S. HRG. 107–643

NOMINATION HEARING FOR PHYLLIS K. FONG, WALTER LUKKEN, SHARON BROWN-HRUSKA AND DOUGLAS L. FLORY

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

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NOMINATION HEARING

TUESDAY, JUNE 25, 2002

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 10:02 p.m., in room SR–328A Russell Senate Office Building, Hon. Tom Harkin, [Chairman of the Committee], presiding.

Senate Present: Senators Harkin, Allen, Dayton, and Lugar.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

The CHAIRMAN. Good morning, the Senate Agriculture, Nutrition, and Forestry Committee will come to order. This morning, I wish to welcome to the committee four nominees: Ms. Phyllis Fong, Mr. Walter Lukken, Ms. Sharon Brown-Hruska, and Mr. Doug Flory. If I could ask them all to come up and just go ahead and take the table right here where your names are. I do not know if the names are on the back, also, there, but I would sure appreciate it.

I know that Senator Allen and Senator Warner wanted to be here. I expect them to come sometime, but they are engaged in a meeting right now, which they cannot leave, as well as Senator Lugar, but they have advised me to go ahead with the hearing. I will recognize them, when they arrive, for introductions, and comments and statements that they might have.

Ms. Fong is nominated to be Inspector General for the United States Department of Agriculture. The Office of Inspector General was established legislatively in 1978 to perform independent and objective audits and investigations within USDA, not an easy job, but it is critically important for ensuring the efficiency and effectiveness of programs so that the American public and the U.S. Congress can feel confident in the third largest civilian department in the U.S. Government. Since 1983, Ms. Fong has been employed in various positions at the U.S. Small Business Administration, including Inspector General, a position she has held since being appointed by President Clinton in 1999.

Also, before the committee today are the nominations of Mr. Lukken and Ms. Brown-Hruska to be commissioners at the Commodity Futures Trading Commission, the CFTC. The CFTC is an independent agency that regulates commodity futures and options markets with the goal of protecting market participants against manipulation, abuse of trade practices and fraud, and to protect the integrity of markets that are vitally important to the agricul-

tural and financial sectors of our economy. It is a very important agency, and its activities are of serious interest to this committee.

As most of us at this hearing know, Mr. Lukken has served on the staff of Senator Lugar for the past nine years, first, as a member of his personal staff, and most recently as a member of the full Agriculture Committee staff. This room is not strange to you, Walt.

Ms. Brown-Hruska is currently an assistant professor of Finance at George Mason University School of Management. From 1990 to 1995, she served as an economist at CFTC.

Finally, the committee welcomes Doug Flory as nominee for the board of directors for the Farm Credit Administration. The Farm Credit Administration is extremely important to the financial soundness and the integrity of the agricultural credit system.

As an independent agency in the executive branch of the U.S. Government, FCA is responsible for the regulation and examination of the banks, associations, and related entities, such as the Farm Credit Banks and Co-Bank, that collectively make up the Farm Credit System, plus the Federal Agricultural Mortgage Corporation, otherwise known as Farmer Mac. These institutions serve critical components of agriculture, and thus this committee has every interest in assuring effective oversight. Furthermore, if these institutions fail, it is likely that the organizations will look to this committee and the taxpayers of the country for help. We take this nomination very seriously, Mr. Flory.

Mr. Flory has a long history with the farm credit institutions. Most recently, he served as a member of the boards of both the AgFirst Farm Credit Bank and the Farm Credit of the Virginias.

Again, I welcome all of the nominees to the committee and look forward to hearing all of your testimony. I will leave the record open at this time for any statements and introductions to be made by any Senators who may arrive shortly.

I am required to swear in all nominees, please stand and be sworn in. If I could ask you all to please stand.

[Nominees sworn en masse.]

The CHAIRMAN. I will ask each of you in order, starting with Ms. Fong, do you agree that if confirmed, you will appear before any duly constituted committee of Congress if asked to appear, Ms. Fong?

Ms. FONG. Yes, I do.

The CHAIRMAN. Mr. Lukken?

Mr. LUKKEN. I will.

The CHAIRMAN. Ms. Brown–Hruska?

Ms. BROWN–HRUSKA. Yes, sir.

The CHAIRMAN. Mr. Flory?

Mr. FLORY. I will.

The CHAIRMAN. Thank you very much.

Now I would just turn in order for your statements, and in the order in which I have them here. We have, first, Ms. Fong, nominated to be Inspector General for the United States Department of Agriculture. You all have statements. I appreciate the fact that you submitted them. I was able to go over them. Your statements will be made a part of the record in their entirety. If you would like to sum them up, I would appreciate that.

Also, if you have family members that are here that you would like to introduce for the committee, we would like to recognize them, and we will do that in order as we introduce each member or each of the candidates who are here. Before we start, I would like to recognize my fellow Senator, Senator Nelson, from Nebraska. If you have an opening statement or anything like that, we just introduced the candidates for the various positions, and we are just going to start with the testimony of Ms. Fong.

Senator NELSON. Thank you, Mr. Chairman. I do not have an opening statement. I am very anxious to hear what the nominees have to say, so I prefer to listen to them at this point.

Thank you.

The CHAIRMAN. Thank you, Senator Nelson.

Ms. Fong, welcome to the committee. Congratulations on your nomination, and please proceed.

STATEMENT OF PHYLLIS K. FONG, BETHESDA, MARYLAND, TO BE INSPECTOR GENERAL FOR THE UNITED STATES DEPARTMENT OF AGRICULTURE

Ms. FONG. Thank you, Mr. Chairman, and good morning, Senator Nelson. I am honored to appear today as President Bush's nominee to serve as IG at the Department of Agriculture.

I was raised in Honolulu, Hawaii, and I am a descendent of immigrants from China. My great-grandparents came to Hawaii to work in the sugar cane and pineapple fields and to provide opportunities for their children. While those industries no longer thrive, the love of the land and its fruit is still in our blood.

After attending college in California and law school in Tennessee, I embarked on a career in public service with the Federal Government over 23 years ago. I am a career member of the Senior Executive Service and, in 1999, I was nominated by President Clinton and confirmed by the Senate to serve as the IG at the Small Business Administration. My tenure at SBA has been challenging and rewarding, and I trust that those experiences have prepared me for the challenges that lie ahead.

SBA's mission is to help small businesses grow and thrive. SBA does this by providing financial assistance, business development and Government contracting opportunities. SBA also provides disaster assistance to individuals and businesses who are harmed by natural disasters.

Over the past three years, during my tenure at SBA, I believe the IG's office has been very successful in accomplishing its dual mission of promoting the effective delivery of SBA programs and in addressing fraud. I am proud of the efforts of the IG's professional staff, which have resulted in more than $155 million in dollar results for the Government and over 100 audit and inspection reports. Our investigations have led to 163 indictments and 134 convictions of persons who have sought to defraud the Government. This has been accomplished with an appropriation level of about $11.5 million and a staff level of about 107 people.

Numbers alone do not tell the whole story, however. Over the past three years at SBA, we have undertaken a number of projects that will ultimately make the SBA IG's office even more effective. Briefly, these are:

Focusing IG efforts, through regular strategic planning, on a few key things, rather than solely reacting to external events;

We have moved beyond fraud detection to fraud prevention to root out fraud before it occurs, to the extent that we can;

We have increased the use of interdisciplinary approaches and projects that cut across the traditional audit and investigative lines;

We have developed different types of approaches and products that will help Agency managers address the issues that are before them;

We have created an atmosphere of openness and communication with the Hill and within the Agency;

Most important, we have fostered a tradition of personal integrity, excellence, professionalism and respect for the individual.

These approaches have worked well at SBA.

If I am confirmed as the IG at USDA, I will bring to that job these lessons and skills. I will work very closely with you and your staff, and with Secretary Veneman, to ensure that USDA's programs are delivered effectively to those who are their intended beneficiaries and that fraud is aggressively investigated and addressed.

I look forward to working on these issues with the experts, with you, your staff, the Department's program managers, and the Department's OIG professional staff. I will bring to the table an open and independent mind and a desire to help find solutions to the challenging problems facing the Department. I will also bring my experience as an IG to address those issues that are common to all Federal entities; namely, program and employee integrity, human capital management, accountability, program performance and financial management.

Before I finish, I would like to introduce my spouse, Paul Tellier, who has been very supportive of all of my efforts throughout my career. I could not do this without him.

The CHAIRMAN. Welcome, Mr. Tellier.

Ms. FONG. That concludes my statement, Mr. Chairman.

Thank you.

[The prepared statement of Ms. Fong can be found in the appendix on page 32.]

The CHAIRMAN. Thank you very much, Mrs. Fong.

Now we will turn to Walter Lukken, who is no stranger to this room, nominated to be a commissioner of the CFTC.

STATEMENT OF WALTER LUKKEN, WASHINGTON, DC, TO BE A COMMISSIONER OF THE COMMODITY FUTURES TRADING COMMISSION

Mr. LUKKEN. Thank you, Chairman Harkin.

Chairman Harkin, Senator Nelson, I am honored to appear before you as President Bush's nominee to be a commissioner at the Commodity Futures Trading Commission. I greatly appreciate the President offering me this opportunity to serve the public. In particular, I want to express my deep admiration to Senator Lugar, for whom I have worked for almost nine years. I would not have this opportunity, but for his support and guidance.

I would like to take this opportunity, first, to introduce my wife, Dana; my parents, Wayne and Carol Lukken, which I shamelessly mention are from Council Bluffs, Iowa, for the chairman—

[Laughter.]

Mr. LUKKEN [continuing]. My wife's parents, Jerry and Denise Bostic, from Morgan City, Louisiana, as well as other colleagues and friends in the audience today. I truly value their support throughout this nomination process.

The CHAIRMAN. Welcome, all of you.

In 1993, I began my career in Government service with Senator Lugar as a legislative assistant handling financial and tax matters. In the Lugar office, I learned not only the Senate process, but also how fairness, integrity, and Midwestern sensibilities can shape important policy decisions. Throughout the years, I have tried to emulate these decisionmaking qualities in my work, and I promise to bring such values with me to the Commission.

In 1997, I began to cover issues relating to the futures and derivative markets for Chairman Lugar on the Senate Agriculture Committee. I was drawn to the futures industry because of my educational background in law and finance, because of the industry's growing importance to the U.S. economy, and because of the thoughtful policy debates surrounding it.

In 2000, I was one of the staff assigned to the Commodity Futures Modernization Act, which was the most significant reform of futures regulation in 25 years. My approach to advancing this legislation involved openly engaging staff, both Democrats and Republicans, as well as regulators and industry members in an attempt to build a consensus among them. I believe that this "open door" approach left those involved with this legislation, even those opposed to it, with the belief that the final product was developed in a fair manner. If confirmed, I would use such an approach to assist the Commission with its implementation of the act.

Despite several revisions of its statute throughout the years, the primary mission of the Commodity Futures Trading Commission has remained constant. The CFTC is charged with protecting the public from fraud, preventing commodity price manipulation, providing a price discovery mechanism for certain commodities, and fostering open, competitive and financially sound futures and options markets.

This mission remains as vital today as when the CFTC was created. With the crisis of confidence in our financial markets caused by corporate misdeeds and our global war on terrorism, it is imperative that the commission be a diligent, but calming force.

Like any good Hoosier, I like basketball analogies. Every fan knows that a good referee can raise the level of competition in a basketball game. The referee's presence reassures both teams that the outcome of the game has been reached in a just and fair manner. Likewise, appropriate regulatory oversight and enforcement, especially during times of economic stress, serve to revitalize markets by reassuring the public and market participants that the rules of the game are being followed.

However, it is equally important to understand that when fouls are not being committed, referees and regulators should allow the competition itself to determine the outcome. Participants in our

markets must have the freedom to compete, to innovate, to take risks if our U.S. economy is to grow and prosper. Free markets must determine winners and losers, not regulators.

This is a difficult, but necessary, balance to achieve. If confirmed, I will work closely with the other members of the Commission to prevent and prosecute illegal activities while understanding the need to minimize the regulatory footprint on market innovation and competition.

Mr. Chairman, thank you for offering me this opportunity to testify, and I welcome any questions.

[The prepared statement of Mr. Lukken can be found in the appendix on page 35.]

The CHAIRMAN. Thank you very much. I like that analogy. That is a great analogy, but why do you always beat Iowa all of the time?

[Laughter.]

The CHAIRMAN. Now we turn to Sharon Brown–Hruska, Burke, Virginia, nominated to be a commissioner of the Commodity Futures Trading Commission.

Welcome.

STATEMENT OF SHARON BROWN–HRUSKA, BURKE, VIRGINIA, NOMINATED TO BE A COMMISSIONER OF THE COMMODITY FUTURES TRADING COMMISSION

Ms. BROWN–HRUSKA. Thank you, Chairman Harkin, Senator Nelson.

I am grateful and honored to be here before you today as a nominee to the Commodity Futures Trading Commission. I thank President Bush for giving me the opportunity to put my credentials and experience before you for your consideration.

With me today are my husband, Donald Hruska——

The CHAIRMAN. Welcome, Donald.

Ms. BROWN–HRUSKA [continuing]. My mom, Mae Brown, my brother and his wife, David and Susan Brown——

The CHAIRMAN. Stand up so we can recognize you.

[Laughter.]

Ms. BROWN–HRUSKA [continuing]. My niece, Danielle Brown. Our little boy, Jacob, is at home today. He is four.

The CHAIRMAN. Well, welcome to you all. Thanks for being here.

Ms. BROWN–HRUSKA. It is a particular honor for me to be before the Agriculture, Nutrition, and Forestry Committee. As a farm kid from White Hall, Virginia—surrounded by cornfields, apple orchards, Herefords and Holsteins—the first vehicle I drove was a tractor, my best friends were fellow 4–H Club members, and my first job was in the local farm market. This background was a gift of my father—my late father—who continued to pursue farming, despite its lack of profitability at the time, and my mother, whose parents homesteaded in Saskatchewan, Canada.

When it came time to go to college, I received a scholarship given by the Frank V. Armstrong Foundation. He was the founder of the White House apple products. It is a business local to my hometown of Winchester, Virginia. I followed my older brother, whose FFA leadership had won him a scholarship to Virginia Tech. In short,

agriculture nurtured and supported me and my family and contributes mightily to the well-being of us all.

The Agriculture Committee's dedication and commitment to the agricultural sector of the economy are so important and are part of the reason I am so proud to be here before this committee.

As an undergrad at Virginia Tech, I majored in economics and international studies. After working for three years as a public school teacher in the same county schools I had attended as a child, I returned to graduate school to pursue a Ph.D. in economics. This time, I followed my husband, who was completing his degree, to Virginia Tech.

Futures markets had always been of great interest to me, and I was fortunate that my dissertation chairman, Professor Robert Mackay, encouraged me to focus my research on derivatives markets and the relationship to the asset and commodity markets that underlie them. That research interest led me to the Commodity Futures Trading Commission, where I worked in the Division of Economic Analysis for five years. While in Government service, I found that contributing to the study and analysis of futures markets and policy issues was rewarding to me, and it was valued by the Commission and the industry.

As a finance professor in the business schools of Virginia Tech, Tulane University, and most recently, George Mason University, I have taught courses on derivatives, risk management, financial market innovation, investments, venture capital, and international financial management. It is rewarding to teach individuals and businesses about the workings of financial markets and the uses and benefits of financial instruments like futures, options, and other derivatives.

I have published papers on futures volume and volatility, market liquidity, hedging and financial market information. Much of my work has highlighted how well these markets function, how vital they are to the business and the economy, and how regulation can, and has, contributed to ensuring that these markets continue to perform their important functions of price discovery and risk management.

As a finance professor and as an economist at the Commission, I have seen firsthand how innovative and beneficial the derivative markets are and how they can increase the efficiency and performance of business and the economy. While at the Commission, I spent much of my time employing economic reasoning and investigation to evaluate rules and trading practices to make certain that they were not anticompetitive, fraudulent or manipulative. It was apparent to me then, as it is now, that the Commission plays an important role in fostering market integrity, financial integrity, and consumer protection.

If confirmed by this committee and the Senate, I would work hard to ensure that the Commission continues as a strong and effective regulator, fulfilling its mission to guard the public interest and making sure that the markets are efficient, transparent and financially sound.

Thank you very much. I look forward to your questions.

[The prepared statement of Ms. Brown–Hruska can be found in the appendix on page 37.]

The CHAIRMAN. Thank you very much, Ms. Brown–Hruska.

Now we turn to Mr. Doug Flory, of McLean, Virginia, nominated to be a member of the Farm Credit Administration Board.

Mr. Flory.

STATEMENT OF DOUGLAS L. FLORY, McLEAN, VIRGINIA, NOMINATED TO BE A MEMBER OF THE FARM CREDIT ADMINISTRATION BOARD

Mr. FLORY. Thank you, Mr. Chairman and Senator Nelson.

This may be an unusual day to have two Hokies sitting beside each other.

[Laughter.]

Mr. FLORY. Both of us are Virginia Tech graduates.

My name is Douglas Flory, of Grottoes, Virginia, in the heart of the Shenandoah Valley.

I am honored to be before you today, and on May the 9th, President George Bush nominated me to serve as Director of the Farm Credit Administration. This is a position of great importance to those who live and work in rural America, and I am humbled by the nomination, as well as the support, for this position by my Senators, John Warner and George Allen, of the Commonwealth of Virginia, and I am also honored and pleased with the strong support of my representative, Bob Goodlatte, and many other Senators, Congressmen, Virginia legislators and agriculture commodity groups who have been very helpful to me as a candidate for this nomination.

I especially want to mention the strong support of the American Farm Bureau Federation, the National Cattlemen's Beef Association, and the National Council of Farmer Cooperatives. I have a few brief remarks, and then I would like to take any questions that you might have.

As a seventh-generation Augusta County Virginian, I continue a long family tradition of involvement in production agriculture. My farm operation, Bunker Hill Farm, produces some 120,000 tom turkeys a year. I am also a 50-percent owner of a general livestock grain and farm operation of approximately 1,300 acres, with 250 brood cows. As a part of this operation, we run a performance bull-testing station for purebred Angus breeders.

In my other nonfarm business life, I have been active in a variety of businesses which were involved in agriculture in rural Virginia. During my almost 40-year career, I was assistant general manager of Rockingham Cooperative Farm Bureau, a farm supply cooperative. I was vice president of Dominion Bank of the Shenandoah Valley, which at the time was among the largest agricultural banks in the United States. I served as executive vice president, and chief operating officer and board member of WRL Foods, a publicly traded poultry food company.

During the past eight years, I was appointed by the 26th Judicial Court of Virginia as receiver custodian for agriculture and rural businesses. Additionally, I have served as an elected farmer director of my local Farm Credit Association for seven years and a director of AgFirst Farm Credit Bank since 1994.

I have also enjoyed many important affiliations with agriculture and financial institutions that have provided me with very impor-

tant insights and experiences. I have served on both the American Bankers Association and the Virginia Bankers' Association Agricultural Committees, I have been appointed by four Virginia Governors to serve on Virginia's Agriculture Credit Committee, Virginia's Agricultural Development Authority and the Virginia Agricultural Council.

Mr. Chairman, I believe this background and experience provided me with a very solid foundation to tackle the range of issues required by a Farm Credit Administration director.

In preparing for this hearing, I reviewed earlier nomination hearing transcripts for FCA board members. I was struck by the comments of Senator Kent Conrad of North Dakota during the confirmation hearing of the late FCA chairwoman, Marsha Martin, in September 1994. At that hearing, Senator Conrad stated, and I quote, "The Number One priority for the FCA board member is the safety and soundness of the Farm Credit System, and that is the absolute responsibility of the Farm Credit Administration."

I want to assure this committee I take that admonition very seriously, and I could not agree more wholeheartedly with Senator Conrad. FCA has an enormous responsibility ensuring that our farmers and ranchers, their cooperatives in rural America, have access to constructive, competitively priced credit. One way to ensure that credit availability is building confidence with this committee, the House Ag Committee, the executive branch and the farmers and ranchers of the Farm Credit System, as well as those who purchase farm credit securities on Wall Street. FCA must be a focused, arm's length regulator, and I pledge to this committee that I will be that kind of director if the Senate should confirm me for this directorship.

Mr. Chairman, this concludes my remarks. However, I also want to thank the committee staff who were very professional and helpful, and I very much appreciated their help as I prepared for this hearing.

I look forward to your questions, but I would like to introduce my family—my wife, Avery, who has been extremely supportive, and my daughter, Beth.

[The prepared statement of Mr. Flory can be found in the appendix on page 39.]

The CHAIRMAN. Welcome to the committee. Thank you, Mr. Flory.

My good friend and the ranking member of the Senate Agriculture Committee has arrived. I know he was tied up in a meeting and could not be here at the beginning, but I would recognize Senator Lugar.

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA, RANKING MEMBER, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Senator LUGAR. Thank you very much, Mr. Chairman. I apologize for my tardiness. The Republicans in the Senate have been having a long caucus this morning.

[Laughter.]

Senator LUGAR. We have concluded our work. It had to do with the length of time people can serve as chairman and ranking members.

The CHAIRMAN. Are you OK? I do not want to lose you.

[Laughter.]

Senator LUGAR. I am fine. I have already served well beyond the limits that have been set up for others, but nevertheless, it is a pleasure to greet each of the nominees. I have enjoyed reading your statements prior to your giving them today. Likewise, we have had the FBI checks and visited with them as a part of our responsibilities.

I take special pleasure in mentioning one of the nominees. I am very proud to recognize Walt Lukken, who has been nominated to be a commissioner of the Commodity Futures Trading Commission. He has been a valued part of our office for almost nine years, and during the past five years has specialized in the futures and derivatives markets for this committee.

I greatly trust his advice and counsel on these matters and so many others. In this capacity, for this committee, he was at the center of the passage of the Commodity Futures Modernization Act of 2000, which modernized the regulation of futures and derivatives markets. His leadership and integrity during this debate greatly improved the final product.

During the 2-year legislative process that led to its passage, Walt helped build a bipartisan coalition of Senate offices, industry members and agencies in support of enactment of these reforms. As a result of his efforts, he was nominated by Wall Street Letter for Washington Impact Player of the Year 2000.

Walt would be a tremendous addition, in my judgment, to the CFTC. I am inordinately proud to introduce him to the committee and to commend him today.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Lugar.

I recognized Senator Nelson earlier.

Senator Dayton, welcome to the committee. If you just had an opening statement or something, then we are going to go into the questions.

Senator DAYTON. I would just say I worked for Senator Fritz Mondale for two years. I spent about six months trying to get one sentence out of him favorably toward me. I am impressed that you receive that kind of praise.

[Laughter.]

Senator DAYTON. I also made note here, Mr. Flory, that anybody who can get appointed by four different Governors of any State is commendable.

[Laughter.]

The CHAIRMAN. Thank you.

I have a few questions for each of you, and we will go in order here just for five minutes or so each.

Ms. Fong, the IG's office is one that was established by Congress in the 1970's to be an independent watchdog on the departments to which they are attached. It is an interesting position. I have often said the IG does not work for the Secretary of any depart-

ment, whether it is Health and Human Services or the Department of Defense.

They are there, of course, appointed by the President, but in an independent capacity, to advise both. This is where it gets tricky, to advise both the department head, the Secretary in this case, and us here in Congress as to their insights, their evaluations of what is happening within that department and to give us forewarnings of any problem areas that the Inspector General might see, through audits and investigations. You can issue subpoenas, indictments, fines, administrative penalties. You have got a broad array of different actions—since you have been an Inspector General before—available.

