Securities and Exchange Commission Historical Society
Interview with Willis Riccio
Conducted on February 25, 2009, by Kenneth Durr

KD: Interview with Willis Riccio, February 25th, 2009 in Boston, Massachusetts, by Kenneth Durr. Well, can we start with a little bit of background?

WR: Sure.

KD: Did you go to Brown?

WR: Brown University.

KD: For undergrad, is that right?

WR: Undergrad, right.

KD: Okay. And how about law school?

WR: Georgetown, JD and LLM.

KD: Okay. So you were in Washington, D.C. then.

WR: Oh, yes.

KD: Did you make any connections with the SEC that way?

WR: Well, it's sort of circuitous, if you don't mind.

KD: Sure.

WR: When I was at Brown, I was an English literature major, and one of the authors I ran across and liked very much was F. Scott Fitzgerald. He was the chronicler of the Roaring Twenties. And from Fitzgerald, obviously, I got into the stock market crash of 1929, and from that, the SEC. When I was at Georgetown—Georgetown was one of the few law schools back then that taught a course in securities law. Actually, the teaching fellow later became a judge here in Massachusetts, Fran Larkin. But in any event, being a Brown graduate, I was quickly recruited by the Brown Club of Washington to join. And they used to hold their meetings in the National Press Building.

And I went to the meetings, and one gentleman who was there, a Brown grad, was Thomas “Tommy the Cork” Corcoran. He was one of the drafters of the original Securities Act, and I believe the Exchange Act. And he got me an interview at the SEC. Actually, the personnel director then was Harry Pollack, Irv Pollack's brother. So I was still in law school, and I was hired as a law clerk trainee.

Don't ask me how much I made, but it was half of whatever you would get if you were a full-time lawyer. And I stayed, went two more years for my master's, and I was in the Division of Corporation Finance, which was the division everybody told me to go into.

KD: Why?

WR: A good number of the leading people in that division were with the SEC when it started. And they were, I must say, excellent teachers in terms of simplifying the ramifications of the securities laws.

KD: About what time is this?

WR: 1958. And I think the division director was Harvey Thawson. Ralph Hawker was one of the branch chiefs, and an ex-Navy commander was there too, and I can't recall his name, but I can see him. Tall, white hair. And I was put into one of the groups. Ted Clifton was the group chief. And the lawyers in the group were Bernard Kulick, Ed Bennett was the senior lawyer, and later on, Rodney Loeb came in. I don't know if he was part of the Loeb Rhodes family or not. But Bennett was a good teacher. And the other people that I worked under, Manny Cohen was the chief counsel for the division, Joe Romeo was one of the important people there, and Charlie Shreve was assistant director.

And they would explain things in a simplified fashion, which was great for me later on in my career because I ultimately ended up being a litigator, a trial lawyer for the SEC.

They did not have many. But contrary to what you may think reading newspapers today, a lot of courts didn't have the faintest idea what the SEC was. In trying to get across what the laws meant, it was helpful to be able to simplify them.

KD: Were these things that you'd been able to study at Georgetown, and so the real practitioners were just making those concepts simpler?

WR: Yes. Actually, the courts in Georgetown, as most of the courts were, focused in on registration. I teach securities law now and actually most people who become involved with it are not going to be involved with registration, they're going to be involved on the disclosure side with the exemptions. And that's where I learn quite a bit from these people. Manny Cohen later went on to be chairman of the commission. Jack Hennigan, who was a Brown graduate, also took over Cohen's job. He was excellent too in teaching. And I had a feeling that I was connected to the past with those people, which I was.

KD: So that fulfilled that part of you that started with the English degree.

WR: Right. And back then, each division did its own enforcement. You had corp. fin. would enforce anything involving disclosure. You had trading and exchanges, T&E as they called it, would deal with broker dealers, stock exchanges and the young NASD back then. Then the investment company division, they relied on corp fin to do any enforcement because, essentially, an investment company files under two statutes, the '40

Act and also the '33 Act. So the exposure I got was great. I looked at registration statements, and I looked at '40 Act stuff, and also got involved in litigation. And I don't mean this in a critical sense, but back then, the SEC was a sloppily-managed law firm. If you fouled up, the fellow who was in charge of you would just take you aside, and have a beer, and say, "Don't do this, don't do that."

We were located back on 2nd and E Street in a temporary building. And I was able to get into some litigation aspects. Let's see, Cornucopia Goldmines, Burt Talenfelds, and there was one involving windows, as I recall, but some of the people involved were Ayn Rand, the novelist, and the football coach for Notre Dame. His name I forget too, but he was one of the great Notre Dame coaches.

KD: These are people who had been defrauded?

WR: Yes, but also with respect to the Notre Dame coach, it was his name that was being used to bring people. And there was no trial division or enforcement division as there is now. There was an attempt to sort of centralize litigation, and they used people from corp fin, accountant Ben Levy, and Ralph Tracy, who later became a hearing officer. But there weren't too many that litigated. Actually, the best litigator they had was in the general counsel's office who worked out of Chicago. And he was an Earl Rogers type lawyer, if you ever read the history.

KD: No, tell me that.

WR: Earl Rogers was well-dressed, dandy. He liked to have his drinkipoos now and then. Jack Kennamer was his name. And I ended up doing litigation. Now the opening came in Boston. I'm from Rhode Island originally, and I was married in Washington, my first child was born there, so I took advantage of it to go to the Boston regional office. My wife never forgave me for leaving Washington.

KD: When was this?

WR: This was 1960 or '61.

KD: Okay. When you had been in corp fin in Washington then, what I've heard from other folks who started out in corp fin is they sit there for a year or two just looking at registration statements.

WR: Yes, that's a pain in the neck.

KD: It sounds to me like you did a little more than that.

WR: Yes, I did. I hope I don't get indicted for this, enough time has passed. When I first went in, my job was to look at 10Ks, and the disclosure documents following a registration statement. And it was a pretty narrow disclosure with respect to exemptions

and Item 29, and the stock was legally issued, fully paid for and non-assessable, stuff like that.

Well, back then, the files were kept in folios, and I know what they looked like because I worked at the Library of Congress in the newspaper section. And they're about that thick, and they had all the filings, U.S. Steel, American Telephone. Well, the fellow who I succeeded on the low rung of the totem pole didn't do much work. And I got into my office, these things piled that high. So I started to go through them, and I said, "This is crazy. I'll go nuts doing this."

So late in the evening, not too late, you know, about 5:30 or so, I went out into the hallway and got one of those big gray hampers that they put garbage in and I threw them all out. And to this day, I'm sure nobody even knows it, but there is a gap in the filings. As I say, I think the statute of limitations has passed, but destroying government property.

