Securities and Exchange Commission Historical Society
Interview with Katherine Addleman
Conducted on October 7, 2013 by William Thomas

WT: This is an interview with Kit Addleman for the SEC Historical Society's virtual museum and archive of the history of financial regulation. I am William Thomas. The date is October 7th, 2013, and we are in Dallas, Texas.

Thank you very much for agreeing to speak with us today. We usually start by discussing a little bit of personal background, where you're from, if it's relevant to your career what your parents did, and of course your education. So if you'd like to start us out with that, that would be terrific.

KA: Sure, thanks, Will. I grew up largely in Oklahoma City. My parents moved there when I was quite young, probably second grade, to strike up a new area of business for them, and went back to Oklahoma City for law school. I had gone to Wake Forest University for undergraduate, Oklahoma City University for law school.

WT: What did you study as an undergraduate?

KA: Politics, and Wake Forest actually called it politics as opposed to political science, being the politics of all kinds of things. Interestingly, I thought I wanted to go into the Foreign Service, took the Foreign Service exam, and started down that path, and then was convinced to go to law school. So I went to law school back home, got a nice scholarship motivating me to do that, and went to work for the SEC right out of law school.

It's a long story as to how that happened, other than I'll give a shout out to another SEC lawyer, John Sherry, who had worked for the SEC as a young man, was the general counsel of a bank that I was working for in my third year of law school. I was going to continue to work for that bank after law school. But John was aware of a transaction I was not aware of. The bank was going to be purchased by another entity. Actually they worked it out as an FDIC takedown so that the bank only bought the good assets. John pushed me during this period of time to continue to contact the SEC and look for an opportunity there, which did in fact come shortly before the bank failed and the FDIC took the bad assets and the new bank took the good ones. So John, I guess he didn't save his own career, he ended up finding another place to go and ended up back at the SEC a number of years later. But he saved mine in terms of making me look for a job during a period of time I had no idea why he was pushing me not to stay and work for the bank.

WT: Did you study financial law in law school? That was, I have down here, the Oklahoma City University law school?

KA: That's right.

WT: Is that part of OU?

KA: It's not. It's separate. It's a private university, despite its name, and actually in Oklahoma City as opposed to Norman where OU is.

WT: Of course, all right.

KA: No, nothing financial necessarily. A lot of corporate and securities. I also liked and did well in criminal law, so while I didn’t have a predilection to do anything that was violent law, I really didn’t like that, I did like the whole justice mentality in connection with the corporate law. The SEC was a nice merger of those interests.

WT: And you went there in 1986.

KA: I graduated from there in 1986, yes. That’s right.

WT: Right, but then you went to the SEC straight after.

KA: Straight after, yes.

WT: The Philadelphia office, I see you put down here.

KA: I did, yes. So again, John Sherry was working at the bank. He happened to know the person who was going to be appointed as the new head of the Philadelphia office. Philadelphia became a regional office after having been a branch for a long time, and they were adding a huge amount of staff, probably twenty lawyers all at once. I may be exaggerating, I don’t know exactly how many, but I was fortunate enough to get in there at the time the group was growing. The new office had reached out to my general counsel, John Sherry, to say, “What do you know about this woman, and would she move from Oklahoma to Philadelphia?”

Sort of side note: I was actually born in Philadelphia. My parents were students at the University of Pennsylvania. So I had a great time when I was living in Philadelphia saying, no, actually I was born here. And despite my accent, people would say, no, you weren't born in Philadelphia, not with an accent like that. And of course, it was worse back then. My accent was much more southern.

WT: So, you were an enforcement attorney there?

KA: I was. I spent three years. I think actually from a name standpoint they also posted for a special counsel position. That was before staff attorneys could be grade fourteen. So once you were eleven, twelve, thirteen, when you got ready to be a fourteen, they actually had to post for the job so that you could be promoted to a fourteen. I was promoted to special counsel in my final year before I left the SEC the first time.

WT: Could you tell me a little bit about the work?

KA: Yes. One of the first cases that I was assigned to was making use of the fact that, hey, here's this girl from Oklahoma, she knows about oil and gas, right? It was an oil and gas limited partnership deal where the company set up 106 different limited partnerships and they were comingling assets in large part. They were also drilling into the same pools of oil and gas, as opposed to a new well being drilled ten miles away, where you would be drilling maybe into the same shale or into the same reservoir but you're not going to be drawing off.

WT: The same supply.

KA: Right, the same supply, same natural resources. If you drill too closely, you're basically just running it dry faster. So there were a lot of those kinds of issues associated with that case. That was also a fun one because the company and the individuals with it were represented by a pretty significant lawyer in Philadelphia at the time. I think he was managing partner of Montgomery McCracken. We filed and settled on December 28th and went in front of the judge, myself and a young partner at that law firm, to have the judge sign the settlement papers. They, the defendants, really wanted to get it signed, settled, done the whole day so there'd only be one hit of publicity.

The lawyer was sitting with me, a young woman, said, “I just can't believe how much John respects you,” the partner at that law firm. I'm like, really? Because I'm just like a second, third-year lawyer, it wasn’t a big deal. And she was, like, no, working for the SEC is really cool because here you have this major law firm partner answering the call when he sees that it's you calling, or immediately picks up, and she said, “He just doesn’t treat me with the same respect.” And that’s where I first realized that there's a sort of power and influence in the SEC job, and really how carefully you have to be to use that. Even later, you don’t want to get people all wrapped around the axle just because you called. You worry them when you call, for the most part.

WT: So, I suppose at this early point is a good point to pause and to ask in association with this interview being part of a series we're doing on a gallery that’s being put together on women in regulation, what was your experience in particular as a woman coming up through law school? What were the proportions of men versus women? Was it a comfortable situation? Were opportunities readily available, as you saw it?

KA: I think I was very lucky in terms of it was the beginning of a big swell of women working in law school, in law firms and in corporate environments. While it probably wasn’t the same statistics that it is now in terms of half and half, my law school class was probably 30 percent women.

I did an internship one summer, it was after my first year, with a general counsel for a state agency who said it won't be even. Because I was saying, “Oh gosh, we've made great strides, look at all this and you're the general counsel of this state agency,” and all that. She said, “You know what? It won't be even until it's 50 percent women in corporate America, in the boardroom, in all of these agencies and in law school.” And so, starting at the bottom in law school, you have to have 50 percent women and 50 percent women graduating before you can make strides above that.

I felt like it was not tough in terms of finding the right job for me or for the other women I worked with. I think it was then and still is a bit of a meritocracy, and in anything that you do like that, where you have an added bonus—and back then it was women, now we're still focused on women and persons of color. That was almost a benefit in some respects, to say she was first in her law school class and a woman, she's obviously talented and bright and that sort of thing. So I think that was helpful in some respects.

WT: Did you have any mentors, men or women, coming up through law school or in your early career that helped you along or who served as a role model?

KA: Yes, in the SEC office there were a number of men and women who served in sort of mentor roles. Tom Monahan was the head of the enforcement program at that time. I thought he was a terrific role model in terms of being that sit down, tell me what it is, let's find the right solution, very commonsense approach. He'd get mad or have a little problem with a particular case or a particular lawyer and then walk away from it. I think that’s something, if we stick to the gender issue for just a minute, something women don’t do very well. Women hold onto anger a little bit longer than men. He was a great role model.