I am a firm believer in an independent office and also an office where the Inspector General is not a passive player, but where the Inspector General is actively involved in ensuring that taxpayers' dollars are not wasted, making sure that we do not have abuse, to make sure that different agencies under the department are fulfilling their legal requirements of what they are supposed to do.

With that, I would just ask you, again, your vision of the Inspector General's Office, and do you envision playing an activist role in that regard, in terms of the audits, and in terms of investigations, and informing us here, especially in the Senator Agriculture Committee, of keeping us advised and informed of any problem areas or suggestions and advice that you might have for us to do things that would, A, protect the taxpayers' dollar; B, make sure that the laws that we have passed here are adequately carried out?

Ms. FONG. Mr. Chairman, you have hit the nail on the head. That is the challenge of the IG's job, to fulfill the mandate under the IG Act to keep both the Congress and the Administrator or the Secretary, as it may be, fully informed of the challenges and the issues before the Department. That is a very tough part of the job.

I commit to you that I will be an active IG. I have been an active IG at SBA, and it is my view that, in order to carry out the IG Act, an IG must proactively be on the front lines of the issues. We must be out there identifying the issues as they emerge, as they come to the surface. We must notify the Congress, and the Secretary and her program managers, as to what we are finding. We must be, a vigilant neighborhood watchdog.

Some have characterized IGs as junkyard dogs, others have characterized them as lapdogs. I view our role as being the aggressive, assertive watchdog that protects the American taxpayers' property and enhances the safety of the American taxpayers' investment. If we see crime about to happen, we must aggressively go after it. We must look for proactive ways to deal with systemic issues that could prevent crime. When we see management issues that are coming up, we must talk to all of the interested parties so that we can work to achieve a solution.

That is my vision for the IG's Office.

The CHAIRMAN. Ms. Fong, I appreciate that because there is a serious concern that I have about the resignation of the last Inspector General at USDA. From what I have learned, and I do not know all of the details, but this committee is going to followup, it may well be that he was asked to resign or even forced to resign because he expressed concerns on behalf of the public that did not

sit well with the Secretary or the administration related to the inspection of imported foreign meat products. No one in the Congress cares more about the protection of the public as it relates to food safety than I and the members of this committee. As I said, I do not know all of the details of this, but this committee will followup on that.

I just want to have your assurance that you will be independent and willing to stand up to the Secretary or to Congress. Sometimes you have to stand up against us, too.

Ms. FONG. You are right.

The CHAIRMAN. Anyone else to say what you believe and what your audits, investigations, your team feels needs to be said on this or any other issue. I just want your assurance that you are willing to stand up, even though it may be where someone may ask for your resignation.

Ms. FONG. All of us IGs who are appointed by the President understand that those are the conditions of the job, that we serve at the pleasure of the President. Of course, he must notify you if he wishes to remove one of us, but that aside, I am willing to stand up, as you say, and bring to your attention issues that I feel need to come to your attention. My role is to bring to the table my independent, objective, professional take on what is coming up.

The CHAIRMAN. I appreciate that very much, Ms. Fong.

Thank you, Ms. Fong.

I would recognize Senator Lugar.

Senator LUGAR. Thank you very much, Mr. Chairman.

Ms. Fong, the IG at USDA is responsible for auditing and investigating activities of more than 110,000 employees, with an annual budget of $76 billion. Now this is in contrast to the responsibility that you have had with 4,400 employees and $645 million, and while this type of transition is not unprecedented, it is a significant undertaking.

I have asked this in the context of the fact that in June 1998, GAO issued a report that was critical, prior to your tenure,—of SBA's Office of the Inspector General for conducting very few audits of guaranteed vendors which may have offered the opportunity for fraud in the view of the GAO.

Again, in your statement, you have recited, at least for the record, some activities in which you have been involved, but obviously you came into a situation in which the GAO report had criticized lack of activity. Give us some idea of your grasp of the enormity of this new responsibility.

Ms. FONG. That is a very good question, Senator Lugar.

I believe that I am ready, and I will tell you why. There are three main reasons why my SBA experience has prepared me for this job.

First of all, many significant substantive and programmatic issues at SBA also exist at the Department of Agriculture and SBA. SBA is a lending agency. We make guaranteed loans, we make venture capital available to small businesses, and we provide disaster assistance to nonfarm persons and businesses. In these program areas, I believe that the issues in SBA and USDA programs would be similar, and I will be prepared to deal with them at the Department of Agriculture.

Second, there are a number of issues that cut across all Federal agencies. These are the management issues, the "boiler room" issues that affect how a Government agency runs. Key examples include financial management, information technology and cyber security, human capital resource management, (which has become such a big issue for every agency), and accountability and performance—do programs deliver to the taxpayer what Congress included them to deliver. I have done a lot of work on these issues at SBA, and I will bring my experience and expertise to the Department of Agriculture, which faces similar challenges.

Third, as you pointed out, the Department is much bigger than SBA, and the Department's IG Office is much bigger than SBA's IG Office. I believe, however, that my experience at SBA in managing a work force of over 100 people with a multi-million dollar budget and a mission that includes projects in multiple disciplines investigations, audits, and inspections—has prepared me for the management challenges that I will face at USDA, and I am confident that I can lead the organization and make it even more productive and effective than it already is.

Senator LUGAR. I would just followup with one question. The Chairman has cited the previous Inspector General and the meat inspection issues. Indeed, he came before the committee on more than one occasion with regard to this and other issues. Have you examined the issues the last Inspector General faced, as well as other issues that may be out there in USDA that his investigations, at least if not uncovering, have gone into in a substantial way? In other words, do you have some idea of the agenda that is there now, quite apart from things that you and your staff may uncover?

Ms. FONG. I believe that I am familiar with the key, substantive issues that are facing the Department of Agriculture. I have read many of the IG Office's reports. I have been briefed by the Acting Inspector General as to the big issues that are currently before the Office. I understand that there is are a number of significant issues facing the Department such as homeland security, meat safety inspections, crop insurance, the HACCP system, as well as departmental administration, financial management, civil rights, and a number of other issues.

Senator LUGAR. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Dayton.

Senator DAYTON. Thank you, Mr. Chairman.

I have some questions. Maybe I will alternately go with you, Mr. Lukken, and then ask the same of you Ms. Brown–Hruska.

The CHAIRMAN. If you do not mind, I was going to go each person separately.

Senator DAYTON. Oh, I am sorry. I see. I am sorry. I missed that part of it. All right.

Ms. Fong, what is the most, without violating obviously any issues of confidentiality, what is the most controversial, going back to what the chairman said, and I agree with him, too, and you did as well, what is the most controversial or most difficult decision you had to make in SBA, in terms of coming forward with something or not?

Ms. FONG. I would say one of the most significant issues that we worked on in the past two years involved the Small Disadvantaged Business Certification and Eligibility Program, which is a Government procurement certification program. Congress authorized SBA to certify small businesses to participate in this program.

Just to give you a general sense of it, we had a number of whistle-blower complaints that were involved. Our people also felt that the program was perhaps not running as efficiently as it should have been. It involved 20 other departments and agencies in the Federal Government, and funding from those departments and agencies to the tune of multi millions of dollars a year. Our office went in and did a number of audits and investigations on different aspects of the program and at the end of our effort, which took about a year, we came out with some very hard-hitting reports that pointed out that the program really was overstaffed and overfunded.

The other departments and agencies were being charged much, much more than they should have been charged to participate in this program. We projected that over the course of the next 5 to 10 years, if SBA implemented all of our recommendations, there would be savings in the $12-million range per year, stretching out for a long period of time.

There were also some personnel issues and some potential criminal issues that we had to work with the Department of Justice on for prosecution consideration. We also coordinated with the Office of Special Counsel on the whistle-blower issues and handled that very successfully, I believe. We were able to protect individual rights, while still carrying out our audit and investigative responsibilities.

Senator DAYTON. Thank you.

One request, we clearly need a strong leader for the IG office in the USDA. I had an experience just a couple of months ago, Mr. Chairman, requesting information from the Department, which presumably would have required the involvement of the Inspector General, and after 10 weeks had lapsed, received, well, indirectly through the chairman, a response that basically said that nothing had been done in response to the request.

I guess what I am looking from you as a commitment, not that you will, as the chairman said, accede to every request of Members of Congress, but that you will respond in a timely fashion with what you intend to do or not do.

Ms. FONG. I will. It is my practice to respond to congressional committee requests and individual member requests very quickly, to at least let you know what we are doing—that we are evaluating it, that we are taking it into consideration—and to have a conversation with you about what it is you need so that we can respond more effectively.

Senator DAYTON. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Dayton.

We have been graced with the presence of our Senator from Virginia, Senator Allen, and we welcome you here to the committee, Senator Allen. I know you are here for the purposes of an introduc-

tion, and I know you have a busy schedule, so we would recognize you at this time for purposes of introduction.

Thank you, Senator Allen.

STATEMENT OF HON. GEORGE ALLEN, A U.S. SENATOR FROM VIRGINIA

Senator ALLEN. Thank you, Mr. Chairman, I appreciate that courtesy, and thank you, Senator Lugar, Senator Dayton, and I want to thank you all for scheduling this important hearing today.

President Bush, Mr. Chairman and members of the committee, has wisely nominated Doug Flory of Grottoes, Virginia, to serve on the Farm Credit Administration board, and I am delighted to be here with Doug and endorse him wholeheartedly.

Doug brings—and I am sure you have already read through it—a wealth of experience which is important in this role. His experience is in farming, as well as in banking and financing. He has been involved in farming his entire life. He continues to be involved in poultry, livestock and grain operations in the Shenandoah Valley of Virginia. In addition, he has served in a variety of roles, senior officer with Dominion Bank, also executive vice president for WLR Foods for four years. He has served as a director on several important Farm Credit institutions over the years, including one in Virginia. He is involved in poultry associations, banking, farm managers, rural appraisers, all. This is exactly the type of person you would want to have overseeing the Farm Credit Administration.

I wholeheartedly endorse his nomination. Hopefully, you will be able, before the July 4th recess, to vote on this fine individual.

I will also say that Senator Warner would love to be here. I am not sure if he will make it or not. He is managing the defense authorization bill on the floor at this time, but I know that he would want me also to relate to you his strong endorsement of Doug Flory, and I thank you all for this brief interlude and opportunity to introduce a fine Virginian.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Allen, thank you very much for gracing us again with your presence and for your strong support of Mr. Flory.

You are right. He has a big resume, and he has been very active, and I do not think we will have any problems at all. He is the type of person that we do need on that board, and I thank you for being here, Senator Allen.

Senator DAYTON. Mr. Chairman, I would just observe that Mr. Flory, in his remarks today, he had been appointed by four different Governors of Virginia. I thought that was a commendable ability to get along with a variety of different perspectives—four points of view.

Senator ALLEN. Yes, and he——

Senator DAYTON. I assume you were one of the four. I just wanted to check on that.

[Laughter.]

Senator ALLEN. Thank you very much.

The CHAIRMAN. Thank you.

This is for both Mr. Lukken and for Ms. Brown–Hruska. The agriculture futures and options markets now make up a smaller

share of the CFTC's fear of oversight than in the past. When this first started back in the 1970's, when I first got here, it was almost all agriculture. Now it is becoming a smaller and smaller part. However, the honesty and integrity of those markets are extremely important to the farmers, and ranchers, and agricultural businesses in the United States.

I guess I just want both your assurances that you will make certain that the CFTC devotes adequate resources and attention to agriculture under its jurisdiction.

Mr. Lukken.

Mr. LUKKEN. Well, having worked on this committee, I guess I know where my bread is buttered.

[Laughter.]

Mr. LUKKEN. Once I get down there at the CFTC, if confirmed, I would be very diligent in making sure that agriculture is looked after. I know the CFTC is doing a pretty good job at that right now, in fact. There were recent allegations regarding cattle futures manipulation, and the CFTC did an excellent job, a thorough job of looking into those allegations and providing a report on that, and they continue to oversee and monitor those markets to give assurances to those businesses and farmers who have to use those markets. I fully understand the importance of these markets and will be sure to look after them.

The CHAIRMAN. I appreciate that very much, Mr. Lukken.

Ms. Brown–Hruska.

Ms. BROWN–HRUSKA. Thank you very much.

I have studied crop yield, insurance futures, and cattle futures, and looked at a number of markets, agricultural markets, in my research and when I was at the CFTC, and that is where the rubber hits the road when it comes to price discovery, and the importance of price discovery to the underlying markets, to the underlying agricultural markets.

It is so important because the futures markets are the most liquid market. It is where a lot of us look to find where the prices are being determined, and so it is important to monitor those markets, to put every resource that you have to surveil and enforce the rules to make sure that there is no fraudulent or anticompetitive activities taking place there. It is a top priority for me.

Thank you very much.

The CHAIRMAN. I appreciate both your answers. Thank you very much.

Senator Lugar.

Senator LUGAR. Thank you, Mr. Chairman.

One of the major factors in the Commodity Future Trading Act that was passed two years ago was the provision for swaps, to give legal certainty, and we had lots of testimony over two years about that issue.

Now, since the passage of that act, many questions have arisen with regard to the amount of coverage, metals and energy and many critics, given the crisis of energy prices and the scandal surrounding Enron cite specifically the omission of energy. Likewise a considerable debate occurs in academic circles at over.

I would like the opinion of both of you as to what we ought to do with regard to energy and metals legislatively. Administratively,

you can only deal with what Congress has provided, but given your broad experience in this field can you give us at least some pointers as to what ought to be good public policy?

Mr. Lukken, do you have a view on this?

Mr. LUKKEN. Obviously, Senator Feinstein has offered an amendment on the floor to take care of this problem. The intention behind the Feinstein amendment is a very good one. One of the public policies that we aim to prevent down at the Commission is commodity manipulation, and that is what possibly was happening out in California. There were allegations that several companies were moving energy around to manipulate the price and that California residents may have suffered as a result.

The CFMA did reserve for the CFTC authority to, use their antimanipulation authorities to go after these type of abuses. Last week, in fact, they issued three subpoenas to energy companies trying to find documents, and they will prosecute these violators, if that is what they find. I guess the question is do we need more, and that is something that is going to come out with investigations that agencies are having, with the hearing that this comittee is probably going to have in a couple of weeks. It is good process to let this sort of work its way through and to understand a little clearer what exactly the problem is to allow regulators to come to us and say, "This is the information we need, this is the information we do not need", and to solve these manipulation problems.

The beauty of the Commodity Futures Modernization Act was we created a flexible, tiered structure for regulating. If we determine that the tier is too low for energy, that they are not being regulated enough, well, we have the option, as policymakers, to increase that regulation, and the outline is there to do that. If policymakers make that decision, we will certainly abide by that.

Senator LUGAR. Ms. Brown–Hruska.

Ms. BROWN–HRUSKA. I would like to second everything he said. [Laughter.]

Senator LUGAR. That was a pretty good answer.

Ms. BROWN–HRUSKA. Yes, I thought it was great.

I am not yet familiar with all of the specifics of the CFTC authority with regard to enforcing these provisions on manipulation and antifraud in the energy and metal markets. I know that there were some exemptions provided for them, but there were also some parts of the regulation that remains.

More generally, though, I do believe regulators can, and should vigorously investigate, collect evidence, build a solid case and prosecute without reserve those who would commit fraud or manipulation.

If you confirm me to serve on the CFTC, I would work diligently to assist and support the individuals responsible for surveillance and enforcement, to vigorously investigate and prosecute those who would attempt to operate outside of the rules.

With respect to the CFTC's authority in the OTC markets, I believe that this is a crucial and important matter for Congress to be considering. As I understand it, there are multiple regulatory authorities who have responsibility to oversee the participants in these markets.

The CFTC is the agency which has overseen the exchange-traded derivatives markets for 28 years. It has a wealth of expertise. They understand derivatives and the vital functions of hedging and risk management, as do I. It is appropriate and good that Congress is looking at this issue and working with the regulatory agencies involved in their deliberations. For my own part, I am looking forward to serving with Chairman Newsome, drawing from his wisdom and leadership, the perspective and experience of Commissioner Tom Erickson and Commissioner Holum-Peterson. These are resources that I would rely upon if I were confirmed to join them.

I look forward to working with the CFTC staff, Walt Lukken, assisting Congress in making whatever determination you do as regards jurisdiction and issues associated with these markets.

Senator LUGAR. I thank you. I have one question that follows, on Chairman Harkin's question with regard to agriculture. I found, with regard to my own modest farm operation, that knowledge about the markets, about options and futures, forward sales, plus utilization of risk management crop insurance legislation that this committee has passed is absolutely essential for getting some rate of return out of my investment on that farm. That is probably true for most farmers in America and probably, in many cases, makes the difference as to whether they have a reasonably small profit or none at all or losses.

The risk management aspect is one thing that I stressed during our farm bill debate, and I do not want to revisit all of that debate, but it appeared to me that one of the ways that we could be most helpful to farmers in the commodity title would be through enhancing the risk management safety net aspects so that many more farmers would participate, and the safety net, in fact, would be more certain.

I am just curious about the CFTC as you see it of attempting to help producers of all sizes in this country understand the markets that you regulate, understand the possibilities, as well as the dangers that are there. It appears to me that this is one of the broad gaps in American agriculture, among those who know and those who do not, and that knowledge is power, and in this case the power to make a profit, as opposed to a loss.

This is not entirely your responsibility. We all have that responsibility, this committee, as candidates for election, whatever fora we have. What do you foresee the CFTC might do to enhance some knowledge in respect for these markets?

Mr. Lukken, do you have a view on that?

Mr. LUKKEN. I have always wondered about the disconnect between trying to help—you have a useful tool for farmers and the futures markets, that as we have struggled throughout the years, we could never figure out why these were not either more user friendly for farmers or why they could not use these products to help manage risk, and just very few farmers seem to do that.

It is one of my goals, when I get to the CFTC, is explore this, whether it is a marketing issue, are we not presenting the products correctly to them? Is it a regulation issue? Do they not have the tools that they need? I don't know. I mean, it is something that I will have to look into, but the CFTC has an Ag Advisory Committee there that occasionally gathers, and it is ag leaders, it includes

USDA, the Risk Management Division down at USDA, and so it has some pretty good thinkers that can sort of think through these issues and try to come up with ways to help farmers manage risk because, as you said, this is something we struggled for a long time and hopefully we can improve upon.

Senator LUGAR. Ms. Brown–Hruska.

Ms. BROWN–HRUSKA. Thank you.

Education is very important. It is something that I have spent my life doing, and it is important for us to try to make derivatives like futures and options and other things that are available to farmers accessible, in terms of how they work and how they can be used, and that is a job that the Commission can perform in their public relations, and in their pamphlets, and in their speaking opportunities. It is something that I would certainly like to contribute to.

Senator LUGAR. Thank you.

The CHAIRMAN. Senator Dayton.

Senator DAYTON. Thank you, Mr. Chairman.

Mr. Lukken, Senator Lugar alluded to the decision made some time ago regarding energy, taking energy out of the oversight of the Commission. Given your experience over the last several years, are there any commodities that you believe are included now in the Commission's oversight that should not be or are there any that are not that you believe should be included in the oversight.

Mr. LUKKEN. The approach, when Congress looked at the CFMA, was to try to really look at the public policies that back the CFTC: manipulation, consumer protection and overseeing, the retail public. Those markets that didn't deal with a product that could be manipulated or didn't deal with retail customers, we tried to have less regulatory structure for them. That included financial swaps that large banks use, that the financial instruments are so numerous they couldn't be manipulated. It was the agreement of the President's working group to exclude those from the CFTC's jurisdiction, although there are many other banking regulators that may have jurisdiction over them.

As you sort of think about that structure, and you could sort of think of agricultural products and say, "Here is something that can be manipulated that farmers use, the retail public is served, those deserve the highest level of regulation we have," and you could think about energy somewhere in between. Where we position that is the thing that policymakers will be struggling with.

Congress looked at the energy exemption when it was struggling with this back in 2000. It worked with the CFTC. They wanted to add additional safeguards to the energy provisions, and we provided those safeguards that were ultimately enacted into the act.

Now there have been subsequent events. We may need to add more safeguards, and that will hopefully come out in the hearings and the investigations that we are having. It is just a matter of where on that spectrum between the highly manipulatable products and the ones that you can't manipulate do you place these other types of products. Energies and metals are the ones that are mainly named.

Senator DAYTON. You mentioned before deferring to policymakers, presumably Congress, in terms of some of these decisions,

this is an area where, frankly, we are going to have extremely limited expertise and time to focus, and you are going to have, hopefully, your entire pursuit will be this. Given the complexity of them and the proliferation of them, I hope that you will take an aggressive and active role in bringing to our attention areas of deficiency, rather than waiting for something to appear, as you say, in the headlines of the paper.

Ms. Brown–Hruska, I notice that you were with the Division of Economic Analysis for several years, and it says here that—and this is back from 1990 to 1995—we are looking at some of these areas, such as the anticompetitive nature of derivative markets and the like. I am impressed that the Commission at that stage was on the, I would say, the cutting edge or front edge of some of these new financial instruments.

My question is, given the ingenuity with which these instruments seem to be newly devised or varied, and often with the intent, in part, at least, to have an instrument that circumvents or avoids any kind of regulatory oversight. How do you think the Commission can stay abreast of, stay current, with these kind of cutting-edge developments, and again will you be willing to bring to us areas where you think the Commission should be involved that it is not at that time?

Ms. BROWN–HRUSKA. Yes, It is very important. That is an excellent point. There is such complexity that has come forth from the over-the-counter markets especially, and at times it appears that some of the goals are not that honorable: some are developed to try to avoid taxes, and some are developed to try to cook the books, and that certainly is inappropriate, and it is something that I believe that the CFTC and other regulatory agencies and Congress need to get to the bottom of. It is very important.

Senator DAYTON. Do you think the Commission is equipped in terms of staffing and expertise, to apprise itself, apprise the members of the Commission on these new developments?

Ms. BROWN–HRUSKA. Well, I know when I was there, I was very impressed with the skill and expertise of the Commodity Futures Trading Commission staff and with the commissioners at the time. There was a great awareness of the innovation, and especially a great understanding on how these instruments could be used to manage price risk and to actually lower price volatility that we sometimes see from spikes in supply and demand in the underlying markets.

There is an understanding, and also there were a lot of important cases, I recall, that came up where people were, institutions were developing and using derivatives for ill gain, and the CFTC went after them then, and the CFTC is prepared to go after them now.

Senator DAYTON. This is my final question, Mr. Chairman.

Just briefly, from each of you, the people who are most interested in the Commission and its dealings are those who are in the businesses, the industries that are being overseen. The cacophony of responses is always less regulation, deregulate, take Government strictures off of us and let the markets dictate results and get out of the way. Those who are perhaps exposed in those areas, although anybody who gets into those kind of tradings should be

well-advised that it is participant beware, are not going to be heard from, and I am thinking particularly of, say, the Enron pensioners and others who may even unwittingly be pulled in.

Can you just give me, briefly, your role of the regulatory responsibility of the Commission and what is appropriate regulation in an era which emphasizes deregulation?

We will start with you, Ms. Brown–Hruska, please.

