

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

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In the Matter of:

OIG-509

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WITNESS: NUMBER 44

**COPY**

PAGES: 1 - 33

PLACE: Securities and Exchange Commission  
3 World Financial Center  
New York, New York

DATE: May 11, 2009

The above-entitled matter came on  
for hearing at 12:00 p.m.

1 A P P E A R A N C E S:

2  
3 On behalf of the Securities and Exchange  
4 Commission

5  
6 H. DAVID KOTZ, ESQ.

7 United States

8 Securities and Exchange Commission

9 100 F Street NE

10 Washington, DC 20549

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1 MR. KOTZ: On the record. We are on  
2 the record at noon on May 11, 2009 at the  
3 United States Securities and Exchange  
4 Commission.

5 If the Court Reporter will swear you  
6 in, please

7 I S R A E L F R I E D M A N,

8 having first been duly sworn by a Notary  
9 Public of the State of New York, was  
10 examined and testified as follows:

11 EXAMINATION BY

12 MR. KOTZ:

13 Q. Could you state and spell your full  
14 name for the record.

15 A. Israel Friedman, I-S-R-A-E-L,  
16 F-R-I-D-M-A-N.

17 Q. Mr. Friedman, my name is David  
18 Kotz, I'm the Inspector General of the United  
19 States Securities and Exchange Commission.

20 This is an investigation by the  
21 Office of Inspector General, case number  
22 OIG-509. I'm going to ask you certain question  
23 and you'll provide answers under oath. The  
24 Court Reporter will record and later transcribe  
25 everything that is said. Therefore, please

Pages 19-24 redacted for the following reason:

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**Law Enforcement**

1 Q. Did you have any sense in the  
2 enforcements division that Ponzi scheme cases  
3 were say not as favored as other cases, insider  
4 trading or other any market manipulation cases  
5 in terms of, you know, career making cases?

6 A. I would say this is my perception  
7 for the, you know, period of time that I've  
8 been here, which is more limited than many  
9 other people, was that a Ponzi scheme case was  
10 probably a long the spectrum of one of the  
11 better cases to be brought during that period  
12 of time.

13 Q. Why was that?

14 A. Because I think there was sort of a  
15 sentiment at that time that the SEC enforcement  
16 focus should be on sort of very egregious type  
17 fraud as opposed to frauds in the universe  
18 where there are most sophisticated parties  
19 because the market can sort of take care of  
20 itself. And so, you know, Ponzi schemes were  
21 something that usually didn't -- again, my  
22 perception was that you didn't get a lot of  
23 push back to that because, you know, regardless  
24 of various viewpoints, that was something that  
25 everybody was on the same page, that it was

1 really, you know, bad, that was something that  
2 was bad for the market and also victimized a  
3 lot of individuals as opposed to sophisticated  
4 institutions and entities.

5 Law Enforcement

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23 Q. Have you had occasion to work with  
24 Simona Suh?

25 A. Not directly, no.

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1 Q. What about Megan Chung?

2 A. Also not directly, but, you know,  
3 we sort of bounced ideas off of each other. I  
4 used to be in a different line, and then when I  
5 was promoted I joined a different group, which  
6 is where Megan Chung was in that group and  
7 Simona Suh was also in that group. Previously  
8 I was in a different line.

9 Q. Did you get any sense of either  
10 Simona or Megan's capabilities and abilities?

11 A. Not personally. I know they both  
12 had a good reputation here. I think Simona was  
13 promoted at the same time as I was.

14 Q. What about Doria Bochenheimer, did  
15 you work with her at all?

16 A. No.

17 Q. Have you ever seen in your time at  
18 the SEC anybody who is an influential person  
19 get special treatment or preferential  
20 treatment?

21 A. Not that I recall, no. You know,  
22 to be frank, you know, because of the high  
23 profile nature of certain high figures, that  
24 sometimes, you know, you worry about the  
25 opposite effect, that maybe people -- you want

1 to make sure people aren't over motivated to go  
2 against big fish just because they're fish,  
3 make sure it's not just a minor infraction. I  
4 guess that's the exact opposite of where you're  
5 going.

6 Law Enforcement

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Pages 29-30 redacted for the following reason:

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**Law Enforcement**