Securities and Exchange Commission Historical Society
Interview with Therese Pritchard
Conducted on October 31, 2013 by William Thomas

WT: This is an interview with Terry Pritchard for the SEC Historical Society's virtual museum and archive of the history of financial regulation. I am William Thomas. The date is October 31st, 2013, and we're in Washington, D.C.

So, thanks very much talking with us today. We usually start with a little bit of personal background. I saw a nice profile of you actually on "Securities Law 360" that went into a little bit of that. But maybe you wouldn't mind repeating a little bit of what you said there. I guess your father was a lawyer and that got you interested in being a lawyer yourself?

TP: My father was a lawyer; my brother is a lawyer, so it's definitely a lawyer family. We used to joke that my mother was the judge. But yes, I went to Bryn Mawr College, and, frankly, was at one of those stages where I wasn't sure what I should do next and decided, by default as much as anything else, to go to law school. I went to Boston College Law School, and actually began my career in-house at what was then the First National Bank of Boston and spent four years there. They have a rotation for new lawyers and I really did a lot of work in-house, and after the two-year rotation I was assigned to litigation, which I did for a couple of years. They did a lot of the litigation in-house at that point.

And then my husband, who received a Ph.D in philosophy, received a teaching position offer at St. Mary's College of Maryland. Since philosophy is a lot more difficult in terms of marketing and finding a position than law is, I agreed to look for a job in Washington, and actually was interested in one of two jobs, either the Antitrust Division, or the Enforcement Division of the SEC.

WT: Okay, what sort of cases were you working on at the bank?

TP: Typical commercial litigation kinds of cases, but I had become very interested in the securities side during the corporate rotation. To me, the notion of putting together securities work and litigation work in the context of enforcement was really appealing—or antitrust work. I was happy to go in either direction, although at that point in time the enforcement division was much more active than the antitrust division was so it had a particular appeal.

WT: Yes, we're coming into a period in the 1980s I guess. Just to put some dates on things, you got your AB, it says here, in 1975?

TP: Right.

WT: And then your JD in 1978, and then you came to the SEC in 1982, which is indeed the beginning of a very interesting period for enforcement at the SEC.

TP: That's right. Insider trading was a very hot topic at the time, and the Enforcement division was really in the early stages of freezing assets of U.S. branches of foreign banks, or of U.S. citizens with accounts in foreign banks, so there were a lot of Swiss bank account cases that were making the headlines, and things like that.

I actually was in a branch early on where our branch chief didn't love the insider trading cases. So, the two cases I remember being first involved with, one was a loan loss reserve case out of a bank in Texas, and we didn't bring that case; and the other was actually the Bayswater case, and that's a Carl Icahn entity that we sued for being an unregistered investment company. So I was actually not in the middle of the intense insider trading cases in my first couple of years there.

WT: So, why was it that they wouldn't be excited about pursuing insider trading cases at that time?

TP: My branch chief?

WT: Yes, your branch chief.

TP: I think he just loved the more technical cases, the accounting cases and the manipulation cases and kind of the more—I'll call them the more numbers-oriented cases. So, you get assigned to a branch and you get assigned cases and that's what you pursue. And they

were great too. It certainly rounded out the program, but certainly the headlines of the time were the exciting insider trading cases.

WT: Yes, John Shad had made a point of going after those cases by that point already, is that correct?

TP: I think that's right, and John Fedders, and clearly they hit upon something because there were a lot of big cases that were brought in those years, really, in the insider trading arena.

WT: This is definitely something we're going to be wanting to talk about a lot, so before we get into the depths of it why don't we discuss a little bit coming up through law school. As I was saying before, this is part of a series on women in regulation so can you tell me a little bit about your experiences, what the proportions of women were in the environments that you were in, what the experience was like?

TP: Well, I went to an all-women's college so it's hard for me to obviously talk about that, but at Boston College Law School, by the time I got there, interestingly enough there were a pretty significant number of women. I'm going to say I doubt it was 50 percent, but we weren't a dramatic minority. There were certainly lots of us around, probably 30 to 40 percent back then, women, so it wasn't an uncomfortable situation at all. I think the educational environment was much more progressive in terms of welcoming women into their ranks. It took a bit longer for private industry and government, I think.

WT: Can I ask what it was about Bryn Mawr in particular that sent you there?

TP: I don’t remember in particular other than my very conservative, religious parents thought that an all-women's college would be a good choice, and actually scratched their heads a lot about why on earth I would want to go to law school because they didn’t have a perspective that women would want to have a profession, and certainly not that women would want to both have children and have a profession. I mean that was just not in their realm of things they would conceive as desirable for their children.

WT: Not to dwell on the subject too much but you mentioned in your profile, too, that judges could sometimes at that point in time be a little bit condescending.

