Memorandum

Event: Interview of Joseph J. Cella III

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Participants – SEC: Joe Cella, Richard Humes, Esq.

Participants-Commission: D. Greenburg, J. Roth, S. Wille

On September 16, 2003, we interviewed Joseph J. Cella III, Chief, Office of Market Surveillance, Division of Enforcement, Securities and Exchange Commission at SEC Headquarters for approximately 2 ½ hours. This memorandum provides a summary of what we consider the most important points covered in the interview, but is not a verbatim account. The memorandum is organized by subject and does not necessarily follow the order of the interview. All information in this memorandum was provided by Cella during the interview unless stated in brackets. This Memorandum is best read in conjunction with the SEC Report and attached exhibits (RSEC 03003651), which we reviewed with Cella during the interview.

Background

Cella said he initially served with the SEC's Office of Market Surveillance from 1974-88. From 1988 to early 1992, he worked in the private securities business, including a stint as Co-Director of Compliance at Jeffries & Co. in L.A. In February 1992, Bill McLucas, then Enforcement Director at the SEC, asked him to return to the SEC, which he did, becoming Deputy Chief, Office of Market Surveillance. A year-and-half later, he became Chief, Office of Market Surveillance, a position he holds to this day. Cella explained that the Office of Market Surveillance is the SEC Enforcement Division's primary point of contact on market surveillance issues with the Self-Regulatory Organizations (SROs), *e.g.*, New York Stock Exchange (NYSE), National Association of Securities Dealers (NASD), who are charged with primary responsibility for monitoring the market for signs of manipulation and insider trading. The Office of Market Surveillance also does its own surveillance of the market, including monitoring market reaction to breaking news. The Office has two branch chiefs and a staff of 12. In addition to its surveillance responsibilities, the Office works closely on investigations with the rest of Division of Enforcement on investigations. Cella has extensive experience doing investigations of insider trading and market manipulation. He has been involved in them during his entire career at the SEC.

Initiation of the 9/11 Trading Investigation

Cella said that on September 12 he initiated an investigation into trading before 9/11, in consultation with Associate Director, Division of Enforcement, William R. Baker. He did so because, following the crash of TWA 800 off Long Island in 1996, the FBI asked him to investigate any trading in TWA stock in the period preceding the crash.

That experience made him sure somebody would ask for the same analysis with respect to 9/11.

Cella said that the NYSE was closed in the days immediately following 9/11, so he started his inquiry with the main options exchanges, the Chicago Board of Options Exchange (CBOE) and the Philadelphia exchange. In addition to being open for business, these exchanges made sense to look at first because options trading provided a likely means for a person to seek to profit from the terrorist attacks. Cella said he began the inquiry by focusing on UAL and AMR, the parent companies of the most directly affected companies, United Airlines and American Airlines. The inquiry soon was expanded to the 103 companies and 38 index products and broad-based funds reflected in the SEC's report. The list of companies included those in industries harmed by the attacks (such as airlines, travel industry, or WTC tenants) and those who might benefit from the attacks (such as defense contractors or security companies). The index products and funds were added in light of the possibility that someone with advance knowledge of the attacks might want to bet against the market as a whole.

Cella said he attended a meeting at the FBI on September 17, 2001. By this point, the FBI had already been in touch with SEC Enforcement Director Stephen Cutler and Associate Director Baker about the investigation. In addition to Cella, the SEC attendees at the meeting were Baker, Antonia Cion, Assistant Director, Division of Enforcement, and Yuri Zelinskey and Elizabeth Jacobs, from the SEC's Office of International Affairs. Joe Ford did the primary speaking for the FBI. At the meeting, the SEC agreed to take the lead in the trading investigation, keeping the FBI informed. The SEC also agreed to be the primary liaison to the Securities industry for purposes of gathering account information on a variety of persons.