I was fortunate also to start in that starting group of new lawyers in the Philadelphia office with a number of amazing women. Merri Jo Gillette and I started at roughly the same time. Joy Thompson Gaines—is it Gaines now or Thompson? I'm sorry. I'm not going to remember without my old cheat sheet in front of me. Carol Lunine. There were a big group of women from the standpoint that peers can also be mentors that give great feedback, that give great incentive. "I wish I could be more like Merri Jo because she's so bold and so direct." "Well, I'll just be more like Merri Jo." So there were those kinds of good relationships in that office as well, so I would definitely count those women all in my group of influencers.

WT: Could you tell me about the team that you worked for there in Philadelphia, I mean how big was it, how did it function, what were the mechanisms of—I guess, did you do surveillance there, or was it primarily investigation and litigation?

KA: Primarily investigations, very little litigation actually. Most of my matters settled pretty quickly. We were typical branch structure with a branch chief and five, six maybe people in the branch including attorneys and an accountant.

WT: All told, about six?

KA: Yes, I think that's probably right. I'm pausing only because I believe we had a separate branch of accountants. So they weren't integrated into the typical branch structure, so we used the accountants for matters as we needed them. I reported to a branch chief, and then Tom Monahan as the assistant director was the head of the enforcement program there. I'm certain they didn't have associate director positions at that time. I think that came into being later, because I believe the title he held was assistant, and then Cliff Kennedy was the head of the Philadelphia office.

And from a working standpoint, the division of cases came through that same structure, down through the management chain, assigned out to the various attorneys that would work on them and the recommendations would be made sort of up through the chain. So as you got to the end of your investigation, and frankly as you were working through, talking with the people in that chain of command was very important.

As I recall, we just had informal meetings when you needed to sit down with the branch chief or sit down with the assistant director to talk about where your investigation was going, what else might need to be done, what facts you were finding, you would just ask for that. Later, we routinized some of those so that they became a little more periodic and systemic, as opposed to ad hoc.

WT: When you worked on a case, would you work on it in a team of a couple people, or would the whole office be involved with it?

KA: It depended on the case. I have great memories of working on other people's matters where somebody else was the lead attorney and I was assigned. Keep in mind I was one of the most junior people in the office at the time, so I was assigned to help on a fast-moving matter, or something that needed a review of additional documents, or needed some help in terms of testimony preparation. Bill Hosey, I remember one of his cases, so there's a lot of great people who I got to work with in those team pieces.

The oil and gas limited partnership deals that I was working on, I did have a staff accountant that was assigned to work with me, as well as one of my very first financial fraud cases involving a defense contractor. Just funny to look back, I'm laughing at myself at this moment because it wasn’t much of a financial fraud. It was somebody who modified an invoice to make it look like there was additional money that came out of a defense contract change. So as you contract with the Defense Department, your contract may go through several iterations, and every modification to the contract is documented very precisely with what's being done, and it designates on this form what, if any, cost is associated with it.

So this particular controller, CFO, took that document, just simply whited out a little section of the contract that said it was a zero-dollar change and added four million. It was a not real hard financial fraud to uncover but designed obviously to meet earnings projections and revenue projections for that quarter. It was actually probably not earnings. It was just revenue, because it was recognizing revenue upon percentage of completion, so even though they hadn’t received the money they recognized a portion of the revenue on that four million dollars.

WT: How does something like that come to the office's attention originally, just the records show that they shouldn’t have this $4 million?

KA: I believe that was uncovered by the accounting firm about a year and a half later when no money had actually been received on that Defense change. The audit firm alerted somebody internal at the company, and the company announced that it was conducting a review of its financial statements, and that’s how we ended our investigation.

WT: That’s brilliant. I want to ask more about the peculiarities of branch office work. I don’t think we've actually interviewed all that many people who work in branch offices. But, first, I see that you have a bit of a break in your work for the SEC from '89 to '92, so why don’t we talk a little bit about that?

KA: I got married. My husband was in the Navy, dry-docked in Philadelphia, and we met there, but we both knew we wanted to move back to somewhere else and we landed on the Dallas-Fort Worth market is the place we wanted to be. I did look into the possibility of moving and staying with the SEC and moving to the Fort Worth office. They did not have any openings at the time.

So, I got a job with a law firm here in Dallas called Baker, Mills & Glast. They actually changed names several times while I was working there. And probably is a good bit of the reason why I went back to the SEC and why I am where I am is it was not a great fit for me. While I had a small SEC defense matter, most of the work that I was doing was private securities litigation, and one of the partners I worked with said, "When you get to the facts, we lose." The idea being small shareholders are generally going to get some money out of big corporate entities, and so it's sort of a game, and the process of discovery and motions and sort of wearing down the plaintiff's lawyers was a big part of that process. It really wasn't what I was used to. In the SEC you get immediately to the facts. You're working on what is the right and the wrong of the situation.

WT: Right, this is much more procedural.

KA: Exactly. Not to mention more difficult to manage from a time standpoint and I did have twin girls in 1991 while I was at that law firm. Once judges start setting your schedule and partners start setting your schedule, it's a lot more difficult than in SEC work where you decide what days you're traveling and you decide what day you're working late.

WT: Okay. Unless there's anything else you'd like to say about it then, we may as well jump back to the SEC.

KA: Jump back to the SEC, yes, sure. So in connection with that law firm, my feeling was I didn't want to become a partner at that firm. People were starting to say you walk across the street and sign the partnership note and here's the process kind of thing, but I knew that's really not what I wanted. I contacted the Fort Worth office of the SEC again to see if there were any openings, and there was in fact an opening for two branch chiefs as well as some staff folks, so I applied for the branch chief positions and did get one and started back working for the SEC again.

WT: So, when you say a branch chief out there at the Fort Worth office, what sort of a position is that, is that the same as a director? I'm not quite clear.

KA: Yes, that's all right. So it's a first line supervisor. We head small groups depending on the year that it was. It was somewhere between four and seven different people in the branch, supervising the cases, being the second lawyer working with them, working on those matters and continuing to talk with senior management about the right courses of action, what cases made sense from a priority standpoint or from a resource standpoint to work on. So helping the staff attorneys make the decisions about, "No, this one isn't all that egregious or really isn't a violation at all," or "It's a violation but there's no investor harm," so trying to decide what made sense for different people to work on.

WT: Now could you tell me a little bit about what it is a branch office of the SEC will do vis-á-vis what goes on in Washington, for example?

KA: Well, my first comment would be to say we didn't typically call them branches. So the branch chief position is also called branch chief in the home office in Washington. For the most part, when I was at the SEC, the offices I worked in were regional offices. There is a story, and I'll get to that in a minute as we talk about Fort Worth and my move to Denver. My understanding of the way that the regional office structure was designed to work is putting people closer to the geography of where different investigations are centered. So from the standpoint of at that time being in the Fort Worth office, we had the geography that included Kansas, Oklahoma, Texas, Arkansas and part of Louisiana, so very short hop flights, drives in some instances, or here locally. In the Dallas-Fort Worth area, there are a lot of public companies. I think actually we're second or third in the country for the number of Fortune 500 companies, a lot of different issues that would arise and sort of have a different flavor than cases that might be in the northeast. So, again, a lot of maybe oil and gas offerings, a lot of petty stock kinds of things, or more low-end NASDAQ corporations, so pump and dumps might be more frequent that you would see here or in Denver than you might see in Boston or Philadelphia.

WT: So what sorts of cases were you seeing then when you started in at this position, is it a lot of fraud, insider trading?

KA: Yes, it was probably the first time I worked on an insider trading case was as a branch chief in Fort Worth. Back when I was in the Philadelphia office, Michael Milken and Ivan Boesky were the big names and there was even a series of Doonesbury cartoons about the SEC's investigation of Boesky and Milken.

