Securities and Exchange Commission Historical Society
Interview with Ira Lee Sorkin
Conducted on July 19, 2006 by Kenneth Durr

KD: This is an interview with Ike Sorkin on July 19, 2006 at Dickstein, Shapiro in New York City by Kenneth Durr. Thank you very much for agreeing to talk to me.

IS: Sure.

KD: I want to start out with just a little bit of background on how you got involved in this field and what brought you to the Securities and Exchange Commission. You can start with the first time that you came to the SEC.

IS: During the summer between my second and third years of law school, I was an intern in the United States Attorney's Office for the Southern District of New York, and spent one month interning in the Narcotics Unit and the other month in what was then known as the Securities Frauds Unit. I worked on a number of securities fraud investigations, some leading to indictments.

When it came time to apply for a job during my third year of law school one of the attorneys suggested, why not apply to the SEC? You've had some experience here, you've worked with some SEC lawyers, you've worked with some SEC investigators. I thought that was a terrific idea and so I applied to the SEC in early '68, graduated in June of '68, got the job and started at the SEC in August of '68. That's how I got to the SEC.

KD: What did you want to pursue when you got to the SEC? Did you have ideas about that?

IS: I loved the adversarial nature of what we were doing. I wanted to try cases because I had seen them in the U.S. Attorney's Office. Parenthetically, I had spent my summer between the first and second year of law school in the District Attorney's Office in Brooklyn involved in the antithesis of white collar cases--murder cases, narcotics cases, robberies, assaults—and I loved the courtroom. So I wanted to get involved in the investigation and trial of securities-related cases and that brought me to the SEC. When I realized that my

real goal was to get into the U.S. Attorney's Office, I applied in 1970 to the U.S. Attorney's Office to go back where I had spent that summer and joined the U.S. Attorney's Office in November of '71.

KD: What did you do?

IS: I spent the first 11 months trying what we called short-trial cases--cases that generally lasted up to a week. In my first 11 months I tried 15 cases; 13 of which were jury trials and then I went from what was then the Short Trials Unit into the Securities Frauds Unit. I spent a little over three years in the Securities Frauds Unit investigating and trying stock manipulation cases for the most part--that included organized crime people, Wall Street people, brokerage firms and the like, and then in the last approximately 10 months in the U.S. Attorney's Office I was Deputy Chief of the Criminal Division. And then I left to go into private practice. So that's my first eight years before going into private practice.

KD: So you came to the SEC the second time out of private practice?

IS: Yes.

KD: Were you in New York your first time around?

IS: Yes, I spent the whole time in the New York office.

KD: Who was running the New York office at that time?

IS: I was hired by Mahlon Frankhauser. He left and the new administrator was Kevin Thomas Duffy, Jr., who in September of '72 became--and still is--a Federal judge in the Southern District of New York.

KD: What attracted you back? You made the decision to leave once; what brought you back?

IS: Government service, public service. The U.S. Attorney who swore me in, Whitney North Seymour, Jr., was enormously influential in encouraging young lawyers to serve in the public interest, and I had that in mind. I also, on a personal level, felt it would be great to go back and run the office that I started my career in. And that's why I went back.

KD: What did you find when you came in and you took a look at this office that you once worked at? Did it look different? Were you surprised?

IS: It was the same decrepit government office building with not enough room and beaten up furniture; but of course it looked different because you come at it with a different perspective. Instead of being a Staff Attorney, I was now the head of an office with about 195 lawyers, accountants, investigators, examiners, administrative staff; so obviously, you come at it from a different perspective and I had some very, very good people working for me. That was it.

KD: Like who?

