And you know why he was doing it?
4 It's my responsibility -- I take responsibility for it.

5 I'm looking at the closing reports from your
6 office, and I find the closing of a case with some form of
7 vacuum-cleaner salesman, who had called in to one of the SEC
8 people to sell him some boiler room stock, and the secretary
9 had recorded the conversation.

10 So I said to Lennie, "Hey, look what we have
11 here. You better go up to New York -- they're trying to
12 close this case -- and do that investigation."

13 And Lennie can tell you what resulted from that
14 investigation.

15 JUDGE DUFFY: Was that Fabricon?

16 MR. ROSSEN: It was Fabricon.

17 It was a major administrative proceeding. We put
18 a number of people out of business. It was a criminal
19 prosecution.

20 Kevin, by no means is this intended
21 a reflection on you, but that was a closing report that
22 never should have existed.

23 MR. DAVENPORT: Changing the subject, a broad
24 answer to the question that was posed is that, in the old
25 days, the region generally found their own cases by review

1 of filings, review of reporting companies' filings. We had
2 the expertise in the office where they could review it with
3 a keen eye and a lot of expertise.

4 The exam program was a tremendous source of cases
5 for the region -- regulated entities, newspaper ads,
6 intelligence, referral from Washington. But at one time,
7 there was a lot of spirited discussion between the regions
8 and Stanley's office on allocation of cases.

9 The Washington attorneys come to work two hours
10 before the ones in Denver. The young attorneys in the
11 Washington office would come in even earlier than they're
12 supposed to, and they would read all the news accounts.
13 And they would open what we would call a MUI, Matter Under
14 Investigation.

15 So our lawyers would come in, you know, at a
16 reasonable hour, and they would say, "Oop, there's a case."
17 So they would write up a MUI, send it in, and say, "Oh,
18 that's a home office MUI."

19 And that was kind of a source of spirited
20 discussions for a long time. And finally Stanley kind of
21 put the reins on these young attorneys that he hired back
22 there, and said, you know, "Let's don't try to invade the
23 regions like that. You know, let them have a chance."

24 MR. BOOKEY: What happened later, though -- this
25 is after Stanley's tenure -- we got into the computer age.

1 And in the computer age, the headquarters office
2 were getting the information from the exchanges and the NASD
3 on the transactions. And particularly when we got into the
4 period of time of the insider-trading cases, the home office
5 would get all that information, and maybe it was a case that
6 could or should have been made in Seattle. Seattle often
7 didn't get that case.

8 And it caused -- there was some tension, later on,
9 because of that. In Stanley's tenure, we worked them out
10 very nicely. Sometimes, later on, they weren't worked out
11 so well.

12 MR. FONS: Well, this is one of those cases where
13 the more things change, the more they stay the same.

14 And I'll tell you -- this actually goes to
15 interoffice relations. I think that right now, and for the
16 past several years, we have had regional office heads and
17 district office heads who have gotten along together
18 extremely well.

19 We have come together on many, many of the major
20 issues to present a united front when we think that the home
21 office is doing something dumb, or we disagree with how
22 something is going.

23 And so we will come together as a united front
24 because eleven of us talking and saying the same thing is
25 much better than just myself or somebody else.

1 But the one area where we consistently disagree
2 is, who has the right to do any particular case. So the
3 more things change, the more they stay the same. It
4 continues to be.

5 JUDGE SPORKIN: It's a problem, obviously.

6 The reason it's in this outline is because it
7 really is a bone of contention. You've got Irv's point that
8 you needed a home office presence. You've got Kevin's
9 point, and Jack's point, that the regions have got to
10 have -- are important because you need a cop on the beat.

11 Is it solvable, the problem?

12 MR. SCHIEF: Stanley, you're not taking into
13 account my point, which I've mentioned at many regional
14 administrators' conferences.

15 I could never understand why we couldn't do these
16 jointly. If you wanted to have your person on it, who finds
17 it in the newspaper first, why can't that person work with
18 somebody in the regional office? I mean, we were all on the
19 same team, I thought. In many cases, your people and our
20 people did work together.

21 JUDGE SPORKIN: Sure. Very close.

22 MR. SCHIEF: Maybe it was because we were so close
23 geographically.

24 JUDGE SPORKIN: You had Art Matthews working with
25 you.

1 MR. SCHIEF: Exactly. So I never understood why
2 we couldn't solve that as reasonable people, to have joint
3 investigations.

4 JUDGE SPORKIN: I don't think -- you know,
5 especially when the Commission is asking for more resources.
6 They keep saying they don't have enough people. There
7 shouldn't be any fighting over cases, should there?

8 MR. FONNS: I guess the question you asked is:
9 How do we solve this problem? And I guess the larger
10 question is: Despite the friction that it may cause on a
11 very short-term basis between two offices, I really don't
12 perceive it as a problem, a problem which affects the
13 mission of the agency.

14 Will I get mad at Mary Keefe because Chicago stole
15 one of my cases? Sure. I'll call her up, and she and I
16 will sort of hammer at each other. And ten minutes later,
17 the issue is solved and everybody moves on. So I don't
18 think it's really affecting the effectiveness of the
19 enforcement program or the agency.

20 It's one of those things, when you get eleven
21 people in the same room at the same time, they're not always
22 to agree, and you move on.

23 This is sort of a funny one. I remember when I
24 was in Chicago, Mary Keefe was having a discussion with
25 somebody on the East Coast and arguing over who should have

1 a case. And they decided the way to resolve it was,
2 somebody picked even and somebody picked odd, and it
3 depended on what the closing price was on the NYSE. And
4 that's the way it was because they both
5 had a way to do it.

6 JUDGE SPORKIN: Irv, I don't think it has come
7 across, but your philosophy was, and mine was, very simple;
8 that any case the region could handle, they would handle.

9 MR. POLLACK: Absolutely.

10 JUDGE SPORKIN: We would take the backseat.

11 MR. POLLACK: We didn't have enough personnel. We
12 had very small staffs. And we were desperate.

13 As somebody I think has already mentioned, we
14 would see a problem. I would go to the NASD and say, "Hey,
15 we have this problem out in Salt Lake City" -- or somewhere
16 else -- "Can you send five, six examiners so our people can
17 work together?"

18 And I didn't get into these conflicts. The calls
19 used to go to Stan, and I would be shocked. We would get a
20 call from Jerry Boltz, for example, to Stanley saying, "Gee,
21 you stole my case." "What the hell are you talking about?"

22

23 I remember the American Stock Exchange, when Ralph
24 Saul took over, came in one day saying, "Hey, you shouldn't
25 investigate this. We can do it." So we say, "Okay. You go

1 investigate it." We go by a year and nothing happens. So
2 we had to take over the investigation and do it.

3 Our philosophy was to service the regional
4 offices, to give them all the service we could. As a matter
5 of fact, we did the same thing with the U.S. attorneys.

6 Our program was to get the cases that were going
7 to give us the best return for the dollars that we were
8 putting into them and accomplish it. But I understood from
9 my talking to the U.S. attorneys, publicity in their cases
10 was a tremendous selling point.

11 And I think that was the underlying thing with you
12 regional administrators. You wanted -- you thought this was
13 going to be the hottest case since ice cream and so you
14 wanted to get that publicity.

15 MR. STEWART: Excuse me, Stanley. I was as
16 aggressive as anybody that's ever run a regional office in
17 fighting -- for want of a better term -- with the division
18 about, "Why are you taking these cases?"

19 But when you stand back and look at it, it is
20 absolutely clear to me that the division in Washington, D.C.
21 needed to be involved in certain kinds of cases, had to run
22 those cases -- for instance, when we started all the insider
23 trading, we wanted to build certain kinds of records so that
24 we could go to the Court of Appeals where we knew we were
25 going to end up. I don't think a regional office was really

1 equipped to do that kind of thing.

2 A little competition

3 over cases was a good thing. And the fact that I might get
4 a little bent out of joint because one of Stanley's people
5 took the case was just insignificant.

6 There were cases that you guys needed to be on top
7 of, working with, to me, one of the great triumvirate,
8 along with you and Stanley, Dave Ferber, because we knew we
9 were going to end up in the Court of Appeals, and we needed
10 to build the law in order to protect investors in this
11 country.

12 MR. SCHIEF: Michael has made my argument. Why
13 not a joint case? Then you would teach these junior people
14 in the regional office.

15 If the expertise is on insider trading, for
16 example, and you want to make sure you have a uniformity --
17 I'm going to stop, given the time.

18 MR. POLLACK: I just want to mention, before we
19 take a break right in a minute or two, that the reason that
20 criminal cases in the early days of the Commission had to go
21 through the home office before they were referred to a
22 U.S. attorney was the very reason that you and Michael have
23 said; the Commission wanted to be sure that the criminal
24 cases were brought in a manner that wouldn't affect the
25 overall regulation of the SEC.

