

The original documents are located in Box 42, folder “Personnel - White House Seidman, William” of the Philip Buchen Files at the Gerald R. Ford Presidential Library.

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Conflict of Interest
Saidman

11/18/74

Send to Men Lazarus
for his eyes only.
J.



Memorandum to the President

November 15, 1974

This memorandum is being written so that you will be advised fully concerning the relationship of Seidman & Seidman, and in particular myself as its National Managing Partner, to the Equity Funding Corporation of America matter.

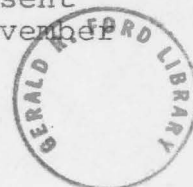
I became National Managing Partner of Seidman & Seidman in 1968. At that time Seidman & Seidman had 14 offices in the United States. During my tenure as National Managing Partner the firm grew to 47 offices with approximately 160 partners and over 1,000 personnel. When I left to come to work for you it was one of the 15 largest certified public accountant firms in the United States.

As National Managing Partner I maintained offices in Grand Rapids and in New York City.

On October 21, 1971 Robert L. Spencer and A. A. Finci had a luncheon meeting with Julian Weiner and Phillip Wolfson, the partners in charge of the Los Angeles office of Wolfson, Weiner, Ratoff & Lapin, a small accounting firm. At that luncheon apparently the subject of a possible merger was discussed. Robert L. Spencer was our regional partner in charge of the west coast and A. A. Finci was the managing partner of our Los Angeles office.

Various data relating to the two firms was exchanged during November of 1971. While Wolfson, Weiner, Ratoff & Lapin had several offices in the United States, the interest of our west coast partners was limited to the Los Angeles office of that firm.

A memorandum containing information regarding the Los Angeles office of Wolfson Weiner was directed to the national policy group (similar to a board of directors) of Seidman & Seidman by Robert L. Spencer under date of November 11, 1971. There was attached a balance sheet of Wolfson Weiner as of September 30, 1971 and income statements for the two years then ended. A national policy group meeting was held in Chicago on December 1 and 2, 1971, and Mr. Spencer who was a member of the group discussed the proposed merger with Wolfson Weiner's Los Angeles office. I was present at that meeting, and this information in addition to the November 11, 1971 memorandum was my first knowledge of the matter.



Memorandum to the President
November 1974
Page Two

On December 29 Joseph De Armas and Jack W. Nakell, two certified public accountants from our Los Angeles office, spent a day at the Wolfson Weiner office. De Armas reviewed audit work papers and reports and Nakell reviewed the tax aspects of the practice from a technical standpoint.

On January 6, 1972 I, together with Spencer and Finci, met in Phoenix with the heads of the various Wolfson, Weiner, Ratoff & Lapin offices. Each of these office heads gave some data regarding their particular office and we gave the Wolfson Weiner people data regarding Seidman & Seidman. Julian Weiner was not present at the Phoenix meeting. That evening, I, together with Spencer and Finci, flew to Los Angeles and had dinner with Wolfson and Weiner. This was the only time that I met Julian Weiner and Phillip Wolfson prior to the merger.

On January 13, 1972 Spencer directed a memorandum to the policy group recommending approval of the merger with the Los Angeles office of Wolfson Weiner as of February 1, 1972 and requested the vote of the policy group on the merger. No member of the policy group including myself voted against the merger. The agreement covering the merger was signed on February 18, 1972 with an effective date of February 1, 1972. Substantially all of the audit work for Equity Funding Corporation of America for the year ended December 31, 1971 had been performed at the time of the merger, and substantially all of it was performed by personnel at Wolfson Weiner except for various subsidiaries including Equity Funding Life Insurance Company which were audited by Haskins & Sells and other CPA firms. The only involvement of Seidman & Seidman personnel prior to the issuance of the report for the year ended December 31, 1971 was 95 hours by personnel from the Denver office, 37-1/2 hours by Los Angeles personnel and 10-1/2 hours by New York personnel.

The Denver time related to observing cattle inventories for Ankony Angus Corporation, a subsidiary of Equity Funding. The Los Angeles time was that of Joseph De Armas in reviewing various auditor reports for the year 1971. The New York time was that of Alexander Loy in reviewing the work papers of Joseph Frogatt & Co. of Bankers Life Insurance Company, another subsidiary of Equity Funding Corporation.

The Equity Funding audit for the year ending December 31, 1972 was in process at the time that Raymond Dirks contacted Seidman & Seidman regarding the possible fraud at Equity Funding.

I had no involvement whatever with the Equity Funding auditors either for the year ended December 31, 1971 or for the



Memorandum to the President
November 1974
Page Three

year ended December 31, 1972. The only time I devoted to the Equity Funding matters was after Mr. Dirks had contacted our firm and alerted us to the possibility of fraud at Equity Funding. Thereafter, of course, I devoted a significant portion of my time to the matter and the problems it created.

The foregoing is a full and complete statement of my involvement and contact with either the Wolfson Weiner personnel or practice or Equity Funding Corporation of America, none of whose personnel I have ever met.