But I didn’t have any insider trading cases at the time. It was not until I was in Fort Worth that I had some insider trading investigations. Some oil and gas, I don’t think that I ever became sort of an expert in that area by any means. I would say it was more public company focused in the Dallas office. There were other matters of some interests, off market frauds which would be private placements and that sort of things, a fun case involving raising money for an Indian bank. Indian tribes have casinos, they were actually forming bank entities and raising money from investors for that, a lot of false statements in connection with those offering documents, and we ended up bringing that case in Oklahoma City. There was a great case involving a public company that was making a number of false statements, and into that officers and directors and others selling at the time that they hired people to pump the stock up, so pretty routine market manipulation, pump and dump sort of things.

An interesting painting the tape case, which is someone who owned a significant amount of shares of a small company had a margin agreement, and if the stock price on a daily basis drops he might suffer a margin call and have to put some cash up into his brokerage account. In order to prevent that from occurring, he, or through other accounts that he controlled, might make a purchase at the end of the day making sure, as best he could, that he was the last trade of the day so that it ended on an uptick, which would then allow him to avoid a margin call. He could then sell the stock the next morning before the trade settled, so he wasn’t actually out any money by doing this. But it was a frequent, I can't even remember the statistics, but multiple times over a month, and then multiple months over a year, in order, again, to keep that stock price ticking up at the end of the day, keep him from having a margin call and having to settle his account.

WT: As I say, we've been mainly interviewing people who have worked in Washington, a little bit in New York with some of the SROs. Do you think that the nature of the people you investigate in the regional offices is different, if they may be less sophisticated in the way they go about the things that you're looking into?

KA: I don’t think so, and the reason is because Washington really has no region, so they're working cases all over the country and they have just as many off-market frauds as most of the regional offices. I think they have larger teams, and in some respects were able in some instances to work the bigger cases, the larger cases, and in some instances high-profile, although that wasn’t always the case. It seemed like more of a center of gravity for Washington that way.

But in terms of investor sophistication, I would probably say, no, or from the sophistication of the people who were engaging in the fraud, clearly no. I think that there were a lot of reasons why some cases would stay in Washington and some would be handled in the regions that weren't necessarily well thought out, Washington trying to keep maybe some of the bigger or more high profile matters, but where a matter actually grew up out of, or came to the attention of, somebody in a regional office it would stay in that regional office. So the assignment of cases was sort of haphazard in that respect and I think that made for probably a good mix of that sophistication in many ways.

WT: Could you speak a little bit more generally about the relationship with the Washington office, how that works, what your feeling about its nature or quality was I guess?

KA: I think that varied over time. For the most part, the regional offices had good relationships with Washington, largely because of some people, women in particular, who were working hard to make that relationship work. I give great credit to Joan McKown, for example, for making sure that the regions felt like they were important and that their cases were important.

Joan was a chief counsel for the Division of Enforcement for many of the years that I was at the SEC, and her attention to the regional office cases and her feedback—quite candidly, when she would say your cases are better put together or your memos are better written or whatever it is that she would give us in terms of feedback—was great. And the process was different for the regions for a good number of years in that the regional offices did have to work through Joan McKown's group, through the Chief Counsel's office. That required a review of our recommendation memos and discussions about whether the case made any sense.

Folks in the home office just went straight to the Division director without that Chief Counsel's office role. That changed a number of years later. There was some resentment of the fact that regions were treated differently, but overall, again, I think that it made in some respects the written products from the regions great. It brought more heads to bear, and from my perspective introduced me to some fabulous people. So it's hard to look back and say that was anything other than good, even though at the time we may have railed against the system.

WT: How frequently would you be in contact with the home office, would it be daily, weekly? I'm not quite sure how that works.

KA: Putting it back in the context of as a branch chief in the regional office, that's in the early '90s, not all that often. It would depend on where my investigations were. Whenever there were recommendations pending in the home office, under review by the different divisions, getting a review by the Chief Counsel, I would have discussions much more frequently, more than a couple times a week, and then it might go a month without talking with some of the women in that office, or men in that office as well. Sorry, I know this is not supposed to be entirely about women but I keep coming back to that.

WT: Please do any time you feel it's relevant.

KA: The system was not designed such that we had to contact Washington in that day-to-day execution of the investigations. That happened all locally with local management, the sort of regional directors and assistant regional directors making the provisions, deciding what cases to do, using their own resources in terms of people wisely. It really was only on a periodic basis, when we were justifying total numbers of people in the office or talking about our recommendation memo, that we would have a lot of interface with Washington—both the Division of Enforcement and the other divisions, Corporation Finance or General Counsel's Office, for example.

WT: In terms of deciding, for example, whether to settle or litigate at a certain point was there policy coming from Washington? Could you have some latitude in setting that regionally?

KA: Well, because settlements always involve the approval of the five-member Commission, I think it was probably rare that we entered into a settlement agreement with a defendant without first vetting it. As I say that, there may have been some instances where we felt fairly confident that we could settle a case because we knew what the Commission was generally looking for, but it was more often than not the case where we would call somebody and say, “Here's what we're thinking out here in the hinterlands. What do you think the Commission's view of that would be?”

And, again, there is that sheer distance issue that you won't need to make up for as well as just the lack of communication. So this was back in a time period where we didn’t have video conferencing of all the SEC meetings, and so I wasn’t present at very many Commission meetings. So knowing what the questions were or what the focus was of the different Commissioners required a certain insight from people that were there on a frequent basis.

The chief counsel and the assistant director in that program, and the chief counsel's office for the Division of Enforcement, would by regular phone calls keep us updated on those things, but also on a one-on-one could say, “Kit, they had a case that was similar to this last week, the discussion is all about the amount of the penalty. They're really focused on that. You should know if you go to negotiate it that should be paramount."

WT: I want to come back for a moment. You mentioned, this is about women in regulation, I'm wondering in your dealings with the people you were investigating whether there were ever any issues at that level in terms of gender.

KA: I would say none that didn't work to my advantage. That period of time I suppose is a point at which women were doing great things with their careers. I probably didn't have as many women witnesses as I did men, or women potential wrongdoers, but I remember quite distinctly taking testimony from some men, particularly men on Wall Street, men in the finance industry, who think they're smarter than anybody else, and if you, as a woman, are sitting across the table and don't play that I'm smarter than you game, they're very relaxed, very easy to talk to, and in some instances saying, "Well, I don't really quite understand. Why don't you explain that to me," will cause them to just be more open and forthright and forthcoming.

I remember distinctly asking some witnesses things like the back office, what is a back office of a broker-dealer? It's like, "Uh, you don't know what a back office is?" You know, that kind of thing. Generally, I think that witnesses talked more than they would otherwise in that situation. I think that there was still a hesitancy to take some women as credible in the scenario of: are they as bright as the men who were hired by the SEC? Because, as everybody's trying to find more gender diversity and gender balance in the workplace environment, maybe a suggestion that the SEC is hiring women who are less capable just to be able to say they're hiring more women. I don't think that's true. I think that what people who spent time with the women at the SEC found is that we tended to have to work harder sometimes to make it clear that we were just as bright and just as capable, and in some respects by working harder actually demonstrated better skills in many instances.

WT: And ultimately I suppose if they underestimate you at a certain level that it might be easier to trip them up. I mean, you say they're more forthcoming so that would be part of that.

KA: Absolutely, in terms of, "I can snow you over, I'm just going to talk and you're going to buy it and you'll walk away." So, when you turn at the end and ask those tough questions, and say, "Well earlier, your explanation was this. How do you square that with that?" And they're like, "Oh, my gosh." They hadn't noticed the inconsistency, and they certainly wouldn't have expected me or somebody whom they considered to be lesser, a man or a woman. I mean sometimes it's really about the type of personality, that Wall Street smart smarmy guy. They underestimate everybody who isn't them, but perhaps women more so.