1 That changed. As the regional offices became more
2 expert, as you know, we did away, really, with the criminal
3 review. And you sometimes went directly to a U.S. attorney
4 and presented the case to them.

5 With that, we'll break, and when we come back, I
6 would like to just go back to one thing that you mentioned
7 in a little bit of your announcements. And that is try to
8 remember those people in your offices who did tremendous
9 jobs and who ought to be recognized in this program, as
10 having been very effective in the administration of the
11 program.

12 Thank you. We'll be back in 15 minutes.

13 (Recess taken from 3:46 p.m. until 4:02 p.m.)

14 MR. POLLACK: Jerry, go ahead.

15 MR. BOLTZ: I want to say something about this
16 reorganization that has been discussed. I think there have
17 been a lot of mistakes made.

18 First of all, closing the Seattle office was a big
19 mistake. I think that that part of the country is not
20 getting the degree of attention that it should on SEC
21 enforcement. And I know Jack Bookey and I've discussed
22 this. He endorses that thoroughly.

23 Secondly, I think the Commission has become more
24 bureaucratic. The old system that we've talked about
25 worked. It worked effectively. We had an esprit de corps.

1 We had a sense of unity.

2 And I think we also had interrelationships, so
3 that we knew of new offerings, and we communicated with the
4 Division of Corporation Finance. And we did offerings, and
5 we worked well with the people who were doing the
6 broker-dealer and investment advisor regulatory work.

7 I think it was a big mistake. I know that Levitt
8 didn't like so many people reporting to him but I
9 think we need to revert to the regional offices as they
10 were.

11 You know, a good parallel, or analogy, is the
12 Department of Justice, U.S. Attorney's offices.

13 I mean, fraud isn't all occurring in Washington.
14 It occurs all over the country. And I think it's important
15 that the division of enforcement have a staff.

16 And I know Stan always supported me and sent
17 people to me when I needed them.

18 JUDGE SPORKIN: Even got some of your people
19 married. Do you remember that?

20 MR. BOLTZ: Yes. That's right.

21 In fact, that's one of the reasons I'm married,
22 is because when I joined the staff of the SEC, I wasn't sure
23 I would like it. But once I found out how much I liked it,
24 I got married.

25 But anyhow, I think that there needs to

1 be some concerted effort. You know, if I were Chairman of
2 the Commission, I would have somebody --
3 probably an outsider -- pull together -- pulling together
4 our goals and objectives of the Commission so that we
5 can have a sense of unity; that we can revive this esprit de
6 corps and the kind of spirit and the kind of enthusiasm.

7 I mean, you know, we've got a professional union
8 now. And in those days, we wouldn't even think of it. I
9 worked harder at the SEC than I did in private practice.

10 MR. SCHIEF: Can I ask you a question while you're
11 on this subject?

12 In all of this discussion, I have not heard
13 anything about whether or not the different regional offices
14 put up much of a fight against that reorganization. Was
15 that done? Does anybody know?

16 JUDGE SPORKIN: Randy, was that done; do you know?

17 MR. BOOKEY: I think it was sprung as a surprise.
18 We didn't know.

19 MR. SCHIEF: Are you talking about after the
20 fact?

21 JUDGE SPORKIN: Dan, what was it? Was that before
22 your time?

23 MR. SHEA: When Arthur made the
24 decision to reorganize the regions and the district offices,
25 it was done before my time.

1 JUDGE SPORKIN: I see. So it was done in '53?

2 MR. SHEA '93.

3 JUDGE SPORKIN: I didn't mean '53. I meant '93.

4 I see. All right.

5 MR. BOOKEY: What happened -- I remember it was at
6 a regional administrators' conference. The announcement was
7 made -- as a matter of fact, one person had just been
8 appointed as a new regional administrator and was told, in
9 the same appointment, "Oh, by the way, you're not a regional
10 administrator; you're a district administrator."

11 In other words, the Chairman created a disparate
12 set of offices, superior offices and inferior offices. At
13 least that's certainly the way it was perceived by the
14 staff. And on a morale basis, it was a disaster and
15 resulted in enormous turnover.

16 MR. ROSSEN: On the same point, please let me just
17 ratify what Jerry and Jack have said.

18 When I got to San Francisco, we couldn't get a
19 criminal case tried for anything. There had never been a
20 relationship developed with the U.S. attorneys there.

21 I would bring civil cases in our district, and
22 then get Jack to handle the criminal prosecutions, if we
23 could just hang a jurisdictional hook for doing it, because
24 he had developed magnificent relationships with the
25 U.S. attorneys in Washington. And particularly in Oregon,

1 Sidney Lezak.

2 All I can say is, I know the people in the
3 San Francisco office today, and they do yeoman work at
4 trying to cover the northwestern part of our country, but it
5 is physically impossible for them to do the same quality of
6 work that was done when Jack had an office that was in
7 Seattle, Washington, or in some such location. And there
8 will never be a substitute for that.

9 JUDGE SPORKIN: Before we get into -- Irv wants to
10 get into the oldtimers and the great people we had.

11 The thing that impresses me most when you look at
12 these people here is the tremendous honesty and integrity
13 that -- we never had a scandal in any of the regions -- I
14 mean, with any of the administrators. It's a meritocracy
15 beyond belief.

16 And when, as Lennie just mentioned, you couldn't
17 get the U.S. attorney's offices sometimes to take cases --
18 and I'm not now going to be criticizing any
19 current U.S. attorney, but remember, at least in our day,
20 they were political animals.

21 And Irv and I remember one case
22 when we would keep sending the case for prosecution
23 out here in Denver. We gave them one case, which was a
24 dynamite case. We gave them a second case. Decline,
25 decline.

1 Finally, we got -- I think it was Kevin or
2 somebody in the New York office to take it over to the
3 U.S. attorney there who was -- it might have been Otto, but
4 it was a career -- not a career, but an honorable person.

5 And in the worst case, they prosecuted the guy and
6 convicted him.

7 One of the most
9 amazing things that I have seen is the absolute, 100
10 percent integrity of these people. Largely,
11 I guess they were picked that way.

12 And let me ask you this question: I notice among
13 many of you -- and Randy, you're one of them. You were the
14 regional administrator, down in Miami, and you were
15 brought up here? Dan Shea, where were you
16 before?

17 MR. SHEA: Washington, D.C.

18 JUDGE SPORKIN: Washington, D.C. You were brought
19 in here.

20 Is that the answer? In other words, the
21 training, the business; that we are a career operation,
22 where you could be mixing and matching -- sending anybody to
23 any other region, is that why it's worked so well?

24 MR. SCHIEF: Stanley, I would suggest it's more
25 than that. I think, quite frankly, all these people -- and

1 certainly Elaine Cacheris, as well -- were committed to
2 the role of the SEC.

3 We were committed to having investor protection.
4 We were committed to doing whatever needed to be done to
5 make sure that the ability of companies to raise capital in
6 the capital markets was -- was firm and without problems.
7 So that's my personal view.

8 And I've seen it more once I went over to the
9 NASD; that that has been a huge, huge issue, to make sure
10 that the NASD membership knew that their role had to be in
11 helping to protect investor confidence.

12 And as I read the paper, and you see the
13 scandals -- the New York Times, on April 29, talked about
14 the Wall Street firms that settled for billions of dollars.
15 I mean, it just shows you that we lost something in the
16 process. Somewhere, somebody was not watching the store.
17 And you know, I'm not accusing anybody of that, but I think
18 the whole regulatory process was down.

19 And I've got to give a lot of credit to Eliot
20 Spitzer who, out of New York, got a hold of this thing and
21 was able to come through and see what the analysts were
22 doing with this huge conflict of interest.

23 JUDGE SPORKIN: How do you account, though --
24 maybe Irv knows the answer to this -- for the fact, no
25 scandal? Does anybody think of any

1 scandal among a regional administrator?

2 Everybody here was of the highest integrity.
3 Every time we had a discussion, it was always on the
4 merits. It was never on, "Hey, who are you trying to
5 protect?" I never heard that in any conversation.

6 MR. DAVENPORT: Stanley, I think one of things
7 that has been touched on by Jerry and Lennie and Bob Watson
8 and several others is, integrity starts from the top. It
9 comes down --

10 JUDGE SPORKIN: Well, I don't want to go that
11 far. I mean, we've had chairmen who have had --

12 MR. DAVENPORT: I'm not talking about the
13 chairman.

14 JUDGE SPORKIN: You mean the real top? Little bit
15 of both.

16 MR. DAVENPORT: Stanley, it's my turn to talk.

17 JUDGE SPORKIN: I'm sorry.

18 MR. DAVENPORT: It starts from the top. I'm
19 talking about regional offices. I'm not privy to what goes
20 on in Washington.

21 JUDGE SPORKIN: I see.

22 MR. DAVENPORT: But it starts from the top.

23 The regional administrator, regional director
24 takes his cue from the people that he works with.

25 We were fortunate -- all of us at this table -- to

1 work with some real giants; the Irv Pollacks and all the
2 other ones. Don Stocking, who instilled certain basic
3 ethics in us, like Bob mentioned.