IS: Anne Flannery, who was head of the Enforcement Group; Carmen Lawrence, oh I could go through a whole bunch of people and I know I'll leave people out. Of course to me the most important thing in that office which I learned when I was on the staff initially was if you really want to learn how this industry works, don't listen to the lawyers, listen to the examiners and the investigators. We had one great advantage when I started at the SEC in '68. Rather than hiring people who had a B.S. in Finance, we had on the staff people who had been hired from the "Street" and as a result, for a young lawyer coming in right out of law school, working with individuals who had spent 20-odd years on "Wall Street," who knew the ins and outs of how the industry worked, that was of enormous advantage to us. You could not learn from books how this industry worked; you had to listen to these guys because these guys had been there and had done it. And I think it's unfortunate for some of the younger staff people today at the SEC who don't have the advantage of having those types of people still around.

KD: It's pretty rare to get somebody from the Street?

IS: That's correct.

KD: What was on your agenda? Was there something in particular that you wanted to accomplish?

IS: When I started in '68?

KD: No, when you came to take over.

IS: You have to understand that when I started at the New York office as the Administrator or Director, it was smack in the middle of the M&A craze of the '80s--the takeover, the green mail, the insider trading, the world of Boesky, Milken, Levine -- so it was a very interesting time. Stocks were volatile; tender offers were being made at twice the prevailing market price, insider trading was--I don't want to use the word rampant--but it was a very interesting time because like everything in this industry it moves in cycles. The '80s was the takeover, M&A craze. The '90s was the micro-cap fraud world. The first part of this decade has been mutual funds, "spinning" and allocations of stock and research, so these things work in cycles.

KD: A lot of enterprising people finding new ways …

IS: New ways to make money legally and illegally.

KD: Given that you came in in the middle of this M&A--

IS: Right.

KD: John Shad had already given his little piece about coming down on insider trading with hobnail boots.

IS: Right.

KD: Did you have any insider trading cases that were going through the pipeline when you came in?

IS: The answer is yes, but let me go back because I think you need to hear this piece. When I was in the U.S. Attorney's Office in 19--I think it may have even been sometime in 1972 --I had a conversation with the then U.S. Attorney, Whitney North Seymour, Jr.--Mike Seymour. We had come up—and I don't remember whose idea it was—with the idea of analyzing the trading in securities of companies several weeks before their 10-Q was filed and a couple weeks after the 10-Q was filed, and we decided to do an analysis of the price

and volatility of the stock. And so there was, as I recollect, a nice young lady; I think she was a high school student who was doing some semi-paralegal work there, and I asked her to go to the *Wall Street Journal* and pull out at random companies that had filed their 10-Q and to go back and look at the trading in the stock two or three weeks before the publication or the filing of the 10-Q and a couple of weeks after. We did a little chart--she and I -- and we discovered, as I recall, that in about two-thirds of the cases the stock began to move before the publication of the 10-Q and sell-offs after publication. In looking at that analysis, we realized that there was information out there. Now there were no criminal insider trading cases until *US v Chiarella* in February '78; so in '72 and '73 we began to talk in the U.S. Attorney's Office--myself, Mike Seymour, Rusty Wing, who was head of the Frauds Unit -- about bringing a criminal insider trading case. Rusty Wing, who is a terrific lawyer, says that I was the one who came up with the theory for bringing the first criminal insider trading case. I've said to people, I'm flattered, but I don't remember doing it. He has a better memory than I do; I know we talked about it but he says that I came up with the theory and I don't remember that it was my idea. I know we talked about what we were going to do.

I left the office December 31, 1976 and *Chiarella* was filed February '78. I guess the theory we worked on--the breach of fiduciary duty to the shareholders--was rejected by the Supreme Court in 1980 when *Chiarella* got up there after it was affirmed by the 2nd Circuit. But out of the dissent in the *Chiarella* case came, from then Chief Justice Burger, this concept of "misappropriation of information."

KD: Right.

IS: In 1982 you had *United States v Newman*, which was a 2nd Circuit case, and *Newman* affirmed the convictions because the government went in in 1980 --whenever the Newman indictment was filed--on the theory of misappropriation: that a duty had been breached to the employer, not to the shareholders of the target company. The 2nd Circuit affirmed and the Misappropriation Theory was born. And so that was in '82 and so we had the Misappropriation Theory in the 2nd Circuit in '82 and then everything after that flowed from that.

