

1 APPEARANCES:

2

3 On behalf of the Securities and Exchange Commission:

4 H. DAVID KOTZ, ESQ., Inspector General

5 DAVID WITHERSPOON

6 DAVID FIELDER

7 Securities and Exchange Commission

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12 On behalf of the Witness:

13 JONATHAN S. SOKOBIN, PRO SE

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P R O C E E D I N G S

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2 MR. KOTZ: We are on the record at 3:20 p.m. on
3 April 22, 2009 at the United States Securities and Exchange
4 Commission, Office of the Inspector General.

5 Whereupon,

6 JONATHAN S. SOKOBIN

7 was called as a witness and, having been first duly sworn,
8 was examined and testified as follows:

9 EXAMINATION

10 BY MR. KOTZ:

11 Q Could you state and spell your full name for the
12 record please?

13 A Jonathan S. Sokobin, Jonathan is J-o-n-a-t-h-a-n.
14 Sokobin is S-o-k-o-b-i-n.

15 Q Mr. Sokobin, my name is David Kotz and I am the
16 Inspector General of the United States Securities and
17 Exchange Commission. I have with me my colleagues, David
18 Witherspoon and David Fielder. This is an investigation by
19 the Office of Inspector General, Case Number OIG-509. I'm
20 going to ask you certain questions and you'll be providing
21 answers under oath.

22 A court reporter will record and later transcribe
23 everything that is said. Therefore, please provide verbal
24 answers to the questions. A nod of the head or some other
25 non-verbal response won't be picked up by the court reporter.

1 specific duties related to projects, cases.

2 There was a period where the assistant chief
3 economist for litigation support; effectively the group that
4 was supporting enforcement, had retired and before he was
5 replaced part of my duties was to manage that group.

6 Q How long were you managing that group?

7 A Six months, plus or minus, to the best of my
8 knowledge.

9 Q And then what happened after? What was your next
10 position after deputy chief economist?

11 A I was asked to take the job as the director of the
12 Office of Risk Assessment.

13 Q And that's your current job?

14 A That is my current job.

15 Q What year did you start that job?

16 A In 2008, effectively March 1. I think the
17 announcement was February 28th of that year.

18 Q Okay. When you were at the Office of Economic
19 Analysis, did you work with somebody named Bill Dale?

20 A Yes.

21 Q Okay. Would you --

22 A He was, in fact, the person who was the assistant
23 chief economist for that litigation support group.

24 Q But you were supervising for that six-month period?

25 A Right. So I was part of the team -- The chief

1 Q Okay. Where was the first time you heard of the
2 name Harry Markopolos?

3 A To the best of my memory, it was sometime in March
4 of 2008.

5 Q I'm going to show you a document that I have with
6 the specific dates. This is an e-mail from Harry Markopolos
7 to you dated April 1, 2008, 2:54 p.m. And written on it is
8 mark 0267 and we're going to mark this as Exhibit 1.

9 (SEC Exhibit No. 1 was marked for
10 identification.)

11 Q You can see in this e-mail, that you were correct.
12 There's March 31, 2008 where there is an e-mail from you to
13 Harry.

14 A That's right.

15 Q What was the context in which this e-mail exchange
16 occurred?

17 A So as I told you that I understood the role of the
18 office, in part, to reach out to market participants and
19 figure out what the Commission, what were emergent risks,
20 what were things that the Commission wasn't focusing on that
21 they should have.

22 Q Okay.

23 A So what I did was I reached out to my network. And
24 one of my people that I reached out to is Rudi Schadt, who's
25 name is on the e-mail. I've known Rudi for a number of

1 years. Rudi and I attended the University of Chicago
2 together as graduate students. And he was a visiting
3 professor at Southern Methodist University at the same time
4 that I was on staff there. All right?

5 So I knew Rudi and I knew Rudi had left academia
6 and was on the street side. He was, at the time, at
7 Oppenheimer. And so I called Rudi up and said I'm doing this
8 job. Who should I talk to? And he suggested that I talk to
9 Mr. Markopolos.

