Securities and Exchange Commission Historical Society
Interview with Maud Smith Daudon
Conducted on May 16, 2014 by Kenneth Durr

KD: This is an interview with Maud Daudon for the SEC Historical Society's virtual museum and archive of the history of financial regulation. I'm Kenneth Durr. The date is May 16, 2014, and we are at the Seattle Metropolitan Chamber of Commerce. Let's start with a little bit of background. I want to get how somebody from Chicago who went to a liberal arts school ended up in the securities business, so take me through your upbringing and your education.

MD: Well, as you say, I grew up in a nice little suburb outside of Chicago. My father was a lawyer and a wonderful human being, very civically engaged, and my mother also. She never worked outside the home, but had tremendous civic involvement. She was chairman of the board of Planned Parenthood of Chicago for many years, a trustee at the local college, and so on. The dinner conversations were always about politics and about civic life. They were sometimes quite heated, and my father trained us all in debate, defending your position, and having your facts in line. So really, a very closely-knit family, and we remain that way to this day. I can't tell you anything about my childhood that wasn't pretty much perfect.

They were big believers in having a great education. I went to great schools my entire life. I kind of regret I never actually was at a public school, which is too bad, because we actually had good public schools in my community. But they made choices about that. I ended up being in a private elementary school growing up, and then went to a school called Concord Academy in Concord, Massachusetts, which, when I started, was an all-girls boarding school. It went co-ed in my senior year. We had one boy in our class. Then I went to Hampshire College, a fairly liberal, at the time maybe a three or four-year-old institution, that was part of the Amherst, Smith, Mount Holyoke, UMass five-college system and had a fabulous education going among all those places for classes, and got my degree.

KD: What did you get your degree in?

MD: It was in American studies, very liberal artsy.

KD: I did the same thing.

MD: Did you? American studies?

KD: American studies.

MD: Yes, that's great. I loved it, because it was a little bit of literature, a little bit of history. I did a lot of photography at that time in my life, and liked integrating disciplines. And I had a sort of minor in anthropology, which led to some interesting work I did for my senior thesis. Anyway, I went to Hampshire, and then topped off my educational life a couple years later. I went and worked for a few years, found out that I didn't know anything about business or economics, ended up going back to school at the Yale School of Management and got a master's in public and private management, which was a sort of equivalent to an MBA. Now they actually only give MBAs..

KD: So there was just a general sense that you didn't know enough about business, and this would be a good thing for you to do?

MD: Yes, well I had a mentor. My first job out of college was in Corvallis, Oregon. I had, because of my senior thesis, formed this impression that where the action was in city governments and in politics was around land use. Now this was sort of a misguided notion, I learned as I was working, but in college this is what you think. So I was in the planning office at the City of Corvallis, and I had a great mentor there who was a self-made contracting person. He had a large company. He was the chairman of the commission that I worked for, the Corvallis Downtown Commission.

Our mission was to save downtown from outside shopping development encroachment, and we did. We saved it. It was really something. We got the council to downzone the property that had already been acquired by a developer. We were able to do that without terrible litigation. It was amazing. We were able to get the State Department of Transportation to help support a bond measure to get traffic rerouted away from downtown so that we could bring in a developer to help work on downtown's vitality, and we got a lot of other smaller projects done in the downtown core. Through all that, I walked in thinking this is all about land use and zoning, and realized, no, it's all about economics. It really is about economics.

My mentor was tremendous at teaching me. Every now and then he'd call me to his office and he'd say, "Maud, you don't have a clue about this." Sometimes it was about negotiation or about how to read a spreadsheet, a kind of 101 of how does business work. About maybe my fourth or fifth session he said, "You need to go and get an MBA." And I said, "Ugh, business is evil. I'm not going to do that." And he said, "Well, you need to do that, because you are clueless about the economics, and that's what drives so much decision making in the world, so you need to understand that. You've got all these other skills."

KD: Speaking of business being evil, then you come out of Yale and you go to Lehman Brothers.

MD: Yes.

KD: Tell me about that. Did you move into the muni desk right away?

MD: Yes. I struggled long and hard about what to do after I graduated from Yale. I'd had a great public sector experience; and spent a little bit of time being a consultant at Arthur Young before I went to Yale. I did a great internship in Seattle between my first and second years of Yale, in real estate, because I thought maybe real estate would be where I spent my time. I ended up picking out light bulbs for a development, so I thought, "No, no, this is not going to be my thing." And then people kept saying, "Have you looked at public finance?" And I had no idea what public finance was, so I'd ask a lot of questions and they'd say, "Well, it's an investment banking job." I was like, "Oh my gosh, business? That is the most evil of all the evils." I really had that impression. And so my mentors and professors at Yale said, "Just talk to them. Just sit down. They all come to campus. Just sit down and meet these people; you'll be surprised." So I was like, "Okay, I'll sit down and meet them." So I met probably ten different firms, and got called back to four or five of them and ended up joining Lehman.

