

**Securities and Exchange Commission Historical Society**  
**Interview with David Clapp**  
**Conducted on April 21, 2014 by William Thomas**

**WT:** This is an interview with David Clapp for the SEC Historical Society's virtual museum and archive of the history of financial regulation. The date is April 21st, 2014, and we are at his house in Florida. I should note, before we get started, that Mr. Clapp participated in a Fireside Chat on April 28th, 2011 with Ronald Stack, moderated by Lisa Fairfax, on the issue of pay to play, and that also is available in the virtual museum and archive.

Thank you very much for agreeing to speak with us. We usually start with a little bit of personal background. Where are you from, for example?

**DC:** I was born in New York City, actually in Flushing, Long Island. I lived there until I moved to New York City about 15 years ago – and moved out on Long Island to Manhasset, Long Island, and that's that. I went to school in Manhasset. I went to high school at the Kent School in Kent, Connecticut and I went to college at Yale.

**WT:** What did you study there?

**DC:** English literature.

**WT:** And then did you go directly into your work after that?

**DC:** Yes, I did. After I graduated –

**WT:** What year was that?

**DC:** 1960. After I graduated, I went to work right away at a firm where my father was connected. I didn't go into any business, I went right to the back office and stayed in the back office for quite a while, actually several years.

**WT:** This is a finance firm?

**DC:** Yes, it was R. W. Pressprich & Company. It still exists, although it's not the same firm. The fact is someone brought the name at some point. Then, somewhere along the line, the year was 1974, I had been working as a financial advisor in New York, at Pressprich, and we had lots of clients. Among them was the New York State Dormitory Authority, and I came to know a man named Gus Levy who ran Goldman Sachs, and helped his hospital, Mount Sinai, get themselves out of trouble during the New York City crisis of 1974-5. He liked me so much he hired me.

**WT:** So you'd been in that municipal security area – when did you get into that?

**DC:** I was in it then, but not in the underwriting side. We had a financial advisory practice, and I ran that.

**WT:** But you were working on other kinds of securities as well?

**DC:** I was doing some other kinds of bond work, particularly in public finance, Treasury bond work, and stuff like that, but I liked the municipal bond business. I liked the people, and I liked the feel of it, and I had other family members in it, and Gus wanted me to come to Goldman Sachs and work in municipal bond business where they were just growing their business.

**WT:** So that had started fairly recently, then?

**DC:** No, it had started a while before, but it was sort of a small corner of what Goldman Sachs did. He decided that he thought it was a great business and that they should do more of it, and so he hired me. I joined another friend of mine, who already worked there in the business, and we had a small department at the time but we grew over a period of time.

Gus was very enthusiastic about it. He had a stroke at a meeting with the Port of New York Authority, where he'd been a member for a while, and died in 1976, I believe, but the firm then was taken over by John Weinberg and John Whitehead, and they loved the business too, so we just kept rolling along.

**WT:** What did your work involve?

**DC:** I was mostly in the finance end of it. At that point, a business which had largely involved competitively bid bond issues began to switch over to negotiated bond business, because issuers were selling larger and larger issues and some of the ratings were between BBB and A-, and so they wanted to put together an investment banking group to give them an offering on a specific debt. So that's what I really centered on, is building up that business.

**WT:** Let me ask you about your view of the crisis in New York, and particularly in the period leading up to that.

**DC:** Yes, I'm very connected to it because I worked on it from Goldman Sachs. And I think that what happened was – and it was happening not just in New York, although the New York problem probably threatened to spill all over the country – was that people were buying note issues and bond issues of municipalities such as New York City that, if you look closely enough, had some rather large financial difficulties, couldn't do their budgets, couldn't get where they needed to get on time.

And then one day the banks refused to roll over New York City's short term debts. I think it was billion dollars worth of notes, and when you don't roll over notes you're hurtling towards default. So a group of us got together with the governor, Hugh Carey, who is, by the way, my hero. Everybody says it's Felix Rohatyn. The hero, Hugh Carey, was then governor.

**WT:** Be sure and tell me a little bit about why you think so.

**DC:** Because he got everybody together and said, “This is what’s going to happen. Clapp, you’re going to go to Seattle and Portland. You’re going to go here. You’re going to go there.” It was us, Salomon Brothers, First Boston, and then what was then Blyth and Company, and a couple of other firms, and we put together a group of people. In the meantime, they were writing legislation to pass the –

**WT:** The MAC?

**DC:** Yes, MAC, Municipal Assistance Corporation, which actually made it pretty easy to get out and sell stuff to people, because all the revenue power of New York State was behind it. They put into effect rules and regulations.

People don’t realize this, but New York City is one of the safest investments there is, because no matter how big you think it looks, the first dollars every year go into the bond fund. They can’t pay anything else until the bond fund is filled. Even in bad years, if you take a look at the cash flow of New York City, it’s a huge amount of money. So we were able to get that deal going.

**WT:** That was a consequence of this legislation?

**DC:** That is as a consequence of that legislation. Also, the other thing that was going on was they were putting together things behind some of the other state issuers, like the New York State Dormitory Authority and the Housing Finance Agency. If any one of those would have defaulted, it would have been the end. The whole thing would have collapsed.

There were other states that – Pennsylvania in particular – had some problems. In those days California was very strong. Illinois and those places didn't really have any particular problems. It was, basically, a New York problem. So when you would go to Seattle and sit down and say, "I'm going to sell you guys New York City bonds," everybody looks at us and goes, "You guys are nuts. How'd you like to get out of here?" At first it wasn't easy. But it turned out to be pretty easy.

**WT:** Well, let me ask you a little bit about your experience of the municipal securities market in general. Of course, it was known for having very few defaults. Trades after the initial issuance were quite rare.

**DC:** There was a big secondary market, because, remember, even then there was well over \$2 trillion outstanding; now it's well over three. I always thought that the municipal market was a kind of dull market, a lot of school district bonds. It wasn't until we got into the big negotiated finance deals -- highways, bridges, tunnels, and then large health care and higher education authorities -- that the secondary market really took off.

There's sort of a backstop to the municipals that people forget about, I think. Banks, trust companies, and people who have trusts and estates normally put a percentage, sometimes a large percentage, into municipal bonds. It's supposed to be a hedge against, which it hasn't always been, against the stock market collapsing.

I thought that it was a pretty good marketplace. It didn't have the kinds of disclosure it needed, and I worked on that later, but it didn't have the kind of disclosure it needed and it had a bunch of small dealers around the country who basically would pay to get deals.