Structure of Investigation/Role of Various Entities

Cella said he had day-to-day leadership of the SEC's investigation, reporting to Baker. He said he divided the team from his office into industry groups. Mark Lineberry and Eric Ribelin took the airlines; Christopher Chatfield took insurers; and the rest of the office took various other industry groups. As the investigation progressed, attorneys from Cion's section in the Enforcement Division got involved to conduct interviews as necessary, as did personnel from the regional offices. For example, a former options trader in the Chicago office helped analyze the options trading at issue. Overall, more than 40 SEC personnel worked on the investigation at some point. Cella said he always had the resources he needed to do the investigation thoroughly.

The SEC kept the FBI and DOJ informed about its investigation and referred various subjects to the FBI for follow-up interviews. The primary points of contact at the FBI were Bill Mackey [redacted] and Bill McNally. The SEC also had contact with Rob Khauzami, an AUSA and Chief, Securities Fraud Section at the U.S. Attorney's Office, S.D.N.Y. and Ken Breen, an AUSA, E.D.N.Y. Cella had direct contact with the New York Field Office of the FBI; he recalled True Brown was the supervisor with whom he dealt. He may have had contact with other Field Offices, but did not recall.

Cella said the SEC referred certain traders to the FBI for potential interviews. The SEC would typically interview the witness first, and give the name to the FBI for potential follow-up. When asked the criteria for referral to the FBI, Cella said it generally was size of trade or profit. The SEC made referrals to the FBI, even where it interviewed a trader and was satisfied with his or her explanation. For example, he said the key players involved in the largest options trading days in UAL and AMR (the trader who bought 96% of the UAL puts on 9/6 and the newsletter advisor who on 9/9 recommended his subscribers purchase AMR puts) were referred to the FBI, even though the SEC was satisfied with the explanations and lack of connection to the terrorist attacks. Given the magnitude of 9/11, the SEC thought it prudent to refer to the FBI the most significant profitable trades, even absent any evidence of wrongdoing or foreknowledge of the attacks. Thus, the threshold for referral to the FBI was size and timing and not the higher standard usually applied for a criminal referral.

Cella said he was unaware of any accounts being forwarded to the FBI because they were offshore, where the SEC could not identify the true beneficial owner. He said the only notable offshore account he could recall was a Spanish client of Merrill Lynch who sold 1 million NASDAQ QQQs (an investment in the NASDAQ 100). The SEC learned from Merrill that the trader was a wild speculator, and the trade was consistent with his trading practices. Ultimately, the SEC satisfied itself that the trade was not terrorist related.

Cella said the SROs, who have excellent surveillance departments, played a major role in the investigation. The CBOE took the lead in coordinating the responses of five options exchanges. The CBOE also provided Large Option Position Reports, which showed all option positions over 200 contracts, regardless of when the position was established. The NYSE and NASD also did substantial investigative work as did the American Stock Exchange, with respect to options trading and certain exchange-traded indexes. In addition to the NASDAQ, the NASD reported on the "third-market," the over-the-counter trading in NYSE-listed companies, conventional options trading, and bond trading activities.[1] The SEC had frequent contact with the SROs, including near daily contact with the NYSE.

In addition to working with the SROs, Cella said the SEC directly contacted 20 major broker/dealers and asked them to survey their trading their trading desks for any evidence of illicit activity. The SEC also asked the Securities Industry Association to canvass its members for the same purpose.

The SEC had contact with the New York office of the Federal Reserve Bank, which took the lead in investigating trading in Treasury Securities. Cella said he was aware of the press reports about unusual trading in Treasuries, and he agreed that one way to make money from an anticipated general stock market decline would be to invest in Treasuries. He said it is his understanding from the New York Fed that its investigation revealed no trading in treasury securities by persons with foreknowledge of 9/11. Cella could not recall the name of the person at the New York Fed who took the lead on the investigation, but he promised to obtain and forward that information.

Cella said the CFTC investigated trading of futures trading on financial products, including futures on indexes like the S&P 500 or Nasdaq indexes, as well as options on index futures. He pointed out that futures on individual securities did not exist as of 9/11. He understands the investigation by the CFTC revealed no evidence of illicit trading. He believes Dan Nathan or Phyllis Cela of the CFTC would be well informed about this investigation.