KD: That's one way of taking care of a paperwork crisis.

WR: Moved it on.

KD: All right. So you got the opportunity to go up to the Boston regional office. Who did you interview with up there? Is that the way it worked?

WR: They came to Washington, actually. Back then, they had what they call regional administrators conferences. And all the regions, as I recollect, the head of it was political, they were all political. In Boston, the head was a fellow named Phil Kendrick, who was the cousin of the Speaker of the House of Representatives McCormack. So he came up, Jim Dowd came up, who was the assistant, Ed Dulaney was the chief counsel. Joe Lynch, who's still around and does my taxes, he was the accountant. A number of them came up. And I talked to all of them, really. And they just had a hole in the office. I had a good academic record. I was tenth in my class when I graduated.

So they accepted me, and I moved up there. And from there on, I became, essentially, a trial attorney. My title was trial attorney finance, but trial was, there weren't too many who did it. There was myself, Francis X. Peloso out of New York. I think he's with a law firm now. I'll think of it in a moment, but I correspond with him. Jack Bookey out on the coast who later became regional administrator, and of course Jack Kennamer.

And we'd go around wherever litigation showed up. And I did quite a bit out of the Boston office, and some cases became landmark cases. I tried a case involving Scotch Whiskey receipts. It was the first time a court ruled that they were investment securities. That was in Rhode Island, and it's a reported case.

KD: Well, let's talk a little bit about that one. That was in the late 70s, right?

WR: Yes.

KD: And there was a Rhode Island broker, and he had all kinds of things going on.

WR: M.A. Lundy Associates.

KD: Okay. How do you find out about something like this? Do you remember the specifics on that case?

WR: Oh, yes. The postal people, post office. Yes, they're tremendous, actually. They don't get as much credit as they deserve, the postal inspectors. But that's how we picked it up. And the issue was "do we want to try this?" And to me it was like waving a red flag in front of a bull, a nice theory of law and what have you, and we filed in Rhode Island. Judge Day was the trial judge in the district court.

KD: Why was there a question about trying it?

WR: We had to fit it into a theory, and the theory we used was the investment contract theory.

KD: So this trading on whiskey receipts, had that been done before?

WR: No, that was the first one. Fortunately, the judge knew all about scotch. I learned quite a bit.

KD: Well, tell me a few of the basics, how that scam worked, because it is kind of interesting.

WR: Well, the way it worked was, these crazy schemes often times develop following periods of stock market distress. The average guy is scared now of the stock market, and they leave. So often times, people try to concoct ideas which don't look like ordinary investments, but will attract people back in. So Maurice Lundy was of that ilk, and he began to look around for something to get his customers back. And he looked across the ocean and he saw scotch whiskey. And the reason it attracted him was in the U.K., scotch whiskey is highly regulated. It's a major product. And it, essentially, involves two steps: distillation of raw hooch, and blending. The distillation takes place, obviously, in Scotland. And most of the distillation is done by small mom and pop distillation.

Under British law, the raw product has to be kept in a warehouse for five years before it can be blended and bottled. That forces the distiller to have to carry the inventory for that period of time, which incurs financial loss or risk. So the practice developed way before my time whereby the distiller would sell the raw hooch in the warehouse by issuing a warehouseman's receipt, which under personal property laws is the general way you transfer merchandise in a warehouse.

And the gamble was, for someone who bought it that a blender down the road would want that particular distilled product. And through the years, a regular over-the-counter trading market occurred involving so-called whiskey brokers in trading this stuff back and forth. So that's what Lundy saw, and he made contact with a whiskey broker, and he

had a real good sales item, because number one, scotch is viewed, at last back then, as the crème-de-la-crème of booze. Scotch connoted wealth. You'd walk into a cocktail party, "I'd like a scotch and soda." It's much better than, you know, "Give me a beer."

And the consumption of scotch was going up dramatically, especially following World War II. The biggest consumer of scotch prior to this point in time was the United States. Joe Kennedy made a fortune by importing a label. But that had been surpassed by West Germany. In the time this case was brought, the biggest consumer of scotch, and I think still is, was Japan. So a lot of money moved around. You could buy a keg for $1,000. What's the other size? The big one, the reefer, was 5,000, and in between was the beer-type keg, fifteen and a half gallons. And within a short period of time, he was hitting a million bucks in terms of receipts.

KD: So what was the problem with this?

WR: The problem was this. You got a receipt, but you didn't know whether you had highland malt or lowland malt. They just put anything in there. And it's where this raw hooch came from which determined its value. And then it got even more deleterious in the moral sense. A lot of the scotch wasn't in the warehouse. And the final point was a lot of the warehouses never even existed.

Now the only way you could realize your profit by selling what you own was using Lundy and his whiskey broker. You couldn't do it yourself. And that fell into the

concept of investment contract, you know, common enterprise in the efforts of others, mainly Lundy.

And of course, you know, he put together a brochure, glossy, putting the figures in, consumption, and the value of various type distilled products. And the cover had a man with a bagpipe, a lake with a goose.

KD: Just what you'd expect.

WR: Yes. And he sold quite a bit quickly. But the postal people warned us that a lot of this wasn't above board, and it was a great case to try. So we tried it for nine days. The defense counsel was Hale and Dorr, now Wilmer Hale. And a good friend of mine was the defense lawyer back then. Well, we became friendly afterwards, Owen Todd who later became a judge and now is in private practice, Todd & Weld. We do business together. But it was an interesting trial, caught a lot of publicity, especially overseas. And Judge Day ruled that there was an investment security involved, and he granted the injunction and all the attributes of that.

KD: So your job was to get this theory across, and get the judge –

WR: Right. I wrote an article recently. I'll give you a copy of it if you want it.

KD: Great, yes.

WR: And the investment contract approach has brought a lot of items which, basically, don't look like investment securities products, under the ambit of the securities laws. I mean, another case I tried in Boston, *SEC vs. J&B Industry*, nothing to do with scotch, it was a land deal in Canada where some unscrupulous promoters from Europe, actually, began to sell land in Varennes, Canada, along the St. Lawrence Seaway. The value, obviously, was access to the seaway. It was contiguous to the seaway. The problem was a lot of the land didn't exist, and a lot of it was under the St. Lawrence River. But they set up these sales outlets, and they all had initials, H&R in Rhode Island—nothing to do with the tax people—J&B in Boston, etcetera. And they raised $35 million in a short period of time. We worked with the Canadian authorities, and we decided to sue, basing the civil suit on the investment contract theory.

