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H A R V A R D U N I V E R S I T Y

JOHN F. KENNEDY SCHOOL OF GOVERNMENT

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PRESS, POLITICS AND PUBLIC POLICY

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P R O C E E D I N G S

(9:13 a.m.)

MR. JONES: Welcome to the second part of our Goldsmith Awards week or I should, it feels like a week I think for us here at the Shorenstein Center, a couple of days. We are very, very glad to have you and this is an important part of what we do on this moment of giving these awards and recognizing this kind of work. Because this is the time when we really talk about the world of investigative reporting as it is right now, from people who have been doing it at the highest level all around the country.

And one of the things that we are going to be doing this morning, first, is to talk with each of the teams of finalists who are going to talk, I hope, about the work itself, about what they did, the problems they ran into, the particular difficulties they faced both outside and perhaps inside as well, and the climate, if you will, of investigative reporting for the kind of thing that we have been honoring these past day and a half.

We are going to do it, as we did last night, in alphabetical order and I would ask that the *Boston Globe*, where is Robby?

There is no formal mechanism of having a

spokesperson, it would be something that we would invite you and any other members of your team to speak, who feel like they have something to say, but I want to start with you. If you recall, the *Boston Globe's* series was on debt collection and the abuses of debt collection.

MR. ROBINSON: I wondered last night whether this particular species that ought to be on the endangered species list and one point, I wanted to ask you for reassurance that there were more than six entries.

(Laughter)

MR. JONES: I think I can tell you that the six judges, including John Carroll and Al Siegal, we were there until late in the afternoon going over, there were well over 100 entries and the competition for the six finalist places was intense, I'm glad to say.

MR. ROBINSON: I can speak for a newspaper which, as you know, no longer employs me, I left the *Globe* to teach, although I'm still on a consultant contract so I have to be careful what I say about the newspaper. But the *Globe* is, as everybody knows, one of the major metropolitan newspapers which is in more dire financial straits than most others, because of our

particular geographic location, our readers and what was our extraordinary advertising base of classified advertising. So the economic pressures on the *Globe* are a lot more serious than on other papers. We have, I think this is no secret, last year, \$200 million less in revenue than we had five years before that.

And as you know, we recently closed our remaining four, three foreign bureaus for reporters. But this, there is no diminution in the paper's commitment to investigative reporting and none that we can see on the horizon. The series that we did, I like to say we spent 15 months on it, but in actual fact, we started a little bit in February, of '05 and we published in August of '06, July, July 30th. And there were five of us and there was never a murmur of protest that, you know, why is this subject so important that we are spending so much time on it?

We did at one point consider trying to publish in '05 but we had such an extraordinarily large base of victims and so many public records to go through it was the most time consuming series we've done. And all along, our top editors, when we kept them apprised of what we were doing and what we were finding, in terms of the seriousness of the problem and the utter disdain that the courts in Massachusetts had

for this particular class of underprivileged people, you know, the constant message was go for it, get more information, and that's what we did.

For our future, one heartening thing is the *Globe* did a fairly comprehensive reader survey after the series and the comments of our subscribers about what they expect and want in terms of investigative reporting were really heartening and for any editor trying to make decisions about how to deploy resources in a more limited world, they are an interesting sign post that the readers really do want this kind of reporting and they expect it of us.

MR. JONES: One of the things that of course has gotten a lot of attention locally and in the industry has been the decision by the *Globe's* management to discontinue its foreign bureaus. And I really wonder whether it was framed as, well, it's either this or that; is that the kind of calculus that's going on at the *Globe* now? And is this a thing that the kind of investigations that you guys have mounted and that have won so much attention, but are so time consuming and cost so much, is this something that even in the favored position that you are in at the *Boston Globe* is in jeopardy?

MR. ROBINSON: I hope not and I don't

think so, and under this editor who loves investigative reporting, I don't think that's going to happen. I think, as you all know, it's expensive to run a foreign bureau and when the editor is given a dollar figure that he has to save, the option in this case, as Marty said in his memo to the staff at the time, was if he had not closed the foreign bureaus, he would have had to cut another 12 reporters in Boston. So, you know, I mean that was a terrible decision that he had to make and Marty more than anybody loves foreign news but he couldn't afford to do it.

I mean I think this is probably true at every paper represented here, if you took the four reporters, the editor reporters and the three other reporters on the Spotlight Team who are generally among the better reporters and writers at the paper, at any paper, and you put them in the news room and you ask them to write one good piece a week, that's 200 really good pieces a year. So, in terms of the future and the resources of the paper, God knows if we have to cut more, then I mean any good editor will look at all of his resources, I hope at the *Globe* and I expect at the *Globe* that Spotlight will remain as large a unit as it is.

MR. JONES: But it's a triage situation

right now?

MR. ROBINSON: It is at every paper.

MR. JONES: Yeah. Let me ask that the other two folks speak a little bit more about the mechanics of how you pick a topic. I mean the thing is you don't have the luxury of doing lots of investigations simultaneously, or at least that's my understanding, so you have to pick carefully. How does that process work and why did you fix on this particular subject instead of something else that I would imagine was also at least considered?

MR. REZENDES: Well, we do actually have the luxury of looking around for a project and we do, I guess, simultaneous mini-investigations. We are all good reporters or we should be, we are all plugged in or we should be, and usually we've got two, three, four ideas of potential projects. And what we do is split up and maybe one or two members of the team will look into a project for a couple of weeks, maybe a month, and we'll come back and regroup and decide which project has the most potential, and hope we are right.

In this particular case, in the "Debtor's Hell" series, I think what moved us to select his as a topic were two things where one was the plight of the victims that we found, and we found an awful lot of

victims, and the other thing was just how widespread it is. I mean we were just stunned when we went into the courts and counted the lawsuits in small claims court that had been filed by debt collectors and realized there were tens of thousands, and these debt collectors were really clogging up the entire system. We just decided it was so widespread that that was the most important topic for us to pick.