KD: What was the theory that you remember working on in the '70s?

IS: I think we started out with the idea that the courts had said as far back as 1961 in a SEC administrative proceeding and then in the *Texas Gulf Sulphur* case in the mid-'60s that there had to be a duty, a special relationship, which evolved into a fiduciary duty. And there's even a 1909 case where the Supreme Court articulated this concept of duty. And so while I felt that you had to have a duty that was breached, our theory was that the duty--and this is what Rusty Wing is telling me and again I don't remember coming up with this but if he wants to give me credit I'll take the credit--the duty that was breached was to the shareholders of the target company. In other words if I had bought stock in the target company knowing there was going to be a takeover of the target company and I didn't tell the shareholders of the target company I knew something they didn't know, therefore I breached a duty to those shareholders. That was the theory that I think we came up with in the '70s.

KD: The classical theory would have involved the duty to the shareholders of the company doing the taking over?

IS: No. The classical theory that we came up with was the target company shareholders don't know that there's going to be a tender offer made for their company. Whereas I knew about it, assuming that I had the inside information, and so I bought the stock from them without disclosing to them that I knew there was going to be a takeover of their company. So the duty that we came up with was the breach to these shareholders. The 2nd Circuit affirmed that but the Supreme Court rejected that and said that the person buying the stock of the target company doesn't owe a duty to the shareholders of the target company and therefore *Chiarella* was reversed. But in the dissent by Burger, Burger said in substance, "Wait a second; Chiarella stole this information. He breached a duty." The question then became whose duty--to whom did he owe this duty? Burger said he owed the duty to his employer who had entrusted him with the inside information because he was setting the type and the employer had gotten that information from the law firm that was representing the tender offeror. So from the tender offeror to the law firm to Chiarella's employer, and then from Chiarella's employer to Chiarella. There were various duties along the way. And the Supreme Court said in the dissent by Burger that Chiarella owed the duty to his employer but since the government didn't go on that theory, they reversed.

So we had to use the fiduciary duty theory; we just had the wrong party to whom the duty was owed. The U.S. Attorney's Office for the Southern District learned their lesson from

Chiarella. In 1982 or '81, the *Newman* case was tried; they said, okay, the duty is owed to the employer of the investment bankers who utilized the material non-public information.

KD: So rather than the shareholders, it's an employer?

IS: That's correct; you stole the information, and that's how the Misappropriation Theory became law and the Supreme Court really didn't touch it until 1997--'98 in the *O'Hagan* case when they said that "misappropriation is the law." And so to get back to your question a while ago, what was it like in 1984 when I went back to the SEC? We had a lot of investigations in the insider trading area using the Misappropriation Theory.

KD: What was the sense about whether these were going to be successful? I understand that insider trading can be very difficult.

IS: An insider trading prosecution is extraordinarily difficult because it is extraordinarily fact intensive. It really turns on what you are told, when you are told, the materiality of what you're told, and what you do with it, and words are critical. The example I always use if I'm playing golf with somebody and after we finish the 18 holes that person turns to me and says there's really a good company; they're doing very well. If you play the stock market you ought to go out and buy stock in this company and I do. I'm okay legally at that point, but if that person who gave me that information adds a few words such as and I'm the CFO of that company and we're going to be taken over in another week, it changes the whole nature of the equation and now I've got a problem. So those words--you have to prove what was said, when it was said, the nature of what was said and the materiality as I said earlier. So that's why they're very difficult to prove; you can draw inferences. In other words, if I deny that the fellow told me something but no sooner do I get to the clubhouse and I call my broker and I say to my broker, buy 10,000 shares of this company, and I've never bought more than 500 shares at any time, and I say to my broker I want you also to buy 100 calls of this company, the circumstantial evidence suggests that I knew something. And a trier of fact could very well infer based upon evidence that it is circumstantial that I had material non-public information from the guy I played golf with. So those are some of the things you have to consider when investigating insider trading cases.

KD: Would most of these cases end up hinging on circumstantial evidence?