TP: I have laundry list of funny stories about the early years, whether it's judges or, frankly, secretaries in New York law firms. They're just very funny now. I don’t think they were so funny at the time, but certainly, yes, judges who would comment on your looks as opposed to the substance of what you were saying, and things like that, so yes.

WT: But on the whole, you were saying the SEC was a pretty comfortable environment.

TP: Yes, it was. The SEC overall was a great place for women. I'm sure you’ve probably talked to lots of the stars, Linda Fienberg, Elisse Walter, the late Linda Quinn was wonderful. In Enforcement there were far fewer women, so I was actually a pretty early,

I guess, supervisor. Debbie Hechinger was before me, and I think that's it in terms of women in supervisory roles in enforcement. Alexia Morrison came in at about the same time, I think, as me in the trial unit. So she was the other person who was a senior woman in Enforcement.

WT: Okay. Why don't we talk a little bit about the breadth of the cases, then, you would see when you came in? As you said, at first insider trading was not the central thing that you did, so maybe we should do a survey.

TP: Well, I mean I think my cases in my years there probably covered the gamut of all securities laws. It was everything from a '40 Act case to a lot of accounting cases. I actually liked the accounting cases. I don't think I did any FCPA cases back then, manipulation. By 1984—that's when I became a branch chief—the year after that I spent a lot of time on the E. F. Hutton check kiting matter, which was a criminal case and an SEC case. And then, really by 1986, that's when I was promoted to assistant director and became in charge of the branches that had just nabbed Dennis Levine. So, I would say from that point to the end of my career I was primarily focused on Ivan Boesky, Michael Milken and the Drexel-related cases.

WT: So, what role when you first got there were you playing? Now was it mainly an investigation, litigation?

TP: Right. Yes, staff attorney in the Enforcement division doing investigations, which I loved. And that's an amazing role in which to learn so much, because you have to do it all. Certainly back then, there was bureaucracy, but less, so you would subpoena documents, review documents, find the smoking guns, figure out what you needed to do with them, take the testimony, pull together the information and present it to your supervisor, so a great role.

WT: You worked with a couple different directors of Enforcement in your time there. Could you tell me a little bit about them?

TP: John Fedders was the first director of Enforcement, and amazingly, given that I was just a staff attorney, although he is the guy who promoted me to branch chief, I did get to know him and he was very interested in the cases and the people he had in his division. And I can say this, he promoted me when I was six months pregnant and that was a leap of faith back then. And when I came back it was really John Fedders—I wanted to work four days a week but keep my branch chief job, and he decided to give it a try. And actually we joked—because for the next five quarters my branch brought more cases than any other branches—and the joke became what would happen if we cut her back to three days a week.

So, he was interested in the work, he was supportive, and I can say this about the Commission generally, everybody always wanted to do the right thing. Politics were really not a part of it at all. I certainly knew what John's politics were, but whether it was

John Fedders or John Shad, they were very intent on doing the right thing based on the information we gathered and analyzing whether there was a violation of the securities laws or not and pursuing it if there was. So that's what I would say about John.

Gary was the same in that sense. Gary and I spent a lot of time together because, of course, the Drexel case, and the Marty Siegel case in particular, was really the first probably of the Ivan Boesky spinoffs that we pursued. He was very personally involved in those, so that was a great experience for me. I would say the same thing about him that I've said about John. They were intent on being supportive and helping us do what we could to figure out the actual facts, and then do the right thing by the facts.

WT: So the branches that you were part of—I guess it's sort of a technical bureaucratic question—did they have particular responsibilities?

TP: Not in the early years, so when I was a branch chief, my branch did everything. By then we had insider trading cases, accounting cases, manipulation cases, offering cases, all kinds of different cases, and there were six or seven lawyers in that branch who pursued those.

When I became an assistant director, as I said, by then Dennis Levine was just beginning to cooperate so we were just beginning to get information from him. As it evolved, there was one branch of my two branches that became completely devoted to pursuing Drexel deals. So there were a lot of deals involved in the Drexel case, and they were really

divided by lawyer. Lawyers would be assigned to investigate a couple of the deals. And so an entire branch was devoted to Drexel.

WT: I guess we'd better start talking then about these cases in particular. So you said you arrived just as Dennis Levine was beginning to cooperate?

TP: I was promoted to assistant director over those branches just as he was beginning. He had cut a deal, yes, and we were obtaining information from him in his cooperation mode and pursuing the other members. There were a group of people sharing information and we were pursuing the other parties to that.

WT: Okay, could you tell me a little bit about the process of the investigation?

TP: Well, the investigation into Dennis Levine was pretty much over by then. The history is that there was suspicious trading observed by Merrill Lynch. They sent it to I assume Gary Lynch, someone in Enforcement. We began to pursue Bank Leu, which appeared to be the hub of where the profits were going. They were a Bahamian bank. They would not provide information. Ultimately, we put out a border watch and someone from Bank Leu came to the U.S. and was served a subpoena, I think at the Waldorf Astoria, at which point the difficulties contesting jurisdiction became worse for Bank Leu and they began to provide some information, although not the identity of the owner of the account.

