

THE WHITE HOUSE

WASHINGTON

October 8, 1991

APPOINTMENT MEMORANDUM

NAME OF CANDIDATE: John Carter Beese, Jr.
POSITION: Member, Securities and Exchange
Commission
DATE OF INTERVIEW: August 27, 1991
INTERVIEWER: Robert A. Robertson *Robert*

John Carter Beese, Jr. is a partner of Alex Brown & Sons, Inc., the oldest investment banking firm in the United States. He also serves as a director with the American Center for International Leadership, Preservation Maryland, and the Ocean Learning Institute and Palm Beach Maritime Museum. In addition, he is active with the National Rehabilitation Hospital and Childhelp USA. Mr. Beese is a graduate of Rollins College (B.A., 1978).

Authority

The Securities and Exchange Commission regulates, among other things, trading in securities on the national securities exchanges, broker-dealers, and mutual funds, and it requires disclosure of certain facts concerning public offerings and listed securities.

The President is authorized under 15 U.S.C. § 78d to appoint, by and with the advice and consent of the Senate, the five commissioners. Not more than three of the commissioner may be members of the same political party, and in making appointments members of different political parties must be appointed alternately as nearly as may be practicable. Mr. Beese is a Republican, and he would replace Philip J. Lochner who is also a Republican. Therefore, Mr. Beese's appointment would comply the requisite bipartisan composition of the Commission.

Each commissioner holds office for a term of five years and until his successor is appointed and has qualified. Mr. Beese is being appointed to serve the remainder of a five year term expiring on June 5, 1996.

Financial Disclosure Review

Commissioners are required to file the financial disclosure Form SF 278 because the Commission member position is a full-time position paid more than GS-16. As government employees, they are

subject to the conflict of interest provisions of 18 U.S.C. § 208. They are also subject to 15 U.S.C. § 78d, which provides that no commissioner shall engage in any other business than that of serving as a commissioner, nor shall any commissioner participate, directly or indirectly, in any stock-market operation or transactions of a character subject to Commission regulation. In addition, commissioners are subject to an extensive scheme of rules and regulations, promulgated by the Commission, which are designed to prevent conflicts of interest, according to Lynn Blanch, the Designated Agency Ethics Official of the Commission, and Paul Gonson, the Commission's Solicitor and the Alternate DAEO.

Mr. Beese's financial interests currently include, among other things, his stock in Alex Brown, rental property and insurance policies. He also has limited partnership interests in Osprey, Ltd, HMR Investors, Cilluffo Associates, which are limited partnerships that invest in primarily common stock. In addition, he holds stock in certain publicly traded companies, bonds, privately held companies, and mutual funds. Mr. Beese is also a director of Alex Brown, and he serves as a director with certain nonprofit organizations: the American Center for International Leadership, Preservation Maryland, and the Ocean Learning Institute and Palm Beach Maritime Museum.

I reviewed Mr. Beese financial interests and organizational affiliations with Ms. Blanch, Mr. Gonson and Norman Smith, of the Office of Government Ethics. In order to avoid any conflict of interest problems, I briefly summarized 18 U.S.C. § 208, 15 U.S.C. § 78d and the Commission's rules and regulations for Mr. Beese in his interview and explained their application to the specific interests at issue. Based on the review and on the advise of Ms. Blanch, Mr. Gonson, Mr. Smith and myself, Mr. Beese has agreed to do the following: (1) resign from his position with Alex Brown before he is sworn in as a commissioner, (2) obtain a certificate of divestiture for his Alex Brown stock, and (3) obtain a certificate of divestiture for the limited partnerships of Osprey Ltd, HMR Investors and Cilluffo Associates. Mr. Beese is required to resign from Alex Brown because Commission rules and regulations prohibit a commissioner from being affiliated with an entity that is regulated by the Commission.

Mr. Beese has been advised that he may continue to hold his other investments. However, if a conflict should arise, he would be required to recuse himself from participating in the particular matter in question. The Commission monitors the matters that come before the commissioners to determine when recusal is required. In addition, Ms. Blanch believes and I agree that Mr. Beese's remaining investments are of a nature that recusal would resolve any conflicts, and that conflicts are unlikely to arise because Mr. Beese will hold a relatively small number of assets. Accordingly, we believe that Mr. Beese's financial interests and

organizational affiliations should not be an obstacle with regard to his nomination.

It also should be noted that under the Commission's rules and regulations commissioners are not permitted to make new investments in publicly traded stock or mutual funds unless the purchase is approved in advance by the Commission.

Other Information

Mr. Beese in his interview stated that he was the subject of a routine IRS tax audit in 1988, which resulted in no material changes to his filing. Accordingly, he believes and, based on his representations, I agree that this matter should not prove to be controversial or embarrassing in connection with his appointment.

I posed the standard interview questions to Mr. Beese. His responses, which are recorded in his file, revealed no notable information, except for the tax matter discussed above.

Conclusion

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

cc: Jane Dannenhauer