IS: A lot of them do; the SEC brings a lot of cases based upon circumstantial evidence.

KD: They bring them but are they successful?

IS: For the most part they are, because their burden is by a preponderance of the evidence as opposed to beyond a reasonable doubt in a criminal case, so they have a much lower burden. Obviously, if I went out and bought 500 shares of the company and no calls, then I might very well persuade the trier of fact, hey, I don't buy more than 500 for anything; I didn't buy any calls; I didn't borrow money to do it; that's consistent with me buying on a rumor. On the other hand, you look at the number of shares I bought--10,000; I immediately ran to my broker as soon as I got in the clubhouse, well that sort of changes from the perspective of the trier of fact what I knew and didn't know and one could infer based upon other conduct that I engaged in that I had material non-public information.

KD: So that's kind of a rule of thumb--something that you were always dealing with?

IS: You're always dealing with that. That's correct.

KD: Were there similar things that seemed to be consistent with these cases--either what you were finding or the way your people approached them?

IS: The way you investigate an insider trading case hasn't changed. The technology is better but it really hasn't changed much in the last 20-odd years. You look at the trading in the stock, the volatility, the volume, the price, and as I like to say, you develop a universe of people and entities who one believes had access to the material non-public information. And in a simple case of a takeover, the universe would include for the most part the investment bankers, the two entities involved--the takeover company and the target, the lawyers, the accountants, the public relations people and the administrative people who were involved in that process. And then what you try to do is narrow that universe and collapse that universe and you call investors in and you ask investors how did you find out about--let me step back. I'm jumping ahead. Why did you buy the stock? And you might get an answer that "I believe in astrology and Jupiter was aligned with Pluto and it was a good time to buy the stock of this company."

KD: Did you really hear that?

IS: You get some crazy answers. I just thought it was a good time to buy or I needed money; I was looking for my kid's future or I'm into this technology or whatever the case may be. And then you try to put together relationships. Does the purchaser of the stock know anyone within that universe--any of the investment bankers, any of the lawyers, any of the public relations people--all those people who within that universe had access to the insider information and then you start trying to collapse it and linking the purchasers to the sources. It's like your brain; you have neurons through electrical impulses passing on -- millions and billions of neurons all clicking and that's how you can observe something and understand something. The same thing happens in insider trading; you're trying to put the connections together and it's time consuming and it takes a lot of work but that's how you go about investigating it. And it hasn't changed much.

KD: It sounds like there's a process of winnowing?

IS: Yes; that's right. I call it collapsing the universe of people. You are winnowing it down.

KD: Were there some notable cases that you were working through at this point?

IS: There were a bunch of cases. One case that was there when I came in was the *SEC v Tome*, which established that the government could freeze assets of a foreign entity who was doing business in the United States. I don't remember the name of the case, where the Misappropriation Theory for the first time was applied in a civil case. Anne Flannery handled that case; but I guess the most notable case was called the Yuppie Five case.

KD: I've heard of that.

IS: And the Yuppie Five case was, I'm told, the basis of the movie *Wall Street* but again I don't know that to be so.

KD: Tell me a little bit about that case.

IS: That was a case that moved very, very quickly. We had someone who had contacted us and had told us that he was working for a firm and he believed that the person in the firm was

receiving inside information from a source. And in fact that person who told us that information had taped the individual who he thought was getting inside information. The person who gave us this information did so at enormous sacrifice to his career but he realized that people were doing wrong, it couldn't be tolerated, and he suffered immensely in his career. And he's fine now.