4 We had Manny Cohen. We had Phil Loomis. We had
5 Ray Garrett. We had giants. We had Al Sommer. We had all
6 of these people. There was a camaraderie then that I hope
7 hasn't escaped completely from the Commission.

8 Irv Pollack used to take young attorneys out of
9 the regional offices for six months back in Washington.
10 They would sit at the lap of the expert. They were taught
11 more in six months than they would learn in law school in
12 four years.

13 Don Stocking did a lot of that same type of work.
14 Stanley Sporkin, I can remember -- I won't use names -- but
15 when a region administrator had some serious problems,
16 Stanley would fly out to try and talk with and help that
17 regional administrator. He did a wonderful job. He became
18 one of the best regional administrators we ever had.

19 There was a commonality there. The Chairman would
20 come to Denver. He would come to the other regions. The
21 Commissioners would come to the regions. They would have
22 cocktails at the house of the regional administrator. They
23 would have dinner with the staff. They would come in and
24 they would sit down and they would talk to the staff in the
25 conference room.

1 The Commissioners would even go in and sit and
2 talk with an examiner. And you think that's not a lift for
3 an examiner in Denver, to talk with the Commissioner or the
4 Chairman. That happened. It happened in all of our
5 offices, because Don Stocking, again, orchestrated that type
6 of an atmosphere.

7 When we went back to Washington, we felt very free
8 to walk into the Chairman's office, a Commissioner's office,
9 a division director's office, and talk to them because there
10 was -- everybody supported everybody.

11 When Jerry and Bob went down to Fort Worth, they
12 stirred up so many enforcement cases that every region was
13 sending them help. And Washington. But you know -- Jack
14 Bookey went down and helped try cases.

15 JUDGE SPORKIN: Let me ask you this.
16 If we wanted to give a message, based upon the
17 collective experience, what would be the best way that we
18 could suggest to the Commission for training their RAs?
19 What do you think?

20 MR. BOLTZ: Well, if I can speak to that, I think
21 that having SEC experience and having administrative
22 experience and leadership experience is very important.

23 And I'm not being critical of any particular
24 person here, but you know, recently, the SEC has appointed
25 assistant U.S. attorneys as regional directors. And that

1 isn't to say he isn't a good prosecutor, but he doesn't know
2 the Commission. He doesn't know the staff. He doesn't --
3 and he hasn't had administrative experience. And I think
4 that's a mistake.

5 JUDGE SPORKIN: Well, it can or cannot be.
6 He needs to be blended.

7 All right. Irv, you wanted to get into the area
8 of the --

9 MR. POLLACK: Very quickly, why don't you
10 mention -- and let's start -- Randy, I don't know
11 whether you can do that at this point or not; just mention
12 people who deserve special recognition because of the
13 tremendous job they've done. And then move quickly down the
14 line.

15 MR. FONS: I'll just mention one. He was my first
16 boss when I started 15 years ago in Chicago. A man by the
17 name of Bill Goldsberry.

18 MR. POLLACK: Oh, wow. He's not here today.

19 MR. FONS: He's not here today. He was a
20 fabulous, fabulous regional administrator.

21 I just want to give one very quick story that sort
22 of shows how he personified what Bill was saying about
23 the sole interest being the protection of the
24 public.

25 We had some cases, ongoing civil litigation cases,

1 against some folks that were the prodigy of Bobby Brennan.
2 A couple of firms out in New York.

3 And they were going along, and they were being
4 delayed, et cetera, et cetera, and he came to me one day and
5 he said, "They're doing it again. They're running another
6 manipulation." I said, "Okay. We'll start another
7 investigation." He said, "No, no. I want them shut down,
8 and I want them shut down now. They're playing -- they're
9 pulling our strings, they're playing games, they're ripping
10 off people. I want them shut down now. And I don't care
11 what it takes." And so that's what we ended up doing. We
12 ran out and got it done as quick as we could, and we put
13 them out of business.

14 But he really personified, I think, public
15 investor protection and spent years and years and years
16 doing that.

17 JUDGE SPORKIN: Great choice. Great choice.

18 Jerry, you left with Tim and Eddie.

19 MR. BOLTZ: Tim and Eddie were great. They taught
20 me a lot.

21 JUDGE SPORKIN: You had Pennekamp. You had a
22 whole bunch of people.

23 MR. BOLTZ: Ralph Saul was good.

24 After I was in Denver for three or four months for
25 the first time, things weren't going too well under Milt

1 Blake, and Saul called me and asked me how things were going.
2 And I told him frankly. The next thing you know we had Don
3 Stocking.

4 But there were many other people, in addition to
5 the ones that are mentioned. Wolensky, Stewart -- Mahlon
6 Frankhauser was another fellow I worked with a lot, and I
7 greatly respected him. Charlie Hartman. Jim Mercer. And
8 not to leave out anybody here, Don Malawsky, Bob Friese. And
9 Lennie. And Bob Watson. They were all great people. But
10 we had great leadership.

11 MR. POLLACK: Bob Davenport, do you want to
12 mention somebody?

13 MR. DAVENPORT: Well, you know, the name keeps
14 surfacing. Don Stocking, to me, is a legend. I mean, he
15 was a people person. He had great intuition. He could tell
16 where people were coming from very well. And he had an
17 excellent reputation with Washington. And he was just a
18 great man for all of us.

21 JUDGE SPORKIN: How about Joe Krys?

22 MR. DAVENPORT: Joe had a lot of talent.
23 Joe had a very keen legal mind. He was a good teacher.
24 Joe and I worked together for many, many years.

25 But ones that were in the offices --

1 Jerry Boltz and Bob Watson. Dan Shea was a great one. Don
2 Hoerl and Jack Kelly did good jobs. A lot of other people in
3 the office that -- I was fortunate to have, over the years,
4 a wonderful staff. Great managers, good trial men.

5 Bob Fusfeld was an outstanding trial person, who
6 tried the Stuart James case almost by himself, with two new
7 attorneys. He had six law firms on the other side. They
8 closed the firm. Everything.

9 All of the people in our office
10 in Denver were great people, and the ones in general
11 counsel's office that worked with them. Michael was back
12 there. Great cooperation.

13 So I mean, you know, we were just fortunate. We
14 came through at a good time. I'm glad I was on the train
15 during the '58-'96 period because it was very exciting. And
16 good people.

17 MR. POLLACK: Quickly, Lennie.

18 MR. ROSSEN: One of the most important things I
19 think you take on when you become a regional administrator
20 is something I discovered when I was a branch chief in the
21 Division of Enforcement.

22 You hire these kids who are fresh out of school.
23 They're usually bright, because that was what we looked
24 for. And you looked for energy.

25 But one of the things that I always was most

1 concerned about was hiring people who understood that when
2 you're with the government, your inquiry, your call, your
3 effort has a monstrous impact upon the recipient of your
4 call, or your letter, or the guy you have contact with.
5 And making them responsible members of the staff was the
6 hardest mission of any that you had as a regional
7 administrator.

8 I saw it, as I say, as a branch chief in
9 Washington. I was very pleased, very fortunate, to have in
10 San Francisco people like Bob, who we mentioned too many
11 times today. Bob Friese. Steve Machtinger. Bobby Lawyer,
12 Julie Lutz. People who really did work hard.

13 And most importantly, one of the best things I
14 ever did was hire Michael Wolensky and Wayne Secor. And
15 both of them -- they were very symbiotic with each other,
16 too. One ran regulation. One ran enforcement. And we had
17 one of the best times of all.

18 JUDGE SPORKIN: You haven't mentioned two guys
19 that I remember. What can you tell us about -- was it
20 Julius Eberstine and Rudy Rheinschild? Weren't they two of
21 the finest investigators that we've had?

22 MR. BOLTZ: Yes, they were fine men. And Rudy ran
23 the L.A. office, but it was still a branch office until I
24 arrived.

25 JUDGE SPORKIN: But they personified decency and

1 integrity.

2 MR. BOLTZ: Yes. They had integrity.

3 JUDGE SPORKIN: And smart.

4 Same with Julius, right?

5 MR. BOLTZ: Yes. You've got a long memory, Stan.

6 JUDGE SPORKIN: Well, you got to have something
7 when you get my age.

8 MR. BOOKEY: I had two very good mentors in the
9 Seattle office. Jim Newton and John Fegan.

10 And Jim Newton, who was a long-time regional
11 administrator, died about four months ago at the age of
12 100. John Fegan is still vigorous at 95, I'm pleased to
13 report.

14 It's hard to single out other people in the office
15 that I worked with because there was a fine staff. We had a
16 lot of stability in our office.

17 Unfortunately, when the office closed, I
18 figured -- out of the 30 professionals, they averaged
19 15 years' experience, so 450 years of SEC experience went
20 down the tubes when the office was closed.