Ms. BROWN–HRUSKA. Sure. Thank you, Senator. That is a very important question, and regulators have an obligation to ensure the economic and financial integrity of the markets and to be accountable to the individuals and institutions who use the markets and the citizens who pay their taxes.

I am sure that if I were confirmed by this committee and this Senate, I would dedicate myself to upholding the values that include protection of the public interest, and that includes consumers, investors, hedgers. It is important to be accountable to these individuals, and being accountable to the people who are at that level and who pay their taxes means being accountable to this committee and to the Senate.

I would be committed to the committee and dedicate myself to upholding the important functions of economic integrity of the market, and the financial integrity of the market, and investigating to the full extent that is possible any violations of the laws that are there.

Senator DAYTON. Thank you.

Mr. Lukken.

Mr.LUKKEN. Senator Dayton, as you mentioned, there are many times when the market incentives work against the public's mission, whether that is consumer protection or manipulation, and that is the time when we have to be the most diligent and the most present. There are certainly times recently that we have seen that, where certain misdeeds in the corporate community have happened. Despite the claim that they were self-disciplining themselves and the markets were working, they obviously weren't, and so we have to be a diligent force now, especially during times of economic stress, to be out there, to make sure that the community knows that we are watching, we are reassuring folks, and that when we find misconduct, to be diligent and go after that, be aggressive, and I promise to do that.

Senator DAYTON. Thank you, Mr. Chairman.

The CHAIRMAN. If I might just followup on that just briefly. CFTC, you can use subpoenas, you can go after things after the fact, but one of the things, and I do not want to put words in Senator Dayton's mouth, one of the things I am concerned about is making sure that CFTC uses whatever authority it has to prevent these things in the first place. You mentioned, Mr. Lukken, this committee probably within the next few days, after we get back from the 4th of July recess, we will be having a hearing on derivatives, and especially what happened in the energy area. We are gathering information on that right now, and so CFTC will be, of course, part of that hearing process.

I guess I just want to know if you believe that the CFTC has the adequate ability to get information prior to something happening; in other words, to get the kind of information on an ongoing basis

to sort of raise the red flag and say, wait a minute, if you continue down this way, we are going to have some real problems and to alert the public and to alert us here in the Congress.

I have no doubt that CFTC has the authority and the power to get it after the fact, and to issue subpoenas and do the kind of things you have to do, but I am more interested in the CFTC preventing the kinds of manipulations and lack of discovery, price discovery in the first place. I guess my question is do you think that you have enough authority to do that in the CFTC?

Mr. LUKKEN. Well, it is a little difficult to know, before I get down there, exactly what information they are currently receiving, and so, for me, it is a little difficult to answer that question. I promise that once I get down there, that is hopefully what is going to come out of some of these investigations that are ongoing in some of these hearings that you will be having is to find out that type of information—are you receiving enough beforehand? Can you prevent this type of activity? If not, then maybe we need to change it. If so, then maybe we can keep it the same. I mean, those are the types of questions that hopefully will come out during these investigations.

The CHAIRMAN. Yes.

Mr. LUKKEN. Congress tried to, in the CFMA, provide some authority for the CFTC to do some beforehand in the energy markets, especially for multilateral transactions, so Enron was a bilateral facility, their trading mechanism, but there are some multilateral energy derivative companies out there that have to register with the CFTC, have to do certain reporting requirements, have to record keep. There are all sorts of other requirements on them, so that is going to have to be looked at to see whether that is proper level or not.

The CHAIRMAN. Well, that is one of the things we are going to be looking at when we go down this hearing.

Senator DAYTON. If I could just followup on that, Mr. Chairman. I certainly agree with you. You can put words in my mouth any time if you find——

[Laughter.]

Senator DAYTON. I do not expect you to identify ahead of time that an Enron is proceeding in ways that it is. It would be great if you could do so, but I mean there are just too many companies, too many players. What you need to do is make sure that the staff determines that these instruments are structurally sound. I remember reading once a couple of years ago some hotshot said to his colleagues, "We don't sell these instruments to the sophisticated investors, we sell them to the unsophisticated investors." In other words, we contrive something and try to get people who think they can make some money quickly and do not understand what they are getting themselves into.

Everybody is going to be involved in these markets. In my view, as I said, you should have a big warning sign, there is no gain without risk involved. The instrument itself needs to be structurally sound and not a contrivance in such a way that, and if it is being perpetrated on the public by some active sales people, that is where you have to be really aggressive and step in with both feet, and I hope you will consider that.

Thank you.

The CHAIRMAN. Mr. Flory, the New York Times has written a series of stories concerning Farmer Mac, and I am sure you have read those over, and they have been, if I might say, less than flattering. Specific concerns raised include the independence of Farmer Mac's board of members, the overcompensation of executives, insider control of stock, inadequate capital and reserves and questionable investment practices.

Now I understand that you have not had access to materials that would allow you to specifically comment on this situation. I am not asking this. I am just, nonetheless, these set of circumstances provides a timely hypothetical and I just, again, I want to know have you looked at those articles, are you aware of them, and just, as a new board member, how you might approach responding to those concerns, and this committee will probably also be delving into those at some point down the road.

Mr. FLORY. Yes, Senator Harkin, I am aware of the public exposure, the same as the rest of us around here who have read the press. As you say, I have no access to current information at the Board. I am very familiar with Farmer Mac's mission, and it is extremely important, as it rounds out the credit needs of the American farmer and rancher in rural America.

However, I will pledge to you and the committee that as I become involved as a board member, if I am confirmed, that I will move in that direction very fast and will have a great interest in that.

The CHAIRMAN. Thank you, Mr. Flory.

Senator Lugar.

Senator LUGAR. Thank you, Mr. Chairman.

Mr. Flory, several years ago during the savings and loan crisis, farm credit came to a crisis. Often the two were compared; the size of the crisis in farm credit was substantially less but, nevertheless, many of the problems very similar.

This committee likes to believe that our solution to the farm credit crisis was a lot less expensive to the American taxpayer. It was being suggested at the time that the liabilities might go to $10 billion—and we have roughly settled it for something less than $1.3—but, still, this was a shock not only to farmers and bankers, but to the public as a whole that all of this proceeded without either the proper oversight or reforms.

Now, subsequently, we have had fairly smooth going, and hopefully your tenure will be a part of that, but the Farm Mac situation the chairman mentions is a warning signal on the horizon that things are never particularly safe, and I appreciate the chairman's thoughts. We may even do some oversight during the waning weeks and months of this year.

As I read the press account, it reminded me of the testimony we heard on long-term capital management a while back. That is extraordinary leverage. Now that extreme case of long-term capital sets a parameter at the outside, and Farmer Mac, in its worst condition, could not be at least that leveraged, but the charge is being made that the reserves behind various investments are inadequate, substantially inadequate, and that is going to cause some problems

in markets such as the ones we have now unless somebody does something about it.

I appreciate that you are studying it. You have not been into the private details and so forth. Hopefully, you and the other commissioners will be there very rapidly. This committee probably should be there. We need to wrestle this one to the ground before it gets out of hand, and I say that as somebody who was here at the beginning of Farmer Mac.

We saw the need in order to get to every small town, small county, remote place in America that said we are being left behind in terms of farm credit, and we heard that call, and there is great sympathy in this committee for saving every family farm, wherever it may be. Farmer Mac was one of the responses to that call, but it may have moved away from at least that initial purpose at least as we envisioned it, and if so, perhaps we can help you in forming remedies.

I do not have a further question, but I thought I would take the advantage of this hearing to make a comment so that you will understand, the gravity the chairman and I feel about this and that apparently you share.

Let me just state that in the Farm Credit Administration, from time-to-time, without getting into all of the private comments the board members make to any of us, there seems to be an occasional lack of communication among some of the principals who are involved. I hope that you, as a person who has had some longevity in Government, serving under four governors, may facilitate people talking to each other in a better way. I just say this as an outside comment, as one who has listened to a number of people and tried to facilitate this dialog.

Clearly, it is important, that you all share the same data. You may demarcate responsibilities, as the case may be, and organize your affairs, but nevertheless the committee would like to have confidence that everybody is on the same page, whether we are talking about Farmer Mac or whatever else may come along the trail, because ultimately all of you are responsible.

I thank you for indulging me on these editorial comments, but they may be pertinent to your service.

Mr. FLORY. Thank you, Senator Lugar, and they are.

The CHAIRMAN. Thanks, Senator.

Senator Dayton.

Senator DAYTON. Thank you, Mr. Chairman.

Mr. Flory, you have a resume here that would seem to prepare you extraordinarily well for this position because you have really been on the operating side of agriculture, as well as the financial side. Your farm itself, Bunker Hill, going from beef cattle, sheep, hay, now to turkey, primarily, certainly, you have had to identify the changing trends and fortunes and misfortunes involved in the agriculture economy, and as Senator Lugar was referring, in terms of the credit side as well.

Can you give, from your perspective, an assessment of where we are today in terms of the whole structure of agriculture finance. Are we relying too much on credit versus—well, a profit might be nice, I am sure, but are we past the danger zone?

Mr. FLORY. Senator Dayton, I believe this committee and others that have dealt with, and most recently the Farm bill, in my view too many farmers, and producers, and ranchers across the country are too dependent on our Government programs and not dependent enough on our markets and our market-driven economies in agriculture.

That is a concern to me, and as time goes on, it would appear to me that there should be public policy and hopefully some market arrangements that will at least remedy some of that. That, in itself, leaves some concern to me, and I know others, that if, for some reason, the support levels are not there, that we could have—and I certainly hope it would not be the kinds of things we had in the 1980's—but at least some stress in agriculture.

To further comment, all of those who provide credit to agriculture, be it Farm Credit System, be it commercial bankers of the savings and loans and FSA. We all learned some good lessons out of the 1980's. We are better prepared, we are better capitalized, we have insurance funds in place to assist us, but at the same time we also need to remain very diligent as we move forward and look at the risk points out there, and that is a big concern to me.

Senator DAYTON. I agree with your comment about the reliance on the Government programs. Of course, Government programs have also proliferated in their numbers and their complexities. I just realized in the last couple of years, sitting on this committee and going through this farm bill, how intricately aware and knowledgeable farmers have to be on just a whole variety of these programs.

Is there any way, and maybe this would be something that you could come back to us in a year or two, but that we could consolidate and simplify some of these financing different entities? Do you have any suggestions or words of wisdom on that account?

Mr. FLORY. That is a very tough question. Each financing entity, whether it be Farm Credit or commercial bankers or FSA, all have a mission—and Farmer Mac, also—they have a very definite mission in providing agricultural credit throughout the United States. In some instances, they compete with each other. In other instances, and hopefully, as we go down the road, they will complement each other in working together to supply that credit that is needed for agriculture, and most particularly, as we go through the generational change of ownership of farms with young farmers and beginning farms. That is the most important area we have.

Cooperation, and I am one that believes that we should work together, all of those both private and public institutions that are providing credit need to work hand-in-hand in being certain that we supply the family farmer and the commercial farmer adequate credit.

Senator DAYTON. Thank you.

Thank you, Mr. Chairman. We have, in my opinion, four very well-qualified nominees. Thank you.

The CHAIRMAN. I concur with that. We have four very well-qualified nominees.

We thank you for being here, for your testimony, for your service. For the family members and others who are here, you should be very proud of these nominees for their dedication to public service,

and with Senator Lugar, I hope we can move these nominees at a relatively rapid pace.

Senator LUGAR. Mr. Chairman, may I ask just one more question in Mr. Flory's presence? The temptation overwhelms me.

The CHAIRMAN. Sure.

Senator LUGAR. Getting back to my modest farm operation again——

[Laughter.]

Senator LUGAR. I am delighted that the value of my acreage seems to be rising each year, at least this is what people who are involved in farmland surveys at Purdue University, quite apart from the private market, tell me. I am pleased about that because if the operating profit seems too small, the capital gain tends to offer some returns, some future for me or for my heirs.

Now the problem with all of this comes back when occasionally a country banker will say there is certain formation here of what you might call a bubble effect. In other words, here you have a situation in which obviously you are not making a whole lot of money, given the assets that you have and the net worth that you claim for all of this. Yet, at the same time, your land keeps rising every year, and as country bankers we get worried about this kind of collateral.

Just to make your point. If, for example, the Congress should take a shift at some point and say, by and large, farm program costs—we did not mean it this way—but somehow they just got out of hand. Prices kept coming down because of oversupply, not only in this country, but worldwide; therefore, the disparity, to keep everything afloat, got larger and larger, and finally people said enough is enough, and so they began to shear off some of the funding.

Now, if you are a country banker sitting out there and that begins to happen, and you have already had some modest fears about the rising land value and your collateral, why you might overreact. In other words, you might say this is it, we are going to have to batten down the hatches at this point. Whereupon, a lot of farmers would find it very difficult to get the credit that they had been accustomed, and therefore what was a mildly disquieting situation becomes really a rampant panic in that process.

What kind of guidance can Farm Credit Administration give not to legislators, we have made our decisions with regard to the farm programs for a while, but to farm owners, about the land value situation? Do you make comments from time-to-time about land values and how we stabilize the situation given the vagaries of political discussion about farm policy? I ask this in seriousness because it appears to me, if there is one large cloud on the horizon of your responsibilities, it might be this one. If there is enough of a shift, in terms of sentiment with regard to farm payments, people may begin to have some qualms about the collateral and therefore about the credit they extend.

Mr. FLORY. Senator, there are several aspects that we need to always be very aware of. First of all, Farm Credit is one of the major suppliers of credit throughout the United States, and they are a single-industry lender. They have one mission, and that is to supply farmers, ranchers and rural America and farmer co-ops loans,

and they have done it through good times and bad, with the caveat that during the 1980's there were some real stresses among folks, and I hope we have learned some lessons.

Commercial bankers, particularly my experience with those that are in very rural areas, have the same philosophy. That is their bread and butter. They need that loan portfolio, they need those farmers' deposits in order to be a viable bank. I just think the land values will always be something that we must be aware of and how they are being affected publicly and privately, and they are the underpinning for the value of the farm assets out there, and we have got to make certain that they stay valuable within reason.

I started in banking early on, and we were balance-sheet lenders. During the 1970's we had, out of necessity, became cash-flow lenders. If we continue to keep our eye on cash-flow and make certain that we can pay the bills, then the farmer, and rancher and the co-op will be very strong, and we will have less problems back at the Agency.

Senator LUGAR. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Lugar.

I thank all of the nominees for being here. Again, I thank you for your public service, and we hope that we can expedite getting you on board as soon as possible.

The committee will stand adjourned.

[Whereupon, at 11:31 a.m., the committee was adjourned.]

APPENDIX

JUNE 25, 2002

Opening Statement
Senator Tom Harkin
Nominations Hearing
June 25, 2002

Good morning. I wish to welcome to the Committee four nominees: Ms. Phyllis Fong; Mr. Walter Lukken; Ms. Sharon Brown-Hruska; and Mr. Doug Flory.

Ms. Fong is nominated to be Inspector General for the U.S. Department of Agriculture. The office of Inspector General was established legislatively in 1978 to perform independently and objectively audits and investigations within USDA. It's not an easy job, but it is critically important for ensuring the efficiency and effectiveness of programs so that the American public can feel confident in the third-largest civilian department in U.S. government.

Since 1983, Ms. Fong has been employed in various positions at the U.S. Small Business Administration, including Inspector General, a position she has held since being appointed by President Clinton in 1999.

Also before the Committee today are the nominations of Mr. Lukken and Ms. Brown-Hruska to be Commissioners at the Commodity Futures Trading Commission (CFTC).

The CFTC is an independent agency that regulates commodity futures and options markets with the goal of protecting market participants against manipulation, abusive trade practices and fraud, and to protect the integrity of markets that are vitally important to the agricultural and financial sectors of our economy. It is an important agency and its activities are of serious interest to the Committee.

As most of those at this hearing know, Mr. Lukken has served on the staff of Senator Lugar for the past 9 years - first as a member of Senator Lugar's personal staff and more recently as a member of the Agriculture Committee staff.

Ms. Brown-Hruska is currently an assistant professor of finance at George Mason University's School of Management. From 1990 to 1995, she served as an economist at the CFTC.

Finally, the Committee also welcomes Doug Flory as nominee for the board for the Farm Credit Administration (FCA). The FCA is extremely important to the financial soundness and integrity of the agricultural credit system. As an independent agency in the executive branch of the U.S. Government, FCA is responsible for the regulation and examination of the banks, associations, and related entities such as the Farm Credit Banks and CoBank that collectively make up the Farm Credit System plus the Federal Agricultural Mortgage Corporation (Farmer Mac). These institutions serve critical components of agriculture, and thus this committee has every interest in ensuring effective oversight. Furthermore, if these institutions fail, it is likely that the organizations will look to this committee and the taxpayers of this country for help. So, we take this nomination seriously.

Mr. Flory has a long history with Farm Credit institutions. Most recently he served as a member of the boards of both Ag First Farm Credit Bank and Farm Credit of the Virginias.

Again, I welcome all the nominees to the committee, and look forward to hearing all of your testimony.

Statement of Phyllis K. Fong
Nominee for Inspector General
U.S. Department of Agriculture
Before the
U.S. Senate Committee on Agriculture, Nutrition and Forestry
June 25, 2002

Good morning, Mr. Chairman, Senator Lugar, and distinguished members of the Committee. I am honored to appear today as President Bush's nominee to serve as Inspector General of the Department of Agriculture.

I was raised in Honolulu, Hawaii, and am a descendant of immigrants from China. My great grandparents came to Hawaii to work in the sugar cane and pineapple fields, and to provide opportunities for their children. While those industries are no longer thriving in Hawaii, the love of the land and its fruit is still in our blood.

After attending college in California and law school in Tennessee, I embarked on a career in public service with the Federal Government over 23 years ago. I began as a government attorney at the U.S. Commission on Civil Rights, and then at the Legal Services Corporation. I then had an opportunity to join the Office of Inspector General at the U.S. Small Business Administration (SBA), where I have held a number of legal and management positions for over 18 years. I am a career member of the Senior Executive Service. In 1999, I was nominated by President Clinton and confirmed by the Senate to serve as the Inspector General at SBA. My tenure at SBA has been challenging and rewarding, and I trust that those experiences have prepared me for the challenges that lie ahead.

SBA's mission is to help small business grow and thrive by providing a myriad of financial assistance, business development, and government contracting programs. SBA also provides disaster assistance to individuals and businesses that are injured by physical and economic disasters.

Over the past 3 years, the SBA Office of Inspector General (OIG) has been successful in accomplishing its dual mission of promoting the effective delivery of SBA programs, and in addressing fraud. I am proud of the efforts of the OIG's professional staff, which have resulted in more than $155.5 million in dollar results for the Government (better than a 4:1 return on investment). We have issued over 100 audit and inspection reports, and our investigations have led to 163 indictments and 134 convictions of persons who have defrauded the Government. This has been accomplished with an annual appropriation level of $11.5 - $12 million and a staff level of 107-110 people.

Numbers alone, however, do not tell the whole story. Over the past 3 years, we have undertaken a number of projects and processes that will ultimately make the SBA OIG even more effective. Briefly, these are:

- Focusing OIG efforts, through regular strategic planning, on a few key things, rather than solely reacting to external events. SBA OIG's current strategic plan focuses on five main areas: financial management; information systems and computer security; lender oversight; high-risk issues; and new agency initiatives.

- Moving beyond fraud detection to fraud prevention, by addressing the causes of fraud and looking for proactive ways to prevent fraud from occurring in SBA programs.

- Increasing the use of interdisciplinary approaches within OIG that bring to bear the combined talents of audit, investigative, and evaluation staff on specific problems.

- Developing different types of products, besides traditional audits and investigations, that provide new perspectives to agency program managers – e.g., best practices studies of private/public sector entities, focus groups on specific issues, survey instruments, user checklists.

- Creating an atmosphere of openness and communication between the OIG and Agency managers, and with Congressional committees and staff.

- Fostering a tradition of personal integrity, excellence, professionalism, and respect for the individual in all OIG activities.

These approaches have worked well at SBA OIG.

If confirmed as Inspector General at USDA, I will bring to the job these lessons and skills I have learned at SBA. I will work closely with you and with Secretary Veneman to ensure that USDA's programs are delivered effectively to those who are their intended beneficiaries, and that fraud is aggressively investigated and addressed.

Congress has given USDA an important mission - to support agriculture and ensure the Nation's food supply, protect agricultural and forest lands, develop rural communities, provide opportunities for farmers, expand global markets, and reduce hunger. I am excited by the opportunity to work on these issues of critical importance to the American people and to the world.

I look forward to working on these issues with the experts – the Members of this Committee and your staff, as well as USDA program managers and the USDA OIG professional staff. I will bring to the table an open and independent mind

and a desire to help find solutions to the challenges facing the Department. I will also bring my experience as an IG to address those issues that are common to all Federal entities; namely, program and employee integrity, human capital management, accountability and program performance, information systems, and financial management.

Finally, I want to acknowledge my husband, Paul Tellier, who has been extremely supportive throughout the nomination process, as well as at every turn in my career. If I have been successful, it is due in large part to his encouragement, support, and willingness to do whatever is needed to keep the family going. I also want to mention our two wonderful daughters, Elana and Cara, who remind me every day of the reason why there is no higher calling than public service. It is for them and their generation that we must work to ensure a safe and bright future.

Thank you again, Mr. Chairman, for the opportunity to testify today.

STATEMENT OF WALTER L. LUKKEN
NOMINEE TO BE COMMISSIONER
OF THE COMMODITY FUTURES TRADING COMMISSION

Chairman Harkin, Senator Lugar and Members of the Agriculture Committee, I am honored to appear before you as President Bush's nominee to be a Commissioner at the Commodity Futures Trading Commission (CFTC). I greatly appreciate the President offering me this opportunity to serve the public. In particular, I want to express my deep admiration to Senator Lugar for whom I have worked for almost nine years. I would not have this opportunity but for his support and guidance.

I am pleased to recognize my wife, Dana, my parents, Wayne and Carol Lukken of Council Bluffs, Iowa, my wife's parents, Jerry and Denise Bostic of Morgan City, Louisiana, as well as many colleagues and friends in the audience today. I truly value their support throughout this nomination process.

My exposure to financial markets began as an undergraduate at the Kelly School of Business at Indiana University, where I studied finance. Upon graduating with honors from Indiana, I went on to receive my law degree from Lewis and Clark Law School in Portland, Oregon.

In 1993, I began my career in government service with Senator Lugar as a legislative assistant handling financial and tax matters. In the Lugar office, I learned, not only the Senate process, but also how fairness, integrity, and Midwestern sensibilities can shape important policy decisions. Throughout the years, I have tried to emulate these decision-making qualities in my work, and I promise to bring such values with me to the Commission.

In 1997, I began to cover issues relating to the futures and derivatives markets for Chairman Lugar on the Senate Agriculture Committee. I was drawn to the futures industry because of its growing importance to the U.S. economy and because of the thoughtful policy debates surrounding it.

In 2000, I was one of the staff assigned to work on the Commodity Futures Modernization Act (CFMA), which was the most significant reform of commodity futures regulation in twenty-five years. My approach to advancing this legislation involved openly engaging staff, both Democrats and Republicans, as well as regulators and industry members in an attempt to build a consensus among them. I believe that this "open door" approach left those involved with this legislation – even those opposed to it – with the belief that the final product was developed in a fair manner. If confirmed, I would use such an approach to assist the Commission with its implementation of the Act.