Why did I go? I really liked the people. I really liked the fact that those people thought the way I did. They were in a private sector role trying to serve public sector purpose. I'd been at a graduate school that was all about transferring knowledge from private sector principles and concepts into the public and nonprofit sectors, so it was the perfect embodiment of what I had been studying for two years to be in a role where you're in the private sector serving public. Throughout my career, I felt like part of what I aspired to do was to bring the skills of one sector to the other. In the public sector I had learned all about how to engage a lot of community voices and bring people together to collaborate around big things that can really move a community, and here I was in a position to then get some pretty hardcore training in how to actually fund and finance some of those big kinds of endeavors that really can be game changers for communities, so I joined Lehman.

KD: So the medium for this is municipal bonds.

MD: Yes.

KD: And we're talking about 1983 here, so I want you to give me a little bit of the lay of the land of the kinds of things you were working with at that point. My understanding is that there was a bit more variety in the kinds of instruments that you were dealing with at that point.

MD: I don't know if there was much variety, actually. It was pretty straightforward in that day and age. It was general obligation bonds and revenue bonds. Things like tax-exempt commercial paper hadn't even been invented yet, or any of the variable rate products. It was all fixed interest rate, long term, pretty much the same call features on everything. So really, it was a fairly simple market in many ways, at that stage. Spreads, were the biggest difference. There were just very different spreads at that point in time.

KD: Bigger.

MD: Much, much, much bigger than you'd see today, yes. And honestly the biggest difference is the change in technology. When I was at Yale, we actually didn't even have PCs. PCs were not yet invented, so when we had to do economic or financial analysis, we were writing code or doing it on mainframe computers. At Lehman I was so glad I wasn't hired as an analyst, because they had to run this crazy program called Bond Triple Star, which was really difficult to maneuver and work with. These analysts got super, super qualified at it. My skill was to look at spreadsheets they produced and understand them and be able to figure out where there could be potential movement, or where errors had been made. But fortunately, I never had the job of actually having to run those. I think I would have failed instantly. Really complicated, really hard to do, so you kind of had to know a little programming to actually be effective at running Bond Triple Star.

And then eventually, PCs came into being, and then Excel spreadsheets. And then, as that happened, as technology improved, you actually saw changes in terms of what was possible in terms of the structure and the way that the bonds that were actually put together. And also, there were tremendous changes, of course, in terms of the transfer of immediate knowledge and understanding about what was available in the marketplace.

KD: Right, and this is all a matter of information, how much information you can get about these things.

MD: Yes.

KD: And my sense would be that in this earlier period, maybe it was sort of an arcane, voodoo kind of thing?

MD: Oh, very much so. With no criticism of Lehman or any of the other firms at the time, pricings on negotiated bond issues were highly opaque. First, everybody had to come to New York to do a pricing because there was no other way for the client during a negotiated financing to have a clue about what was going on with the financing. So everybody arrived in New York City. Second, the underwriter would put it out over the wire (and they had all these squawk boxes all over the country wherever they had distribution, and the information that the underwriter had was either communicated by phone or over the squawk box) . That was it. There was no Internet communication. Obviously, the Internet did not yet exist.

The underwriter kept a black book by year, and for each year, he'd put the orders in. As he got them, he'd write them down on a piece of paper and put them in the order book. The banker had no clue what that order book was. The underwriter did. And so in many cases, there was a strange dynamic between the banking side and the underwriting side about what was really going on. Looking at trying to figure out whether there was over-subscription or under-subscription per maturity year to figure out whether it would be possible to re-price or not was tough!. So let's just say it was such a less transparent market. It was less transparent within the firm, but certainly it was less transparent in the marketplace in general.

KD: This gave the underwriter a lot of power, I guess.

MD: A ton of power, and so he was, you know, that balance. An underwriter still is today, that balance between the market and the client, sort of in that teeter-totter of where is the sweet spot, but in the early days you had no real transparent information informing the process. It was just very hard. So a lot of times we would just be pounding on our underwriter, as a banker advocating for the client, to give a better read on what the book looked like, to try to give us access to the book.

KD: Did you ever get that?

MD: With some underwriters, yes. Not all.

KD: You were talking about negotiated. How about competitive bids?

MD: I did far less work in the competitive sphere, and so it was probably fast-forward five or six years by the time I really got exposed to competitive transactions. It would be late eighties, early nineties. At that point, you were on the phone with your underwriter, as a banker. This is a scary thing, isn't it? You had your pad of paper in front of you; you were trying to listen to what they were saying. They were changing their mind all the time about what the price was going to be per maturity. You're trying to get the last possible phone call with your underwriter before you have to submit the bid to the client. If you made a mistake, the firm could be out a lot of money, so you'd try to read numbers back, make sure you got them right. The underwriter was going, "Oh, wait, wait, change that. Seventeen, I really meant –" whatever. So it was crazy. You never had the quick calculation of what's the TIC NIC. Usually all of that had to get input by somebody into some sort of archaic database that they did those calculations, and it would take, I'd say, sometimes half an hour, an hour for them to figure out who actually won the bid. Yes, so it was a very different world.