KD: Was this after you'd done the whiskey receipts?

WR: Oh, yes. And it's cited as *SEC vs. J&B Industry*. The judge was Judge Murray, federal judge. And, you know, when you go into court, you sometimes get a break. Judge Murray could've said, "What's the legal basis of this suit?" At which stage, you go through the dry, "Well, it's Section so-and-so of the '33 Act," and all that. But he didn't. He asked, "Why do you want a receiver?" Now that gives me a chance to make an ad hominem argument. The courtroom is jammed, and I said, "This is a massive securities fraud."

Well, the *Boston Globe*, the next day's headlines said, "Massive Securities Fraud." So, what's the judge going to do? They would've convicted the pope. The same ruling. The efforts of others were significant, and what have you. We worked with people from the police in Montreal. I had a nice trip there. But by the time the barn doors were closed, let me put it this way: the trigger that was interesting was that they were going to sell this land to a Leichtenstein Corporation called Ferroplan Aktiengesellschaft, which is AG, you know, corporation. And they had a shown down at what was then the Statler Hotel. It's now Boston Park Plaza, and they brought in these people who looked like real Germans with mustaches and everything else, and they were from Ferroplan, but they were all one group. And they put up $500,000 to show their good faith.

And the thing was, they would sell the investor a deed at $5 a foot, and promise to buy it back at $10 a foot. I can't remember the numbers, but right on the face of the thing, you made a profit. The only thing is, you couldn't dispose of it. You had to hold it. You could borrow money on it. If somebody would give you a loan, you could take your mother-in-law up there, assassinate her and bury her up there, and they would do these junkets. And they'd show you the land all manicured, but that was all they had.

And that was the theory of the case, that you need the efforts of others to get any return. Unfortunately, the others were all crooks. So they just took off. They left the country, and there was nothing we could do about it, beyond getting the $500,000, which never covered the losses. And the same thing turned up three years later in Italy. We saw the same brochure in Italian this time.

KD: Same people, I guess.

WR: Yes they were. They were very clever too. And that was the case where land, which is not normally thought of being an investment security, was held to be an investment security.

KD: So this is that investment contract theory.

WR: Theory. Now the SEC used that to try and get into a lot of situations. But I remember speaking at the University of Texas, not on this; on something else. And we went out to dinner, and Alan Levenson, who used to be a director of corp fin, one of the most brilliant men I've ever met, and one of the nicest guys, untimely death though, and we were sitting around having dinner, and he was saying to some of my colleagues and me, "You know, don't push it. The Supreme Court's going to sit on you."

Well, as long as we were the plaintiff, we being the SEC, we had no problem. But then we started to get a little bit arrogant, and we pushed it into the private suits, and we started to file amicus briefs in suits that didn't really involve us. Now the court's very prone to listening to you when you say, "I'm protecting the public." But when you're involved in a pissing match between two private parties, they're not as receptive. And we got stepped on.

KD: When?

WR: I can't recall the dates, but the cases, obviously, you must be aware of. *United Housing Foundation vs. Foreman*, and the Daniels case. And the Daniels case involved an employment contract and the Teamsters. And the Supreme Court said, "You're not going to get it any more," so it died. The investment company approach died for a while. Now it's come back up again. But normally, it's a situation which will find itself when people are jaded about the stock market. I would say right now it's going to be maybe a problem.

KD: Unconventional investments.

WR: Yes. And they're not pitched as an equity-type investment. You know, like people saw scotch whiskey. They didn't realize the ramifications of it. They saw land in Canada. They saw a profit on the face of things. So the SEC is back into that business again, but not as much as they were before. But that was an interesting period.

KD: How about mining stocks, penny stocks, things like that.

KD: Penny stocks, that went right across the country. It started in New England. Mining, we never had any up here. There wouldn't be anything. But I'll tell you about penny stocks. It started with what we called here the friendly hands offering. There is an exemption from registration called Regulation A under the 1933 Act. And back then, it permitted

you to sell $500,000 worth of securities with no registration. It was characterized as a mini registration, but that was wrong. It was an exemption. There was no Section 11 liability.

Well, there were a number of small brokers in New England, Boston especially, that would try to underwrite various small offerings using Reg A. And under the procedures of Reg A., you had to give an investor an offering circular, which was an attenuated prospectus. However, once the offering was complete, you would file a Form 2A indicating that, and you didn't have to use the offering material. So what these people would do would be to sell all the securities to friends or people in cahoots with them, notify the SEC that they had completed the offering, and then get on the telephone and start whacking this stuff out. And they could move a price from $5 a share up to $20 a share.

The case that's, I think, most poignant in the area was a case involving a Motel 128, which was out on the 128 area in Massachusetts, which is all the high-tech companies and what have you. The motel was a version of Mustang Ranch. It was rapid turnover business that catered to all the executives and frustrated housewives in the area and what have you. They filed a Reg A. And we knew all this, and there was a tax lien involved and what have you.

So I called Ruth Appleton in Washington. She's retired now. I think she lives in Florida, if she's still alive, I would hope so. And said, "What are we going to do with this?" She

said, "Well, have them put all these defects on the front cover of the offering circular and call it risk factors," and that was the genesis of risk factors that you see today in all the prospectuses and what have you.

KD: Was she at corp fin?

WR: Yes. Pat Griffin was the original assistant director in charge of small issues, and he retired, and she took over, and she's a wonderful woman. But in any event, that's what we did. Lo and behold, they sold the issue out in one day because they didn't have to use all those risk factors. They'd say, "Oh, we sold it all out," and then they get on the phone and start selling the thing. The stock went up to $27 right away. So that was an interesting period. Now that same sort of situation moved out into various parts of the country. It became the penny stock syndrome, then it became the Denver hot issue market, and then it went into that area in California where all the high tech stuff is.

KD: Silicon Valley?

WR: Yes, the same type offering. So they amended Reg A. Now you have to use the offering circular for ninety days. But it's the same thing that just went right across. In my estimation, after twenty-seven years at the SEC, nothing changes. It just gets a different name. Now Charlie Ponzi is back because of Madoff. I'm going to speak on that. I've got to do a little article on it. Ponzi schemes have been going on for years and years, and

they're still going on today. And it's just that the drama of Madoff has pushed it into the front lines again.