MR. JONES: So what are you working on now?

(Laughter)

MR. JONES: I know one of the things that was daunting in this particular investigation was that you had to go through tens of thousands, maybe more, hundreds of thousands of documents, by hand. Did that, just the fact that it was going to take so much labor, was that something that you had to sort of square with your idea that this was important but is this something that's going to be a vacuum cleaner of work time, and you are going to have a limited amount of that, so is this the way you want to spend it?

MS. HEALY: It was extremely laborious and I think, as anybody in this room knows, when you get into a project like this there are moments when you think, oh, God, this was --. We were sitting in the

basements of courtrooms in very poor towns day after day and week after week, month after month. And we were, we actually went to the state to try to get data and the state was unable to produce it from their technology department, which is just a mess, and that was why we ended up having to count cases by hand. And it was laborious and unglamorous work, but it was very rewarding in the end.

MR. JONES: Are you satisfied that the state has really made a significant response to what you all revealed?

MR. ROBINSON: No.

(Laughter)

MR. ROBINSON: It is a subject that, you know, there is a committee of jurists headed by the court system which is in fact planning to draft legislation, and the legislation has actually been written by legislators. But there are competing interests, obviously the debt collection industry is weighing. But I mean the courts clearly need to change the rules, the laws need to be changed. I mean people, single mothers with small children shouldn't have a \$4,000 car hauled away in the middle of the night to satisfy a debt, particularly when they don't get any notification of the debt because the state only sends

first class mail, and we know how reliable that is.

So we are not satisfied but I expect this year there will be some legislative change.

MR. JONES: Do you think that the courts that you embarrassed horribly with this series are responsive or are defensive?

MR. ROBINSON: I think it's a combination of the two. We've actually had calls from a number of fairly high members of the judiciary complimenting us and we've had some substantial discussions with the chief justice of the district court about this effort that's underway to try to change things and the difficulties involved in doing that, given the various constituencies involved.

I mean the court clerks in Massachusetts, I don't know if people know this, court clerks are independently appointed by the governor, they are political appointees and they have, in some cases, more power in some courthouses than the judges do. And they appoint the assistant court clerks, who hear the small claims cases. And most judges in most courts had no idea or had little idea about what was going on in their own courthouses in regards to this.

MR. JONES: Thank you all.

Next, transplant patients at risk, Charles

Ornstein, Tracy Weber.

MR. ORNSTEIN: We actually got our start in the fall of 2005, when we got a phone call about a situation that happened at a Los Angeles transplant hospital, where two years prior, a patient from Saudi Arabia was given a liver that was intended for a different patient and the doctors and staff of the hospital falsified all manner of records to cover this up, and it had come out a couple years later as part of a routine audit. And so what turned from a one-day story started building up because we started getting tips about what was going on in the transplant community.

And today nearly 100,000 people in the U.S. are on a waiting list for an organ, and for some of those people, this is their only, you know, this is their only shot, if they don't get an organ, they are going to die, and so transplant centers have an immense responsibility and donator organs are a public trust. It's really from the goodness of the people who die that they are making the decision to donate their organs, and if that trust is lost, then there will be even more people waiting and even more people dying on the wait list.

In early 2006, we decided to look at

Kaiser Permanente which is the nation's largest HMO and which, in 2004, had decided to open its transplant center in San Francisco. The number of heart surgeries it was performing in San Francisco had gone down, they had extra beds to fill and they had to figure out a way to do that. Beforehand, they had been sending many, many patients to U.C. San Francisco and U.C. Davis Medical Centers to get their kidney transplants, but they figured they could do it cheaper for in-house. And by coordinating the massive resources within the Kaiser system, everybody, all the doctors are on one computer system, their pharmacies are all aligned and they felt that they could deliver better care in a coordinated system.

So they brought all these people back into the Kaiser system and sent them letters, which were kind of threatening, saying if you do not come back to Kaiser for your transplant, they would not cover your transplant, and for those people, they didn't have an extra \$100,000 to spare so they went back to the Kaiser system. What they weren't told was that the system was completely ill equipped to handle the problem and to handle them. Their names were never transferred back to the Kaiser waiting list, many of them died unaware of this.

And what we found amazing was that, in the course of about 12 months, Kaiser moved 2,000 people to its waiting list for a new start up program, when most start up programs in the country that start new transplant centers have about 50 people on their waiting list. And so Kaiser moved all these people and it later came out, from our investigation and others, that the data clerks, the nurses, everybody said they had no idea what to do, people were complaining, their complaints went nowhere. And when our pieces ran, I mean one thing that I think we both found so amazing was when we talked to Kaiser officials, they just started lying to us, and lying and lying.

And it's a good thing we were tape recording these conversations because we were totally incredulous that, you know, this large organization would put its doctors out there and they would just lie. But we were able to prove how they had lied and, within nine days of our first story running, Kaiser announced that they were going to close their program.

But the whole area of transplantation is one that, it's ironic because there is so much data involved with transplantation but there is so much data that it makes it, you are overwhelmed in data, and because of that the nation's regulators and the media

don't even know where to start. And so we had to try to get a really full understanding of the data that's out there and in the process we were able to show that nobody was even looking at the data that they had made publicly available on their own Web sites.

MR. JONES: Were you able to say that Kaiser had sent doctors out to lie?

MS. WEBER: We actually have in our story, we would, we documented that because we--

MR. JONES: I know you can probably document but did you say, you know, you can say this is what they said and this is--

MS. WEBER: Well they had to come back to us several times after they had put their top officials out and it was unclear whether the top officials knew that they had been given bad information, and they would say explicitly that did not happen or we never did that, and then we would say, well, in fact we have the documents that show you did. Or we got internal e-mails from the other hospitals that in showed in fact Kaiser told them do not give these people kidneys if they, they had these perfectly matched kidneys that came for people that had sort of been left in limbo at the other hospitals and they refused to allow the other hospitals to perform the transplants, so these people

lost a chance at a kidney.

