

THE WHITE HOUSE

WASHINGTON

August 17, 1992

APPOINTMENT MEMORANDUM

NAME OF CANDIDATE: James Michael Reum
POSITION: Member, Securities and Exchange
Commission
DATE OF INTERVIEW: August 13, 1992
INTERVIEWER: Cynthia Ann Dominik 

James M. Reum currently is an equity partner with Hopkins & Sutter. Until April 1992, he served as president and director of APS Holdings Co. and Asia Pacific Supply Co. and vice president and director of Falcon Shore Supply, Ltd., Highland Trading Company, Ltd., and Oasis Supply Company, Ltd. In 1974, Mr. Reum served as Associate Republican Counsel for the House Committee on the Judiciary. Mr. Reum is a graduate of Harvard College (B.A. 1968) and Harvard Law School (J.D. 1972).

Authority

The Securities and Exchange Commission (the "Commission") regulates securities trading on the national securities exchanges, broker-dealers, and mutual funds, and requires disclosure of certain facts concerning public offerings and listed securities.

Under 15 U.S.C. § 78d, the President is authorized to appoint, by and with the advice and consent of the Senate, five commissioners. Not more than three of the commissioners shall be members of the same political party. No commissioner shall engage in any other business, vocation, or employment than that of serving as a commissioner, nor shall any commissioner participate, directly or indirectly, in any stock-market operations or transactions subject to regulation by the Commission.

Each commissioner shall serve for a term of five years and shall holdover until a qualified successor is appointed. Mr. Reum is being appointed to serve the remainder of a five-year term expiring on June 5, 1997. Presently, there are two Republicans, one Democrat, and one Independent serving on the Commission. Therefore, Mr. Reum, a Republican, will not upset the political balance of the Commission.

Financial Disclosure Review

The position of commissioner is a full-time, Senate-confirmed position that requires the filing of an SF 278. A commissioner is subject to the conflict-of-interest provisions found in 18 U.S.C. § 208 and the ban on outside earned income found in President's Executive Order 12674. In addition, the authorizing statute specifically states that "[n]o Commissioner shall engage in any other business, vocation, or employment than that of serving as commissioner, nor shall any commissioner participate, directly or indirectly, in any stock-market operations or transactions of a character subject to regulation by the Commission."

I spoke with Audrey Bredhoff, Alternate DAEO, regarding potential conflicts of interest that may arise with respect to a commissioner's interests and affiliations. Ms. Bredhoff stated that a potential conflict will arise if the Commission takes an action against a company with which a commissioner has a financial interest. In addition, a conflict of interest may arise if the Commission is engaged in a specific study or rule concerning a company with which a commissioner has a financial interest. Ms. Bredhoff stated that commissioners are subject to an extensive scheme of rules and regulations, promulgated by the Commission, which are designed to prevent conflicts of interest. 17 C.F.R. 200.735 et seq. Commissioners also are subject to a Canon of Ethics found at 17 C.F.R. 200.50.

Mr. Reum's financial interests include several excepted investment funds and common stock with J.P. Morgan & Co., Boston Edison, Rockefeller Center Properties, Cineplex Odeon, and KNS Companies. He also has interests with the Alcar Group, Odeon Group Limited PSP, and TV-14, Inc. In addition, Mr. Reum has real estate/oil & gas royalties with CGR Pooled Investment PSP-1984, a limited partnership interest with 1999 Broadway Associates, and a U.S. Treasury note and bond. I discussed Mr. Reum's financial interests with Ms. Bredhoff and Lynn Blanch, the Designated Agency Ethics Official. Ms. Bredhoff and Ms. Blanch stated that a potential conflict may exist with respect to Mr. Reum's stock holding with J.P. Morgan. Mr. Reum has agreed to divest himself of this interest, if necessary to avoid a conflict of interest. Otherwise, they believe that no conflicts of interest exist with respect to Mr. Reum's interests. Ms. Bredhoff stated that to avoid any conflict of interest, Mr. Reum will be required to recuse himself from participating in any matter that may have a direct and predictable effect on his interests.

Mr. Reum intends to resign his partnership with Hopkins & Sutter, if confirmed. He also is a member of the Corporate Development Board of Steppenwolf Theatre Company, which is a non-profit

organization. Mr. Reum stated that he does not receive any compensation for his position with the Steppenwolf Theatre Company. For these reasons, I do not believe it is necessary for Mr. Reum to resign this position for his nomination to proceed.

I briefly summarized 18 U.S.C. § 208 for Mr. Reum. I informed him that he may have to recuse himself from a particular matter if it should have a direct and predictable effect on his interests.

Other Information

I asked Mr. Reum the seven standard interview questions. When asked whether he has ever been arrested or detained by law enforcement officers, Mr. Reum stated that he has had minor traffic violations. Otherwise, his responses, which are recorded in the file, revealed no notable information.

In Schedule C of his SF 278, Mr. Reum disclosed his arrangement with Hopkins & Sutter upon his resignation. He will receive his contributed capital; any undistributed income earned in the year of departure; and his vested share of uncollected fees as of the date of departure, paid over a period of eight years. I discussed the terms of this arrangement with Mr. Reum. He stated that his pension accounts will be rolled over into individual IRA accounts, which will have no connection to his former law firm. In addition, Mr. Reum stated that the fees he will receive over the next eight years will be for services that he performed prior to his confirmation as a commissioner. Therefore, I have concluded that he will not be in violation of the ban on outside earned income.

I spoke with John Condray, Office of Government Ethics, about Mr. Reum's financial interests, organizational affiliations, and his arrangement with Hopkins & Sutter. Mr. Condray noted that since Mr. Reum will receive fees from Hopkins & Sutter following his confirmation, he will continue to have a § 208 interest with his former firm. Accordingly, Mr. Condray and I agreed that Mr. Reum will be required to recuse himself from participating as a commissioner in any matters involving Hopkins & Sutter. Except for technical discrepancies regarding Mr. Reum's completion of the SF 278 and the potential conflicts noted above, Mr. Condray did not believe that any other potential conflicts exist with respect to Mr. Reum's interests.

In his responses to the SF 86, Mr. Reum disclosed that he is member of two organizations (The Chicago Club and The University Club) which previously excluded women as members. Mr. Reum advised that these clubs voted to change their policies and now admit women as members. Therefore, I do not believe Mr. Reum's continued affiliation with these clubs should present an obstacle to his nomination.

Conclusion

No other matters of a controversial or embarrassing nature were revealed during my interview with Mr. Reum or my review of his file. Accordingly, assuming successful completion of all other background checks, I recommend that the nomination be allowed to proceed.

cc: Jane Dannenhauer