So ultimately what happened was we had some very good people working on the case who kind of put the puzzle pieces together and really focused on Dennis Levine, and ultimately we were able to establish that it was Mr. Levine who was the owner of the account. He did some resisting. There were asset freezes filed in that case and, really, as I said, I came in when all of that was done. By the time I got there he was talking and we put the cases together against the other members of his ring, and of course one of the people he identified as a source of information was Ivan Boesky. And really my focus at that point became the Boesky case.

And then what I would say is the information that Mr. Levine provided was pretty limited, but there was a long history of tender offers, and we had trading records, we got them by hand in those days on things called blue sheets, but we could see patterns of Mr. Boesky in advance of tender offers. We did an analysis of which deals he was hitting on in an effort to figure out who might be his other sources of information. By then, based on what we heard from Mr. Levine, we were quite convinced he had other sources of information, so some of it was a guessing game. And, ultimately, I think our guesses were close enough and hit frequently enough that Mr. Boesky believed that he, too, had to come in and cooperate.

WT: I guess you were dealing with these people personally. Could you tell me a little bit about what they were like to deal with, Levine and Boesky?

TP: Well, Levine I didn't actually deal with all that much so I don't have a good sense of him. Boesky, I went to a few sessions after he was cooperating, but I'll tell you my primary role was really to take the information he was providing us and figure out what to do next.

In terms of my impressions of Mr. Boesky, I would say I saw—I'll call them two personalities. There was the Ivan Boesky that was the public face previously, and some days he had that face on and he was confident and in control. Other days—or nights, because we were doing this at night—he was more introspective and reflective, and so he was a very interesting guy.

WT: So, tell me about where this goes next then.

TP: Well, of course we took the information. I remember well there was a meeting in Boston that Gary Lynch and John Sturc and I went to, and that Ivan Boesky's lawyers came to, in which they basically told us that he could provide us with information that might change our perspective of how Wall Street really worked. And, of course, ultimately he provided us a lot of information about Marty Siegel, and that case was brought, and Boesky, and Milken, and there was a Jefferies piece, there was an Ivan Boesky Gulf & Western piece. So there were a variety of, I'll say, buckets of information that we wanted to pursue.

And, really, for the few months while we were talking to Mr. Boesky, we were getting organized to issue subpoenas at the time that we announced the Boesky matter. So the

Boesky matter was kept under wraps, I'm going to say for two to three months while we debriefed him and prepared for the next steps. And, as you may know, we filed that case on a Friday after the close of the market because we were worried about the market impact of announcing the Boesky case. At the same time we had Enforcement lawyers from my group deployed across the country to serve subpoenas as the announcement came out.

So that took a lot of coordination, figuring out who we would serve, what we would ask for, and how we would orchestrate it. I would say that was the bulk of my two months, was receiving the information, figuring out what to do with it and orchestrating that.

WT: Were there any debates on the strategies to be taken? I know that you have to, in dealing with some of the earlier figures like Levine and Boesky, to get to the further figures you have to, I guess, cut deals, so to speak.

TP: I would say during that phase we weren't cutting deals. We were absorbing information from Boesky and figuring out how to proceed. There were certainly a lot of discussions about how to proceed. Is it appropriate to delay it for two months? Boesky had positions, what about those positions, what happens to them? So, there were all kinds of strategic conversations happening during that period of time. There were not deals being cut with other people because our desire was to learn what we could, get subpoenas out to preserve documents, and then pursue deals. Really the deals began right after that happened.

WT: Could you tell me a little bit about some of the international aspects? I know that there was a lot of dealings early on, maybe even before you got there, with the Swiss banks and the Swiss government, and then of course you were dealing with the Bahamas in the case of Levine and Bank Leu. I know that Michael Mann is the real expert on this, but perhaps you could give me a little insight.

TP: I don't have a lot of insight because I wasn't directly involved in those cases. I obviously know that the pursuit of the Swiss banks led to an MOU with Switzerland, which Michael was deeply involved in, and ultimately became the model for MOUs with other countries as well. It was a huge breakthrough for the SEC, and frankly to this day the asset freezes that were done by the SEC, I still look back at them and think about how we did that with the limited amount of information we had. We didn't even know who the traders were. So, I think that was a great coup for the SEC, but I really can't shed a lot of light on it because I wasn't terribly involved in it.

WT: And also, as you were pursuing cases there was also a changing legal environment with a series of Supreme Court cases. It had begun back in 1980, I understand, but then, of course, there's the Insider Trading and Securities Fraud Enforcement Act. How did that affect enforcement?