L. William Seidman

L. William Seidman



NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

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REASON FOR WITHDRAWAL Donor restriction

TYPE OF MATERIAL Letter(s)

CREATOR'S NAME Lee, Bernard Z.

RECEIVER'S NAME Seidman, William

DESCRIPTION Personal financial data.

CREATION DATE 06/24/1975

COLLECTION/SERIES/FOLDER ID . 001900451

COLLECTION TITLE Philip W. Buchen Files

BOX NUMBER 42

FOLDER TITLE Personnel - White House: Seidman,
William

DATE WITHDRAWN 08/25/1988

WITHDRAWING ARCHIVIST LET

Wednesday 11/5/75

8:40 KEN:

Do you see any objection to our giving Bill a copy of the Statement he made. If not, you should get a copy over to us.



Phil.

Plaintiffs have been taking my deposition in the Equity Funding civil suit. They have requested any statement given you in this regard.

Shall we give it to them? I don't have a copy. Seems to me to be ok.

Please advise

Bill



Phil B.

12/12/74

Eva:

This should go to Ken Lazarus
for purpose of having it
replace ~~the~~ in the Seidman
personnel file the previous
draft.

P.



December 12, 1974

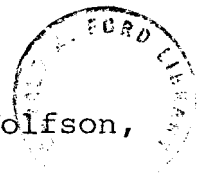
MEMORANDUM FOR THE PRESIDENT

FROM L. WILLIAM SEIDMAN

This memorandum is being written so that you will be advised fully concerning the relationship of Seidman & Seidman (S&S), and particularly of me, as its former National Managing Partner, to the Equity Funding Corporation of America ("EFCA") matter.

I became National Managing Partner of S&S in 1968, and thereafter maintained offices in both Grand Rapids and in New York City. At that time in 1968, S&S had 17 offices in the United States. During my tenure as National Managing Partner the firm grew to 46 offices with approximately 150 partners and over 1,100 total personnel. When I left to come to work for you, S&S was believed to be one of the 15 largest certified public accounting firms in the United States.

At the time of the merger of the Los Angeles office of Wolfson, Weiner, Ratoff & Lapin (WWR&L) into S&S, WWR&L, Los Angeles, had



been auditors for EFCA since its inception. The western regional partner for S&S at the merger date was Robert L. Spencer, who had been a partner in the firm for about 25 years. Albert A. Finci was the partner in charge of S&S's Los Angeles office.

S&S had approximately 120 partners and total personnel of about 900 when WWR&L, Los Angeles, merged with S&S. WWR&L, Los Angeles, had two partners and personnel of about 30.

On October 21, 1971, Spencer and Finci had a luncheon meeting with Julian Weiner and Phillip Wolfson, the partners of the Los Angeles office of WWR&L. At that luncheon the subject of a possible merger was discussed.

Various data relating to the two firms was exchanged during November of 1971. While WWR&L had several offices in the United States, those offices existed as separate partnerships, and the original merger discussions were limited to the Los Angeles office of WWR&L.

A memorandum containing information regarding the Los Angeles office of WWR&L was directed to the S&S Policy Group (similar

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*Subsequently, the White Plains, N.Y. firm operating under the WWR&L name, and headed by Samuel Ratoff and Benjamin Lapin, was merged with S&S and I understand the personnel of that firm continue to be S&S personnel to the present. They were not associated in any way, however, with the Equity Funding matters.

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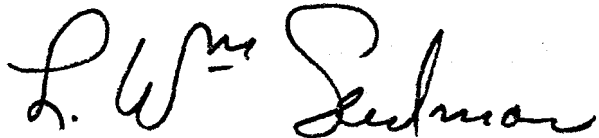
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The audit of EFCA for the year ended December 31, 1972 was in process at the time S&S was informed of a possible fraud at EFCA (March 24, 1972). This information was reported to the SEC and made public, and S&S cooperated substantially in the investigation of the alleged fraud. As a result, S&S's audit for 1972 never was completed.

I had no involvement with the EFCA audits for 1971 or 1972 and never at any time or in any way had contact with EFCA or any of its personnel.

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After the fraud was revealed, I, as managing partner, directed a complete investigation, which resulted in S&S's Policy Group removing Wolfson and Weiner as partners of Seidman & Seidman. In addition, Spencer and Finci were removed from their respective positions as Western Regional Partner and partner-in-charge of the Los Angeles office.

A handwritten signature in dark ink, appearing to read "L. W. Seidman". The signature is fluid and cursive, with the first name "L." and last name "Seidman" clearly distinguishable.

L. William Seidman

THE WHITE HOUSE

WASHINGTON

November 5, 1975

To: Bill Seidman

From: Phil Buchen

We don't see any problem in your responding to the request to provide this information -- but, with respect to the form, you should modify it so it isn't a memorandum to the President. (just recite the same facts)



December 12, 1974

MEMORANDUM FOR THE PRESIDENT

FROM L. WILLIAM SEIDMAN

This memorandum is being written so that you will be advised fully concerning the relationship of Seidman & Seidman (S&S), and particularly of me, as its former National Managing Partner, to the Equity Funding Corporation of America ("EFCA") matter.

