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NANCY PELOSI
CONGRESSWOMAN
CALIFORNIA DISTRICT 11
2457 RAYBURN BUILDING
WASHINGTON, DC 20515-0508
(202) 225-4965
DISTRICT OFFICE:
FEDERAL BUILDING
450 GOLDEN GATE AVENUE
SAN FRANCISCO, CA 94102-3460
(415) 556-4862
sf.nancy@mail.house.gov
http://www.house.gov/pelosi

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(29)

May 11, 1998

COMMENT

The Honorable Brooksley Born, Chair
Commodity Futures Trading Commission
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Dear Ms. Born:

It has come to my attention that Cantor Fitzgerald Securities has applied to operate a new futures exchange under your jurisdiction. The attached *Los Angeles Magazine* article raises serious allegations of Cantor Fitzgerald's operation which may be relevant to whatever review is conducted by your office.

Sincerely,

Nancy Pelosi
NANCY PELOSI
Member of Congress

Enclosure

COMMODITY FUTURES
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BROKERS WILD

Forget Texaco. At Cantor Fitzgerald, the initiation of some new brokers resembles a blood sport. Three pending lawsuits portray the brokerage firm's Century City office as a den of gay-bashing, race-baiting bad boys who believe they are above the law. And they may be

BY CHARLES HOVORKA
& GEORGE MAYS

IF IT WEREN'T ON VIDEOTAPE, the scene would be almost impossible to believe:

On the left is William Rice, senior vice president at the 150-employee Century City trading floor of Cantor Fitzgerald Inc., the world's largest government-securities trading firm. He has a paper bag over his head, with neatly cut holes for his eyes. Sketched on the bag is a crude cartoon face of a black man with curly hair. Rice, who is white, mugs for the camera—"He be doin' dis and shit!" he says in an Amos 'n' Andy-like parody of black street talk.

On the right is Shawn Blakeslee, senior partner in Cantor's frantically busy Los Angeles office, the hub of a global operation that generated an estimated \$470 mil-

lion in revenue last year. Blakeslee, who is also white and also has a bag over his head, merrily joins Rice's shabby charade as they take a short elevator ride down to the office garage and then drive off in a silver '78 Alfa Romeo that belongs to Cantor trainee Mark Anderson.

In the next scene, also shot in the Cantor garage, senior partner Bill Malcolm (wearing the Amos 'n' Andy disguise and gesturing wildly with what he apparently imagines to be gang signs) and trader Jonathan Blum (sporting a similarly styled paper bag with a caricature of an Asian face and lampooning Charlie Chan) hold up a sign that says MARK ANDERSON—SWELL GUY COLLECTION. They then pretend to solicit donations for Anderson from Cantor personnel in the

company garage. Traders in Mercedeses, BMWs and Porsches stop in front of the camera and cheerfully toss \$100 bills onto the ground.

Finally, the camera circles Anderson's Alfa Romeo, which has been painted black and white like a police cruiser. Its sides are boldly stenciled with antigay gibes: POO STABBER, FUDGE PACKED HERE, POLE SMOKER and BOOTY PATROLL. There's a large skull and crossbones emblazoned on the hood; across the front are the words BUTTPIRATE; and a stencil across the back invites callers to ring 800 BUTTBOY. Rice and Malcolm, still with bags over their heads, gleefully dance around the car while KC & the Sunshine Band's disco classic "Shake Your Booty" blares from the sound-

Cantor Fitzgerald
Senior Partner Bill
Malcolm is smiling
for the wide camera

track. The video ends with Rice mocking a Hispanic garage attendant, who clearly speaks little English.

Rice and his cohorts took great pride in their amateur video production. In fact, they showed it on multiple screens at Cantor's biennial sales conference in Dallas on June 10, 1995. The tape was introduced as an official training video for desperate young brokers who could obtain business by soliciting the homosexual community of Los Angeles.

Anderson, who knew nothing of the prank, was in the audience that day—in fact, he'd been assigned a special seat that made it easy for Rice's pranksters to record his reactions to the video. Anderson was appalled by what he

saw, but most of his fellow employees roared with laughter. According to several people who were there, it was the highlight of a typically freewheeling Cantor conference. Anderson recalls that the event, which was awash in free Opus One and Cristal, degenerated into a huge food fight, with grown men in \$1,000 suits throwing filet mignon and lobster at each other.

Most attendees laughed off the video as just one more outrageous joke by the good old boys on the Century City trading floor. "The sales guys were laughing hysterically, like, 'We can do anything we want,'" says a former Cantor employee. A month later, however, Mark Anderson—after being briefly fired and then invited to return—filed suit, claiming that he had been subjected to unrelenting and almost unimaginable harassment during his thirteen months as a broker trainee at Cantor.