We then immediately contacted the law firm where we thought --I'm trying to remember the sequence of events--the source of the information was coming from and the managing partner of that law firm sent the tipper—who ultimately turned out to be the tipper—out of the country ostensibly on business for a while. That next day, and again I say this moved very quickly, we brought in the employee of this brokerage firm where the source had worked and flipped him, contacted the U.S. Attorney's Office; the U.S. Attorney's Office flipped him as well; he broke down. He confessed and then the U.S. Attorney's Office put a wire, in other words a body recorder, on him. He went out a day later and taped some of the other tippees and we then brought in one of those people who were taped to take his testimony and I remember going in to hear the testimony and listening to this young graduate from a very good business school with a Master's in Business and a very good undergraduate education lie when he said he didn't know anything, didn't know anybody, didn't have any information and I remember calling his lawyer out of the room and saying to him: he just committed an obstruction of justice; he's made a false statement. It's Section 1001; you better have a conversation with him. And he went back in and had a conversation with him; the kid still stuck to his story and then I think before the week was out there was an indictment. We moved very quickly on the case.

KD: Why did you send the one guy out of the country?

IS: He ultimately wound up being the source of the information; he was the guy that was going around the law firm stealing information and tipping off his friends and the law firm didn't want him around so they sent him off I think to the Paris office for a week to do some work.

KD: Now would that one needed to have been tried under Misappropriation or--?

IS: No, you always have to have a fiduciary duty. That's where you start. But clearly that would work under the Misappropriation Theory because the young lawyer at the law firm--

if you put the *Chiarella* hat on him--was stealing information from his law firm. The law firm had been entrusted with this information by their clients. So he in effect stole the information from the law firm. He misappropriated the information from the law firm and then tipped his friends, who knew that the information had come in breach of a duty owed to the law firm by this source, and it's a classic misappropriation case.

I think you have to understand when you're dealing with an insider trading case that the classic insider trading case always was that the classic insider--officer, director--he learns that the company is about to be acquired or he learns that the financial picture is going to be very good and he expects the stock to go up and he goes and buys the stock of his own company. What Misappropriation did was in effect say that the person buying the stock does not have to be in any way associated with an employee of the company.

I don't want to leave out the Winans case which was 1984--'85--

KD: Was that underway when you came in?

IS: It was underway when I came in; it was being handled out of Washington and that too was a misappropriation case because what Winans did was in writing the *Heard on the Street* column, he had interviewed people who had said good things about companies and because the *Heard on the Street* column was read by 2,000,000 people plus what was said in that column would influence their investment decisions. So if he went out and interviewed somebody who said I think Boeing is going to do very well; they've got some great contracts, they've got some defense contracts, and I expect the stock to appreciate, knowing that some analysts were saying that and it would be heard on the street, what Winans did was tell his friends--well his friend, his roommate and others as I recall--that in a few days my *Heard on the Street* column is going to be coming out; it will mention Boeing in there because some guys have been saying Boeing is going to do well, so they went out and they bought Boeing. And sure enough, the investors who read the *Heard on the Street* column saw it and some of them thought Boeing was good and they would buy and the stock would come up and then his friends would sell; and misappropriation in that case was that Winans had misappropriated from the *Wall Street Journal* the proprietary information that was in the *Heard on the Street* column. That information belonged to the *Wall Street Journal*; the date of publication belonged to the *Wall Street Journal,* not to Winans.

Now that case was affirmed by the Circuit and went up to the Supreme Court and my recollection is that they affirmed the mail fraud conviction and they split four to four on the Misappropriation Theory, so there was still *Newman* in the 2nd Circuit, and then of course you had O'Hagan in the late '90s which finally put the stamp on the Misappropriation Theory.

KD: But it's still a while when you're back in the '80s with Winans?

IS: Oh yes, absolutely.

KD: It's still up in the air?

IS: Still up in the air and the whole concept was going back to Chiarella. Chiarella is a typesetter and he has nothing at all to do with the company. What relationship does he have either with the target company or the takeover company? And that was a complete split or breakaway from the concept of the classic insider of the company who worked for the company and who had access to the information by the very fact that he worked for the company. So you had to bridge the gap between the information coming from the company and a wholly distant outsider who had nothing to do with the company.

KD: Was there anybody in the Commission saying we can't do this because they're outsiders? We've got to focus on these classical cases?