KD: And with timing being so important, even then I would guess that waiting a half an hour would be a big deal.

MD: Oh, it didn't seem like a big deal at all. It wasn't like it is today. It was sort of like that was normal. Of course you had to wait that time. Do you know what I mean? You could sort of eyeball it and see where you thought things would be, but you couldn't really know until that calculation got done.

KD: Were you involved in secondary issues at that point?

MD: No, I was not involved at all on the trading side.

KD: Okay. But this was something Lehman would have been doing, also.

MD: Oh totally, yes. I was just a lowly public finance banker in the transportation sector, so I just did transportation financing.

KD: Did you start out in New York?

MD: I was in New York for '83 to '86-ish, and then I asked them to move me to Seattle, which they were kind enough to do. They even gave me a three-month time off between the two and relocated all my stuff. They were a terrific employer.

KD: Just wanted to go back to the Northwest?

MD: I did. I was at the stage where I was thinking I just wanted to settle down more. I wanted to be in a place where I thought if I wanted to have a family and have kids – I wasn't married yet. I had a sweetie, and eventually we did get married, and we've raised our family here.

KD: One of the things I want to get at is developments in the industry. Crises are always driving things, in some respect, and you came right up to where one of the big ones was, which is the WPPSS incident. That would have been just about the time that you're working. '83 it hit, and it's rolling through the legal mills throughout the mid-1980s. Did that have any impact on the way you and your colleagues were thinking about the work you were doing?

MD: I would say in New York, absolutely no impact in my world. I wasn't doing public power deals, and I'm sure the public power people were all over it and understood it a lot better. I was oblivious, I would say, as an associate-level new banker, I was head-down, trying to get transportation business done. The market disruption, if there was such a thing, didn't really seem to translate over much into my world. Maybe the underwriter was keenly aware and I just didn't know it. It just didn't come up in conversations. I learned about WPPSS when I got to the Northwest, and people were always talking about it, and I was like, "What the heck is WPPSS?"

And certainly the bankers in the office that I came to – because Lehman had a presence in the Northwest; they had acquired a small regional firm here called Foster & Marshall – had engagement in WPPSS, and it was just a huge black cloud hanging over the Northwest. Everyone was talking about it. It was definitely a huge issue out here. The litigation went on for years and years. I think I came in probably midway through litigation resolution. And of course, Seattle-Northwest, which I eventually ran, which was another regional firm located out here that had remained independent, was deeply engaged in all of the WPPSS activity, both during and after. So yes, it has definitely been a huge factor in the Northwest. But it's interesting; in New York I really don't remember any discussion about it at all.

KD: I guess people figured it couldn't happen here or something like that.

MD: Here? You mean in New York?

KD: In New York, or in their sector, or whatever it was.

MD: Right. Yes, and it was just such a different more parochial market at that point in time. You just didn't get much general news. *The Bond Buyer* was publishing its info, but you just didn't get the sense of that instant shift that could happen in the marketplace that we have just routinely today.

KD: So at some point, you decide to go with the Port of Seattle.

MD: Right, so I moved out here with Lehman; I had been banking for another three years and I was engaged to get married. I knew I wanted to not be on airplanes four out of five days a week. My territory at that point was everything west of the Mississippi, all transportation, so I had just a huge plate. And one day the Port called me up and said that they were trying to build a finance function at the port. They had a great accounting function, but they had really no finance function, and would I be interested? And I ended up applying and getting hired, first as their director of budget and finance, reporting to their CFO. Eventually, I became CFO and ran all the administrative stuff.

And that was a very, very fun job. It was so much fun to be on the client side, especially when you knew all the things that were being done on the investment banking side, and leveraging investment bankers as best you can for all the wonderful intelligence and information and know-how they bring, which is fantastic. So we had a terrific, really great team of investment bankers that helped us at the Port of Seattle, along with eventually a financial advisor, as well.

KD: Who were these people? Were they from the various companies?

MD: We ran a highly competitive process. Gosh, I'm trying to remember who we hired the first round. We had several successive hiring periods during the time I was there. I was there about nine years, I think. Ranging from First Boston early on, Goldman was involved with us, Merrill Lynch was involved with us. We put on Piper Jaffray as a regional firm at one point. I know I'm forgetting people. UBS was involved at some points.

KD: So these are big Wall Street firms that are working up here in the Northwest, as well.

MD: Exactly, they have a local presence and office, yes.

KD: What kinds of issuing were you doing? What were you building at that point?