Anderson says the abuse started on his second day of work, when he was greeted by a picture on the lunchroom bulletin board of three men engaged in homosexual acts, with his photograph pasted over the man in the middle; he was told he'd be fired if he ever removed the picture. The alleged abuse—name-calling, spitball-pelting, sexual degradation—was constant, though Anderson had been told he was "one of the lucky ones." His training group

included Kadija Carney, an African American woman; Dana Muro, a Hispanic woman; and Stephan Derelian, who lost his arm at the elbow as a child in a washing-machine accident. Rice, who was in charge of the training group, told Anderson in front of the others, "You're the lucky sperm." Anderson took this to mean that he, an unimpaired white male, was marked for admittance into the club of million-dollar-a-year brokers at Cantor—if he could survive a hazing ritual that may make Cantor Fitzgerald one of the most brutal work environments in Los Angeles.

Documents filed in three separate lawsuits by former employees paint the 51-year-old New York-based trading firm—and particularly its huge Los Angeles operation—as a cesspool of homophobia, racism, sexism and abusive behavior. Both Rice and Howard Lutnick, Cantor's 34-year-old president, declined repeated requests to be interviewed for this story, as did more than a dozen employees who are alleged to have participated in the firm's ugly hazing rituals.

The response from Cantor's lawyers has been to argue that the courts have no jurisdiction over these cases. All three suits are mired in a heated procedural battle over a seemingly innocuous document called the Form U-4, which all prospective licensed securities brokers must sign. It contains a little-known compulsory-arbitration provision that is intended to compel parties in securities disputes to arbitrate before a National Association of Securities Dealers panel—but it has also been used to force employees of NASD member firms to arbitrate charges that have nothing to do with securities trading, including charges of sexual harassment, theft and even rape. By arguing that the courts have no standing, Cantor hopes to force all three cases into NASD arbitration.

Officially, Cantor admits it had a problem but insists that there was no widespread discrimination and that the claims against it are without merit. A statement issued by Cantor Fitzgerald spokeswoman Debra

Their biennial sales convention degenerated into food fights between grown men in \$1,000 suits throwing filet mignon at each other.

Many many Thanks!



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SCANDAL

Walton-Collings says: "While practical jokes and sophomoric behavior are not unheard of, they are in no way consistent with our corporate culture or code of conduct." She also says Cantor hired an outside attorney to conduct "employee briefings" on workplace issues after "the Anderson incident" and that Rice was relieved of his duties as branch manager for six months. However, no Cantor trader or supervisor has been fired over hazing incidents—and Rice is still involved in the company training program.

IN WALL STREET TERMS, THE sales traders at Cantor Fitzgerald are slightly *déclassé*. In the financial world, investment bankers are the sophisticates—highly educated strategists who confer with major corporate executives and big-money investors to mastermind the financial underpinnings of world business. Sales traders, by contrast, are proletarians. They don't come from the best schools, and they aren't the masters of the universe. They just make a great deal of money by matching someone who wants to sell a huge block of something—stock, commodities, government securities—with someone who wants to buy it. In the words of a top money manager: "Theirs is not a specialized field. You could train a monkey to do it. They're human tin cans with strings attached."

In building Cantor Fitzgerald, Bronx-born Bernard Gerald Cantor chose from the onset not to affiliate with the New York Stock Exchange—a decision that allowed his firm to trade outside normal market hours. In the early '80s, Cantor became the first Wall Street firm to offer global 24-hour access to U.S. Treasury securities markets, helping to create the world's most liquid over-the-counter market. The firm took in

hundreds of millions of dollars while Cantor made an estimated \$400 million.

Cantor wanted to do more than make money, however; he hoped to imbue his trading firm with the cachet usually associated with top investment bankers. He used his fortune—he reportedly drew \$50 million from the firm in 1995 alone—to amass the world's largest private collection of Rodin sculptures. He and his wife, Iris, have given the Brooklyn Museum more than 50 of the artist's pieces, established the B. Gerald Cantor Roof Garden at New York's Metropolitan Museum, funded a wing at the Los Angeles County Museum of Art to house some of Rodin's greatest works and financed the restoration and improvement of the sculptor's original casts. Iris continues to run the Iris and B. Gerald Cantor Foundation from an office in Manhattan's World Trade Center, where the trading firm has its headquarters.

Cantor Fitzgerald's reputation was tarnished somewhat in 1986 when its star trader, S. Jay Goldinger, faced an SEC probe for insider trading. A California court

alized in December of that year, Lutnick implemented a succession plan that made him the managing general partner. Iris Cantor immediately sued, claiming that Lutnick had acted prematurely, violated the procedures called for in the succession plan and deprived the family of its rights.