Despite several revisions to its statute throughout the years, the primary mission of the Commodity Futures Trading Commission has remained constant. The CFTC is charged with protecting the public and market users from fraud, preventing commodity price manipulation, providing a price discovering mechanism for certain commodities, and fostering open, competitive and financially sound futures and options markets.

This mission remains as vital today as it did when the CFTC was created. With the crisis of confidence in our financial markets caused by corporate misdeeds and our global war on terrorism, it is imperative that the Commission be a diligent but calming force.

Like any good Hoosier, I like basketball analogies. Every fan knows that a good referee can raise the level of competition in a basketball game. The referee's presence reassures both teams that the outcome of the game has been reached in a just and fair manner. Similarly, appropriate regulatory oversight and enforcement, especially during times of economic stress, serve to re-vitalize markets by reassuring the public and market participants that the rules of the game are being followed.

However, it is equally important to understand that when fouls are not being committed, referees and regulators should allow the competition itself to determine the outcome. Participants in our markets must have the freedom to compete, to innovate and to take risks if the U.S. economy is to grow and prosper. Free markets must determine winners and losers, not regulators.

This is a difficult but necessary balance to achieve. If confirmed, I will work closely with the other members of the Commission to prevent and prosecute illegal activities while understanding the need to minimize the regulatory footprint on market innovation and competition.

I consider myself very fortunate to have this opportunity to serve the public. However, the potential for this exciting new beginning also would involve a difficult end. The Senate has been my life, both professionally and socially, for almost nine years. I could not leave without expressing my sincere thanks to all the colleagues with whom I have worked throughout the years. I consider many to be close friends. I am confident that the bonds of these relationships will remain strong, and that our paths will frequently intersect in the future.

Mr. Chairman, thank you for offering me this opportunity to testify, and I welcome any questions that Senators may have.

Statement of Sharon Brown-Hruska

Chairman Harkin, Senator Lugar, and Members of the Committee, I am grateful and honored to be here before you today as a nominee to the Commodity Futures Trading Commission. I thank President Bush for giving me the opportunity to put my credentials and experience before you for your consideration.

With me today are my husband, Donald Hruska, my mom, Mae Brown, my brother and his wife, David and Susan Brown, and my niece, Danielle Brown. Our little boy, Jacob, who is four years old, is at home.

It is a particular honor for me to be before the Agriculture, Nutrition, and Forestry Committee. As a farm kid from White Hall, Virginia, surrounded by the corn fields, apple orchards, herefords and holsteins -- the first vehicle I drove was a tractor, my best friends were fellow 4-H club members, and my first job was in the local farm market. This background was a gift of my late father, who continued to pursue farming despite its lack of profitability at the time, and my mother, whose parents homesteaded in Saskatchewan, Canada. When it came time to go to college, I received a scholarship given by Frank V. Armstrong, the founder of White House apple products, a business local to my hometown. I followed my older brother, whose FFA leadership had won him a scholarship to Virginia Tech. In short, agriculture nurtured and supported me and my family, and contributes mightily to the well being of us all. The Agriculture Committee's dedication and commitment to the agricultural sector of our economy are so important, and are part of the reason I am proud to be here before this Committee.

As an undergrad at Virginia Tech, I majored in economics and international studies. After working for three years as a public school teacher in the same county schools I had attended as a child, I returned to graduate school to pursue a PhD in economics. This time I followed my husband, who was completing his degree, to Virginia Tech. Futures markets had always been of great interest to me, and I was fortunate that my dissertation chairman, Professor Robert Mackay, encouraged me to focus my research on derivatives markets and their relationship to the asset and commodity markets that underlie them. That research interest led me to the Commodity Futures Trading Commission, where I worked in the Division of Economic Analysis for five years. While in government service, I found that contributing to the study and analysis of the futures markets and the policy issues was rewarding for me and valued by the Commission and industry.

As a finance professor in the business schools of Virginia Tech, Tulane University, and most recently, George Mason University, I have taught courses on derivatives, risk management and financial market innovation, investments, venture capital and private finance, and international financial management. It is rewarding to teach individuals and businesses about the workings of financial markets and the uses and benefits of financial instruments like futures, options, and other derivatives. I have published papers on futures volume and volatility, market liquidity and hedging, and financial market information. Much of my work has highlighted how well these markets function, how vital they are to business and the economy, and how regulation can and has contributed to ensuring that these markets continue to perform their important functions of price discovery and risk management.

As a finance professor and as an economist at the Commission, I have seen firsthand how innovative and beneficial the derivatives markets are and how they can increase the efficiency and performance of business and the economy. While at the Commission, I spent much of my time employing economic reasoning and investigation to evaluate rules and trading practices to make certain that they were not anticompetitive, fraudulent, or manipulative. It was apparent to me then, as it is now, that the Commission plays an important role in fostering market integrity, financial integrity, and customer protection. If confirmed by this Committee and the Senate, I would work hard to ensure that the Commission continues as a strong and effective regulator, fulfilling its mission to guard the public interest, and making sure that the markets are efficient, transparent, and financially sound.

Thank you. I look forward to answering any questions you may have.

STATEMENT OF DOUGLAS L. FLORY, OF VIRGINIA,TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE FARM CREDIT ADMINISTRATION

MR. CHAIRMAN, SENATOR LUGAR AND OTHER MEMBERS OF THIS COMMITTEE. MY NAME IS DOUGLAS L. FLORY OF GROTTOES, VIRGINIA, WHICH IS IN THE HEART OF THE SHENANDOAH VALLEY. I AM HONORED TO BE BEFORE YOU TODAY. ON MAY 9, 2002 PRESIDENT GEORGE W. BUSH NOMINATED ME TO SERVE AS A DIRECTOR ON THE FARM CREDIT ADMINISTRATION (FCA) BOARD. THIS IS A POSITION OF GREAT IMPORTANCE TO THOSE WHO LIVE AND WORK IN RURAL AMERICA AND AM HUMBLED BY THIS NOMINATION AS WELL AS THE SUPPORT FOR THIS POSTION BY MY SENATORS JOHN W. WARNER AND GEORGE ALLEN OF THE COMMONWEALTH OF VIRGINIA. I AM ALSO HONORED AND PLEASED WITH THE STRONG SUPPORT OF MY CONGRESSMAN BOB GOODLATTE. MANY OTHER SENATORS, CONGRESSMAN, VIRGINIA LEGISLATORS, AND COMMODITY GROUPS HAVE ALSO BEEN VERY HELPFUL TO ME AS A CANDIDATE FOR THIS NOMINATION. I ESPECIALLY WANT TO MENTION THE STRONG SUPPORT OF THE AMERICAN FARM BUREAU FEDERATION, THE NATIONAL CATTLEMEN'S BEEF ASSOCIATION, AND THE NATIONAL COUNCIL OF FARMER COOPERATIVES. I HAVE A FEW BRIEF REMARKS I WOULD LIKE TO MAKE AND THEN LOOK FORWARD TO ANY QUESTIONS THIS COMMITTEE MIGHT HAVE FOR ME. AS A SEVENTH GENERATION AUGUSTA COUNTY VIRGINIAN I CONTINUE A LONG FAMILY TRADITION OF INVOLVEMENT IN PRODUCTION AGRICULTURE. MY FARM OPERATION, BUNKER HILL FARM, PRODUCES SOME 120,000 TOM TURKEYS PER YEAR WHICH IS WELL OVER THREE AND A QUARTER MILLION POUNDS OF TURKEY. I AM ALSO A 50% OWNER OF A GENERAL LIVESTOCK, GRAIN AND HAY FARM OPERATION OF APPROX. 1300 ACRES WITH 250 COMMERCIAL BROOD COWS. AS A PART OF THIS OPERATION, WE RUN A PERFORMANCE BULL TESTING STATION FOR PUREBRED ANGUS BREEDERS.

IN MY OTHER NON-FARM BUSINESS LIFE, I HAVE BEEN ACTIVE IN A VARIETY OF BUSINESSES MOST WHICH WERE INVOLVED IN AGRICULTURE AND RURAL VIRGINIA. DURING MY ALMOST 40 YEAR CAREER I WAS ASSISTANT GENERAL MANAGER OF THE ROCKINGHAM COOPERATIVE FARM BUREAU, A FARM SUPPLY COOPERATIVE. I WAS EXECUTIVE VICE PRESIDENT OF DOMINION BANK OF THE SHENANDOAH VALLEY WHICH, AT THE TIME, WAS AMONG THE LARGEST AGRICULTURAL BANKS IN THE UNITED STATES. I SERVED AS EXECUTIVE VICE PRESIDENT, COO AND A BOARD MEMBER OF WLR, FOODS, INC., A PUBLICALLY TRADED POULTRY FOOD COMPANY. DURING THE PAST 8 YEARS I WAS APPOINTED, BY THE 26TH JUDICIAL COURT OF VIRGINIA, AS A RECIEVER/CUSTODIAN FOR AGRICULTURE AND RURAL BUSINESS. ADDITIONALLY, I HAVE SERVED AS AN ELECTED FARMER DIRECTOR OF

MY LOCAL FARM CREDIT ASSOCIATION FOR SEVEN YEARS AND AS A DIRECTOR OF THE AGFIRST FARM CREDIT BANK SINCE 1994.

I HAVE ALSO ENJOYED MANY IMPORTANT AFFILIATIONS WITH AGRICULTURE AND FINANCIAL ORGANIZATIONS THAT HAVE PROVIDED ME WITH IMPORTANT INSIGHTS AND EXPERIENCES. FOR EXAMPLE, I HAVE SERVED ON BOTH OF THE AMERICAN BANKERS ASSOCIATIONS, AND THE VIRGINIA BANKERS ASSOCIATIONS AGRICULTURE COMMITTEES. I HAVE ALSO BEEN APPOINTED BY FOUR VIRGINIA GOVERNORS TO SERVE ON THE VIRGINIA'S AGRICULTURE CREDIT COMMITTEE, VIRGINIA'S AGRICULTURAL DEVELOPMENT AUTHORITY AND THE VIRGINIA AGRICULTURE COUNCIL. MR. CHAIRMAN, I BELIEVE THIS BACKGROUND AND EXPERIENCE PROVIDES ME WITH A VERY SOLID FOUNDATION TO TACKLE THE RANGE OF ISSUES REQUIRED OF A FARM CREDIT SYSTEM DIRECTOR.

I HAVE AN INTEREST IN THE NEED FOR AMERICA'S RURAL COMMUNITIES TO REMAIN STRONG AND TO PROVIDE THE INFRASTRUCTURES NEEDED TO A CONTINUING PRODUCTIVE AGRICULTURE. I AM ALSO CURRENTLY CONCERNED ABOUT THE GENERATIONAL TRANSFER OF AGRICULTURE.

IN PREPARING FOR THIS HEARING, I REVIEWED EARLIER NOMINATION HEARING TRANSCRIPTS FOR FCA BOARD MEMBERS. I WAS STRUCK BY THE COMMENTS OF SENATOR KENT CONRAD OF NORTH DAKOTA DURING THE CONFIRMATION HEARING OF, THE LATE FCA CHAIRWOMAN, MARSHA MARTIN IN SEPTEMBER 1994. AT THAT HEARING, SENATOR CONRAD STATED THAT " THE NUMBER ONE PRIORITY FOR FCA BOARD MEMBERS IS THE SAFETY AND SOUNDNESS OF THE FARM CREDIT SYSTEM, THAT IS THE ABSOLUTE RESPONSIBILITY OF THE FARM CREDIT ADMINISTRATION".

I WANT TO ASSURE THIS COMMITTEE THAT I TAKE THAT ADMONITION VERY SERIOUSLY AND I COULD NOT AGREE MORE WHOLEHEARTLY WITH SENATOR CONRAD. FCA HAS AN ENORMOUS RESPONSIBILITY ENSURING THAT OUR FARMERS AND RANCHERS, THEIR COOPERATIVES AND RURAL AMERICA HAVE ACCESS TO CONSTRUCTIVE, COMPETITIVELY PRICED CREDIT. ONE WAY TO ENSURE THAT CREDIT AVAILABILITY IS BUILDING CONFIDENCE WITH THIS COMMITTEE, THE EXECUTIVE BRANCH AND THOSE WHO PURCHASE FARM SYSTEM SECURITIES ON WALL STREET. FCA MUST BE A FOCUSED, ARMS-LENGTH REGULATOR AND I PLEDGE TO THIS COMMITTEE THAT I WILL BE THAT KIND OF DIRECTOR IF THE SENATE SHOULD CONFIRM ME FOR THIS DIRECTORSHIP.

MR. CHAIRMAN, THAT CONCLUDES MY REMARKS, HOWEVER I ALSO WANT TO THANK THE COMMITTEE STAFF WHO WERE VERY PROFESSIONAL, AND HELPFUL AND I VERY MUCH APPRECIATE THEIR HELP AS I PREPARED FOR THIS HEARING. I NOW LOOK FORWARD TO ADDRESSING ANY QUESTIONS YOU OR OTHER MEMBERS OF THE COMMITTEE MAY HAVE OF ME.

DOCUMENTS SUBMITTED FOR THE RECORD

JUNE 25, 2002

STATEMENT TO THE SENATE COMMITTEE ON AGRICULTURE,
NUTRITION AND FORESTRY ON THE NOMINATION OF
DOUGLAS LEON FLORY TO SERVE AS A BOARD MEMBER
FOR THE FARM CREDIT ADMINISTRATION
JUNE 25, 2002

Chairman Harkin, Ranking Member Lugar, and other members of the Senate's Committee on Agriculture, Nutrition and Forestry, I thank you for holding this confirmation hearing today. I am pleased to introduce a long time Virginian, Douglas Leon Flory, to serve on the board of the Farm Credit Administration. Mr. Flory is joined today by his wife, Avery, and one of his three children, Beth.

As you know, the Farm Credit Administration is the Federal Agency charged with oversight of the Farm Credit System. The Farm Credit System is a farmer-owned financial cooperative composed of banks and associations that lend money directly to farmers and ranchers across the country.

Mr. Flory's extensive background in production agriculture, the commercial credit industry, and the Farm Credit System makes him well

suited for a position on the board of the Farm Credit Administration, and I am pleased to introduce him to the Committee.

Mr. Flory earned a degree in Vocational Agriculture from the Virginia Tech University. Additionally, he received a certificate from the Maryland-Virginia School of Bank Management at the University of Virginia for his studies in bank management.

Mr. Flory is familiar with operations on the farm through his Bunker Hill farm located in Grottoes, Virginia. This farm operation produces 120,000 tom turkeys annually. In addition, he is involved in a general livestock, grain, and hay farm of 1,300 acres with some 250 commercial brood cows.

In addition to his formal education and direct work experience with agriculture, Mr. Flory enjoys a wealth of experience working with businesses to promote agriculture. He gained his experience while working at the Rockingham Cooperative Farm Bureau, serving as

Executive Vice President of Dominion Bank, and serving as Executive Vice President of WLR Foods, Inc.

Furthermore, Mr. Flory has held several other important positions to help further agriculture policy in Virginia. He has served the Commonwealth of Virginia as a director of the local Farm Credit institution, as a director of the AgFirst Farm Credit Bank, as a director of the Virginia Poultry Federation, as a member of the Virginia AgriBusiness Council, as a member of the Virginia Beef Cattle Association, and he has served as Chairman of the Virginia Bankers Association Committee on Agriculture.

Again, I am proud to present Doug Flory to the Committee for its consideration. I ask that you report his nomination favorably, and I look forward to an expeditious confirmation on the Senate floor.

Statement Senator Thad Cochran

Mr. Chairman, I join you in welcoming the nominees to the Committee today.

This Administration has taken charge in a difficult period in production agriculture. While some sectors of the economy have prospered, many farmers are receiving less for their crops and paying more for their inputs. It is my hope that each of you will be confirmed and will be able to serve in your capacity as quickly as possible.

As each of you know, the U.S. Department of Agriculture is working feverishly to implement the new farm law. I am hopeful that Ms. Phyllis Fong will be confirmed as inspector general and join the team at USDA. I am confident that she can provide valuable expertise as the implementation process continues.

I am pleased that we have before us two nominees for the Commodity Futures Trading Commission (CFTC). Mr. Walt Lukken and Ms. Sharon Brown-Hruska. With the current fluctuations in commodity markets, it is important that we provide the CFTC with resources needed to evaluate markets and continue to regulate the futures industry.

I am also pleased to see Mr. Doug Flory before the Committee today. If confirmed, Mr. Flory's experience with his personal farm operation will be very valuable to the Farm Credit Administration.

Mr. Chairman, I thank you for holding this important hearing. If confirmed, I look forward to working closely with each of the nominees.

Max Baucus

Statement of Senator Max Baucus
Senate Committee on Agriculture, Forestry and Nutrition
June 25, 2002

Mr. Chairman, I appreciate you holding this hearing today.

Mrs. Phyllis Fong, at a time when concerns for bio-terrorism and public health are on the rise, the job of Inspector General for the United States Department of Agriculture is a demanding and important position. Mrs. Fong, it will be your duty to keep both Secretary Veneman and Congress informed of issues as they surface and to be ahead of issues so that we may take care of them before they become larger concerns. Currently, providing a safe food supply to communities across the nation is at the forefront of concern for many Americans. The United States prides itself on having and enforcing the most stringent food safety standards in the world. It is critical that our citizens retain that confidence in their food system. Mrs. Fong, should you be confirmed you will have an awesome responsibility and it is vital, to both our agricultural producers and the citizens of our nation, that the Inspector General of the USDA be an active watchdog.

Commissioners of the Commodity Futures Trading Commission is a position with an enormous amount of responsibility. Unfortunately, the confidence of consumers and the markets are declining in the belief that markets aren't working as intended. Mr. Lukken and Mrs. Brown-Hruska, it is imperative that you both commit yourselves to restoring faith in the market by working to eliminate fraud. Now and in the future it will be important to work toward a free market, to prevent price manipulation in the market and to ensure the financial stability of farmers and ranchers in the United States. We will rely heavily on your experience and dedication to this position to accomplish the many demands that need to be fulfilled.

Mr. Lukken, I would like to take this opportunity to thank you for your service to the Senate Agriculture Committee. Rural American has been well-served by your dedication and commitment to agriculture. I wish you the best of luck in your future.

Mr. Flory, as a nominee to be a member of the Farm Credit Administration Board, it is important that you understand the duties that you are preparing to take on. It is crucial that opportunities for credit are available to new farmers and those seeking relief from years of drought or other natural disasters. Credit opportunities are essential to build up the infrastructure of rural communities throughout the nation. It will be your duty to ensure access to credit for America's agricultural producers. Your extensive knowledge and expertise will serve you well in your efforts to serve the agricultural community.

Mr. Chairman, thank you.

QUESTIONNAIRE FOR UNITED STATES DEPARTMENT OF AGRICULTURE NOMINEES
BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name (include any former names used).

   Phyllis Kamoi Fong

2. Date and place of birth.

   October 16, 1953
   Philadelphia, PA, USA

3. Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).

   Married to Paul Edward Tellier
   Attorney
   Office of Chief Counsel
   Internal Revenue Service
   U.S. Department of the Treasury
   1111 Constitution Avenue, NW
   Washington, DC 20224

4. Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.

   Pomona College, attended 1971-1975, Bachelor of Arts degree granted 1975

   Vanderbilt University School of Law, attended 1975-1978, Juris Doctor degree granted 1978

5. Employment Record: List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

   Research Assistant, Professor Robert Belton, Vanderbilt University School of Law, 1976-1977. Performed research and prepared memoranda for the Director of the Fair Employment Practices Clinic.

   Law clerk, Hollins and Wagster, Nashville, Tennessee, 1977-1978. Performed research and drafted legal memoranda and interrogatories for a civil and criminal litigation practice.

6. Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.

No, I have not had any military service.

7. Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.

Law clerk, Office of Corporation Counsel, City of Honolulu, June-August 1976, no grade level, summer intern program

Attorney-Advisor, Office of General Counsel, U.S. Commission on Civil Rights, August 1978-January 1981, GS-13, civil service position

Assistant General Counsel, Office of General Counsel, Legal Services Corporation, February 1981-December 1983, LSC 6/4 (the Corporation is a Government Corporation chartered in the District of Columbia and not subject to civil service laws)

Assistant Counsel to the Inspector General, Office of Inspector General, U.S. Small Business Administration, December 1983-March 1988, GS-14, civil service position

Assistant Inspector General for Management and Policy, Office of Inspector General, U.S. Small Business Administration, March 1988-September 1994, GS-15, civil service position

Assistant Inspector General for Management and Legal Counsel, Office of Inspector General, U.S. Small Business Administration, September 1994-April 1999, Senior Executive Service, civil service position

Inspector General, U.S. Small Business Administration, April 1999-present, appointed by the President and confirmed by the Senate

8. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

Numerous performance bonuses and special act awards during my Federal career

SBA Employee of the Year, Central Office, 1989

9. Other Memberships: List all organizations to which you belong, excluding religious organizations.

American Bar Association
Tennessee Bar Association
District of Columbia Bar
Bethesda-Chevy Chase YMCA
Musikanten (choral group)
Seraphim (choral group)

10. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

I authored two articles while serving on the staff of the Vanderbilt Journal of Transnational law during law school:

Note, Lawyers, Privileged Communications, and Foreign Agents Registration Act of 1938, 11 VAND. J. TRANSNAT'L L. 753 (1978)

Comment, Securities Regulation: Application of Rule 10b to International Securities Transactions, 10 VAND. J. TRANSNAT'L L. 329 (1977)

I have not made any unpublished speeches on any of the issues specified above.

11. Health: What is the present state of your health?

I am in excellent health and do not have any chronic injuries, conditions, or illnesses. I am not aware of any medical conditions which could interfere with my ability to fulfill my duties.

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

   Yes.

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

   None.

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)

   No.

4. Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc. during the past five years.)

   No.

5. Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Rural Business-Cooperative Service, Rural Housing Service, the Rural Utilities Service or their predecessor agencies, the Farmers Home Administration, the Rural Development Administration, the Rural Housing and Cooperative Development Service or the Rural Electrification Administration? (If yes, give details of any such loan activity during the past 5 years.)

   No.

6. Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details.)

   No.

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain.)

   No, other than continued membership and participation in the organizations listed in my response to question 9 above.

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details.)

   No, other than continued membership and participation in the organizations listed in my response to question 9 above.

8. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)

   No.

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

    I currently am invested in the T. Rowe Price Maryland Tax Free Bond Fund. After consulting with the Department of Agriculture's Office of Ethics, I have agreed to not participate personally and substantially in any particular matter that will have a direct and predictable effect on the ability or willingness of the State of Maryland to honor its obligations to its bondholders, unless I first obtain a written waiver or qualify for a regulatory exemption. See attached letter dated March 8, 2002.

11. Have you ever received a government guaranteed student loan? If so, has it been repaid?

    No, I have never received such a loan.

9. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

   I will seek the advice of the Department of Agriculture's Designated Agency Ethics Official concerning any potential conflict of interest, and will take any necessary measures which he/she may recommend to resolve such conflict.

June 21, 2002

5501 Alta Vista Road
Bethesda, MD 20814

Honorable Tom Harkin
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D.C. 20510-6000

Dear Mr. Chairman:

On March 14, 2002, a copy of my SF 278, Executive Branch Public Financial Disclosure Report, required in connection with my nomination to serve as Inspector General for the Department of Agriculture, was submitted to the Office of Government Ethics (OGE). That report contained all required financial information for calendar year 2001 and for the current calendar year through March 14, 2002.

