

Interviewee Name: Marc Hoffman

Project/Collection Title: Voices of the Maine Fishermen's Forum 2019

Interviewer(s) Name(s) and Affiliation: Natalie Springuel (Maine Sea Grant) and Corina Gribble (College of the Atlantic)

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Interview Description:

In this interview, Marc Hoffman—from the Atlantic States Marine Fisheries Commission Advisory Panel and based in New York City, NY—talks about his automobile lubricant company M. K. Hoffman Association and shares his perspective and involvement in the 2008 global recession in oil prices and failure of home mortgages. He also talks about his recent book *Shell Game*. In the last part of the interview, Hoffman explains his role in the Atlantic States Marine Fisheries Commission Advisory Panel and the current challenges that rapidly increasing sea bass populations may cause to the lobster industry and inshore lobsterman in the Gulf of Maine.

Collection Description:

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Transcribed By: Annaleena Vaher

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[0:18:17.4]

NS: Natalie Springuel

CG: Corina Gribble

MH: Marc Hoffman

[0:00:00.0]

NS: It will. Almost (laughs). And this is Corina who is a student . . .

MH: Hi, Corina!

NS: . . . at College of the Atlantic helping with the project. So, let's start by having you state your name and if you could spell it for me.

MH: Marc Hoffman, M-A-R-C H-O-F-F-M-A-N.

NS: Great! And what do you do?

MH: That varies. Here I'm selling, um, I have a company that I sell automotive mechanical lubricants and lubricant additives. I try to get people a better fuel efficiency and less warranty on their engines.

NS: So, you're in tradeshow?

MH: I'm in tradeshow, I have a booth in a tradeshow.

NS: Great, so tell us a little bit about your business.

MH: Um . . . Well, we sell automotive mechanical lubricant. And the guys who use it, love it. And . . .

NS: And they use it specifically in autos or also in boat engines?

MH: Anything that takes oil.

NS: Okay, great! So, um . . . who are some of your customers that are here at the Forum?

MH: Well . . .

NS: Not necessarily the people!

MH: I don't want to mention all the names.

NS: Yeah, not necessarily all the names but like what kinds of people are . . .

MH: Anybody who wants a boat as a customer.

NS: Okay!

MH: Metro North has railroads that buy me in New York. They use our products. Um . . . Port Authority in New York, New Jersey do. The parentary company has [novatory?] contracts all over the world.

NS: Okay! And have you been to the Fishermen's Forum before?

MH: This is, I think my eighth year.

NS: Great! Great! What's it been for you over the years at the Forum?

MH: It's been fun! People are nice, I enjoy coming up here, doing some business. Helps to pay for the expense of coming up here. And people who use my stuff, like it, so . . .

NS: And what's, where is your business placed?

MH: I'm in New York.

NS: Mhm.

MH: Um . . . The parent company in Western Canada. It distributes all over the world.

NS: And what's the name of the company?

MH: My company is M. K. Hoffman Services for catchy name.

NS: Great. And the parent company?

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MH: And the parent company um.. is also M. K. Hoffman.

NS: Got it! Great. Um . . . and you also have recently written a book?

MH: Yes.

NS: What's your book?

MH: Um, my book is titled *Shell Game*, and it's a story of my adventures if you remember the recent recession we had with high oil prices, 120, 140 oil prices. I had a finger in helping to bring

that down. And it was not caused by mortgage collapse, it was caused by Morgan Stanley and golden stacks.

NS: So, walk us through it.

MH: Well, you know people said . . . it's India and China where the oil prices jumped up and it wasn't India and China. because as soon as oil hit a high price of 147, in July of 2008, shortly after it came straight down to 32 by the end of the year. India and China didn't collapse. Nothing drastic happened in their economies. That was because Morgan Stanley got caught up with a mortgage collapse that they created. So they had to stop propping up the oil prices. So that mortgages would stabilize. 'Cause the mortgages were about to take them under.

NS: And so . . .

MH: I don't know do if you want a crash course in . . .

NS: Yeah.

MH: In, in . . . mortgage finance.

NS: Yes, this is crash course.