WT: So you were at Fort Worth then for about five years? I have it from '92 to '97.

KA: Right, to '97. At that point Chairman Levitt decided he wanted to restructure the regional offices, and so he did create some district offices reporting to regions. So, for example, Boston and Philadelphia became districts reporting to New York, which was the region. I understand that this was a move to sort of centralize and get more coordination, but also to reduce the number of direct reports to Chairman Levitt. At that point, the regional offices didn't report in to the Division of Enforcement or into the OCIE, although OCIE was new, Office of Compliance, Inspections, and Examinations. They reported directly to the Chairman, so the Chairman was reducing the number of his reports.

I was in Fort Worth. It became a district office under Denver, and Dan Shea was appointed the head of the Denver office and he talked to me about moving to Denver, maybe getting some fresh ideas, new blood. He had worked with me briefly when he was the associate regional director in Denver and I was in the district reporting up through Denver, so he saw my work and wanted me to come to Denver to take a position there. I applied for and got the position of assistant regional director in Denver.

WT: Okay. Did the work change then with the reorganization, or with the shift in region?

KA: I don't know that it would have necessarily changed in terms of the type or the quality of the work. The focus obviously on a new base of public companies changed, and Denver at that time, and I believe now, still had a different securities market. By that I mean a much heavier '40 Act focus than the Fort Worth office had previously. Now Dallas is a huge hedge fund and investment adviser area. It was not at the time, or at least not that we had a good bit of focus on.

Additionally, I think the low-end broker-dealers, penny-stock era was at its end, trailing off a little bit, but there was still a focus on some of those bad sort of boiler-room broker-dealers, where people are using the phones to call the gray-haired woman in tennis shoes to invest, so a few different kinds of cases that I hadn't been exposed to before. But that was probably the biggest financial fraud matter that I worked on was while I was in Denver.

WT: This is Qwest?

KA: Qwest. And that was big both in terms of the number of issues, factual and legal issues, in terms of the way the financial statements were manipulated, but also bigger in terms of the coordination of a number of different people. As an assistant director I had three branches reporting to me at one point. We probably had two-thirds of those people working on the Qwest matter because there was a lot of testimony, there were a lot of documents. It was one of the first forays for me into electronic document review. We would have people produce often electronically, but then somebody would print out paper copies and we would review them in a box. So that was one of the first times that we used the electronic systems to actually work through some of the papers. While we certainly killed more trees than we should have in that case by printing a lot of stuff out, it was a little more manageable.

WT: Could you describe that system a little bit? Is it just looking at Word documents and PDFs or something like that, or is it more involved than that?

KA: It's typically all either PDFs or TIFF images. And now, of course, the SEC has delivery standards and data processes for telling you exactly what the parameters are for the documents. Back then, they were a lot of images and you would just scroll through the images, or tab through the images, mark them so you could flag them to be filed under reciprocal transaction or roundtrip or whatever you wanted to call the nature of this particular trade, flag it. You could also flag it with a person's name, so the people that you thought that document was relevant to. And then later, when you're getting ready to take some witness's testimony, go into the system and just pull out all the documents that were flagged for that person.

If you're not the only one reviewing the documents in the system, you have to trust that the people who are are marking them correctly, but it's a great way to sort of slice and dice because you can mark it for any number of different options. If I were flagging it or putting a little yellow sticker on the side of it, you'd have a lot to write if you wanted to flag it for a couple of different people and two or three different issues and the critical timeframe. All of those kinds of things could be done more efficiently on the computer and Qwest was really my first full scale rollout on that.

WT: And this is coming in the aftermath of Enron and all the associated corporate scandals.

KA: Yes, I don’t even know that it's aftermath, because they were all sort of bubbling about the same time.

WT: Yes, that’s the same time, because Qwest is 2002.

KA: I think that’s probably right in terms of when the case against the company was brought. We also brought some cases against individuals before the company case. I just tripped up a little bit on time, but in any event, yes, some of the individual cases came first. Enron, WorldCom, Global Crossing, Qwest, there were a number of cases all in that genre moving at slightly different speeds, because you may remember WorldCom was at a breakneck pace. I think it was seven days after they found it or something, just incredible action by the staff.

Qwest entered into a number of different agreements with Global Crossing and with Enron Broadband, so there was a great deal of crossover as well. It was one of the first cases that I worked on as well that had so many different regional offices and home office people involving other cases that touched on ours. So there was a great deal of coordination with the west coast, with the L.A. office that was doing Global Crossing. There was a good deal of communication with the staff on the Enron case. While they were less focused on Enron Broadband, we needed nevertheless to kind of be aware of that.

So it was along the lines of roots that were roundtrip transactions. Qwest would sell to Global Crossing, Global Crossing would sell to Enron Broadband; Enron Broadband would sell back to Qwest so that they all had sort of pretend transactions. They were indefeasible rights of use, or IRUs on the cable pieces themselves, so you might have the ability to transmit a certain amount of data from Denver to Seattle that Qwest would sell to Global Crossing. Global Crossing would sell to somebody else the line from Phoenix to Dallas. Somebody else would sell Dallas to Denver, and move around all of those pieces. Well, it got to be where we could even see the same routes. Just the same Dallas to Seattle bought and sold by Qwest, so they were selling it from one party and buying it from another just, again, to show more revenue.

WT: We were talking with Linda Thomsen last month, and she was saying that with the Enron investigation, one of the issues at the time that originated in the Fort Worth office, a lot of the people there actually had relatives or something who worked for Enron and so it ended up being simpler to work out of the Washington office. Now, Qwest is of course another large company. Were there any ever issues of that kind with the investigation?

KA: No. There were some staff members in the office who had lower-level friends or family members that worked at Qwest, and there were two or three employees that held Qwest stock, but aside from that no real issue with working it in Denver. I think the funniest issue was that we were actually in the building that said Qwest on the top. We were on the forty-eighth floor of that building for most of the time we did the investigation, and the executives were up on the fifty-second floor. So we would ride in the elevators with the people we were taking testimony from or witnesses that had come in, and they were never quite sure whether they should acknowledge that they knew us or not.

WT: Tell me a little bit about the unfolding of the case. You talked about how WorldCom was so quick. How did this one go?

KA: I think it was much slower. Well, I mean clearly it was much slower than WorldCom, but for a number of different reasons. I would say, first, because it was so institutionalized in terms of the fraud that there were problems in various divisions at Qwest. So you weren't able to just say, "Oh, it's an oil and gas hedging issue and let's go and look at that," or, "It's a false document issue." There were, aside from the reciprocal IRUs that I mentioned in terms of buying and selling that, there were equipment transactions that were in a whole other subsidiary of Qwest. So there were a lot of different places to get documents from and a lot of different people to talk to.

Additionally, it was a company where, from my perspective, even the general counsel was not getting it. There were attempts to narrow the scope of the SEC subpoena to a degree that I hadn't seen before, and frankly haven't seen since, in that it was sort of deliberately designed to keep the staff from looking at the right transactions. It took involvement of the lawyers that we worked with at WilmerHale. So Joe Brenner, who's currently a chief counsel for the Division of Enforcement, he and I have swapped sides now. Basically, he was the defense counsel back in those days when I was at the SEC.

He came in, got it straightened out, got them to produce the right documents, and to do so in a good fashion.

WT: He was working with them?

KA: He wasn't in-house. He was their outside counsel. He was at WilmerHale.