In accordance with OGE regulation, at 5 C.F.R. § 2634.606, I am required to update my financial disclosure report respecting income (other than my federal salary and dividends, interest, rents, and capital gains) and honoraria, to a date that occurs five days before the date of the hearing to be held by your Committee to consider my nomination. The hearing to be held on my nomination is scheduled for Tuesday, June 25, 2002. The purpose of this letter is to report that, as of June 21, 2002, I have received no income or honoraria in addition to those categories and amounts of income shown on my Financial Disclosure Report on March 14, 2002.

I trust that this letter satisfies the additional applicable reporting requirements contained in the Ethics in Government Act.

Sincerely,

Phyllis K. Fong

cc: Amy Comstock, Director, US Office of Government Ethics
Raymond J. Sheehan, Director, Office of Ethics, USDA

UNITED STATES DEPARTMENT OF AGRICULTURE

Office of the Assistant Secretary for Administration

Office of Ethics

1400 Independence Avenue SW

Washington, DC 20250-0122

Honorable Tom Harkin
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D.C. 20510-6000

June 21, 2002

Dear Senator Harkin:

Enclosed are copies of amended pages 2 and 3 of the Form SF-278, Public Financial Disclosure Report, of Ms. Phyllis K. Fong, nominee for the position of Inspector General in the Department of Agriculture. The amendments reflect corrected values of two assets (U.S. Savings Bonds and Evergreen Growth Fund) and addition of a checking account at Cape Cod B&T. The latter was inadvertently omitted from the original report. Also enclosed are copies of revised Asset and Liability summary sheets, Schedule of Assets, and Financial Statement from the questionnaire for Agriculture nominees. The sheets from the questionnaire correct a computational error. If you have any questions about the enclosure, please contact us at 202-720-2251.

Sincerely,

for Raymond J. Sheehan
Director
Office of Ethics

cc: Honorable Amy Comstock
Director
U.S. Office of Government Ethics
1201 New York Avenue, N.W. – Suite 500
Washington, D.C. 20005-3917

AN EQUAL OPPORTUNITY EMPLOYER

United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

March 20, 2002

The Honorable Tom Harkin
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, DC 20510-6000

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Phyllis K. Fong, who has been nominated by President Bush for the position of Inspector General, Department of Agriculture.

We have reviewed the report and have also obtained advice from the Department of Agriculture concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is a letter dated March 8, 2002, from Ms. Fong to the Departments ethics official, outlining the steps she will take to avoid conflicts of interest. Unless a specific date has been agreed to, the nominee must fully comply within three months of her confirmation date with the action she agreed to take in her ethics agreement.

Based thereon, we believe that Ms. Fong is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Amy L. Comstock
Director

Enclosures

5501 Alta Vista Road
Bethesda, MD 20814

March 8, 2002

Mr. John Surina
Director
Office of Ethics
U.S. Department of Agriculture
Washington, D.C. 20250-0122

Dear Mr. Surina:

The purpose of this letter is to describe the steps that I intend to take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Inspector General, U.S. Department of Agriculture.

As required by 18 U.S.C. § 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any other person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to section 208(b)(1), or qualify for a regulatory exemption, pursuant to section 208(b)(2). I understand that the interests of the following persons are imputed to me: my spouse, minor children, or any general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

As reflected on Schedule A of my financial disclosure form, I currently am invested in the T. Rowe Price Maryland Tax Free Bond Fund. If confirmed, I pledge that I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the ability or willingness of the State of Maryland to honor its obligations to its bondholders, unless I first obtain a written waiver or qualify for a regulatory exemption.

I believe the steps I have here agreed to take will assure that no conflict of interest or appearance thereof will exist between my personal financial interests and the duties I will perform as Inspector General for USDA.

Sincerely,

Phyllis K. Fong

Phyllis K. Fong

SF278 (Rev. 03/2000)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

Executive Branch Personnel PUBLIC FINANCIAL DISCLOSURE REPORT

Form Approved:
OMB No. 3209-0001

Date of Appointment, Candidacy, Election, or Nomination (*Month, Day, Year*)	Reporting Status (*Check appropriate boxes*): [ ] Incumbent; Calendar Year Covered by Report:	[X] New Entrant, Nominee, or Candidate	[ ] Termination Filer	Termination Date (*If Applicable*) (*Month, Day, Year*):
Reporting Individual's Name	Last Name: Fong		First Name and Middle Initial: Phyllis K.	
Position for Which Filing	Title of Position: Inspector General		Department or Agency (*If Applicable*): U.S. Department of Agriculture	
Location of Present Office (or forwarding address)	Address (*Number, Street, City, State, and ZIP Code*): 409 Third Street, S.W., Washington, D.C. 20416		Telephone No. (*Include Area Code*): (202)205-6586	
Position(s) Held with the Federal Government During the Preceding 12 Months (If Not Same as Above)	Title of Position(s) and Date(s) Held: Inspector General, U.S. Small Business Administration -- April 6, 1999, to Present			
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Committee on Agriculture, Nutrition & Committee on Governmental Affairs		Do You Intend to Create a Qualified Diversified Trust? [ ] Yes [X] No	
Certification: I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge.	Signature of Reporting Individual: Phyllis K. Fong		Date (*Month, Day, Year*): 3/8/2002	
Other Review (If desired by agency)	Signature of Other Reviewer:		Date (*Month, Day, Year*):	
Agency Ethics Official's Opinion: On the basis of information contained in this report, I conclude that the filer is in compliance with applicable laws and regulations (subject to any comments in the box below).	Signature of Designated Agency Ethics Official/Reviewing Official: R/ [illegible]		Date (*Month, Day, Year*): 3/14/2002	
Office of Government Ethics Use Only	Signature: Marilyn L. Glynn		Date (*Month, Day, Year*): 3/20/02	

Comments of Reviewing Officials (*If additional space is required, use the reverse side of this sheet*)

(*Check box if filing extension granted & indicate number of days* _____) [ ]

(*Check box if comments are continued on the reverse side*) [ ]

Fee for Late Filing
Any individual who is required to file this report and does so more than 30 days after the date the report is required to be filed, or, if an extension is granted, more than 30 days after the last day of the filing extension period shall be subject to a $200 fee.

Reporting Periods
Incumbents: The reporting period is the preceding calendar year except Part II of Schedule C and Part I of Schedule D where you must also include the filing year up to the date you file. Part II of Schedule D is not applicable.

Termination Filers: The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination. Part II of Schedule D is not applicable.

Nominees, New Entrants and Candidates for President and Vice President:

Schedule A--The reporting period for income (BLOCK C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets as of any date you choose that is within 31 days of the date of filing.

Schedule B--Not applicable.

Schedule C, Part I (Liabilities)--The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.

Schedule C, Part II (Agreements or Arrangements)--Show any agreements or arrangements as of the date of filing.

Schedule D--The reporting period is the preceding two calendar years and the current calendar year up to the date of filing.

Agency Use Only

OGE Use Only
MAR 15 2002

Supersedes Prior Editions, Which Cannot Be Used. 278-112 Form Designed in Microsoft Excel 2000 NSN 7540-01-070-8444

SF278 (Rev. 03/2000)
5 C.F.R Part 2634
U.S. Office of Government Ethics

Reporting Individual's Name: Phyllis K. Fong

SCHEDULE A

Assets and Income — BLOCK A

For you, your spouse, and dependent children, report each asset held for investment or the production of income which had a fair market value exceeding $1,000 at the close of the reporting period, or which generated more than $200 in income during the reporting period, together with such income.

For yourself, also report the source and actual amount of earned income exceeding $200 (other than from the U.S. Government). For your spouse, report the source but not the amount of earned income of more than $1,000 (except report the actual acount of any honoraria over $200 of your spouse).

None ☐

Valuation of Assets at close of reporting period — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

	Assets and Income	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Examples	Central Airlines Common				X												X						X										
	Doe Jones & Smith, Hometown, State			X																												Law Partnership Income $130,000	
	Kempstone Equity Fund					X								X										X									
	IRA: Heartland 500 Index Fund							X						X											X								
1	Reliastar -- Common Stock (Acquired (by ING Group. Certificates for 80 shrs Reliastar to be redeemed by ING.)		X														X				X												
2	T. Rowe Price -- Maryland Tax-Free Bond Fund				X									X										X									
3	Vanguard Star Fund IRA			X										X										X									
4 S	Vanguard Star Fund IRA			X										X										X									
5	Liberty All-Star Growth Fund Closed End Investment Company		X											X							X												
6	Suntrust Bank -- Savings Accounts		X																X		X												
	Cape Cod B&T - Checking Account		X																X		X												

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

Prior Editions Cannot be Used.

SF278 (Rev. 03/2000)
5 C.F.R Part 2634
U.S. Office of Government Ethics

Reporting Individual's Name: Phyllis K. Fong

SCHEDULE A continued

(Use only if needed)

Page Number: 3

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

None ☐

#	Assets and Income	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
1	Evergreen -- Growth Fund CL C		X											X							X												
2	Mosaic Funds -- Tax-Free Money Market Fund													X							X												
3	Mosaic Funds -- Government Money Market Fund	X												X							X												
4	T. Rowe Price -- New Asia Fund		X											X							X												
	U.S. Savings Bonds			X															X					X									
5	Condominium Townhouse at Orleans, MA					X												X							X								
6	Calvert Group Funds First Government Money Market Fund		x											x								x											
7	Calvert Group Funds Tax-Free Reserves Money-Market Fund		x											x							x												
8	Calvert Group Funds Tax-Free Reserves Limited Term - A		x											x								x											
9	Calvert Group Funds Tax-Free Reserves Long Term-A			X										x										X									

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

Prior Editions Cannot be Used.

SF 278 (Rev. 03/2000)
5 C.F.R Part 2634
U.S. Office of Government Ethics

Reporting Individual's Name: Phyllis K. Fong

SCHEDULE C

Part I: Liabilities

Report liabilities over $10,000 owed to any one creditor at any time during the reporting period by you, your spouse, or dependent children. Check the highest amount owed during the reporting period. **Exclude** a mortgage on your personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances; and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

None ☐

	Creditors (Name and Address)	Type of Liability	Date Incurred	Interest Rate	Term if applicable	$10,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000
Examples:	First District Bank, Washington, DC	Mortgage on rental property, Delaware	1991	8%	25 yrs.			X								
	John Jones, 123 J St., Washington, DC	Promissory note	1999	10 %	on demand					X						
1	Countrywide Home Loans, Inc., Dallas, TX	Mortgage on rental property, Massachusetts	1993	7.388%	30 years			X								
2																
3																
4																
5																

* This category applies only if the liability is solely that of the filer's spouse or dependent children. If the liability is that of the filer or a joint liability of the filer with the spouse or dependent children, mark the other higher categories, as appropriate.

Part II: Agreements or Arrangements

Report your agreements or arrangements for: continuing participation in an employee benefit plan (e.g. 401K, deferred compensation); (2) continuation payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

None [X]

	Status and Terms of any Agreement or Arrangement	Parties	Date
Example:	Pursuant to partnership agreement, will receive lump sum payment of capital account & partnership share calculated on service performed through 1/00.	Doe Jones & Smith, Hometown, State	7/85
1			
2			
3			
4			
5			
6			

Prior Editions Cannot Be Used.

SF 278 (Rev. 03/2000)
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Reporting Individual's Name	SCHEDULE D	Page Number
Phyllis K. Fong		5

Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. **Exclude** positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None [X]

	Organization (*Name and Address*)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Examples:	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
1					
2					
3					
4					
5					
6					

Part II: Compensation In Excess Of $5,000 Paid by One Source

Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-prof organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

Do not complete this part if you are an Incumbent, Termination Filer, or Vice Presidential or Presidential Candidate

None [X]

	Source (*Name and Address*)	Brief Description of Duties
Examples:	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
1		
2		
3		
4		
5		
6		

Prior Editions Cannot Be Used.

BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name (include any former names used).

   Walter Lewis Lukken

2. Date and place of birth.

   March 23, 1967; LaGrange, Illinois

3. Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).

   Dana Bostic Lukken, lobbyist, MWW Group, 1747 Pennsylvania Ave., NW, Suite 1150, Washington, DC 20006

4. Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.

   Indiana University; 1985-1989; BS in Finance; May 1989.
   Lewis and Clark Law School; 1989-1992; JD; May 1992.

5. Employment Record: List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

   10/1998 to present; U.S. Senate Agriculture Committee; professional staff member covering the futures markets and agricultural tax and credit issues.

   10/1993 to 10/1998; Office of Senator Richard Lugar; Legislative Assistant on tax and financial issues.

   10/1992 to 10/1993; The Martec Group; Telemarketer for medical industry. Interviewed healthcare professionals concerning the healthcare industry and products used.

   01/1992 to 05/1992; Oregon Department of Justice - Estates and Trusts Division; Law Clerk.

05/1991 to 09/1991; U.S. Department of Justice - Tax Division; Summer Intern for Appellate and Civil Trial Eastern Divisions.

05/1990 to 09/1990; Office of Senator Richard Lugar; Summer Intern.

6. Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.

No.

7. Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.

10/1998 to present; U.S. Senate Agriculture Committee; professional staff member covering the futures markets and agricultural tax and credit issues.

10/1993 to 10/1998; Office of Senator Richard Lugar; Legislative Assistant on tax and financial issues.

01/1992 to 05/1992; Oregon Department of Justice - Estates and Trusts Division; Law Clerk.

05/1991 to 09/1991; U.S. Department of Justice - Tax Division; Summer Intern for Appellate and Civil Trial Eastern Divisions.

05/1990 to 09/1990; Office of Senator Richard Lugar; Summer Intern.

8. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

None.

9. Political Affiliation: The statute creating the Commodity Futures Trading Commission requires that no more than three members be from the same political party. List your current political party registration or affiliation.

Republican.

10. Other Memberships: List all organizations to which you belong, excluding religious organizations.

Illinois Bar Association.
Capitol Hill Restoration Society.
American Diabetes Association.

11. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

In my responsibilities as legislative assistant and professional staff on the Senate Agriculture Committee, I have assisted in the drafting of numerous floor statements, articles and speeches for the Senator. Also in this capacity, I have given speeches to groups on legislative matters before the Committee. Although most of these talks have been informal and without record, I have attached two addresses that I have publicly presented in this capacity.

12. Health: What is the present state of your health?

Excellent. I have had diabetes for the past 15 years but keep it under tight control through exercise, monitoring and diet.

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

   Yes. I am not currently employed in the private sector.

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

   None.

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)

   No.

4. Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc. during the past five years.)

   No.

5. Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Rural Business-Cooperative Service, Rural Housing Service, the Rural Utilities Service or their predecessor agencies, the Farmers Home Administration, the Rural Development Administration, the Rural Housing and Cooperative Development Service or the Rural Electrification Administration? (If yes, give details of any such loan activity during the past 5 years.)

   No.

6. Have you, or any partnership or closely held corporation in

which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details.)

No.

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain.)

No.

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details.)

No.

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)

No.

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

None.

11. Have you ever received a government guaranteed student loan? If so, has it been repaid?

Yes. During law school, I took out several government guaranteed student loans, which are currently being paid back and are in good standing.

12. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

I will continue to confer with the Office of Government Ethics and ethics officials at the CFTC so as to avoid the appearance of and to resolve any potential conflicts of interest that may arise in the future.

June 20, 2002

The Honorable Tom Harkin
Chairman
Committee on Agriculture, Nutrition, and Forestry
United States Senate
Washington, D.C. 20510-6000

Dear Mr. Chairman:

In accordance with Title I of the Ethics in Government Act of 1978, as amended, and 5 C.F.R. § 2634.606(a), I hereby update my public financial disclosure report. Since March 28, 2002, the date I signed my public financial disclosure report, my spouse and I have not received honoraria, and I have received $19,710 of earned income.

I also have discovered an error in my original SF 278 form, which requires correction. In Schedule C, Part I, number 5, I should have checked the "$50,001-$100,000" box. I have informed the CFTC and the Office of Government Ethics of this correction.

Sincerely,

Walter L. Lukken

cc: Amy L. Comstock
Director, Office of Government Ethics

Patrick J. McCarty
General Counsel and Designated Agency Ethics Official, Commodity Futures Trading Commission

United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

April 24, 2002

The Honorable Tom Harkin
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, DC 20510-6000

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Walter L. Lukken, who has been nominated by President Bush for the position of Commissioner, Commodity Futures Trading Commission.

We have reviewed the report and have also obtained advice from the Commodity Futures Trading Commission concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is a letter dated March 28, 2002, from Mr. Lukken to the Commission's ethics official, which discusses Mr. Lukken's recusal undertakings and other matters. Unless a specific date has been agreed to, the nominee must fully comply within three months of his confirmation date with the actions he agreed to take in his ethics agreement.

Based thereon, we believe that Mr. Lukken is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Amy L. Comstock
Director

Enclosures

March 28, 2002

Mr. Patrick J. McCarty
General Counsel and
Designated Agency Ethics Official
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Mr. McCarty:

In regard to your review of my public financial disclosure report ("SF 278") and in anticipation of my nomination by President Bush, I wish to advise you of the steps that I intend to take to avoid any actual or apparent conflict of interest in the event that I am confirmed as a Commissioner of the Commodity Futures Trading Commission.

As required by 18 U.S.C. 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interest or those of any other person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to section 208(b)(1), or qualify for a regulatory exemption pursuant to 208(b)(2).

My spouse is employed as a lobbyist by MWW Group, from which she receives a fixed annual salary. Pursuant to 5 C.F.R. 2635.502, I will not participate in any particular matter involving specific parties in which MWW Group is or represents a party unless I am authorized to participate. Furthermore, pursuant to section 2635.502, I will not participate in any particular matter involving specific parties in which any client of my spouse is or represents a party, unless I am authorized to participate. In addition, my spouse has agreed not to represent any client with respect to any particular matter before the Commodity Futures Trading Commission during my tenure.

I understand that you will provide copies of this letter to the White House Counsel's Office and the U.S. Office of Government Ethics in connection with their review of my SF 278. I would be pleased to provide them with any additional information they may require.

Sincerely,

Walter L. Lukken

Walter L. Lukken

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U.S. Office of Government Ethics

Executive Branch Personnel PUBLIC FINANCIAL DISCLOSURE REPORT

Form Approved:
OMB No. 3209 - 0001

Date of Appointment, Candidacy, Election, or Nomination *(Month, Day, Year)* APRIL 16, 2002	Reporting Status (Check Appropriate Boxes)	Incumbent ☐	Calendar Year Covered by Report	New Entrant, Nominee, or Candidate ☑	Termination Filer ☐ Termination Date *(If Applicable) (Month, Day, Year)*
Reporting Individual's Name	Last Name: Lukken			First Name and Middle Initial: Walter L	
Position for Which Filing	Title of Position: Commissioner			Department or Agency *(If Applicable)*: Commodity Futures Trading Commission	
Location of Present Office (or forwarding address)	Address *(Number, Street, City, State, and ZIP Code)*: 328A Russell Building, Washington, DC 20510			Telephone No. *(Include Area Code)*: (202) 224-7444	
Position(s) Held with the Federal Government During the Preceding 12 Months *(If Not Same as Above)*	Title of Position(s) and Date(s) Held: Professional Staff, U.S. Senate Agriculture Committee, 10/1998 thru Present				
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Senate Agriculture Committee			Do You Intend to Create a Qualified Diversified Trust? ☐ Yes ☑ No	
Certification: I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge.	Signature of Reporting Individual: Walter L. Lukken			Date *(Month, Day, Year)*: 3-28-02	
Other Review (If desired by agency)	Signature of Other Reviewer: Susan Wan			Date *(Month, Day, Year)*: 4/18/02	
Agency Ethics Official's Opinion: On the basis of information contained in this report, I conclude that the filer is in compliance with applicable laws and regulations (subject to any comments in the box below)	Signature of Designated Agency Ethics Official/ Reviewing Official: Patrick J. McCarty			Date *(Month, Day, Year)*: 4/19/02	
Office of Government Ethics Use Only	Signature: Stephen D. Rick			Date *(Month, Day, Year)*: 4-24-02	

Comments of Reviewing Officials *(If additional space is required, use the reverse side of this sheet)*

(Check box if filing extension granted & indicate number of days _____) ☐

(Check box if comments are continued on the reverse side) ☐

Fee for Late Filing
Any individual who is required to file this report and does so more than 30 days after the date the report is required to be filed, or, if an extension is granted, more than 30 days after the last day of the filing extension period, shall be subject to a $200 fee.

Reporting Periods
Incumbents: The reporting period is the preceding calendar year except Part II of Schedule C and Part I of Schedule D where you must also include the filing year up to the date you file. Part II of Schedule D is not applicable.

Termination Filers: The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination. Part II of Schedule D is not applicable.

Nominees, New Entrants and Candidates for President and Vice President:

Schedule A -- The reporting period for income (BLOCK C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets as of any date you choose that is within 31 days of date of filing.

Schedule B -- Not applicable.

Schedule C, Part I (Liabilities)--The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.

Schedule C, Part II (Agreements or Arrangements)--Show any agreements or arrangements as of the date of filing.

Schedule D -- The reporting period is the preceding twocalendar years and the current calendar year up to the date of filing.

Agency Use Only: uw 4/18/02 JCH

OGE Use Only: APR 22 2002

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Reporting Individual's Name: Lukken, Walter L.

SCHEDULE A

Page Number: 2 / 6

Assets and Income — BLOCK A

For you, your spouse, and dependent children, report each asset held for investment or the production of income which had a fair market value exceeding $1,000 at the close of the reporting period, or which generated more than $200 in income during the reporting period, together with such income.

For yourself, also report the source and actual amount of earned income exceeding $200 (other than from the U.S. Government). For your spouse, report the source but not the amount of earned income of more than $1,000 (except report the actual amount of any honoraria over $200 of your spouse).

None ☐

Valuation of Assets at close of reporting period. — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

	Assets and Income	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Examples	Central Airlines Common				X												X						X										
	Doe Jones & Smith, Hometown, State			X																												Law Partnership Income $130,000	
	Kempstone Equity Fund					X								X										X									
	IRA: Heartland 500 Index Fund							X						X											X								
1	Janus Growth and Income Fund		✓											✓							✓												
2	(S) MWW Group 401(k): Scudder Technology Fund, Class A	✓												✓							✓												
3	(S) MWW Group 401(k): Scudder Total Return Fund, Class A	✓												✓							✓												
4	(S) MWW Group 401(k): Cash Reserves	✓												✓							✓												
5	(S) MWW Group 401(k): Scudder Dreman High Return Fund		✓											✓							✓												
6	(S) MWW Group 401(k): Scudder Small Cap Value Fund, Class A	✓												✓							✓												

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

Prior Editions Cannot Be Used.

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Reporting Individual's Name: Lukken, Walter L.

SCHEDULE A continued
(Use only if needed)

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period. — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

#	Assets and Income (BLOCK A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
7	(S) MWW Group 401(k): Scudder Income Fund	✓												✓							✓												
8	(S) MWW Group 401(k): Scudder International Fund, Class A	✓												✓							✓												
9	(S) MWW Group, Washington, DC, lobbying firm																															Salary	
10																																	
11																																	
12																																	
13																																	
14																																	
15																																	

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

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Do not complete Schedule B if you are a new entrant, nominee, or Vice Presidential or Presidential Candidate

Reporting Individual's Name: Lukken, Walter L.