I became National Managing Partner of S&S in 1968, and thereafter maintained offices in both Grand Rapids and in New York City. At that time in 1968, S&S had 17 offices in the United States. During my tenure as National Managing Partner the firm grew to 46 offices with approximately 150 partners and over 1,100 total personnel. When I left to come to work for you, S&S was believed to be one of the 15 largest certified public accounting firms in the United States.

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S&S had approximately 120 partners and total personnel of about 900 when WWR&L, Los Angeles, merged with S&S. WWR&L, Los Angeles, had two partners and personnel of about 30.

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On January 6, 1972 Spencer, Finci and I met in Phoenix with the heads of all of the WWR&L offices. During the meeting, each of the WWR&L partners present gave some data regarding their particular offices, and Spencer, Finci and I gave the WWR&L people data regarding S&S. (Weiner was not present at the Phoenix meeting.) After this meeting I indicated I

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did not favor a merger with the national firm of WWR&L.*

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Equity Funding Corporation of America
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*Subsequently, the White Plains, N.Y. firm operating under the WWR&L name, and headed by Samuel Ratoff and Benjamin Lapin, was merged with S&S and I understand the personnel of that Firm continue to be S&S personnel to the present. They were not associated in any way, however, with the Equity Funding matters.


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The audit of EFCA for the year ended December 31, 1972 was in process at the time S&S was informed of a possible fraud at EFCA (March 24, 1972). This information was reported to the SEC and made public, and S&S cooperated substantially in the investigation of the alleged fraud. As a result, S&S's audit for 1972 never was completed.

I had no involvement with the EFCA audits for 1971 or 1972 and never at any time or in any way had contact with EFCA or any of its personnel.

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L. W. Seidman

L. William Seidman



THE WHITE HOUSE

WASHINGTON

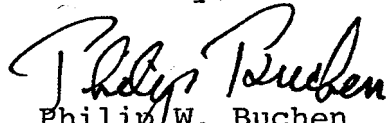
December 6, 1975

Dear Mr. Groman:

Enclosed is a complete copy of a document supplied to my office as Counsel to the President on December 12, 1974.

Although the memorandum is addressed to the President, it was not read or considered by him. Instead, when the memorandum was submitted, I reviewed the contents on behalf of the President, inasmuch as I am responsible for matters of this sort which involve members of the President's staff at the White House.

Sincerely,



Philip W. Buchen
Counsel to the President

Mr. Arthur Groman
Mitchell, Silberberg & Knupp
1800 Century Park East
Los Angeles, California 90067

Enclosure



THE WHITE HOUSE

WASHINGTON

December 2, 1975

MEMORANDUM FOR:

BILL SEIDMAN

FROM:

PHIL BUCHEN *P.*

With this memorandum I am returning your copy of the letter from Arthur Groman along with the material I had previously sent you. I talked to Arthur Groman a few days ago to explain the nature of the deletion at the top of page 1 of your original memo. He advises that he will report the information to Marshall Grossman and would let me know if he foresaw any further difficulty.

Thus far, I have not heard anything further from Mr. Groman.

Attachments

ARTHUR GROMAN
CHESTER I. LAPPEN
EDWARD RUBIN
IRVING I. AXELRAD
JOHN L. NOURSE
SEYMOUR P. STEINBERG
HILBERT P. ZARKY
HAROLD FRIEDMAN
JAMES B. JENNINGS
HOWARD S. SMITH
EDWARD R. McHALE
SHERWIN L. SAMUELS
NORMA G. ZARKY
ABRAHAM SOMER
L. LEE PHILLIPS
HARRY J. KEATON
GORDON STULBERG
ALLAN E. BIBLIN

MICHAEL L. KLOWDEN
RUSSELL J. FRACKMAN
H. WAYNE TAYLOR
THOMAS P. LAMBERT
WILLIAM R. HARMSSEN
ALBERT Z. PRAW
DEREK W. HUNT
KENNETH POWELL
ROY L. SHULTS
ANDREW B. KAPLAN
JUDITH N. LEVY

HENRY L. STERN
WILLIAM M. KAPLAN
RICHARD M. MOSK
CHARLES A. COLLIER, JR.
FLOYD A. RAPPAPORT
EDMUND A. HAMBURGER
THOMAS P. BURKE
J. NICHOLAS COUNTER III
EDWARD M. MEDVENE
MICHAEL HOLTZMAN
JOSEPH HORACEK III
MARC I. HAYUTIN
KENNETH A. KLEINBERG
MOSHE J. KUPIETZKY
DAVID M. BERMAN
RICHARD I. LEHER
HOWARD J. RUBINROIT

STEVEN M. SCHNEIDER
RANDOLPH M. BLOTKY
STEVEN G. SMALL
DAVID S. SAUNDERS
PATRICIA H. BENSON
RICHARD S. SHAFFRAN
PETER M. LOPEZ
EUGENE H. VEENHUIS
S. DAVID ASHLEY
FRANK J. SCARDINA

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MITCHELL, SILBERBERG & KNUPP

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TELEX: 69

OF COUNSEL
SHEPARD MITCHELL
HERBERT FREEDMAN
RALPH E. LEVINE
DANIEL A. WILSON

M. B. SILBERBERG
1908-1966

GUY KNUPP
1907-1971

November 18, 1975

*Phil Buchen
what now?
JES*

IN REPLY PLEASE REF

Mr. William Seidman
The White House
Washington, D.C.