Actually, you know, Ponzi is credited with developing the scheme, but that's not really true. He copied a guy named Miller. And Charles Dickens, in 1844, wrote a novel called *Martin Chuzzlewit*, where one of the schemes involved is a pyramid scheme, which is a Ponzi scheme, but Ponzi got the glory. He made a lot of money, $50 million, and he was making $250,000 a day selling this stuff. I hate to say it because I have no right to insult anybody, but a lot of these frauds succeed because of the laziness and greed of the people who are defrauded. If you stay at the SEC long enough in this enforcement area, you can become a cynic. It seems as though you're running uphill all the time.

KD: You talk about the need to protect, you always had to invoke that you were going to protect the widows and orphans.

WR: Yes, but the securities laws weren't designed for that. When they were first written, they were novel because they based all their virility on the concept of disclosure, protect by giving information, at least the '33 Act. As one wag put it years ago, the Act does not take away one's inalienable right to make a fool itself. You know, it just tries to prevent others from doing it for him.

In the legislative history behind the '33 Act, which was the first statute, it was designed to prevent overreaching. To my mind, that implies that there is going to be some reaching.

You've got to fend for yourself. Now Joe Kennedy is often times accused, he's the first chairman of the SEC. And the joke is, well, Roosevelt wanted to put the fox in charge of the chicken coop, or something like that. That's not true at all.

The '33 Act was not a regulatory statute, even though we used the term regulation. The '34 Act was the first regulatory statute in the securities lexicon. Now the powers on Wall Street really didn't care about the disclosure statute, but now they're going to be regulated. That was a different matter. Kennedy was very influential with Wall Street. That's why he became chairman, to calm them down so they would accept the '34 Act. And today, of course, the '34 Act is the preeminent statute.

And you can always identify a regulatory statute. It will have enabling provisions. The statute leaves it up to an expert body, in my case the SEC, to promulgate a rule to implement the enabling provision. Famous example is Section 10b. Section 10b has marvelous language: "Can't engage in a manipulative deceptive device that can –" but the last line, "in contravention of such rules as the Commission so promulgate." So if there's no rule, that section as a unit doesn't mean anything. But they have promulgated rules.

I'm on the advisory board of BNA Securities Regulation and Law Report, and one of the members, who's since passed away, was Milton Freeman. He's the one who drafted Rule 10b-5, which began in Boston.

I was regional administrator from '78 to '85. Prior to me, it was Jim Dowd, Phil Kendrick and then a guy named Paul Rowan, who later became a commissioner. He called Washington, and he said, "There's a president of a company in Boston who's going around saying his company is lousy losing money, about to go bankrupt, and the stock is depressed. He's buying all the stock. There's nothing wrong with the company, so he's misrepresenting the status of the company, and omitting to state how good the company is. What can I do?"

So the Commission, obviously, said, "You can't use 17 because 17 only applies to offers of sales. 10b applies to purchase of sales, both sides, but there's no rule. So it fell to Milt Freeman to draft 10b-5. So what he did was simply use the predicatory language of the statute, and the substantive provisions are taken from Section 17 of the '33 Act. "Employ, device, scheme or artifice to defraud, engage in a course of conduct which operates or misrepresent a material fact." That all went into 10b-5. And I used to go to meetings with him. And he said, "Willis, in my wildest dreams, I never thought 10b-5 would be used for what it's being used."

You know, two former friends of mine at the Chicago office wrote a poem about that. And it's a whole series of paragraphs dealing with the 10b-5 violation – it's really a domestic relations suit to show how it's been used.

KD: Was it used against this Boston company president who was saying bad things about his own company?

WR: Yes.

KD: Okay. So the idea is you find out something like this is happening, and then you go get the rule.

WR: That's one way of dealing with it. Of course, you've got to get the rule now with all the Sunshine provisions and everything else, it has to be approved. That's why the SEC got shot down several years ago when they tried to get into the hedge fund through the investment advisor. Some fellow from Boston actually sued them, Goldstein, and prevented it. But I don't know why they're using that because the hedge funds live because of an exemption from the '40 Act which was designed for investment clubs. Fewer than a hundred people, no public offering. It seems to me, all I had to do was revoke the exemption, and they have a right to go into the investment companies to inspect them.

KD: Interesting. Well, let's catch up a little on your career. You jumped through a number of regional administrators—people that you must've worked for.

WR: Yes.

KD: I want to get a sense of, one, what was the office like, the Boston regional office? How many people were there?

WR: Eighteen.

KD: Pretty much all lawyers?

WR: Oh, no.

KD: Did you have some accountants?

WR: There was myself, the head man was not a lawyer. He was out of the industry, Phil Kendrick. Jim Dowd was a lawyer. Eddie Dulaney was a lawyer. Myself. But when I indicated an interest in trying cases, they didn't object, so I got to do a lot of litigating. And I know when I left the Commission, the fellow who was in charge, and I can't recall his name, of administrative proceedings, said I had argued more administrative cases than any other lawyer up to that point in time, 1985.

KD: In the entire SEC?

WR: Yes. And I can't say that I didn't try to push as much as I could.

KD: You liked being in a courtroom?

WR: Yes. And another thing that happened is, contrary to what's happening today, U.S. Attorneys did not want securities cases.

KD: Why not?

WR: Too difficult to get involved with. They could not always see the public benefit versus, say, drugs, narcotics and stuff like that. With exceptions, Southern District of New York, I'm sure, Boston to a degree. But a lot of the outlying areas, Rhode Island where I lived, didn't want them. But Lee Calaman, who was the U.S. Attorney in Rhode Island, said, "If you try it, we'll take the criminal case." So, fine. I was sworn in as a Special Assistant U.S. Attorney, and the SEC paid me, but I worked for the Department of Justice, and I got to try criminal jury cases. And that's where you see how difficult it is because you've got to convince that jury that these esoteric concepts amount to stealing.

KD: How do you do that?

WR: Well, being able to simplify. You know I tried Lundy, not for scotch whiskey. He was in another deal involving land in Florida. And I opened quoting from John Donne, "No Man is an Island." You know, you just try to get it into their heads that somebody is using a device in the form of a representation or not saying something which allows them to separate an innocent person from his or her money, and they'll buy that. But if you get up there and start saying, "Section Five requires that –" they don't even know what

Section Five is. And, of course, you can't tell them because that's the judge's province to instruct on the law.

KD: So you don't get into discussions of securities law, so to speak, or securities regulations?

WR: You lay out that "Securities laws are designed to protect the public, like you, ladies and gentlemen." Now when you talk to the jury, you can't usurp their function, which is to find the facts. So what you do is you usurp their functions by asking them questions. "I ask you, ladies and gentlemen of the jury, would an ordinary person have invested in this had they known this? And then I ask you, ladies and gentlemen of the jury, what did the investors get in this case?" And then I went over to the box of exhibits and I took each one out, dropped it on the – made a bang, bang. "This is what they got. Worthless exhibits in a lawsuit." That's the way you would go at it.