21 The most unique individual I think ever worked
22 with was Frank Kennamer, who wasn't even in my office. He
23 was from the San Francisco office. He was the general
24 counsel for the West Coast. Quite a personality.

25 I had the privilege of working with Frank on the

1 Texas Gulf Sulphur case. He brought me in to take
2 depositions on the West Coast.

3 But he had a strange schedule. I got down to his
4 office in San Francisco. I got there, I was eager. I was
5 there about 8:30 in the morning. Frank showed up about
6 10:30. He read the mail for a while and walked around for a
7 while. He kibbutzed with them. And then we went out for
8 lunch, and we came back, and he walked around for awhile.

9 We started working about 3 o'clock in the
10 afternoon and worked steadily until midnight. We repeated
11 that routine for three days, and then went on.

12 JUDGE SPORKIN: He was a great writer, wasn't he?

13 MR. BOOKEY: He was a great writer. He was a
14 wonderful trial lawyer. He had a very, very compelling
15 presence and riveting voice.

16 I remember being in court with him one time. The
17 witness gets up on the stand, and Frank says, "What's your
18 name?" And every eye in the courtroom was on him. He
19 was unique. He was quite a character.

20 The other thing that hasn't quite been
21 mentioned -- the real privilege I had, we had -- all of us,
22 we had what was called "The Dream Commission."

23 And The Dream Commission was when Ray Garrett was
24 the chairman, and Irv was on the Commission, and Phil
25 Loomis, and Al Sommer and John Evans, and they were the

1 best. The absolute best. Stanley was the director. And
2 they were smart. They were aggressive. They were
3 energetic. It was leadership, and we loved it.

4 And looking back, that was the prime time, folks.
5 That was prime time.

6 JUDGE SPORKIN: Go ahead, Robert. Who were the
7 legends in your day?

8 MR. WATSON: Well, most of the people at this
9 table.

10 JUDGE SPORKIN: Oh, God.

11 MR. WATSON: And certainly Ray Garrett, I think,
12 was a fantastic chairman, but I go back to Bill Cary, who
13 was an incredible guy. Manny Cohen. Bill Casey. And Ray
14 Garrett. With that kind of leadership, we were really,
15 really fortunate.

16 But I guess the people that stand out most in my
17 mind from the regional office are -- one guy who was in the
18 Denver regional office, but came down to Fort Worth to help
19 me try the NBL Sharpstown case, John High, who is no longer
20 with us. But John was a walking encyclopedia of the law.

21 The trial went on for several
22 weeks. And during the trial, you would tell John how long
23 you wanted the next witness to last, and that's how long the
24 next witness would last. And he was just unbelievable.

25 And then the other guy in the Fort Worth office

1 who was a tremendous lawyer was James Simms, you may
2 remember, who not only worked the Sharpstown case, but also
3 spearheaded the Coastal States Gas Corporation case and the
4 AT&T case, which was an unusual situation.

5 The Fort Worth office of the SEC, because of
6 Stanley's insistence, was running an investigation of
7 American Telephone & Telegraph Company prior to the breakup.

8 JUDGE SPORKIN: What was I doing? I don't recall
9 that one.

10 MR. WATSON: You don't remember that one, huh?

11 JUDGE SPORKIN: No. What was that one all about?

12 MR. WATSON: Well, the vice president for Texas
13 committed suicide --

14 JUDGE SPORKIN: Oh, Jesus. That --

15 MR. WATSON: -- and left a 28-page handwritten
16 note, claiming that all of the Bell subsidiaries were
17 violating federal campaign laws by forcing people to
18 contribute to these funds, and then distributing them
19 subrosa to politicians all over the country.

20 So the investigation spread to Oregon, to
21 North Carolina, and I'm sitting down there in Fort Worth
22 saying, "What the hell am I doing with this?"

23 JUDGE SPORKIN: Well, we didn't -- pulled no
24 punches.

25 All right, Bill, you had a lot of guys. You had

1 Alex Brown, who was a super guy.

2 MR. SCHIEF: Let me just tick them off real
3 quickly. Alex Brown, for sure. He was my boss, Michael's
4 boss, from the very beginning. He was the regional
5 administrator who prided himself -- coming from the Chicago
6 regional office, he had been the principal lawyer in the SEC
7 case against Ralston Purina. And he always
8 wanted to talk about that case.

9 Herb Milstein, who went on to private practice in
10 D.C.; fine lawyer, brilliant mind. Mainly does '40 Act
11 work.

12 Mike Stewart. Dave Butowsky, also now in private
13 practice in New York, mainly in the '40 Act. And there are
14 tons of other people.

15 I mean, you can go on and on and on, but I think
16 in order to save time -- but let me just mention one other
17 thing, if I could.

18 I thought we skipped
19 over: Can present district office effectiveness be
20 improved? My answer would be yes, in one sense.

21 I would like to see more joint training with the
22 NASD. Having spent, now, two years with the NASD before I
23 left, I could see that they had some strengths and
24 weaknesses. And their strengths, obviously, are in
25 broker-dealer examinations. They really are strong there.

1 They know supervision. They know markups. They know a lot
2 of things that I found, when I was with the SEC, there was a
3 lack of knowledge, really.

4 I mean, the SEC staff was strong on the '33 Act
5 stuff. This is my experience, you know. You may disagree.
6 But I would like to see more joint training in this area, so
7 that we could get the benefits of both.

8 JUDGE SPORKIN: Mike,
9 Boston office. We had some good people up there.

10 MR. STEWART: Well, I remember Ed Delaney and
11 Arthur Carr. Ed and Arthur brought a lot of cases. Never
12 got much recognition, but . . .

13 JUDGE SPORKIN: You had who else? Who?

14 UNIDENTIFIED SPEAKER: Willis.

15 MR. STEWART: Willis. Riccio, of course, who
16 became the regional administrator.

17 JUDGE SPORKIN: And how about the fellow that
18 went on to head of Boston Exchange?

19 MR. STEWART: Dowd. Jim Dowd.

20 JUDGE SPORKIN: Yeah. He was terrific.

21 MR. STEWART: Unfortunately, Jim is gone.

22 In the Fort Worth office, I would have to go back
23 and talk about Mary Lou Felsman and Bob Pike, who stayed
24 there through some very tough times in the Fort Worth
25 office. I can tell you, they were very tough.

1 Bill has mentioned Alex Brown, but Alex was the
2 guy -- talk about integrity in criminal cases. The Crummer
3 case. And Alex was convinced the U.S. Attorney was fixed,
4 and he turned out to be right. And Alex hid the evidence
5 and wouldn't give it to him.

6 In any event, there were so many great people.
7 Wayne Secor. Mike Wolensky, maybe the best lawyer I've
8 ever known.

9 It's just been the highlight of my life working
10 for the Commission, and I would just like to make one
11 observation about -- and I don't know how you identify them,
12 but I think the great people who come out of the Commission
13 come out because they believe that a fair
14 and honest capital market system is essential to this
15 democracy. If we don't have that, we haven't got anything,
16 folks.

17 JUDGE SPORKIN: Well, Kevin, you had really
18 tremendous people up there.

19 JUDGE DUFFY: Well, I'll tell you. I'm one of
20 those guys who arrived at the Commission not from working my
21 way up in the Commission, but from the outside; however,
22 that doesn't mean I didn't know anything about the
23 Commission.

24 Bill Casey -- once I asked him if he knew how to
25 speak French. He said, "No, Kevin, I don't. The only way

1 to really learn a foreign language is to live with some
2 woman who speaks that language."

3 Well, my wife worked at the SEC for years -- she
4 was a branch chief in the New York office -- and that's how
5 I learned all about the securities laws.

6 But when I arrived, I had --

7 JUDGE SPORKIN: Imagine that pillow talk there.

8 JUDGE DUFFY: The amazing thing was, we had four
9 kids, too.

10 Anyway, when I arrived at the
11 Commission, I had some really wonderful people to work
12 with. Arthur Goldman was one. Bill Moran was another.

13 Bill Moran was one of the few people I know who
14 started to work in 1935, or thereabouts, with the
15 Commission, and he really had a handle on the history of the
16 Commission and the history of everything else about it.

17 It was Marvin Jacobs who taught me a lot about
18 bankruptcy and all the rest of that. And regulation.
19 People like --

20 JUDGE SPORKIN: He taught you about the Talmud,
21 too, didn't he?

22 JUDGE DUFFY: He was an ordained rabbi. We would
23 have discussions in Yiddish from time to time. We would
24 have discussion -- well, of course, I'm the only guy here
25 who has ever accused Stanley of being anti-Semitic.