MD: We were building both seaport and airport facilities, and all revenue bonds. So we did a series of airport issues. I can't remember exactly what they were for at this point in my life. It's been quite a while. But they were mainly terminal improvements and some airfield improvements. Eventually, we did finance the third runway for the airport, for example. Then we also did a bunch on the seaport. There are two big container facilities, T-5 and T-18, and we financed both on the seaport side.

KD: Containerization was driving a lot of things at that point.

MD: A lot of activity.

KD: You talked about all revenue bonds. What was the reason for that? You almost said it as an assumption.

MD: Well, the Port had the capacity to do GO bonds but had not really gone that direction because it looked at itself principally as a business. The GO bond capacity was really used to help offset some of the other expenses that made the coverage levels higher on the revenue side. So eventually, we did end up issuing some GO debt. It was towards the end of my tenure there. But mostly, the Port thought of itself as a, look, we're going to build a new container facility; it's going to have sufficient revenue attached to it that we're going to be able to leverage that and finance it that way. And the airport by policy did not directly use GO capacity.

It's interesting, because the Port only issued consolidated bonds, so it was a triple pledge, but no airport revenues could be used to pay seaport bonds, and so obviously we tried not to use any GO debt to pay for airport bonds. So it was sort of a careful allocation of blue and red and green dollars to make sure that they all stayed separate and they all went to where they were supposed to go. But the beauty of it was you got the benefit of this very robust pledge of revenues. You have different cycles and different variability on revenue streams at airports and seaports, but they can be consolidated. So sometimes they go up and down in different ways, but coverage can stay very high. In the Port's case, the GO helped, the levy that we collected helped offset some of the expense side. So we had a very good triple pledge, and that created very high ratings and very low interest rates for us.

KD: Did you have to get insurance?

MD: You know, oftentimes in those days you'd get the bid from the insurance company and see well, does this result in a lower cost or not? If it did, you did it, and if it didn't, you didn't. So it was a lot of times buyer preference.

KD: Would it? I mean, in general, would the insurance help?

MD: Yes. In general, more and more it helped as insurance companies got smarter and smarter about pricing their product. So I'd say more often than not, even with our very, very high rating, we would end up with at least some portion of the deal insured. Sometimes we'd look at it by maturity, sometimes for the whole thing. But oftentimes, yes.

This is great. I can't believe I'm remembering all this.

KD: You spent a lot of time with it.

MD: I guess I did.

KD: I want to talk a little bit about the regulatory side. The SEC is starting to get involved at this point with 15c2-12, which is basically –

MD: A disclosure document.

KD: Yes, and there's this complicated arrangement within municipals. Tell me a little bit about how that impacted your work. You're an issuer. The SEC officially couldn't regulate you.

MD: Yes. You know, it took a long time. I don't know if it's geographic remoteness or what. I remember the lawyers starting to talk about it probably when I was at the Port, something about, "Oh, we have new disclosure requirements. We're going to have to make sure that we do a more robust job." And of course, we always looked at their legal opinion. It was very critical. We, in those days again, a different universe today, but we would have these gigantic drafting sessions where everybody had a paper copy in front of them, everybody physically showed up, and you would really comb over every single word of that document. It was a very rigorous process. So I think that probably the Port of Seattle, not to toot our own horn too much, had a pretty high standard to begin with and so we didn't really make significant changes to be compliant, because we actually were pretty darn compliant.

Orrick Herrington was always our issuer counsel, and they initially flew out from New York. We feel responsible for them opening their Seattle office as they eventually did. The lawyer that spent all this time flying back and forth finally just located here; still is here, actually. So they did a terrific job of just making sure that we were always, if not right on the top end of the compliance line, maybe even ahead of it. They would look and say, "We think it's headed this direction. Let's anticipate that and be here." So it was always part of our DNA to be super, super rigorous with regard to disclosure.

KD: Were there cases where underwriters would have to go back and tell the issuer, "I don't have enough information here. I need you to take this back and work through it a little bit more"?

MD: Not during my tenure. We basically would sit around the table together, underwriter, issuer, underwriter's counsel, our counsel. Oftentimes, Orrick would be acting as underwriter's counsel to help us out. We had bond counsel, obviously. So it was a very collaborative effort, I would say. And as the industry obviously – as the litigation boundaries got drawn more tightly, that shifted as well over time. But I think in those days, everybody was aligned to try to do this job of getting things really honed and really clear to the issuer. Everybody kept saying, "What is the investor's interest here? What does the bond holder want to know? Are we telling the bond holder everything they need to know about us?" There was a real standard and thought process that we all went through to make sure that there was nothing that we knew that was of significance that they wouldn't know. So there we were very careful – but it was a collaborative effort. It wasn't us against the underwriter.

KD: Interesting. Do you know whether this was common or not?