TP: Well, I would go back. There was the Insider Trading Sanctions Act, which of course imposed sanctions that went beyond "give us back your money." I would say that's the

first big step, because suddenly the risk-reward balance changed at that point. And after that it was, frankly, further changing the risk-reward balance so that was very significant and made those cases more fun to pursue as a prosecutor.

And the other thing that was happening was the law was expanding. So, there's the traditional insider trading where an insider breaches a duty to his or her corporation by providing information, or trading on information. The trick really was to get beyond that to circumstances where the breach of duty was not just to the corporation itself, but there could be another breach of duty which could form the basis for insider trading. And that's the misappropriation theory. So that was just being developed at the time as well. So, I would say both the increase in sanctions and the development of the law made those things very exciting to pursue at the time.

WT: So is it the technicalities of developing a case for misappropriation that makes it fun, would you say?

TP: Well, all insider trading cases are fun because it's about putting the puzzle pieces together. You start with a blue sheet, and it tells you who traded when. And you're of course looking primarily at the two days or the three days before a tender offer is announced, and you're seeing a huge spike in volume and in price, and you know they knew something. So then it's: where do they live, who do they know, right? It really is like putting a puzzle together. Those are fun. When you find that last piece and you finally see the puzzle and you figure it out, that's an exciting moment for a prosecutor. So, for

me, I was really more in the trenches back then putting those puzzle pieces together, or later on having people bring to me the puzzle pieces so that we could look at the picture together.

WT: When you were associate director, what percentage would you say of your time was spent on these big cases?

TP: Assistant, yes.

WT: Assistant, sorry.

TP: Yes, 90 percent of my time was spent on Drexel and Ivan Boesky, maybe 80 percent, maybe I'm exaggerating. I did have another branch that was doing other cases, and I'm sure they felt neglected because it was hard to find the time because the focus was so much on Drexel and Boesky and the information Boesky had given us, and following up. The Drexel case was a battle for a lot of years.

WT: What were your dealings with the U.S. attorney's offices, did you personally liaise with them?

TP: I spent a lot of time first working with Charlie Carberry, who was an amazing guy. In fact, I remember the first time I went to a meeting with Charlie, he was unhappy with one of the players in the Dennis Levine ring who had worn a wire. I don’t remember the

details, perhaps he had warned the other side that he would have a wire on or had messed up the conversation or something. Charlie Carberry was quite angry, and I was quite impressed with his confrontation of the witness. And frankly, I thought he was scary so I can only imagine how the witness felt.

After that, John Carroll came in, and really John Carroll was the head of the fraud section during the Drexel case—Charlie did the Boesky case—and he, too, was very diligent and they were great to work with. We worked very closely with them throughout the whole process.

WT: I know your career moves over to the S&L crisis after this so what, if anything, did what you were doing then have to do with what you would go over to do?

TP: Well, they were both enforcement, and they were both in the greater financial services industry, but they come from very different perspectives. So the securities perspective is about disclosure. The securities laws are about disclosure. The banking laws are about the safety and soundness of the financial institution, and sometimes that's the antithesis of disclosure because you don't want to run on the banks, you don't want to publicize whatever may be wrong. So I would say, from those perspectives, there are very different philosophies about the reasons for bringing the cases they were bringing and the reasons for the law.

But the S&L crisis was in full swung when I moved over, and the prior director of enforcement at the OTS really was criticized a great deal in the *Wall Street Journal*, so it was not a happy time when I arrived at that agency. Pulling that staff back together and getting focused on some of the big cases they had going on was really my mission then, and I did some good cases there too.

WT: Yes, I want to ask about some of the mechanics of that and the particulars, but could you tell me first the circumstances surrounding your move over there to the Office of Thrift Supervision.

TP: Yes. Rosemary Stewart had resigned, and so that was an opportunity that was open. I had been an assistant director for a few years at the SEC, and I thought it was a good opportunity to really kind of shape an enforcement program.

WT: Who are the people who were doing the recruiting for that position?

TP: Harris Weinstein was the general counsel at OTS at the time and he was the primary recruiter, and Tim Ryan was running that agency, so I think they were the two people who made the decision.

WT: And your title was—I've seen a couple versions, deputy chief counsel or deputy general counsel of enforcement?

TP: Good question. I wish I could tell you I remember. I think it's the former, deputy chief counsel, but I'm not sure.

WT: All right, so now tell me a little bit more in detail about some of the work.

TP: Well that was a circumstance where, as you know, back then we thought that was a financial crisis. There were many failed savings and loans. There were many bad loans that had been made by savings and loans. There were often land flips involved and other fraudulent activities. So, in the banking world, there was both the fraud piece and a much more active, what I'll call regulatory violation side of things.

We had enforcement people throughout the country. My Washington group really was much more focused on the bigger fraud cases, and it wasn't all that different from the SEC. You gather information, you analyze it, you take depositions, and then you file claims. Now, by then we had interesting asset-freeze types of provisions in the banking laws, so in many ways it was very similar. The case that I remember being most focused on at the time was Beverly Hills Savings and Loan and a guy named Tom Spiegel. Of course I remember that because I did the bulk of the arguments in California on the asset freeze and things like that. Very similar processes, and from my perspective, a focus on the big frauds.

