

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

June 1, 1973

Honorable Harley O. Staggers  
Chairman  
Special Subcommittee on  
Investigations  
Committee on Interstate and  
Foreign Commerce  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Staggers:

In response to your letter of May 30, 1973, regarding the appointment of Lawrence E. Nerheim as General Counsel of the Commission, I am enclosing a memorandum I prepared setting forth the events surrounding the appointment as I recall them.

I believe the memorandum covers most of the questions raised in your letter, particularly those regarding the need for making the appointment and the process by which the Commission approved the selection. I have not discussed your question regarding White House clearance. I was aware on May 18, when I began canvassing the other Commissioners, that the White House personnel office had given its approval to the appointment, as is customary in the case of all "non-career executive" and Schedule C appointments in order to obtain approval of the assignment from the Civil Service Commission, but I do not know whether there were other names supplied to former Chairman Cook by the White House or whether other persons outside the White House made personal endorsements of Mr. Nerheim. I wish to emphasize, however, that in connection with the Commission's ratification of Chairman Cook's decision, we were certainly not guided by any directions from the White House, and in fact no political consideration whatsoever entered into our informal discussions and deliberations.

For the Commission.

Sincerely,

Hugh F. Owens  
Senior Commissioner

Enclosure

## MEMORANDUM

The chronology of events in connection with the notification of employment of Mr. Nerheim is as follows:

On Friday, May 18, 1973, two days after his resignation, former Chairman Cook called me and said that he was sending down to me by his secretary a memorandum submitted by Mr. Lawrence E. Nerheim containing pertinent biographical data and information pertaining to his qualifications. Mr. Cook told me at that time that he had had a personal interview with Mr. Nerheim and had been very much impressed by his demeanor in general and his knowledge of the securities laws and the workings and activities of this Commission. He stated further that he had satisfied himself as to the integrity of Mr. Nerheim and the professional reputation that he had in his community. When I received the biographical data, I was equally impressed by Mr. Nerheim's credentials, a copy of which is attached hereto as you requested. It so happened that I received a call from a good friend in Minneapolis that day wishing me good luck in my new duties and expressing hopes for the continued well-being of the Commission under the rather trying circumstances under which it was operating vis-à-vis the publicity relating to Mr. Cook's resignation as Chairman. I asked him if he knew Mr. Nerheim and he said that he knew him very well and, in fact, occupied an office two floors above the offices of Mr. Nerheim's firm. He spoke very high of him, both personally and professionally, and said that his firm was one of the most outstanding in the Twin City area.

During the course of the day, I contacted Commissioner Herlong personally and informed him of my conversation with former Chairman Cook and then made a separate call on Commissioner Evans in his office for the same purpose. We were all in agreement, individually and collectively, that Mr. Nerheim was an eminently qualified man and that it would be well to go ahead with the assurances of employment that he had, in fact, been given by then Chairman Cook at the time he advised Mr. Nerheim of his selection. We also noted that the position of General Counsel had been vacant since August of 1972. Commissioner Loomis was away from the office all day on the 18th attending an American Law Institute session here in Washington. I contacted him, however, the first thing on Monday morning, May 21, and his reaction was the same as that evidenced by Commissioners Herlong and Evans. We also determined among us to give permanent Administrator status to Jack H. Bookey, who for a period of some two months had been Acting Administrator of our Seattle Regional Office. We determined further that, in light of the unfavorable publicity, it would probably be helpful to give a public "business as usual" image by announcing Mr. Nerheim's appointment and also help dispell our morale problem here by announcing at the same time the appointment of Mr. Bookey as permanent Administrator of the Seattle Regional Office.

No formal action of the Commission or minute to that effect was taken because we considered the action as more or less not only a non-objection but an affirmation of an action taken by the former Chairman pursuant to his prerogatives prior to his resignation. When Mr. Cook selected William D. Moran as permanent Administrator of our New York Regional Office

and Lee A. Pickard as Director of the Division of Market Regulation, no formal action of the Commission was taken in this regard, nor has it ever been in such instances in the past. All of the Commissioners were, individually and collectively, depending upon the occasion, simply giving evidence of either strong affirmation or non-objection.

The point that I do wish to emphasize is that the four Commissioners, acting individually and collectively, were doing so with the thought that we were getting, from the standpoint of the welfare of this agency, an eminently qualified man for General Counsel. We still feel so.

Hugh F. Owens  
Senior Commissioner