10 Q And you say in this e-mail that you send to Harry
11 Markopolos, "Rudi tells me he has great respect for you and I
12 would do well to listen." What do you recall about that?

13 A That was that, I think I was reflecting. I don't
14 think he said, you would do well to listen. But he said, as
15 I remember, he said to me this is a guy you need to talk to.

16 Q And so Rudi, in some sense vouched for Harry
17 Markopolos' credibility?

18 A He said he was a smart guy. He said -- I mean, I
19 think it says what it says. So he said you should listen to
20 him, so I called him up.

21 Q Okay. And you trusted Rudi in terms of giving you
22 his opinion on a particular individual?

23 A Yes.

24 Q So you sent an e-mail to Harry Markopolos saying
25 please let me know when you have a chance time to chat. And

1 he looks like he responded the next day, "I would love to
2 chat with you about some new areas of risk that I don't think
3 are on the radar screen. And if you're available tomorrow,
4 name your best times and I'll call." And so you then had a
5 conversation with him?

6 A Yep.

7 Q How many conversations did you have with Harry
8 Markopolos?

9 A One.

10 Q All right. Let me show you another document maybe
11 that will help clarify the conversation. This is an e-mail
12 from Harry Markopolos to you dated Wednesday, April 2, 2008
13 at 11:13 a.m., mark 0268, with attachments. So we're going
14 to mark this as Exhibit 2.

15 (SEC Exhibit No. 2 was marked for
16 identification.)

17 Q In this e-mail Harry says to you, "Jonathan thank
18 you for taking the time to chat with me today." So I assume
19 this was the conversation that you had with Harry Markopolos.

20 A The thank you, I think, has to do with the
21 conversation I had with him. I would assume so.

22 Q Okay. So what do you remember about the
23 conversation you had with Harry Markopolos?

24 A A couple of things. First, when I called him I
25 explained to him what it is that I was trying to do and

1 introduced myself. I remember him telling me that he had
2 been a financial analyst but had gotten bored with that work.
3 And I remember distinctly that he described to me that his
4 current pursuit was identifying like particular IRS
5 violations because he could turn them into a whistleblower
6 program and get paid. So that was his business model.

7 He specifically asked me whether that kind of model
8 existed, a whistleblower program existed within the SEC and I
9 told him it did not. And I told him I didn't think that the
10 Commission necessarily could create it itself, but I didn't
11 know.

12 We talked about sort of some general concerns that
13 he had in the market. I remember specifically talking about
14 concerns he had with separately managed accounts. And I
15 remember telling him that that was, at least conceptually,
16 something, those concerns I understood and shared some of
17 those concerns with him.

18 Q How long was the conversation?

19 A Twenty minutes, half an hour, forty, something in
20 that zone.

21 Q Did the name Bernie Madoff at all come up in the
22 conversation?

23 A I don't remember it.

24 Q Okay. Anything else you remember about the
25 conversation?

1 e-mail Exhibit 2 which related to Bernie Madoff. Is that
2 right?

3 A I do not remember having received this. And I was
4 the -- So the first time that I remember seeing it in the
5 context, was after the story had broke and John Nester
6 contacted me and said that he had been contacted by a
7 reporter in the Wall Street Journal. And that reporter
8 provided to him the e-mail and the attachment and he provided
9 it to me.

10 And I went back to look at all of my communications
11 with Harry. I could not find it in my account and I asked
12 OIT, at that point immediately, if they could recreate so I
13 could see if I got it or not. And I never heard back from
14 them.

15 Q So do you think you didn't receive this e-mail,
16 Exhibit 2?

17 A I honestly don't know. I do not remember.

18 Q Okay.

19 A If you're interested, this is the e-mail that we
20 sent to ask --

21 Q Well we can do that as well. We can recreate
22 e-mail. That's not a problem.

23 A Okay. That's fine. I mean, I also have --

24 Q Did you locate any e-mails between you and Harry
25 Markopolos?