And they first came and said that absolutely never happened and then we got the internal e-mails to show here is your e-mail that said in fact you told them to turn it down, and then they would have to come out and say we are sorry, you're right.

MR. JONES: Sort of an Emily Latella moment, you know, never mind.

MS. WEBER: But you know, speaking about what we do, one thing that was great about the *L.A. Times*, and John Carroll can attest to it, is you need to have some space to go the wrong way and to go into something and then if it takes a turn and you can, there is time and space to do that and to start one path and find a whole other story. And that's what I worry about most with investigative reporting is that it's not like you are going to go out always and get exactly one story or you might have to take a little time and find out maybe that's not a story.

And that's the big worry about all the downsizing and the cuts is that you won't have the space to do that. And right now at the *L.A. Times* they are great and supportive and it's a really supportive place for investigative reporting but, you know, who knows what cuts they'll, maybe they won't have the kind

of space to dive deep in transplant stuff which was really technical, and you had to figure out what the heck all these statistics meant and how they showed, you know, problems and how to compare them. I mean it took a lot of, the learning curve was steep, and will we always have that room to show these kind of problems?

MR. JONES: One of the things that I suspect most people in this room have seen is the "Frontline" series called "News Wars" and the *Los Angeles Times* is one of the newspapers featured, and one of the people at the Tribune Company, owner of the *Los Angeles Times*, put forward to sort of speak for Tribune's attitude about what the *Los Angeles Times* should be, essentially said that, you know, all of this stuff about being a national newspaper with a vision beyond, you know, the San Fernando Valley was a waste. And I would assume that something that was going on in Northern California would fall into that who cares category.

I wonder how that landed on the staff of the *Los Angeles Times* in a general kind of sense and how you think that should be interpreted?

MR. ORNSTEIN: Well the fellow you are referring to is the vice chairman of Ariel Capital,

which I think is the fourth largest shareholder of the paper, and he said that people in Los Angeles were more interested in Hollywood and style than they were in unique coverage of the Bush Administration or the war in Iraq. And the current editor of the paper, Jim O'Shea, immediately sent a message to the staff saying, really vilifying that shareholder and said he knows nothing about the paper and that he would not, you know, that is not his view and he would never implement that sort of a vision for the paper.

So I think the staff was gratified that he immediately sent that message out and I think even if the current publisher and editor may have, may not share all of John Carroll's views, to our dismay, I think they are not going to preside over the dismantling of the paper. And I think that man's view is roundly detested at the paper and I think people, many, many journalists will leave the *Los Angeles Times* if that were the vision that were carried out by the Tribune Company.

MR. JONES: Well, if you could, give us some benchmarks. I mean what should we look for, those of us who are concerned about the *Los Angeles Times*, one of the great newspapers of this country, what should we be on the lookout for as a sign that there is

a policy that is going to genuinely undermine the paper? I think that in the huge amount of flack that the Tribune Company got over John Carroll and Dean Bakay, that may have bought some time to sort of stay out of the headlines. But there is an, of course, uncertainty about who is going to own Tribune Company, who is going to own the *Los Angeles Times*, or what the Tribune Company is going to, given a decent interval, going to demand of the *Los Angeles Times*.

So if something appears on the Romanesko column about the *Los Angeles Times*, what should we be looking for that would say, well, something really serious is going on?

MR. ORNSTEIN: That's a great question and it's really hard to say. I mean I suspect that our paper will experience another round of cutbacks, as many papers across the country have, I don't know that that necessarily will spell the end of the *Los Angeles Times* as you know it or we know it. I think when you start to see cutbacks in international and national coverage, which I hope that you won't see, but I think if you start to see a diminution of our coverage of Iraq or our coverage of Washington, then you know that there are some real problems.

MR. JONES: How is the investigative

reporting mechanism done at the *Los Angeles Times*? I mean the *Boston Globe* has it's Spotlight Team, my impression is the *Los Angeles Times* operates differently.

MS. WEBER: We have a Metro projects team and it's made up of reporters in the Metro section, we also have a projects team in our Washington Bureau and then recently another editor was sort of made, a projects person that is going to sort of run projects from other departments, you know, getting projects from business and sports and sort of to oversee those. In the Metro projects area, we can sort of range far afield from Metro, like, for instance, in the transplant thing, we did go beyond Northern California and then take a look at national, and that's fine.

MR. JONES: Does every desk has its own sort of team like that? Is there a national team comparable?

MR. ORNSTEIN: In the Washington Bureau.

MR. JONES: John, of course, John was one of the judges but we made him vote for other people.

(Laughter)

MR. JONES: So you won, but I know he was very pleased that you were a finalist but he didn't get the chance to vote for you. But I wanted to invite

John, if he had a comment about the *Los Angeles Times* in a general sense.

And if you would, after you have spoken, turn your microphone off because our system won't allow for more than a few people to be on simultaneously.

MR. CARROLL: Well I would say, in response to the question you asked, the winners, that you will be able to tell pretty much what's becoming of the *Los Angeles Times* not necessarily by policy statements from Chicago, they may never come out and say, well, we are going to cut out the national and foreign bureaus. It comes down really in terms of budget and the decisions as to how to apportion the cuts generally are left to the editors, although there is a lot of hints as to what you might get rid of. And as Charlie mentioned, there is another one coming down now, probably be levied by the end of the month.

You learn that the rhythms of these things, they always want to book it in the current quarter which means that you have to announce it by the end of the quarter. You can execute it later but, for accounting purposes, then you get to book it and put it behind you. These are things I thought I would never learn in journalism.