MH: Well, the traditional home mortgage failure rate was one 10th of one percent. That's why if you take out the mortgage, you genuinely pay mortgage insurance which is a quarter of a point. It covers the one tenth um, plus the fees and profits that everybody will hold on the line. Your bank sells off the mortgage and they were getting three times of the profit on the sale of an adjustable and they wanted it fixed. Because the buyer at the end would like something that might go up over a period of time. Rather than staying flat. And so they were pushing everybody into adjustables. Then when mortgage . . . when oil prices jumped up, um . . . well, when your bank sells off some other bank, I think it was [Basterns?], would buy them up.

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Buy the mortgages, permit the big bundles and resell them to head funds and other investment banks. And the deal was so good and fully insured that these banks would get 40 to one leverage. That means, they would buy a billion . . . 40 billion dollars worth and put a billion dollars down. And finance the other 39 billion with margin financing like buying a stock on market. And they were paying two, five percent. Well the bundles were paying about six, five percent going in. So, they sort of four point spread. Four points and 40 billion is a billion six. Every year plus upside for the billion dollars they put down once. That's why they were pushing the landing banks to give out more more mortgages. So, that . . . uh they could keep playing this game. Um . . . and there was a limit to how many people deserve the mortgage or whatever. So, home prices kept going up because whatever price um . . . they put on a house, someone would buy it and the bank would finance it. They didn't care because someone was buying the mortgage. And they were . . . the investment banks wanted to keep playing this game. And when oil prices went up, I know that at my home I used to be warm for 125 to 240 dollars worth of oil over certain hours of coal

for 650 a month. My electric bill went from a hundred to 300. And in a typical two car household, you have at least a 1500 dollars month per car. Forget what [inaudible] did for the food prices. So to add everything up, I was 1500 dollars a month a debt to tax dollars. Now, so people were stretched and all of the sudden they were laying out what it equates to 30,000 dollars a year, 1500 is 2500 and before taxes. That's 30,000 dollars a year. So the thing is, 30,000 dollar cut and pay, add to that the fact that their business may be suffering because people who were out that much money, aren't spending as much in other places.

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So, thereby, sort of the collapse. So, it's the oil prices that caused the mortgage collapse and the mortgages started failing. And they started failing at the 10 to 12 percent rate.

NS: And how did you . . . what made you chase the story?

MH: Because things just didn't make sense to me.

NS: Mhm.

MH: When everybody said it was India and China, that doesn't make any sense! Um, all the investment banks, all the major banks have people who are living in India and China, watching in moment by moment basis. Everybody couldn't have missed all this like activity that's going on. Yeah, their economies were growing and their industrialization was growing but it didn't explode overnight, it didn't triple overnight. Why should oil prices jump from 45,000 dollars a . . . a barrel to a 148,000 dollars per barrel overnight? You know, over few months. Uh, so it didn't make any sense. And then I started putting pieces together and uh, finding pieces here and there and checking them out as best I could. And I did. And I caused an investigation by the commodity futures training commission in 2010. And few months later, my contact over there says: "We got them, we got them! It's coming, it's coming! Morgan and Co, we got them! Morgan Stanley Co says we got them! We got them, It's coming!" I felt pretty good about myself, no one was buying me dinner but you know, when I shaved in the morning it's kind if easier to look into the mirror. Uh, a couple months went by, and I wasn't hearing anything. Nothing was happening, so I called this guy back and said: "So, when is it coming?" "I don't know what to tell you. It's up to the bosses. There's nothing more I can do." I said: "Thank you very much!" I hanged up the phone, started checking it out. And the commissioner was a former Goldman Sachs partner. He wasn't [inaudible] gonna his friends. So, I saw . . . I went to the FBI. And I spent 20 minutes on the phone, with a FBI agent of Duty officer. Gave all my information and expected that someone would call me back. Never heard back.