[1] Cella explained that the NASD report on trading NYSE-listed companies refers to this "third market" trading.

Overall, Cella said the cooperation from other agencies, SROs, and the securities industry was amazing. The SEC received complete cooperation and even unsolicited calls volunteering help and information.

Cella said the SEC worked intensively on the investigation for the first couple of months; the pace slowed thereafter as the volume of information coming in decreased. No additional work was done following completion of the Report, which is dated May 15, 2002.

General Scope and Results of SEC Domestic Investigation

As noted above, Cella said the SEC investigated trading in 103 individual securities and 38 indexes or funds. Its investigation included options trading, short-selling, as well as long-sales (i.e., liquidation of substantial long positions in companies likely to be negatively impacted), and purchases in companies that might have been seen as likely to profit from the attacks.

Generally, the SEC focused on trading from August 20 through September. Some of the SROs took the investigation back even further, and, as discussed below, the SEC looked at substantial short and options positions regardless of when they were established. The August 20 date was chosen because it represented the first Monday after the expiration of the August options. The SEC's working hypothesis was that any traders with knowledge would not enter the market too far before attacks, both for security purposes and to maximize their leverage. Working closely with the SROs, the SEC obtained information about accounts making significant transactions in the relevant securities and determined which ones warranted further investigation, either by obtaining account information or by interviewing the trader. The SEC obtained the initial data by "blue-sheeting" the broker/dealers who handled significant volume in the relevant securities. The "blue-sheeting" process – which is commonly used in insider trading investigations and takes its name from the original color of the reports broker/dealers provided – is now a purely electronic means by which the SEC can obtain from broker/dealers key information about accounts trading in any securities. The information on the blue-sheets includes customer name and address, when the account was opened, the size of the transaction and its type (buy, sell, short-sale, etc.). Where interviews were warranted, SEC Enforcement Division personnel generally conducted them, although the SROs were asked to handle some routine request for information from broker/dealers. Cella said the SEC conducted many interviews. He could not remember the exact number, but suggested it could have been several hundred. The SEC has a chart that reflects who it interviewed.

The SEC also looked at accounts that had built up substantial relevant positions short or options positions, regardless of when those positions were established. As to options, the SEC relied on a number of sources of information, including the Large Option Position Reports and Open Interest Distribution Reports (which also provide data about options positions). As to short sales, the SEC obtained information from the Depository Trust Company, the National Securities Clearing Corp., and LoanNet, Inc. (which lends securities for use in short-selling). As a result of these efforts, the blue-sheeting, the SRO liaisons, and the outreach to the industry, Cella said the SEC investigation had sufficient redundancy that it definitely should have detected any suspicious trades. All such trades were then investigated by the SEC and, if significant, also referred to the FBI. The FBI conducted its own interviews of some of the traders referred to it by the SEC.

Cella said the investigation ultimately revealed no trading that the SEC thought was done with foreknowledge of 9/11. In addition, Cella said there are no question marks out there where the SEC could not get sufficient information, such as trading by an offshore company, whose owners could not be identified. To the contrary, all suspicious trades were checked out, and the SEC satisfied itself that the traders had no advance knowledge of 9/11.

At the conclusion of the investigation, the SEC gave DOJ a CD containing all the relevant trades the SEC and the SROs had found. Cella then accompanied Paul Johns of DOJ and FBI agent Gurvais Grigg to Seisint, a DOJ contractor based in Virgina, where Seisint's computer experts "sliced and diced" the data on its powerful computers to generate a series of reports. Johns, Grigg, and Cella reviewed these reports, which revealed no evidence of illicit trading. Cella said the CD contained all of the trading information obtained through the blue-sheeting process, which is a tremendous amount of data.

