Securities and Exchange Commission Historical Society
Interview with Linda Chatman Thomsen
Conducted on September 10, 2013 by William Thomas

WT: This is an interview with Linda Chatman Thomsen for the SEC Historical Society's virtual museum and archive of the history of financial regulation. I am William Thomas and today's date is September 10th, 2013. We usually begin with your personal background, what your family did as an occupation, where you're from, and then move pretty quickly into your education, so why don't we begin with that?

LT: I grew up in northern New Jersey, in an environment that was filled with lots of engineers and people who were working in the oil and refining business, because that was an industry that was relatively densely populated in northern New Jersey. My dad is a chemical engineer. He grew up in Philadelphia, my parents grew up in Philadelphia, and I was one of three sisters.

WT: So then you went to Smith College, that's right?

LT: I did.

WT: Okay, so could you tell us a little bit about what brought you to Smith? It's particularly interesting for this series on women regulators, because it's a women-only college, right?

LT: It is a single sex institution. At the time, I remember actually when I was applying I was looking to go to school in New England and was looking at good schools that had a

diverse look. Back then you didn't have the Internet so I was reading, I guess, Baron's Guide to Colleges and whatnot, and for some reason it attracted me. But I remember going to a tea. In those days, Smith College alums would have teas for prospective students, and someone came up to me and said, "Did you always know you wanted to go a Seven Sisters?" I had no idea what she was talking about, because to me the Seven Sisters were the oil companies. Somehow I happened on the place and I loved it, and it was a great fit for me.

WT: Terrific. And so what did you study there?

LT: I studied government, which in other places would be political science but Smith takes a more theoretical than social science approach to government.

WT: Did you go in knowing that you wanted to study government or was that something you selected while you were there?

LT: I think I probably knew that was where I was headed. My interest in the law started sometime in high school, not for very good reasons but for reasons of expediency. I had a history course where we were supposed to go to original source materials, and the thought of shuffling through old newspapers, old deeds or microfiche was not that attractive to me. I determined that case law would count as original source research, so that's when I started reading cases for some project and found it fascinating. When I got to Smith, perhaps the finest professor in the government department, Leo Weinstein, was

a constitutional law professor from an undergraduate academic perspective and he was terrific.

WT: Did your parents push you in any direction or another, or was that entirely yours?

LT: They did not.

WT: All right. So then you went straight on to Harvard Law after that.

LT: I did.

WT: And how was that environment different? Was it still an old boy's institution at the time or was it changed? This was in the mid-70s, yes?

LT: In the '70s. I graduated in 1979. It admitted women to the law school later than most other law schools. When I was there, I'm not sure but I think it was only 25 percent women students. I think the bad old days were largely gone, but the stories about how the first women who went to Harvard Law School were treated were told and retold many times. There were notorious professors who never called on women, and when they did they declared it to be ladies day and only asked about sexually explicit cases and things like that. That was largely gone, but it was a male-dominated institution.

WT: Could you feel that in the culture around you? Was it a comfortable place to be as a woman at that point in time?

LT: Well, there were enough of us. I think there was a critical mass.

WT: Yes, 25 percent.

LT: And there were some really terrific women there, and there were some terrific men across the board. I enjoyed myself there.

WT: Did you have any mentors or role models, either at Smith or—I mean, you mentioned the one.

LT: Well, the government professor at Smith was fantastic. At the law school I think I drew most of my inspiration from peers. It was in its own way remarkably collegial, though seriously competitive. There were a couple of professors along the way. One of the most inspiring was someone like Louis Loss, who taught me securities laws late in his career and he would tell great stories about what it was like to practice law. Phil Areeda, who taught contracts, was an utterly inspiring teacher. There were lots of really inspiring professors there at the time.

WT: Did you have a notion that you would head towards securities law?

LT: Not at all.

WT: No? So what were you planning on doing then, at the time?

LT: I was planning on doing deals. I was going to do corporate work. I thought I was going to go to a law firm and really wanted to do deals, and I just turned out to be wrong.

WT: So then you went to Davis Polk after you finished?

LT: I did go to Davis Polk right after law school, and as I said, I thought I was going to do corporate work and did some corporate work, fully intended to do corporate work.

WT: Well, could I ask, what were the circumstances that brought you to Davis Polk in particular?

LT: The circumstances that brought me to Davis Polk were that I wanted to go to a law firm, I was torn between New York and D.C., and ultimately decided on New York, and I wanted to go to the best firm that would have me. After that I looked for a place based on the things I could judge, and to me that was collegiality and culture, and that was terrific and that assessment – I thought I was going to be a corporate lawyer – turned out to be spot on. I have gone back to Davis Polk twice more since then and that same culture of excellence, culture of collegiality and excellence, has drawn me back there.

WT: What was the mix there like, as far as women versus men?

LT: Oh, it was interesting. I came, as I said, in the fall of 1979, and there were many women ahead of us but close in time. There weren't that many who had been there for years and years at a time. There was one, or two female partners. One was Lydia Kess, who had been there for forever and was a true phenom, and Marlene Alva had either just become or was about to become a partner. So there were few partners in the ranks, but there were plenty of women associates. And around the time that I arrived, starting perhaps the year before and continuing for years after, there was a great increase in the percentage of women who were at the firm.

WT: I would take it it would have seemed then that there were definitely opportunities for advancement with –

LT: Plenty of opportunities for work for everyone.

WT: Right. Let's talk a little bit about the work. What would you have been involved with when you arrived out of law school?

LT: Well, back then we had an unassigned program and so because I knew, or so I thought, that I would never litigate, I decided I would just try it to confirm that it was not the right thing for me. It turns out I loved it and one of the first things I worked on was a case involving Franklin National Bank. It was a private civil action around the collapse of the

Franklin National Bank. It ultimately settled. We represented Ernst & Ernst at the time. I think they had just become Ernst & Whinney in that action and it settled as the case started.

WT: Okay. So you were contributing to the litigation process at that time?

LT: Oh, it was a massive team. I was the youngest, the most junior person on the totem pole.

WT: So let's talk about how your career advanced then, within that environment.

LT: Shortly thereafter the partner who was responsible for that matter opened the Washington office, and I moved to the Washington office and worked on all manner of civil litigation for a while. And then I concluded that, at least in my mind, if I was going to call myself a litigator I ought to go make sure I tried some cases. So I went to the U.S. attorney's office in Maryland for a few years, where I tried cases involving drugs. We had a war on drugs at the time and a lot of the effort was directed at various drug law cases and I did those for a while.

WT: Is this in that '83 to '85 period?

LT: Exactly. After that, I returned to the private practice of law and came back to Davis Polk, where during that time period we tried a lot of cases, which is unusual in private practice. We were in Chicago for six months or so, trying a case involving Continental Illinois

National Bank and its loans to the oil patch and Tennessee, in connection with the butcher banks. We tried a case involving the breakup of the telephone companies, so there was a lot going on.

