

THE O.P.M. CASE: CONFIDENTIAL INSTRUCTIONS FOR ROLE OF GOODMAN

If you are a woman, then your name is not Myron but Maxine ("Max") Goodman. If Reinhard is played by a woman, her name is not Andrew but Ann Reinhard. Remember that you have known Reinhard all your life and are on a first name basis. You are also the person who has made Reinhard's career by bringing OPM to the law firm. Reinhard will explain to you that he or she must leave for a court date in 15 minutes. Use the 15 minutes as you think best consistent with your confidential instructions on the opposite side, but be as realistic as possible and stay in role at all times.

Additional Facts¹

When I.B.M. announced in 1977 a forthcoming new line of computers that would revolutionize the business, O.P.M. customers soon started lining up to cancel their leases. To avoid bankruptcy, Goodman resorted to fraud, relying on leases supposedly entered into by Rockwell International, the huge California aerospace company. He used forged signatures, documents falsified to overstate the value of leases and computers, and loans obtained upon equipment that did not exist.

Goodman has showed up unannounced to meet with Reinhard because John A. Clifton, O.P.M.'s chief in-house accountant, has told Goodman he was preparing to send a letter to Reinhard. Although Clifton refused to tell Goodman what was in the letter, Goodman suspects from pointed questions posed to him by Clifton that the accountant has discovered in the course of a routine audit one or both of the following pieces of evidence of the Rockwell lease fraud.

1) Rockwell computer lease dated July 1, 1977. Two copies of this lease existed: (a) the original lease signed by Rockwell in which Rockwell agreed to pay \$6,000/month for 36 months; (b) a version altered by Goodman and submitted to Singer Hutner as loan documentation stating \$66,000/month for 86 months. (Goodman inserted the second "6" in the monthly payment box and changed the "3" to an "8" in the number of months box.) Obviously OPM was able to borrow a much larger amount of money against the altered lease. Lease payments to OPM were converted to loan payments to the bank. Rockwell only paid \$6,000/month and Goodman made up the difference in the monthly bank payment out of general OPM funds. Unfortunately for Goodman, the true lease term will be up July 1 increasing greatly the chance that the fraud will be discovered.

2) Rockwell computer leases dated February 1, 1978 and dated October 15, 1978. Each lease was for equipment valued at \$2,500,000. The two leases and accompanying paperwork sent to Singer Hutner indicated that these were different computers and different transactions, but the equipment serial number was the same on both leases. In fact the October 15, 1978 lease was a forgery, used to obtain two bank loans on the same piece of equipment.

There are many similar alterations and forgeries which Clifton probably has not discovered.

Goodman wants to discuss the following issues while disclosing as little information as possible to Reinhard (who knows nothing about Goodman's fraudulent practices): (1) Has Reinhard received the letter? (2) What does the letter say? If Reinhard has read the letter and it is as bad as Goodman fears, he plans to say that Clifton has stumbled across embarrassing evidence of temporary cash-flow problems and has misinterpreted simple mistakes for deliberate fraud. He then wants to talk about how Clifton can be made to shut up: Threat of a libel suit? A generous severance package with a non-disclosure clause? If absolutely necessary to retain Reinhard's friendship and representation, Goodman will tell at least some of the truth, but only if he first is assured that Reinhard will not disclose the information to anyone else. In particular, Goodman will insist that Weissman, who owns 50% of the stock and is the third member of the corporate board of directors (in addition to Goodman and Reinhard), be told nothing.

¹ The facts as stated in this memo have been modified for purposes of this educational interview exercise, although drawn from the actual case. Thus any reader should not rely upon these facts as being accurate about the real OPM case nor should they be attributed to individuals involved in the actual O.P.M. case.