So you had to be careful not to take away their function, or get into their emotions to something. You can't do that. You can't say, "Wouldn't you people be upset if this happened to you?" You can't do that.

KD: Did you talk to other prosecutors who did prosecute cases like this and sort of talk shop about this?

WR: Oh, yes. I remained friendly with a lot of them. Larry Iosin in New York. Ike Sorkin, who's now representing Bernie Madoff. Here in Boston, that's why I'm with this firm

now because Bill Looney, one of the partners, he was an Assistant U.S. Attorney, because that concept of "you try it, we'll take it," that flowed over to Boston. And I would liaise with people like Bill Looney. The Assistant U.S. Attorneys in Boston were a good bunch. Davey Mazone, who became a federal judge and passed away, Bill Looney, Steve Molton, who died, but he was partners with Milt Freeman's daughter. And it was a good group. I learned from them. Paul Markham was U.S. Attorney, and I had a problem once, I called him up, and I said—he was part of this group—how do I get this in evidence. He spent a half hour on the phone talking to a stupid lawyer like me, telling me how to do it. So it was a very close-knit group.

KD: Was the SEC ever interested in maybe having this model applied elsewhere and having other people in the regions do this?

WR: I don't know if they did. They knew what I was doing. You know, I have letters that I got from Sporkin and Chairman Williams, especially on the criminal end. But now more and more are getting into it. But for the most part, U.S. Attorneys now are very interested in securities cases. As a matter of fact, they get out in front of the SEC.

KD: Yes, they do.

WR: And they will let the people they swear in work for them, but only in the sense that they do the scutt work. They don't go first chair like I was doing, or even second chair. I was involved in a trial of the last investment company case that was brought criminally here

in Boston before Judge Skinner. My co-counsel was Dick, what's his name? He defended Admiral Poindexter later on. He went with Fulbright & Jaworski when he left the government. And we did stay together a lot. Francis Peloso, he's with Morgan, Lewis & Bockius, that's the name of the firm, he drops a line.

When I got out of the private practice, one of my areas of concern was that the NASD had become a government actor. We had similar feelings. He wrote an article, I wrote an article, it was published on, now FINRA, being a government actor. The ramifications were, if they're not deemed government actors, you have no constitutional rights. And they maintain they're not a government agency, unless you sue them, and then they say, "We are a government agency." But they're organized just like the SEC. They do the same thing the SEC does. So I think the time has come either to abolish FINRA or fold it into the SEC.

KD: You talked about Stanley Sporkin and Harold Williams and all that, and I'm wondering how much you consulted with folks in D.C., particularly of course during the early 80s up here and you're doing some pretty vigorous enforcement, and that's the time period when the SEC's enforcement was pretty strong as well.

WR: That's right. It was a friendly atmosphere. Number one, when I was regional administer, I reported to the chairman. I didn't report to a division director. I never disagreed with Stanley, but if I did, I could go directly to the Commission, and they were all like that. Because Mahlon Frankhouser, who's now with Kirkpatrick & Lockhart, he was the first

administrator that came from the staff. He got the New York office. And I think I was only the second or third that came from the staff. Now, they're virtually all from the staff, with the exception, I think, of New York. New York is still so big in operation that there's a political attractiveness. And normally, it's the associate directors that really run it. But we were a friendly group.

KD: Yes, and I'm wondering about coordinating. For example, in the 80s, there's a shift to insider trading. Was that the kind of thing that you would say, okay, well, let's try to work on this front for a while?

WR: It was. We did one of the good cases, *SEC vs. McDonald*, which went up twice to the first circuit, second time *en banc* on the issue of when notice is actually received. And I recall making the final argument in the case before Judge Boyle, and he looked down on me, and he had a sarcastic sense of humor. And he said, "Counsel, what's wrong with this? Doesn't everybody do it?" And that's a legitimate question because it's a victimless crime. The way we'd argue it was, "Well, I'm here to protect the integrity of the marketplace." Well, as you know from what's happening today, there's no integrity in the marketplace at all. And I think the SEC should confine itself where there's an attempt to corrupt the system, like Milken, Boesky. Apart from the insider trading, they did devious things to get the information.

But if somebody has a Thanksgiving dinner and his son brings a college friend along, and somebody happens to be president of a company and blurts something out and the friend trades on it, you shouldn't be suing this guy for breaching a fiduciary duty.

KD: Some other cases have popped up that I wanted to touch on, stock value manipulation case involving Gilman Services. That was also in the 80s, '83. And something called Computer Store. And again, manipulating the value of the stocks.

WR: And there's White Board, which was another one. Then the investment contracting started to come back again. One case involved a woman called Elizabeth Gann. She ran a commodities pool, so to speak, and the money went to one of her associates in New York called John. Nobody ever found John. So we used to refer to the case as the missing John, case of the missing John.

Manipulation is really a disclosure violation. Failure to tell you that the stock is not being freely traded, it's being manipulated. Actually, those friendly hand cases were a form of manipulation. And I can't recall the names of all the cases in the 80s. A.J. White, that made new law. Went up to the Supreme Court, and certiorari was denied. Then, of course, Stanley left and Fedders came in. That's pro and con as to how effective he was or what have you.

If I can go back a bit, I said at the outset, we were a sloppily-managed law firm, but friendly. Jimmy Carter, the president, wanted to remedy the fact that government

employees were not making a lot of money. As a matter of fact, I was looking at a letter when I transferred to Boston. My salary was $4,998. Well, I mean that's dollars back then, but still, it was not good. And he passed the Senior Executive Service Statute, which did several things.

Number one, it allowed executives, which a regional administrator would be, to accumulate their annual leave. You didn't have to use it. Up until that point, you could save thirty days, but when I left the SEC to go to the NASD, I had a year's salary. That was one good thing. Then you were supposed to get bonuses. Well, the biggest bonus I ever got was $300. And finally, the salary levels, the GS levels which you would work under were raised. Technically, I should've made as regional administrator, 112,000. I never got over 68,000. Congress kept capping the pay scales. That's why I left, but that's getting ahead of myself. When they went into this method of compensating executives, now they're faced with how do we measure performance?

Well, that brought the management types into the game and the SEC changed from that point on. It became a numbers game, you know. It's easy to say, "How many enforcement cases did you bring?" Well, actually, if the agency is functioning well, they shouldn't be bringing enforcement cases in the regulated area anyway because that's what regulation is all about, prophylactic. Enforcement is reactive.