But, for a long time, if you take the New York Power Authority, the New York Port Authority, big places like some of the big power issuers in the west, those were big finances for their day. I did a Mississippi highway refunding, and it was \$400 million. It was the second biggest deal ever done, \$400 million. It was big for those days. More and more people got into the business, and some got out. First Boston got out of the business, Salomon Brothers got out of the business, because they didn't think they were making any money in it. A couple of the guys got out of it, but a lot of other firms actually beefed up what they were doing. The banks, of course, could not buy revenue bonds. They had to buy general obligation bonds and couldn't do revenue bonds, basically because of Glass-Steagall.

**WT:** And the revenue bonds were becoming more and more –

**DC:** They had become a major part of the market at that point, and they wanted to get in on that business because they saw that it was lucrative. But they were stopped by Glass-Steagall until Congress passed a law that basically eviscerated Glass-Steagall, took it all apart.

**WT:** This is in the late '90s now?

**DC:** Yes. Then they could bid on, because they were able to be major factors in the business. They hired away a lot of good people from the investment banking firms that had departments, and we all got offered jobs, but banks in those days didn't know how to pay anyone. You told them what you thought you would make, and they'd look at you like you were crazy because no one in the bank was making anything like that money, except maybe the chairman and the president.

**WT:** So tell me a little bit more about the relationship between some of the big firms. You were mentioning some of the more regional people who you had hinted were at the beginnings of the political contributions.

**DC:** I just gave you an example that is a truism. I don't know the specific example like that. The relationships between the firms was not bad at all. Some of my best friends were at Salomon Brothers; they were our heated rivals but we were good pals and we worked hard together. I had some other good friends at First Boston, which was then in the



business. All of us had clients that we were stronger in than others of us, and some firms were stronger in some parts of the country than others.

Then the larger regional firms began to get into the business, and they had always participated in the municipal bonds business locally, and even nationally as members of syndicates. But some of them, they said, "Look, we can run these deals," and because they had friends among the politicians and various other things, they got appointed to deals to run deals, and so did we. It was pretty competitive.

We at Goldman Sachs moved up to number one in the business at some point along there, and stayed there for quite a while. But there were other guys who did very well. Morgan Guaranty Trust was a big player in the business, long, long before the Chase thing. I'm trying to think of who else I would say were major players.

The firms that had been the bracket of stock deals were also the biggest guys in the municipals to the extent that they wanted to be, and some didn't. I was always intrigued by Salomon Brothers, because it was a trading firm. Eventually they got into investment banking, and then got in big investment banking clients, and they had a very strong municipal bond department. In fact, so strong that when they closed the business I hired three or four of them to come over to Goldman Sachs, and they did very well for me, for the firm, and for themselves.

**WT:** About how many people would've been involved in that part of the business?

**DC:** At Goldman Sachs? It would have grown over a period of time. When I was running the department near the end it was – all told, trading, underwriting, analysts, investment bankers – it was somewhere around ninety people, but it had grown a lot over the years. We were bigger than the Salomon Brothers group, but not as big as the First Boston group and some others. When the business began to have some troubles – when interest rates went sky high and nobody was making any money -- some people just decided it was time to get out of the business, First Boston being one, Salomon being another.

**WT:** When are we thinking about here? I've sometimes heard the early '80s as characterized by the high interest rates.

**DC:** Yes, that's right. I always thought we made more money in bad markets than we did in good, because our spreads were higher and I thought we could make just more money by being in those kinds of deals. I sold bond issues where the 30-year bond was 13 percent, tax exempt, and people loved them. I loved them. Of course as rates came down, they do get refunded or exchanged, but it was still a big, robust business. I'm trying to think of when the MSRB came into being.

**WT:** '75?

**DC:** Yes, something like that. By the time I was on the MSRB, it was doing good work, but it had not done anything to stop political contribution scandals and it had not really gotten

into some of the nitty gritty that it needed to in terms of disclosure. I mean, after all, it was made up of people from the business. It was in the SEC, but it was made up of people in municipal bonds business: issuers, investment bankers, traders, and even an occasional analyst.

**WT:** I was just talking to Kit Taylor last week, actually.

**DC:** He's an old friend.

**WT:** Yes. He talked a little bit about you in his interview and your travails, but we'll get to those eventually. I wanted to ask you, actually, about the experience of working in what was famously an opaque market. But first I want to ask about the place of municipal securities within Goldman Sachs in general, because it was known for being kind of a peculiar area.

**DC:** It was a peculiar fit, but because of Gus, who was a member of the Port Authority, and was very, very close to Nelson Rockefeller, to the point where when he died and we went up to his funeral, Nelson Rockefeller gave a eulogy and cried. But it got pretty big in the firm, and that's because we became a significant percentage of the firm's bottom line. Not as big as investment banking, and not as big as if you took all of security sales and lumped them together, but it was a substantial business within the firm so nobody ever complained about it. Everybody liked it a lot.

After Gus, John Weinberg, who was trustee of several hospitals, John Whitehead, who was on the Board of Colleges, they got a lot of feel for it and liked it better. They were succeeded by Bob Rubin who became Treasury secretary and various other things, and Steve Friedman who also was connected, so everybody liked the business.

In later days it started to dwindle because spreads were smaller, and there was so much competition it was ridiculous. You could look in the New York Times every Monday about what's selling that week, and it's very interesting, little firms in Virginia.

**WT:** You were doing a lot of negotiated bond sales. At the same time, there's not a lot of disclosure in the market. Could you tell me a little bit about the process of negotiation?

**DC:** We did official statements, and we did do a lot of due diligence before we accepted the client. The official statements were pretty good at describing the business of the bond issuer. There were two problems. One is, nobody read them. They just didn't read them, they said, "Oh, this is the same old stuff. This is Goldman's deal. We don't care." There was that problem. Another problem was that in the aftermarket, disclosure just disappeared. There was nothing. Nothing came out. There were some requirements to provide annual reports and things like that, but accounting for tax-exempt organizations is pretty weird. It's really fund accounting, and so a lot of people just couldn't understand it, make neither head nor tails out of it. So partially because of the MSRB, partially because of some people at the SEC, the kinds of disclosures started to increase, although there still wasn't really enough of a requirement for it.