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Called back a second time, majored the conversation, called back the third time. Never heard back. Then I went to New York State [inaudible] General's office in February 2012, they deposed me shortly thereafter. And it was actually they who brought down Morgan and Goldman and basically brought them up to their office and said: "Do you see that view out of the window?" If you are not out of the oil business by this afternoon, you'll never see that view

again. And all of the sudden . . . things took them three years to do the investigation. It took [inaudible] several months. But then I went to the department of Justice because New York State wouldn't give me any idea what was going on, how they were progressing on. Which they shouldn't do. And . . . um . . . I called the department of Justice (DOJ) and I said: "Where do I go to report the possibly corrupt federal commissioner?" And they said: "Oh, let me . . . pass you right through the criminal division." Young lady from criminal divisions says: "You have to speak the Fraud department!" The Fraud department says: "You have to speak with the FBI." The FBI says: "You have to speak with the Justice!" I said: "Justice just transferred me here! Can I speak with the inspector general?" The Inspector General says: "We don't do that" and handed it over to Criminal Division. I said: "Wait a minute!" They sent me back to Criminal Division and young lady who had the same voice, answered the phone. And she says: "Well, I don't know with who you spoke before but it wasn't me." And she said: "Send them an email, maybe somebody will look at it." I said: "What do you mean 'maybe'? This is responsible Europe going bankrupt, for revolutions of the Middle East, it's funding terrorism, and 15 million American families have lost their homes. Do you have something more important to do today?" So, just send them an email. So, I sent it, I don't know half a page or whatever it is. Didn't send them the whole volume of something. And that was before Memorial Day. I never heard back. I called them after a Labor Day and I spoke to some gentlemen who I think is in the jury. And he wouldn't tell me his name or what he did, which is their policy which I can understand.

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And he said: "Well, we didn't call you back for the same reason the FBI didn't. You didn't give us any proof." I said, no one asked me for proof. I said, play the tapes, no one ever mentioned the word "proof." Am I supposed to know what format to submit things to? I don't do this on a regular basis. And I said: "Here's the guys name and phone number, commodity futures I was dealing with. And here's the guys name and phone number who is a traitor Morgan Stanley who conformed everything to me in front of witnesses." He said: "Well, we don't do that. You have to get the signed statements form them and bring it to us." I said: "No one is giving me signed statements. I don't have a badge!" I said and they answered: "We don't do that if I did that for you, we have to do it for everybody." I said: "Wait a minute! You're responsible to this, that, that, that and the other thing, you can save the world economy by making a phone call and you can't make a phone call?" "We don't do that!" And I got into a screaming match with him and I just hanged up the phone. And I started typing, and I wrote a book. Having never written anything more than a two-page business setup before that. It was quite of an experience, which I enjoyed. And following added to a publishable volume, and I got it published. Not too long ago. And I'm getting good reviews on it, which is more shocking than anything.

NS: And have the various authorities given the report any time of day at this point?

MH: No. But um . . . in New York State General's office were the ones who brought down the worldwide recession. And then two years afterwards, that was September 14. And in September 16, the [Jenna Gaelen?] said well, households pending that's driving the economies. And I just looked at the book and said . . . I looked at the TV and said: "You're welcome!"

NS: Wow, that's quite a story!

MH: Yeah. And I'm sure there were other people who were involved, there were other whistleblowers were involved and . . .

NS: And, the . . . so, back to the mortgages. Home mortgages or also . . .

MH: Home mortgages.

[0:11:58.1]

NS: I'm making some connections to the fact that we're at the Fishermen's Forum. Are, is this the same types of mortgages that fishermen like get for their boats?

MH: Um . . . it was mostly home mortgages was their big business.

NS: Mhm.

MH: But commercial mortgages may have been a factor at there too.

NS: Yeah.

MH: But they don't get the same, you know mortgage insurance. And they don't get the same um . . . leverage . . .

NS: Yeah.

MH: That's the deal.

NS: So, um . . . what would be the central message that you want people to know about, related to this story?

MH: Well, I use a quote from Dante's "Divine comedy" which was written in the early 13 hundreds. Um . . . and translated it goes as: "The darkest places in hell are reserved for those who maintain neutrality during times of moral crises." Uh, and they use as an office note book and I say very simply and that tells me three things. One: over the last 700 years, our styles have changed drastically. We don't trust the way we did. Um. Technology has changed a thousand times if not a million times over. But people haven't changed at all.