MD: In my experience, up until my tenure at the Port, it had been common. That was the way I had always conducted business with my clients up to that point. My clients, I'd always had a very close working relationship with them, and I always felt like they never surprised me with anything. So I expected to be that same kind of client to the underwriters who worked with us. And I didn't think it would be good reputationally for us to be anything but transparent with our investors. Now, I remember later in my tenure, there were things more on the accounting side with issues around producing stub financials and things like that that become very expensive for an issuer to do.

KD: What are those, stub financials?

MD: Stub financials. So we'd be partway into a year, and the underwriter would say we absolutely needed an audited stub financial, and it would be something like, okay, that's $100,000. That's not easy. Can we give you…? And we'd negotiate around. Here's our unaudited, first-quarter results. Take a look at them. You can kick the tires in any way you want. You can have access to all of our accounting people. Will that work for you? So there was negotiation and dialogue around things that got very spendy, but always with the moniker of, hey, look, if there is a significant change or something, that we knew we were signing our 10b-5 saying, we have told you what you need to know, and we knew we had that risk.

KD: Any other highlights we should talk about on the Port side before we move on? It sounds like we've got a fairly good description of how that worked.

MD: Yes.

KD: Then you went to the deputy mayor's, right?

MD: Yes, I did.

KD: Did your financial background help you out in that?

MD: No, not at all. Fortunately, we had a great CFO at the city, so I didn't need to do anything. I think I might have shown up at one rating presentation the entire time I was deputy mayor. I was embroiled much more in the political policy world. So yes, I would say that was a hiatus from my finance career, almost entirely.

KD: Well let's come out of the hiatus, then. Seattle-Northwest, you had mentioned this company earlier, that they're a big regional. What were they looking to do when they brought you in?

MD: I would say starting in about the first year that I was deputy mayor, the then-CEO of Seattle-Northwest kept calling me and saying, "Maud, it looks like your mayor is having a little bit of a rough ride." I did. The mayor I worked for had a really rough tenure. I won't go into all the ins and outs, but it was tough. He did a great job through all that.. I had made a commitment to stick with him for four years, so I did, but Seattle-Northwest courted me every single year. Every time there was a bad news story, they would call me up. "Come on, come over to us. It could be so much calmer for you. You can get your life back," et cetera, et cetera.

I knew the firm a little bit. I was a little bit in my snotty, big firm mentality at the time, and I thought, oh, the really good firms are the big Wall Street firms, that was kind of my mentality. So when I actually was leaving the mayor's office and I was looking at opportunities, they were one of many that I looked at. When I ended up choosing to do it, it was largely because I knew the business, and after four years of being deputy mayor – a really tumultuous four years, and two little kids – I felt I owed it to my family to actually do something that wasn't going to take me 80 hours a week. So I liked the idea that I knew what I was doing; I didn't have to learn a new industry. And I liked the idea that I would be in a senior management role right off the bat, where I thought I could really get them whipped into high quality, New York-type production. So that was my snottiness, you know, oh, I can go in there and teach these guys some stuff.

I looked at other things. I looked at staying in the public sector; I looked at going into different kinds of private companies that I could have joined at the time. And I just thought, you know what? This looks like a great path that's going to make my family life work for me, and we'll do better financially as a family, and it'll be fun.

KD: So you've given me some foreshadowing here of your snottiness of bringing Seattle-Northwest up to the Merrill Lynch standards and such. How did it work out? What did you find when you came in? What were the strengths, what were the weaknesses?

MD: Of Seattle-Northwest?

KD: Yes.

MD: I really was blown away by Seattle-Northwest, pretty much right away. I mean, really, literally, I arrive on the scene: number one, the culture of the place was extraordinary. It was collegial. People had fun doing what they were doing. You know, it was a very small company. It was probably about 100 people. It was an employee-owned company, so everybody had a stake in the game. It was a very client-focused company, very customer service driven. There was sort of a sense of ethics and how to do business that was really attractive. So, from the get-go, I felt like, wow, this is a pretty amazing place. I love the culture. I love the collegiality. As far as the quality, some of the greatest ideas that I'd seen in investment banking were being generated by Seattle-Northwest.

KD: Such as?

MD: Well, this one didn't quite come to pass, so it was a great idea that didn't work, but at the time, the head of the company was involved in trying to save a whole swath of forest land and conservation with this really interesting bond issue he was putting together that was supported by sustainable logging methods and revenue. And but for the vagaries of the timber products industry in terms of pricing – it just couldn't fly in something as really conservative as the municipal market. Had it been more of an equity-type transaction, maybe things could have been different. But as a municipal bond issue, it just was too risky for people. But a great idea, a really interesting idea.

There still is somebody that used to be at that firm in Oregon who did some really interesting work around pension bond financing for school districts. She was a school district banker. She knew her client base super well. There were a zillion concerns about the incredible overhang of their pension liability, and it was getting shot down to the school district level, and it was huge and really could have blown up the quality of education in Oregon. So she spent a lot of time working through legislation, working with a cohort of probably 40 different school districts to try to address that issue, and came up with a very interesting way to do that that did succeed and did get done, the Oregon pension obligation bonds. Other things? Those are the two that spring to mind.