**WT:** I mean you start even with that basic level of CUSIP numbers in the late '70s.

**DC:** Yes, it's just the same.

**WT:** And then build slowly up from there.

**DC:** Dullest job in the world to tell your parents. "What are you going do after college? Oh, I was thinking of going to work for CUSIP." So anyway, yes, you're right, that's actually a good point. That's really where it sort of got underway, and it began to get to the point where people could identify one bond issuer from another. You know, I think actually that the purchasers of bonds – particularly institutions, particularly property and casualty companies – also wanted more of it because they felt they had much more of a fiduciary duty toward what they were doing than, say, a stock broker does to his customer who does a couple hundred bonds every three years with him. So I think it was a joint effort.

We thought we were in the forefront of drafting bond resolutions, which are indentures really, to provide for requirements along those lines, and cash flows that took into account that kind of thing. Some other firms were good, too. We thought we were right in the forefront of requiring this kind of thing. The MSRB was helpful. It worked on a lot of things that didn't matter that much, and it had not taken on pay for play yet. It's fair to say, I think, that pay for play hadn't really blossomed as big as it finally got yet.

**WT:** Had not?

**DC:** Had not blossomed as big as it got, because the bond issues weren't big enough, getting left off a management team was not the end of the world. But the business itself had taken over as the major train in the municipal business, and the competitive deals. A lot of competitive deals were required by law, so people had to do competitive deals, so they thought of ways around it. They created state agencies and other things that were sort of, you know, then, they didn't have to do competitive deals with the state agencies.

But, the fact that these deals had gotten so big, and the spreads were so big, the earlier example I gave – well not an actual example – is very similar to what would happen. If you'd go into a city – I won't name one – and you ran into the local dealers, their attitude was: "Get out of here. I'm going to make sure you not only don't do this deal, you don't do any business here." Not all the time, but a lot of times. Then some of them would come to us and say, "Come on in, you and me are going to do this business." So it got to be kind of pretty good.

The one thing about the municipal business that I think people don't concentrate on quite enough is that the quality of the people, for the most part, working in municipal government in this country is very good. They're honest people. They don't get paid a lot. They understand their businesses, how the government works, and what they have to do. There's crooks, of course, and some bad ones, but generally speaking my experience was very good with those people over the years. I mean, just great guys, great women.

And, by the way, because women kept getting elected suddenly, and appointing women, firms started to hire women. That to me was a good development that kind of came along with the business, that grew up in the business.

**WT:** That was really one of the earlier areas to include women?

**DC:** Yes, it was. That and minority groups. I hired women because we were mostly hiring from business schools, and a lot of them were interested in public finance, and they simply seemed to be more talented than a lot of the men that we would interview. That was one thing.

Then the other thing was, of course, the women started getting elected mayors of cities and the minority guys did, principally African Americans, and they wanted to hire African Americans to do their deals. So everybody kind of went along and looked to hire people like that, and some of those guys did really fabulously well, including Gar Wood, who was my partner, who was the first African American partner at Goldman Sachs. God rest him, he's gone.

**WT:** When was the big change, the '70s or the '80s?

**DC:** It was the late '70s into the '80s. But the time came when it didn't ever occur to us anymore that we wouldn't hire somebody because they were black or Chinese or a woman. It got off the table as a consideration, which was a good thing. We were way

ahead of corporate America. It was the client-banker relationship that I think helped that. Even southern firms fell in line and started to hire particularly African Americans, but also women, although not as many women.

**WT:** I want to ask about a couple things. One might be going back to the earlier phase of your career, which is before the 1969 Tax Reform Act, there were still arbitrage bonds. I don't think I'll talk to anybody else who might be able to tell me about the period before that. Did you have experience in there?

**DC:** Sure. We did arbitrage bonds. Before '69, and even after '69, the law was not sharp enough so that, for instance, I did a \$300-million deal for Harvard to build a power plant, and I did it short-term because the long-term rates were so high, and I kept rolling them over and over. The Harvard Board, which is only seven guys, said, "That's pretty good. We can do this for 30 years." I said, "You're not going to be able to." Finally a law was passed that was known as the Harvard Law, because they made something like \$15 or \$20 million just rolling these deals, and they took it out. By then, the interest rates had come way down, and Harvard was AAA so there was never going to be any problem.

But arbitrage bonds were just a fact of life. Some people I didn't think should do them, just like I didn't some municipalities should do short-term financing because I didn't trust, necessarily, their ability to roll it out into long-term financing when the time came. But then the rules changed, the laws changed, and the arbitrage bonds went bye-bye. There is still a version of it going on, but it's not really like it was in those days.



**WT:** I know in the early '90s the controversy, or the scandal if you will, on yield burning sets in, and there's quite a gap there between the two.

**DC:** Yes, what's the yield burning?

**WT:** That was when the broker-dealers benefit from the anti-arbitrage law, rather than the municipalities.

**DC:** That was really bad. I'd forgotten about that. I knew the term when you said yield burning, but I didn't remember what it was about. The guys in New York weren't doing this, believe me.

**WT:** Was it a parochial thing?

**DC:** It was. I was doing a healthcare deal down in Alabama, I believe, and they told me that they wanted to hire, as their underwriter's counsel, two law firms. Well, they were law firms that did divorces so I said, "Well, these are not qualified." They said, "To us, they're qualified." I said, "Okay, we're going to put them into your expenses and make your bond issue bigger." "That's okay, that's okay." I'd forgotten about yield burning.

**WT:** This might seep into another area: industrial development bonds, which of course became a bigger and bigger thing as time went on.

**DC:** Industrial development bonds - and I should've mentioned this – were the other thing that made the business grow so big and made some of the senior partners of firms in New York be interested, because their clients could do tax-exempt bond deals. In the beginning they could do any size they could do. Then they got limited, the size they could do.

But Goldman Sachs was always very high up on the lead tables because we had probably more corporate clients than anyone else. Even if a corporate client was on a board of a hospital in Cincinnati, he'll call up his pal, who was my boss, and say "This hospital I'm on needs to do a \$40 million bond deal, could you guys do it?" So I'd travel out and we'd do it, or at least we'd see if we could do it.

But the industrial revenue bonds, they were huge, and almost any firm could do it. A lot of them were smallish – smallish meaning somewhere between one and six or seven million – and they had pretty good ratings. Although either Standard & Poor's or Moody's would not rate them, which was very interesting. That was a purist attitude toward the whole thing. It didn't hurt anybody or anything.

**WT:** Was it apparent that there was eventually going to be a clamp-down on these sorts of things?

**DC:** There was to me. I wasn't the only one. People came to the point of thinking this is really sort of an abuse of the tax code. It wasn't considered such in the beginning because the lawyers said it isn't, and every state would pass laws allowing these kinds of bonds to be done. I didn't have strong feelings that it would get crushed, but I felt like once the ball is rolling, under those administrations that want to reform taxes, that it was probably going to be hard to stop it from getting into these things; you're not doing taxable.