WT: That was another one of the things that Linda Thomsen was saying about the Enron case, is that they were able to use the board's own internal investigation to their advantage, since, of course, their resources were dwarfed by those that Enron had. So it was a similar sort of instance here?

KA: No. Qwest did not do an internal investigation, so again, that would be sort of another distinguishing factor. I don't recall what the WorldCom situation was and whether that was expedited because of an internal investigation, but Qwest was a sort of ground-up, start-from-the-bottom investigation.

WT: What was the size of the team that you were able to dedicate to that?

KA: It started sort of smaller. We had two or three lawyers and then one accountant, as I recall, and it grew to about a dozen people, with two or three of those being accountants at any one time. We divided up different types of transactions, again, in terms of the equipment sale transactions versus the broadband IRUs and then could kind of deal with both documents and witnesses with the different sort of sub teams, if you will.

WT: In this phase of history, what was the overall size of the office in Denver?

KA: I would say the office total was nearing a hundred people, maybe eighty, ninety people.

WT: So we're quite a ways away from the Philadelphia-size office.

KA: Yes. That’s right. And my group, I was the only assistant with three branches in the Denver office, so I think there were a total of seven branches each with five or six, and then there's all of the examination side. So, again, I'm probably going to say somewhere between eighty and a hundred is probably the right number.

WT: Had that number just grown steadily or was there a certain point where they really put more resources into those offices?

KA: I think it was primarily steady growth. There were times when the growth was more significant, but largely in the exam program, where we got a lot more examiners—for example on the ‘40 Act program where investment advisers in mutual funds became a focus—so there was a lot more exam resources put forth.

WT: So then you went to Atlanta after Denver, you were there from '97 to 2004, so overall you've been in Fort Worth, Denver, and Atlanta. Then I see you went back to Fort Worth, then back to Atlanta.

KA: That's right.

WT: So we talked a little bit about the difference between Fort Worth and Denver, but you've obviously had a very good opportunity to see three different offices.

KA: Well, four.

WT: Four if we count Philadelphia.

KA: Right.

WT: So can you talk about more, in general, variation from region to region, I mean aside from what we've already covered?

KA: As I mentioned, there's a little bit of variation just based on the business climate in each place. Denver had a very heavy '40 Act focus, both in terms of some mutual fund companies like Invesco being based there, which meant that the exam programs were heavily focused on 40 Act, and then you got more enforcement referrals out of that '40 Act program.

Not so much in Atlanta. Atlanta has certainly a good base of investment advisers, but they also have a good number of broker-dealers that are headquartered there and a good number of public companies. Again, we get back to a shift, for Atlanta as well as Dallas, more in Fortune 500 companies. They've got the Kimberly-Clark headquarters, that sort of thing, so the makeup of the cases tends to be different.

I think in southern cities and Denver as well, my feeling was there were probably more off-market frauds. There's a little bit less trust of the New York Wall Street model, so more investors who are willing to consider alternatives or private placements, and I probably saw a lot more of that than I saw when I was in the Philadelphia office, or that people even now would see in Philadelphia or New York.

WT: Okay, and then another thing I wanted to ask about comparison-wise is directors of Enforcement back in Washington. You mentioned in an interview that I found that you had worked with Bill McLucas for a certain amount, but I was tallying them up: Richard Walker and Steven Cutler and Linda Thomsen, who I mentioned earlier.

KA: Well, of course Bill wasn't my first division director. Gary Lynch was. So I've got kind of a long tenure.

WT: Is it different working under one or another?

KA: Sure. They’ve got such different personalities and different styles. Gary Lynch I remember as being so dedicated and thoughtful, quiet, more so than probably the other division directors were. I was of course very junior at the time that I worked for him, so my interaction with him was more limited, but just a great learned man.

Bill McLucas had a much different flavor. He was much more personable. This is not to say that Gary wasn’t. I hope he doesn’t listen to this and think, “Oh my gosh, Kit thinks I'm not a personable guy.” But Bill just was a little more kind of carefree in the approach that he took, much more fast-moving, more likely to make a decision pretty quickly. The concept of: “Make a decision now, you can always change your mind later if you need to go a different direction, but don’t waste time, just let's do that.” He had a time with the SEC continuing to grow where I think it got less manageable and he had to work more closely with the senior-level folks on his team to make sure that they knew what was going on, and he had to place more judgment and more discretion with them.

I remember a case that I worked on in the Fort Worth office as a branch chief involving insider trading. In fact, I can mention it by name since it's public, but it involved Don Tyson at Tyson Foods. I was giving Bill a ride back to the airport after a conference that he'd been down here for, and the office had said, “And while you're in the car with Kit, you can get a download on this Tyson investigation.” So we get in the car and Bill looks over at me and says, “You don’t have to update me. Let's not do anything nearly that boring for this car ride.” And we just talked. He wasn’t so focused on “I've got to know every detail of your case." He's going to know the bigger facts, the overarching issues and trust the rest to you.

I think from there on, really, division directors had to be more hands off. Every division director spent nights and weekends and an incredible amount of time working on understanding and staying abreast of what was going on, not just in Washington, but what was around the country. So Dick Walker, again a very different personality type, big, big brain. Bill, I can't remember exactly what his quote was, but it's sort of along the lines of I never claimed to be the smartest guy in the room. He listened a lot to everyone, and I really valued that in him. That's probably one of the things I learned more from him than probably any other person I worked with.

Dick Walker was maybe a little bit more like Gary Lynch. He had come from the New York office, having run a huge organization there, already had a sense of how it worked, and he was very efficient, somebody who managed his calendar incredibly well. You have a little take away from everybody you work with and you just say "Wow, if I could manage my day the way that Dick Walker does I would really be on top of it," right? His meetings started and ended on time. He knew what was going on, just sort of a mind like a file cabinet, a rolodex of sorts.

Steve Cutler probably wins the award for the hardest working. So, as hard as everybody else, all of the divisions had to work. Steve was the one who was on his Blackberry all kinds of nights late in the evening. He has an incredible memory, would remember things about me, my family, my kids, that were just amazing to me. He would remember facts of cases, remember who was working on the cases. The staff really liked that about him. Steve always came across as very serious, but is actually a funny guy and very personable to work with.

Then of course Linda Thomsen I worked with for a couple of years, so she's the one who persuaded me when she was—was she deputy and then the director?

WT: I think she was, yes, deputy before that.

KA: Deputy. She had convinced me to take the opportunity in the Atlanta office the first time and then to move back as well. Linda I think I knew personally better in terms of knowing more about her family and her kids and her way of doing things. I would say, "Linda, how do you ever get through all of this?" And she said, "I don't, right, you have to skim the surface. You have to know what you need to know." And so from an efficiency standpoint, again, sort of getting from Linda the idea of you can't do everything. You have got to do the important stuff and some of the next-level stuff, and figure out from there what you can do with the time allotted. I mean, there's only twenty-four hours in the day and you do have to sleep for some of them.

And then Rob Khuzami—so I worked with Rob for a little while. I don't feel like I knew him as much. The funniest thing for me is he's very distant, or appears to be very distant, and then can be very warm and charming, but plays close to the vest. So for example, when I went to talk to Rob and tell him that I was going to be moving out to private practice, I think he was genuinely sad. And he said, "Oh, my gosh. I really liked working with you. I find you capable and smart," and all those great things, and I was stunned because I had no idea.

He just didn't vocalize as much of what he was thinking, would definitely engage on a case, but in a period of time where he was working so hard on salvaging the reputation of the Commission, making some big changes in the division, I just don't think that it ever occurred to me to ask what he was thinking and it certainly wasn't in his personality type to over-share. I'm probably an over-sharer. I tell people a little bit too much of what I'm thinking or what's going on, and Rob would be the converse of that.