Dear Bill:

I hope you are not still working at the same breakneck pace and have been able to get a little rest.

We are in receipt of a notice from Marshall Grossman continuing your deposition until January 8, 1976 at 9 a.m. at the offices of the plaintiffs discovery headquarters in Los Angeles which is Suite 730, 3700 Wilshire Boulevard.

Grossman has also raised the issue with respect to the Buchen memo as to whether or not what you gave to me to hand to him is the actual memo you gave Buchen or is a summary of it. He further raises the contention that the enclosure itself is not complete because something has been excised from the top of the first page.

For your information I am enclosing a Xerox of the memo you supplied to me so that you can ascertain if Grossman is correct that something has been excised from the top of the first page and if so, what it is.

Kindest regards.

Sincerely yours,

ARTHUR GROMAN
of
MITCHELL, SILBERBERG & KNUPP

AG:dp
Encl.

THE WHITE HOUSE
WASHINGTON

November 6, 1975

MEMORANDUM FOR: BILL SEIDMAN

FROM: PHIL BUCHEN *P.*

Attached is a document which discloses the contents of a memo supplied to the Office of Counsel to the President on December 12, 1974, for my review and inclusion in your personnel file.

Attachment



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WFOA affiliates for S&S since its inception. The western regional partner for S&S at the merger date was Robert L. Spencer, who had been a partner in the firm for about 25 years. Albert A. Finci was the partner in charge of S&S's Los Angeles office.

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L. William Seidman



THE WHITE HOUSE
WASHINGTON

April 13, 1976

MEMORANDUM FOR: KEN LAZARUS

FROM: PHIL BUCHEN *P.*

Please put the attached memorandum
in Bill Seidman's conflict file.

Attachment



WALTER SCOTT'S Personality Parade

Want the facts? Want to learn the truth about prominent personalities? Want informed opinion? Write Walter Scott, Parade, 733 3rd Ave., New York, N.Y. 10017. Your full name will be used unless otherwise requested. Volume of mail received makes personal replies impossible.



HUGHES

RICE

PETERS

Q. Of the hundreds of girls in the life of the late Howard Hughes, who were the ones who really meant the most to him?—M. R., Dallas, Tex.

A. The two he married, Ella Rice of Houston, Tex., whose father founded Rice University, and Jean Peters, an Ohio actress from 20th Century-Fox.

Q. Charles Manson of the Helter-Skelter gang—was he a member of the American Nazi party?—Peter Oates, Lexington, Ky.

A. He wasn't an official member of the Nazi party but during the last days of his trial he wore a Nazi uniform in court, and he is currently a member in jail of a group of white prisoners who call themselves "The Aryan Brotherhood." Manson was and is filled with deep anger and hate.

Q. Is it true that the Swedish government recently and quietly threw out of Stockholm the entire CIA contingent we had working in the U.S. Embassy there?—K. J., Arlington, Va.

A. The Swedish Foreign Ministry some weeks ago filed an official protest against a U.S. Embassy official, Bruce Hutchins. The Swedes accused him of working for the Central Intelligence Agency. Hutchins, a second secretary in the American Embassy in Stockholm, was named in a Swedish magazine as a CIA agent. But the Swedes did not rid the embassy of "the entire CIA contingent."

Q. What's happened to Curt Jurgens, the only post-war German film star to strike it big?—Hannah Heuser, Hoboken, N.J.

A. Jurgens, 60, married four times, is single again. Recently he played the life story of the famous U.S. attorney Clarence Darrow on the Berlin stage. A playboy of sorts, equipped with mansion, Rolls-Royce, and a banking partnership, Jurgens is in the market for wife No. 5.

Q. Rosalynn Carter, wife of Jimmy Carter who wants to be President of the U.S.A.—was she only 16 years old when she married Carter?—Dale Petrowsky, Milwaukee, Wis.

A. Rosalynn Smith, daughter of a mechanic, was 18 when she became Mrs. James Earl Carter Jr.

Q. Is Thomas O'Neill, House Majority Leader, opposed to having the House of Representatives televised while at work?—Henry Kerr, Worcester, Mass.

A. House Resolution 875, designed to open House proceedings to the television networks, has deftly been scuttled, at least for the time being, by O'Neill and Speaker of the House Carl Albert. In some quarters the belief holds that if Congressmen are telecast in action, the public's respect for Congress will diminish to a level lower than the one it now occupies.