And then the companies deduct, you can't deduct – it's a strange thing in a way, but it makes sense that you do a deal because you want to build a plant somewhere, you've got to do the deal. It doesn't matter if it's tax exempt, you're going to have lower interest rates, but if it's taxable you're going to have a bigger tax deduction if you're the company.

**WT:** I want to ask about the impact of the 1986 Tax Reform Act, but before I get to that I want to ask about perceptions of risk in this market, whether or not they were affected by things like the replacement of general obligation bonds by revenue bonds, or by the headline issues such as the WPPSS case.

**DC:** I would say that the things like the WPPSS thing made people look a lot closer at where the bond issues were being issued and who was issuing them. State of Washington was basically for sale, in my opinion, and they were selling all this power to Los Angeles, and

they were building billions of dollars worth of plants. So I felt as though that was the biggest thing. You were talking about –

**WT:** The rise of revenue bonds over general obligation.

**DC:** I don't know how much influence that had on the market as a whole. The big trick in revenue bonds were, if you were selling a revenue bond you would take a look at something called coverage, how much does net revenues cover expenses by, including debt service. There was sort of a rule that anything well below one-and-a-half times coverage was sort of risky, but that went by the wayside in the most recent financial crisis when, as long as you matched up, you could sell stuff and collect collateral as debt obligations. Didn't have any coverage, it was just there.

The WPPSS bonds actually made people think that the contracts, which said you had to pay no matter what happened, were not worth anything, because municipalities would just say, "I'm not paying. What are you going to do to me?" It was those kinds of things that got people thinking more seriously about what's behind these things. Don't forget, WPPSS did a lot of bonds over a lot of years, and we were in a couple of those deals. I actually didn't have very much to do with it, but we were in a couple of them, several of them. Most of these contracts – electric power issuers had contracts with the bond holders – they had a contract essentially that said, I forgot exactly the phrase, but you've got to pay. It doesn't matter. You've got to pay your debt service. And then the courts

in Washington said, “No, we see something here that these poor people didn’t know was going to happen.”

**WT:** These are the Chemical Bank cases?

**DC:** Yes. So, “We don’t think you do have to pay.” I mean everybody went nuts. I would say WPPSS was a bigger, more difficult thing than New York City and those things, because WPPSS called into question the whole way people were doing business on these contracts that the businesses were based on. Whereas New York, they passed legislation and it moved on and it’s now a solid A-rated credit, even though nobody would say it’s the most wonderful thing in the world, because it’s New York City and it’s big and unwieldy.

**WT:** Could you tell me a little bit about the reintegration of New York into the commercial market, if that’s the right way of putting it?

**DC:** The bonds?

**WT:** Yes.

**DC:** Several years went by and then the mayor – they decided that Merrill Lynch and we would run the first deal, the negotiated deal. We started with \$75 million, we moved it up to 100, and it went right out the window. I mean the yields were big, and there were a

lot of people who wouldn't buy them still. But, you know, then time went on, and based on MAC, MAC was selling a lot of bonds at that point and those were doing well, too. And other issuers related to New York were sort of back in the market, like the Dormitory Authority and State Housing Financing. Those guys were out of the market for a while, just, there was no way they could sell anything.

I remember I sold one deal for the Museum of Modern Art, so I made them put up enough endowment to cover debt service. Not to make any money on arbitrage basis, just to cover debt service. The income from the money that was invested from the bond proceeds had to produce Treasury bond yields that were equal to the rate of the bonds.

But at that point New York was pretty reintegrated. It sold regularly. Sometimes the deals were too big and didn't do as well as other times. We and Merrill Lynch ran the deals back and forth, back and forth for a long time. In the end, it has become a regular market player and still is.

**WT:** Why don't we talk about 1986 then? I've heard a couple of things. First the rush to get in issues before that, and then of course the day that Bob Packwood shut the market down. I'm kind of curious about your memories of this.

**DC:** My memory of it is probably less clear than some people's. I mean, there was a date named and you had to get in before it, and the Packwood thing, I don't know if I ever

even thought very much about it, to tell you the truth. But what we did do, what everybody did do, was rush in to get their deals done.

It was sort of the thing I was thinking of long before it was going to come, actually, to tell you the truth. I remember I met with Abraham Ribicoff, who I knew pretty well, and he said to me, "This is just coming. There's no way you can do anything about it."

**WT:** What are you referring to specifically, when you say "this"?

**DC:** The tax law. Somewhere along the line, people got to thinking that only very rich people like Mrs. Dodge were buying municipals, and that that wasn't fair to the little guy, when in reality the biggest buyers of them were mutual funds, which were selling to all kinds of people. But it became a political thing to be able to be involved with. The politicians, elected officials liked it, because if you owned them, they weren't going to make you retroactively taxable, but if you didn't own them, they would just sell at higher rates and you could buy them then or not. It was sort of a no-brainer, if you were a politician, to support it, or not at least be against it.

But I didn't feel like, at the time – and I think I was right – that it was going to have much of an overall effect on the size of the market and who the buyers were. Remember, we lost the casualty companies because their tax situation changed. So it became sort of a thing where, in my opinion anyway, the law changed, everybody thought it was

probably going to, and then time just moved on. I don't even remember the big rush.

There was a big rush, though, to get in.

**WT:** It's sometimes considered to be a tipping point towards the dominance of the retail investor. Was that your perception?

**DC:** The big investors were mutual funds, which is just a retail investor by another name.

**WT:** Yes, already, by that point?

**DC:** There were big insurance companies and banks that needed to buy them because they needed to provide them for people who had wills, and this, that, and the other thing. Matter of fact, I think the retail market was big before that. I think the little firms, Edward Jones and Company, and these guys were selling municipals. Not huge amounts, but people loved their municipals. You just bought them and you got paid interest, and when interest rates went up because of things like whatever effect WPPSS had on New York City, people didn't mind, they just continued to buy them. They trusted their brokers not to sell them bad stuff.

**WT:** Now this is also the time when there's more seriousness surrounding disclosure with the enacting of Rule 15c2-12, and MSRB creates its MSIL system.