A settlement reached two months before Bernie Cantor's death in July 1996 reduced the Cantors' partnership stake from 48 percent to about 20 percent. Lutnick retained full control of the firm but apparently had little time for supervisory details like the training of new brokers.

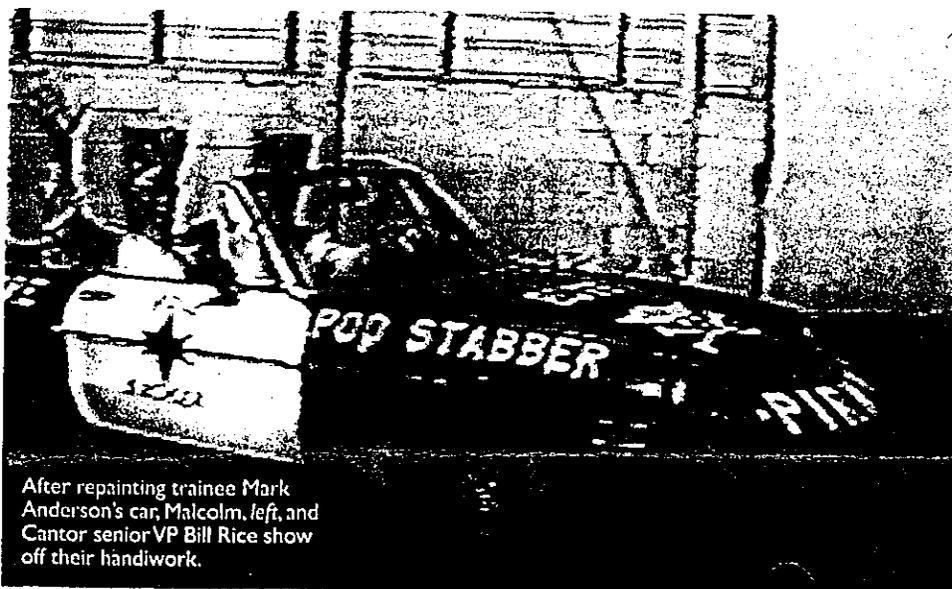
In Los Angeles, this was left to Bill Rice, who grew up in the Windsor Square area near Hancock Park. At Loyola High School, Rice was known as Tinkerbilly, a reference to the time he and several classmates rigged the school's bells to ring at the wrong times. His sense of fun was always unbridled. In a recent Loyola alumni directory, he listed his occupation as "actor—adult films."

A Loyola classmate remembers that even then Rice was obsessed with making money; while his peers worried about

school, sports and girls, Rice was running his own business restoring Alfa Romeos. After attending USC, Rice was hired by Cantor Fitzgerald in 1986 and took a keen interest in the training program.

At Cantor, Rice and his peers worked in a cloistered atmosphere sealed off from the outside world by strin-

gent security and the peculiar rigors of a trader's day. The tenth-floor Century City trading room is protected by double-security doors, and blackout curtains on all the windows prevent interlopers from stealing a glimpse of Cantor's closely protected client lists and trading information. Traders get up at four a.m. and by five are in the office, where they handle a phenomenal volume of transactions. Many of them are for huge pension pools, like the gigantic California Public Employees' Retirement System, IBM Retirement Fund, Ohio



After repainting trainee Mark Anderson's car, Malcolm, left, and Cantor senior VP Bill Rice show off their handiwork.

ultimately dismissed the charges, and Goldinger left to start his own firm.

In 1995, the firm was jolted again—more severely this time—by a nasty succession battle that pitted Bernie Cantor's family against managing partner Howard Lutnick, who had been Cantor's protégé, surrogate son and intended successor almost from the day he was hired by the firm in the early '80s. As a diabetic, Cantor had required regular kidney dialysis since 1990, and by 1995, he had lost most of his eyesight from retinal bleeding. When Cantor was hospi-

School Employees' Retirement, Texas Teacher Retirement System and U.S. Steel & Carnegie Pension Fund; prestigious investment-management firms, including Soros Management Fund, Janus Capital, Rockefeller Finance & Associates and T. Rowe Price Associates; as well as Bank of America and Bank of California.

Given the hours and the closed doors, Cantor traders tend to socialize mostly with

The abuse and degradation were constant, Anderson says, even though he'd been told that he was "one of the lucky ones."

each other. A tight-knit group, they're famous for their unruly "party" attitude—both on and off duty. It's not unusual for a mariachi band to stroll the trading floor to celebrate an employee's birthday. Anderson says Rice and other traders have attended exotic stag retreats at the New Mexico home of Terry Geyer, a retired trading guru who is revered for his Harley-Davidson and his long gray ponytail. (Anderson says Blakeslee, who appears in the Anderson video, once knocked both his front teeth out at a Geyer retreat and kept partying as if nothing had happened.) Geyer, who is now a "consultant" to the firm, spoke at the 1995 sales conference where the Anderson video was shown. His topic: the meaning of "Cantor Culture," which he portrayed in almost mystical terms.