SCHEDULE B

Page Number 4 / 7

Part I: Transactions

None ☐

Report any purchase, sale, or exchange by you, your spouse, or dependent children during the reporting period of any real property, stocks, bonds, commodity futures, and other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss.

Do not report a transaction involving property used solely as your personal residence, or a transaction solely between you, your spouse, or dependent child. Check the "Certificate of divestiture" block to indicate sales made pursuant to a certificate of divestiture from OGE.

	Identification of Assets	Transaction Type (x): Purchase	Sale	Exchange	Date (Mo., Day, Yr.)	Amount of Transaction (x): $1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Certificate of divestiture
Example	Central Airlines Common	X			2/1/99			X									
1																	
2																	
3																	
4																	
5																	

* This category applies only if the underlying asset is solely that of the filer's spouse or dependent children. If the underlying asset is either held by the filer or jointly held by the filer with the spouse or dependent children, use the other higher categories of value, as appropriate.

Part II: Gifts, Reimbursements, and Travel Expenses

None ☐

For you, your spouse and dependent children, report the source, a brief description, and the value of: (1) gifts (such as tangible items, transportation, lodging, food, or entertainment) received from one source totaling more than $260, and (2) travel-related cash reimbursements received from one source totaling more than $260. For conflicts analysis, it is helpful to indicate a basis for receipt, such as personal friend, agency approval under 5 U.S.C. § 4111 or other statutory authority, etc. For travel-related gifts and reimbursements, include travel itinerary, dates, and the nature of expenses provided. **Exclude** anything given to you by the U.S. Government; given to your agency in connection with official travel; received from relatives; received by your spouse or dependent child totally independent of their relationship to you; or provided as personal hospitality at the donor's residence. Also, for purposes of aggregating gifts to determine the total value from one source, exclude items worth $104 or less. See instructions for other exclusions.

	Source (Name and Address)	Brief Description	Value
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Airline ticket, hotel room & meals incident to national conference 6/15/99 (personal activity unrelated to duty)	$500
	Frank Jones, San Francisco, CA	Leather briefcase (personal friend)	$300
1			
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Reporting Individual's Name: Lukken, Walter L.

SCHEDULE C

Part I: Liabilities

Report liabilities over $10,000 owed to any one creditor at **any time** during the reporting period by you, your spouse, or dependent children. Check the highest amount owed during the reporting period. **Exclude** a mortgage on your personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances; and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

None ☐

	Creditors *(Name and Address)*	Type of Liability	Date incurred	Interest Rate	Term if applicable	$10,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000
Examples	First District Bank, Washington, DC	Mortgage on rental property, Delaware	1991	8%	25 yrs			X								
	John Jones, 123 JSt., Washington, DC	Promissory note	1999	10%	on demand					X						
1	U.S. Senate Federal Credit Union, Washington, DC	credit card	1998	10.5 %	revolving	☑	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
2	Sallie Mae, 11600 Sallie Mae Drive, Reston, VA 20193	Student Loans	1989	6.625 %	thru 2008	☑	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
3	Pennsylvania Higher Education Assistance Agency, Harrisburg Pennsylvania	Consolidated Student Loans	1996	9 %	25 years	☐	☑	☐	☐	☐	☐	☐	☐	☐	☐	☐
4	U.S. Federal Credit Union, Washington, DC	Spouse Personal Loan	1999	12%	5 years	☑	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
5	U.S Department of Education,	Spouse Student Loans	1994	7%	25 years	☐	☑	☐	☐	☐	☐	☐	☐	☐	☐	☐

* This category applies only if the underlying liability is solely that of the filer's spouse or dependent children. If the liability is that of the filer or a joint liability of the filer with the spouse or dependent children, mark the other higher categories, as appropriate.

Part II: Agreements or Arrangements

Report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. pension, 401k, deferred compensation); (2) continuation of payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

None ☑

	Status and Terms of any Agreement or Arrangement	Parties	Date
Example	Pursuant to partnership agreement, will recieve lump sum payment of capital account & partnership share calculated on service performed through 1/00.	Doe Jones & Smith, Hometown, State	7/85
1	None		
2			
3			
4			
5			
6			

Prior Editions Cannot Be Used.

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Reporting Individual's Name: Lukken, Walter L.

SCHEDULE C

Part I: Liabilities

Report liabilities over $10,000 owed to any one creditor at **any time** during the reporting period by you, your spouse, or dependent children. Check the highest amount owed during the reporting period. **Exclude** a mortgage on your personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances; and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

None ☐

	Creditors (Name and Address)	Type of Liability	Date incurred	Interest Rate	Term if applicable	$10,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000
Examples	First District Bank, Washington, DC	Mortgage on rental property, Delaware	1991	8%	25 yrs.			X								
	John Jones, 123 1St., Washington, DC	Promissory note	1999	10%	on demand					X						
6	US Senate Federal Credit Union, Washington DC	Spouse Credit Card	1999	10.75 %	revolving	✓										
7																
8																
9																
10																

Category of Amount or Value (x)

* This category applies only if the underlying liability is solely that of the filer's spouse or dependent children. If the liability is that of the filer or a joint liability of the filer with the spouse or dependent children, mark the other higher categories, as appropriate.

Part II: Agreements or Arrangements

Report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. pension, 401k, deferred compensation); (2) continuation of payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

None ☐

	Status and Terms of any Agreement or Arrangement	Parties	Date
Example	Pursuant to partnership agreement, will recieve lump sum payment of capital account & partnership share calculated on service performed through 1/00.	Doc Jones & Smith, Hometown, State	7/85
7			
8			
9			
10			
11			
12			

Prior Editions Cannot Be Used.

OGE/PureEdge, version 1.0.4 (5/21/01)

Reporting Individual's Name: Lukken, Walter L.

SCHEDULE D

Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. **Exclude** positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☑

	Organization *(Name and Address)*	Type of Organization	Position Held	From *(Mo., Yr.)*	To *(Mo., Yr.)*
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
1	None				
2					
3					
4					
5					
6					

Part II: Compensation in Excess of $5,000 Paid by One Source

Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

Do not complete this part if you are an Incumbent, Termination Filer, or Vice Presidential or Presidential Candidate.

None ☑

	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (Client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
1		
2		
3		
4		
5		
6		

QUESTIONNAIRE FOR CFTC NOMINEES
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
Submitted by: Sharon Brown-Hruska

June 17, 2002

BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name (include any former names used).
Sharon Joy Brown-Hruska
Sharon Brown Hruska
Sharon Joy Brown

2. Date and place of birth.
November 8, 1959
Winchester, Virginia

3. Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).
Spouse: Donald James Hruska
Occupation: Financial Analyst, SatoTravel, Inc.
1005 North Glebe Road, Arlington, VA 22201

4. Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received and dates degrees were granted.
Virginia Tech, 9/87 – 7/94, PhD, granted 7/94; MA, granted 12/88;
Virginia Tech, 9/78-3/83, BA, granted 3/83.

5. Employment Record. List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

August 1998 - present: Assistant Professor of Finance, School of Management, George Mason University
Teach graduate and undergraduate courses in finance, conduct and publish research on financial issues and markets

August 1995 - July 1998: Assistant Professor of Finance, Freeman School of Business, Tulane University
Teach graduate and undergraduate courses in finance, conduct and publish research on financial issues and markets

May 1990 - July 1995: Economist, Division of Economic Analysis, Commodity Futures Trading Commission
Conduct policy and technical analysis in the areas of anti-competitive behavior and market structure of futures, options, and other derivative markets

August 1994 - May 1995: Adjunct Professor of Finance, Virginia Tech, Northern Virginia MBA Program
Teach graduate courses in investments

August 1989 - May 1990: Research Assistant, Center for Study of Futures and Options, Virginia Tech
Provide general research support in the area of futures and options markets

January 1989 - May 1990: Associate Staff Member, Advanced Technology, Inc.
Write training manuals, user manuals, and reference guides for use in training staff and supervisors

September 1987 - December, 1988: Graduate Teaching Assistant, Virginia Tech Dept. of Economics
Assist senior faculty in research and teaching in economics

August, 1984 - September, 1987: Teacher, Frederick County Public Schools, Winchester, VA
Teach Spanish at the secondary school level

April, 1984 – August, 1984: Trust Clerk, Farmers and Merchants Bank
Perform financial accounting functions in the Trust Department

6. Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received
No.

7. Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.
May 1990 - July 1995: Economist, Division of Economic Analysis, Commodity Futures Trading Commission
Career, GS Schedule (Highest grade: GS-13)

8. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

Mercatus Center Research Fellowship, George Mason University, 2002
Century Club, George Mason University Diamond Partnership Award, 2001
Outstanding Paper in Derivatives, Southern Finance Association, 1999
Outstanding Associate Editor Award, *Journal of Business Research*, 1999
Lilly Endowment Teaching Fellowship, Tulane University, 1997-98
Newcomb Fellow, Newcomb College, 1996-98
Earhart Fellowship, H.B. Earhart Foundation, 1989-91
Virginia Scholarship, Virginia Tech Dept. of Economics, 1987-88
Frank V. Armstrong Foundation Scholarship, 1978-82

9. Political Affiliation: The statute creating the Commodity Futures Trading Commission Requires that no more than three members be from the same political party. List your current political party registration or affiliation.

Republican.

10. Other Memberships: List all organizations to which you belong, excluding religious organizations.

American Finance Association
Financial Management Association
Southern Finance Association

11. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry, or commodity futures policy or related matters.

"Fragmentation and Complementarity: The Case of EFPs," with Paul Laux, forthcoming 2002, *Journal of Futures Markets*.

"A Penny for Your Trade," with Jerry Ellig, *Barron's*, 43, January 1, 2001.

"Financial Markets as Information Monopolies?" with Jerry Ellig, *Regulation*, 23(3), 2000, 29 – 35.

"Taking Stock of Proposed Securities Regulations." with Jerry Ellig, *Issue Analysis*, CSE Foundation, Number 107, July 2000, 10 pages.

The Role of EFPs in Futures Markets - An Old Dog Does New Tricks, with Paul Laux, Catalyst Institute Research Series, January, 1997, 112 pages.

"Volatility, Volume, and the Notion of Balance in the S&P 500 Cash and Futures Markets," with Gregory Kuserk, *The Journal of Futures Markets,* Vol. 15(6), September 1995, 677-690.

"The Chicago Board of Trade," with Barry Schachter, *The New Palgrave Dictionary of Money and Finance* (Peter Newman, Murray Milgate, and John Eatwell, eds.), Stockman Press, NY, (1)1994, 349.

"On the Existence of an Optimal Tick Size," with Paul Laux and Barry Schachter, *Review of Futures Markets*, Vol. 10 (1), 1991, 50-72.

Publicly available studies:

"Proposed Rules for Registration of Security Futures Broker-Dealers," Mercatus Center Regulatory Studies Program, *Public Interest Comment Series*, RSP 2001-9, July 26, 2001, available at http://www.mercatus.org/

"Disclosure of Order Routing and Execution Practices," with Jerry Ellig, Mercatus Center Regulatory Studies Program, *Public Interest Comment Series*, RSP 2000-19, September 22, 2000.

"Issues Related to Market Fragmentation," with Jerry Ellig, Mercatus Center Regulatory Studies Program, *Public Interest Comment Series*, RSP 2000-11, May 10, 2000.

"Concept Release on Regulation of Market Information, Fees and Revenues," with Jerry Ellig, Mercatus Center Regulatory Studies Program, *Public Interest Comment Series*, RSP 2000-7, March 31, 2000.

12. Health: What is the present state of your health?
Excellent health.

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

   Yes. Upon confirmation by the Senate, I will take an unpaid leave of absence from my position as Assistant Professor of Finance, George Mason University. My research fellowship with George Mason University Mercatus Center for the spring semester 2002 has been completed, severing that connection.

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

   As an employee of George Mason University on a nine month contract ending June 1, 2002, I elected for my salary to be distributed over the twelve month period ending in August 30. This will result in the following receipts (earned income):

June 16	$ 3729.17
June 30	3729.17
July 16	3729.17
July 30	3729.17
Aug 16	3729.17
Aug 30	3729.17

   For a research study on financial market data dissemination completed and delivered to the Federal Trade Commission in June, 2002, I will be paid $10,000.

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation).

   No.

4. Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc., during the past five years).

   No.

5 Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Rural Business-Cooperative Service, Rural Housing Service, the Rural Utilities Service or their predecessor agencies, the Farmers Home Administration, the Rural Development Administration, the Rural Housing and Cooperative Development Service or the Rural Electrification Administration? (If yes, give details of any such loan activity during the past 5 years).

   No.

6. Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details).
   No.

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain).
   No.

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details).
   I will take a leave of absence from my position as Assistant Professor of Finance, George Mason University, upon my confirmation by the Senate. This leave of absence will be without pay and will not involve any participation in health benefit plans, vacation, sick leave, or accrual of retirement benefits. I retain my interest in TIAA-CREF and 401(a) defined contribution retirement plans, which are fully vested, but no university contribution will be made during my leave.

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify).
   George Mason University School of Management has committed to employ me as an Assistant Professor after I leave government service.

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.
    None.

11. Have you ever received a government guaranteed student loan? If so, has it been repaid?
    No.

12. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

    With regard to my leave of absence from George Mason University, an exemption at 5 C.F.R. section 2640.203(b) will allow me to participate in certain matters of general applicability affecting a class of entities which includes George Mason University. However, I would be disqualified from participating in any particular matters involving George Mason University as a specific party.

For one year following my resignation, I will not participate in any particular matters involving specific parties in which the Mercatus Center is or represents a party, where it is determined that the circumstances would cause a reasonable person with knowledge of the relevant facts to question my impartiality in the matter, unless I have been authorized to participate pursuant to 5 C.F.R. section 2635.502(d).

My husband is employed by SatoTravel, Inc., which I understand provides travel services for the Commission. In light of potential conflict of interest considerations, I will disqualify myself from any particular matter involving SatoTravel, Inc.

I will continue to confer with the Office of Government Ethics and ethics officials at the CFTC to avoid the appearance of and to resolve any potential conflicts of interest that may arise in the future.

June 20, 2002

The Honorable Tom Harkin
Chairman
Committee on Agriculture, Nutrition, and Forestry
United States Senate
Washington, D.C. 20510-6000

Dear Mr. Chairman:

In accordance with Title I of the Ethics in Government Act of 1978, as amended, and 5 C.F.R. § 2634.606(a), I hereby update my public financial disclosure report. Since January 30, 2002, the date I signed my public financial disclosure report, to June 20, 2002, my spouse and I have received no honoraria, and I have received $33,562.54 of earned income from George Mason University.

Sincerely,

Sharon J. Brown-Hruska

cc: Amy L. Comstock
Director, Office of Government Ethics

Patrick J. McCarty
General Counsel and Designated Agency Ethics Official, Commodity Futures Trading Commission

United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

April 17, 2002

The Honorable Tom Harkin
Chairman
Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, DC 20510-6000

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Sharon J. Brown-Hruska, who has been nominated by President Bush for the position of Commissioner, Commodity Futures Trading Commission.

We have reviewed the report and have also obtained advice from the Commodity Futures Trading Commission concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is a letter dated January 30, 2002, from Ms. Brown-Hruska to the agency's ethics official, outlining the steps which she will take to avoid conflicts of interest. Unless a specific date has been agreed to, the nominee must fully comply within three months of her confirmation date with the actions she agreed to take in her ethics agreement.

Based thereon, we believe that Ms. Brown-Hruska is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Amy L. Comstock
Director

Enclosures

January 30, 2002

Susan W. Nathan
Assistant General Counsel and
Alternate Designated Agency Ethics Official
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Dear Ms. Nathan:

In regard to your review of my public financial disclosure report ("SF 278") and in anticipation of my nomination by President Bush, I wish to advise you that:

1. I will take a leave of absence from my position as Assistant Professor of Finance, George Mason University, upon my confirmation by the Senate. This leave of absence will be without pay and will not involve any participation in health benefit plans, vacation, sick leave, or accrual of retirement benefits. I retain my interest in TIAA-CREF and 401(a) defined contribution retirement plans, which are fully vested, but no university contribution will be made during my leave. With regard to my leave of absence, an exemption at 5 C.F.R. section 2640.203(b) will allow me to participate in certain matters of general applicability affecting a class of entities which includes George Mason University. However, I would be disqualified from participating in any particular matters involving George Mason University as a specific party.

2. I will resign my position as Research Fellow with the Mercatus Center, listed on my SF 278, Schedule D, Part I, upon my confirmation by the Senate. For one year following my resignation, I will not participate in any particular matters involving specific parties in which the Mercatus Center is or represents a party, where it is determined that the circumstances would cause a reasonable person with knowledge of the relevant facts to question my impartiality in the matter, unless I have been authorized to participate pursuant to 5 C.F.R. section 2635.502(d).

3. My husband is employed by SatoTravel, Inc., which I understand provides travel services for the Commission. In light of potential conflict of interest considerations, I will disqualify myself from any particular matter involving SatoTravel, Inc.

I understand that you will provide copies of this letter to the White House Counsel's Office and the U.S. Office of Government Ethics in connection with their review of my SF 278. I would be pleased to provide them with any additional information that they may require.

Sincerely,

Sharon J. Brown-Hruska

SF 278 (Rev. 03/2000)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

Executive Branch Personnel PUBLIC FINANCIAL DISCLOSURE REPORT

Form Approved:
OMB No. 3209 - 0001

Date of Appointment, Candidacy, Election, or Nomination *(Month, Day, Year)*: 4/9/02	**Reporting Status** (Check Appropriate Boxes)	Incumbent ☐	Calendar Year Covered by Report	New Entrant, Nominee, or Candidate ☒	Termination Filer ☐ — Termination Date *(If Applicable) (Month, Day, Year)*
Reporting Individual's Name	Last Name: Brown-Hruska			First Name and Middle Initial: Sharon J	
Position for Which Filing	Title of Position: Commissioner			Department or Agency *(If Applicable)*: Commodity Futures Trading Commission	
Location of Present Office (or forwarding address)	Address *(Number, Street, City, State, and ZIP Code)*: 229 Enterprise Hall, MS 5F5, Fairfax, VA 22030-4444			Telephone No. *(Include Area Code)*: 703-993-1966	
Position(s) Held with the Federal Government During the Preceding 12 Months *(If Not Same as Above)*	Title of Position(s) and Date(s) Held: None				
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Committee on Agriculture, Nutrition and Forestry			Do You Intend to Create a Qualified Diversified Trust? ☐ Yes ☒ No	
Certification: I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge.	Signature of Reporting Individual: [signature]			Date *(Month, Day, Year)*: 1/30/02	
Other Review (If desired by agency)	Signature of Other Reviewer: [signature]			Date *(Month, Day, Year)*: 4/11/02	
Agency Ethics Official's Opinion: On the basis of information contained in this report, I conclude that the filer is in compliance with applicable laws and regulations (subject to any comments in the box below).	Signature of Designated Agency Ethics Official/Reviewing Official: Patrick J. McCarty			Date *(Month, Day, Year)*: 4/11/02	
Office of Government Ethics Use Only	Signature: Marilyn L. Glynn			Date *(Month, Day, Year)*: 4/17/02	

Comments of Reviewing Officials *(If additional space is required, use the reverse side of this sheet)*

(Check box if filing extension granted & indicate number of days _____) ☐

(Check box if comments are continued on the reverse side) ☐

Fee for Late Filing

Any individual who is required to file this report and does so more than 30 days after the date the report is required to be filed, or, if an extension is granted, more than 30 days after the last day of the filing extension period, shall be subject to a $200 fee.

Reporting Periods

Incumbents: The reporting period is the preceding calendar year except Part II of Schedule C and Part I of Schedule D where you must also include the filing year up to the date you file. Part II of Schedule D is not applicable.

Termination Filers: The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination. Part II of Schedule D is not applicable.

Nominees, New Entrants and Candidates for President and Vice President:

Schedule A--The reporting period for income (BLOCK C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets as of any date you choose that is within 31 days of the date of filing.

Schedule B--Not applicable.

Schedule C, Part I (Liabilities)--The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.

Schedule C, Part II (Agreements or Arrangements)--Show any agreements or arrangements as of the date of filing.

Schedule D--The reporting period is the preceding two calendar years and the current calendar year up to the date of filing.

Agency Use Only: ml'd 4/11/02

OGE Use Only: APR 11 2002

SF 278 (Rev. 03/2000)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

Reporting Individual's Name: Brown-Hruska, Sharon J

SCHEDULE A

Assets and Income — BLOCK A

For you, your spouse, and dependent children, report each asset held for investment or the production of income which had a fair market value exceeding $1,000 at the close of the reporting period, or which generated more than $200 in income during the reporting period, together with such income.

For yourself, also report the source and actual amount of earned income exceeding $200 (other than from the U.S. Government). For your spouse, report the source but not the amount of earned income of more than $1,000 (except report the actual amount of any honoraria over $200 of your spouse).

None ☐

Valuation of Assets at close of reporting period — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

Block A	Block B: None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Rent and Royalties	Interest	Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Examples: Central Airlines Common				x												x						x										
Examples: Doe Jones & Smith, Hometown, State			x																												Law Partnership Income: $130,000	
Examples: Kempstone Equity Fund					x								x										x									
Examples: IRA: Heartland 500 Index Fund							x						x											x								
1 Dell Computer Corp Common		x																		x												
2 General Electric Co Common		x																		x												
3 Microsoft Corp Common		x																		x												
4 Vanguard Prime Money Market Fund		x											x							x												
5 Vanguard 500 Index Fund		x											x							x												
6 TIAA-CREF Stock Fund		x											x							x												

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

Prior Editions Cannot Be Used.

OGE/Adobe Acrobat version 1.0.1 (3/29/01)

SF 278 (Rev. 03/2000)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

Reporting Individual's Name: Brown-Hruska, Sharon J

SCHEDULE A continued
(Use only if needed)

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

#	Assets and Income (BLOCK A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
1	TIAA-CREF Global Equities Fund		x											x							x												
2	TIAA-CREF Growth Fund			x										x							x												
3	TIAA-CREF Equity Index			x										x							x												
4	S: 401K: Prudential Jennison Growth Fund		x											x							x												
5	S: 401K: T. Rowe Price Growth and Income Fund		x											x							x												
6	S: 401K: T. Rowe Price New Income Fund		x											x							x												
7	S: 401K: T. Rowe Price Prime Reseve Fund		x											x							x												
8	DC: Vanguard Growth Equity Fund		x											x							x												
9	Alliance Money Market	x												x							x												

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

SF 278 (Rev. 03/2000)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

Reporting Individual's Name: Brown-Hruska, Sharon J.