1 You want that told, Stanley? Not for history?

2 JUDGE SPORKIN: Go ahead. You can tell it because
3 I can't remember it.

4 JUDGE DUFFY: All right.

5 JUDGE SPORKIN: I'll stop you when it gets
6 embarrassing.

7 JUDGE DUFFY: No, you won't.

8 We had a case out of the New York regional office
9 called Israeli Publishing Company. It involved a really bad
10 fellow in Israel and a fellow in New York who was not that
11 bad. The New York regional office staff said the guy should
12 be prosecuted and named and so on and so forth.

13 I got it, and, as regional administrator, I felt
14 that I had to sign it, because, technically, he was right.
15 But I felt sorry for the guy in New York.

16 So I wrote a two-page dissent, as a person, and I
17 sent that down -- as part of the package, down to Stanley.
18 He immediately called me and said, "You can't do this." I
19 said, "Why not?"

20 Anyway, I said, "Stanley, what you don't
21 understand is this guy is just trying to be a big Macher in
22 the synagogue." Fine.

23 It goes to the Commission after review by people
24 like Leonard Rossen and all the rest of it -- Stanley, Irv.
25 It goes to the Commission. It gets there.

1 Hamer Budge is the chairman, and Hamer looks at
2 Stanley, who is up there presenting it, and says, "Stanley,
3 why don't you admit it? This fellow is just trying to be a
4 big maker in the synagogue."

5 JUDGE SPORKIN: A great story.

6 JUDGE DUFFY: I told Hamer how to pronounce it
7 four times, and it still came out . . .

8 JUDGE SPORKIN: You won that one, didn't you?

9 JUDGE DUFFY: Yes, I did.

10 There was some -- there was some great people.
11 Mike Greenberg, who was head of small issues. Billy
12 Nortman. Eddie Nordlinger was --

13 JUDGE SPORKIN: Dennis Block.

14 JUDGE DUFFY: Dennis Block was there. Yes,
15 indeed. Eddie Nordlinger is the only one left out there.

16 We had a wonderful time. A lot of young people
17 who were willing to work overtime for nothing.

18 JUDGE SPORKIN: You had somebody else there. I
19 forget his name, who was -- was it in the mutual fund area?
20 What the heck. Not Goldman. Oh, a wonderful -- a very able
21 guy. A career --

22 MR. POLLACK: Okay. You'll have to try and think
23 of the name later so we can move on.

24 JUDGE DUFFY: There was this business about
25 reorganizations.

1 While I was there, there was one reorganization.
2 They put in an executive director of the regions, a fellow
3 by the name of A. Jonas Yorke.

7 A. Jonas Yorke was an interesting
8 soul. The first time I met him, I walked into his office
9 unannounced, and I said, "What does the 'A' stand for in
10 A. Jonas Yorke?" He looked at me and said, "Who the hell are
11 you?" And I said, "Doesn't matter. Just answer the
12 question. What does the 'A' stand for?" He said, "It's
13 Aaron. Why do you ask?" I said, "I just wanted to know
14 what else you were hiding." He said, "Now, I want to know,
15 who the hell are you?" I told him. He said, "Oh, they
16 warned me about you."

17 JUDGE SPORKIN: Before your time,
18 there was Paul Windells.

19 JUDGE DUFFY: Yes. Paul was the regional
20 administrator long before me. There was a lot of good guys.

21 JUDGE SPORKIN: I would just say, you had
22 Hammerman. Steve Hammerman. Otto was your appointment,
23 wasn't he? Otto Obermeier.

24 JUDGE DUFFY: No, he was --

25 JUDGE SPORKIN: Steve's appointment?

1 JUDGE DUFFY: No. He was there while I was
2 there.

4 Joe Daly was there, but Joe Daly was
5 there much before -- Joe Daly was there while the real Judge
6 Duffy was still branch chief.

7 JUDGE SPORKIN: These people -- this is a great
8 legacy.

9 Let me ask you something here. What made the
10 great lawyers that these people were talking about was not
11 only the fact that they were honest, had integrity, and
12 believed in the program, but they also had judgment.

13 And some of the comments I hear now is that that
14 last element might be a little bit lacking. And I don't
15 want to be critical, but Randy, is that a fair statement
16 now? Do you find anything that --

17 MR. ROSSEN: Stanley, when I invited Randy to
18 attend and participate in this program, I assured him that
19 we -- and I spoke for all of us -- would not put him into
20 any difficulty of any kind. I feel a commitment that we
21 stay with that.

22 MR. FONS: Thank you, Len. I intend to be
23 gainfully employed come Monday. With the SEC.

24 MR. ROSSEN: One of the things that has come
25 through -- and again, I don't appear before the agency --

1 JUDGE SPORKIN: First time somebody has overruled
2 the judge here.

3 MR. ROSSEN: I don't appear before the agency in
4 the same way I used to when I was a part of the agency, but
5 I have enough almost daily contact with folks who do, to say
6 that I have the distinct impression that too often there is
7 a single-minded focus on "making the case." And that's a
8 great goal, and we encouraged that as hard as we could, but
9 there are times when making a case has to be tempered by the
10 human aspect of what we're doing; the impact -- the real
11 impact that we can have -- and that's part of the training
12 the young kids, to not abuse this power.

13 The real impact that we can have on people, and
14 I -- I fear that -- I'm hearing this so many ways from so
15 many parts of the country; that too often there is this
16 focus on "making the case," which I'm sure is statistic
17 driven, and I understand that. And we all know how to be
18 mindful of statistics, but too often, there is not adequate
19 consideration given to, "What is the real goal of what
20 we are trying to do with the industry? How are we trying to
21 impact the industry?"

22 And I don't know how you train that. I think you
23 train it with the right kind of supervision. This may touch
24 on where someone said, we get AUSAs in to run regions. That
25 my be part of it.

1 If you've come through the agency, which is, of
2 course, what I'm geared toward, I think you can better
3 accomplish the mission -- and it really is a mission. And I
4 don't think you get it if you just come in from outside, and
5 you say, "Okay. Now I'm going to run this office."

6 JUDGE SPORKIN: Let me ask you this. We've got to
7 cover the cooperation, which has been touched on, with the
8 self-regulatory bodies, with states, and with the U.S.
9 Attorney's office. Anybody want to comment on that?

10 I gather, Jack, you had very good cooperation up
11 in Seattle; is that right?

12 MR. BOOKEY: We had great cooperation with the
13 states.

14 The first -- the concept of the regional office
15 conference, the state/federal conference, I think was
16 conceived by my predecessor, Jim Newton, along with Hugh
17 Owen, when Hugh Owen was still the Oklahoma state securities
18 administrator.

19 And they put together the first conference in the
20 Pacific Northwest. Brought in all the state people,
21 U.S. Attorney's office, IRS -- all the federal agencies,
22 brought Commission people in. And then -- then I think
23 Stocking brought that conference out to Denver when he
24 came. We used -- I used to kid with Davenport, "Our
25 conference is a year older than your conference."

1 MR. DAVENPORT: Depends on how you figure it.

2 MR. BOOKEY: We did it the right way.

3 MR. ROSSEN: Oh, no, no, no.

4 JUDGE SPORKIN: But right now, I guess there is
5 more cooperation than ever existed. If you look at the
6 Global settlement, it was a magnificent aspect of
7 cooperation with everybody.

8 MR. FONS: Well, I can do a little bit on current
9 cooperation. I think that that is true. I think there is a
10 huge amount of cooperation that is going on now between the
11 NASD and the states and the federal and criminal
12 authorities.

13 Cooperation, particularly with folks like the
14 U.S. Attorney's office, has always been peaks and valleys,
15 I think. At least, since I've been here, there has been
16 peaks and valleys. And I think right now we're at peak.

17 I think that the administration in Washington has
18 told the U.S. Attorney's office, "We want you bringing these
19 cases." I think the NASD is very interested in doing a lot
20 of things with the SEC. I think the states are also looking
21 around and trying to figure out how they can get their
22 agencies into helping out in the securities markets.

23 And so I really do think that, right now, we are
24 at, from my relatively short-term perspective, in the best
25 place we have been in many, many years in terms of

1 cooperation.

2 MR. BOOKEY: I'm really glad to see that, because
3 in our office, we have developed an expertise of working
4 with the U.S. Attorney's office, and we would provide
5 attorneys to them who were specially appointed. In
6 particular, they liked the forensic accounting that we
7 provided. But we got criticized in our office because we
8 were spending too much time on criminal cases and not
9 developing enough statistics on -- on the injunctive cases.

10 So I'm really glad to see that's been taken care of.

11 JUDGE SPORKIN: Kevin.

12 JUDGE DUFFY: There was a time when I first came
13 to the Commission that the U.S. Attorney's office would
14 treat some of the people from the SEC as if they were
15 messenger boys and so on and so forth.

16 One of the things I had done when I was at the
17 Commission -- or at the U.S. Attorney's office years before,
18 was to be involved in the drafting of the Guterma
19 indictment. So I knew something
20 about the area.