KD: If we can characterize, it sounds like you're talking about the fact that a regional firm like yours has a little closer touch with what's going on?

MD: That's what we liked to say, and I believed it. I think we were more embedded in the community in some ways, more deeply embedded. You know, you may have two or three people from a Wall Street firm who are headquartered in a region, and they do a terrific job, and I would never undermine anything that they do or even criticize them because I think they provide a really valuable function. But a regional firm is a little bit different beast. You're willing to serve the little, little guys, as well as the big, big guys. And oftentimes, you transfer knowledge that's happening with the big guys to the little guys, so they become a little bit more sharp and sophisticated about their approach, probably save them a little bit of money in the process. And I would say the relationships are quite deep and important there.

I mean, you're still having to compete for business, you still have to demonstrate that you're better, faster, more skilled than the next guy, but you're also somebody who they may turn to about something that has nothing to do with the bond issue but has something to do with some financial challenge they're having in the district. Often, you are the person they call to say, "Hey, I need an outside thought process on this. Can you just help me out?" Of course you're never getting compensated for that, but you do feel closely knit with those people. In Seattle-Northwest's case, they did a ton of school district financing, and boy, school district people are just fantastic people. Superintendents, principals, their mission is fabulous and they tend to be incredibly well educated, smart, capable people, and really fun to work with. So there were a lot of things about it that were interesting. Especially as time went along in my career at Seattle-Northwest, the big firms couldn't even look at a financing below, say, $50 million, some of them even below $100 million, and so we filled that niche.

KD: Why is that?

MD: Part of it is just that, I think for them, their cost structure probably prohibits them tinkering with the smaller things. It can take the same time and effort to do a smaller deal as a big deal, and so they would target their efforts at the larger transactions.

KD: That was something that they could do, whereas another firm would take what it could get, I guess.

MD: Yes.

KD: Something that must be happening in this period is what you talked about earlier where the technology, computerization, everything is getting into PCs, things are moving much faster. How did that change the day-to-day?

MD: Radically. Going back to just the whole document preparation, when I first started at Lehman, lawyers would produce documents, they would send them out usually by regular mail, it would take a while for them to land. You'd have a meeting. Usually that would be two or three weeks later so people would have time to read them all, and you had to make plane reservations to get to wherever you were going. You can imagine! You'd have two or three of those during the course of the transaction, so it took months to prepare documents. That shifted probably year two or three of my tenure when documents started to get faxed.

KD: At Lehman?

MD: At Lehman. So I started to get these long faxes. They'd be all over the floor, and it was just a mess. It was slippery paper. You had to kind of pull it all together, and then all of a sudden, people would expect you to have read them the next day, and maybe you'd have a meeting within three or four. Next, things went by Federal Express, which was a new company. It was sort of there, but it wasn't really being used that much. So all of a sudden, it was overnight instead of faxes, because faxes were such a pain. Same timeframes. When e-mail came along, that was when I was at the Port; it was in the nineties when the Internet sort of took off. And I remember my first documents getting transmitted by e-mail and realizing, oh, no, this means you don't even have overnight. You're supposed to have read it almost instantly when it arrives at your desk.

Pretty much during this timeframe as well, you're shifting from these in-person large group – not negotiating sessions, but sometimes negotiating over language, et cetera, in documents – to phone calls. The conference call dominated. Most people didn't bother to fly to the document session. Long, involved diatribes about documents. And sometimes, don't even bother with the conference call. Just send red lines in, and the lawyer will send out a global, and then if we have disputes, we'll deal with it. So it just became much less personal, much more electronic, and much faster. Much, much faster. So that's the document preparation side.

The pricing side, it's not even comparable to that world I was talking about with the black book and the phone calls and the squawk box to now, where within fifteen minutes, every trade being reported. You have complete visibility of all trades in the marketplace. There is no price that isn't known, so therefore, spreads have compressed dramatically. And the question about where are you adding value, where can you get paid to add value in a market like that is just much more commoditized. Now in municipal bonds, interestingly enough, it's such a weird market because you still have 15,000 issuers, 15,000 credits, 15,000 stories. Insurance kind of put a patina over all that, which is part of how it became more economic. But after 2008, that got really disrupted, and you were kind of thrown back into a world much more of "tell us a story."

KD: But at that point, the story is there, whereas before, the insurance companies could sort of cover the lack of story, I would imagine.

MD: Right, because they were taking that risk as opposed to the investor. So yes, I think the investor brought much more, of course, on the name of the insurer than they did on the underlying security. But when that went away, you went backwards almost, to some of the old days when rating agency presentations mattered more, investor road trips mattered more, developing investor relations mattered more. And so that was actually kind of a cool phase that's pretty much evaporated, I think. Again, I've been out of the market now for a couple years, but it was definitely trending back towards commoditization again.