WT: You touched upon a point just now that I wanted to ask about, which is when you have cases, like in the early 2000s, all the major corporate scandals, where it's just really systematized, and then later on of course with the financial crisis, sometimes that reflects back on the SEC and there's quite a lot of criticism surrounding that. From your perspective, how do you view those sorts of situations? I mean, the fact that all of a sudden they're discovered. Is criticism warranted, or is it your opinion that it's unfair?

KA: I would say for the most part it's unfair, and I do think that there are some things that the SEC should have done better, can continue to do better, so it's not across the board. I think that the biggest problem with the criticism is that people have to reflect on the fact that the SEC is never going to be able to catch everything with a limited staff, and I don't think we ever want to staff the SEC so completely that they can catch everything.

We're assuming that fraud goes on at the financial level at a big company, big bank, big public company, big investment fund, whatever. If the higher level managers there can't catch it, if the audit firms let that go, how many different eyes have seen it and haven't viewed that as a problem? It's only after one scandal comes to light, or one problem becomes apparent, and people turn around and start looking again at the financial condition of their company.

So in many ways it was the audit industry finding a problem first in one area, and then auditors turning and saying we've got to do a restatement, or we've got to make these changes. So, to quote Hillary Clinton in terms of it takes a village. And there are not enough resources at any one of those places, but certainly any one of those big accounting firms has more resources than the SEC does in terms of people and money.

And here you're saying, even now with just Big Four audit firms, they've got a lot to invest in making sure that corporate fraud doesn't happen and that scandals aren't going to bubble up again. I think that is my way of saying, it's going to happen again, right? So the financial crisis happens and it's about over-extending, it's about borrowing, it's about securitizing these unusual products that, again big institutions—your Goldman Sachs and Lehman Brothers and Bear Stearns—were all looking at and doing these deals that nobody thought would collapse the way that they did with an economic change.

Should there be more economists sitting in a dark room puzzling, thinking out these things, these strategies? Yes, probably, we should be questioning them sooner and earlier—to the extent sooner and earlier are different, I agree that came out funny. But being able to say the marketplace is what it is and there's going to be new financial products all the time, that’s just the nature of our markets. It's good economic growth for us to continue to invest money so that these mortgages are being made. Should somebody be looking at the collateral more? Absolutely, yes. Who should that be? Should it be the government, should it be the internal audit department, should it be the outside auditors? I don’t know that I have the answer to that, but I think it's fair to assume that cyclically there are going to be crises that occur, that the SEC is going to take some blame for. Again, some maybe rightly, some of it wrongly, because, again, you just can't have a government agency that is as on top of it as that that would pick up everything.

WT: Other people with whom I've spoken have mentioned sort of the cyclical nature of certain sorts of frauds, that they'll be taken care of and they'll go away for a while, and then as memory fades they might come back. In other cases, there are novelties that change the nature of your work. I mean one might think of mark-to-market accounting, or the conflicts derivatives that you mentioned a second ago. From your perspective, was that the case as well?

KA: It certainly was. I mean we saw that probably cycle more in insider trading, for example. Or maybe it was more visible to me in insider trading because, again, I started in 1986, Milken and Boesky very much industry-oriented insider trading. Then it sort of moves into more of a boardroom, then it moves back out into outsiders, now with hedge funds and the focus on expert networks. I think that's a cycle that we're seeing bear out.

I would also say corporate fraud would be the same things, very much a feeling that after Enron and WorldCom, and then there's Sarbanes-Oxley that addresses that in large part, there's accounting-firm focus on it, very much an audit-team orientation to making sure that they can justify the financial statements. And in the coming years, or the years following that, there was a lull. Now I think you're seeing some, and maybe it's a little different in terms of nature, tone, tenor of those financial frauds and disclosure kinds of things, but again, it's sort of an ebb and flow. There's use of non-GAAP financial metrics, I mean different pieces or iterations of the same problem.

WT: Right, and then of course you've been in enforcement through the dot-com bubble and of course a lot of other developments. And I suppose you wouldn't have dealt as much with electronic trading, because that's more in the markets end of things, but of course I would assume that you've had some dealings with that. And of course Qwest is central to that case. Have you noticed on that end, the technology end, that there's been things that you've had to learn about, keep up with?

KA: Yes, I would say that’s probably one of those things that makes me laugh as much as anything about my career in law as well as the SEC, is that early on I was frustrated because we didn’t have enough computers. And frankly, because some of the people who were more senior to me at the SEC didn’t understand or didn’t want to learn, didn’t get on the computers often enough, couldn’t do a Westlaw search. What else would I complain about? Whatever it is, just make your changes in the system, in the computer, don’t give them back to me in handwriting. It's just easier.

And now I've become one of those people. I'm not quite as bad as I can't make my own changes, I certainly can do that, but there's a lot in terms of technology and how the movement, even of your document management systems, have changed that make it tough for people who are not as tech savvy and who don’t have a lot of time to stay up on that. I think that that’s going to continue to be a problem. We notice that with our kids. They're so smart and learn computers right at an early age, so the next iteration of software that I'm struggling to understand, they're already using, and using it very well.

The converse to that, though, is the technology has made it so much easier to find the information that you need. So, while I'm not necessarily the one who's performing the search for the particular document I'm looking for, if, say, I remember seeing a document that was this, there isn't an associate or a junior staff person or whatever that has to spend days looking for it. You can put in a couple of the words that you remember seeing on it and up pops the document you're looking for. In fact, it pops up four documents that are similar, and they might be just as good as the one you remembered seeing, so it makes investigations easier.

There's also the technology side of the markets part. Going back to my early days in Philadelphia we used blue sheets—and they still call it blue sheeting in terms of getting the data on trading in the markets—but is no longer a process of either hand-filling out a blue piece of paper and filling in who the traders were and what the stock was and what the time of the trade was. It's a button and it's produced automatically into the SEC's system.

So as that process happened with my tenure at the SEC. Initially it was getting pieces of paper and looking through them and pulling out the trades that we thought were relevant, and somebody would give us a disk with an Excel spreadsheet on it and we could put the data in and try and figure it out that way. It went to a system now that’s downloaded automatically, the blue sheet information. It's so fast that it has helped the SEC to get into cases sooner and get on top of them faster.

WT: The other question on broad trends that I wanted to ask, you mentioned Sarbanes-Oxley a little bit ago, is enforcement in the wake of major regulatory changes, so Sarbanes-Oxley and then in private practice of course you have dealt with Dodd-Frank. Could you tell me a little bit about that, how much it affects you? One thing I've learned is that there's a certain grace period where you give companies a little bit of time to adjust to regulations.

KA: Certainly there is that little bit of grace period that the SEC gives, not a lot but a little. I think the focus issue is the one that becomes really big after the passage of any new legislation as well as the adoption of any new rule. So, we've seen a lot of rule making in the ‘40 Act area recently. And my prediction is I think we're going to see a lot more violations prosecuted under those new rules because the SEC is saying, “Okay, Dodd-Frank, then the rulemaking, we let people go and in connection with examinations, for example, we'll cite it as a problem or as we're reviewing a 10-Q or K or a tele corporation, this disclosure isn't sufficient.” And certainly at some point, then, the SEC has to turn around and make examples of some just to make sure that the message is getting out.