Some aspects of "Cantor Culture" are decidedly less mystical. Anderson says members of the senior trading staff have crude nicknames for each other—Bill Malcolm (a white man) was known as Malcolm X, and there were also In the Can Dan and Chief Smokin' Pole. And much of the humor is scatological. On his first day at work, Anderson asked about the rows of brass plaques inside the men's bathroom inscribed with mysterious epithets like THE UNKNOWN EXPLODER '84 and THE MANAGER SPECIAL. A fellow trainee produced a



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Matthew Margolis is the pet expert on ABC's *Good Morning America*, host of the PBS special, *Woof! Woof!* and author of eleven books about dogs and dog training.

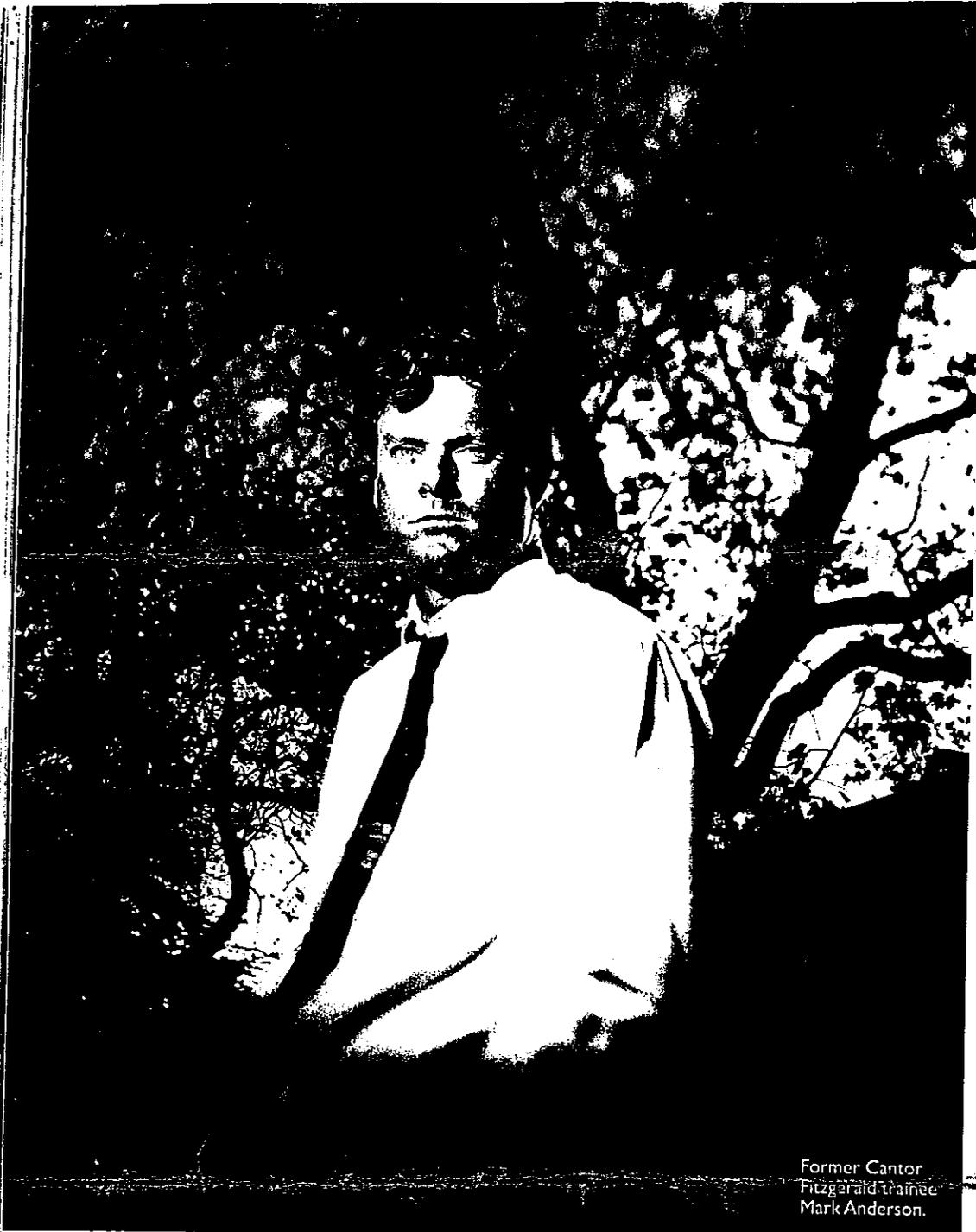
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LOS ANGELES 39



Former Cantor
Fitzgerald trainee
Mark Anderson.