Q. Did George Bernard Shaw ever win an Academy Award?—Bennett Williamson, Des Moines, Iowa.

A. Yes, in 1938 for his screenplay of "Pygmalion," which many years later was musicalized into "My Fair Lady."

Q. Margaux Hemingway, the giant granddaughter of Ernest Hemingway—I saw her on the Academy Awards, and she was awful. Can she act?—T. R., Idaho Falls, Idaho.

A. Margaux Hemingway, 21, six feet tall, recently completed her first film, "Lipstick." She has a \$1 million contract with Fabergé, comes from Ketchum, Idaho, is the product of a press build-up. Charitably she may be referred to as an apprentice actress.



Q. Is it true that President Ford's eldest son, Mike, is a gardener?—M. McPhee, Arlington, Va.

A. Mike Ford, 26, is a theology student at the Gordon Cromwell Seminary in Hamilton, Mass. He works as a seasonal gardener in that area. Every spring, Mike and a neighbor advertise locally, offering to prepare gardens for community residents.



BARBARA HERSHEY SEAGULL

DAVID CARRADINE

Q. David Carradine, the "Kung Fu" star who used to live with Barbara Hershey—they had a son named Free but never got married—are they still together?—Donna Watts, Los Angeles, Cal.

A. No. When Carradine succumbed to the blandishments of another girl, Barbara Hershey, who changed her name to Barbara Seagull, took Free and left. Carradine fruitlessly has been trying to get her back.

Q. When Jacqueline Susann died of cancer in 1974 she was working on a novel, "Dolores." Will the novel be published, and what is it about?—Helen Kline, Baltimore, Md.

A. The novel will be brought out in August. Reportedly it is a fictionalized version of Jackie Kennedy and her wifely relationship to the late President John F. Kennedy.

Q. Has President Ford quietly asked L. William Seidman, one of his oldest buddies and chief economics adviser, to resign? I mean, isn't Seidman involved in a major scandal with his accountancy firm of Seidman & Seidman?—O. L., Grand Rapids, Mich.

A. Seidman & Seidman was the accounting firm which audited the notorious and crooked insurance company Equity Funding Corp. of America, in which investors lost millions. The Securities and Exchange Commission has been investigating Seidman & Seidman's role in the scandal for the past three years. How deeply Bill Seidman is involved in the mess has not yet been made clear. President Ford has not asked Bill Seidman to resign.

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MAY 9, 1976

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Seidman, Bob
Wiersum
Fred

September 2

I called Fred Wiersum back. He said that he talked with Mr. Seidman yesterday and Mr. Seidman referred him to you. He would not tell me what it was about. He said that he needed to talk to you personally. He will call back about 3:00 this afternoon.



THE WHITE HOUSE
WASHINGTON

September 2, 1976

*Seidman
L
Wm*

MEMORANDUM FOR: RON NESSEN

FROM: PHILIP BUCHEN *P.*

SUBJECT: SEC Proceeding Against
 Seidman & Seidman

The SEC order with respect to Seidman & Seidman is the settlement of an administrative proceedings involving the firm and certain of its clients. The opinion and order of the SEC makes no reference to L. William Seidman, although he was one of about 150 partners of the firm, and its managing partner until 1974.

The firm did not admit or deny the statements or conclusions of the Commission but consented to the issuance of the order to avoid further controversy.

Mr. L. William Seidman, former managing partner of the firm, was not involved personally in the work with any of the clients involved. He ceased being a partner in 1974 after he came on the Vice President's staff.

The Commission found no evidence that the Seidman firm was a party to any of the frauds perpetrated by its clients. The firm was a victim of deception practiced by four of its clients, three of which were acquired through a merger with another accounting firm that has since been terminated.

The present settlement with the SEC is designed to assure maintenance of such accounting standards and practices as are required by the SEC. It is the first and only time in the 60-year history of the firm that it has been the subject of an SEC inquiry.

THE WHITE HOUSE

WASHINGTON

September 3, 1976

MEMORANDUM FOR:

KEN LAZARUS

FROM:

PHIL BUCHEN *P.*

SUBJECT:

Bill Seidman

Attached are materials to be included in the personnel file of L. William Seidman.

They are:

1. A copy of the opinion and order issued by the SEC on September 1, 1976, in the nature of Seidman & Seidman, which I have reviewed.
2. A memo I have prepared to Ron Nessen on this subject.

Attachments

THE WHITE HOUSE
WASHINGTON

10/27/76

Ken:

Please place
in Bill Seidman's
personnel file.

P.

Seidman
William



**A Report to Partners
and
Professional Personnel
on Settlement with SEC**



Seidman & Seidman

CERTIFIED PUBLIC ACCOUNTANTS

Seidman & Seidman

CERTIFIED PUBLIC ACCOUNTANTS

BERNARD Z. LEE
MANAGING PARTNER

August 25, 1976

To the Partners and Professional
Personnel of Seidman & Seidman

This report has been prepared to put in perspective events of the past three years as they affect the practice of Seidman & Seidman. As you may know, these events will be treated upon in a soon-to-be-published Accounting Series Release of the Securities and Exchange Commission.