WT: Okay, and then ultimately you move over for a year to the Resolution Trust Company. Tell me a little bit about that.

TP: That was a really fun job. Again, I'd say the RTC had filed a couple of hundred cases against directors and officers of failed thrifts, and they were losing just about all of them in court, so it was a mess. Everybody was very demoralized, and a couple of people from the OTS went over to take over the RTC and asked me to come over and co-manage the D&O liability program.

As you can imagine, you arrive and there are 200 cases, and they basically say, "Figure out what to do with these." So, it was a lot of high-level conversations about why are we in this case, what do we want to get out of it, do they have the assets to pay, did they really do something wrong? Let's pursue it, let's not pursue it. I'm going to fly down and try to cut a deal on that case. So it was just a wonderful year where I could, again, dive into the cases that I thought were significant, direct that we wrap up cases that I thought weren't significant, and really feel like we could make some progress in wrapping up what was lingering from the S&L crisis.

WT: Was it about the same level of engagement with the details of the cases themselves at the SEC as in these other positions?

TP: Yes at the OTS but not that much at the RTC. At the RTC we used outside counsel to pursue cases, and so they would prepare memos for me as often as anything, and I would read a fifty-page memo, and then we would have a half a day meeting on the case and the pros and the cons of pursuing it and the strengths and the weaknesses. I was much more

involved in the strategic calls, unless I decided to go and try to negotiate a deal. I did not go into court when I was at the RTC, I really left that to the outside counsel, but I was very involved in what to pursue, what not to pursue, what to argue, what not to argue, why are we losing these cases, let's take a look at the argument that was made in that case and figure out how we can refine it so that we can do better, those kinds of things.

WT: In attempting to reform in the wake of the troubles that the Resolution Trust Company and the Office of Thrift Supervision had had, was it primarily a matter of increasing the diligence on the cases, or were there strategic issues involved that had to be improved?

TP: Well, at the OTS I don't think there were strategic issues. That was fundamentally looking at the case, figuring out if there were violations, building the case as the investigators at the SEC did, and then bringing the case if it was appropriate to bring it.

At the RTC, of course, it was different, because we're talking about receiverships. We're talking about failed thrifts, and litigation that gets brought against the directors and officers in an effort to recover funds for the receivership, so a very different context. I would say one has to behave more like a plaintiff's lawyer in that circumstance, as opposed to an enforcer. I always believed that the enforcement role really involved trying to figure out what was right and wrong. Did somebody do something wrong, is it appropriate for the government to pursue them? And then what's fair and what's not fair.

The big matter when I was at the OTS involved freezing the assets of a law firm, Kaye Scholer, and we had a lot of internal discussion about whether that was an appropriate thing to do or not. And, frankly, I fell on the side of I don't believe that people should be deprived of the ability to defend themselves. If you freeze somebody's assets so that there's nothing left, they have no choice but to settle with you. I viewed that as not particularly appropriate behavior for an enforcement division.

The role of the RTC was really much more, as I said, classic litigation, classic commercial litigation. I am the receiver. I might be able to collect some funds for my receivership from the directors and officers who made the decisions that led to the failure of the thrift. Again, it didn't have to be fraud. It could be gross negligence standards, things like that. So, I would say that was very different. And there were more strategic classic litigation decisions in the RTC role than I perceived that there should be in the enforcement roles. Those roles, to me, were more about what's right and what's wrong. We've accused somebody of something. They have the right to defend themselves.

WT: It's interesting, the contrast between, on the one hand you have the power of government behind you when you're in an enforcement role. On the other hand, a lot of the people that you're going after are extremely wealthy and powerful individuals. You clearly feel, I guess, both sides of that equation of the power, and balance. On the one hand you don't have many resources; on the other hand you do have that statutory authority. Could you talk a little about that?

TP: Well, what I would say is that certainly in both contexts we went after many very wealthy people, Drexel, Milken, Boesky, and they had the power to defend themselves, they had the assets to defend themselves, and that was okay with me.

The banking statutes were designed to enable asset freezes, and again, we went after many very wealthy people and that was fine. As I said earlier, it was my belief that people had a right to defend themselves from our allegations, and so while I thought we needed to freeze assets in the event that we needed to recover those assets, I also thought that there should be accommodations for people to defend themselves. In a circumstance where it's a law firm and not an individual, we're not talking about whether those assets are going to disappear from this country. We're talking about, in my mind, whether we want to get leverage over them, and so that to me is the distinction. Are the assets going to disappear? And so I have to impose an asset freeze in order to preserve the potential recovery that I want to get. Or, are they going to stay here anyway? And so, really, all I'm doing is putting pressure on them so they can't defend themselves. That was the distinction for me. Does that answer your question?