21 Mike Seymour was the U.S. Attorney when I arrived,
22 and I went to Mike and complained.

23 But there were other districts in the region that
24 didn't know us, and what I did. I think
25 it's something that still can be done, where there's an

1 injunction, and you find the guy going back into business,
2 doing it all over again, is to bring a criminal contempt
3 proceeding.

4 And you go, as a matter of courtesy, to the U.S.
5 Attorney's office in the distant region -- whatever it is --
6 the people who won't know, and say, "Look, I have a criminal
7 contempt. I don't know whether it belongs with you or with
8 us. We have the expertise. We got the indictment -- or we
9 got the injunction. Let us try it." And they all responded
10 with, "We don't know anything about it. You go ahead and do
11 it."

12 And I sent John Peloso to do a couple of them,
13 and John did a bang-up job. The judges told the
14 U.S. Attorney. And the next thing I knew, we had wonderful
15 relations with the districts, other than the southern
16 district of New York.

17 JUDGE SPORKIN: What about these task forces now?
18 Is there -- Bob Friese has been -- you were ahead of
19 everybody else in warning everybody that this is a potential
20 problem area. Have you backed down on that, or are you
21 still committed to that as an idea that needs to be
22 addressed?

23 JUDGE DUFFY: Bob, come on up and take this.

24 MR. FRIESE: On March 19, I issued the fourth
25 semiannual report, an eight-page report, on the increasing

1 criminalization of securities matters.

2 And it started a little over two years ago,
3 actually, when Bob Mueller, the now head of the FBI, the then
4 U.S. Attorney for the northern district of California,
5 created a seven-person unit -- a bang-up unit, I might
6 add -- with fellows like Patrick Robbins, as its current
7 head, and Leslie Caldwell, who is now heading the Enron
8 investigation, also very active in that unit.

9 And for the first time in the 30-plus years I've
10 been observing the process in the northern district of
11 California, you could get cases taken.

12 I sat for a while on the Organized Crime Strike
13 Force, and all we did was listen to stories about guys
14 bringing dope down on donkeys from the Golden Triangle, and
15 drug busts and stuff, which is interesting, but it's not
16 securities stuff.

17 Now -- and I mentioned to Len during the break,
18 Joe Grundfest asked to be on a panel at the Stanford
19 Directors College two years ago when Bob Mueller was still
20 U.S. Attorney, as, in Joe's words, the agent
21 provocatuer to the point/counterpoint, and Bob said,
22 quote -- not paraphrased -- "We're not waiting for the SEC
23 in these cases." And we're seeing that now.

24 And the concern I've got -- and in fact, we were
25 pushing for a greater consistency. That was the original

1 thrust of what Stanley is referring to, is in the criminal
2 process.

3 Now, the bulk of what we do -- some plaintiffs'
4 work, too -- is, essentially, mostly defense work. But in
5 that context, when you're now -- and all these cases are
6 going joint, so you have parallel proceedings. And apart
7 from the cost issues in defending someone, which can be
8 difficult, one of the toughest threshold questions is
9 whether or not there is going to be criminal interest.

10 And you cannot cooperate, as the Commission wants,
11 if you think there is -- realistically think there is
12 criminal interest in the case.

13 And we were told in our region -- and I know
14 elsewhere is the case -- you have to assume -- and I would
15 guess -- Randall, I guess you would agree -- that there may
16 well be criminal interest in any case that is potentially a
17 fraud case, certainly, that the Commission looks at.

18 And I have made it a bit of a cause, as Stanley
19 knows, to -- about 250 people around the country have
20 received these periodic reports which are, as much as
21 anything else, requests for feedback. I get a lot of
22 feedback from a lot of people.

23 And I can tell you, without any doubt that,
24 whereas there is now greater consistency since Deputy
25 Attorney General Jerry Thompson has written the 94-odd

1 U.S. Attorney's offices, saying, "Bring these cases."

2 What is also happening, sentencing guidelines,
3 which is driven by politics -- it is not driven by the
4 judges. The Orin Feeney amendment, which now takes away
5 discretion of judges, which drives every judge I know crazy.

6 You are seeing instances where, despite the good
7 thing of consistent enforcement now nationwide, you can look
8 at the litigation releases, and enforcement is going well
9 across the country.

10 You're also finding that -- in a number of
11 instances, I've had people tell me, "Well, we got to plead
12 to something, because we can't afford to put on a defense,
13 or the sentencing guidelines are such that we cannot afford
14 to role the dice," even though we think the first guy who
15 pled just raced in, knowing that he would get the good deal
16 and then rollout.

17 JUDGE SPORKIN: Let me say this.

18 MR. FRIESE: That's kind of a long answer, but the
19 bottomline is, Stanley -- I'll close it off.

20 I was hoping you would get into this. And I would
21 like to hear the feedback from this panel as to what their
22 observation is.

23 JUDGE SPORKIN: It used to be, Irv, that you would
24 personally evaluate every case before it was prosecuted.
25 You or your group.

1 MR. POLLACK: Well, that was in the early days.
2 As I mentioned earlier, the Commission set that up in the
3 early days when they were developing the implementation of
4 the Act. They wanted to be sure that something wasn't done
5 that would cause a problem.

6 But you have a tremendously different problem
7 today. You have the greatest corruption across every part
8 of the participants in the capital markets that I have seen
9 in 57 years. And the only way -- as Kevin has already
10 indicated -- that you can stop some of this is, you've got
11 to criminally prosecute the people.

12 It will not only take care of the recidivists that
13 he has mentioned; it will also instill, hopefully, a more
14 ethical integrity upon the part of the people who
15 participate in this industry. And that goes for everybody,
16 from the corporate people, to the broker-dealers, to the
17 investment advisors, to the analysts, to the mutual fund
18 operators, to the lawyers, to the accountants.

19 And a program has to be effective. You know, you
20 really have to establish in these people the kinds of things
21 that we were establishing in our own performance; that we
22 had to be more virtuous than the people we were going
23 after. We had to be fair, but we had to be aggressive.

24 And unless you are, you're not going to make the
25 capital markets work. The greed out there is too great.

1 You must have effective regulation and effective
2 enforcement.

3 And remember, you can't have a policeman watching
4 every guy in this business. So you've got to place the
5 responsibility on the companies that are operating, and the
6 people who are the gatekeepers, if you want to call them
7 that -- their advisors -- that they have a responsibility,
8 particularly to make sure they are acting honestly
9 when they're handling public money.

10 JUDGE SPORKIN: The only thing is -- the question
11 I have to everybody here is -- at least when the program
12 was run by you, is that you had a consistency, you had
13 standards. And what is happening now is, it's an ad hoc
14 situation.

15 As I look at these -- at the cases every day, is
16 that you find some two-bit insider trading case going
17 criminal, and you find a lot of cases in which people are
18 getting passes of -- you know, I discussed it with you --
19 doing some heinous things, getting passes. So you've lost,
20 it seems to me, a little bit of the consistency that I think
21 Bob is talking about.

22 What do the other fellows think here? Do you see
23 that -- is there somebody now evaluating and saying, "Look,
24 this kind of case, we're going to go criminal. This case
25 doesn't meet those standards." Are there standards that are

1 being applied?

2 MR. SCHIEF: I don't know. Maybe he can answer
3 it. Maybe he can tell us how it's now being done.

4 But I think, to answer your question, somebody
5 would have to rule on whether a particular proposed
6 defendant got a pass, if it was in the Denver office, for
7 example. Am I not right?

8 MR. FONS: Well, from a criminal standpoint, if
9 that's what you are talking about, that's -- frankly, we're
10 not considering that to be our call in most cases.

11 If we have a case where it seems to be some fairly
12 egregious fraud, we will take it to the U.S. Attorney's
13 office, and we'll say, "Here's what we got. We've got our
14 civil case. This is what we're doing. These are our
15 facts."

16 But from our perspective, it is very much up to
17 the U.S. Attorney's office as to whether they are going to
18 run with it from a criminal standpoint. So I think that has
19 changed a little bit in terms of, do we still try and go
20 sell cases to them, or pitch cases to them to try to get
21 them to take them. Absolutely.

22 But if I'm going to make an error in judgment,
23 frankly, I'm going to make an error by offering it to
24 the U.S. Attorney for him to decide whether to prosecute
25 it.

1 JUDGE SPORKIN: But Randy, you know every
2 violation is a potential criminal case. And some of them,
3 you say, hey -- you know, it's like in fishing. There is
4 something called a keeper and not a keeper. And if it's too
5 small, you throw it back. It's not a keeper.

6 And I'm not worried about -- and Bob isn't worried
7 about the SEC, because I think that's under control.
8 Irv and Jerry and everybody here knew what a criminal case
9 was and what case you didn't . . .

10 But now, you find that the -- that the U.S.
11 attorney's, they're making their own judgments. They're not
12 waiting for Randy to come to them with a package and say,
13 "Prosecute this." They're reading that same newspaper that
14 somebody here was talking about -- those MUIs, they're
15 reading those newspapers, and they're saying, "Hey, wait a
16 second. This guy traded some stock on inside information,
17 and therefore, he is going to go to jail."

