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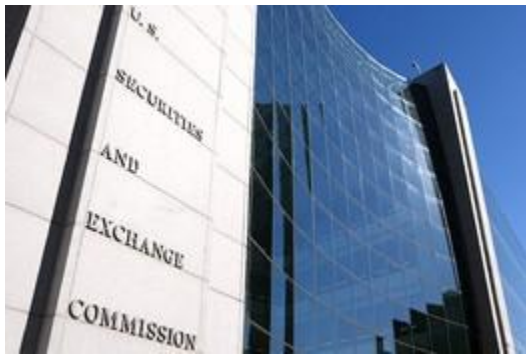
SEC Lawyer One Day, Opponent the Next

By [TOM MCGINTY](#)

The revolving door can turn swiftly at the Securities and Exchange Commission.

Steven Richards left the SEC in July 2008 as a top accountant in the enforcement division to join the global business advisory firm [FTI Consulting](#). Five days later, he signed on to represent a client involved in a "nonpublic investigation" by his old division.

In August 2008, Andrew Dunbar left his job as an enforcement lawyer in the SEC's Los Angeles office to take a job with the law firm Sidley Austin. Eleven days later, he was tapped to help a client answer an "informal request for information" from the same office.



Bloomberg News

Mr. Dunbar didn't respond to requests for comment and Mr. Richards declined to comment, as did both of their employers.

The two ex-SEC men were among 66 former SEC employees who filed 168 letters with the SEC secretary in 2008 and the first nine months of 2009 disclosing clients or new employers they planned to represent before the agency, according to documents obtained through a public-records request. SEC regulations require such letters if a former employee represents a client before the agency within two years of leaving.

Some former employees disclosed routine matters, such as assisting clients filing SEC forms; 79 said they would be representing clients in "ongoing nonpublic investigations," including 36 who said the SEC's enforcement division was involved. Of the remaining forms, 73 gave no indication about the issues involved or which office at the SEC was

handling them. The SEC redacted, or removed, the names of the clients and the titles of the matters before releasing the documents.

The employee disclosures, along with a recent report by the SEC's inspector general, demonstrate the work that agency employees do after they leave. The inspector general's report documents how a former SEC enforcement director helped [Allied Capital Corp.](#), a business-development lender, as it headed off potential fraud charges.

John P. Freeman, a former SEC lawyer and professor of professional and business ethics at the University of South Carolina School of Law, has done his own research that documented that a relatively high proportion of SEC employees go on to work for the industries they once policed.

"The training and expertise gained at the SEC is put to use for the benefit of those working against the interests of investors," Mr. Freeman said.

Others argue that employees of every government agency leave for the private sector and that the rules in place guard against conflicts of interest. An SEC spokesman said the disclosures required of former employees constitute an extra precaution by the agency to ensure that the law and ethics considerations are followed.

Former SEC commissioner Roberta Karmel, now a professor at Brooklyn Law School, said there is nothing sinister about the revolving door as long as current and former SEC employees behave ethically. "If you want to bring in talent from the outside, you have to let people go to the private sector and make a living afterwards," she said. "I think it comes down to personal integrity."



Associated Press

Iowa Sen. Grassley says the SEC could include more-stringent limitations than the law requires in employees' contracts, and more disclosure.

Federal law places some restrictions on when former SEC employees can represent clients before the commission. All employees are barred for life from matters involving specific parties that they worked on while at the commission, and supervisors have a two-year cooling-off period for matters that were handled by their subordinates. Senior officials and commissioners are barred from advocating on any matter before the SEC for a year.

Martin Dunn, a former deputy director of the division of corporation finance, left the agency in August 2007 after 19 years to join the law firm O'Melveny & Myers. He was covered by the one-year bar for senior officials.

Within weeks after that clock ran out, the SEC documents show, he filed three disclosures. In one filing, he said his client was seeking a potential settlement of litigation regarding its sale of auction-rate securities.

In an interview, Mr. Dunn said he understands the interest in the revolving door, but said he and the SEC both take the issues seriously. "Everybody I know cares intensely about following the ethics rules," he said.

Employees who aren't covered by the restrictions can legally represent clients before the commission the day they leave, but William Lenox, the head of the SEC's ethics office, advises commission employees to consider more than just legalities.

"Is it legal under the rules and/or statutes?" Mr. Lenox wrote in February, in one of the "Ethics NewsGrams" he regularly sends to SEC employees. "And, even if it is: What possible appearance of impropriety might be raised by engaging in the proposed conduct? In other words: How would it look?"

Iowa Sen. Charles Grassley, a Republican who has criticized the SEC's revolving door, says the commission could include more-stringent limitations than the law requires in employees' contracts, but more disclosure would help, too.

"If the SEC is going to allow this sort of revolving door, it should at least require former officials to publicly disclose their new clients and former positions at the SEC," Mr. Grassley said.

Most SEC investigations become public only if there is a settlement, and even then few details about the process are disclosed. The inspector general's report, however, shows the inside of an SEC investigation and the ways former employees may have influenced its outcome.

The report examined the SEC's handling of a feud between hedge-fund manager David Einhorn and Allied Capital, which began in 2002 when Mr. Einhorn said the company was overvaluing its investments. Allied was represented at meetings with the SEC by two former staffers, Allied executive Joan Sweeney, who had been a staff accountant in the SEC enforcement division in the late 1980s, and former SEC enforcement chief William McLucas, a partner at the law firm WilmerHale, according to people familiar with the matter.

Following an investigation, an SEC examiner and accountant who had scoured Allied's books each concluded that the company had "major problems" that should be referred to the enforcement division, the inspector general's report says.

But an associate director in the SEC's compliance office who knew Ms. Sweeney pushed back against referring the case to enforcement, the report says.

In interviews with the inspector general, the associate director who had pushed back said he would give "the benefit of the doubt" to anyone who used to work at the SEC. The associate director, who wasn't named in the report, added, "If you've known somebody, or even if they didn't really know them, but you know they worked here. ... Well, they should hopefully be doing the right thing," according to the report.

Following meetings with Allied representatives, including Mr. McLucas, the SEC decided not to bring fraud charges it had been considering, the report said.

Mr. McLucas, who left the SEC in 1998, four years before his first meetings on behalf of Allied, declined to comment for this article, and Allied didn't return repeated calls and emails seeking comment from Ms. Sweeney and the company.

The inspector general's report said the SEC should ensure that its current staff members are not "unduly influenced by the presence of former SEC employees," among other recommendations. An SEC spokesman said the commission agrees with the report's recommendations and is implementing them.

Allied bought by another business lender, [Ares Capital](#), in a deal that closed on April 1.

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