(Laughter)

MR. CARROLL: But at any rate, you can see a precipitous decline in the number of journalists employed by the *Los Angeles Times*. And what is unnerving about that is the absence of a strategy that tells you where this is leading and how it could lead to something good, how, for example, it might be invested in the Web site, which is not happening, so it's pretty much going to the bottom line.

MR. JONES: One of the things you talked about, John, when you were here, is the frustration you felt that the *Los Angeles Times* promotion budget had been cut. I mean this is a time when there is a deep, you know, foreboding about declining circulation in particular. And one of the mechanisms that theoretically would be at the disposal of newspapers is to do very aggressive, and creative and effective promotional material around things like these investigations that we are honoring today. What is the blind spot here for the industry?

MR. CARROLL: Well I think that, first of all, promotion is acutely important nowadays because we are in sort of a gold rush for market position on the Web. We have the best goods, in terms of sheer journalistic achievement, but there is this din of flackery that's largely negative flackery against the

traditional media and promotional on the part of other media. And I think a great number of Americans, well, they don't think much of newspapers and don't think much of what they do.

And I think to somebody like me, I was a judge of this competition and even I have been affected by this propaganda that the old media are in decline. I was quite amazed at the amount of good stuff that we reviewed to get down to this six group here. I mean there are things that hit the floor at the end of that competition that it just kind of broke your heart to see it, it was so good, and it was all done by newspapers. So newspapers need to promote that, we need somehow to let people know that the real journalism in this country is being done by newspapers.

Now, as to promotion budgets, I think one of the poorly understood things about our business, even by we ourselves, is that we always pay attention to journalists, you know, they cut ten journalists in Boston, this is kind of an earthquake for us. But they really pretty much gutted the business sides of newspapers and I think that's having a big effect on their performance and particularly on their circulation losses.

A newspaper is kind of like a sinking

ship, even in good times, it's always losing readers, people are, they die, they move away or whatever, and you have to spend a lot of money to replace those readers. And they cut that out in a lot of papers, not just in the promotion budget but in the other parts of the paper that are the parts of the business side that are essential to maintaining or increasing circulation.

And so, at the *L.A. Times*, I don't know what the number is now, somebody printed one, it might have been the *Journal*, the number that, the amount of the cut in promotion budget, but at the time I left it was well over 90 percent, over 90 percent of the promotion budget had been taken away. And the number I saw more recently was well over 90 percent, so the budget was decimated, literally taken down to a tenth of what it was. And then I think it may have been almost decimated again, that tenth became a tenth.

In other words, they pretty much went dark in the market and my feeling is that, you know, if you are going to do that to a paper, you might as well just put a gun to its head and get it over with, it really is a suicidal act on the part of the institution.

MR. JONES: Thank you.

The *Miami Herald*, I think that Debbie Cenziper's articles on the housing agency in Miami was

one that struck a lot of people. I think perhaps it was the, multi-hundreds of thousands of dollars spent on a sculpture of teacups when they wouldn't build the housing they had contracted to build and so forth. Debbie, talk about that.

MS. CENZIPER: That same developer actually just last week or the week before, that spent \$287,000 on teacups, was just arrested for also using housing agency money to buy himself \$150,000 sculpture of a watermelon.

(Laughter)

MS. CENZIPER: So we reported that last week, that just was a bomb in Miami. He had one time farmed watermelons in Puerto Rico, and really fell in love with this watermelon sculpture and--

(Laughter)

MS. CENZIPER: A huge watermelon sculpture and he used money meant for the poor to buy himself this sculpture. So he was arrested last week on two first degree felony charges, so we'll see what happens with that.

I guess I started reporting this last January and I did not want to write this story at all, I had just come off of a national investigation on the National Hurricane Center, and the weather service and

breakdowns in forecasting equipment, and I did not want to go back and do what I had considered at the time a local, county government story.

We had a very young, eager publisher at the time who happened to be a forensic accountant, and he looked at the county budget one day and he said something is not right, I just want you to do a local investigation. I don't care what you look at but I want you to follow the dollars right here in Miami and just bring me something.

MR. JONES: And this was the publisher?

MS. CENZIPER: This was the publisher, no longer our publisher but he--

(Laughter)

MS. CENZIPER: --for whatever reason, I liked him.

(Laughter)

MS. CENZIPER: Anyway, he didn't care what we did, just looked at some kind of government county agency and I very much wanted to look at affordable housing, you know, a huge spike in home costs in Miami. Our wages have remained stagnant for years, so there is a huge gap there. And everywhere you go in Miami, in our inner city, you see vacant lots with these signs promising houses, government signs.

So it was kind of obvious that something was going on, and it was very obviously quickly when I started looking at the numbers, kind of tracking the dollars, the money going into the housing agency and what was produced, and it was tens of millions of dollars were coming in, almost nothing was being built. And I would go out to the neighborhoods, and talk to families, and see the way they were living and it was obvious very early that there was a problem there.

MR. JONES: So how did it unfold? I mean did you wait until you had the whole story before you started reporting stories or publishing stories? Or how did it go?

MS. CENZIPER: Well, we did a little bit of both, we did a four part, which was seven months of reporting, and we wanted to get it in because, at that point, everybody in the county knew what we were doing and so we kind of felt like we had to publish what we knew. And then we rolled out some pieces after that and follows, the follows were just more than 35 stories. So we had seven main stories, starting with the four part series, through the year.

MR. JONES: And how is this sort of done at the *Miami Herald* now? I mean the idea that the publisher sort of assigned you to do this is pretty

much unprecedented in my experience. I don't know, but I mean was this something that you considered to be strange? Was it something that your editor was whistling that the publisher was sticking his nose into the news report? What do you think?

MS. CENZIPER: I didn't want to do it, I really didn't want to do a local government story, and now I am so glad that I did because the reaction that we got from readers, I have never experienced anything quite like this before. I mean I've been doing investigations at two newspapers and I've never seen the outrage that this story produced. I mean it was, the *Miami Herald* has had a tough, controversial year, we had a city commissioner who committed suicide in our lobby, we had a local columnist, a very popular columnist, fired, and we lost a lot of readers and some of them came back.