**DC:** Yes.



**WT:** I don't know what effect that would've had on your business.

**DC:** Well, it didn't have much effect on the business, it just meant there was a little more work for people trying to do deals, and they needed to get really into disclosure to understand what it meant. It meant more money and work for the lawyers, who would say, "No, no, no, this doesn't really comport." But my own feeling was all these things really expanded the market.

The other thing that expanded the market, in a strange kind of a way, were the bond insurers who came along – full disclosure, I was a director of MBIA for many years – because people loved to buy these insurance things. The difference in yield between an insured bond and a bond that wasn't insured totally had to do with the underlying – if the underlying rating was A or AA, there wasn't that big a difference. Even though the bond would jump up to AAA, it was an insured AAA, so people didn't want to test the fact of what would happen if something went wrong. But they should, because each one of those insurance companies was strong enough to be able to meet those kinds of payments.

**WT:** Other factors in the continuing growth of the market coming into the 1990s, I was reading an old article – I think in *Bond Buyer* or *Wall Street Journal* or something like that – in which you were quoted talking about privatization. I don't know if that was a bit of a one-off or if that was a continuing –

**DC:** Everybody thought, “Oh, this is going to be good, man. Take all these things and make them private.” Well, everybody did a few, and I thought privatization was a good idea for some people, but even today it hasn’t taken on much of a – California’s trying to do their roads this way, other people are trying to do these things. I was quoted. What did I say? “This is the coming future. I can feel it in my bones.”

**WT:** So, there are a lot more complex products coming out around this time as well. You’re starting to have VRDOs, interest rate swaps, you mentioned bond insurance, of course.

**DC:** Yes, which was not complicated at all, but it was just – variable rate demand notes and variable rate turned out to be a creature of the yield curve. And then, when the yield curve had problems, they weren’t as popular with people because people were afraid – because you also had commercial paper, municipal commercial paper at that point, and it grew into a very large business. Still is.

This was a long time ago, it has nothing to do with the current problems, but I wouldn’t do a commercial paper deal for Detroit because I was afraid we couldn’t roll over that paper. Detroit was nowhere near defaulting at that point. The mayor called me up and he said, “Please, I’m begging you.” I said, “Mayor, I’m sorry, I can’t do it.” A lot of other people turned down some of these deals, and he wound up doing bank loans and a bond issue, and not trying to do it anymore.

Those kinds of things brought into business a new class of people who were more mathematically oriented, because at the same time, all of our computer capabilities were getting bigger and bigger and bigger. One of the biggest jokes in the world was there was a time when I was the most computer literate guy in the department at Goldman Sachs. That makes people fall on the floor laughing. Later I was not, but I mean at that point I paid a little attention to it so I was.

But all these things made these things easier to do, and you could do things like student loan deals, because you can now run numbers. It wouldn't matter if the numbers you ran were not going to ever come true. It would matter if you could convince the rating services that the numbers you ran were reasonable enough so that they could rate it, because it would have to be much worse for it to get into trouble.

**WT:** And as far as the issuer's ability to deal with sophisticated – for example, I've heard that New York by this time was actually quite good at doing very complex deals.

**DC:** Very good, very good. Investment bankers, we were all good. And a couple of the guys, both in the controller's office and in the mayor's side, the top people were very good, very strong, understood it, spent a lot of time studying it and getting to know what it was. And, again, to me, it went to show me these were strong people, they didn't want to leave the government. I don't know why. Ninety percent of people become a policeman because of the pension, and I don't think that was true of these people. I think they just

liked public service, and they get paid not very well, but they get paid well enough, so some very strong people.

Some you hired away. I hired several people away from the ratings services and some people away from some municipal entities across the country. Not many, but a few. And I hired some lawyers from bond law firms.

**WT:** As far as across the spectrum of issuers, I've also heard that it's quite uneven, so that New York is an exemplary case, but there weren't a lot of people who really weren't prepared to deal with that, swaps.

**DC:** I can say that certainly there were some people who just didn't understand it and didn't want to do it. You had to be very careful. If you pushed too hard, his trust in you would begin to dwindle as time went on. He said, "All this guy wants to do is a deal, and he's trying to sell me these deals and I don't think I understand them." I always said, and I'll say it to this day, if I don't understand it, I'm not doing it. It's just that simple.

When I was at MBIA, I remember they were getting into some products, and I said, "Listen," I said to the chairman in a board meeting, "I don't get it, and so I can't support it. You guys can vote me down, but I can't support it because I don't understand it," which usually works to slow some people down.

But I don't know that New York was that far. I'll tell you who were good. There were people like at the Salt River Project, the big public power issuer in Arizona, the people at the New York Power Authority, they were good. There were some good people up in Boston. It just depended on what was the make-up of the people who'd be given these responsibilities at that point. Who were they? Where'd they come from? I guess New York was ahead, I mean, was better.

**WT:** Let me shift gears a little bit and ask how you came to be involved with the MSRB. Had you had many dealings with them before you ended up on the board?

**DC:** Oh, not really. I was pretty well known in the industry. You go in for a three-year term.

**WT:** It was around this time that you actually became in charge of municipal securities at Goldman Sachs.

**DC:** Yes, it was. I was in the public finance business. In the end Bob Downey retired, I ran the whole thing. My memory is not exactly clear, but I went on the MSRB, I was on a year, and the chairman called me up.

**WT:** Were you asked to be on the MSRB?

**DC:** Yes, you're asked. They elect you to it, and (laughs) you can't pay to be on it.

**WT:** You can't campaign to be on it?

**DC:** You can't campaign for it.

**WT:** Who is it who actually does the asking?

**DC:** The board.

**WT:** The pre-existing board?

**DC:** Yes. It was Kit or myself when I was the chairman. So I went on and I was on it for a year, and then there were a couple of guys who were going to be third-year guys who said they couldn't become the chairman for some reason or another, so they asked me, even though I was only going to be into my second year. So I said, "Okay, I'll do it." I liked it a lot. I liked the work, I liked the people, I liked dealing with the SEC, and loved dealing with my old pal Arthur Levitt, who became SEC Chairman after that. Arthur was head of the American Stock Exchange at one point, too. Let's see. It was in that second year that the pay for play thing blossomed fully.

**WT:** You'd already had a pretty strong interest in it by that point.

**DC:** Yes, we did.

**WT:** Because you'd really encountered that culture. Maybe we should go back and talk about that a little bit. I mean, you told the stories in the Fireside Chat.