KD: Interesting. Well we're getting to—a place where a lot of this happened was with what the MSRB was doing. And you came in right at that period, when this sort of new digital informational world is kicking into gear. Tell me a little bit about how do you get chosen, nominated to be in the MSRB?

MD: Oh man, do I remember? Kit Taylor, who was then running the MSRB, was out in Seattle probably once every couple years at least, and he would call up whoever was in the municipal securities industry in the region and say, “Hey, let’s host something at the Fairmont and get everybody together, and let me do a little thing about what’s happening at the MSRB these days.” And so he and I had gotten to know each other. I think Seattle-Northwest hosted him probably two or three times during the time I was running the company. By the way, I started running just the public finance desk, then I took on the trading and sales, then I was CEO of the entire company my last half of my time there.

So he and I had gotten to know each other. Dean Torkelson, who had been on the MSRB, was still at Seattle-Northwest. He was a prior president of the company, and he was a big enthusiast about the MSRB. And so when Kit started to say, “Hey, Maud, would you ever think about being on the board,” I will be honest, I had absolutely zero interest initially, because it’s a long way from here to D.C. to make those meetings. There was plenty for me to do every day. I was trying to simplify my life and be more family-driven, and my kids were at the age where I didn’t want to be away a lot. But Dean really urged me to do it and said, “You will not regret this experience. It’s a terrific experience. You’re going to learn a ton. You’re going to help our company. It’s a very good cross-section of people, always. So you need to join.”

So when I got nominated – I think Kit nominated me – I went back and I got interviewed someplace like O’Hare, I want to think, and asked to join. But I can’t remember if I got asked to join right away. Maybe it was a couple rounds. I can't remember that. But in any event, I eventually got put on the MSRB.

KD: So you came in in 2006, something like that?

MD: I think it was 2006. Yes, because it was just about the time I transitioned to be the president and CEO of Seattle-Northwest. It was pretty much the same frame, I think. Right in there, yes.

KD: So what were those initial discussions about at the MSRB? Do you remember what the big issues were?

MD: Oh my Lord, do I remember what the big issues were? Wow, I should have thought through this before I got here.

KD: Was Frank Chin there?

MD: Frank Chin was the board chair, I think, my first year. No, he was not. It was somebody else who was the chair of the board that year. So the big issue we were dealing with was the transition from Kit. So I got put on the MSRB. We were preparing for my first meeting, and they call an emergency conference call, and Amelia Bond out of St. Louis who was the chair of the board of the MSRB was chairing the call, and she said, "We have news. Kit Taylor is leaving the MSRB." And so the first year was all about hiring a new leader for the MSRB, and eventually we hired Lynn.

And a lot of the first year was me just, frankly, listening and learning, because I as a banker and as an executive in the industry had not really sat down and learned all of the ins and outs of the MSRB rules, and so I had to spend a lot of time just getting totally acquainted. I mean, enough to get through my Series 7 and be compliant, and get the general, big principles. You count on your attorneys a lot for the details, but I really had to be familiar more with the details, so it took me a while. Probably my first year, it was a lot of listen and learn, and get Lynn on board.

KD: Why did Kit Taylor leave?

MD: I really don't have all the inside scoop on that, and I'm probably somewhat under confidentiality requirements about what I say.

KD: Okay, yes. But generally speaking, there was a desire for new blood.

MD: I think a change in leadership was important. Kit had been there; it's almost like he's a founder leader in a way. It was an interesting setup: When the executive director has a board that turns over quite a bit, which this one does, it gives the executive director a lot of power, and I think there was a concern about the balance that had been achieved over time. Kit is just the person who was sitting in that role, and he had been effective. So I think it was, you know, he was nearing retirement age, and it was probably time, I think both parties saw, to try to transition to a different leader.

KD: Okay, so there are a couple of things going on. One is the regulatory side, some of the rules. The other is just creating this new machine to provide this market transparency.

MD: Right.

KD: In the old system, the reason I mentioned Frank Chin is because he was one of the guys who sort of brought all this along with the Muni Council.

MD: Yes, he did.

KD: I assume that you didn't have any involvement in the Muni Council.

MD: I did not.

KD: But tell me about the old NRMSIRs and how you functioned in those days, and give me the sort of compare and contrast.

MD: Oh wow. Gosh, now my memory is going to be really bad. I think that the MSRB was aware—we sort of felt like it was clunky. The system was very clunky. You had uneven distribution of market materials in the marketplace. Technology had advanced, and we thought the MSRB was behind in taking advantage of technology. I mean, they had done some very good things in terms of trying to gear up for fifteen-minute reporting and being on top of all that. But they had become in some ways – during the time I was on the MSRB board, we switched from being a regulatory oversight board and a little bit of IT to being a regulatory oversight board running an IT company.