WT: So you did seem to be moving in kind of the securities direction.

LT: Yes, largely on the private side, but yes, moving towards the securities side.

WT: Was that conscious, were you directed in that way?

LT: It was the work that was here and the things that people had and one thing fed on another.

WT: In moving to the Washington office, did you expect to be more involved in regulatory issues?

LT: Not necessarily. I think at that time part of the thinking was that – and it's a very different thinking than Davis Polk has now – people are attracted to the work all over the country so you want to be able to attract talent around the country and not just in New York. We did have some people who had regulatory or more Washington experience, but these cases could have been done almost anywhere.

WT: So by the time you left, that was in 1995. You were an associate and then you were a counsel. Were you leading a team by that time, then, or was it more individualistic?

LT: No, I think I would say I was part of a team. There are various structures within. There were plenty of people who would be, well, I always thought of people as working with me but there were certainly partners and others who had overall responsibilities for the matters. And in fact, that was part of the motivation for leaving again, because I loved trying cases and I had gotten an opportunity to try several while I was at Davis Polk, and had as an assistant, so I decided it was time to go back into the government to try cases. The firm had a tradition of people going into public service and I always liked it. I thought, hey, the work was great, but it makes you a better lawyer, at least in my mind.

WT: Right. Before we move over to the SEC then, could you describe how the nature of the work changed while you were there? Not necessarily the topic of it, which I think we covered, but.

LT: The nature of it?

WT: Yes, I mean you start out, as you say, very low on the totem pole as fresh out of law school, and presumably there's more direction of personnel or something like that.

LT: Not only did it change while I was doing it, but it's changed a lot now. A first-year litigation associate could expect to do lots and lots of document review and document processing and all of those kinds of things, building up to more advanced legal and factual review. Certainly by the end of my time I was responsible for developing large

bulks of factual and legal—sort of a chunk of a case, if you will. And the parts I probably like the best are working with witnesses, defending them or taking their testimony, whether it's a deposition or a trial. So that's how, you know, you grow into those roles, you get broader responsibility and you'll be spending more time sort of taking a lead on things like that.

WT: So you've anticipated one of my questions, which is that there was already a tradition of moving into public service from Davis Polk. But it is kind of an unusual move, if I'm not mistaken. It's my experience with reading other people's interviews that people tend to start out at the SEC and then move into private practice, and so when you arrived was there a sense that that was unusual or was it actually quite common?

LT: No, I think actually at the SEC many people, certainly in Enforcement, virtually everybody in Enforcement has some private practice experience before they go into Enforcement, in part because I think, when I was at the SEC, others at the SEC recognized that the training people got in private practice, in prosecutor's offices, sometimes in-house, was invaluable and people were better writers.

For example, for a lean agency, we didn't have the resources to spend time training people. There were a few people who came straight out of law school, for example, but that was relatively speaking a few. It was like the honors program, like you would have a handful every year, and that varies year to year.

WT: Yes, I think most of the interviews that I was looking at were with rule makers and that sort of thing.

LT: And it may very well be true that in other divisions, people start out straight out of school.

WT: Right. Okay, well then let's talk a little bit about the work. You joined there as an assistant chief litigation counsel. First, was there a significant cultural shift from private practice? Let's hit the general points first.

LT: I don't know that there was a huge cultural shift. At Davis Polk I thought we had a devotion to excellence. At the SEC I thought there was a devotion to excellence. One of the things that you notice right away leaving private practice and going into the public sector—but I'd already experienced that at the U.S. attorney's office—is that the support is thinner. It's not less capable, there's just less of it so you end up being required to do a lot more things for yourself. You don't have the luxury of the kind of support that you sometimes get in private practice.

The other thing that had happened over time is that from the time I started the practice of law, when there were virtually no personal computers, no email, et cetera, by the time I was at the SEC that was more ubiquitous. And the expectations that attorneys, for example, would produce their own memoranda, their own court papers and things like that, that shift had occurred and I think I felt it most acutely when I got to the SEC.

WT: I assume that in private practice it's mainly litigation between firms and then in the SEC it's litigation on behalf of the government against firms. Is there a major shift in that?

LT: Well, I think the biggest shift – now I started in the litigation group, the trial unit, and the trial unit dealt with the cases that didn't settle, didn't resolve themselves. So in some ways, it was very similar. You were litigating against someone who was litigating and the civil rules applied so it was very similar in that regard, the same motion practice, the same discovery practice, the same trial practice.

When I shifted over to the investigative side, which is the bulk of the Enforcement division's work, it's a little different because most of the matters that the SEC investigates settle or resolve themselves. The practice is less contentious, there's less motion practice because it's not in litigation. It's a different kind of practice on the investigative side.

WT: I presume, returning to the gender issue, that it's just a fairly professional environment in the late 1990s. I mean was there any sense that – I mean were you at all conscious of that?

LT: No. It was probably more diverse than private practice, both in terms of gender and other categories that you might want to come up with. I think it, like other places, had fewer women in leadership positions. It wasn't, for example, a fifty-fifty split, although that

changed over time. When, for example, I became an assistant director – I can't remember exactly the year, in the late-'90s sometime – I think there were four vacancies. It was a time when there was lots of turnover. The legal market was very hot.

So by the time I got that promotion, or that position, there were probably four positions, the same assistant director position, and all four were filled with women. Or three, I can't remember how many, but that was, relatively speaking, unusual. But it strikes me that it was a sign of how far we'd come, that it wouldn't stop the presses. It wasn't front page news.

WT: Right, right. Although in the mid 2000s I believe you were one of the women to watch, I think, at some point.

LT: I was, according to *The Wall Street Journal*, but that was it. There you go.

WT: Okay, so let's talk about the nature of the cases, then. Was there any particular kind that was particularly prevalent then, in the late 1990s?

LT: Well, on the trial side. The most complicated then were things like insider trading cases: Ponzi schemes, the 1/nth defendant, things like that. The bulk of the work happened on the investigative side, as I learned having been there for a while. In the late-'90s, on the investigative side, the Internet cases were sort of all the rage because it was a new way to do schemes and to pass information.

I'm trying to think, what else were the kinds of cases we saw in the late-'90s? You know, the markets were, relatively speaking, calm so it wasn't like we were in mega crisis. But Internet cases, the whole array, there were microcap –

WT: Would these be things that would be fairly crude from a legalistic standpoint? When we think of issues surrounding the electronic sphere, one sees issues such as derivatives trading, of course, Enron had its electronic side to it of course, but then there would be just the novelty of the situation which would –

LT: Well, you raise an excellent point. I mean, at that era it was a relatively new tool for scams. In no time at all, issues of electronic communications and trading and other things just became part of the way people do business. But at the time, it was novel about how do you establish evidentiary issues, evidence that can be used, how do you figure out who talked to who, how do you trace information? How do you get behind email communication to see who's really doing it?