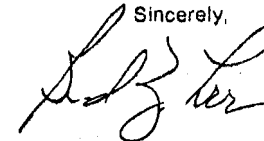
This report states our case, as we see it. It is not intended to be a point-by-point rebuttal but a general explanation of the circumstances that involved our firm in three long years of uncertainty and anguish.

In retrospect, a few years from now, it may seem that we have taken all this with an exaggerated sense of affront. After all, something of this nature has happened to virtually every major accounting firm. But this is the first time it has ever happened to us, and I would far rather be ultra-sensitive than complacent when it is Seidman & Seidman whose good name is being carelessly maligned in public.

I think the best attitude we can have, the one which we have maintained so remarkably throughout our trials and tribulations, is pride. We are genuinely proud of our firm, with good reason. We are a superb collection of professionals and growing in excellence every day in all the dimensions of our practice.

I hope that you will carry that sense of pride most conspicuously in the days ahead. We're not quite out of the woods yet, but we're close. And the future is one of infinite promise.

Sincerely,



Bernard Z. Lee
Managing Partner



In March of 1973 a fraud of major proportions was uncovered at the California based insurance-financial conglomerate, Equity Funding Corporation of America. Because the corporation was nationally known, with shares traded on the New York Stock Exchange, the story appeared on front pages all over the country.

When Equity Funding subsequently collapsed into receivership, it touched off a long series of investigations, criminal proceedings, convictions, and damage actions, some of which are still pending resolution. All of these events have also been widely covered in the press.

In the three years since the story broke, there have been some erroneous reports in the press linking Seidman & Seidman with the improprieties revealed in the Equity Funding scandal.



The facts are that we were not the historic auditors for Equity Funding and never did perform an audit of their financial statements. Our involvement with the company was short-term and very limited.

Our name appears as the auditor of record for Equity's 1971 financial statements as the result of an unfortunate combination of practices with a Los Angeles CPA firm known as Wolfson, Weiner, Ratoff & Lapin. That firm had been the Equity Funding auditor since the early 1960s.

COMBINATION OF PRACTICES

The combination with Wolfson & Weiner seemed reasonable enough at the time. They were a large and seemingly well-managed practice, with an impressive list of publicly held clients.

Expansion had been a Seidman & Seidman policy since 1968. To serve the needs of a growing number of national clients, we added many new offices, often by combining with outstanding local firms in cities where we saw the need for representation. Such combinations are not unique; many national firms have expanded in this same way.

In effecting the Wolfson & Weiner combination, Seidman & Seidman followed the same procedures used successfully in many earlier combinations. Inquiries were made through certain appropriate organizations concerning the reputation of the two partners, including a check with the Professional Conduct Committee of the California Society of CPAs. Our investigations raised no questions of impropriety.

Various Seidman partners met with the Wolfson & Weiner partners. At these meetings the two men made convincing representations of the quality of their clients, the capabilities of their personnel, and the technical policies and procedures they said they had established. Our reviews of various audit, non-audit, and tax workpapers of the Wolfson & Weiner office showed nothing to cause concern.

It was not until the Equity Funding scandal broke a year later that we discovered the questionable quality of the Wolfson & Weiner practice and the true nature of their relationship with Equity Funding management. (Weiner has since been convicted of criminal charges for his role in the Equity affair.)

Seidman & Seidman was also to learn of other problems that we had acquired with the



combination. Two other Wolfson & Weiner clients, SaCom and Omni-Rx Health Systems, were to become the subjects of investigations by the Securities and Exchange Commission.

It became apparent that we had been purposely deceived by Wolfson & Weiner in order to induce the combination. When this was established, we promptly terminated the two partners and the personnel they brought with them to Seidman & Seidman.

S.E.C. ACCOUNTING SERIES RELEASE

After extended investigations into Equity Funding, SaCom and Omni-Rx, the S.E.C. has summarized its findings in a current Accounting Series Release (ASR). Also covered in this opinion is the S.E.C. investigation of another former Seidman & Seidman client, Cenco, Inc.

This ASR is being made public as a result of a settlement between the S.E.C. and Seidman & Seidman which brings these matters to an end. We believe the settlement is in our interests and those of our clients. We do not, however, subscribe to the opinion or admit the charges made in the release.

Such charges and press reports which made

no distinction between the activities of Wolfson & Weiner and those of Seidman & Seidman have created a distorted picture of events over which we had little control and for which our partners and staff should not be held responsible.

Indeed, we have received an inordinate amount of bad publicity based on our signing "in name only" the Equity Funding auditor's report dated one month after Wolfson & Weiner joined our firm. Other misleading stories have stemmed from charges made in damage suits and from other adverse sources.