And that's the problem they face today and the embarrassment they face when Congress, who is just as responsible for what happened with Madoff as anybody else, is that they le

the regulation side atrophy. And you know, they want enforcement. But that's because the management types needed something to count. And it's easy to count the number of cases. And when Fedders came in, he made the *faux pas* of calling me up and saying, "Your quota for the year is twenty-five cases."

Well, if that ever got out on the street, you wouldn't win any cases because the first thing the defense lawyer is going to say is, "Hey, he's got a quota, he's got to write traffic tickets." So any close case, you're in the hole.

KD: Well, this was John Shad's thing where he was going to come down with hobnail boots and all that.

WR: Yes, well that's because he got enthused about the insider trading publicity. Up until that time, he was not a big fan of enforcement. As a matter of fact, his big joke, which was quoted, was "What is a tragedy? A tragedy is a bus full of government employees going over a cliff with one empty seat." You know, so when he saw all the publicity that was being generated, it made him feel good. But even under Shad, I reported to him—I never reported to a director.

I'll tell you, I don't know if this can be quoted, but I was always close with the press. I wanted to be a reporter when I was a kid, but my guidance counselor in junior high school discouraged me. But I used to play big story reporter, get my father's hat and put the sign "Press." And when I came to Boston with the SEC, I was very good. I used to

leak things, not in a bad way, but reporters would want to know, not when the press release comes out but before, are you going to bring an action. And you explain things to them.

So I ended up being able to get into the Boston Press Club as the only non-member of the working press, but that's because I would help them. Well, the reporters, some of them were friendly. Some can be, you know, just like what's-his-face in Washington who's now ill, I guess. I just read his book, can't think of his name.

KD: Novak?

WR: Novak, yes. Some of them will use you, but that's the risk you take. In any event, one of the young reporters for the Boston Globe, we were chatting, and she said—at the time there was a proxy fight going on between the owners of the stadium, which was then called Shaefer Stadium, and the Boston Patriots, which are now the New England Patriots. The stadium was publicly held because the initial financing went through the SEC, and they built it on a shoestring. If you ever went there, you'd see what I mean. They had like one restroom for 40,000 people. It was disgusting. But in any event, there was a proxy fight.

And even Nicholas Calabrinia, who was the owner of the Montreal Alouettes, became involved. She told me, she said, "Some of the sports writers who have columns, etcetera, are being importuned, financially or otherwise, to slant their columns in a certain

direction to get the people to change their proxies," because you know, you can revoke a proxy until it's voted. And that may have been going on both sides, so I'm not going to single out one or the other. But we had that information, we did a little investigation, so we decided to sue.

Now I went before the Commission, and it was almost midnight presenting the case. The chairman was John Shad. A new fellow from Texas was on. The female commissioner was Barbara Thomas, who liked me, but she wasn't there. The other two commissioners were Phil Loomis, formerly general counsel, and Irv Pollack. Shad did not want to bring the case. He was afraid of the first amendment. And we felt we could overcome it because the first amendment does not shield fraud.

It finally came to a vote. Shad and the new fellow voted against it. The two former staff members, Pollack and Loomis, voted to bring it. The fifth member of the Commission wasn't there so a tie vote killed it. But that would've been a fantastic case to bring.

KD: Yes. It would've been pretty noteworthy too.

WR: Oh, absolutely. No question about it.

KD: So did you have to go before the Commission every time you wanted to bring a significant case?

WR: No, no, no. Generally, somebody down there will do it for you. Stanley would or one of his assistants, Wally Timmeny. Actually, that division changed when Stanley left. I mean, he was not a hard-ass at all. He was just one of the guys. And he appreciate what you would do, and I never had any procedural problems with him.

KD: Any other notable cases from your time that we haven't talked about?

WR: I'll have to think a little bit. Oh, A.J. White.

KD: Yes, let's go into that a little bit.

WR: White was a small brokerage firm in Rhode Island, and they did underwritings. There was a company in Woonsocket, Rhode Island, called Develco, Inc., and there what they did was to rehabilitate old buildings. And their biggest achievement was the rehabilitation of the New York, New Haven and Hartford Railroad Station up in Woonsocket. They turned it into a boutique, stores and shops. I'm something of a railroad buff because I commute, but the New Haven railroad stations were all artistic masterpieces if you see them and visit them, some of them up this way. So they felt they wanted to get more money and they should go public.

So they got a good lawyer from New York. He was a former commissioner, and they decided to file a registration statement to raise money in a public offering. Since they were a speculative company, obviously, they couldn’t attract the big underwriting firms,

so they went to A.J. White. Well, there are two basic types of underwritings, firm commitment or best efforts. Now firm commitments generally relate only to high quality companies because in a firm commitment underwriting, the underwriter is at risk up front, he actually buys the stock and then resells it at a markup.

At a best efforts underwriting, the underwriter is only an agent, not a principal. And he agrees to use his or her best efforts to sell as much stock as they can, and for that they get a commission. The problem with the best efforts was the underwriters would sell maybe $200,000 worth of stock, and couldn't sell any more. They said, "To hell with it, we're out of it." That left all the people who bought high and dry. So they came up with a variation of the best efforts. Best efforts with a minimum, which meant that if they did not raise a minimum amount of money by a certain time, they'd have bought the whole thing, give all the money back. And the amount of money was negotiated. What was the minimum amount that the issuer needed in order to remain viable, and that would be the minimum. They had to raise it within thirty days, and with permission of both parties, they could extend it to sixty days.

KD: Now these are SEC rules we're talking about here?

WR: Yes. And that's the type of contract they entered into with Develco. And they began to use their best efforts to sell stock. Now under the SEC rules, the money raised prior to the minimum has to be put in escrow with an independent escrow agent, generally it should be a bank. And that's where this thing becomes more interesting. The bank

chosen was the Industrial National Bank of Rhode Island, which later became Fleet National Bank, which later became Bank of America.

There was a loan officer at that bank who was corrupt. He would make loans that were unauthorized if he got a kickback. The offering commences, and it becomes sticky wicket. They sold a lot of stock. They're near the closing point, but they can't break escrow because they haven't sold enough. So they get an extension for another thirty days. Again, they can't meet it, so the underwriters come up with a device. One guy says, "Look, I have friends who will take out loans, and I know we can get them to take out as much money as is necessary to make the minimum." Well, he was related to this corrupt loan officer.

So he goes there, and the loan officer agrees to make non-designated loan. I think it's against the law to make a loan to purchase securities. These were open-ended loans. And the people who were into borrowing were all members of a club. I guess this type club is all over the place. You know, you shoot pool, you get a cheap beer, watch the football games on Monday night or what have you.