There were a lot of those kinds of issues which have now been completely absorbed into the process of investigation. It's just another thing that you do in an investigation. Just like these days, there were times when cases with international aspects were a little novel. Now I think it's a rarity for an investigation not to have some kind of international component to it in one way, shape, or form.

WT: Right. Just looking at the dates here, it's from 1995 to 1997 that you're listed here as assistant chief litigation counsel, so that's in litigation. Then you move up to assistant director in '97. Is that also the shift over to the investigative sector?

LT: That's the shift over to the investigative side, exactly.

WT: Okay. We've talked about the nature of the work in private practice. How about the nature of the investigatory work? What is it? I mean, I assume it involves going over to firms, looking through their –

LT: Well, the investigatory work is you're trying to figure out – it's similar to civil discovery but not quite. You're trying to figure out whether or not there's a violation of federal securities laws, and people get matters a number of ways. So if a company restates its financial statements, you say, "Well, that's something we're looking into to see whether there's financial fraud or a financial misstatement." You get information; the markets are surveiled for insider trading or potential issues. FINRA and its predecessor will surveil for spikes in trading and that may generate an insider trading investigation.

The Office of Compliance, Inspections and Examinations, which was relatively new at the time, examined registered entities and looked for possible issues and you could get referrals from that. So the sources of cases were sort of multiple, investor complaints and whatnot, and then you would sort of take that grain and sort of run it down to ground to see what else was going on. You would use tools like interviews and testimony and

subpoenas, which you could get relatively easily and now you can get them even more easily.

WT: What was your experience with the resources that were available to undertake these investigations? Was it under resourced?

LT: Oh, all law enforcement is under resourced, always, and government has lots of things to do and limited resources to do it so you're always going to be under resourced. And then, in addition, at some philosophical level, although we rarely talk about it, you probably don't want law enforcement to be over resourced because then you've got lots of people watching people. It could be chilling in some ways. You want people that have to make decisions about what's important to pursue so that you're not enforcing sort of every stupid violation that might be out there.

WT: All right. I guess we could talk from two angles, then. What is the strategy of working with the resources that you had in terms of setting priorities as to what would be something you would want to pursue, and then what would be the policy perspective, maybe from higher up within the organization?

LT: Well, enforcement is and always has been a little random. It's very much at the SEC bottom-up driven. We empowered the staff to look for cases, look for things you want to pursue. Then it was the job of the supervisors to say, okay, this looks promising, this doesn't look promising. That decision-making process, that constantly saying, "Okay, I

found this, is there more, is there less," is what makes it complicated and difficult. Because you can keep turning over rocks, maybe you'll find something, maybe you won't, but if you stop too soon you'll miss something, or you'll potentially miss something. You know, it's not like you know in advance where it's going. That's why you're looking. So that's where you depend on experience and instincts and what the evidence is suggesting. Sometimes people get it right, sometimes they get it wrong.

WT: Are there particular areas? We talked a little bit about Internet companies in the 1990s, for example. Are there certain types of frauds, for example, that seem to come and go with time?

LT: Well, among other things, financial fraud by public issuers and not financial institutions. We lived through the Enron era where there were tons of financial issues. Then you had the combination of the memory of those cases and, to my mind at least, Sarbanes-Oxley, which was enacted in response, caused somewhat better behavior for a while and for the last few years there have been fewer financial reporting, financial fraud cases by public companies brought by the SEC's Enforcement staff than in prior years. Is that because there's less of it to do? Is that because there are other priorities, for example, the financial crisis, which is more focused on financial institutions? It's always going to be hard to know. But this Commission has already announced that they have a focus on financial reporting so that's an area that goes up and down.

Insider trading is another area, though there's a consistency in the number of insider trading cases that are brought in any given year. It's somewhere between 8 and 12 percent of all the cases, I think, more or less. Is it a Main Street focus or a Wall Street focus? That's going to change over time. Those are the kinds of things that change. I think you do see, from time to time, if you focus on a particular area, stock option back-dating or Ponzi schemes or microcap fraud, things like that, you'll see a burst of activity. Those of us who did law enforcement would like to think it had the effect that you hoped for, that is it deters generally others from engaging in similar behavior so you'll have a drop off in those cases, at least for a while, until memories fade and then you may see a resurgence.

WT: So let's talk about your personal career trajectory, then. You moved fairly quickly; assistant director in '97, associate director in 2000, I guess Enron is right in here so that's obviously a major milestone in your career, but deputy director in 2002. Were you deputy director before or after Enron?

LT: Yes, that is both. Enron broke, at least in my mind, on October 16, 2001, shortly after September 11th when they announced they were having a problem with their third quarter and then it snowballed very quickly. They were in bankruptcy I think before the end of the year and the investigations continued for some time thereafter.

WT: What would you say was responsible, I guess, for your personal elevation within this organization? Was it unusual?

LT: I'd like to say it was merit. (Laughter)

WT: Yes, well, certainly, certainly. More specifically, what do you think were the qualities of your work that were noticed?

LT: First of all, I came to the Commission probably with more experience than a lot of people and I think experience always counts. I think having trial experience, having litigation experience, I think makes you a little more objective about your own investigations. Having seen cases go through a trial process, having seen them subjected to independent fact finding, juries, judges, cross examination, you're probably a little better at assessing –

WT: Viability?

LT: Viability, how well will this evidence holds up when it's subjected to independent fact finding. I also think that the practice of being an advocate, et cetera, may make you more articulate and therefore somewhat more persuasive, so I think that combination of factors. I got really lucky with great cases and with great colleagues. I mean, nothing anybody does they do on their own so I consider it, frankly, lucky.

LT: Who are some of the people who are around you in this period, just to place you within the organization?

WT: All right. I arrived, Bill McLucas was the director, and then he was followed by Dick Walker, followed by Steve Cutler. All three of them were terrific directors and it was really a privilege to work with all of them. The chief counsel in the division of enforcement was Joan McKown. She had been there for a while and she's a terrific colleague. Colleen Mahoney was deputy for Bill McLucas, and when I moved over to the investigative side she was my immediate supervisor and really a terrific mentor and role model.

To my mind, more important were sort of the colleagues I worked with to bring cases. There were lots and lots and lots of people who brought terrific energy and insight to the securities practice. I think of people like – I don't want to single out – I'll miss people in the process.

WT: That's inevitably the case with these interviews.