International Investigation

Trading of U.S. Securities Overseas

Cella said the SEC canvassed a list of countries, which are reflected in the report, and asked them to take a look at trading of U.S. securities on their markets. The countries the SEC approached were selected because they all had Memorandums of Agreement on cooperation in securities matters with the U.S. Cella said MOAs existed with respect to all countries of importance to its investigation. In particular, Cella said there is no substantial securities trading markets in the Middle East or Persian Gulf, although Egypt has a primitive exchange. Initially, the SEC asked foreign regulators to investigate trading in certain industry groups; later, the SEC promulgated a list of specific securities in which it had an interest.

Cella said that there is generally little trading of U.S. securities overseas, since U.S. securities trade primarily in U.S. markets. Thus, unusual trading in U.S. securities would not be very hard for foreign regulators to see.

Cella said the SEC received excellent cooperation from each of the foreign services with respect to U.S. securities. They all conducted investigations and determined there was no trading in U.S. securities that appeared influenced by foreknowledge of the 9/11 attacks. The foreign regulators typically reported their findings to the SEC by letter or report.

International Investigation of Foreign Securities

Cella said the SEC also asked the foreign regulators to investigate trading in foreign securities. The SEC recognized that a number of companies substantially affected by the 9/11 attacks were primarily traded on overseas markets. In particular, a Bloomberg News article alerted the SEC to the fact that several insurance companies that suffered the heaviest losses were foreign companies, including German companies Munich Re and Allianz AG.

Cella said that he was well aware of the Septermber 2001 public comments of German Central Bank President, Ernst Welteke, concerning alleged "irrefutable proof of insider trading" before 9/11. He said that he has never seen any evidence of such illicit trading in Germany, and he is not aware of any actual findings made by German authorities. To the contrary, he said a German investigator told him the opposite was true. In October 2001, Cella spoke at a meeting about the attacks at FBI Headquarters, which was attended by German investigators, among others. Cella had a sidebar conversation with the head of the German delegation, who told him the German authorities had not found any evidence of trading with foreknowledge of 9/11. Cella believes Welteke's comments were simply ill-advised and did not rest on any actual evidence.

9/11 Law Enforcement Sensitive

Cella said he had no other contact with the German officials other than a brief conversation with another German investigator at a meeting at FBI headquarters in November or December 2001. This conversation shed no light on the German investigation. He said the SEC never requested a copy of the German report of investigation, if one exists. He does not know if the FBI has additional information about the German investigation.

Cella said the only other country where there was likely substantial relevant trading was the U.K. He said the U.K. securities regulators are excellent and do a good job. He said he does not recall any specific discussions with the U.K. regulators about the 9/11 trading investigation, but he did recall reading press reports the U.K. had announced its investigation revealed no illicit trading in advance of 9/11.

U.S. Investigation of Foreign Securities

Cella said the SEC did investigate trading of foreign securities in the United States, which consist primarily of American Depository Receipts (ADRs). As set forth in the SEC report, this investigation revealed no illicit trading.

Specific Results of SEC Investigation

UAL/AMR/Other Airlines

Cella said the SEC investigation into trading in UAL and AMR stock revealed no evidence of trading with foreknowledge of 9/11. As reflected in the SEC report, Cella said there was considerable negative information about the airline industry in the market in the days preceding 9/11. Among other things, AMR had announced larger than expected losses and an influential analyst at Goldman Sachs had lowered earnings estimates for several major airlines. [*See* SEC Report at 7] Cella provided additional details on the investigation.

Options Trading

When asked if anything initially looked suspicious, Cella said some of the option trading numbers in UAL and AMR looked suspicious at first blush, before the SEC investigated and understood the trading at issue. At the same time, he said the numbers were never as suspicious as reported in the press. Specifically, he said press reports typically doubled the options trading volume over the actual volume. He said the mistake likely resulted from the Options Clearing Corp.'s (OCC) public web site, which lists both sides of a trade (buy and sell) as separate trades. Thus, a reporter checking the web site for trading volume could easily overstate the trading volume by a factor of two. In addition, Cella said the trading volume on a given day includes both buys and sells. For example, the 2,282 AMR puts traded on 9/10/01, as reflected in the SEC report, includes puts sold by customers as well as puts bought by customers.