I mean we had hundreds of readers call after this series ran, the state attorney's office had to set up a separate phone line at his office to handle the outrage, and the calls and the people demanding investigations. There were overnight protests on the steps of county hall, I mean people actually pitched tents and slept on the steps of county hall to demand housing, and marches through the neighborhoods, and

it's the best experience I've had so far.

MR. JONES: Well, I don't doubt that but you are not answering the question I asked.

(Laughter)

MS. CENZIPER: You know, I didn't want to do it.

(Laughter)

MS. CENZIPER: I did it.

MR. JONES: I mean just, let me put it this way, locate the *Miami Herald* in this environment that you've heard described at the *Los Angeles Times* and the *Boston Globe*. The *Los Angeles Times* and the *Boston Globe* are very big newspapers, as is the *Miami Herald*, the *Miami Herald* is now part of the McLatchy chain. What is the environment? What is the sort of sense of the staff about the likelihood that they will be able to have the resources to do this kind of work? What is it a trade off between? That sort of thing.

MS. CENZIPER: I'm fairly optimistic that things will be okay, the *Herald*, like every paper here, has a very rich tradition of doing investigative journalism and we have faced no cuts along those lines. With the McLatchy coming in, things have been a lot quieter, which is good, not as much fear and uncertainty and things have quieted down. We also have

a new editor.

MR. JONES: Quieted down meaning?

MS. CENZIPER: No talks about buyouts, worries about who is going to take over, what's going to happen to the chain, will we be sold off, you know, that's not there, things are steady. And we have a new editor, who just started two weeks ago, who has a background in investigative reporting and he seems to really want to come in and do some good things, but yeah, there is issues. Our growth is on-line, it's not beat reporting, metro reporting, there are some, we really need some more good, solid beat reporters and every hire that we are doing right now seems to me more toward on-line and that sort of thing. But in terms of what I do, I think we are in a pretty good place.

MR. JONES: I think you should know that the *Miami Herald* is part of the Knight-Ridder chain or used to be part of the Knight-Ridder chain which was a really celebrated group of newspapers. I think that it would be fair to say that it was the most admired group of newspapers in the country. And that began to erode somewhat with the elevation of Tony Ridder to the position of being the person in charge. And the person that Tony Ridder butted heads with hardest and most violently was Gene Roberts at the *Philadelphia*

Inquirer.

Gene I know that, and eventually the chain has been sold McLatchy bought it a couple of years ago. Gene, can I ask you, I know that you probably are not keeping daily count of the fortunes of the former Knight-Ridder newspapers, but I wonder if you have a feeling or opinion on the McLatchy management of these great sort of legendary institutions?

MR. ROBERTS: Well if a past is any guide to the present, McLatchy has not demanded as many newsroom cuts and has taken a view that it shouldn't jerk the newsroom around budgetarily.

On the other hand, the best of the McLatchy newspapers, at peak, were not as well staffed as the best of the Knight papers. But there is a kind of stability, a managerial stability and tolerance of the newsroom, present and McLatchy, in the last decade, that just wasn't present in the Knight newspapers.

MR. JONES: The Knight newspapers were the ones like the *Miami Herald* that came from the Knight Brothers chain.

Let me ask you Debbie, is there, I know that you are relatively new to the *Miami Herald*, but is there a sense at the *Miami Herald* of being, by some kind of enduring tradition, the key sort of, well

certainly one of the cornerstone members of that Knight group? I mean the Knight-Ridder was based in Miami until it moved out to California, and the *Miami Herald* was kind of the flagship of the chain, of the Knight newspapers especially. And I wondered if that's enduring there or is that something that's lost in the institutional memory of the place now?

MS. CENZIPER: I think it definitely hurt when they pulled out of Miami, I mean we felt it. I wasn't there at the time, but it was something that we felt. I don't know, I think that people are just happy that there is some stability there right now and people, you know, we've been doing some good work the last couple of years and I think people are just happy to have their jobs, to be able to do what we are doing.

MR. JONES: Is the Miami economy thriving or is it, I mean I was a little bit, on the one hand, you say that it's growing in terms of its housing costs and things like that, but wages remain stuck and so forth. Is it an economy that is a growing one that can support a growing newspaper?

MS. CENZIPER: Well the problem we're having in Miami is that housing costs are so high that we can't attract teachers, and nurses and police officers and people can't afford to live in Miami right

now, and so that's definitely a fear. But on the business side, I think we are doing just fine, a profitable newspaper.

MR. JONES: I know that as part of the results of your investigation, and this is just over, it's actually just several months old and virtually everybody in the housing agency got canned. Is there a new day? I mean is there going to be, are these housing projects actually going to get built now? Is there going to be something done?

MS. CENZIPER: They are trying. The big debate right now is that HUD wants to come in, there's talk about federal take over of the housing agency, which hasn't happened in Miami yet and so, right now, the county is trying to make a number of changes, they've pumped a lot of money into this. There's talk of, you know, jump starting the construction of 1,500 houses, homes, in the next couple of months, but HUD really wants to come in and take over and so right now everything is, nobody knows what's going on.

I know that the criminal investigation is, there is another developer that's supposed to be arrested in the next two weeks and that's going on but, at this point, nobody knows what's going to happen with the housing agency.

MR. JONES: Okay, thank you.

The *Seattle Times* has been a perennial, practically, finalist for the Goldsmith Awards. For those of you who are not familiar with the *Seattle Times*, it's a family owned newspaper in a competitive market and it has basically made a specialty of the kind of investigations that the Goldsmith Awards recognizes. So it was not a terribly shocking development to find once again the *Seattle Times* was chosen as one of our finalists.