So none of these people had the wherewithal, most of them are unemployed, to take out loans. And they said, "Don't worry. Just go in and take out a loan." So they all trooped in, and they all got, you know, $25, $30 to take out these loans. And the loan officer would give them the loans, but they never got the money. The money from the loans was

deposited in the escrow account. Now oddly enough, the amount of money deposited was the amount the offering was short.

But that's only one side of the coin. We picked that up. The SEC would pick that right up. To cover it, the other partner said, "I have a lot of customers who didn't want to buy first time around, but now I'll ask them if I can use their accounts to put stock in and it won't cost them anything." Well, the customer said, "Fine, yeah, you can do that." This procedure is called establishing a wooden account. And he put stock in all these accounts. They didn't pay for anything. The amount of stock put into the wooden accounts equaled the amount of stock that would be purchased if the loan money was used to purchase stock. So now they put it together and they notify the issuer, "We've made the minimum; we're out."

Now the reason they want to get out is they can make a market in the stock. Now under SEC rules, Rule 10b something, you can't make a market in a security as long as you're underwriting it. Obviously, you could manipulate the price. But the real money is making the market, so they began to make a market, and they moved the price of the stock right up. Then they sold it out, and with the money they paid off the people who had their accounts used, they paid off the loan officer, and they split whatever else they had.

So how did we pick it up? It's luck. A lot of these things are just luck. You know, Congress was very unfair saying that the SEC missed something. A lot of it is luck. The

FBI was investigating the loan officer because it's a national bank. They picked up the deposits of the money from these spurious loans, and the loan officer, in order to keep things straight in his own mind, would write on the bottom of the check, or whatever they used to deposit in the account, Develco, Inc.

The FBI agent focused on the words or the abbreviation Inc. In his mind, he said obviously, Inc. means incorporation. What government agency can I talk to that deals with corporations? Well, that's the SEC. So he came over and talked to us. And I said, "We'll pull what we have on Develco, Inc." Well, we did pull it, and it showed that they had a public offering, what have you. But I sent one of the investigators down to the brokerage firm to take a look at it. Because we had suspicions of these canned offerings. There was another one, Viking Airways, which you can't prove, you got to have a break.

So he goes down. Now, you have to keep a ledger in connection with a new issue that you're underwriting, indicating who's buying it and selling it. Well, for a period of time, the sales were legitimate, but they weren't enough. All those names were dutifully entered into the ledger. When the sales became false, they still had to account for the wooden accounts, so those names were put in the ledger. But whoever was keeping the books for whatever reason drew a line across the page separating the good purchases from the bad purchases.

Now the investigator says, "Well, what's up is good; what's down is in hell is bad," so we subpoenaed all the ones below the line. These people said – they didn't want any part of

it. And that's how we got it. It was appealed to the Circuit Court of Appeals, and Judge Bailey Aldrich said, "You know, it's implicitly a part of the law that when you have a public offering, you are going to have a bona fide public offering. And the reason for that is so that investors have a right to rely on the fact that this is not rigged; there is a demand for this stock." He said in this situation it was rigged. And also, he said there was a failure to disclose, which violates the 17 and 10b. What did they fail to disclose? They were going to fudge the offering. And he said there was an implied misrepresentation. What's the misrepresentation? That we're going to raise this money in a bona fide public offering, so that became false. He said, "Put them all together, it constitutes a course of conduct," etcetera.

And from the circuit court, they appealed to the supreme court. And the supreme court denied certiorari. So that was a good law case. A couple of other regions, Denver in particular, I remember followed that case.

KD: It looked like a big case early that got some headlines toward the end of your time with the SEC involved the Bank of Boston and international transactions.

WR: It was the Bank of New England. I think that's what it was.

KD: There was the issue of international transactions not being properly reported or something like that.

WR: It could be. That would be under the Foreign Corrupt Practices Act.

KD: Who were some of the folks that you relied on when you were director of the regional office?

WR: Well, my other colleague administrators. We would call constantly. Bob Davenport, and Mike Wollensky, Mike Stewart. He was in Texas, then he went to Los Angeles. Wilenski left the Commission, left Washington and then went to Atlanta. And New York, they had Ike Sorkin, Larry Iosin, Eddie Nordlinger. We still correspond.

KD: Okay. Did you find that the issues that you dealt with and your problems were pretty much the same regardless of where you were?

WR: Yes, there would be exceptions. For instance, there's no way Boston was going to have any mining problems or geology problems. Denver generally had all that. And they had a special person dealing with that who worked there, you know, he was a geologist. So those things were exceptions. But as far as stock manipulations, sale of unregistered securities, investment contract, broker-dealer problems, they were pretty much the same nationwide.

KD: You came into the regional office from the Washington office. Did you have folks who were doing that when you were in charge?

WR: Coming in from Washington?

KD: Yes.

WR: I think I was the first. No, I'm sorry, I think the second. Because Frankhauser went to New York, but then they all seemed to. They liked the regional climate. And I must say that Washington was bureaucratic. And you had a chance to do your own thing if you went to a regional office, either as an assistant or as the head. And the regions themselves, I think, were happy with that because prior to that time, as I said, most of them were politically led. But they were small. When I started with the SEC, there were only 1800 people nationwide. Boston had eighteen. Now they've got over a hundred. That's why I get upset again when I watch those hearings with Congress. I mean, for years, you've under-funded us, and now you're saying we can't do the job.

KD: You started with eighteen. How many people were in the office when you left in '85?

WR: Forty-six.

KD: Forty-six. Okay.

WR: That was a crowning achievement in my career [laughter].

KD: That's a very large increase.

WR: It is.

KD: At that point, you had Boston, Providence?

WR: Jurisdiction?

KD: Yes.

WR: We had all of New England.

KD: All of New England.

WR: Or wherever else they needed help. But that was true of all the regions. You know, if you needed help, that's how I got to litigate in other districts.

KD: Okay. Was forty-six people sufficient to do that job?

WR: No. No. One of the areas we were very weak in and still are, I keep talking we—once you work for the company, you always work for the company, like the CIA. But investment advisor. When I was there, I had two people doing it, and I don't know how many hundreds of advisors you have in New England, so it became a problem to the point where Massachusetts would propose an investment advisory statute, and I was

permitted by the powers that be in Washington to testify before the Massachusetts General Court, as it were, or subcommittee, in favor of the bill. And the reason I was doing it was we felt that would take pressure off us.