IS: I don't think so, no; when I got back to the Commission in '84, and again I can't remember the case that Anne Flannery worked on that affirmed the Misappropriation Theory for the first time in a civil SEC case. Don't forget *Newman* was a criminal case, but I don't remember any reluctance at all because they had the dissent in *Chiarella*, they had the law of the 2nd Circuit in *Newman*, and until the case got up to the Supreme Court to deal with it, that was good law in the 2nd Circuit and that's where the cases were brought.

KD: You talked about Winans being handled out of Washington and a lot of these other cases are certainly back and forth.

IS: Right.

KD: How did that work? How did you divide the labor?

IS: Whoever got there first. There always was a tension between New York and Washington. I won't go so far as to say that Washington tried to steal cases from New York or New York tried to steal cases from Washington but New York was strong enough to tell Washington it's our case. You couldn't do that in Seattle; you couldn't do that in Atlanta and so on. But in those days the Administrators of the various Regional Offices could go directly to the Commission. If I felt as the Administrator of the New York Office that a case should be brought and I had the Director of Enforcement disagreeing with me, the General Counsel disagreeing with me, that didn't stop me from going directly to the Commission and arguing my position and they could argue theirs and the Commission would decide. If I felt a case should not be brought and they disagreed with me, we'd argue it out in front of the Commission.

KD: Did that happen?

IS: There were a number of times--well I won't say a number. I'm overstating it; there were a few but important cases where the General Counsel disagreed with me and/or the Division of Enforcement disagreed with me and more often than not New York won. And it did get contentious at times. Today you don't have that; today it all funnels up through the Division of Enforcement, so the Administrators or the Directors of the various regions can't go directly to the Commission but in those days we had as much right and say so to go to the Commission. So there was this tension.

KD: Did you do that in the Yuppie Five case?

IS: No, there was never any dispute about that. There were disputes where Washington thought we should not bring a case; we thought we should not bring a case--they took a different view and we just went to the Commission and we argued it out and the Commission made a decision. I don't remember any instance in an insider trading case where it happened. Everyone was on the insider trading bandwagon in the '80s.

KD: So it would have been other things?

IS: The other types of cases, yes.

KD: How much of your business was insider trading?

IS: I think if you look statistically at the cases the SEC has brought over the last 20 or 25 years, while insider trading and stock manipulation have received the most exposure in the press and in the public's eyes, the plurality of cases has been in the financial fraud area--false filings relating to the financial condition of the company. But I can't remember statistically how many were insider trading and how many were the others. Certainly insider trading was the most prominent because it was attractive to the press and the public.

KD: I'm wondering how you felt. I mean obviously those couple years when you were in that seat you must have been constantly saying okay; I've got to deal with this.

IS: Right, because the Commission had made insider trading a priority and because the U.S. Attorney was now very actively involved in insider trading cases. The fact of the matter is that the Commission being so understaffed then, as well today, we had to react. And we were reacting to the market, and the market in those days--you couldn't open up a newspaper without seeing takeovers and tender offers and risk arbitrage and green mail-- so we were reacting to you know all of that going on. You couldn't open up a paper without seeing a stock jump 20 points in a day because somebody said we're going to make a tender offer for this company at X-dollars, which was 50 to 100-percent higher than the-then prevailing market price. And so we were reacting to the market, the same way the Commission reacted to the market in the '90s in the micro-cap fraud area where the boiler rooms resurfaced in great force in the '90s and the staff reacted to that.

KD: Something that was interesting about the Winans case was you got a lot of heat from journalists on the First Amendment?

IS: Having spent some part of my career representing the press, I think you're right, but this was never a free speech issue; this was someone stealing information from his employer who happened to be a newspaper. Information is the most valuable commodity on Wall Street. If Winans had been arrested for stealing computers, telephones, paper clips, you wouldn't have had that criticism but here he was charged with stealing information and the information happened to be something that he had created in a newspaper. And no reporter will tell you that information is not important. Every reporter will tell you that information

is critical to their job whether they're covering leaks about CIA agents or whether they're covering the Israeli-Hezbollah conflict today or whatever; information is the bread and butter. So I think the press got it wrong. I don't remember a lot of criticism but to the extent there was some, it was totally misplaced.