Ken Armstrong, would you start us?

MR. ARMSTRONG: Sure. In fact I wanted to touch on that, the fact that we are family owned because I want to provide a different perspective. You've heard about the decline of the Tribune Company the demise of Knight-Ridder, we are a family owned newspaper and the same family has owned the newspaper for five generations and it's a very unusual family. The logo at the *Seattle Times* is an eagle, the owner of the newspaper, the publisher now, Frank Blethen, actually has a tattoo of that eagle on his body.

(Laughter)

MR. ARMSTRONG: I don't know where, I've never asked.

But he also, when you go to work at the

Seattle Times, one of the employee benefits is he offers you a free eagle tattoo, he'll pay for it.

(Laughter)

MR. ARMSTRONG: I always thought--

MR. MAYO: The tattoo is on the ankle actually.

MR. ARMSTRONG: Oh, it's on the ankle? I always thought who wouldn't want to work for somebody who has an eagle tattoo?

I came from the Tribune Company so it was like a whiplash effect, going from that kind of corporate atmosphere to working for a guy with a tattoo.

I want to tell you a little bit about the project that Justin and I worked on, it involved court files that had been sealed illegally in King County and in other jurisdictions in Washington State. I can't tell you how long it took because I can't remember when we started, we talked about it, it's been at least two years and it still hasn't ended, so I don't know what the eventual outcome will be.

But it took so long because the obstacles kept mounting and it just took longer and longer and cost more and more money to see the project through. What had happened is I started in Seattle a few years

ago and one of the complaints I heard constantly from other reporters who were working on their beats was that they were having difficulty getting access to court records. Sports writers, education writers, government writers, they were having difficulty getting access to records that involved lawsuits involving people, institutions, even public agencies.

And the public interest in these cases were obvious, they involved publicly traded companies, doctors, hospitals, the state's social services agencies. These were cases clearly where not only reporters would want to know what was going on there but the public would as well. So Justin and I started talking about it and we decided that we wanted to write about this, and we had to make a choice, we could either write about it anecdotally, pick a few cases that we knew had been sealed, go deep on those and hold them up as emblems of the problem or we could approach it comprehensively and that's ultimately what we decided to do.

We decided to try to find every case that had been sealed, in whole or part, find out who the parties were, who the judges were, why the cases had been sealed, on what grounds, and were the rules restricting secrecy followed. That led us to our first

obstacle, the clerk's office did not keep a list, a master list, of those cases that had been sealed, so we were faced with the question how do we find those cases that the court system has determined we are not allowed to see? And fortunately, we had Justin. Justin is a specialist in computer assisted reporting and he is remarkably good at his job. He is creative, he thinks like a reporter, he is not purely a database guy and he figured out a way to find those cases.

MR. MAYO: So, as Ken said, there was no master list of sealed cases, in part or whole, and we turned to the state administrative office of the courts in Washington State and it's actually a great agency that collects court data from the counties all over the state and they maintain a massive database of court dockets, electronic court dockets. So the court docket is just a log of all the orders, all the motions that are filed in particular cases and we studied those in the examples that we already knew that were sealed and looked for the ways that they were sealing the cases, the codes they were using in the docket, the text they were using to describe the sealing.

And we had the administrative office of courts run queries for us looking for particular codes or particular key words, like seal is an obvious one or

confid for confidential, and they ran these queries on their mainframe computers usually overnight because they would tax the system so much they didn't want to take away from their routine functions. And they were looking for basically any case that anything to do with sealing, these were indicators of sealing, and we didn't know if they were entirely sealed or partly sealed. And what we got back was at least 10,000 cases going back to 1990 that had some indication that something was sealed.

And so we started studying those dockets electronically using our own database software and we were able to whittle it down to about a list of 3,000 cases that we thought were promising, as far as things that had been sealed in the case, and that's when the drudgery of investigative reporting kicked in. We had to take those 3,000, go down to the King County Courthouse and literally punch in case number after case number to find out what the King County Court system had on file for these cases. A lot of times, of course, these were entirely sealed so we would get access denied, we couldn't get anything on the cases.

Other times, if it was partly sealed, we would record, in our own database, what we could, attorneys, judges, the complaint information, anything

that we could about the case. So this was the laborious process of week after week typing these case numbers. But the bottom line is, after weeks of research, we found out there were about 420 cases, civil cases in King County Superior Court, that were entirely sealed, and we had heard from judges and other experts that you'll see partly sealed cases in the court system but entirely sealed cases should be extremely rare, if not, you know, impossible to find.

And so when we saw these hundreds and hundreds of cases, we knew that was the story we were going to focus on and so that's where we just, after at least eight or nine, ten months of this basic research, got to the point of saying here is our story, these are the entire. And they were just no question, they were probably entirely sealed improperly because it just shouldn't be seen, so that's when we focused on those.

MR. JONES: So how did you penetrate the veil of entirely sealed cases that, in some cases, had the order for sealing it sealed as well?

MR. MAYO: Right. So the starting point here is this 420 and all we knew at that point was the case number, which told us it existed, the parties involved usually, sometimes it was the John Doe v. Jane Roe, which was no help at all, and then the case type,

medical malpractice or wrongful death, something like that. So that's pretty much all we knew about these cases at that point. So when we did know the parties, we researched those parties in any way we could. We ran names through various databases of lawyers and doctors and teachers and state employees and business license holders, and what we were trying to do is sort of piece together the parties to see what that suit might be about. We also looked through news clips obviously to see if they had been written about prior to being sealed.

And so this was actually kind of the fun part of the project where you were taking little pieces of information and trying to, you know, very mysterious pieces of information, trying to piece them together to see what can we find out about this case. And it was surprising, in many cases, how we could sort of get a good understanding of what the case might be about, just from that sort of research, and that led us down to finding the sealing orders. So those sealing orders that the judges signed to seal the case weren't part of the information that we knew up front, we had to go to the clerk's office and they searched for the sealing orders, and that would tell us who the judges were and that would tell us who the attorneys were and what the

basis for sealing the file was.