Polaroid camera and explained that the traders had a game called Dump of the Month. Employees were expected to photograph the product of any large bowel movement and submit it for a monthly contest. On several occasions, senior traders loaded a colleague's desk with raw seafood and left a timed heater to speed the rotting process.

Like a bad fraternity, Rice and his "brothers" allegedly had much of their fun at the expense of outsiders, and their humor often had a racist or homophobic edge. Once, says Anderson, when asked by a trainee how quickly a floor trader should respond to a trade request, Rice, in front of a black

trainee, shot back: "Your responsibility as a professional Cantor Fitzgerald salesperson, if they don't respond in three minutes, is to hunt that person down and beat him like a runaway slave." A favorite sport for the boys on the trading floor was to bait the building's Hispanic window washers. When the workmen on the scaffold reached the tenth floor, traders would raise their blackout curtains and plaster gay pornography across the window. At one time, Cantor had an 800 number that was regularly called by people who had misdialled trying to reach United Airlines. While fielding one errant call, Rice told the caller: "I'm sorry.

Century City office, came by Anderson's desk later and said, "Nice picture you put of yourself on the wall."

Several days later, Anderson alleges that Rice posted a list of speculations about what Anderson had done before coming to Cantor. One guess: he'd been a "fluff guy" for the producer of *Diesel Dicks* and had a tonsillectomy to "make more room for leading men." The list stayed in the company lunchroom until Anderson was fired. "Rule was," says Anderson, "if you protested, you were fired. One time I got sick of looking at that list and ripped it down. They reprimanded me and made me put it back up."

You're not getting your miles because you're not Caucasian."

"Rice enjoyed this professional—quote, unquote—dominance of the workplace, which he secured by being a relentless practical joker," explains Davis Bader, a former Cantor Fitzgerald securities trader now working for Prudential Bache Securities in London. "These guys get paid extremely large sums of money, sums that are disproportionate with the service they provide."

Bader believes that the power games were a way for Rice and his friends to protect the incredible amounts of money they were making. When Rice started in 1986, a sales trader could expect to make \$250,000 a year at most. By 1996, senior traders at Cantor were making more than \$1 million a year, thanks to the exploding securities market. With that kind of money at stake, those on the inside were happy to make life as miserable as possible for anybody hoping to join their club.

MARK ANDERSON'S first confrontation at Cantor occurred when someone posted the crudely altered homosexual porn photo on the office bulletin board and claimed that it had been attached to Anderson's résumé. According to Anderson, Michael Heflin, then managing partner and head of the Cen-

Anderson says Rice and other members of the senior sales staff would pepper him with so many spitballs that, by day's end, the carpet around his desk was invisible. "My shirt was wet," recalls Anderson. "People wouldn't sit by me." He says one of the traders would occasionally walk up to his desk, blow his nose into a Kleenex and then bounce the balled-up tissue off Anderson's forehead.

Rice nicknamed Anderson "Bobo," a slang term for penis, and allegedly taped a pornographic photo of a woman to his computer to "help Mark concentrate." During an in-office lunch meeting with senior sales members, Anderson claims that Rice stuck a pink rubber vagina with real pubic hair inside Anderson's sandwich, suggesting that this might be the only time Anderson would "eat pussy."

When Anderson went to his friend, sales manager Scott Ritchie, and asked what to do about the harassment, Ritchie advised him just to show up every day. "They respect you more if you come in hungover and don't call in sick, like a pussy," Ritchie told him. "Show up and don't worry about all the peripheral bullshit."

He tried to do just that, but instead of dying down, the hazing just got worse, culminating with his public humiliation in

When the window washers reached their floor, traders would raise the curtains and plaster gay pornography across the window.

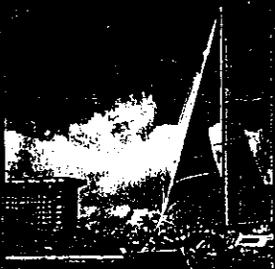
Dallas. (Anderson later learned that Rice had orchestrated an elaborate office conspiracy that kept him in New York for an

extra week, which gave Rice and his pals the time needed to repaint Anderson's car. Rice also made sure that Anderson wouldn't learn of what they'd done until he—with all of his coworkers at the sales convention—saw the video. Rice compounded the insult by selling more than 100 copies of the tape.)

Anderson returned from Dallas, nearly broken but on the verge of becoming a broker. Four weeks later, however, he says Rice summoned him to his office at 5:30 a.m. and fired him. Rice told him that "it's just not working out" and that Cantor Fitzgerald "didn't think he would make a good broker." This, despite the fact that Anderson claims he regularly got to work early and stayed late, had never been criticized for his job performance and had missed only one workday because of sickness.