KD: It might have just been a story we heard at some point.

IS: Could have been.

KD: We talked a bit about your relations with Washington.

IS: Right.

KD: Other than whoever gets there the firstest with the mostest --

IS: That was then; it's certainly not today.

KD: --did you have systems in place or traditions? Did you have ways that you did cooperate on a regular basis?

IS: Sure. I think part of the problem--if I can go off on a tangent for the most part.

KD: Sure.

IS: By the time I got back to the SEC in '84 I had spent over five years in the U.S. Attorney's Office. I thought we had done things at the U.S. Attorney's Office which the SEC could learn from. I did represent one of Mike Milken's senior people in the Milken Drexel case. I was disqualified, so to speak, from getting involved in those cases because I had just left the SEC. And I couldn't get involved in that; I had restrictions.

KD: During '84, '85, '86 though, did Washington come to New York--

IS: Oh yes.

KD: --and say hey we need you to do this; we need you to do that?

IS: Absolutely; when Washington had to come up if they filed a case in New York, we made our facilities available to them and tried to help them in any way that we could, notwithstanding the fact that there was tension at all times.

KD: I really want to get a sense of what you learned during this period and whether your approach to insider trading was changing or evolving?

IS: I don't think it was. Don't forget we had the Newman case in '82; we had the Dirks case in '84 from the Supreme Court; you had Winans I think in '84--'85; you had the Yuppie Case I think in '85 and '86--'86 I think it was. I don't think it was changing; I think we had to put more staff on; we had to find better ways to get the information; we had to work more closely, which was another issue. I was always in favor of working closely with the U.S. Attorney's Office. I think Washington at the time did not want to work as closely with the U.S. Attorney's Offices as they do today.

KD: Why didn't they?

IS: I'm not sure. I just think the SEC wanted to be there first. I was an alum of both the SEC and the U.S. Attorney's Office and quite frankly there are certain things that the SEC could not do. The best example of cooperation was the Yuppie Five case. The moment I heard about that I called up the U.S. Attorney's Office, spoke to--I don't remember whether I spoke first to Rudy Giuliani who I knew from my days in the U.S. Attorney's Office or Charlie Carberry who was head of the Frauds Unit. Within a day, we were over in the U.S. Attorney's Office and they were flipping somebody and putting a wire on him and we had worked together in sharing this and it was wonderful cooperation. From the law enforcement point of view. it couldn't have been better. And that was the type of cooperation that I thought the SEC should have more of with the U.S. Attorney's Offices.

KD: You clearly couldn't haven't moved that quickly if you hadn't had that.

IS: Absolutely not; well, don't forget I was an alum. I knew the people there; so that helped but even then if I had not even been an alum, I think the SEC--I know people will disagree with me--but I think it took a little bit too long to start working closer with the various Federal Prosecutors' Offices.

KD: What was behind your decision to step down? Did you have a private practice then?

IS: I went into private practice October 1, '86. Started, I think, May 14th '84 and left September 30th '86.

KD: What was the reason for moving on?

IS: I was broke**;** it's just that simple.

KD: That one is genuine.

IS: I left the U.S. Attorney's Office in '76 with two young children, two and five. And in '86, 10 years later, I had to start thinking about college and that's the driving force. Also I think too—and I would apply this as well at the U.S. Attorney's Office as well as the SEC—things began to look like, to quote Yogi Berra, déjà vu all over again. The cases began to look the same; the challenges were the same. There was nothing new on the horizon and I think that played a role as well. I had committed to stay only two years when I started in May of '84 and in January or so of '86 when my two years were about to come up, they asked me to stay longer, and I said I couldn't do it. I couldn't afford to do it and they said please stay and I said I couldn't. And finally we compromised and I agreed to stay to the end of the fiscal year, which was September 30th instead of May and I stayed on. And it was a burden but I did it. So I stayed on until September 30th '86 instead of the end of May '86. And that was it.

KD: Thank you so much.