**DC:** Yes, I got bribed a couple of times, or attempted bribes, and I thought to myself, this is really bad. This is going to blow this whole business up if we're not careful. I don't know if I was on the MSRB board yet, but I remember turning people down and they're saying to me, "Well, I'm sorry, you know, but you're just not going to be one of our managers." So I fought a little bit, and sometimes I won and I said, "All right." I mean, these looked like reasonable requests when somebody said, "Can you support our dinner that we're having?" But when the amounts got to be so big, it wasn't supportable by the facts and it wasn't supportable by any reasonable account as to why anybody should pay them that much money.

Some of the biggest deals I ever won, like the New York Power Authority, I didn't pay anybody, nobody there in the New York Power Authority. We got to know the staff, and we knew the chairman, a guy named John Dyson, who was a friend of mine, and they picked us and Salomon and some other guys, and the subject never even came up. But for the elected officials in New York City, it was pretty egregious.

**WT:** That was the famous case, right? Kit Taylor basically said that it was the election of the treasurer in New York City.

**DC:** City controller, yes. She had been a congresswoman. I was the one she went after through her campaign chairman, whose name I can't remember. She was a smart person. She was a good controller of the city. She's the one who took over for the guy from Brooklyn, whose name I can't remember. But she wasn't getting enough money, and I'm not even sure that it wasn't her campaign staff and campaign manager who didn't come up with this idea. I'm surprised Kit remembers – well, Kit remembers practically everything. So, we wrote a rule and it stunk, and I knew it stunk. The only test was that you had to –

**WT:** Is this the draft where they were talking about the intent of the contribution?

**DC:** Exactly, and we knew it stunk. So we went to work on it again and changed it around – by then I was chairman – put in all limits and did a little of this and did a little of that, did all the things that gave it some real bite. One day the guy who was then running Morgan Stanley called me up, and I knew him, and he said, “I just got kicked out of Massachusetts. I can't do any business in Massachusetts.” I said, “Well, you don't want to do any business in Massachusetts.” He said, “Wait a minute,” he said, “Our guys are big in municipals in Massachusetts, now they can't do any.”

**WT:** Famous case where the contribution was made.

**DC:** Yes. It was innocent. It was really actually innocent, but it broke the rule. Lack of knowledge of the law is no excuse, and then it happened to a few other guys. It turned



out that, while it's not 100-percent effective and a lot of stuff is still going on, it's a shadow of what it was because, first of all, people don't want the publicity – and I'm talking about the firms now and the banks – and, secondly, the elected officials, it's like a dry well, so you just can't build that much anymore because they can't give us anything, so the hell with them.

**WT:** I've heard from a few different people that this was generally well appreciated in the dealer community, among the lawyers.

**DC:** Of course it was. I was invited to speak at a treasurer's conference in Salt Lake City, I believe, and the people sitting in the room were state treasurers, or people who worked for state treasurers, and when I got up on the podium, three-quarters of them got up and left, a standing protest of me. It was a good omen, actually.

**WT:** I've heard that you were putting Goldman Sachs itself at some risk in being out in front on this.

**DC:** Yes, I was, but I don't think very much so. I mean, we had a real in-house system with lawyers, and our lawyers, the in-house lawyers, did these rather carefully drafted memos and said, "You cannot do this. Up to a certain amount, you can give as many of those as you want, provided it comports to federal regulation. Do this, that, and the other thing, but you cannot do this." I had some guys who, out in the field, like Chicago, said, "This

is nuts. I've been giving this guy \$10,000 for years." I said, "You can't. You just can't do it."

**WT:** That's the extraordinary thing about the rule, is that there is no process leading up to the penalty. It's just automatic once the contribution is made.

**DC:** Well, you can appeal it, but it'll immediately go to – you're out. You either made it or you didn't. Some guy said, "What if he gives me the money back?" I said, "Aha, no good, doesn't work." Because what's his name, really good guy, who was then the governor of Massachusetts, Bill Weld, he said, "Let me ask you this question." I was going down to Houston with him, I think it was for the day. He said, "So if somebody makes a contribution he wasn't supposed to and gives it back, is there no harm?" I said, "Yes, there is harm, because in the giving back, there can be all kinds of finagling going on." He got it, he said, "Oh, okay, I see." It's the act that gets you in trouble.

**WT:** Now, there's a process before you actually write the rule of getting the industry itself –

**DC:** To comment.

**WT:** Yes. Well, to comment, but also to try and voluntarily band together to exclude this from your practices. There's a famous meeting with Arthur Levitt.

**DC:** Oh, I called that meeting. I think it was Dick Fuld from Lehman who said to me, “What the fuck am I doing here?” I had Steve Freidman with me. We had the guy who ran Merrill Lynch. And they were fine. They said, “Okay, we don’t give a damn. We won’t give any more contributions.” I said, “Steve, remember what you’re saying now. I report to you. I run the municipal business so you run the municipal business at the firm. You can’t give any money.” He said, “Then I won’t.” And everybody got up and said, “Okay.” That was a famous meeting.

One of the real problems was – a reporter who worked for the *Bond Buyer* then – called me up and he said, “I have to talk to you about this rule, and I have to get the permission to call you some other times.” I said, “Why?” He said, “Because Arthur Levitt doesn’t understand it. He keeps contradicting himself and this, that, and the other thing.” I said, “Well, I don’t think it’s quite as bad as you say,” I said, “But remember, he’s doing lots of other things in a day.”

But Arthur takes credit for being the author of the whole thing, and he certainly deserves a lot of credit, because no SEC Chairman we’d ever had had even thought about this. But his father had been controller of the State of New York twelve years in a row, sixteen, some incredibly long time. It’s his father who was elected controller of the state over and over again, so he was aware of some of this.

**WT:** And he lent his full support to it, and that’s a crucial thing.

**DC:** Well, he also made it clear to those guys that he was behind it, and that the MSRB had the rule but the rule had to be approved by the SEC, and the rule had been approved by the SEC and now, as the court finally said, has the impact of law and you can't do it anymore. Can I tell you the truth? These guys didn't care. They didn't care if they didn't make contributions, or they can only make little ones, smaller ones. They didn't care.

**WT:** This may be a humorous aside, since they didn't care, but the way Kit told the story there was something that looked like a sign-in sheet which was actually an agreement among the people in the meeting. Is that true?

**DC:** Yes, probably not enforceable by law either, but that was true. (Laughter) I forgot about that. As I say, Kit would remember that. I had to call all these guys up and say, "Would you please come?" And they said, "What?" I said, "Look, either you say you're going to come, or I have to get Arthur." I didn't know a few of them. I did know Fuld and I did know some of them, but I didn't know a lot of them. I said, "Or Arthur Levitt's going to call you." So they came one day. They all got on a shuttle – it was before anybody had private jets, really – and they all came down or came up, or wherever they were coming from. It was funny (laughter), and Arthur said, "This is going to be the most important thing I do in my whole time at the SEC." Steve Freidman looked at me, gave me a look. I said, "Hey, he's the Chairman."