WT: I think so. It seems that it's kind of a case by case issue where you feel different balances of who has the leverage in a particular situation.

TP: And I think you have to look at them on a case by case basis. In my mind, asset freezes are entirely appropriate, as I said, if you're worried about the dissipation of those assets or the transfer of those assets to a place where you can't recover them.

WT: I probably should have asked about piggybacking on insider trading a little bit earlier when we were still at the SEC, but could you tell me a little bit about that, trying to extend cases out to that level? I know it could be problematic sometimes.

TP: Are you talking about tippees and remote tippees?

WT: Yes, exactly.

TP: Yes, ultimately we did a fair amount of that, and I think we did extend the reach of the insider trading laws further and further, if you will, to remote tippees. I don't know really what to say about that other than it's more of putting the puzzle pieces together and following the leads and seeing where they take you. At some point, if you will, the distance between the remote tippee and the original tip gets attenuated enough that you really can't, and perhaps shouldn't, pursue it. It led to some case law in which I would say you needed to really establish a link a little more firmly. But I don't have a great deal of memory about being too deeply involved in those cases. I was so absorbed in Drexel by then that I don't remember that.

WT: Well, you were involved then with quite a few things that were very high profile, in the media constantly. Could you tell me a little bit about that, what the experience of that is like, I suppose, whether you felt it impacted you in any way?

TP: Certainly the day after Boesky, I remember going to the office with my then-two-year-old and seeing a picture of us in the *New York Times* that Monday morning, myself, John Sturc, and my two-year-old. Sometimes that was fun, but, frankly, it was interesting to watch the media evolve in the Boesky situation and the Milken situation, because sometimes stories took on a life of their own and we would read things in the newspaper that we knew not to be accurate. So that was always fascinating.

The media scared me a bit. I was never a big fan of talking to the media regardless of which of these roles I was in, and that probably continues to this day. I prefer to keep my head down and do what I think is right, and let them pass judgment separately.

WT: Did you feel pressure, say, from Congress or anyone else because of the profile of these cases?

TP: I certainly was involved more often than not in the background, but Gary Lynch had to testify several times, and certainly was involved in strategy sessions about those. I know our desire was that they leave us alone and let us figure out in fact what the facts were and let us decide what we thought was the right thing to do. But they have a role, too, and their oversight role, they pushed us. But I think, for the most part, even there we felt that we got to the right place at the end.

WT: The directors provided a nice bulwark, then, between that world and your world, essentially.

TP: Right. So I was, as I said, behind the scenes having strategy discussions, but Gary Lynch was the one who really had to deal with that. I remember one or two meetings on the Hill, I'm not even sure they were related to Boesky and Milken, where I was on the firing line with the staff of some Congressman, but, really, Gary took the bulk of the pain in that.

WT: Returning to the theme of women in regulation, in your dealings with this Wall Street world did you ever feel that your status as a woman played any role in your dealings with it?

TP: Not really, no. I think I felt just taken seriously and like one of the team. I did have two children during this period of time, so that certainly created some interesting dynamics. I remember sitting in one meeting, it actually might have been with the Drexel folks, and having somebody ask me when I was due and saying two days ago, which caused a little nervousness at the table. So that was interesting, but, again, I never felt that I wasn't taken seriously or treated like a legitimate team member.

WT: Yes, even by the people who you were in enforcement actions against? I mean, I suppose you didn't have that much dealing with them.

TP: Well, again, I can tell funny stories about little incidents along the way from people I was deposing when I was staff lawyer or otherwise. I would say to you, in the training

program at the SEC—because we had for new SEC lawyers kind of a deposition-taking training program—I would always stop and say, “Here's a message for the women in the audience. There are men who are just not going to take you that seriously and who are going to think you don’t get what they're talking about. Go with it, because at the end of the day it's whether you win or lose that counts here.” I used an example of a man who was saying something to me, and I said, “I don’t understand,” and he said, “That’s because you don’t understand business.” I said, “Okay, you might be right, please explain it to me,” and he basically admitted to a violation of the securities law. So, my attitude was, that’s fine, if that’s the attitude they want to have, use it.

So there was some, I would say, messaging to women. There were certainly efforts by people I was deposing or lawyers on the other side in some matters to, if you will, play a superior role because I was a young woman. But, at the end of the day, I don’t think that occurred in the bigger cases we've been talking about, and I don’t think it was a real issue among my colleagues at the SEC.

WT: Were there any mentorship roles that you played or that people played for you, whether it was a woman or not, that spring to mind?