18 Have I misperceived that, or is that happening?

19 MR. FONS: I don't think you've misperceived it.

20 I guess I'm just trying to figure out, from the
21 perspective of this panel, or the people that are currently
22 at the SEC, and what we do.

23 If it's a problem, it's a problem that's
24 easily solved by the people at the Commission.

25 I mean, I can and have talked with U.S. attorneys

1 about relative importance from my perspective, and if
2 they're looking at a case that I don't understand, and I
3 bring them a better case, I may have a discussion with them
4 saying, "Why aren't you doing this case? Why are you doing
5 that? Why aren't you doing this?" And try to convince them
6 to take what I perceive to be a better case.

7 But it makes me very uncomfortable to go to the
8 U.S. Attorney's office, and, in essence, set their
9 priorities.

10 MR. STEWART: I don't know why you feel that way.
11 There is never going to be an effective criminal enforcement
12 program unless the Commission is aggressive. Like Irv says,
13 you have got to be fair, you got to have judgment, but if
14 the Commission isn't pushing -- these U.S. Attorney's
15 offices -- and I have worked at one -- have so many
16 pressures; domestic security, terrorists, this and that.
17 The Commission has simply got to be aggressive in this area
18 if it's ever going to be effective.

19 MR. FONS: I guess my response,
20 I was looking at what Stanley was saying
21 more as the U.S. Attorney's office is taking things that,
22 perhaps, they shouldn't take.

23 JUDGE SPORKIN: Right.

24 MR. FONS: I am just as aggressive in going to the
25 U.S. Attorney and FBI and Postal Inspector and trying to

1 push my cases and trying to get them to do these things
2 criminally, particularly in the environment that we have
3 today. But I am less inclined to go to them and say, "This
4 one that you have found by yourself that was not coming from
5 us, that shouldn't be a priority," because if I do --

6 MR. SCHIEF: Maybe Stanley knows cases that a
7 particular U.S. Attorney's office shouldn't have taken.

8 My experience was, when I was with the NASD, that
9 the U.S. Attorney's office in Philadelphia had, through the
10 FBI, developed some evidence, some manipulation, by a whole
11 group of Philadelphia promoters.

12 They asked the NASD to help them through -- the
13 request actually came through the SEC. They went to the SEC
14 first. The SEC said to the NASD, "You guys help them."

15 So we sent three people up there full time for
16 three months. We put them in apartments. They got per diem
17 for the whole time. So they helped the U.S. Attorney's
18 office and the FBI interpret these telephone tapes that they
19 had gotten a court order to do.

20 So my experience has been that no U.S. Attorney's
21 office is going to go through a lengthy case like that
22 without getting some expert help from the people who are the
23 experts, whether it's the NASD or the SEC.

24 JUDGE DUFFY: I remember a particular
25 situation. We talked about the paper crunch and then the

1 capital crunch. It was a particular case where the paper
2 crunch caused a capital crunch which caused the business to
3 go out of business.

4 The U.S. Attorney wanted to prosecute the
5 net capital violation as a fraud. They came to me looking
6 for someone to do it. I said, "You're out of your mind.
7 I'll go help you, and then you can put me on the stand, and
8 I will explain the net capital rule to the jury. And by the
9 time I'm finished, there will be no one in the courtroom who
10 understands what the hell I'm talking about. Now, if you
11 want to prosecute that, you can." They said, "No, I don't
12 think so."

13 JUDGE SPORKIN: I think what you have now is
14 what's known as a task force, where you're having -- the SEC
15 and the government are working together, and they are
16 bringing dual prosecutions.

17 And you had a recent flap down there in Alabama.
18 You saw what was going on there.

19 And the -- what I'm trying to say, historically,
20 where you had the power group who would oversee this
21 program, and the -- you didn't have the task force, but you
22 would -- Irv would make sure that every case --

23 MR. POLLACK: There was a problem in our period,
24 Stanley. U.S. attorneys were reluctant to prosecute
25 cases.

1 It must have taken me umpteen years to convince
2 the southern district of New York that our cases that would
3 take three weeks to try, or four weeks to try, was something
4 they ought to do.

5 And when we finally got them to do one case, and
6 they saw the results of it, then they said, "Why don't you
7 send us more cases? And how can we set up a fraud
8 prosecution unit here?"

9 U.S. attorneys are subject to that today.
10 Somebody has mentioned it. They have all these different
11 priorities they have to deal with.

12 Now, maybe an occasional U.S. Attorney may pick up
13 a case, such as you mentioned, because he can do it quickly
14 and get a plea. But when you're looking at the overall
15 program -- and I'm watching it now. I don't have
16 familiarity with the facts -- look at how long it is taking
17 them to prosecute cases which have all the semblance of
18 being the greatest corruption we've had in public
19 corporations of tremendous size.

20 And so I don't know, because I don't have the
21 overview, but I don't sense that you have U.S. attorneys
22 running around trying to grab these cases.

23 JUDGE SPORKIN: You have task forces now.

24 MR. POLLACK: But a task force is operating in
25 areas where they need cooperation.

1 In our day, you had to send people up there. We
2 spent time with them. We would subjugate our own cases to
3 service them. And eventually, you got to the point where
4 they recognized the importance of these cases.

5 I just emphasize, looking at it from the outside
6 today, I see tremendous burdens on U.S. Attorney's offices,
7 who have all these additional priorities to cover, and it's
8 so important that these people be prosecuted. Because if
9 the top guys can walk away and say, "Gee, I made a couple
10 hundred million and all it cost me was a couple million
11 bucks in the civil action," you're not going to accomplish
12 anything.

13 JUDGE SPORKIN: All I was suggesting to you is, in
14 the old days, we had quality control. And the question is:
15 Has that been lost? That's the real question.

16 MR. WATSON: As Irv says, Stanley, we are
17 confronted today with a situation that's unique in his
18 57 years and in my 40 years of experience in the capital
19 markets.

20 It is not totally unlike the situation which
21 confronted the SEC at its inception, when, after the
22 hearings in Congress, it had come out that there was
23 tremendous corruption in the capital markets at that time.

24 If we are fortunate, we'll get the same kind of
25 bright people that the SEC got then, working on these cases,

1 because of their importance and because of, frankly, the
2 publicity they are engendering.

3 We'll also get the same bright people at the U.S.
4 Attorney's office, and maybe, from that, we can continue to
5 develop more of what we saw when we were there.

6 JUDGE SPORKIN: I'm not quarreling that these are
7 bad times, but I've been looking through some of my old
8 papers, and I'm going back 25 years, and I found that, in
9 1977, we had 650 major corporations confessing to crimes.

10 Now, they weren't all prosecuted.

12 MR. WATSON: Are you talking about the Foreign
13 Corrupt Practices Act?

14 JUDGE SPORKIN: Yes. And they were -- you had
15 managed earnings. You had everything going on then that you
16 have today. I looked through the history and found out that
17 that was so, but that's not the point.

18 Well, listen, we're getting down to the end. We
19 haven't asked the audience whether they have any questions
20 before we sum it up here.

25 JUDGE SPORKIN: Does anybody have a question that

1 you want to come up with? Nobody has a question?

2 MR. POLLACK: Let me just take a minute.

3 There are two regional administrators, former
4 regional administrators, that are not here because of
5 illness. One is Steve Hammerman, who was the New York
6 regional administrator for many years, and his name has been
7 mentioned. The other one is Jule Greene, who was the Atlanta
8 regional administrator for many years, and who did
9 tremendous jobs, and I just want to recognize them.

10 If we can -- make it a quick question here,
11 because I would like to give the panel --

12 JUDGE SPORKIN: Yes. A couple of minutes to sum
13 up with some comments that they would like to make, which
14 can be beneficial.

15 MR. FAGAN: My name is Phil Fagan. I used to be
16 securities commissioner in Colorado.

17 When I started my 20-year career, I felt like I
18 was a regulator who occasionally had to dabble in politics.
19 When I left, I felt like I was a politician who was able to
20 occasionally dabble in regulation.

21 I'm wondering if, given your collective
22 experience, you think securities enforcement and regulation
23 has really become more politicized now, so that there are
24 other factors to consider in addition to just investor
25 protection?

1 JUDGE SPORKIN: What do you folks think? That's a
2 good question.

3 MR. SCHIEF: I've got to answer it from the
4 standpoint of what I see in the news, Phil.

5 If Eliot Spitzer can bring the case that he
6 participated in in New York against the major brokerage
7 firms, with all the political clout that they have, and get
8 that kind of a settlement, I would say that -- that there
9 isn't that kind of pressure that maybe you saw in Colorado.
10 That's my surmise.