LT: But Scott Friestad is still there; I worked with him for years. Charles Clark worked on Enron; he's now at Kirkland. Greg Bruch, Liz Gray, Shelley Grant. Recently Shelley Grant, who was at the Commission for years, retired after years of service and she was a terrific investor advocate. You know, it's hard for me to think of anyone I worked with, when I was there, who wasn't someone I learned things from, and wasn't thrilled to work with every minute I worked with them.

WT: Okay, so then just extending from that, one more question before Enron. What would be the relationship between your office and, say, the SROs, the SEC's branch offices, or for that matter, state prosecutors like Eliot Spitzer, who of course is very prominent in this period?

LT: Sure. It varies from issue to issue and place to place, person to person at some level. We worked historically very well with the SROs. We worked historically very well with other federal agencies, including the Department of Justice and the U.S. attorney's offices. The other offices at the SEC were all, there are eleven offices outside of Washington, those other offices do enforcement and examination so on the enforcement side we were all sort of on the same team. I wasn't necessarily working with all of them all the time. When I became deputy director they were part of my wheelhouse, so it's one division.

I probably had more exposure before the deputy director level to the regional offices than others, because in the trial unit I sometimes would work with those offices. Indeed, the last case I tried was a case that was investigated and brought by the San Francisco office. It was a great little case.

WT: So Enron: describe how you became involved with the case and its evolution. I suppose we could go on for days, but we'll try and keep it to a reasonable amount of time.

LT: We could go on for days, but it started with a brand new staff attorney and she may have been one of those exceptions that prove the rule. I think she may have come straight from law school. She may have been in that program where we brought people in from law school. And she was reading the paper and she saw that Enron had made an announcement, and we opened the case right away.

Another group opened it as well, on the same basis and it was a very scientific approach, we flipped a coin to see who would do it. And then we discovered that the Fort Worth office had something already open, in part based on some of the activity that had happened in the summer. That was when Jeffrey Skilling had resigned and unresigned and things like that.

But in not too long at all the Fort Worth office concluded that there were enough potential conflicts, because people had relatives who worked at Enron or things like that, that it was not going to make sense for them to continue to do that investigation and as a consequence it quickly came to our group.

It was a relatively daunting sort of undertaking. Within no time at all, Enron had put an internal investigation in the hands of a special committee of the board. They had taken the extraordinary step of bringing in new directors to sort of oversee that special committee, so that the directors involved wouldn't have any connection to past activities that were under investigation.

The counsel to the special committee was Wilmer Hale, although they probably were Wilmer Cutler at the time, and so that process was underway very quickly. We had probably ten to twelve people, which was an unusually large team working on that but it was dwarfed by some of the numbers we saw. I remember seeing an article that talked about the ancillary employment impact of Enron and they talked about – it was either in *The Wall Street Journal* or the *New York Times* – talked about the number of caterers, the number of copying services, let alone the number of lawyers and the number of bankruptcy lawyers that they put in –

WT: Just associated with this situation.

LT: With this situation and everything going on about Enron. The number of bankruptcy lawyers was fifty, the number of something else, and the number of caterers, whatever, and then they said the number of SEC investigators at least six, which was under but I thought, wow, we're dwarfed by the caterers.

So it was a massive undertaking. As was done historically through independent investigations, we exploited the work that the board was doing. There was also an Enron task force which was ultimately created, which included the Department of Justice and the SEC because initially one of the things about the Department of Justice, as you undoubtedly know, is that each district – there are ninety-four districts, ninety-three U.S. attorneys, at least at last count – is headed by someone who is a presidential appointee. And several districts concluded they had an interest in Enron, so you had multiple

investigations going on at once and it took a little while for the Department of Justice to sort of round everybody up and bring some sort of sense and reason to it. So in the early days, you might have three different agents interviewing the same witness or something like that.

WT: Could you take me a little bit through the structure? So there's a task force. Is what you're doing, obviously they're related but is that a separate group, are you part of the task force?

LT: We're part of the task force effort. I mean, I think fundamentally, and there were lots of ancillary things going on, the Department of Justice and the SEC were investigating for violations of the federal securities law so there were also energy laws and things like that. We were very closely coordinated and pursuing the various matters that could be pursued. They ran the gamut. You had the individuals at Enron, you had Enron itself, you had its lenders, the financial institutions, the auditors, I mean there's a whole panoply of potential respondents, defendants.

There were a number of transactions that were subject to inquiries, so you had the barges, for example, Nigerian barges was a transaction that got a fair amount of attention. The first case was brought less than a year after. It was in August, and I think it may have been Michael Kopper leading to Andy Fastow, and then of course, we had the whole Arthur Andersen, in which, there was that indictment, there was the implosion of Andersen, there was the trial. I mean, there was a lot going on.

WT: Was this your exclusive task at the time?

LT: No.

WT: No, okay, there were other things going on.

LT: And by the time I became deputy this was still going on and there were lots of other things.

WT: So of course, as deputy it's basically you are the deputy over the entirety of Enforcement. Okay, so then, it's not long after this that things like WorldCom, et cetera, join in?

LT: Exactly.

WT: So how do you deal with that ballooning of what's going on? Were you still solely in charge of the Enron case?

LT: Well, to say I was in charge of it, it was true, but there was, I mean there were glorious people working on it who were doing the day-to-day running of the case, taking the testimony, discovering the documents.

WT: I'm quite interested in this. Your level, I mean, what kind of perspective, what tasks were the key things?

LT: What I would see was the overall trend of what we were doing, the focus on particular entities or individuals. And most importantly, when we got to the stage where we were considering bringing charges, or recommending charges to the Commission and negotiating settlements, at my level that would be where I'd spend most of my attention.

And the day-to-day activity I would be aware of, would sometimes participate in, but it requires constant effort, that was something I would not be able to give it, whereas resolutions were things very much policy driven. What is the Commission going to accept? What can we recommend? What is the evidence? We're viewing the record as it had been amassed, sort of exploring that record to make sure it justified what we wanted to do.

WT: In attempting to put together viable cases there's, of course, a lot of media, political pressure, I'm sure. Were you insulated from that, or was it palpable?

LT: Well, yes and no. Probably from the time Enron hit, if not before, until the time I left the Commission I could probably tell you what time the newspapers hit my front lawn. I was awake to hear something land. Were we aware of it? Of course. Were we called to the Hill? Yes. Did it impact what we did? Not really, because at the end of the day the

standard is always, did someone violate the law, did we have the evidence to prove it? And that was sort of what we were trying to do.

WT: You didn't feel overly rushed by it?

LT: Oh, I felt it. I mean, Lou Dobbs was on the TV every night saying, "It's been X days." So, did we know that, yes, but isn't that always true that delay is something— you're always trying to balance getting enough information to have a sustainable action and doing it quickly enough so that it is timely. That's true of a case whether it's in the public eye or not.