Thinking his "firing" was just a continuation of the hazing, Anderson spent the rest of the day at his desk helping Rice execute trades. The next day, Rice called Anderson at home to reiterate that he had indeed been fired. Anderson spent the weekend talking with Will Raub, a senior partner in New York, who promised to find out what was going on.

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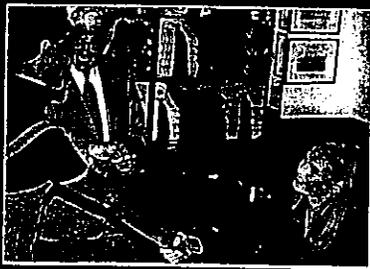
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LA RUNWAY



IN BLOOM Petals were unfolding throughout Ralph Lauren's home collection this fall, even as The Polo Store Beverly Hills' 25th anniversary fete blossomed onto centerstage in September. On hand to smell the roses were Supermodel Bridget Hall, children's author Barney Saltzberg and those inimitable Polo stylists—all part of a series of month-long events that put Jerry Magnin's famed Rodeo Drive boutique atop everyone's see-and-be-seen list. A portion of proceeds from September's sales went to local L.A. charities.



LOS ANGELES

SCANDAL

On the following Monday, Raub talked to Heflin, Ritchie and Rice. After that conversation, Anderson says Rice called him and said, "Hey, buddy, I got you back into the firm." The following week, Anderson received a registered letter stating that if he didn't respond within two weeks, Cantor Fitzgerald would assume he had quit.

Anderson decided not to return to work. Instead, he contacted an attorney and filed suit. His attorney, Paul Nankivell, was later joined in cocounsel by Johnnie Cochran. Cochran has declined to discuss Anderson's suit, but a partner in his legal firm says Cochran undertook the case because Cantor, "at a very high level," has demonstrated intolerance toward blacks and homosexuals.

Cantor Fitzgerald says "as soon as the Anderson matter came to the attention of senior management in New York City it was dealt with swiftly and appropriately." The statement further claims that Anderson is a disgruntled employee who ignored repeated warnings about his "unsatisfactory performance," and that "not only was Anderson an active participant in office pranks, he was often the perpetrator of them."

STEPHAN Derelien began trading his father's stock accounts when he was in the sixth grade. After graduating from USC with a business degree, he got in touch with college acquaintance Bill Malcolm, who was already a Cantor Fitzgerald executive. Malcolm suggested that Derelien fax his résumé to Bill Rice. A short time after receiving Derelien's résumé, Rice called back and set up an interview. After a four-hour screening process with Rice and three other senior traders, Derelien was hired that day, and he began his training about a month before Anderson was hired.

Derelien was told during his screening interview that if he could get through the first three months at Cantor Fitzgerald, he was certain to become a trader within approximately one year. As a single father with custody of a 7-year-old child, he was

willing to put up with a great deal in return for the financial security that seemed to lie just ahead. A little hazing didn't scare him—he'd already proved his mental toughness by overcoming the nightmare of losing his right arm at the age of 13.

Shortly after entering the training program, Derelien says he was told by Rice and other senior traders that, like everyone else on the floor, he would have a nickname. Actually, he got three. Some called him Bandit because, like a slot machine, he had only one arm. Others called him Slice because of his presumed difficulty as a one-handed golfer. Still others went with Lightning Rod, a reference to what they thought might happen if Derelien stuck his prosthetic arm up during an electrical storm. According to Derelien, senior partner Ed Weber just called him a "one-armed fuck" and warned him at one point: "If you don't get your shit straight, I'm going to stick that claw up your ass until it comes out your mouth."

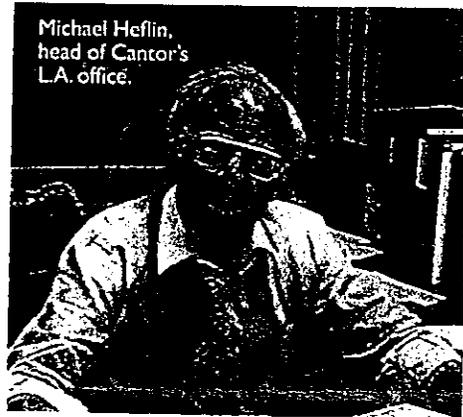
In Derelien's case, at least, the people at Cantor Fitzgerald apparently had little regard for the Americans with Disabilities

Act. Someone once plastered a Special Olympics poster on Derelien's computer terminal, and he, like Anderson, was continually pelted with spitwads and other projectiles. Derelien was told that the other traders wanted

to see if he could work the keyboard and fend off missiles with just one hand.