TP: Mentoring wasn’t as big back then as it is now. Debbie Hechinger and Alexia Morrison were the women who were older than me in the division. I guess what I would say to you is we had jobs and we had babies and we did not have a lot of time to be having lunch and discussing what it was like to try to get balance in our lives. There was no balance in

our lives, and that was just a given. I don't know how else to say it. And, frankly, I was probably less focused on mentoring then than I should have been. As I used to say, it's just too much of too many good things. There's not enough time in the day. As my career evolved, I became more focused on trying to be a mentor.

What I would say is I had many good bosses from whom I learned many things. There is not one person who I kind of viewed as a mentor, including at the SEC. John Sturc was a great boss from whom I learned a lot, Paul Fisher. There were a lot of good people from whom I learned a lot and who were supportive, but there's not one person I would point to as a mentor.

WT: So now, is there anything that we've missed? I know we went very quickly over the later stages of the insider trading scandals so we didn't talk a lot about Michael Milken or Marty Siegel, but I don't know if there is anything additional that we wanted to say about this period before we talk about the transition to private practice.

TP: They were the bulk of my career, in my mind, at the SEC. Marty Siegel was a guy who came to us after the Boesky case was announced and cooperated and had a fascinating story, which really was one of the more colorful stories about exchanging briefcases full of money in the lobby of the Plaza Hotel, and code words, red light-green light and things like that, so that was a very sexy case, I guess, is how I would describe it. Gary Lynch was very involved in negotiating that, and Judge Rakoff was representing Marty Siegel at

the time, so that was quite a fascinating experience and a learning experience for me to watch how that played out.

Drexel and Milken, I would say that was the David and Goliath situation. Drexel and Milken had armies of lawyers, and we had our little team, and it was a great team and it was bigger than any other team at the SEC, but relative to Drexel and Boesky we were a small team. They were electronic. We started to get some computerization and things like that in the middle of that case. Until then we had been doing it all by hand. So, those were fascinating times in terms of the development of getting computer systems at the SEC, and trying to figure out how to run these bigger cases in a way that would enable us to compete with armies of lawyers on Wall Street. So I guess those are the two things I would add about those cases.

WT: It's actually kind of fascinating how computerization can help at that early phase of things in handling a case of that size. I know that the blue sheets were all manually done at the time. Was it mainly in terms of that, or was it document handling?

TP: Well, I'll tell you a funny story. I remember getting a call, I can't remember who it was from, somebody in New York on the Drexel team, and they wanted a CD of the transcript of someone whose testimony we had taken. I was instantly suspicious: why would they want a CD, they must want to manipulate the information. Well, no, they had some system where they could search it for information they were looking for. I went to the front office, and I said, “Did you know there are machines that can do this?” I mean we

were still cataloging documents by hand. We probably had over a million documents at that point, and they had systems in place. So, as I recall it, it really was the beginning of trying to begin to use electronic systems in investigations.

WT: So, then, should we move onto your transition out of the government regulatory world? Tell me a little bit about that, I guess.

TP: I went to the RTC after spending some at the OTS, and the RTC was scheduled to close in eighteen months. I think three months after I got to the RTC, Gibson Dunn approached me and said, "What are you going to do when your agency closes?" My recollection is that I basically said I need to stay here a year, because it wouldn't be appropriate for me to have taken this job and then just walk out. But then, a year after I went to the RTC, I went to Gibson Dunn, and I found the transition alarmingly easy, I guess. I'm fond of saying I guess it's just that everybody was guilty in the '80s and innocent in the '90s, because I really didn't have a lot of trouble. I was kind of like, "Maybe I'm just a robot." Tell me what side I'm on and I'm comfortable there.

I worked with John Sturc at Gibson Dunn again, who I'd worked with at the SEC, and with John Olson, as well as Chuck Muckenfuss on the banking side, so, again, they had defense strength in the two areas that I had been a regulator in, or an enforcement lawyer in, and it was just a wonderful springboard for me to begin to work on their cases, and then develop a practice of my own and a reputation of my own. I did a lot of speaking

both in the banking agencies and after I came out, and, again, it was really their support that enabled me to start to develop my own practice.

WT: Could you tell me a little bit about the evolution of cases with them? I know there's a changing legal environment, a technological environment we were just talking about, but I don't know, what stuck out to you?

TP: At Gibson Dunn?

WT: Well, I mean Gibson Dunn, at Bryan Cave.

TP: What sticks out to me is, I guess, the difference between private practice and government, of course, is that you have to both obtain the work and then do the work. When you're in the government you don't have to spend a lot of time obtaining the work, it seems to just appear. So it's a combination of learning those skills, and also learning how to work on the defense side. I would say I have had some wonderful, wonderful cases along the way, wonderful in terms of interesting, not necessarily in terms of, you know, you say wonderful cases.

One of them, I guess the most significant case I've done in private practice is a case called *Lernout & Hauspie Speech Products*, which was a Belgian company with a $9 billion market cap listed on the NASDAQ, and basically turned out to be a massive fraud. I was counsel to Lernout, and it was before Enron, so it was around 2000, and the process of

realizing that I had a client that was engaged in very bad behavior and figuring out what I was supposed to do in this pre-Enron world is probably, in my mind, the most significant matter I've had to deal with.