NS: Great. Anything else you want to add?

MH: That's it! My book is available at *Shell Game* and you have to go by *Shell Game* by M. K. Hoffman because there seems to be a few other *Shell Games* uh, in the market. And it's on Amazon, Barnes, and Noble.

NS: Great, great! And um . . . any other thoughts related to you've have been part of the Forums um . . . expo here for the last years . . .

MH: Well, I might also say that I am the Atlantic States Fisheries Commission Advisory Panel for sea bass, carp, and fluke. And the sea bass is a major factor. Sea bass population is exploding. And they eat juvenile shellfish.

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Lobsters are their favorite dish, and clams and crabs and oysters and juveniles. And if you still, if you . . . destroy a two inch lobster, it doesn't grow to two pounds.

NS: That's right!

MH: So, they're inshore, there are some that go further and further out. You know the inshore lobstermen are basically out of business. Um, and so, the guys are going further and further out. They are going 100 and 200 miles from shore. Uh, they put out there their traps and they are still getting sea bass. And the population has been growing in sea bass and I have been fighting same, we have to upper quotas . . .

NS: For sea bass?

MH: For sea bass because it, it's we have responsibility to manage all the fisheries, not just one species. Uh, single species management is very dangerous. If one guy takes a bow, the other guy is crying. And it's something very serious and. In fact, there was scheduled to be a . . . reductions in the quotas for this year and next year. And those have out on a hold and quotas have been kept constant, the same as last year. Um, because the population is so great. We are claiming that there are something like 240 percent of the targeted biomass. Um, out there right now. And our survey boats that go out, they don't go out a 100 miles. They rarely go out 10, maybe go 15 miles. But they don't go a 100 mile out. And so, there's many more seabass than they have recognized. And we are still at 240 percent of the targeted biomass. I personally call for doubling up the quotas commercially and recreationally. And if I'm wrong . . .

NS: For the . . . for the . . .

MH: For the whole coast.

NS: The whole East Coast?

MH: The whole East Coast. And I said if . . . if I'm really wrong. If I'm totally way out of line, in five years would be a 200 percent of a targeted biomass which . . . what's wrong with that?

NS: Mhm.

[0:16:00.3]

MH: And so, um, lot of people were claiming that it's global warming that is the reason why sea bass is moving North. And I say: "No." Because we've been tracking many species for many

years for 50 years or more. And we can see the upper limits and the . . . the lower limits of the fish moving further North. That is global warming. But with sea bass, the lower limit, the southern limit is actually pushing further South. Up against the other species. And . . . the fish are expanding further north and further east because the biomass is getting so big and these fish are looking further and further for food. So, that's a big factor here.

NS: Mmhm.

MH: For these people who . . . most of the people here are lobster . . . industry and then you have a lot of crabbers and scallopers and oyster. And it's a big factor for these people.

NS: And you . . .

MH: In the State of Maine.

NS: . . . you are on the commission as . . . Hoffman Associates?

MH: No, I'm on the . . . I'm on the advisory panel as Marc Hoffman.

NS: Okay! As an independent . . .

MH: As an independent. I've been involved in fisheries management, I'm sitting in their panel for probably 24 years or something like that. And I said I'm a New York State and DC panel for five years.

NS: And, so the issue that you're talking about, how . . . how long has this been a change that you really are observing, happening?

MH: This has been happening over the last number of years. Over last 10 years. And I've been screaming about it for a long time. I got up hearing, shook everybody up in one of the seminars, a few years back. Uh, said: "Hey, five years, what are you gonna do?"

NS: Yeah.

MH: "With your business?" You know, sea bass wiped out the lobsters. And the inshore lobstermen is out of business.

NS: Down in your . . . your way . . .

MH: Down in my way and a lot of them up here because they have to go further and further out for lobsters.

NS: And you think it's the sea bass?

[0:18:00.0]

MH: Absolutely! And I think you'll get 99 percent of the people here will agree with me.

NS: Any other thoughts you want to share?

MH: That's it for now!

NS: Okay, great! Thank you so much!

MH: Thank you!

NS: Yeah . . .

[0:18:17.4]