11 MR. POLLACK: Kevin, you have a comment, maybe, in
12 that area.

13 JUDGE DUFFY: I have a comment on everything.

14 But my problem is, in the 30-plus years I've been
15 a district judge, I have only seen two -- believe it or
16 not -- two civil cases coming to me involving securities
17 fraud enforcement. It bothers me no end.

18 I haven't seen one in the last -- well, you can
19 drop out the last ten years because I'm playing a different
20 game with the terrorists. But before that, it was
21 ten years, and I saw nothing.

22 Now, I was one of 28 regional
23 district judges at that time, and I should have seen a lot
24 more than that many.

25 Do I see less enforcement? On a personal basis,

1 absolutely. It's unfortunate, but there you go. I see a
2 lot of pleas, but not the civil enforcement that there used
3 to be.

4 JUDGE SPORKIN: Does that include consents too,
5 Kevin? You only had two consents?

6 JUDGE DUFFY: That's it.

7 JUDGE SPORKIN: In 30 years?

8 JUDGE DUFFY: Yes.

9 MR. POLLACK: Michael, quickly, so we can give
10 everybody an opportunity.

11 MR. STEWART: Well, I just think criminal
12 enforcement is probably the most important thing the
13 Commission can do, because if jail -- the specter of going
14 to jail will deter a white-collar criminal. It won't do
15 anything to the street criminal. And I think the Commission
16 has really got to push that.

17 JUDGE SPORKIN: Why don't we give everybody a
18 minute.

19 MR. POLLACK: Bill, would you like to say
20 something in the end?

21 MR. SCHIEF: I think I've said enough.

22 JUDGE SPORKIN: Why don't we give everybody a
23 minute to sum up. Jerry.

24 MR. BOLTZ: Maybe because of the economy, but many
25 of the states are suffering financial crises, and as a

1 result of that, some of the securities departments within
2 the states have been cutting back. California, for
3 example, has cut back enormously on its enforcement staff.

4 So I think that's a concern; that the states
5 aren't going to be doing as much as they have.

6 JUDGE SPORKIN: Randy.

7 MR. FONS: I'm the new kid on the block, so I
8 don't have much to say as far as history goes. I guess the
9 only thing I would say, it will be very interesting to be
10 sitting here in this chair ten or twelve years from now,
11 doing another tape like this, to talk about what we are
12 seeing in the markets right now.

13 The enforcement activity that's going on, the
14 legislative activity that is going on, the rule-making
15 activity that is going, the Public Company Accounting
16 Oversight Board, all has a lot of potential for possible
17 good, but it will be very interesting to see what happens
18 over the course of the next two, three, four, five years, so
19 we can talk about it ten years after that.

20 MR. BOLTZ: Sarbanes-Oxley provides a lot of new
21 opportunities.

22 MR. FONS: Yes. And it will be interesting to see
23 whether regulators and Congress and the industry and the
24 profession take advantage of the opportunities.

25 MR. SCHIEF: I have a question of you. Do you

1 believe, currently, the SEC staff and all the facilities
2 that it has, does it have the ability to spot an Enron? All
3 the financial fraud detection devices that we have?

4 MR. FONS: I don't know the answer to that. You
5 know, I think that no matter how many firewalls you can put
6 in place, and how many people you can put into the Corp Fin,
7 and how many examiners you can have out there, and all that,
8 it goes back to the old saying, "You can't legislate
9 morality."

10 And if somebody wants to do some sort of
11 Enron-type thing, or WorldCom-type thing, or something where
12 they're just going to work harder at defrauding somebody
13 than they are going to at conducting a legitimate business,
14 I think it's going to be very difficult to detect. I don't
15 know whether we've got the resources right now to do that.

16 MR. SCHIEF: How about the new rule that requires
17 the execs to sign off, certify?

18 MR. FONS: You know, for somebody who is going to
19 run a multibillion dollar fraud, I'm not sure having them
20 sign something saying, "I'm not running a multibillion
21 dollar fraud," is going to keep them from doing it.

22 MR. DAVENPORT: You know, I think, following up on
23 some of these comments, that no matter how many resources
24 the Commission obtains -- budget, personnel -- it always
25 still needs some help in keeping integrity in the

1 marketplace.

2 And that goes back to what Jerry mentioned, the
3 states -- Irv Pollack, Hugh Owens, were the greatest
4 advocates of cooperation with the states.

5 Irv would send me speeches to give before the
6 state legislature, trying to get money for the state's
7 securities commission.

8 NASD -- like Bill mentioned, they were a
9 tremendous resource during the 1982 penny stock crash. I
10 mean, they did a tremendous job. They did the work in the
11 firm. Frank Bergfeld testified at the court hearings.

12 So I think that in this whole process, trying to
13 develop -- Don Stocking, every time he would go to a
14 different state, he would make it a point to drop in to the
15 U.S. Attorney's office and say hello. I'm talking Don
16 Stocking, regional administrator from Denver. He was always
17 nursing that relationship.

18 So I think, you know, today, as busy as they are,
19 Randy -- and the rest of these regions, and Washington --
20 there is more out there to prosecute than you know what to
21 do with.

22 So you still got to remember that you do have
23 states, you do have state criminal authority, you still have
24 the NASD, and the U.S. attorneys, and you try to bring
25 together as many resources as you can to accomplish the

1 ability of keeping the integrity of the marketplace.

2 MR. WATSON: You haven't mentioned, Bob, what I
3 thought you were going to mention, and that's a group that
4 was addressed by Judge Sporkin a few years ago, when he
5 said, "Where are the accountants and the lawyers in this
6 matter?" And that's a question we all need to be asking
7 ourselves and our professions, because none of this could
8 have gone on for as long as it did without either the active
9 or tacit participation of those professions.

10 MR. BOLTZ: I think that's a good question, and I
11 think we also have to ask, "Where was the SEC?" Because
12 adding more people to any organization doesn't make it
13 better, necessarily.

14 I think the Commission needs to
15 be reinvigorated. It needs to be more effective, become
16 more efficient.

17 As far as I'm concerned, it doesn't need a
18 professional union. It's become too bureaucratic. And it
19 needs good leadership. With that, I think we
20 can have markets that are effectively policed.

21 Irv, you want to say anything? Anybody want to
22 say anything?

23 MR. POLLACK: No. But I'm reminded by some of the
24 comments here of when I was interviewed for the job in
25 general counsel's office in 1946. And the lawyers in that

1 office did not want to work on criminal cases because they
2 thought it was beneath their dignity, if I can put it that
3 way.

4 And I remember that the assistant general counsel
5 at that time, a fellow named Rubin, after I said I would be
6 perfectly willing to work on criminal cases -- I would have
7 been willing to work on anything at that point -- he said to
8 me, "Well, you'll know as you work in
9 this field, that the one thing that the broker-dealers
10 fear are those bars, and that criminal prosecution is the
11 only way for effective, complete enforcement with respect to
12 the people who are going to be malfeasors in the business."

13 I think, in closing, we're all influenced by our
14 own periods and by our own problems.

15 And I just want to emphasize that I think the
16 Commission has, perhaps, the greatest challenge that it has
17 had in years. But the public -- corporations, lawyers, the
18 accountants -- the people who are out there and are supposed
19 to be conducting their business honestly are the ones that
20 have the responsibility, in the last analysis, to make the
21 system work. The Commission can only be an effective
22 regulator and an effective enforcer. But you have to
23 convince the participants that it pays to be honest.

24 JUDGE SPORKIN: I wanted to thank Carla Rosati for
25 putting this program on. I think this demonstrates

1 what an important group of people the SEC has.

2 The SEC has the reputation of being the finest
3 administrative agency in Washington, or in the country, and
4 a good part of the reason you people have experienced here
5 today, is that these people that ran the regional offices,
6 they're clearly the backbone of the Commission. Extremely
7 important. They are the SEC enforcement officer on the
8 beat. And we can all be very proud of their legacy. And
9 the thing that I'll repeat once again, the most honest
10 people, with the most integrity that I've ever found as a
11 group. Remember, not a single scandal among any regional
12 administrator that I can recall.

13 So I, again, thank you, Carla, for putting this
14 on, and I think it's going to add a lot to the history of
15 the Commission.

16 MR. POLLACK: Thank you all.

17 WHEREUPON, the within proceedings were
18 concluded at the approximate hour of 5 p.m. on the 29th day
19 of May, 2003.

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REPORTER'S CERTIFICATE

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

I, YVONNE JORENSEN WALLACE, Registered Professional Reporter and Notary Public, State of Colorado, do hereby certify that the said proceedings were taken in machine shorthand by me at the time and place aforesaid and was thereafter reduced to typewritten form, consisting of 114 pages herein; that the foregoing is a true transcript of the proceedings had.

I further certify that I am not employed by, related to, nor of counsel for any of the parties herein, nor otherwise interested in the outcome of the proceedings.

IN WITNESS WHEREOF, I have affixed my signature and seal this 12th day of June, 2003.

My commission expires September 14, 2006.