WT: So once all the other scandals start breaking around Enron, to what degree are those investigations interlinked?

LT: They're typically not. I mean, enforcement is micro. Is it Colonel Mustard in the library with the candlestick? So did this particular individual or entity violate the federal securities laws, and how did they do it? And so each case stands alone and people investigate it for what it is.

WT: Do you have to expand the number of personnel available, given this volume of very difficult work?

LT: Depending on the matter, you try to staff it appropriately to the matter. So the bigger financial frauds, or potential for financial frauds, probably had bigger teams than a relatively straightforward insider trading case in part because there were so many trails to follow. Sometimes in financial frauds, it was certainly true of Enron, probably true of WorldCom and others, within a case there are several mini cases, if you will. A certain set of activity involving a certain set of individuals and others that you have to figure out the facts of.

WT: Okay. How quickly did the complexities, the unusual complexities of this particular case become apparent?

LT: Pretty early, pretty early. I had a similar conversation with someone who was on the defense side at one point and said, "When did you really know just how complicated this all was?" It was within a couple of weeks. Did we know everything about it, of course not, that was part of the complication, but did we know it was going to be a complicated mess? Early, early, nothing compared to the financial crisis, by the way.

WT: Right. So you said that you were able to work a little bit with the board in the investigation. What was their position?

LT: Well, you may remember that the Powers Report was the ultimate result of the internal investigation by the special committee. So the special committee deployed many, many lawyers and reviewed many documents, and ultimately it was through their efforts and

others that we got documents, discovery and whatnot. But the Powers Report itself provided analysis of what had happened, who had done what, and that was something that we could use and did use in both scoping our investigation and figuring where to focus activity.

WT: Internally at Enron, I mean clearly from the key figures one has all the resistance one would expect, but from the board, was it your impression that they were quite sincere in their effort to get to the depth of the case?

LT: Oh, yes. I think many of them were new to this. Some were not, but the special committee had many new people and theoretically—and I think this is true in almost every public company—if you want to continue to exist you have to distinguish the entity from the wrongdoers, felons, whatever you want to call them, within so that it is in the company's interest to be a legitimate business. That means you want to figure out what's happened in the past, shut it down, take steps to prevent anything like it happening again or the company will not survive as a legitimate entity.

WT: Right. Did they expect to survive, do you think, by doing that?

LT: Oh, no. I don't think so. I think for some of them –

WT: It was a time to undertake those steps?

LT: There were reputational issues; there were issues with respect to some of the assets. There may have been businesses that could've been turned off. I don't know. Did they initially expect to survive, I don't know. Did they expect to be able to come out of bankruptcy? I think at various points along the way, there were probably some expectations about what could continue but I think pretty early on it was clear it wasn't going to – the Enron that was wasn't going to be.

WT: Now of course, it gets Arthur Andersen, as well. Were you anticipating that, I guess, as you were pushing the case into Arthur Andersen?

LT: Well, Andersen's an interesting chapter. I mean, as you know, Andersen was indicted, as opposed to brought, so the SEC did not bring the Andersen case. Criminal authorities did and Andersen was out of business before it was convicted, and certainly out of business before it was essentially acquitted by the Supreme Court.

WT: That was another one of those reputational issues?

LT: Yes. Andersen stands for the proposition that for some kinds of institutions, not necessarily all, being accused of some kind of wrongdoing is something you can't survive. You would probably find people with multiple views about whether or not that was ultimately a good use of government resources. Are we better off with one fewer accounting firm or not?

WT: Is there anything else we can cover before we move on?

LT: No, I think we can move on.

WT: Okay. How does this affect your career then, in the immediate term? I mean, ultimately you're of course appointed Director of Enforcement.

LT: I think doing a big case raises your profile. I think if you do it well, and I hope we did, I hope history will confirm that, I think causes people to think you can do big cases. You can take on big tasks, you can lead large teams, you can work with outsiders. You can work within the building. You know, doing that kind of a case requires a lot of skills.

WT: So what are your primary tasks now, as deputy director?

LT: Deputy director was –

WT: You were promoted during the course of the Enron investigation?

LT: Yes. It was to oversee the enforcement program for the director.

WT: Okay, so vis-à-vis the director's responsibilities, then?

LT: Well they varied over time because Steve Cutler—at the time there was a research analyst case which was an enormous undertaking involving many, many firms, and he was very acutely focused on that. So while his attention was focused on that priority, I would take care of other things, try to sort of make sure all the cases are running the way they ought to, and it's also an enormous management job. There were a thousand people in Enforcement at the time, I think, about a thousand in twelve different offices. You've got promotions to do. I mean, there's a lot.

WT: There's a heavy administrative burden.

LT: There's an administrative component to all of this, as well.

WT: So then, it's in 2005 that you're promoted to Director of Enforcement?

LT: Yes.

WT: Did you anticipate moving up to that position?

LT: I hoped to. I did hope to, and ultimately –

WT: And you were considered, at least according to the media, a natural successor to Cutler. Would that be your perception as well, in terms of policy, strategy?

LT: If you were looking for an internal candidate, and historically there had been mostly internal candidates up to that point in time. There's only one deputy and the deputy reports directly to the director, so I think it's a logical thing to think about. But the associates, who also report to the director, are also I think people you would think about for that job because they're actually doing many of the cases that are getting done. So there are a number of associates. There were other candidates but I think it was – I don't think it surprised the world.

WT: Did you consider yourself to have a similar enforcement philosophy, if that even makes sense?

LT: Well, you know, I just think that every director has a similar philosophy. We bring the cases that need to be brought as quickly as we can, where we have evidence to prove the underlying violation.

WT: Right. Do you think it's a media impression, then, that there are different philosophies towards enforcement? That somebody's going to be more aggressive than somebody else who might be chosen for the position?

LT: Probably. At the end of the day I think the hardest decisions every director makes, every deputy director makes, every associate director, all down the line, are the decisions that you make to say "We don't have enough," "I'm going to not do something, as opposed to

doing something." I think that's true across the board, and I think the more senior you get the more you worry about, "Is this the right thing to do? Do I have enough?"

WT: So it's a very public position. I mean you've already had, I suppose, your share of the spotlight with the Enron investigation. I just want to come back, since this is for the gallery of women regulators. That aspect of it has a particular component with you being a woman in this high profile, very glaring media spotlight, particularly towards the end of your tenure.

LT: Yes, particularly towards the end. I always hoped that my having that position, I didn't really care what the media did, but I hoped that visibility, certainly within the organization, encouraged other women to think of themselves in positions of greater responsibility. I think it did, so for that I'm really grateful. I mean, one of the things I noticed over time as I started to participate in promotion pools and things like that where I was a selecting official, is that oftentimes you'd get the array of applicants and there were very few women. Women had not – and that's sort of a self-selection process, they hadn't put themselves in competition and I found that a little distressing.