I saw Arthur recently. I took some really good courses at FAU, Florida Atlantic, and I sat down one day in the seat and the guy next to me says, “Do I know you?” and it was Arthur. I said, “Arthur, what are you doing here?” He said, “Well, I heard this was on Islam,” which it was. And he said, “I don't know much about Islam, I thought I'd come and learn.” I said, “Well, how are you doing?” “Yeah, I'm doing fine.”

**WT:** Does he live around here?

**DC:** He doesn't. He was down visiting someone north of here. That person was signed up for this particular course and Arthur came along. That was good. And then I got woken up one morning by Kit who said, “Congratulations.” I said, “What is it?” He said, “Supreme Court's refused to hear it.”

**WT:** This is the Blount case?

**DC:** Yes. Blount, by the way, said, “I think they're unfair. I think it's unfair. I mean, this is the way we do things down here. I'm not hurting anybody, particularly none of you guys.”

**WT:** I was going to ask about it, because there are pockets of resistance.

**DC:** Oh, still are, and I know there are guys getting around it one way or another. I know it.

**WT:** Well, they had to eventually ban the consultants as well.

**DC:** Because that was the easiest fix for them in history. And the bond lawyers – “Don’t tell me you’re going to bring us in on this.” I said, “I am not, because I don’t have jurisdiction over you, but, you know, maybe someone will.” And some of the consultants probably would’ve been a big part of a scheme. But there are still some guys getting around and I know that.

**WT:** But there again, it’s mainly kind of in the, I guess I just used the word parochial corners in the industry.

**DC:** In the hinterlands.

**WT:** I enjoyed your impersonation of Blount.

**DC:** By the way, he pronounces his name “Blunt”.

**WT:** “Blunt,” I’m sorry.

**DC:** A great old Alabama name. “David, this is the craziest thing I ever come across in my whole life. You’re telling me, I can’t give the governor some money?” “Yes, I’m telling you that.” “Well, can some of my people?” I said, “No, you can’t give it.” He’s funny. He’s a good guy. He’s not a crook, really. He was good. I think he’s dead.

**WT:** Is he?

**DC:** Bill Blount, I think he might be. I don't know. I shouldn't say that.

**WT:** Because they put him in jail eventually.

**DC:** Yes, of course. You know, we didn't have many municipal guys go to jail.

**WT:** No, I can't imagine.

**DC:** He wasn't really a municipal guy. I mean, his was a firm that did everything, but those firms, a major portion of their income came from doing municipal deals and selling municipal bonds. They had stock brokers in their employ, most of them anyway. I'd forgotten he'd gone to jail.

**WT:** Well, it was quite recently. It was many years later after the Supreme Court.

**DC:** When was it?

**WT:** I think it was in, I'd have to look it up, but 2010 or 2011.

**DC:** Really?

**WT:** Yes, it was quite recently.

**DC:** I was probably down here. They didn't put it in the paper or something.

**WT:** Yes, maybe.

**DC:** They certainly wouldn't run it on NBC news.

**WT:** It was in connection with the whole Jefferson County fiasco.

**DC:** Oh, yes. Well, I don't know what he had to do with it, but it's a bad situation – Harrisburg, another not good situation, and there are a couple of others. My wife was assistant attorney general in the state of Nevada and ran the bond business better than anybody else. She was smart and she understood cash flow, which everybody thought was amazing. “You mean, a woman?” She ran that whole business for the state. I'm trying to think. I knew another guy who got in big trouble, from Oklahoma, and I think he went to jail too. But what did they say Blount had to do with Jefferson?

**WT:** That I would have to look up. I've noted it down, but many years later.

**DC:** What's Kit doing at the moment?



**WT:** He's retired. He's in Alexandria, Virginia. I went down to his house.

**DC:** That's where he worked. He worked from there. Kit was a good guy, knew how to run that agency, MSRB.

**WT:** He was there an extraordinarily long time.

**DC:** He was. When I was chairman I worked closely with him, and I always thought he was quite good in fact. He understood everything and he had good staff.

**WT:** Was it different working with somebody who was trained as an economist versus the lawyers who tend to be the regulators?

**DC:** Yes, I think so. It depends on what lawyer you're talking about. Some are good, very good and easy to work with, others were definitely not. My best friend, who roomed with me at Yale, is still to this day – he's my age, he's 77 – I was explaining this to him one day and he said, "I don't understand the first thing about this. I defend people who are charged by the government, but I hate the SEC," naturally.

I remember when they fined MBIA. He was the first guy that said, "Don't fight it. They're fining you what they think you're going to pay without straining you, a lot of money, MBIA, and they have all the cards. You got none." I remember saying to the rest of my board, I said, "Well, I think the word is we're going to pay," which we did.

**WT:** Let me ask you about one particular point that I'm kind of curious about. In the MSRB, of course, they're only allowed to regulate very specific things that are in municipal securities. They can't regulate derivatives in municipals securities, that sort of thing. To members of the board, did those distinctions seem kind of peculiar, that there were some things they could regulate, some things they couldn't, or was it natural in the industry as well?

**DC:** I don't know. I would answer that by saying derivatives, see, you have to be a municipal security. If you are a municipal security, they can regulate you. It doesn't matter what it is. And some derivatives are not and that's, I think, the reason that they can't regulate them. But if you're a municipal security, a swap, they can regulate you, I believe.

**WT:** Not swaps.

**DC:** No, they don't regulate swaps.

**WT:** Well 529s they can, I've heard very good, interesting stories about that. We won't get into it.

**DC:** I don't think anybody thought much about it.

**WT:** Let me put it another way. If you're at a broker-dealer, would all those things be run from the same desk? Like, would people at Goldman Sachs who, if there were municipal security heavy mutual funds, or something like that – I may be not talking sense at all, but if there were derivatives based upon those things, would those have been under you?

**DC:** They would have been, although we would be working with the corporate bond desk and the Treasury bond desk, the government bond desk, we might be.