So, from a Sarbanes-Oxley standpoint, we certainly saw that, although many of the Sarbanes-Oxley measures weren't in and of themselves things that could be enforced. It was about better corporate governance. So I probably see that now more on the private side, in terms of making sure that systems are in place and that companies are going to get credit for good corporate compliance. To the extent that we saw it on the SEC side, or that I saw it on the SEC, it was more about the companies that were still having problems and hadn’t put some of those systems in place, so they weren't getting cooperation credit or really getting the benefit, if you will, of that Sarbanes-Oxley legislation.

WT: Okay. So before we go on to the last ten-odd years of your career, I wanted to ask if there were further that cases that stick out as significant to you. Did you mention that you had worked on the Tyson case actually, or did I mishear you at that point?

KA: Well, I did work on Tyson, an insider trading case with respect to a friend of Don Tyson's in California.

WT: But any other cases then?

KA: Well, I mean I mentioned a few of the sort of I would call them fun; the Indian bank, the public company market manipulation kind of a thing. No others that really…

WT: So then, when last we left you in the chronology scheme of things it was at Denver, where you were from '97 to 2004. You moved to Atlanta for a little more than a year and then back to Fort Worth and then back to Atlanta. Could you tell me a little bit about that span of your career?

KA: Sure. So, I was enticed to go to Atlanta for the position of associate regional director. What was that, 2004?

WT: Yes, that’s what you put down here.

KA: Thank you. I had the benefit of my calendar and documents so that’s probably right. The idea of just kind of the next stage in my career, managing the entire enforcement program made a lot of sense to me. I didn’t really know anything about Atlanta, either the office or the city when I went and it was kind of a hard year. It was more about an office that had some issues and problems and personalities that were difficult.

The associate job in Fort Worth opened up. A lateral move in some ways, although from a pay matter it was slightly higher paid in Fort Worth. The Atlanta associate job at that time was not an SO, but Fort Worth was. So taking the move to Fort Worth laterally I would get an increase in pay, get out of some of what I saw as difficult personality issues and office issues, so I wasn’t there very long. We had a couple of good matters. I think Coca-Cola channel stuffing was one of them, but it was a pretty short stint there.

WT: I'm sorry. What is channel stuffing?

KA: Channel stuffing is selling product early so that you can recognize the revenue this quarter instead of next quarter. It's really more of a disclosure matter than it is a straight financial fraud matter, if you're asking me, but the idea is that is betting that you're going to be able to make up that difference the next quarter and still meet your revenue. And so it ends up continuing to pull revenue forward into this current quarter, and defer announcing that you’ve had a problem. If sales have gone down, rather than saying, “Sales went down and we had a bad quarter and we missed our earnings projection,” you get somebody to put an order early and in that order-early idea you have some sweetenthe-deal components. So you'll say, "And you've got a right of return for sixty days instead of thirty days," or "You've got a credit for a future product," or whatever it is. But usually you have to incentivize those people to buy it ahead of their need as well.

WT: Okay.

KA: So, yes, it was fun. And it was an interesting case, too, because just in terms of the way the negotiations with a company like Coca-Cola occurs, just a lot of fun.

WT: Yes, could you say a little bit about that, because of course Atlanta is kind of Coca-Cola City.

KA: Yes, it is Coca-Cola City, yes, and I'm a big Coke fan. Again, just because it's that large, international organization there's a lot of people who have to be involved in making all of the decisions. We were working with Colleen Mahoney at Skadden Arps, as I recall, and others. There's a lot of people who care in what the sanction is going to be as to Coca-Cola. We ended up doing a relatively minor sanction involving a cease and desist proceeding, but the sort of back and forth and process, again, not just at my level, because with a name like Coca-Cola we're also getting the division director engaged. Steve Cutler was the division director at the time, and trying to determine, what's the right amount for a penalty, and what is the parameters around what this should look like. I don't know that I can go much further than that without talking about the details.

WT: No, that's fair enough. That's I think a good overview.

KA: Okay.

WT: So I interrupted you on your return to Fort Worth then.

KA: So that was a sort of back home for us, very comfortable, very easy. I can say that that was a sort of wonderful opportunity for me to get home, to really do a good job I think managing an enforcement program that was well-developed and there weren't as many sort of personnel issues to address and problems to deal with. I felt like it was a really steady state, the office was in relatively good shape. Rose Romero came on as a new head of that office at that time and I had a good time working with her as well.

WT: And then you became regional director back in Atlanta.

KA: Yes. So that was really hard, because it was moving back to a city I wasn't sure I liked but the makeup of the office was changing. Of course you replace the regional office head, have a chance to really try and impact that office, because I think there was still room for growth there. It was tempting. What actually happened was that, unexpectedly at age 45, for somebody to tell me I was pregnant was kind of a surprise. So my youngest daughter was born here when I was at the Fort Worth office.

And so the first time they posted the Atlanta regional director job I did not apply for it and thought, I'm just fine here in Fort Worth. But they closed it and then reposted, as I recall, or extended the posting or something, and so I had kind of asked, or said it's kind of a shame that things didn't work out a little better. If I had known, maybe I would have stuck it out in Atlanta and just been trying to make the changes from my old job before this new one opened up. Some people had said, "Well why don't you apply and see, at least walk through the process, interview for it. If it turns out that you're the one that's selected, make that decision later."

I was selected, and Chairman Cox was in office at the time and I had a lovely conversation with him about it and decided it was worth the move back, if you will, the personal family kinds of issues, to have an opportunity, one, to have it on my resume, but, two, to really have exposure to some different areas. And so as regional director I had a lot more working visibility into, and a lot more education— sort of a throw me in the deep end on the examination side. So working with the exam teams and strategizing over that as well, I just can't tell you how much my mind grew in terms of market issues, securities, products themselves, sales practices, back office, I mean you name it, I was trying to learn it.

So it was a great opportunity there. I also got back into the bankruptcy side. I don't know how much you know about this, but there are only four regional offices that have a bankruptcy program.

WT: No, I don’t know anything about this.

KA: So they monitor public companies that need to reorganize, because usually there's the extinguishment of some securities, new securities issued, there's a lot of different working relationships. But in the overarching protection of investors concept, stockholders, shareholders are usually lowest on the totem pole in a bankruptcy reorganization, so the SEC has a position of looking out for those individual investors, those shareholders.

As the head of enforcement in Atlanta I had some exposure to that, but of course since I was there a relatively short time, just a little bit, and then again as the regional director. So between getting new knowledge in the bankruptcy area and the examination area, it was a good move for me intellectually.

WT: I know that you had mentioned that examination at the regional level was sort of a new thing that was instituted at that level I think in the ‘90s, is that correct?

KA: Well, not entirely. Examinations always took place at the regional office level. In fact, almost primarily from the regional office level until the formation of OCIE, the Office of Compliance, Inspections and Examinations. Prior to OCIE's establishment each of the exam programs were assigned under their operating division. So if it was a broker-dealer exam program it was under Market Regulation, now called Trading in Markets. If it was with mutual funds and investment advisers, that was under the Division of Investment

Management. So OCIE changed that landscape to put all of it in one bucket, but the examiners had always been in the regional offices.

I think I had a greater understanding of that more as a branch chief and an assistant director than I really did as a staff attorney. As a staff attorney I would work with one examiner if they happened to be the source of my case, my investigation, but as a branch chief or an associate or assistant, a little more working relationship in terms of management meetings and understanding what they were working on.

WT: Overall then, over the course of your career in the regional offices, was there a broadening of responsibilities, or just a growth in the size of the offices?

KA: For me personally, or the offices generally?

WT: I would say for the offices generally. I mean were they dealing with more kinds of issues or not? I mean, you were talking just now about the bankruptcy dealings. Was that a longstanding thing in the office?