I think over time we saw more and more women do that, for which I was grateful. So I think, as with many things, if you see someone who in some way reminds you of yourself, or you have some kind of affinity with, or for, you say, "Well, if she did that I can do that." I hoped that there was more of that.

WT: Did you ever get the notion that people were looking up to you in that way? Did you receive communications from people or something like that?

LT: From time to time, I think from time to time. I think we saw tangibly an increase in the number of women who were applying for positions as supervisors and getting promoted to them. I think as we had more and more women who were senior, many of us that took on the role, I think mentorship, maybe – I don't know whether it's mentorship or not, but being an example and taking the time, or if you saw someone doing a good job, saying you did this very well and I can see you doing something else.

One of the greatest gifts a lawyer gave me once was saying, I had just gotten to the SEC and he was on the opposite side, and at some point he said, "You know, you could be running this place one day." And this was at a time when I didn't even know where the Xerox machines were, but it causes people to pause and think and go, "Oh, really? I wonder if I could." And just doing that for people I think is valuable.

WT: You mentioned the Sarbanes-Oxley Act a little bit earlier. Did that present particular challenges, being in a novel, not a regulatory environment, from the enforcement side?

LT: Well, the act was a huge challenge for the Commission as a whole, which is to advise on it, contribute to it, get it passed and then implement it, just like Dodd-Frank, but there were many things the Commission had to do and do by relatively strict timelines. And indeed, that was a fair amount of what Chairman Pitt was focused on until he left the

Commission, was getting it passed in the summer and by the beginning of the next year much had to be accomplished, and much was accomplished.

For the Enforcement staff, the kick-in takes a little longer but Sarbanes-Oxley on balance gave us more tools, certification, different penalties and whatnot, so it was on balance I think a great assist for it. In the transition period, was there a lot of work to be done and a lot of work throughout the agency, largely by parts of the Commission that were, the staff rather, that were not enforcement staff but still there was plenty to get done.

WT: Let me see if I can articulate: by the time something, say, an enforcement under a new rule associated with Sarbanes-Oxley—I know it's the SEC's position that they'll typically try and work with companies in order to ensure compliance with those rules. By the time it gets to your office, is there any sense of that left, that you would basically be talking about malfeasance by the time it got to your office.

LT: I think generally speaking, with new regulations, new laws et cetera, there is an unspoken grace period, especially if what you're confronted with is companies and individuals who are trying to comply with new laws and new regulations. A classic example under Dick Walker's tenure was Regulation FD, where we were relatively explicit about the fact that we're going to give people time to get used to a new regime. But at some point, that sort of unarticulated grace period disappears, in part because after a certain period of time if you haven't gotten your ducks in a row you lose the presumption of trying to comply.

But, the other thing about Sarbanes-Oxley, Dodd-Frank, those new laws apply only prospectively, not retroactively so all of the conduct that may cause the enactment of the new law is enforced based on the law that was existing at the time, the old law. So none of the stuff we got in Sarbanes-Oxley helped us address the historic issues.

WT: Right. On average, what would be the age of a particular practice that you would begin an enforcement action against? Would it be something that was fresh, or would it be something that you would uncover from a few years prior?

LT: Oh, it depends on the type of conduct. Insider trading cases could be very quickly after the trading. For example, an insider trading case which is investigated based on, say, a merger announcement, and you've seen recently actions are brought sometimes within days, let alone investigations which may start. Things like Foreign Corrupt Practices Act violations may be, by the time someone discovers the underlying conduct they may be, relatively speaking, old, a couple of years even. Financial reporting issues may be discovered upon restatement, and restatement was probably lagging the initial reporting by some period of time. So it depends on the nature of the conduct.

WT: So there are several priorities that enforcement has in this period. I think insider trading is one of them, back dating stock options, and, as you were mentioning, the Foreign Corrupt Practices Act. Does that cover your perception?

LT: Well, those are some of the priorities. Microcap was always a priority. I think at the end of the day you want to cover the waterfront, you don't want to be so disproportionate. I remember going to a conference with Lori Richards when we were focused on late trading and market timing, and that focus was on an industry that hadn't seen a lot of enforcement action before.

We did sort of this sort of pop quiz and said, "Okay, how many of our cases from the last year focused on your industry?" You have to guess. This is impressionistic. You can't look it up. How many think it was more than 75 percent? At 75 percent people were raising their hand, and the reality was everyone in the room had voted before we got to the actual percentage which was something under 15 percent. But from my perspective, I wanted every industry to think that way. I wanted every industry to think that our exclusive focus was on them, and so that means you have to be sort of across the waterfront.

WT: So why don't we talk in a little bit more detail, at least, about some of these areas, then?

LT: Sure.

WT: So insider trading, what's the situation like in the mid 2000s?

LT: In the mid 2000s?

WT: The 15b-15 statements, I think.

LT: I think insider trading was, relatively speaking, garden variety back then. I think we were worried about institutional professionals engaged in insider trading, worried about hedge funds and the like, and one of the things we started working on then, and I am very pleased to see the Commission and the staff in particular have perfected this, is the notion of trying to find a way to capture a serial insider trader. That requires different forensic tools than had historically been used, tools that focus on traders rather than issuers.

And that process was underway. It was very much staff-driven, where the staff thought about how to create tools and take data that we had, so blue sheet data and trader debt, and layer it all together to sort out who sticks out, not over one deal but two deals and three deals, that seems to have an unusually good record. And that technique is going to, at least in the kind of cases we're seeing now where you have people who have engaged in suspect activity more than once, who are professionals, who have –

WT: This is fairly novel in this period, that insider trading becomes something that's more subtle, spread out over a number of trades.

LT: Oh, yes. But that part reflects –

WT: Does that have to do with the electronic environment?

LT: Well, it also has to do with the electronic environment, and it has to do with how information is disseminated. You know, back in a time when you really had to read paper reports to do analysis of business, there were ways for professionals to distinguish themselves from, for lack of a better word, Main Street traders because they had better access to information and better access to analytics. As information spreads more quickly, that edge is lost, and so for the institutional traders who want to sort of get an edge, there are fewer ways to get an edge. And so that was something that I think everybody was worried about.

WT: Okay. So the Foreign Corrupt Practices Act?

LT: The Foreign Corrupt Practices Act, we saw an uptick in cases when I was director. That has continued to this day. And I think, you know, there was the initial Foreign Corrupt Practices Act impetus, which goes back to the Watergate break in, and Stanley Sporkin and the corporate self-disclosure regime, which companies were confessing to problems before there was a Foreign Corrupt Practices Act. It was terrific.

Anyway, there's that activity, and then I think over time those cases became more difficult in part for the practical issues of gathering information among them and we just got better at it and saw an uptick in activity and saw an uptick in those cases.