One day, Derelien had temporarily removed his prosthesis to rest his arm. When he returned to his desk after using the rest room, he saw that someone had taken it from under his desk. Fellow traders started laughing and suggested that he look in the lunchroom refrigerator. Derelien found his prosthesis in the freezer—the hook had been removed, and the arm had been filled with water and partially frozen. Derelien believes that either Rice, Blakeslee or trader David Coons (also seen in the Anderson video) masterminded this prank.

Michael Heflin, head of Cantor's L.A. office.



Derelian says that the only concern Rice expressed about his disability was when he asked if Derelian could use his arm for "stump-fucking." Derelian says that when he complained about this ongoing mistreatment, Rice and others piled on more work—and Derelian began to pick up hints that his advancement wasn't assured. His suspicions seemed confirmed when Anderson told him about a discussion he had had with a Cantor executive during a party at Heflin's Broad Beach house. Anderson says he was told that Derelian

Derelian once found his prosthesis in the lunchroom freezer—the arm had been filled with water and partially frozen.

probably wouldn't advance because he didn't fit the "physical image" the company wanted to project. Despite all this, Derelian's erstwhile mentor, Malcolm, encouraged him to just hang on. "If you stick with it," Malcolm told him, "you'll be making \$1 million a year within four years."

Determined to endure, Derelian asked for a special table-mounted microphone that could be activated by pressing a button rather than by lifting a handheld police-car-style mike; he says Cantor administrators ignored the request for three months. A special keyboard to accommodate his disability never showed up; instead, several traders, including Rice, allegedly called him a "pussy" for seeking special equipment.

When his wrist began to hurt, Derelian took three weeks of disability leave. While at home, he says he received numerous anonymous phone calls from voices he recognized as belonging to his colleagues saying things like "Get back to work, pussy."

After being fitted with a wrist brace, Derelian did return to work, where he was treated as a pariah. Someone shouted on the trading floor that Derelian "hurt himself jerking off,"

and Rice told him, "I'm going to break off your good arm if you fuck up again."

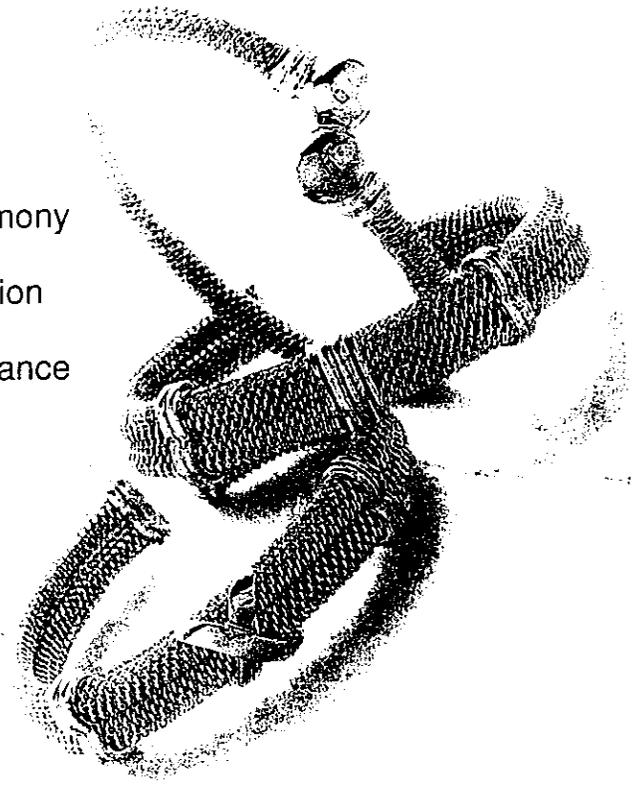
The breaking point came when Coons asked Derelian how he masturbated and held a magazine at the same time. "Do you use a tripod, or do you have your son hold it?" asked Coons. Derelian lost his temper and rushed Coons. He was restrained by Anderson, who told him, "It's not worth it." Derelian says he asked personnel director Phyllis Muro for help with his abusive superiors. Muro replied: "You know how those boys are—we have no control over them."

Derelian resigned that day, in February 1995, and spent the next three months trying to reorder his life. He went through physical therapy and then became active in the disability-rights movement. On October 25, 1996, his lawyer, Christopher Yuhl, filed suit against Cantor.

Cantor Fitzgerald claims that Derelian made no allegations of harassment or discrimination when he resigned and that "at the time Derelian left the firm, he phoned two senior managers to thank them for their support."

