

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
November 3, 2006

In the Matter of	:	
	:	ORDER CONCERNING
ANTHONY C. SNELL and	:	PREHEARING BRIEFS
CHARLES E. LECROY	:	
	:	

The prehearing schedule in this matter requires the Division of Enforcement (Division) to file and serve its prehearing brief by November 22, 2006, and Respondents to file and serve their prehearing brief(s) by November 29, 2006 (Order of Oct. 31, 2006). Prehearing briefs should not repeat matters addressed in the parties' earlier motions for summary disposition. Pursuant to Rules 222(a)(1)-(2) of the Rules of Practice of the Securities and Exchange Commission, I encourage the parties to give specific attention to the following matters in their prehearing briefs.

First, the Order Instituting Proceedings (OIP) makes clear that J.P. Morgan Securities, Inc. (JPMS), did business with the City of Philadelphia, Pennsylvania, on a range of financial transactions. The OIP generically refers to these transactions as "deals" or "city business" (OIP ¶¶ II.C.6, C.8). Some of these "deals" involved municipal securities business subject to the jurisdiction of the Municipal Securities Rulemaking Board (MSRB), while other "deals" did not. The OIP refers to "at least" four transactions, thus leaving open the possibility that more than four will be addressed at the hearing (OIP ¶ II.C.7). The OIP refers to airport transactions twice (OIP ¶¶ II.C.5, .7), but acknowledges that one airport transaction involved swaps. It also refers to a workers' compensation "deal" without stating whether that matter involved municipal securities (OIP ¶ II.C.7).

In its prehearing brief, the Division, as the party with the burden of proof, should identify each relevant transaction between JPMS and the City of Philadelphia that the Division contends was a municipal securities transaction subject to the jurisdiction of the MSRB. It would be most helpful if the Division could provide identifying details about each relevant municipal securities transaction, such as the identity of the issuer (the specific City agency or Authority), the date the transaction closed (or collapsed without closing), the dollar amount of the municipal securities involved, the bond series (if any), and the type of transaction (negotiated underwriting, remarketing agreement, etc.). If there were more than four relevant municipal securities

transactions, the Division should list them all. If there were only four such transactions, the Division should so state.

If Respondents intend to argue that any of the specific transactions identified in the Division's prehearing brief were not municipal securities transactions subject to the jurisdiction of the MSRB, they should identify the specific transactions in their brief(s), and they should summarize the rationale for their argument.

Second, the Division's theory of the case identifies Anthony C. Snell (Snell) and Charles E. LeCroy (LeCroy) as primary violators of Section 15B(c)(1) of the Securities Exchange Act of 1934 and former MSRB Rule G-38 (OIP ¶¶ II.D.1, D.2; Division's Memorandum of Law, dated Aug. 31, 2006, at 25 & n.11, 38 & n.19). Snell and LeCroy are not identified as willful aiders and abettors or as causes of primary violations by other actors.

Former MSRB Rule G-38 required brokers, dealers, and municipal securities dealers to complete Form G-37/G-38 quarterly and to provide a copy to the MSRB. It also required disclosure of the same information to issuers. The Division's prehearing brief should identify when, under its theory of the case, a Form G-37/G-38 should first have been filed to disclose Ronald White's (White) purported role as a consultant. The Division should also explain, under its theory of the case, which actor had the duty to disclose White's purported role as a consultant to the MSRB and to the relevant issuers: JPMS, Snell, or LeCroy.


Third, the OIP refers to efforts by JPMS, Snell, and LeCroy to search for opportunities that could involve legal work for White's firm, printing work for RPC Unlimited, and charitable contributions to White's favorite charities (OIP ¶¶ II.C.5, C.9, C.13). The Division's prehearing brief should state whether, under the Division's theory of the case, any such payments were required to be disclosed to the MSRB and to issuers and, if so, which actor had the responsibility to report these payments (JPMS, Snell, or LeCroy). If the Division contends that there was a duty to disclose any of these payments, it should also identify the date on which the duty to report first arose.

Fourth, the OIP alleges that JPMS paid White \$50,000 in April and May 2003, based on a fraudulent invoice that Snell and LeCroy urged White to submit to JPMS (OIP ¶¶ II.C.1, C.11-.12). Under the Division's theory of the case, this payment should have been disclosed to the MSRB and to the relevant issuers. The Division's prehearing brief should identify the actor who had the duty to report this payment to the MSRB and to the relevant issuers (JPMS, Snell, or LeCroy).

Fifth, the Division's prehearing brief should explain whether, under the Division's theory of the case, White actually made reportable political contributions to issuer officials and/or reportable political party payments. The Division should also explain whether the evidence to be presented at the hearing will identify the specific recipients, dates, and amounts of such reportable contributions and payments. Finally, the Division should identify the date when disclosure should first have been made to the MSRB and the relevant issuers, and the specific actor (JPMS, Snell, or LeCroy) who purportedly failed to use reasonable efforts to obtain the necessary information from White.

Once Respondents have reviewed the information provided by the Division's prehearing brief in response to items two through five of this Order, they should identify in their prehearing brief(s) the specific matters that they intend to contest at the hearing, and summarize the arguments they intend to raise in opposition.

SO ORDERED.



James T. Kelly
Administrative Law Judge