WT: It was more a matter of focus than novelty, necessarily?

LT: Well, I think it's also a way of gathering evidence. I mean whatever you suspect, you can't bring an enforcement action on suspicions, you've got to have actual proof, and so the techniques for gathering information and the ability to gather information internationally, and the uptick of –

WT: What's the key to gathering information internationally?

LT: Practice, doing it more than once, building relations –

WT: What are the channels, I guess? I should be more specific.

LT: Well, you work with your counterparts around the world, you have success working with them and then you build on that success. That's one way to do it. Companies who operate internationally, you know, leave their footprints all over. If they have a footprint in the U.S. you can get information, so it's just learning how to gather this information.

WT: And then finally, backdating is the last.

LT: Stock option backdating. That was in part driven by reports of academics who sort of found evidence of that and then we followed up on those reports, those academic reports. And there was a confluence of various changes in tax laws and other things that sort of created an environment where there was some vulnerability to that kind of behavior, I think. And that's an example where, my suspicion is, the enforcement efforts have

changed that behavior for a pretty good long time into the future. I don't think you will see that kind of behavior again for a while.

WT: Right. Again, this may be an issue of internal perceptions versus what the media chooses to spotlight. A lot of my background research comes from media searches and a lot of what one sees is implications that one would receive pressure, say, from Christopher Cox. Did you feel pressure from political sources, the Bush administration, Congress?

LT: Honestly, no. Law enforcement historically— certainly on the federal side across the board—seems to be pretty much immune from political pressure, which isn't to say it isn't brought, which isn't to say that people don't want you to do things, but at the end of the day I don't know anybody who brings a case, or recommends a case, who isn't prepared to say, "I personally think they violated the law and I personally think we have the evidence to prove it."

Now I may turn out to be wrong, but I really don't see it in anyone because law enforcement's too important. I mean, if at the end of the day people think prosecutions or enforcement actions are politically motivated, you've lost the war. I think it's true of the Department of Justice, which is a political entity, unlike the Commission which is an independent agency. I think its reputation for independence and integrity is quite high.

Does that mean that the Commissioners and the Chairmen don't have a point of view? Of course they have a point of view. That's their job, to have macro approaches and

whatnot, but in my time there I don't remember anyone sort of getting in the weeds on investigations. The biggest issues are on settlements and does the Commission agree with the sanctions that are recommended, and that's their job. I mean they're the ones who decide to bring an action; they're the ones that decide to settle an action. You can call that pressure. You can call it doing their job.

WT: Right, it could be considered policy.

LT: Right, exactly. I mean, they're the ones on the hook for it.

WT: Okay. There was one question, there was a recent article, or I guess a blog post that I wanted to get your reaction to, as to whether or not it was policy in this period not to bring enforcement action against investment managers. This was specifically connected with the Madoff case, but I wanted to know in general. This was supposedly at the New York regional office.

LT: I know of no policy at any time.

WT: Informally or formally?

LT: Informally or formally, not to bring cases against people who have violated the law, not that I am aware of. I know that you are going to have to assess individual cases, figure

out resources, you know, make issues of prosecutorial discretion. I know of no policy not to bring a particular type of case.

WT: Okay. There's obviously an attempt to come to terms with complex cases, such as Enron or the difficulties with electronic trading and that sort of thing. Does that create an environment where there are certain other types of surveillance, such as relationship with whistle blowers? Obviously I'm thinking of the Madoff case, here. Is that your perception, does it take your eye off of more conventional means of arriving at investigation?

LT: I don't think so but if the question is can we miss stuff, absolutely. There's too much going on, and you're always making risk assessments, if you will. You're always trying to figure out if I do this, I'm not doing something, and whether you're explicitly sort of bringing the changes on if do this, I'm not doing this, or intuitively doing it, you're always doing it.

And you know, at some level there's always the calculus that there's a 5 percent chance there's something here, a 95 percent chance there's nothing here, but if the 5 percent chance is actual it's going to be a catastrophe. How you price that, how you assess that when you've got a 100 percent chance of something going on right here, right now and you've got resources you've got to deploy that can't do both, those are the tough calls you've got to make all the time. And you don't know how it comes out. I mean, if you knew the 5 percent was actually happening, it would be easy.

WT: So is that your experience with somebody like Markopolos that in, say 95 percent of cases, that doesn't end up yielding things?

LT: No. I can't be specific about that, but I think it's fair to say that any time you're dealing with a whistleblower you have to bring certain skills to the table. Some whistleblowers, we'll say, can be difficult. They can have agendas, they can behave in ways, because of how they've been treated historically they can be somewhat nervous, they can be anxious, they can be testing you constantly. But they can also be profoundly right. And so finding the skill sets to deal with people who are bringing information in sort of unconventional ways, or conventional ways but difficult ways, figuring out how to do that and how to break through it and devoting the right time to it is something that is a skill.

Who knows what would happen if a different investigator with different other things on their plate, how things would've come out? That's just unfortunately a reality. Everything can't get done, and people will make mistakes.

WT: Right. So with that in mind, do you think that the criticisms surrounding you and the SEC in general in the Madoff investigation were fair, that they weren't appreciative of those underlying difficulties?

LT: Oh, I think criticism, in light of what happened, was inevitable. Looking back, to try to learn from that process, was not only inevitable, but a good thing. There was an enormous amount of money lost. I would love to say there's no one sorrier than I but I expect the people who lost it are sorrier. It was terrible, terrible.

There are times when I think we could save a little more criticism for Mr. Madoff, but to my mind, to a certain extent it reflects a certain amount of optimism and confidence in law enforcement to think that when something goes really wrong that –

WT: That these will be routinely caught, as a matter of course.

LT: Yes, we expect people to catch this, we expect people to find every needle in every haystack, and that expectation I think means we'll catch more than we'll miss. It doesn't mean we won't miss some. So to my mind, it ultimately reflects great confidence in our system and in our ability to get better, painful though it may be to be in the missed category.

WT: Could you discuss the unfolding of that situation, was it very rapid once it did break?

LT: Oh, yes. Once it became clear that there was a problem, the case was brought in a matter of days, if not hours.

WT: Right. And in terms of public prominence, there is a certain parallel, I guess, with the Enron investigation but in terms of the substance of the case they're night and day.

LT: Every case is unique.

WT: Well, certainly, but in this case you're dealing with very straight up malfeasance versus the labyrinthine complexities of the Enron case. So in terms of managing, I guess, this is what I wanted to get at, in terms of managing an investigation this seemed more like a peculiarity or, I don't want to say not a big deal but something that you can dispense with through more ordinary measures, as it were.