MR. ARMSTRONG: We were able to get 383 of the sealing orders and what we found when we looked at that was that there were strict requirements for sealing a file and the judges were simply ignoring those. In Washington, you have to meet three criteria in order to seal a file, you have to find compelling circumstances, which is a demanding legal standard; you have to explain the need for secrecy in detail; and you have to weigh the public interest in open records. In Washington State, there is even a constitutional presumption that the courts and the administration of justice is open.

We found that in 97 percent of these cases the judges had simply ignored one or all of those criteria. I'll give you an idea of how cavalierly they were doing that, here is an example of one sealing order that we collected. I just mentioned how demanding the analysis is supposed to be before you can seal a file, you are supposed to go into detail about the constitutional weighing of public courts versus the need for secrecy in this particular case.

This form leaves room for maybe 20 words at best for that detailed constitutional analysis and, as you'll see in this case, the judge simply left it

blank, he couldn't be bothered with it. And we found numerous cases where even when a form asked for so little, the courts just left the form blank and signed it at the bottom, and just like that the case was sealed. The form is also deficient in a lot of other ways, it uses the wrong legal standard, it says good cause instead of compelling circumstances and that's meaningful in legal terms. Good cause requires a reason, compelling circumstances requires an exceptional reason.

The orders though did give us a lot of information, it told us who had sealed them, so we were able to piece together the patterns there, and it often told us who had asked for it to be sealed, whether it was the plaintiff, the defendant or whether it was an agreed order.

Once we found all of those and we found out how the laws had been violated in these cases, we decided to go to court and to have them opened. The courts acknowledged that this was their problem, their mistake, but the judges took a vote and required us to file motions, so we filed 40 lawsuits to have particular cases opened. We won 37, two were denied and another one is still pending, and the two that were denied, I'm confident that if we had appealed, we would

have won, but we already knew what was in the files and the cost of an appeal would have been so high. The cost of the motion was \$6,000 per case, so it cost us hundreds of thousands of dollars to do what we had done and if we pursued them all, it would have cost us \$2.5 million.

MR. JONES: You talk about the importance of working for a family newspaper but I want to put this in a little more context. John, my recollection is that the *Los Angeles Times*, even though it's been subjected to these budget cuts and staff cuts and so forth, is a very profitable enterprise, am I correct on that?

MR. CARROLL: That's right. It's different from the *Globe*, I think the *Globe* is having more serious financial problems.

MR. JONES: Well the *Seattle Times*, as I understand it, has lost money every year for five years. I mean not had its profits go down, just lost money, it's been operating in the red, and yet you are describing an investigation that was extremely expensive and time consuming and compounded or at least added to the red ink that the *Seattle Times* is experiencing. That does not compute in the world as we understand the newspaper business to be. How does the

Blethen family explain this?

MR. ARMSTRONG: You know what they do that's really unusual? Because I've worked at other family owned newspapers too. When they pass the paper from one generation to the next, they bring the young members of the family up in the newspaper culture. When I started there, I saw Cal Blethen, a young guy who is a member of the family, who was out writing cop briefs on the news desk. I saw other people who had low level jobs in the newspaper who were learning the business from the ground up. They are taught why it's important, they are taught the nuts and the bolts and that's really unusual.

I think we are more accustomed, in family owned newspapers, seeing somebody start at a high level and eventually become publisher. It's not that way with the Blethen family, it's an unusual family and it's an unusual newspaper, and I've been there for four years now and I've really come to appreciate how special it is. And you are right, it's bleeding money.

MR. MAYO: And they really do value this kind of investigative journalism, that's why they own the newspaper, to produce these stories, not just to have a newspaper so that they can have their editorial voice, but they really love this kind of investigative

journalism.

MR. JONES: So what is this pool of money that they are drawing from to fund these losses over these many years?

MR. ARMSTRONG: I don't know and I never asked.

(Laughter)

MR. MAYO Well I know we haven't got raises for five years.

MR. NEFF: Well the paper has sold, I mean I think they broke even last year or they made a dollar, but they've sold land, parking lots around the building. They are in there for the long haul and if they can, we've had staff reductions, it's, the paper is at a break even point, I believe, even including this sort of work, and I believe they'll turn it around and they are willing to, you know, five, ten percent profit margin, that's something that would be, they would really like that. They are not out to, from what I can see, they are not expecting industry average, but they sold I think something like \$38 million worth of property, just to sort of make it through this tough period. I mean they are in a fight with the daily paper.

MR. JONES: Gene?

MR. ROBERTS: Blethen's decision to support good reporting is even more remarkable when you consider that for years Knight-Ridder owned 49.5 percent and Tony was on the Board of Directors of the *Seattle Times* asking Frank Blethen why he wasn't making the same cuts on the *Seattle Times* that Tony was making on Knight newspapers. And I was told that Frank Blethen would happily gavel him out of order.

(Laughter)

MR. JONES: Thank you, thank you.

The Goldsmith Prize winners, the *Wall Street Journal*, is also a family enterprise and the impact I think certainly that their series has had is pretty astonishing and continues, that tsunami continues to blow. I'm fascinated by how it happened and how especially the sort of mathematics that were used to sort of do this was cobbled up because there are not many journalists that know much about math.

MR. MAREMONT: That's true and I'm not one of them.

(Laughter)

MR. MAREMONT: Or I am one of them that doesn't know much about math. Charles will explain a little bit about that in a minute.

But just briefly, to talk a little bit

about the *Wall Street Journal* and how we do investigative journalism is a little different, I think. There is no specific investigator team, like a Spotlight team, the editors basically say we expect every reporter on the staff to be an investigative reporter, and of course we violate this rule in the, these sorts of rules are meant to be violated.