SCHEDULE A continued
(Use only if needed)

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

#	Assets and Income (BLOCK A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
1	George Mason University School of Management																															Salary $120,450.14	
2	George Mason University Mercatus Center																															Write comment $2,000	
3	Barron's Dow Jones & Company																															Write article $1,000	
4	Virginia Center for Innovative Technology																															Teaching $2,500	
5	S: SatoTravel, Inc.																															Spouse Salary	
6	TIAA CREF Traditional Annuity		X											X								X											
7	S: IRA: T. Rowe Price Financial Services Fund		X											X							X												
8	401(a): VA Defined Contribution Plan S&P 500 Stock Index Fund		X											X							X												
9																																	

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

SF 278 (Rev. 03/2000)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

Do not complete Schedule B if you are a new entrant, nominee, or Vice Presidential or Presidential Candidate

Reporting Individual's Name
Brown-Hruska, Sharon J

SCHEDULE B

Part I: Transactions

Report any purchase, sale, or exchange by you, your spouse, or dependent children during the reporting period of any real property, stocks, bonds, commodity futures, and other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss.

Do not report a transaction involving property used solely as your personal residence, or a transaction solely between you, your spouse, or dependent child. Check the "Certificate of divestiture" block to indicate sales made pursuant to a certificate of divestiture from OGE.

None ☐

	Identification of Assets	Transaction Type (x): Purchase	Sale	Exchange	Date (Mo., Day, Yr.)	Amount of Transaction (x): $1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Certificate of divestiture
Example	Central Airlines Common	x			2/1/99			x									
1																	
2																	
3																	
4																	
5																	

*This category applies only if the underlying asset is solely that of the filer's spouse or dependent children. If the underlying asset is either held by the filer or jointly held by the filer with the spouse or dependent children, use the other higher categories of value, as appropriate.

Part II: Gifts, Reimbursements, and Travel Expenses

For you, your spouse and dependent children, report the source, a brief description, and the value of: (1) gifts (such as tangible items, transportation, lodging, food, or entertainment) received from one source totaling more than $260, and (2) travel-related cash reimbursements received from one source totaling more than $260. For conflicts analysis, it is helpful to indicate a basis for receipt, such as personal friend, agency approval under 5 U.S.C. § 4111 or other statutory authority, etc. For travel-related gifts and reimbursements, include travel itinerary, dates, and the nature of expenses provided. **Exclude** anything given to you by the U.S. Government; given to your agency in connection with official travel; received from relatives; received by your spouse or dependent child totally independent of their relationship to you; or provided as personal hospitality at the donor's residence. Also, for purposes of aggregating gifts to determine the total value from one source, exclude items worth $104 or less. See instructions for other exclusions.

None ☐

	Source (Name and Address)	Brief Description	Value
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Airline ticket, hotel room & meals incident to national conference 6/15/99 (personal activity unrelated to duty)	$500
	Frank Jones, San Francisco, CA	Leather briefcase (personal friend)	$300
1			
2			
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4			
5			

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SF 278 (Rev. 03/2000)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

Do not complete Schedule B if you are a new entrant, nominee, or Vice Presidential or Presidential Candidate

Reporting Individual's Name: Brown-Hruska, Sharon J

SCHEDULE B continued
(Use only if needed)

Part I: Transactions

	Identification of Assets	Transaction Type (x): Purchase	Sale	Exchange	Date (Mo., Day, Yr.)	Amount of Transaction (x): $1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Certificate of divestiture
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*This category applies only if the underlying asset is solely that of the filer's spouse or dependent children. If the underlying asset is either held by the filer or jointly held by the filer with the spouse or dependent children, use the other higher categories of value, as appropriate.

SF 278 (Rev. 03/2000)
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U.S. Office of Government Ethics

Reporting Individual's Name
Brown-Hruska, Sharon J

SCHEDULE C

Part I: Liabilities

Report liabilities over $10,000 owed to any one creditor at **any time** during the reporting period by you, your spouse, or dependent children. Check the highest amount owed during the reporting period. **Exclude** a mortgage on your personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances; and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

None [x]

	Creditors *(Name and Address)*	Type of Liability	Date Incurred	Interest Rate	Term if applicable	Category of Amount or Value (x): $10,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000
Examples	First District Bank, Washington, DC	Mortgage on rental property, Delaware	1991	8%	25 yrs.			x								
	John Jones, 123 J St., Washington, DC	Promissory note	1999	10%	on demand					x						
1																
2																
3																
4																
5																

*This category applies only if the liability is solely that of the filer's spouse or dependent children. If the liability is that of the filer or a joint liability of the filer with the spouse or dependent children, mark the other higher categories, as appropriate.

Part II: Agreements or Arrangements

Report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. pension, 401k, deferred compensation); (2) continuation of payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

None [ ]

	Status and Terms of any Agreement or Arrangement	Parties	Date
Example	Pursuant to partnership agreement, will receive lump sum payment of capital account & partnership share calculated on service performed through 1/00.	Doe Jones & Smith, Hometown, State	7/85
1	Leave of absence form position as Assistant Professor of Finance, George Mason University (without pay, and not to involve any participation in health benefit plans, vacation, sick leave, nor accrual of retirement benefits)	School of Management, George Mason University, Fairfax VA	1/02
2	Retain interest in TIAA-CREF and 401(a) Defined Contribution retirement plans, which are fully vested but no university contributions to be made.	Gerorge Mason University, Fairfax VA	1/02
3			
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U.S. Office of Government Ethics

Reporting Individual's Name	SCHEDULE D	Page Number
Brown-Hruska, Sharon J		8 of 8

Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. **Exclude** positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☐

	Organization *(Name and Address)*	Type of Organization	Position Held	From *(Mo., Yr.)*	To *(Mo., Yr.)*
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
1	George Mason University, 4400 University Drive, Fairfax VA	Educational Institution	Assistant Professor of Finance	08/1998	Present
2	GMU Mercatus Center, 3301 N Fairfax Dr Ste 450 ArlingtonVA	Educational Institution	Research Fellow	01/2002	Present
3					
4					
5					
6					

Part II: Compensation in Excess of $5,000 Paid by One Source

Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

Do not complete this part if you are an Incumbent, Termination Filer, or Vice Presidential or Presidential Candidate.

None ☐

	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
1	George Mason University, 4400 University Drive, Fairfax, VA	Teaching and research in finance
2		
3		
4		
5		
6		

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QUESTIONNAIRE FOR FARM CREDIT ADMINISTRATION NOMINEES

BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name (include any former names used) .

   Douglas Leon Flory

2. Date and place of birth.

   April 15, 1939—City of Waynesboro, Augusta County, Virginia

3. Marital Status (include maiden name of wife or husband's name) .
   List spouse's occupation, employer's name and business address (es) .

   Married to Avery Kerr Flory—Private contractor Therapist under contract to:
   a. W. W. Clark, Ph. D & Associates, PLC, 7643 Leesburg Pike, Suite B, Falls Church, VA 22043
   b. New Horizons Counseling Services, P. O. Box 3373, Route 45, Shepherdstown, WVA 25443

4. Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.

   a. Bridgewater College—dates of attendance—September 1957 to June 1959 no degree received—transferred to VPI & SU
   c. Virginia Polytechnic Institute & State University—dates of attendance—September 1959 to June 1962—Bachelor of Science Degree in Agricultural Education—June 1962
   d. James Madison University—September 1964 to June 1966—course work for Master's Degree—no degree received
   e. Maryland Virginia School of Bank Management—March 1973 to July 1974—Certificate received

5. Employment Record: List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

   The following is my employment record:

a. June 1962 through August 1963—employed by Thomas S. Kegley Farm as a farm employee—my duties included general farm work and farm record keeping
b. August 1963 through August 1965—employed by Rockingham County School System as a Vocational Agricultural Instructor teaching Vocational Agriculture, advising the Future Farmers of America (FFA) Chapter, teaching Young Farmer classes and supervising community cannery operations
c. August 1965 through March 1971—employed by Rockingham Cooperative Farm Bureau, Inc.—began employment as a Management Trainee and Field Man—I progressed through the Cooperative until I was named Assistant General Manager—as Assistant General Manager I was responsible for the day to day operations of the cooperative including its financial, business planning and banking relationships
d. March 1971 through December 1988—employed by Dominion Bank—began employment as a Bank Management Trainee with duties as an Agricultural Loan Officer—I progressed through the organization to Loan Officer, Vice President, Senior Vice President and Executive Vice President and during the last five years I was responsible for the daily operations of the bank including loans, deposits, asset/liability management, financial, human resources, and reporting to the Board of Directors at each monthly meeting
e. March 1971 through December 1988—I was also associated with Dominion Farm Loan Corporation (a wholly owned subsidiary of Dominion Bank) – I began as a Agriculture Loan Officer and progressed through the company. During the last eight years, I was President and Chief Executive Officer and member of the Board of Directors—as President and CEO I was responsible for the operation of the company and reported to the Board of Directors at each monthly meeting—this company was an Other Financing Institution (OFI) with a financing relationship through the Federal Intermediate Bank of Baltimore
f. January 1989 through July 1992—I was Executive Vice President and Chief Operating Officer, Corporate Secretary and Member of the Board of Directors of WLR Foods, a publically traded poultry food company—I was responsible for the daily operations, financial, marketing, and human resources of this company and reported to the Board of Directors at each monthly meetings
g. July 1979 through May 2002—owned and operated a farm operation trading as Bunker Hill Farm—the farm, in the past, has been a beef cattle, sheep, turkey and hay operation – currently Bunker Hill Farm is a tom turkey operation producing 120,000 turkeys per year—I have been, during most of the farms tenure, an absentee owner depending on a farm manager and farm employees to operate the farm
h. April 1997 through May 2002—50% owner of S & F, L.L.C, a Virginia Limited Liability Company—this farm operation was created in April 1997 with my farm manager as a 50% owner and general manager – the

farm consists of 1300 acres of rented land producing hay, small grain, corn for our use and sale to local horse, dairy, and beef cattle farmers—we have approximately 250 commercial beef cows which are contracted for embryo mothers to Purebred Angus Breeders—we also operate a Bull Testing Station—my involvement is as an absentee owner

i. 1995 through 2000—I was the court appointed Custodian/Receiver for J. O. Stickley & Son, Inc.—I served as the sole director and officer of this company and liquidated the company in 2000 and my duties ceased at that point
j. 1996 through 2000—I was the court appointed Custodian/Receiver for Sampsell Poultry Company—I served as the sole director and officer of this company and liquidated the company in 2000 and my duties ceased at that time
k. 1999 through 2001—I was the court appointed Custodian/Receiver for Golden Horizion Properties (a Virginia Partnership) and liquidated the partnership in 2001 and my duties ceased at that time
l. 2000 though May 2002—I was appointed trustee for the J. O. Stickley, Inc. Liquidating Trust by the court and serve in that capacity today
m. 2000 through May 2002 – I qualified as trustee of this farm trust and continue to serve in that capacity

The following are positions I have held as director and/or officer of business, associations, federations, or nonprofits during the years – the dates are from memory and may not be exact. These may not be in chronological order.

a. Director—Baltimore Farm Credit Bank – 1994 and 1995
b. Director—AgFirst Farm Credit Bank – 1995-2002
c. Director—Staunton Farm Credit Association, ACA—1995 to 1999
d. Director and Vice Chairman—Blue Ridge Farm Credit Association, ACA –1999 to 2001
e. Director—Farm Credit of Virginias, ACA—2001 to 2002
f. Director—Virginia Poultry Federation—1985 to 1988 and 1990 to 1992
g. Director and President—Virginia Turkey Association—1969 to 1974
h. Director—Virginia Beef Cattle Association—1985 to 1988
i. Director—Virginia Agribusiness Council—1969 to 1971 and 1988 to 1991
j. Director—Virginia Sheep Association—1994 to 1997
k. Director and President—Rockingham County Fair Association—1972 to 1979
l. Chairman and Director—Virginia Bankers Association Committee on Agriculture—1975 to 1982
m. President—Association of Agriculture Bankers—1976 to 1977
n. Executive Committee Member, American Bankers Association—Agriculture Committee—1976 to 1981

o. Director and President—Harrisonburg/Rockingham United Way—1984 to 1988
p. Director and President—Cross Keys/Mill Creek Ruritan Club—1965 to 1973
q. Chairman—Eastern Mennonite University Presidents Advisory Council—1985 to 1989
r. Director and Treasurer—Lay Counseling Institute—2001 to 2002
s. Director—Augusta Cooperative Farm Bureau, Inc.—1995 to 2001

6. Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.

   I have had no military service.

7. Government Service: State (chronologically) your government service or public offices you have held, including the term of service, grade levels and whether such positions were elected or appointed.

   a. Chairman—Virginia Agriculture Credit Committee—(Governor Appointed)—1974 through 1980
   b. Chairman and Director—Virginia Agricultural Development Authority (Governor Appointed) 1985 through 1988
   c. Director—Virginia Agriculture Council (Governor Appointed)—1994 through 2002

8. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

   I have had none.

9. Other Memberships: List all organizations to which you belong, excluding religious organizations.

   a. Virginia Poultry Federation
   b. Virginia Beef Cattle Association
   c. Augusta County Farm Bureau Association
   d. Augusta County Historical Association
   e. National Cathedral Association
   f. National Republican Senatorial Committee

10. Political Affiliation: The statute creating the Farm Credit Administration requires that no more than two public members of the Board be from the same political party. List your current political party registration or affiliation.

    Republican

11. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published materials that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

    None

12. Health: What is the present state of your health?

    I have slightly elevated blood pressure which is controlled by medication. I take cholesterol medication each day. Other than these two things I am in good health.

5/29/02

OFFICIAL SEAL
COMMONWEALTH OF VIRGINIA
PARISA DAVOUDIAN
FAIRFAX COUNTY
My Commission Expires
March 31, 2003

Fairfax, VA 5/29/02

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

. Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

I have not severed connections with all private sector employers, business firms, associations, and/or organizations however, I am prepared to do so except that I would like to continue serving on the Board of Directors and Treasurer of Lay Counseling Institute (LCI). LCI is a non profit Christian counseling organization and I serve without compensation. I have been informed that I must resign from all other positions with in five days of confirmation.

:. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

a. I have a future defined benefit pension from Dominion Bank (now First Union) which I can start drawing at anytime. I do not plan to start drawing that until age 65. The estimated benefit is $1200 per month.
b. I anticipate drawing approximately $50,000 per year from Bunker Hill Farm, my wholly owned farm operation.

}. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation).

a. Douglas L. Flory T/A Bunker Hill Farm (wholly owned farm operation). This farming operation is located in Middle River District, Augusta County, VA and consist of 26 acres, three (3) 50' by 824' two stage turkey starting and finishing buildings. The farm is also improved with three additional buildings used for litter, machinery, and hay storage. There are two dwellings on this farm which are used by the farm manager and a farm employee. This farm produces 120,000 tom turkeys (approximately 3 ½ million pounds of live turkeys per year).
b. S & F, L.L.C. (a Virginia Limited Liability Company) of which I own a 50% interest. This farming operation is located in Middle River District, Augusta County, VA and consist of approximately 1300 acres of rented crop and pasture land. This farm ownes approximately 250 head of commercial beef cows which are contracted as embryo mothers to Purebred Angus Breeders. The farm produces hay, small grain, and corn for use by the livestock and sold to local horse, beef, and dairy farmers. The farm also operates a Bull Testing Station.

4. Have you, or does any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc. during the past five years).

   These are payments received by S & F, L.L.C. – Bunker Hill Farm has received no payments or loans.

   a. Calendar Year 2001 – Production Flexibility payments on corn and wheat --$649.00—Market loss assistance on corn and wheat--$1,615.00—Corn loss deficiency $396.92—Corn loan deficiency payment $412.81
   b. Calendar Year 2000—Production Flexibility payments on corn and wheat--$806.00—Crop disaster payments $732.00—Livestock Emergency Assistance payments $1,753.00
   c. Calendar Year 1999—Production Flexibility payments on corn and wheat--$875.00—Barley loan deficiency payment $654.06—Market loss assistance on corn and wheat--$875.00—Wheat loan deficiency--$698.00-Livestock Emergency Assistance payments $1,568.00

5. Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Rural Business-Cooperative Service, Rural Housing Service, the Rural Utilities Service or their predecessor agencies, the Farmers Home Administration, the Rural Housing and Cooperative Development Service or the Rural Electrification Administration? (If yes, give details of any such loan activity during the past 5 years).

   No

6. Have you, or any partnership or closely held corporation in which you have an interest, ever-received payments for crop losses from the Federal Crop Insurance program? (If yes, give details).

   No

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain).

   I would hope that I could continue my involvement in Bunker Hill Farm and S & F, L.L.C. as an absentee owner. I would hope to draw compensation from them as I have in the past or future compensation if profits allow. My involvement in these operations is limited to major capital decisions and investments. I have no other plans, commitments, or agreements.

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details).

   None except as to my future involvement in Bunker Hill Farm and S & F, L.L.C.

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify).

   No

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

    a. AgFirst Farm Credit Bank
    b. Farm Credit of the Virginias, ACA
    c. Virginia Agricultural Council
    d. J. O. Stickley & Son, Inc. Liquidating Trust
    e. W. W. Rawley Trust

11. Have you ever received a government guaranteed student loan? If so, has it been repaid?

    Yes, I paid it off in about 1965.

12. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

    a. AgFirst Farm Credit Bank—I will resign as a member of the Board of Directors
    b. Farm Credit of the Virginias, ACA—I will resign as a member of the Board of Directors, pay off my remaining loan balance and the Association will return my C-Stock and Qualified Allocated Surplus
    c. Virginia Agricultural Council—I will resign as a member of the Council
    d. J. O. Stickley & Son, Inc. Liquidating Trust—I will resign as Trustee
    e. W. W. Rawley Trust—I will resign as Trustee

    I believe that by taking these actions I will resolve any potential conflict of interest however, if found necessary, I am prepared to place my interests in the farms in a blind trust.

5/29/02

OFFICIAL SEAL
COMMONWEALTH OF VIRGINIA
PARISA DAVOUDIAN
FAIRFAX COUNTY
My Commission Expires
March 31, 2003

5/29/02

BUNKER HILL FARM
Douglas L. Flory
P. O. Box 7108
McLean, VA 22106

BUNKER HILL FARM

June 20, 2002

The Honorable Tom Harkin, Chairman
Committee on Agriculture, Nutrition, and Forestry
United States Senate
Washington, D.C. 220510-6000

Dear Mr. Chairman:

At my meeting, on June 19, 2002, with the Committee Counsel's they pointed out some omissions, corrections, and clarifications in my 5-Day Undate, which I am providing in this amendment to my letter to you, dated June 17, 2002.

My BIOGRAPHICAL INFORMATION (PUBLIC) question 5 section m. should read. 2002 through May 28 I qualified as trustee of the W. W. Rawley, Trust and continue to serve in that capacity today.

On FINANCIAL STATEMENT (the schedule)— the follow stocks were purchased after the original 01/15/02 filing –Equitable, Trigon of VA, Advisory Board Co., United Def. Int. Inc. and the Evergreen Money Mkt. Fund is a new money market fund.

Comparing my 5-Day Update to Schedule C of the PUBLIC FINANCIAL DISCLOSURE dated 01/15/02 the following should clarify some items.

1. Items 1 and 2 on schedule were combined into the first mortgage as found on the FINANCIAL STATEMENT (the schedule).

June 20, 2002

2. Item 3 on the schedule is the same as Notes payable to banks – secured on the FINANCIAL STATEMENT
3. Item 4 on the schedule is a part of Notes payable to banks –unsecured on the FINANCIAL STATEMENT
4. Items 6, 7, and 8 on the schedule is a part of Accounts and bills due on the FINANCIAL STATEMENT

I believe that I have made the appropriate changes to the 5-Day Update. I would be happy to respond to any questions you may have.

Sincerely,

Douglas L. Flory

cc: Kathleen V. Buffon, DAEO
Office of General Counsel
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102

Amy L. Comstock, Director
U. S. Office of Governmental Ethics
Suite 500
1201 New York Avenue, N. W.
Washington, D. C. 20005-3917

Phone 703-810-8483
Fax 703-810-8493
Email dnaflory@aol.com
Cell Phone 540-249-4581

BUNKER HILL FARM
DOUGLAS L. FLORY
P. O. Box 7108
McLean, VA 22106
Email dnaflory@aol.com

BUNKER HILL FARM

June 17, 2002

The Honorable Tom Harkin, Chairman
Committee on Agriculture, Nutrition, and Forestry
United States Senate
Washington, D.C. 220510-6000

Dear Mr. Chairman:

On May 15 2002, the Farm Credit Administration (FCA) sent a copy of my Public Financial Disclosure Report (SF 278) to the Office of Government Ethics. I am required to complete the SF 278 for my nomination to serve as a Member of the FCA Board. The SF 278 contains all required financial information for the relevant reporting periods through January 15, 2002. However, under the Ethics in Government Act of 1978, as amended, I must update certain information on the SF 278 to accurately reflect its status as of five days before the date of my confirmation hearing before your Committee. The date for my confirmation hearing is June 25, 2002.

5-Day Update
Section 202(a) of the Ethics in Government Act requires an update of any income (other than dividends, interest, rents, and capital gains) and honoraria that my spouse or I have received since filing the SF 278. Since the January 15,202, filing of my SF 278, my spouse and I have received the following honoraria and income:
Douglas L. Flory income:
1. Bunker Hill Farm net draw --- $36,000
2. AgFirst Farm Credit Bank board fees --- $10,000
3. Farm Credit of the Virginias, ACA board fees --- $2,000
4. W. W. Rawley, Trust – trustee fees --- $4,342
Avery K. Flory income:
1. W. W. Clark, Ph.D & Associates, PLC income ---$510
2. New Horizons Counseling Services -- $3,720

I believe that I have satisfied all financial reporting requirements with this updated information. I would be happy to respond to any questions you may have.

Sincerely,

Douglas L. Flory

cc: Kathleen V. Buffon, DAEO
Office of General Counsel
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102

Amy L. Comstock, Director
U. S. Office of Governmental Ethics
Suite 500
1201 New York Avenue, N.W.
Washington, D.C. 20005-3917

Phone 703-810-8483
Cell 540-249-4581
Fax 703-810-8493

United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

May 15, 2002

The Honorable Tom Harkin
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, DC 20510-6000

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Douglas L. Flory, who has been nominated by President Bush for the position of Member of the Board of Directors, Farm Credit Administration.

We have reviewed the report and have also obtained advice from the Farm Credit Administration concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is a letter dated May 15, 2002, from Mr. Flory to the agency ethics official, outlining the steps which Mr. Flory will take to avoid conflicts of interest. Unless a specific date has been agreed to, the nominee must fully comply within three months of his confirmation date with the actions he agreed to take in his ethics agreement.

Based thereon, we believe that Mr. Flory is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Amy L. Comstock
Director

Enclosures

Douglas L. Flory
P.O. Box 7108
McLean, Virginia 22106
(703) 810-8483 (540) 249-4581

May 15, 2002

Kathleen V. Buffon
Designated Agency Ethics Official and Associate General Counsel
FARM CREDIT ADMINISTRATION
1501 Farm Credit Drive
McLean, VA 22102-5090

Re: ***Ethics Agreement***

Dear Ms. Buffon:

The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest if I am confirmed as Board Member of the Farm Credit Administration (FCA).

Conflict of Interest Law

As required by 18 U.S.C. § 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any other person whose *interests are imputed to me*. I can act on a matter subject to the § 208(a) prohibition only if I first obtain a written waiver under § 208(b)(1), or qualify for a regulatory exemption under § 208(b)(2).

I understand that the *interests of the following persons are imputed to me*:

- My spouse, minor children, general partner;
- Any organization in which I serve as officer, director, trustee, general partner or employee; and
- Any person or organization with which I am negotiating or have an arrangement for future employment.