Cella said two trading days stood out as the most potentially suspicious: September 6, 2001, when the UAL put volume was 2,075 [v. a call volume of 87] and September 10, 2001, when the AMR put volume was 2,282 [v. a call volume of 375]. The SEC investigation revealed innocuous explanations for these apparent anomalies. A U.S.-based investment advisor registered with the SEC purchased 2,000 UAL puts on September 6, constituting 96% of the volume. The SEC's Eric Ribelin and Andrew Snowden interviewed both the CEO of the advisor and the trader who executed the transaction. They received the innocuous explanation for the trade which is set forth in the SEC report. [*See* Report at 9 (explaining the advisor manages hedge funds with $5.3 billion under management, was pursuing a bearish strategy with respect to most airlines stocks in response to recent bad news announcements, and had actually purchased 115,000 shares of AMR on September 10, believing the negative information on AMR was already reflected in the price).] In light of this explanation, the SEC deemed the trade unconnected to 9/11, although it did refer the trade to the FBI, who Cella believes also interviewed the trader and CEO. [redacted]

The SEC determined that the unusual volume in AMR puts on September 10 largely resulted from an increase in the October 30 put series. Investigation revealed that *Options Hotline*, a California newsletter, edited by Steve Sarnoff, recommended the purchase of this series in the issue emailed and faxed to its 2000 subscribers on September 9, 2001. The SEC interviewed 28 people who bought the October 30 puts, and 26 of them cited the *Options Hotline*. The SEC saw that 27 additional individual purchasers of the October 30 series of AMR on September 10 were also *Options Hotline* subscribers. The SEC interviewed Sarnoff, who explained the basis for his recommendation. [*See* SEC Report at 9, describing Sarnoff's technical analysis and belief that the September options would expire too soon for his strategy to pay off]. The SEC investigated the remainder of the put purchasers on September 10, and found them to be innocuous. When asked Cella if the SEC had investigated the total AMR volume of 2,282 on September 10, he reminded us that that figure included more than customer opening transactions, (i.e., purchases); it also included sales. He said the SEC did investigate all the other put purchases on September 10, and found nothing of significance.

Cella said that the SEC investigated all of the put option purchases in UAL and AMR – [although this investigation is not described in any detail in the SEC report]. As discussed above, the SEC drew on multiple and redundant sources of information to ensure it had obtained all relevant options trading. Cella said he was very confident all such trading was detected and investigated. The SEC ran into no blind alleys it could not pursue.

We asked Cella about press reports that profits from certain options trading went uncollected after 9/11. He said the SEC investigation revealed no evidence of any profits going uncollected. He further pointed out that any profitable option positions would be automatically exercised upon the expiration date – unless the customer explicitly directed otherwise. Cella said he was aware of no unusual "uncollected profits" between 9/11 and the expiration of the September options, which he said expired September 22. He suggested that we check with the Options Clearing Corp. (OCC) if we wanted additional information, and said he would follow up later with a point of contact there, as he could not remember the key person's name during the interview.

Cella said he was unaware of an options market maker in Chicago telling the FBI he was sure there was illicit put options trading pre9/11 [which we are aware of from information received from the FBI]. He was not surprised, however, and speculated the market maker came out on the losing end of some pre 9/11 trade. He said options market makers frequently complain about insider trading whenever they get stuck with a position that turns bad before they have sufficiently hedged it.

Cella said the SEC conducted the same type of investigation with respect to options trading in other airline stock, with the same result: no illicit trading.