I was the first SEC person to be able to do that, testify in a political setting in the state. Mike Unger was the head of securities, good friend of mine, and he was supportive, but the industry here wanted no part of it. But in any event, the night before I testified, John Shad called me at home. And he said, "Willis, whatever you do, don't say the SEC can't do the job." He said, "Say that we're in favor of the bill because we think that will enhance our ability to police investment advisors." That's what I said, and the bill didn't pass.

KD: The word enhance wasn't enough.

WR: No. No. Well, there was a lot of political pressure not to do that. Because, as you can suspect, Boston is a hotbed for investment advisors. It all started here. And I did quite a bit of work with the Advisors Act. I did the first case involving the advertising rules, *SEC vs. Spear and Staff.* There's another case where the SEC didn't want to go to court. They said, "Let's try it in our own forum because we may get shot down in court." There was a constitutional question which later came to fruition in the Lowe case before the Supreme Court where the Supreme Court said a publisher of a bona fide newspaper is exempt under the first amendment.

This wasn't quite the first amendment, but it had overtones. If you read the advertising rules, the last thing is sort of a catchall. Otherwise, materially false or misleading. Well, Spear and Staff were letter writers, and there were a lot in those days, and they would entice subscriptions and give you advice by mail, you know, get a letter. But their advertising had flags and everything else on it. And the fine print said, "We can't guarantee anything," but you had to look at it like that. So we used that as a fulcrum to bring a case saying that this was misleading because it clouded the minds of a prospective subscriber as to what was really involved. They had dollar signs in big capitals.

And we got a good opinion in the matter of Spear and Staff. It was a Commission opinion. It never did go to court. But you might say it's the law today. And we had several cases involving investment advisors in this region. And again, because the place is loaded with investment advisors.

The hard fact is the Investment Advisors Act is not suitable to the community it's now responsible for. When it was originally passed, it was an afterthought hitched on to the Investment Company Act, and it was designed to interdict tipsters and stock manipulators. But nobody anticipated back then the number of people that would need help. Nobody figured everybody in the world is going to invest. They haven't got time to do it, so they have to hire these people. And the Act is just a eunuch. It can't service the community it was designed to, the ordinary investor, it just can't. It should be rewritten, frankly.

KD: Yes. And a lot of states are involved in doing that.

WR: Yes. It's just not sufficient. And, you know, talk about enabling provisions. The SEC has attached rules to provisions which have nothing to do with fraud just so they could get it in. They lost the Goldstein case. I was on a committee of regional administrators to look at the Act and suggest changes, and what we came up with that worked was the brochure rule. But one area we focused on and we could not resolve was qualifications to become an advisor. Because the hard fact of life was a guy with five degrees from Harvard was a lousy advisor [laughter]. Some guy who hung around a pool parlor was very good. So the compromise was you had to put your educational background for ten years, and then let the customer decide.

KD: Disclosure, so to speak.

WR: Yes.

KD: Well, you talked a little bit about your decision to leave the SEC. And I'm wondering what got you to –

WR: Why I did it?

KD: Yes. And what got you to NASDQ.

WR: Principally, money. I would've stayed at the SEC. I loved the agency and my colleagues. And they all left for the same reason, money. But I do a lot of speaking, and I speak all over the country on securities law. And to this day, the SEC brings me in once every year or so to lecture to their new employees on the '33 and '34 Act, which I'm delighted to do. But I get a big kick out of it. These are their basic statutes.

KD: Yes, and they're bringing you in to lecture on them.

WR: Yes. And I did the same for the NASD for years. And the NASD had a great general counsel, Frank Wilson. He was a pilot during World War II, or at least he flew. And he appreciated the aspects that I presented in terms of my enforcement background, my litigation background, my speaking background. And at that time, Gordon Macklin was the head of NASD. He was a Brown grad. So they pitched me after the scotch whiskey case to come with them in Washington. That I didn't want. And I think they viewed me, right or wrong, as a way of upgrading their image beyond being a union for broker dealers. In the NASD, that was my biggest achievement, getting our papers to say we weren't.

In 1984, they came to me in Boston and they said, "How much money do you want?" And I said, "Well, I don't want to go to Washington again." My wife would've said yes. They said, "Well, Bill Clendenin," who's the head now, "will agree to go to New York and open up Boston, and you become a vice president. There's been no offices in the

districts." So I thought about it, and I said, "All right," because I had a family, and they paid me a lot of money.

KD: Were you going to look at enforcement in particular?

WR: That's, ultimately, why I left the NASD is because I was pretty much an executive and not a lawyer anymore. I still continue to write, I still continue to lecture. I even was invited to speak in Poland to their new stock market. But the enforcement aspect was de minimis. I think all the years I was there, we had about three cases that you would call adversary in nature; nothing in court. That was all handled by the general counsel's office, and they, in turn, found that out.

Now when I went to private practice, they hired me, the NASD, to handle their outside litigation. So, I mean, they were a great place to work. And, financially, they were magnificent.

KD: When did you leave NASD?

WR: 1999, December 31.

KD: Any highlights from those years that we should talk about?

WR: With the NASD?

KD: Yes.

WR: Speaking in Poland was one. I still lecture to the SEC and the NASD both. The development of the NASDQ stock market. That was one of the jobs the executives had was to pitch the NASDQ markets to the states, and I had no problem doing that because when I was with the SEC, I worked closely with them. As a matter of fact, NASAA got its big boost, not from me, but from the securities director in Massachusetts, Ray Cochi, who was out of the industry, and he boomed it, but he would use me. When they brought a case, I'd do the case for them. And I wouldn't go up front, but I'd put it together. And Irv Pollack was in cahoots with that. He was a big mover for the states.

And I still go to NASAA meetings and I lecture to them in Florida. There was a lot of intercourse between the various – now the SEC is becoming a little bit standoffish. They have too many people who really don't look at the agency as a fraternity. They use the word collegiality, but collegiality ended when Sporkin left and Fedders came in and Shad came in.

For a while, it came back when Harvey Pitt came on, but he got crucified for nothing. And Cox was a nice man, but they need more staff people. Now they've got two, Alice Walter, Mary Shapiro. Mary was actually chairman when, I guess, Donaldson – she was interim chairman, I know, because everybody had left. And at least Walt, who used to be with the Commission, I worked with him for years. So maybe they'll get that esprit de

corps back, which they have lost. It's still the best agency in the government. And they say, "Well, people only come there to get experience." Well, why not? That was true when I was there.

KD: Well, and like you say, once in the company, always in the company. It's only going to help to have all these people in the company out there in the rest of the country.

WR: That's the way I look at it.

[End of Interview]