Divestiture of Financial Interests

In accordance with 18 U.S.C. § 208(a), I will pay off my loan with *Farm Credit of the Virginias, ACA* and *liquidate my stock ownership and patronage allocations* in the association within 90 days of my confirmation as an FCA Board Member. Until I complete this divestiture and pay off my loan, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on this entity unless I first obtain a written waiver or qualify for a regulatory exemption.

Necessary Resignations

Upon confirmation, I will not provide any services to Bunker Hill Farm or S&F, L.L.C. Upon confirmation, I will also resign my officer, board, trustee, or director positions with the following for-profit or non-profit entities:

Position and Entity

Trustee of W.W. Rawley, Trust

Trustee of J.O. Stickley & Son, Liquidating Trust

Director of Virginia Agriculture Council

Director of Farm Credit of the Virginias, ACA

Director of AgFirst Farm Credit Bank

After my confirmation as an FCA Board Member, I will remain an uncompensated *member of the Board of Directors and Treasurer* of *Lay Counselor Institute*, a non-profit mental health training organization. I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on this organization unless I first obtain a written waiver or qualify for a regulatory exemption.

Impartiality Rule

Pursuant to the impartiality rule at 5 C.F.R. § 2635.502, for a period of one year after my termination from my positions at the organizations listed above, I will not participate in any particular matter involving specific parties in which any of these organizations is a party or represents a party, unless the Designated Agency Ethics Official (DAEO) of FCA authorizes me to participate.

I note that I have already terminated my positions as *Receiver/Custodian of Golden Horizons Properties (as of 5/01) and as Director of Augusta Cooperative Farm Bureau, Inc. (as of 2/01)* and cannot, for a period of one year following these termination dates, participate in any particular matter involving specific parties in which either of those organizations is a party or represents a party, unless the DAEO of FCA authorizes me to participate.

I agree that I will consult with the DAEO before participating in an official matter in which I have a concern about an actual or apparent conflict of interest.

Sincerely,

Douglas L. Flory

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Form Approved
OMB No. 3209-0001

Executive Branch Personnel PUBLIC FINANCIAL DISCLOSURE REPORT

Date of Appointment, Candidacy, Election or Nomination (*Month, Day, Year*)	Reporting Status (*Check Appropriate Boxes*)	Incumbent [ ]	Calendar Year Covered by Report	New Entrant, Nominee, or Candidate [X] / Termination Filer [ ] / Termination Date (*If Applicable*) (*Month, Day, Year*)
Reporting Individual's Name	Last Name: Flory		First Name and Middle Initial: Douglas L.	
Position for Which Filing	Title of Position: Board Member		Department or Agency (*If Applicable*): Farm Credit Administration	
Location of Present Office (or forwarding address)	Address (*Number, Street, City, State, and ZIP Code*): P.O. Box 7108, McLean, VA 22106		Telephone No. (*Include Area Code*): (703) 810-8483, (540) 249-4581	
Position(s) Held with the Federal Government During the Preceding 12 Months (If Not Same as Above)	Title of Position(s) and Date(s) Held: None.			
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Committee on Agriculture, Nutrition, and Forestry		Do You Intend to Create a Qualified Diversified Trust? [ ] Yes [X] No	
Certification: I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge.	Signature of Reporting Individual: [signature]		Date (*Month, Day, Year*): 01/15/02	
Other Review (If desired by agency)	Signature of Other Reviewer: Wendy E. LaGarde - Alternate DAEO		Date (*Month, Day, Year*): 5/15/02	
Agency Ethics Official's Opinion: On the basis of information contained in this report, I conclude that the filer is in compliance with applicable laws and regulations (subject to any comments in the box below).	Signature of Designated Agency Ethics Official/Reviewing Official: Patricia V. Buffa, DAEO		Date (*Month, Day, Year*): May 15, 2002	
Office of Government Ethics Use Only	Signature: [signature]		Date (*Month, Day, Year*): 5-15-02	

Comments of Reviewing Officials (*If additional space is required, use the reverse side of this sheet*)

(*Check box if filing extension granted and indicate number of days* _____) [ ]

(*Check box if comments are continued on the reverse side*) [ ]

Fee for Late Filing
Any individual who is required to file this report and does so more than 30 days after the date the report is required to be filed, or, if an extension is granted, more than 30 days after the last day of the filing extension period shall be subject to a $200 fee.

Reporting Periods
Incumbents: The reporting period is the preceding calendar year except Part II of Schedule C and Part I of Schedule D where you must also include the filing year up to the date you file. Part II of Schedule D is not applicable.

Termination Filers: The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination. Part II of Schedule D is not applicable.

Nominees, New Entrants and Candidates for President and Vice President:

Schedule A--The reporting period for income (BLOCK C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets as of any date you choose that is within 31 days of the date of filing.
Schedule B--Not applicable.
Schedule C, Part I (Liabilities)--The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.

Schedule C, Part II (Agreements or Arrangements)-- Show any agreements or arrangements as of the date of filing.

Schedule D--The reporting period is the preceding two calendar years and the current calendar year up to the date of filing.

Agency Use Only

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MAY 15 2002

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Reporting Individual's Name

SCHEDULE A

Page Number 2

Assets and Income — BLOCK A

For you, your spouse, and dependent children, report each asset held for investment or the production of income which had a fair market value exceeding $1000 at the close of the reporting period, or which generated more than $200 in income during the reporting period, together with such income.

For yourself, also report the source and actual amount of earned income exceeding $200 (other than from the U.S. Government.) For your spouse, report the source but not the amount of earned income of more than $1000 (except report the actual amount of any honoraria over $200 of your spouse).

☐ None

Valuation of Assets at close of reporting period — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

	Assets and Income	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Examples	Central Airlines Common			x													x						x										
	Doe Jones & Smith, Hometown, State			x																												Law Partnership Income $130,000	
	Keystone Equity Fund					x								x										x									
	IRA: Heartland 500 Index Fund							x						x											x								
1	Douglas L. Flory T/A Bunker Hill Farm value of fixed assets and machinery, Weyers Cave, Virginia									X																						Gross income $208,000.	
2	S&F, L.L.C. - a farming operation at Weyers Cave, Virginia - I am a 50% owner. Value of my equity.					X															X												
3	Shoney's, Inc. Common stock		X														X				X												
4	IRA-- Government National Mortgage Association Bonds		X																X			X											
5	IRA--STI Classic Prime money market fund		X											X								X											
6	AgFirst Farm Credit Bank Columbia, South Carolina																															Director Fee $24,666.00	

*This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

Prior Editions Cannot be Used

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Reporting Individual's Name: Flory, Douglas L.

SCHEDULE A Continuation Sheet

Page Number: 3

Assets and Income — BLOCK A

For you, your spouse, and dependent children, report each asset held for investment or the production of income which had a fair market value exceeding $1000 at the close of the reporting period, or which generated more than $200 in income during the reporting period, together with such income.

For yourself, also report the source and actual amount of earned income exceeding $200 (other than from the U.S. Government.) For your spouse, report the source but not the amount of earned income of more than $1000 (except report the actual amount of any honoraria over $200 of your spouse). ☐ None

Valuation of Assets at close of reporting period — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

	Assets and Income (Block A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Examples	Central Airlines Common				x												x						x										
	Doe Jones & Smith, Hometown, State			x																												Law Partnership Income $130,000	
	Keingstone Equity Fund					x								x										x									
	IRA: Heartland 500 Index Fund							x						x											x								
7	Farm Credit of Virginias, ACA Staunton, Virginia																															Director Fee $6,595.00	
8	Farm Credit of Virginias, ACA Staunton, Virginia Patronage allocation and C stock				X																X												
9	Golden Horizons Properties Grottoes, Virginia																															Receiver Fee $13,532.00	
10	W. W. Rawley Trust Grottoes, Virginia																															Trustee Fee $1,000.00	
11	J.O. Stickley & Son, Inc. Liquidating Trust Grottoes, Virginia																															Trustee Fee $769.00	
12	First Bank and Trust Harrisonburg, Virginia joint savings account			X															X			X											

*This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

Prior Editions Cannot be Used

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Reporting Individual's Name: Flory, Douglas L.

SCHEDULE A Continuation Sheet

Page Number: 4

Assets and Income — BLOCK A

For you, your spouse, and dependent children, report each asset held for investment or the production of income which had a fair market value exceeding $1000 at the close of the reporting period, or which generated more than $200 in income during the reporting period, together with such income.

For yourself, also report the source and actual amount of earned income exceeding $200 (other than from the U.S. Government.) For your spouse, report the source but not the amount of earned income of more than $1000 (except report the actual amount of any honoraria over $200 of your spouse). ☐ None

Valuation of Assets at close of reporting period — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

	Assets and Income	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Examples	Central Airlines Common				x												x						x										
	Doe Jones & Smith, Hometown, State			x																												Law Partnership Income $130,000	
	Kempstone Equity Fund					x								x										x									
	IRA: Heartland 500 Index Fund							x						x											x								
13	W.W. Clark Ph.D & Associates, PLC, Psychologist, Fall Church, Virginia, spouse contracts as mental health therapist																															Therapist fees	
14	New Horizons Counseling Service, mental health group, Shepherdstown, WVA, spouse same as #13 above																															Therapist fees	
15	S -- Krispy Kreme common stock				X												X				X												
16	S -- Medronic common stock			X													X				X												
17	S -- Alliance Capital Resources money market fund				X									X								X											
18	S -- Bank of America common stock					X											X								X								

*This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

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Reporting Individual's Name: Flory, Douglas L.

SCHEDULE A Continuation Sheet

Page Number: 5

Assets and Income — BLOCK A

For you, your spouse, and dependent children, report each asset held for investment or the production of income which had a fair market value exceeding $1000 at the close of the reporting period, or which generated more than $200 in income during the reporting period, together with such income.

For yourself, also report the source and actual amount of earned income exceeding $200 (other than from the U.S. Government.) For your spouse, report the source but not the amount of earned income of more than $1000 (except report the actual amount of any honoraria over $200 of your spouse). ☐ None

Valuation of Assets at close of reporting period — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

	Assets and Income	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Examples	Central Airlines Common				x												x						x										
	Doe Jones & Smith, Hometown, State			x																												Law Partnership Income $130,000	
	Kempstone Equity Fund					x								x										x									
	IRA: Heartland 500 Index Fund							x						x											x								
19	S -- Corn Products International common stock		X														X				X												
20	S -- Exxon Moblile Corporation common stock				X												X						X										
21	S -- P.P. G. Industries common stock				X												X						X										
22	S -- IRA, Merck & Co. common stock		X														X				X												
23	S -- Alliance Capital Resources money market fund, separately managed from #17 asset		X											X							X												
24	First Union Bank, Charlotte, NC Defined benefit plan, value not readily ascertainable																															At 65 , will get $1200 a month	

*This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

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Reporting Individual's Name: Flory, Douglas L.

SCHEDULE C

Page Number: 6

Part I: Liabilities

Report liabilities over $10,000 owed to any one creditor at **any time** during the reporting period by you, your spouse, or dependent children. Check the highest amount owed during the reporting period. **Exclude** a mortgage on your personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances; and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

None ☐

	Creditors (Name and Address)	Type of Liability	Date Incurred	Interest Rate	Term if applicable	Category of Amount or Value (x): $10,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000
Examples:	First District Bank, Washington, DC	Mortgage on rental property, Delaware	1991	8%	25 yrs.			x								
	John Jones, 123 J St., Washington, DC	Promissory note	1999	10 %	on demand					x						
1	Farm Credit of the Virginias, ACA Staunton, Virginia	Mortgage on Bunker Hill Farm	1992	8.75%	15 yrs.					X						
2	Rockingham Heritage Bank Harrisonburg, Virginia	Promissory note for Bunker Hill Farm farm improvements	2001	8.5%	1 yr.				X							
3	Planters Bank Grottoes, Virginia	Promissory note for Bunker Hill Farm revolving line	1995	6.75%	Demand		X									
4	Planters Bank Grottoes, Virginia	Promissory note for Bunker Hill Farm capital purchases	1995	6.25%	Demand			X								
5	First Bank and Trust Harrisonburg, Virginia	Promissory note to purchase a home -- secured by wife's stocks until mortgage	2001	6.85%	2 yrs.				X							

*This category applies only if the liability is solely that of the filer's spouse or dependent children. If the liability is that of the filer or a joint liability of the filer with the spouse or dependent children, mark the other higher categories, as appropriate.

Part II: Agreements or Arrangements

Report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. pension, 401K, deferred compensation); (2) continuation of payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

None ☐

	Status and Terms of any Agreement or Arrangement	Parties	Date
Example:	Pursuant to partnership agreement, will receive lump sum payment of capital account & partnership share calculated on service performed through 1/00.	Doe Jones & Smith, Hometown, State	7/85
1	Retirement Fund -- Defined Benefit Plan (Filer won't draw upon the plan until after his retirement from Federal Service]	First Union Bank and Filer Charlotte, North Carolina	12/89
2			
3			
4			
5			
6			

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Reporting Individual's Name: Flory, Douglas L.

SCHEDULE C — Continuation Sheet

Page Number: 7

Part I: Liabilities

Report liabilities over $10,000 owed to any one creditor at **any time** during the reporting period by you, your spouse, or dependent children. Check the highest amount owed during the reporting period. **Exclude** a mortgage on your personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances; and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

None ☐

	Creditors (Name and Address)	Type of Liability	Date Incurred	Interest Rate	Term if applicable	Category of Amount or Value (x): $10,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000
Examples:	First District Bank, Washington, DC	Mortgage on rental property, Delaware	1991	8%	25 yrs.			X								
	John Jones, 123 J St., Washington, DC	Promissory note	1999	10 %	on demand					x						
1	VISA-Bank of America -used for farmand receiverships	Revolving credit card	1995	15.4%	Demand	X										
2	VISA-First Union -used for farm and receiverships	Revolving credit card	1985	12.99%	Demand		X									
3	VISA-AT&T Universal-used for farm and receiverships	Revolving credit card	1996	5.9%	Demand		X									
4																
5																

*This category applies only if the liability is solely that of the filer's spouse or dependent children. If the liability is that of the filer or a joint liability of the filer with the spouse or dependent children, mark the other higher categories, as appropriate.

Part II: Agreements or Arrangements

Report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. pension, 401K, deferred compensation); (2) continuation of payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

None ☐

	Status and Terms of any Agreement or Arrangement	Parties	Date
Example:	Pursuant to partnership agreement, will receive lump sum payment of capital account & partnership share calculated on service performed through 1/00.	Doe Jones & Smith, Hometown, State	7/85
1			
2			
3			
4			
5			
6			

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Reporting Individual's Name	SCHEDULE D	Page Number
Flory, Douglas L.		8

Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. **Exclude** positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☐

	Organization (*Name and Address*)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Examples:	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/2000
1	W.W. Rawley Trust Grottoes, Virginia	Trust	Trustee	4/01	Present
2	J.O. Stickley & Son, Inc. Grottoes, Virginia	Farm Equipment	Receiver/Custodian	6/95	12/00
3	J.O. Stickley & Son, Inc. Liquidating Trust Grottoes, Virginia	Liquidating Trust	Trustee	01/00	Present
4	Sampsells Poultry Company Grottoes, Virginia	Poultry Farm	Receiver/Custodian	6/96	9/00
5	Golden Horizons Properties Grottoes, Virginia	Real Estate Investment	Receiver/Custodian	5/99	5/01
6	Augusta Cooperative Farm Bureau, Inc. Staunton, Virginia	Farm Supply Cooperative	Board of Directors	3/95	2/01

Part II: Compensation In Excess Of $5,000 Paid by One Source

Do not complete this part if you are an Incumbent, Termination Filer, or Vice Presidential or Presidential Candidate.

Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

None ☐

	Source (*Name and Address*)	Brief Description of Duties
Examples:	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
1	AgFirst Farm Credit Bank Columbia, South Carolina	Board of Directors
2	Staunton Farm Credit, ACA Staunton, Virginia	Board of Directors
3	Farm Credit of the Virginias, ACA Staunton, Virginia (formerly Staunton Farm Credit, ACA)	Board of Directors
4	Golden Horizons Properties Grottoes, Virginia	Receiver/Custodian
5	J.O. Stickley & Son, Inc. Grottoes, Virginia	Receiver/Custodian
6	Sampsells Poultry Company Gottoes, Virginia	Receiver/Custodian

Prior Editions Cannot Be Used.

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Reporting Individual's Name		Page Number
Flory, Douglas L.	**SCHEDULE D - Continuation Sheet**	9

Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. **Exclude** positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☐

	Organization (*Name and Address*)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Examples:	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/2000
7	Virginia Agriculture Council Richmond, Virginia	Governor appointed state commission	Board of Directors	6/94	Present
8	Staunton Farm Credit, ACA Staunton, Virginia	Farm Credit Institution	Board of Directors and Vice Chairman	3/95	12/00
9	Farm Credit of the Virginias, ACA Staunton, Virginia (formerly Staunton Farm Credit, ACA)	Farm Credit Institution	Board of Directors	01/01	Present
10	AgFirst Farm Credit Bank Columbia, South Carolina	Farm Credit Bank	Board of Directors	3/95	Present
11	Lay Counselor Institute Falls Church, Virginia	Non-profit mental health training	Member of Board and Treasurer	6/01	Present
12					

Part II: Compensation In Excess Of $5,000 Paid by One Source

Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

Do not complete this part if you are an Incumbent, Termination Filer, or Vice Presidential or Presidential Candidate.

None ☐

	Source (*Name and Address*)	Brief Description of Duties
Examples:	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
7		
8		
9		
10		
11		
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Prior Editions Cannot Be Used.

QUESTIONS AND ANSWERS

JUNE 25, 2002

Written Questions for Sharon Brown-Hruska

Thank you for the opportunity to provide further information and responses to your questions.

1. During the hearing on June 25, 2002, I asked whether the CFTC has sufficient ability to obtain information, on an ongoing basis, about activities in the OTC derivatives markets to allow the agency to prevent fraud and manipulation before they occur, as opposed to simply issuing subpoenas after the fact. Could you please respond to this question?

Senator Harkin, I have thought a lot about this question since you asked it at the hearing. Certainly, regulators and the public not only require sufficient information, but they need that information to be accurate and truthful. While I am not yet fully versed in the scope of the CFTC's authority to obtain information regarding the instruments and trading practices of OTC derivatives market participants, I would, nonetheless, seek to assure that the Commission's resources are used to their full extent to prevent fraud and manipulation before they occur. Fraud and manipulation, even in the exchange-traded markets, can often be difficult to detect before the fact. I believe, however, that much can be done to prevent these abuses through better educated investors as well as a regulator that stays informed of innovations in the markets and is vigilant to possible abuses. At my hearing we spoke briefly about the importance of educating agricultural producers about the uses and benefits of futures and option markets. I believe that the CFTC must play a similar role to educate market users with respect to potential abuses in the markets and enlist these users to aid the Commission in preventing such abuses.

An important aspect of preventing future fraud and manipulation is by vigorously enforcing the rules in place and imposing tough penalties on those who would skirt the rules and break the law. Regulators must punish those that would take advantage of the marketplace as a deterrent to others that might also seek to harm the integrity of the markets. The CFTC can also prevent future manipulation and fraud by engaging in vigorous market surveillance and by working with the self regulatory organizations, law enforcement agencies, and other regulatory authorities. As I noted in my testimony, I would work hard to assist and support the individuals responsible for surveillance and enforcement, and would work with other regulatory agencies and Congress. If confirmed by this Committee and the Senate, I would take seriously the need to ensure the economic and financial integrity of the markets, and to educate and protect consumers from those who would seek to disadvantage or defraud them.

2. You have been involved with the Mercatus Center, a think tank of sorts affiliated with George Mason University that has received approximately $50,000 in funding from Enron over the past 5 or 6 years. You also have close ties to Wendy Gramm, an Enron Board member who heads the Regulatory Studies Program at

Mercatus. Can you assure the Committee that if confirmed, you will exercise independent judgment as the CFTC continues its investigation of Enron and deals with other issues that may be of interest to Mercatus and/or its financial contributors? Will you take appropriate steps to deal with any potential conflicts of interest?

As a regulator, just as it was for me as an academic, independent judgment would be my stock-in-trade. Employed as a full-time finance professor in the School of Management, my primary focus was to conduct and publish independent research on financial markets in order to enhance my teaching and to have an impact on my field. My writings and my studies, including those published by the Mercatus Center, draw upon my economic and institutional expertise, are well documented and carefully researched, and are completely independent from the organizations that may fund them. Many of my publications are in top level academic journals and are published only after being reviewed by independent and anonymous peer reviewers. I can assure the Committee that I will exercise independent judgment in the CFTC investigation of Enron and in any and all issues that may be of interest to Mercatus and/or its financial contributors.

Neither my professional nor my collegial associations have given me specialized knowledge regarding the activities of Enron Corporation or their business practices. I am not familiar with the specifics of their activity in the California markets or their operational activities or strategies, beyond that which have been described in the press. I understand the CFTC is looking into this matter at this time, but I have not been briefed or informed on their findings. I do believe it is appropriate for the CFTC, other regulatory authorities, and Congress to investigate to ensure that the public interest has not been violated. In this and in all matters I would consider as a Commissioner, I stand ready to bring substantial economic and financial expertise to the table, as well as a high level of professional integrity. If confirmed by Congress, I would certainly take whatever steps were necessary and appropriate to guard against potential conflicts of interest.

3. The Mercatus Center is generally perceived as staunchly libertarian in its views. In fact, critics have referred to it as "a stronghold of anti-regulation zealots." How would you characterize the work of the Mercatus Center, and how would you compare or distinguish your own views concerning the merits or disadvantages of government regulation of financial markets, particularly exchange traded futures and OTC derivatives markets, from the to those of the Mercatus Center?

I have researched and written papers for the former Catalyst Institute, out of Chicago, and the Mercatus Center, an organization affiliated with George Mason University. Both of these organizations are research and educational programs aimed at advancing knowledge about markets, trade, and commerce. These organizations get academics, scholars, and experts in their field to consider policy questions and contribute to discourse on important issues. My general impression is that the Mercatus Center seeks comment from across the entire political spectrum, with an emphasis on market-based ideas. In the past, the

Mercatus Center has asked me to contribute to this discourse as a scholar specializing in financial markets. As such, I am not an employee of the Mercatus Center, nor have I played a role in guiding the views or policies of the Center. I am a full-time faculty member employed by the School of Management, one of the academic colleges at George Mason University.

My personal view is that government has always had an important and necessary role to play to ensure the integrity and lawfulness of business pursuits. Government must endeavor to encourage the competitive and entrepreneurial spirit in our society, while protecting society from those who would chose to do others harm or those who would disregard the legal and economic framework that enables business to function efficiently and fairly. With respect to the exchange-traded and OTC derivatives markets, regulators must ensure market integrity (against manipulation and fraud) and financial integrity, in a manner consistent with the congressional mandate, one that allows the markets to innovate, compete, and perform the hedging and price discovery functions that are vital to business and the economy. Further, regulators must be accountable to the individuals and institutions who use the markets and to the citizens who pay their salaries. Being accountable to the people means the same thing as being accountable to you, the elected representatives of the people. If confirmed by this committee and the Senate, I would take this obligation seriously and I would work hard to uphold and enforce the law, and guard the public interest at every opportunity.

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