Short Selling/Long Selling

Cella said the SEC also thoroughly investigated short-selling in UAL/AMR and the other airline stocks. He said the short-selling analysis was more complicated than the options analysis because there was much greater volume of short-selling. The SEC worked closely with the NYSE on the short-selling investigation. Cella and Mark Lineberry spoke virtually every day for months with the NYSE staff. During these calls, the NYSE would discuss what it had discovered, and they would collectively decide how to follow up to investigate (*i.e.*, whether interviews were required, more account information, etc.).

As with option trading, the SEC used redundant sources to ensure it had captured all relevant short sales. Cella was confident it did so. Most of the short-selling was in institutional accounts. Cella said he does not know if there was an unusual amount of short-selling in AMR or UAL, as compared to other airlines. The NYSE did a detailed analysis of short positions, which might contain this information. In any event, it was not necessary to find unusual patterns because the SEC looked at all traders who made substantial profits on pre 9/11 short-selling in the affected industries.

As with option trading, the SEC conducted interviews of short sellers where appropriate. As an example, we reviewed with Cella some of the potentially suspicious trading reflected in the NASD report attached to the SEC report. For example, we asked him about Bates No. 11 of the NASD Report, which reflected a German entity short-selling 7,900 shares of AMR on July 26. Cella had no recollection of the transaction, but said the SEC reviewed all such trades and determined their circumstances. In addition to getting an explanation from the trader, there were many possible reasons the SEC might deem a seemingly suspicious trade innocuous. For example, the position may have been closed prior to 9/11.

Cella said that when the SEC received the NASD report, he divided it equally between his two branch chiefs and told them to go back to the NASD if they had any questions, and pursue any investigation they deemed necessary. This investigation did not yield any illicit trading.

Cella said the SEC also looked at long sales to see if anyone had dumped substantial positions in airline stock. This investigation also revealed nothing significant.

WTC Tenants/Insurers/Other Industries/Indexes and Funds

We discussed with Cella the SEC investigation, reflected in the report, of WTC tenants, insurers, other industries likely to be affected, and index securities and funds. Generally, the SEC pursued the same methodology discussed above, and reached the same conclusions – no illicit trading. He said the review of trading in index securities and funds was a massive job, especially because of the existence of options on those securities. At the end of the inquiry, however, there were very few suspicious trades requiring further inquiry. The Spanish citizen who sold 1 million QQQs is discussed above [*see* infra page 5] was the one that stood out.

As to WTC tenants, Cella said he does not recall any unusual trading patterns in Merrill Lynch or Morgan Stanley – despite press reports to the contrary. In any event, the investigation revealed no illicit trading in WTC tenants.

With respect to insurers, Cella said he was not sure what was meant by "atypical price or volume movement" at page 11 of the SEC report. Overall, he said there was no illicit trading in insurer stock – at least in US markets. As noted above, he would like more information on the German investigation.

Market Transparency

Cella said he is very confident the SEC would have detected any trade that made substantial profits in advance of 9/11 in any of the securities it investigated. He said it is impossible to make a securities trade in the US markets without leaving a paper trail that the SEC can easily access through its regulatory powers. Moreover, broker/dealers have "know your customer" requirements, so they have to maintain certain basic information on their customers. Cella agreed it is entirely possible to trade through an offshore company, or a series of nominee accounts and shell companies, which can make the beneficial owner hard to determine. Still, the SEC would always detect the initial trade, giving the investigation a place to start. In the 9/11 investigation, the SEC did not run into blind alleys caused by shell companies and their like; it was able to investigate the suspicious trades it identified.

Elgindy

We asked Cella about the criminal case in the E.D.N.Y. arising from the trading investigation. He knew of the prosecution, which included defendant Amir Elgindy, a former FBI agent, and several others, and knew it arose initially from allegations that Elgindy had tried to liquidate his children's accounts on September 10 and in doing so made some comment to his broker about the market going down soon. The criminal case ultimately related to issues other than pre 9/11 insider trading. Cella said he has no reason to believe Elgindy had any advance knowledge of 9/11. He did not recall if the SEC interviewed Elgindy or which agency initiated the investigation of Elgindy. AUSA Breen is the person to talk to about the issue.