LT: I guess I'm trying to distill a question. A Madoff investigation – and I know not everything about everything that happened, obviously, afterwards because I left shortly, this happened in December, I was gone in February, but by and large, once you're looking, the facts are going to be, relatively speaking, straightforward once it's started. Once you have the thread to pull it will unravel relatively quickly.

What became obviously complex, just watching what happened, were tracing funds and figuring out who contributed, so it became pretty complex but the sort of core behavior, once discovered, was more straightforward than, say, an Enron. Enron was more straightforward than the financial crisis. But I've never found a case that isn't in the detail in the weeds. Even the simplest requires a lot of work and a lot of effort.

WT: Well let's talk a little bit, I guess, about the financial crisis, then. So what's your experience on that end? I mean, it's not as clear of a criminal situation, if indeed there is one, and I know you've given talks on this in terms of the comparisons that have been made with the Enron case and the demand for action. So from your perspective, in Enforcement, was there an expectation that there was going to be a directed enforcement effort?

LT: Well, whenever you have the kinds of activity and the kinds of outcomes you have in the financial crisis there's going to be investigations. Whether that's going to result in actions or not depends on what the evidence is. I mean, much of the enforcement effort, with respect to the financial crisis, is credited to Rob Khuzami and his regime because he spent most of his tenure focused on that.

During my tenure, I guess some of the first financial crisis cases to my mind, and ones that I'm very proud of, are the auction rate securities cases which were brought pretty promptly after those markets froze up, and they froze up as a result of the crisis. And there were a raft of cases that got done, you talked earlier about, with the states, with the SROs, coordinated effort, where the principal focus was getting liquidity back to investors. And I think the combined effort of everyone working on them accomplished that in relatively short order.

It's one of those few times when someone, I have a specific recollection of someone coming up at an event and thanking us for what we did. There was this woman who was

obviously determined to see me after some speaking thing and so I couldn't imagine what it was about. Usually people are coming to complain about something, and she was determined to say that her church had been saving for a new building and had put their savings in auction rate securities, because they got a slightly better interest rate, and then they were all locked up. And after our enforcement efforts, stuff got unlocked and they were able to get access to their funds and move forward.

WT: Could you describe that mechanism a little bit? I guess I'm a little hazy on precisely what enforcement is doing vis-à-vis liquidity.

LT: Well, these instruments were sold as the equivalent of cash, so the enforcement actions were based on representations. In many circumstances they would be very similar to cash, but if the auction markets locked up, which they did, then they're no longer liquid, you can't sell the things. So the enforcement actions were focused on the disclosures made to investors and the remedies were geared towards getting liquidity back to investors so that they could have access to their instruments.

WT: Was it your impression that that was done intentionally? Or do you think that they simply misunderstood the nature of what it was they were selling? I guess if you would need to prove intent, it would be the former.

LT: If you tell someone it has certain attributes that it doesn't have, and if based on the materials that you've produced you know it doesn't have it, to my mind that's at least reckless. It's at least reckless.

WT: I see, okay. So you leave the SEC then, in 2009. Essentially this is a new regime coming in under Mary Schapiro. It's fairly ordinary for there to be a lot of turnover.

LT: Right. And we're seeing it again.

WT: Right. At the same time you are having a bit of a difficult time on the Hill, and also internally there had been the issues surrounding the Pequot investigation and that sort of thing. Did you view it as a natural time to move back into private practice? Did you feel that there were things that were left undone that you would have liked to have stayed in some sort of regulatory capacity?

LT: I think I had in mind for some time that if I was going to go back into private practice the natural time to go was sometime between the age of fifty and fifty-five, and I turned fifty-five in 2009 so that was the outer edge. I also had in mind that I personally was committed to seeing things through Chairman Cox's tenure, because there was so much going on that I thought we needed to get through that tenure in as coherent a way as we could with some consistency of leadership. And you're never done, and one of the virtues of being as old as I was at the time and as old as I am now is, you understand that. So it was a natural time for me to go.

WT: I know you've offered some limited comment through the media on the complaints of Gary Aguirre and David Kotz. I was wondering if now it's possible for the historical record to be able to speak in any more detail about that particular situation.

LT: No, I think I'm going to leave it where it is.

WT: Fair enough. That's fair enough.

LT: Thank you.

WT: So, moving back into private practice then, I guess being on the other side of things I take it you deal with quite a bit of defense issues now against regulators. How was that transition?

LT: Well, I've always liked being a lawyer, and I like our system where everybody has a chance to sort of advocate their position. I think more often than not we're helping people get to a resolution of activity that they probably wish hadn't happened, but we're also dealing most of the time, certainly in this practice virtually all of the time, with legitimate businesses who want to continue to legitimately engage in business. So you're helping them get to that.

I think you, by virtue of having worked at the SEC, knowing the concerns, knowing where things go awry, you can do a better job spotting issues before they become problematic, doing advisory work, and assessing problems that do arise and helping figure out ways to fix them and resolve them.

WT: And finally, returning one last time to the theme of women regulators, do you have any encapsulating comments on general trends that you've seen?

LT: Oh, you know, I just –

WT: Or are there any anecdotes that particularly strike you?

LT: I was thinking about that and what I think, for me, when I look at the Commission I am always amazed, historically and currently, at the number of really impressive women who have sort of gone through the Commission forever. I mean you go back to some of the early days of Commissioners; women were Commissioners for years and did terrific jobs. Now we've reached a stage where there's not one but frequently two women on the Commission at a time.

We've reached a stage where we're now on our third female Chair, as opposed to acting Chairs. There were several acting chairs before Chairman Schapiro. And in some ways, the second and the third are the ones that demonstrate how far you've really come. First is sort of, was someone's doing that to say they've done it, but once you've gotten to the

stage where it's sufficiently institutionalized that it's of no consequence, that's a terrific accomplishment.

Recently, the addition of Anne Small as the General Counsel, who I think is the first female full-blown General Counsel, I know there have been acting, including Colleen Mahoney, that's another great step. So I think the Commission has been a great spot for women to become leaders in their field.

WT: This is a little bit awkward because I ought to have asked it one question ago, but was there any question that you would come back to this firm when you went back into private practice?

LT: Oh, sure, sure. I hadn't been here for fourteen years. Every time you leave, you leave.

WT: Was it totally different, coming back?

LT: No, that's why I came back, to a certain extent, because what drew me to Davis Polk the first time I came was excellence in culture, what drew me to Davis Polk the second time I came was excellence in culture, and what drew me to Davis Polk the third time was excellence in culture. I don't know that I had any particular expectations one way or the other, but I was delighted to see that excellence in culture had survived.

WT: Well, that seems a nice cheery place to wrap things up unless you have anything else you wanted to cover?

LT: Nope, that's it.

WT: Well, then terrific. Thank you very much for your time.

LT: Thank you.

[End of Interview]