KA: Absolutely. In fact, there are some areas where the regional offices shrank. There was in the Division of Corporation Finance the Small Issues Branch that existed for some period of time. I can't tell you exactly when that went away. It's got to be late ‘80s, maybe, early ‘90s, where it was restructured so you could no longer do small issuances. It used to be if you weren't doing an S-1 registration statement, initial public offering, there were a lot of different things you could file in the regions and get a regional staff person to review. It often went more quickly, but not always. I can't say that across the board. They wanted to take that back. It was too diverse, or divergent with only a couple of people in some of the offices. So, for example, Fort Worth had maybe three or four, same for Atlanta a number of years ago, and Corp Fin took those positions back in-house.

Largely the regions grew in terms of number or size more than a specific division of responsibility. I don’t think that the regions got more responsibility. They got more cases, but I think the regions have always had a good amount of responsibility for large, significant cases, and generally trying to divide it among the regions fairly so that you weren't working things in L.A. if you were based in Denver or Dallas.

WT: Well, we've been speaking for quite a while, so I want to be sure and reserve just a couple minutes for your move to private practice. Could you tell me what brought you into private practice and what sorts of things you’ve been doing here?

KA: I think largely the move to private practice can be summed up as sort of both personally and professionally needing to make a change. In my last year as a regional director I started dealing with some things like an office move, negotiating new office lease space, and some other issues that weren't necessarily in my bailiwick. I wanted to practice law and be in charge of the enforcement program and the exam program and deal with the work of the SEC, and I wasn’t necessarily doing that. But other personnel or union issues, that sort of thing, along with the fact that we were suffering the results of a really bad recession, the great recession, at a time when my two older girls, twins, had just got accepted to college. Both decided to go out of state, so, while it wasn't private tuition, it was not exactly a comfortable number for me, given how much we had left after our decline in value.

So it was both for the financial reasons and the wanting to do something different, feeling like I needed to make a change. We had just gone through the process of the restructuring in the Enforcement division, setting up specialty units, so I felt pretty good about having completed that task with Rob Khuzami. The only thing left was Rob had been asking us for recommendations on people and who might be good to lead the units, so it was a good breaking point from my standpoint. I wanted to get, again, back to Dallas. Fort Worth was home so that was additive on top of everything else.

Most of what I've been doing since then has been enforcement defense work. I would say SEC investigations, less so litigation. I have a lot of partners who specialize in litigation, including SEC litigation, and been very successful at that, so sort of dividing up responsibility that way makes the most sense.

WT: Your website mentions that you're in a crisis management team.

KA: Right. So part of that is internal investigations, so making decisions when something is discovered internally. A potential FD violation that I'm working on right now with a public company, that we're finding out whether in fact it was a violation, what the procedures are for fixing it. Internally, in terms of new policies and procedures, is there a need for disciplinary action or remedial action, and then do we need to report to the government? So there are those kinds of things that I work on as well. The crisis management, though, can extend beyond my area of expertise.

So I'm a practice leader there, but an oil spill in the Gulf would fall into that. So we also work in these issues where you're going to have to announce something publicly, which is the filing of charges by the SEC or the Department of Justice, so working with a PR firm in terms of managing that. Some of that is proactive when you know a crisis is going to come, or you're going to take a hit to your brand, dealing with that, and others of it are reactive, the oil spill case, the unknown and unexpected kind of thing.

I also work with companies, both public companies and investment firms, both investment advisers and investment funds, on policies and procedures and compliance, so we do FCPA training, we do Reg FD training. We do work on compliance and back office kinds of things with investment funds, on trading practices, insider trading policies and the like, so it's pretty wide ranging area.

WT: Is it your experience over the course of your career that deep systematic issues, such as you had in the Qwest case, are the highly exceptional ones? Things that crop up within a company that aren’t necessarily at the highest level are what one tends to deal with in regulation?

KA: Yes, I think that those systemic issues are often the tone of the top problem. People talked about that for a lot of years and still use that phrase to describe how a corporate culture can be so bad. And I think that’s true, which is why we spend so much time when we’re on the private practice side worrying about those policies and procedures, about the board meetings and what the board appreciates or understands about the system, and what we're doing or trying to do in a company to make sure that things go well and go right, so that if there's a violation it is the one-off, and it's someone who was worked really hard to circumvent a system and the company can then take action against that person, as opposed to it being a place where, gosh, it could happen at any time, because anyone anywhere can be violating the system or doing things wrong. So the more you do or work on the front end in terms of compliance, I think the better off it is at the back.

WT: Just a couple more questions. First, could you speak generally about the adjustment of going into private practice and being on the other side of the fence, so to speak? Is it a major adjustment? I mean, obviously your experience must help you a great deal in seeing things on the other side.

KA: I wouldn’t say it was easy because I miss it terribly, I miss the SEC. It was my career for a long, long time, more than twenty years of total service at the SEC. And there are still days when I say we and I mean the SEC, and I'm not a part of that we anymore so that was a little bit of a drama for me initially. There's a lot about a big firm that’s just as bureaucratic as the SEC so I don’t know that I found that all that troubling. I did pick a place where people had come out of the government before, out of the U.S. Attorney's

Office, Department of Justice and other agencies, and so there was a great deal of understanding for how tough that was going to be.

The things like developing clients, finding clients is an interesting animal, something I really hadn’t thought that much of. I just assumed if you have skills and qualifications in this area people are going to find you, or they're going to call you, and it's not quite that. At the SEC you don’t really have to look for cases. Somebody hands you a package, here's something they found. So that was a little bit of an adjustment, but overall there's a good network of people who used to work for the SEC who helped kind of transition through that with me, who counseled me when I said, “Oh my gosh, the work isn't coming. What's going to happen?”

WT: I wanted to ask you about the Women's Leadership Academy here at Haynes and Boone. You're the co-chair of that?

KA: We have like two minutes and we have to talk about something I love.

WT: Sorry.

KA: No, that’s all right, and actually I do have another meeting, but the Women's Leadership Academy is set up for, we would call them kind of rising senior level associates, so women in their fifth, sixth, seventh year of practice, designed to talk to them about those things that are so hard, developing business among them. As an early lawyer, you spend a lot of time just learning how to do it, and then you’ve got to figure out how to keep your clients happy. You start learning that as you're a relatively junior level associate, but you don’t have a lot of client contact initially. As you get more client contact, you need to learn sort of better how to deal with that, and then making that brand for yourself known out in the marketplace.

So our structure is about a series of panels of speakers, of interactive roundtable discussions with our young women to focus on what they could be doing to get them ready to be a partner and doing all the things that they have to do as a partner. So next month we are having a series on engaging men in the gender diversity issues and just dealing with how some men, and particularly in my generation and older—so we're talking early 50s to late 60s, who had dealt with women differently than young men do. For most young men, they’ve got sisters who are professionals and mothers who are professionals and it just isn't as big an issue, or we're hoping it's becoming less of an issue. So talking with those men about how do I as a young woman, if I'm a young woman, sit with them and make them more comfortable about having those conversations. It's okay to ask me about my husband, or ask me about my kids, that sort of thing, because women do bond more over that social stuff than talking about the game or whatever.

WT: It was a good one last night.

KA: It was a good. It was tough.

WT: Not if you're from here, I suppose, in the end, but for the record the Broncos beat the Cowboys.

KA: Just by three.

WT: Just by three in a very high-scoring game. But, anyway, thank you very much for your time. I know you have to run, so I guess I'll let you go.

KA: Thanks.

WT: I wish we had a little bit more time to talk about the Women's Leadership Academy, but I think that’s a very nice overview. So, yes, once again, thank you very much.

KA: All right. Thank you.

[End of Interview]