Actually, a couple of years ago, we created a small kind of investigative team in Boston because there were people who were interested in that sort of thing and that's partly where this arose from. And one of the things, we sat down and my boss said congratulations, you're the head of the investigative team, now what are you going to investigate? So that's always an interesting problem I'm sure we all face and we tried a bit of this thing called story neighborhoods which, as you say, I got the whole world literally to do something and what are you going to focus on?

It's very difficult to sort of focus if you don't have some kind of a general idea of what you want to do so, a couple of years ago, we started looking into the whole area of executive compensation, which is where a very large percentage of corporate dollars goes, into the pockets of some of the top

executives. And eventually that led into this whole project of stock options which, over the last decade, 15 years, has been the major source of executive compensation. Probably, I think at the peak in 2001, it was over 50-60 of all pay given to top executives of major companies, so it's really big dollars, we are talking hundreds of millions of dollars for some people.

And just briefly, this is a somewhat complicated thing for people who don't understand how pay works, but stock options, you know, if I have a stock that's now \$100 and I get an option to buy the stock today, but the stock then goes up to \$150, I can exercise the option and make the \$50 profit on the spread. So it's a great motivational tool, as you were explaining last night, to align the interests, at least in theory, of the executives with those of the company.

But what was happening secretly for at least 25 years, we now have discovered, is that people were cheating on their options. They were saying no, even though today's price is \$100, two weeks ago it was \$90 or \$80 and we are going to pretend that we gave the options then, so you automatically get a paper profit. And they were pretending that they gave it then, and filing false paperwork and that sort of thing, but

nobody really knew that was going on.

So there was actually some very interesting academic research, which unfortunately I wasn't aware of until late 2005, going back eight or ten years, which showed in general that stock options had been given to executives at very favorable times. And the operative theory for a long time was that they were giving it right ahead of good news, so they would announce good earnings on Tuesday and they'd give the option on Monday, the stock would go up and everybody, the executives would benefit. Because it always seemed like the options were being given right ahead of the stock going up, so that was the theory.

Then there were some other academics who had a sort of paper circulating around that we found out about that said, no, what's really going on is this massive cheating of options, that people were back-dating this stuff, and no one actually believed it. I mean the paper was rejected, I believe, the first time it was submitted for publication, because it basically implied that hundreds if not thousands of people across corporate America were stealing money and were involved in this massive fraud, and who could possibly believe that? Of course we believed it because we saw the--
(Laughter)

MR. MAREMONT: Unfortunately, I've been covering corporate America for too long and my cynicism is unbounded.

But all this stuff was very aggregate, there were thousands of companies, they were looking at tens of thousands of stock options and they were showing, on average, stock prices declined right ahead of a grant and went up right after. The question is how do you prove that this is really going on with real companies and who were the miscreants?

So we were, you know, trying to figure out how to do that and it's one of these sort of hallway discussion type things, and James, and Charles and I were talking about it, and Charles, who has a math degree and is a lot smarter than I am, came up with some very interesting ideas and I'll let him take it from here.

MR. FORELLE: So, as Mark was saying, we had some of this academic, very interesting academic research that showed these aggregate patterns and the question was, so, who was doing it? And the academics weren't interested in this, it was not something that anybody wanted to do or thought was worth doing, but the field of research is theoretical trends are where you make your name in academia, and the work was

excellent, but we wanted to find people and we wanted to find companies. So it became a task of identifying outliers from a large sample, which is sort of a basic statistical technique.

We had a thousand, we started with about 1,800 companies and were looking for ones that fell outside the norm. And I wish I had a chalkboard or something, it's a little easier with a marker.

But if you sort of think about stock performance, on some days the stock goes up, on some days the stock goes down, on some days it goes up a lot, some days it goes down a lot, but most days it doesn't really move that much, and we sort of looked at movements of a stock over a twenty day period. Twenty trading days is roughly a month.

And if you look at, one company that was a lead example of our story, if you look at about 12 years of data, on average the stock moves about two percent in 20 days. And it's fairly volatile, the standard deviation, which is a statistical measure of how far the numbers are from the average, is about ten percentage points and the standard deviation roughly says that --. This is not very comprehensive, but basically two-thirds of what's called the normal distribution, two-thirds of the time your numbers are

going to fall within one standard deviation of the mean. So two-thirds of the time you've got between minus eight and plus twelve percent stock movement, so we started looking at the CEO's grant and we saw 30 percent, we saw 40 percent, we saw 30 percent, we saw 50 percent, we saw 60 percent, then another 25 or something.

This was way, way, way, way, way, way out-

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(Laughter)

MR. FORELLE: --from the scale of two or three standard deviations out from the mean.

MR. MAREMONT: So these guys were getting their options and then the stock was going up 40 percent in the next 20 days every time.

MR. FORELLE: And these are real dollar figures. The one that I sort of know off the top of my head because we just sort of calculated it for a recent story was an executive who, this is actually one of the guys who was back-dating to the September 11th trough, his option was dated October 1st, I believe, at \$29.31, it was really given later in October at \$45.25 and that's about \$15 or \$16 times 341,100 options is about \$5.4 million in additional profit, just from shifting it back to when the market had collapsed. So it's a

real, we are talking real money here, it's not pocket change.

So we had this large set of data and we were trying to spot the outliers. Part of the complexity of this is that the data is not very good. The SEC requires, for byzantine reasons, required proxy filings for years and still does, I believe, well, no, it just changed this year, to report only the expiration date of the option, not the date the option was granted. In order to, you can estimate the option grant date from that proxy statement but in order to actually get the grant date, you have to go to another form, called the Form 4 or Form 5. We have this alphabet soup of SEC forms.

Remarkably these forms, in the age of computers, are faxed to the SEC, photographed and put on microfilm. This was continuing all the way through 254'