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SCANDAL

FROM FEBRUARY 1991 to March 1991 and again November 1991 to June 1991, Kathe Brenner was Ben Cantor's executive secretary working in both his New York and Century City offices. Brenner declined to discuss her experiences, according to a complaint filed with Los Angeles Superior Court in November 1991. Cantor subjected her to a barrage of unrelenting sexual harassment that included obscene comments about Brenner's breasts, spanking Brenner's buttocks, ordering her to touch and massage him in a sexually suggestive manner, demanding that Brenner come to his home for sex. Brenner says she was called to his home several times when his wife was out of town. Brenner made sexually suggestive phone calls to Brenner's home, demanding that Brenner stand intimately close to him whenever he was in his office, repeatedly demanding that she go out to dinner with him, repeatedly demanding that Brenner go on vacation with him, and threatening to make personal encounters after work a requisite of her employment.

When Cantor ignored Brenner's protests against his sexual advances, she says she looked for a posted or written policy on sexual harassment but found none. Brenner then asked the company's paralegal, Bruce Krifchev, if the firm had a sexual-harassment policy. Krifchev, she claims, told her it was none of her business and refused to give her any information. A short time later, Brenner claims that a Cantor manager told her she would lose her job if she complained any further. Referring to Cantor, he warned her "[You're] not dealing with just any schmuck."

Brenner did complain again, this time to another company attorney. The following Monday, according to her suit, she was summoned to the office of Cantor Fitzgerald general counsel Harry Needleman, who fired her, she says, because of her complaints.

Cantor Fitzgerald claims that Brenner only charged sexual harassment after she had been fired for making inappropriate statements about Mr. Cantor and openly discussing his private matters. The firm adds, "All those who worked closely with Mr. Cantor as his health steadily declined believe this claim is not only unfounded, but a sad assault on this man's memory as a philanthropist and humanitarian."

Brenner's original suit, filed in August

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1992, led to a mind-boggling labyrinth of 97 legal motions. Cantor Fitzgerald's position is that Brenner cannot sue for harassment because she signed a Form U-4, which, they argue, forces her to submit all grievances to compulsory arbitration. In December 1992, the Los Angeles Superior Court granted Cantor Fitzgerald's motion to compel arbitration. (Ironically, at the time of Brenner's filing, the NASD division handling the case was cochaired by Fredric Roberts, a former executive at Cantor's L.A. office.)

For the last four years, however, Brenner's attorneys, Catherine Conway and Harvey Rochman of Manatt, Phelps & Phillips, say they have been unable to prod the NASD into action. They say the NASD took more than six months to appoint an arbitration panel, but the panel wasn't properly staffed under the organization's own guidelines. Brenner's attorneys were blocked from taking Cantor's deposition, even though it was clear that his illness would jeopardize his testimony. According to Conway and Rochman, the NASD further refused to enforce its order compelling Cantor to produce his diaries and general counsel Needleman's notes of interviews with Cantor employees, refused to

allow Brenner to amend her claim to seek damages for possible defamation discovered after she filed her initial complaint, refused to allow her attorneys to subpoena crucial documents and has failed to set a date for a hearing on Brenner's claims.

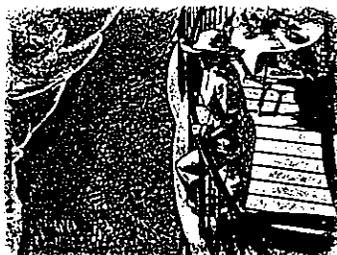
Bernie Cantor's executive secretary says he ordered her to touch him in a sexually suggestive manner.

Brenner's attorneys now hope the Ninth Circuit Court of Appeals will invalidate the Form U-4 restrictions that have them tied up in knots. In November 1990, L.A. sales rep Justine Lai sued Prudential Insurance Company of America in California state

court, claiming she had been raped, abused and harassed by her superior. Citing Lai's signature on a U-4, Prudential got the federal district court to place Lai's case in the hands of NASD arbitrators. The Ninth Circuit Court of Appeals, however, overturned the decision and determined that Lai was not required to face arbitration because she did not knowingly waive her right to trial by jury. Citing this decision, the state court ruled that Brenner did not have to submit to arbitration. Cantor is now appealing, which has again put her case on hold.

Unless the state superior court sets aside the U-4 shield that Cantor Fitzgerald is using to fend off their suits, Anderson and Derelian will face much the same dilemma. And even if they win in arbitration, they could face years of dispute over possible awards, which are based on a percentage of the violating firm's net worth—a subject that is sure to be disputed at great length. Says Anderson: "It's like getting in a fight with a kid and having to arbitrate with his dad."

Meanwhile, new trainees at Cantor Fitzgerald can still look forward to meeting Bill Rice. ■



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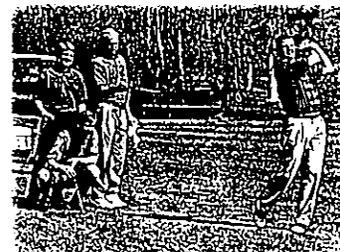
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