We have also had to deal with a political coloration to the reporting of our firm's affairs. An article earlier this year in a prominent weekly business magazine made some completely false and unverified statements about Seidman & Seidman and our former Managing Partner, L. William Seidman. Clearly, Bill Seidman's position as Economic Advisor to the President had resulted in the affairs of Seidman & Seidman being injected into the arena of partisan politics. We demanded and received a retraction on this article. The editors declared that they had been "inadvertently misled" by a source in the government.

This is an election year, and if any further

politicized reporting of our affairs is printed in the months ahead, we hope this Report will enable you to put it in perspective.

CERTAIN FORMER WOLFSON & WEINER CLIENTS:

EQUITY FUNDING

As mentioned earlier, Seidman & Seidman's involvement with Equity Funding consisted solely of agreeing to the placement of our signature on the company's 1971 financial statements one month after the merger with Wolfson & Weiner. That decision was based on assurances by W & W personnel that the audit had been conducted in accordance with the standards of the profession and we had no reason to believe otherwise.

The audit for 1972, which was subject to Seidman & Seidman procedures and would have required partner review, was never completed. On Saturday, March 24, 1973, Raymond Dirks, a securities analyst, met with representatives of Seidman & Seidman and revealed his suspicions of fraud, based on information he had received from current and former Equity employees. The rest is history:

1. On Monday, March 26, we met with Equity Management, confronted them with the Dirks

allegations, and insisted that they immediately contact the S.E.C.

2. Within a matter of hours — in cooperation with the S.E.C. and other authorities — we embarked upon an investigation which ran eventually to more than 4,700 hours and uncovered the first real evidence of fraud.

3. Representatives of Seidman & Seidman cooperated with and testified for the government as prosecution witnesses in the criminal proceedings growing out of the Equity matter. We received expressions of gratitude from the U.S. Attorney's office for our assistance and cooperation in presenting the prosecution's case.

None of the above actions has been reported in any of the press coverage of Seidman & Seidman.

SACOM AND OMNI-RX

After Seidman & Seidman had terminated the two Wolfson & Weiner partners (but prior to Weiner's conviction), we were subjected to threats by these two men in an attempt to obtain a financial settlement from the firm. They stated that they knew of "unethical billing practices" concerning unidentified clients which they said would "ruin S&S" if publicly disclosed.

Our response to these threats was that we would not be blackmailed. We took the matter to the S.E.C., having identified the two companies referred to by the ousted partners. The S.E.C. then began its investigations into SaCom and Omni-Rx.

Both of these small companies were brought into the firm by Wolfson & Weiner at the time of the combination, and Wolfson & Weiner partners continued to be involved with these clients. It was they who initiated the billing procedures in question.

The S.E.C. has raised questions about certain accounting and auditing judgments with regard to SaCom and Omni-Rx. We stand by our judgments, which we believe were fully in accord with professional standards in light of the circumstances at the time.

Later, as new facts became known to us, we qualified an earlier Omni-Rx opinion and withdrew our two opinions on SaCom in their entirety.

It should be noted again, for emphasis, that it was Seidman & Seidman who first brought these matters to the attention of the S.E.C.

CENCO, INC.

The S.E.C. report also deals with Cenco, Inc., a medical equipment and supplies organization. Cenco has been charged with issuing false and misleading financial statements.

After the first allegations of misconduct at the company became known to us, we launched an intensive investigation which revealed false sales and inventory figures, obtained through false documentation, collusion by high ranking management and other deceptive devices.

The S.E.C. is now critical of our failure to detect the fraud earlier. However, the S.E.C. release correctly states that Cenco management engaged in certain activities for the apparent purpose of concealing the falsification of financial statements from Seidman & Seidman.

The S.E.C. questions the adequacy of certain audit procedures employed at Cenco during the years 1973 and 1974. Our own reviews indicate that the audits were not only properly performed, but that additional audit work would not likely have produced evidence of the fraud. The concealment had been very carefully integrated within Cenco's complex, widely dispersed organization.



MANAGEMENT FRAUD

All of the matters covered in the S.E.C. opinion involve misconduct by management. Equity Funding and Cenco are classic cases of collusive management fraud.

The S.E.C.'s view of the responsibility of the independent auditor for the detection of such fraud has not been shared by most of the accounting profession.

Standard auditing procedures, the tools of the CPA, are more than sufficient to evaluate a normal set of financial statements. These same procedures, however, are relatively weak weapons against scheming executives intent on concealing their criminal acts.

Despite all that's been said with benefit of hindsight, the fact remains that not one of the several dozen management frauds of recent years has been uncovered by the auditor. And these cases have involved companies audited by all the major national accounting firms.

THE SEIDMAN RECORD

Seidman & Seidman began its accounting practice in 1910. Thereafter, for over 60 years until our oblique and unfortunate involvement with Equity Funding, we were never once the

object of an S.E.C. inquiry nor were we involved in any but minor local legal proceedings.

We take a good deal of pride in that record. We believe it demonstrates a long and consistent adherence to the ethics and standards of the accounting profession.