**WT:** Did those connections become closer over time?

**DC:** They're not only closer, all those desks now assume the same – we had our own floor, and now it's all one thing. The guy who now has my job, the job I had at Goldman Sachs, is not a municipal guy at all. He's a good guy, and he gives order to the guys who are the highest ranking municipal guys in the firm, of which there are a few. But, see, we were a partnership when I was there, and I actually left before the firm went public, which makes me a poorer man today than I would be otherwise.

**WT:** You seem to be doing all right.

**DC:** I'm not complaining.

**WT:** Looking at your house, I should say.

**DC:** There would be some, because I'll tell you why. For instance, when I did a couple of bond deals where I collateralized Treasury bonds, my Treasury bond desk had to price those things and that's not like a derivative at all, I guess it's sort of the same kind of thing because we didn't have the capability of doing that. We were allowed to deal in those kinds of things.

In the end, I think that the business will – this is the only country in the world where you can do 100 percent financing of a project, do it serial up to thirty years, and have it be tax free. I talked to a friend of mine from Germany. He said to me, "You're kidding." He said, "Here, eight- or nine-year deals are thought to be very long, and we don't have any tax-free anything." I said, "Well, here you go."

I think the business will do fine over a long period of time, forever, and the only difference is that now we don't have the kinds of specialists – we do, though. We have investment bankers who go and sell deals, and if you look on Monday morning for what's supposed to sell that week you'll see, Goldman Sachs managing deals, and the volume is still pretty big, pretty good in municipals. It goes up and down with rates, but it's pretty good.

**WT:** You're talking about for Goldman Sachs specifically? I know that they've gone pretty much up with the total volume of sales.

**DC:** Oh yes, it's gone up.

**WT:** Extraordinary.

**DC:** It went down a couple of years ago, but mostly it'll go on because these people need to finance their projects and that's the way they do it. People would prefer not to raise taxes to do this kind of thing. When you get right down to it, a project is a project, it has to be built, you have to have money. Say you could raise taxes, accumulate the money and do it, but not very popular among the body politic.

**WT:** So then you retired in 1994?

**DC:** I think so, something like that.

**WT:** Right, around there.

**DC:** '4 or '5, yes. I think 1994, that's dated, and then they are not doing anything for a couple more years, something they call, I think they still do have them, I know they do – what did they call us? It's with guys who retired as partners. We're now retired partners, which is fine. It's a title, but it's just guys who were partners.

**WT:** Is that a more general period of transition for Goldman Sachs? I was reading the news story on your retirement and they said there were a number of other people moving on around that time.

**DC:** There's a news story of my retirement?

**WT:** Yes, it wasn't terribly long but it exists, might have been the *Bond Buyer*.

**DC:** The *Bond Buyer* probably would have had it. I think that what happened was, the firm is so different from when I was there. First of all, when it was a partnership there was an understood way of doing things and how you did them, and there was a great deal of pride. I still think there is, but I feel like the firm is huge. When I was made a partner of the firm – now, this does not take into account who might've retired – but I think I was partner number fifty-two. Now there's like 3,000. It boggles the mind.

All my securities business is still done there, so I was going up in the elevator with my wife and the guy who does the work, and a couple guys got on and he said, "I want to introduce you to David Clapp." And he said, "David Clapp, the partner?" I said, "Yes." "Well, sir, you are of some renown." I said, "Thanks for saying it." And Connie says, my wife said, "Well, they remember you." (Laughter)

The new building, it's an unbelievable building. And the management of the firm is fabulous. It was fabulous always, and it still is fabulous, and no less a person than Warren Buffet, who owns NetJets – and I'm a NetJet partner, partial owner of an aircraft – told me at a dinner that Lloyd Blankfein, who now runs Goldman Sachs, he says, "Is the smartest person I ever met." Just like Bob Rubin told me that Bill Clinton was the

smartest guy he ever met. So, you never know. That's the same Bob Rubin who said to me once, "This Clinton can't get elected president, can he?"

**WT:** The same guy?

**DC:** The same guy. Well, he got to know him when he was Treasury secretary. He knew him then, but in any event.

**WT:** So you joined the board then, of the MBIA?

**DC:** I was already on the MBIA.

**WT:** Oh, you were?

**DC:** Oh, excuse me. Yes, it was simultaneous. Yes, it was, and I was on there for nine years or whatever it was. The chairman called me one day and said, "What do you think?" I said, "I think it's time for me to go." I said, "When I went on that board, I think I knew as much about municipal bonds and the municipal bonds business as anyone, and I was a municipal bond insurer." But over time, with all the other products, the ones that got them in trouble and all the rest of the stuff, they didn't need somebody with my particular expertise anymore, so that's when I got off. That was enjoyable, too.

**WT:** So in general, you kept tabs on the industry, but not intensively involved?

**DC:** I'd say that's a good description of it, yes. A couple of my best friends are still involved and we get together now and again and talk and this, that, and the other thing. And one of the fellows who worked for me, who later went to Tokyo for Goldman Sachs, who worked for me at Goldman Sachs at one point, lives here on this campus so I see him reasonably frequently. But we're getting old.

**WT:** Yes, that's a pretty good interview on the whole. Is there anything you'd like to say to wrap up?

**DC:** No, I think that you've asked a lot of good questions, and what you've done is sort of remind me – which I haven't done so much thinking about it, you know, whether it's WPPSS or New York City, this or that – reminded me of some things that are sort of the points of greatest interest during my time in the business. I think that we came out of all those things in pretty darn good shape, with an awful lot of good cooperation by a lot of good people. As I said earlier, it's not 100 percent true, of course, but I think most of the people working with the public servant side of the business are pretty good, pretty smart, pretty dedicated, and I think without them there'd be a lot more problems than there are. I mean, think about it, there aren't many problems. Something about Meredith Whitney, do you remember Meredith Whitney?

**WT:** I don't.



**DC:** You don't know who she is?

**WT:** I don't think so.

**DC:** Okay, she's an analyst, and she's very well known. She originally called the problems of Citibank in terms of being undercapitalized. Then, about two years ago, she said, "This year, hundreds and hundreds of municipalities are going to default and cost investors hundreds of millions of dollars." Flat wrong, dead wrong, and so he said to me, "How do you think she could say that?" And I said, "Let me tell you what I think it is, I think it's bad staff work," I said, "because somebody who works for her or with her should've said to her, don't say that, that's not going to happen. You don't understand the laws of these states." Is that all right? Did you get everything you needed?

**WT:** Yes, I think so. It was very good. I don't think we had another person who was actually in the industry on our list of people to talk to, and it was a very good perspective to get, I think. So, thank you very much.

**DC:** Yes, pleased to do it.

[End]