I would spend a lot of time talking to my Ph.D-in-philosophy husband about who's my client, right, and what are my obligations if I believe my client is engaged in fraud. Is my client management, is my client the board, is my client the shareholders? And until I could resolve that, it was hard for me to figure out what to do. As I said, this was pre-Enron so there wasn't really a roadmap.

And, ultimately I decided my client, despite the fact that the people who hired me were management, I represented the company and that was the shareholders, and the board were the representatives of the shareholders, and ultimately I went to the audit committee and the board and laid out what I believed had been going on. We ultimately did an internal investigation and disclosed the major problems that existed in the company.

Frankly, they filed for bankruptcy ten days later so it was a huge case, spun off an SEC investigation, tons and tons of litigation, criminal—I think thirty people were indicted in Belgium—and it had all the international aspects that complicated things a great deal. It had KMPG as an auditor, but KMPG Belgium, and so there were a lot of issues about audit work papers and whether they were Belgian or U.S. and who could access what. So that was a great case in which I really had to kind of make sure I was comfortable that, on

the defense side, I still had a responsibility to expose what was obviously a very bad situation.

WT: How often is it that you're essentially dealing with an SEC investigation, and how often is it that it's sort of more of a post-crisis situation where you just have to help clients to resolve whatever it is that has happened internally at their companies?

TP: Well, I would say it's not often the latter. It's either an SEC investigation, or, more and more often now, it's a concern that comes from compliance or somewhere like that. That's particularly an FCPA space that triggers an internal investigation. And so it's almost like going back to the SEC. It's: conduct an investigation for us, figure out what the facts are, come back and report to the board, and tell us what to do. So that's a major part of my practice now, that and SEC defense work.

WT: Internal investigations?

TP: Yes.

WT: Okay, that's very interesting. I'm not necessarily interested in inter-firm politics or anything, but you're at Gibson Dunn from '95 to '99 and then you came here to Bryan Cave in '99. You can talk about that transition if you like, or if not.

TP: Well, there was a guy at Bryan Cave named Gerry Boltz—he was the former head of the Los Angeles Regional Office of the SEC—and he was getting older and looking to retire. They were looking for somebody to take over the securities enforcement and litigation practice group, which was national. That sounded like a great opportunity to me. I had actually worked across the table from Gerry Boltz and had great respect for him. So I thought it'd be a wonderful opportunity, and that really is what led me to Bryan Cave. I came, and within a few months, as was agreed to in advance, I became the head of the securities enforcement practice. So it was a combination of doing the work and bringing in the work and doing some management stuff. That was appealing.

WT: And so you've been out of the SEC and the OTS, the Resolution Trust Company now for less than twenty years.

TP: But not a lot less.

WT: Not a lot less. Looking back on it, how much do you feel that that still affects, to be philosophical, your identity today and the skill set that you bring to your private practice?

TP: I can tell you, any time an associate asks me if they should spend time in the government, I tell them I would never trade that experience for anything. I think the skills that you develop, the relationships you form, the reputation that you get, really, they all happen there, and as I said, I wouldn't trade any of that for the world. It was such an exciting time.

As you move up in the government you really do have other people look for the smoking guns and bring them to you, and it's exciting all the time. I don't have the longest attention span, so jobs like the RTC where I'm spending a little bit of time on many cases at a very high level are really fun. So I wouldn't trade any of it for the world, and certainly all those investigative skills that I learned as a young lawyer at the SEC, I use them today in my internal investigations, so I think it was a wonderful experience.

WT: What about the volume of cases from place to place that you've been? I mean you were working on a few very high-profile cases at the SEC. I wasn't quite clear on how many you had in your subsequent positions, and then here, of course, in private practice.

TP: Right, and at the OTS and the RTC the volume of cases was much higher because I was at a higher level so I had more people under me working more cases. I can't even put numbers on them, but at the RTC I'm going to say there were a few hundred cases. At the OTS there were probably fewer than that, but certainly plenty of cases, lots more than at the SEC. And private practice, like everything else, it varies dramatically, but it's much more like going back to being a staff lawyer or a senior counsel in the sense that certainly I, and I believe most people, get more deeply involved in a few cases. It's not like we have fifty cases here that are active at the SEC that I'm supervising. It's much more that I have a handful of cases that I am deeply involved in.

WT: That had to be part of the appeal of coming into private practice.

TP: Yes and no. The dealing with a bunch of cases at a high level is very appealing, too. To tell you the truth, I loved it all. So as I probably get to the last stages of my career, I think they've been all been great experiences.

WT: Well, that seems as good a place as any to wrap it up, unless you have something else you'd like to add.

TP: No. Thank you very much.

WT: Well, thank you.

[End of Interview]