Conclusion re Trading Investigation

Cella said he believes everything was done that should have been done to do a thorough investigation. Domestically, the cooperation from all parties was complete, and the redundancies in the process gave him a high level of comfort that nothing significant was missed. He said he has no questions about any trade and is confident there was no illicit trading pre 9/11 in the United States. Internationally, as discussed above, his only question concerned the German investigation. He had no reason to believe there was illicit trading in Germany, but has not seen the results of the German investigation.

Control List/Watch List

Cella pointed out that in addition to the trading inquiry, the SEC spent a tremendous amount of time coordinating the securities' industry review of names on the FBI's watch and control lists. These reviews generated a considerable number of positive hits, but Cella believes they were mostly false positives resulting from common names.

Future Market Monitoring

(S) Cella said that since October 2001, the SEC has been monitoring the stock of utilities owning nuclear power facilities in the U.S. The SEC has reported several trading anomalies in securities of these companies, but the trading proved to be unrelated to terrorism. The SEC continues to monitor this industry. Cella informally asked the CIA if the SEC should watch any other industries but has not received any response.

9/11 Classified Information

Cella said he believes internet reports that the CIA was monitoring U.S. trading pre 9/11 are absolutely false. He has no knowledge of any such monitoring.

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Memorandum

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This memorandum documents follow-up phone conferences the author had with Joe Cella, Chief, Office of Market Surveillance, Division of Enforcement, SEC regarding the insider trading investigation. On May 7, 2004, the author faxed to Cella the AMR/UAL option trading volume numbers provided to the Staff by the Options Clearing Corporation (OCC) and asked him to reconcile the OCC volume numbers with the numbers in the SEC report. We agreed to focus on September 6 and 7 UAL and September 10 AMR as examples.

On May 10, 2004, Cella called back with Eric Ribelin, who worked on the investigation for him. Cella confirmed that generally the OCC volume figures double the actual trading volume by counting the buy and sell sides as separate trades. There were several other anomalies in the data, explaining the discrepancies. Cella said that he spoke with John Fennel of the OCC, who confirmed Cella's reconciliation.

As to 9/6 UAL trading, the actual put volume was 1575 (1/2 the OCC figure) and not 2075 as indicated in the SEC report. Cella explained that the SEC relied on various sources of information to double check the volume data, including a Customer/Firm Market Watch Report. This report included the 1575 puts, but also included a 500 put sale that was canceled. The SEC failed to notice the cancellation and included the trade in the volume. As to 9/10, AMR trading, the SEC's 2,282 number was almost exactly half the OCC's 4,516, with the difference being the SEC's inclusion of certain LEAP options. Cella said neither these differences nor any similar differences in the volume data changed the SEC's conclusion that no illicit trading occurred in advance of 9/11. He faxed over some materials supporting his reconciliation.

On May 11, the author spoke with Cella and Ribelin again to clarify the materials they sent over. They confirmed the 9/6 UAL put mistake described above. As to the 87 UAL call figure for 9/6, they professed no idea of where their number came from; they have not been able to reconstruct it. The correct number is the OCC number (divided by two to get the actual number of contracts traded). They similarly could not explain their 9/7 UAL numbers, except to suggest that somehow the 9/5 line was reproduced on 9/7.

Again, the OCC numbers are the correct ones. The 9/10 SEC AMR put number differs from the OCC number because of the SEC's inclusion of LEAPs and, an apparent mathematical error (inclusion of the 40 leaps brings the OCC volume to 4556, half of which is 2278 – not 2282). The slight discrepancy in 9/10 puts AMR likely results from a similar anomaly.

Cella emphasized that these numerical discrepancies do not change the SEC's conclusions in any way. They still thoroughly investigated and referred to the FBI any suspicious trading, and their conclusion remains valid: there was no evidence of any illicit trading. Moreover, the investigation encountered no mysterious offshore or otherwise suspicious trading that could not be explained – there were no blind alleys or dead ends.