But even the most alert and meticulous accounting firm can become ensnared in a corporate fraud. Once drawn into such a scandal, the accounting firm faces trial by headline. Because the accountant is a target for stockholder actions, many adversary charges of negligence and/or culpability are filed with the courts. The reporting of such charges often leaves the reader with the feeling that "where there's smoke, there's fire" when in truth the auditor is as much a victim as the corporation's stockholders or its creditors. Knowing that one is innocent, however, does not take the sting out of the headlines.

Frankly, we were taken aback by the press coverage which made little attempt to distinguish between the actions of Wolfson & Weiner and those of Seidman & Seidman. And nowhere, in any of the stories written about us, has there been any mention of our active cooperation with the various authorities and regulatory agencies in bringing the truth to light and seeing that the

wrongdoers were convicted. These actions, we think, upheld the highest standards of our profession and were indicative of a full exercise of ethical responsibility.

Further, as the S.E.C. notes in their release, the audits in question constitute a small number out of many hundreds conducted by Seidman & Seidman during the period and most of the deficiencies found related to Wolfson & Weiner personnel.

THE SETTLEMENT

We have agreed to a settlement with the S.E.C. because we feel it is in our best interests and those of our clients. Our unwavering position is that Seidman & Seidman was not involved in any improprieties. However, we are not interested in winning any symbolic victories. We have every desire to continue our present effective working relationships with the S.E.C. on behalf of our many public clients.

To bring these matters to an end, to halt the disruptions, expense and bad publicity, we have agreed to certain sanctions. We believe the S.E.C. quite responsibly states that these sanctions do not affect in any way Seidman & Seidman's ability to serve existing clients nor other aspects of Seidman & Seidman's practice such as tax and management consulting.

We have agreed to the following:

- (1) We will open up our practice to review by an independent group of our peers mutually acceptable to the firm and the S.E.C. (This process has already begun.) We will implement all reasonable recommendations.
- (2) We will not undertake any new audit engagements with publicly held corporations prior to December 15, 1976.
- (3) We will not effect any combinations of practice prior to December 15, 1976 without consultation with the S.E.C.

In regard to the review of our auditing practice by an independent commission, we have long supported "peer review" for the accounting profession and welcome it for our own firm. We are confident that the commission's inquiry will establish that we conduct our practice in a proper and highly professional manner.

THE PRESENT AND THE FUTURE

Morale at Seidman & Seidman, despite the difficulties of the past three years, remains at a high level. In a recent attitude survey (which we conduct regularly among the professional staff and employees of the firm), a solid 95 percent

of those responding stated that they were "proud" to tell people they worked for Seidman & Seidman.

In a difficult and trying time, this response stimulates the partnership to maintain its basic goal of making Seidman & Seidman the most enjoyable accounting firm in the country to work for and the most rewarding to work with. We are continually reviewing our procedures, looking for ways to improve. And we are witnessing a steady growth in the strength and efficiency of our overall organization and practice.

Our approach to maintaining professional standards begins with selective recruitment of professional staff. We look for and hire exceptional graduates.

In addition we maintain a substantial internal continuing education program, which includes over 100 courses for professional personnel and is supplemented by additional courses given at the local offices.

Partners and professional staff are required to obtain a minimum of 40 hours of continuing education each year.

Technical policies and procedures are developed and reviewed regularly by the firm's National Directors and by standing committees

for the several disciplines of the firm's practice. New procedures and current developments are regularly communicated to professional staff through technical bulletins. Our Director of Quality Control supervises annual inspections and reviews of the firm's practicing offices to ensure compliance with firm and professional requirements.

Our clients are served by more than the partner and professional staff assigned to an engagement. The client is also the beneficiary of an organizational structure, administrative procedures, and a system of communications designed to bring the combined knowledge and experience of the entire firm to bear on each client's matter. The international affiliates of Seidman & Seidman make these capabilities available to clients on a world-wide basis.

The activities of the firm within the accounting profession and the evidence of its technical capabilities reflected by such activities are probably the best answer to any suggestion of inadequacies. For example, Seidman & Seidman designed the S.E.C. reporting course presently being used by the American Institute of Certified Public Accountants (AICPA) and the firm is now engaged in developing materials for still another S.E.C. course for the American Institute. In

addition, the firm has been engaged to author a text on S.E.C. reporting for a major publishing firm.

Representatives of the firm have long been, and continue to be, active participants on technical committees of the American Institute and state accounting societies, involved in the development of standards, procedures and guidelines in the areas of accounting, auditing and tax. A partner of the firm is a past president and another a vice president of the American Institute. Others serve, and have served, on the Council (governing body) of the Institute. Another partner is the newly elected president of the New York State Society of Certified Public Accountants and many other partners are officials in their state societies and in local chapters of those societies.

We hope this report has succeeded in presenting a more complete understanding of the events of the past few years and of current developments.

Seidman & Seidman is a strong, sound and respected member of the accounting profession. Our recent difficulties are limited in scope and soon to be resolved. We deeply appreciate the faith and confidence shown in us by our clients

and staff. And we continue in our dedication to provide our clients with the best possible accounting services available.

* * *