It was a dramatic shift because what we saw was that to do our job on a regulatory side; we really need to make the investment in technology. And that related to everything from transparency in documents to transparency in pricing to access to information, who had access, what it cost to have access. All those issues were very front and center during the entire time I was there. And I loved working with Frank. He was a year ahead of me in classes at the MSRB, and I quickly was so impressed with his acumen. He's very strategic about what's going on in the marketplace.

KD: How does the SEC fit into this? Was the SEC guiding the process in any way?

MD: The SEC had an oversight role for us, so they would show up periodically. It must have been my very first meeting in person when they showed up and said, "You guys aren't doing your job. You need to do a much better job." So they were kicking us a little bit for being slow and not getting to transparency fast enough.

KD: Who was this? Was this Paul Maco?

MD: Paul Maco was there. Oh man, who else was there? I don't remember the names that well. I don't remember all the names of the people. They were tough. They put the fear of God into us. I'm not kidding. That first meeting I was like, whoa. I had enough knowledge to know when the SEC is like that, you pay attention. You don't just kind of go, "Oh, yes, yes, we'll do the best we can." So you bet, they saw the municipal securities market, much as we kind of did at the time, as a little bit of a clunky aspect of the market. And they felt like it needed to change and needed to get into the next decade, if not the next century. So they definitely were keeping watch. They were pushing back on some of the rulemaking a lot more than they had previously, especially, I think, with Kit's departure. As he exited, I don't think his relationship was necessarily smooth cruising. I think he had run into some stumbling blocks as opposed to prior days with the SEC folks. So I think it had started when he was still there, but it was very evident when we were navigating post his departure that they were really unhappy with some of the things that the MSRB wasn't doing as fast as the MSRB could do them.

KD: Are these things having to do with the creation of EMMA, or are these things having to do with rules?

MD: Both. They were unhappy with some of the rules, and the rules weren't coming fast and furiously enough and they were unhappy that there wasn't enough transparency. We created EMMA during the time I was there, named her, all that good stuff.

KD: I think we have a document with all the potential names.

MD: Yes, do you?

KD: Yes, and there were lots and lot of them.

MD: There were. Yes, it was kind of fun. And we were like, oh, EMMA's now a little baby, three months old, and, EMMA's six months old, and, how's baby EMMA doing? Is EMMA still called EMMA?

KD: It is, indeed. She is, indeed, I guess. Some of the things that you must have been talking about are the emergence of all these new instruments, the auction rate securities, the VRDOs, and all those sorts of things. Do you remember some of the discussions and the directions you were going with those?

MD: A lot of discussion about how to do the right job of displaying them in the transparent environment, how to make sure that we were getting proper documentation. The auction rate securities were particularly difficult. I can't remember all the issues that related to them, but I remember a lot of discussion on how do we properly disclose the pricing mechanism around auction securities.

KD: And there you had, again, another classic crisis where the whole thing just froze up.

MD: Yes.

KD: What was the meeting like when you all sat down after that happened and tried to figure out how to untangle this?

MD: I don't really remember the specifics of the meeting, but the whole market was in jeopardy in 2008, obviously, and I was there through all that. First of all, I would say the tone in the room was just absolutely somber. I mean, a lot of people around the table had either lost their jobs or were thinking they might lose their jobs. We lost some people in terms of membership, who were subsequently replaced. We had an interesting problem, actually, with the succession from Frank to the next leader of the MSRB who had been previously elected, because Lehman folded. He was the municipal securities head at Lehman. He did end up being the chair of the MSRB board, but under Barclay's, but it was a big question of what was going to happen. I mean, there were probably two or three months in there where no one knew was he going to land, was he not?

It was a dicey; I would say sad and difficult time, because there was just such uncertainty. And it wasn't just obviously in the municipal market, it was global uncertainty. And I remember being very, very sad that Frank actually exited the MSRB board right about that time. So I used him a lot in my last year and a half as a sounding board and somebody I went to say, "Any advice?" We had great people, still, on the MSRB that were navigating it. And by this time, fortunately, Lynn had been there for maybe a year, so she wasn't just completely new, but she was pretty new. So we did what all organizations do in this situation, sort of assess what's the most important thing to work on and keep plowing away at all the issues that we could do from where we sat.

Clearly, the freeze-ups and the problems were much bigger than our world, so we just tried to fix the things we could fix in our world, and communicated as best we could with others about fixing some of the other elements. We did meet with the SEC quite a bit about what we were doing, trying to be in clear and constant communication with them. And then of course we tracked all the regulatory changes that came as a result of the whole financial meltdown that came through Congress and the impacts that would have on the municipal market, too, through the whole process.

KD: So EMMA's sort of unfolding and going through its steps at this time. Another thing that's unfolding for longer than that is pay-to-play, something we haven't discussed. To start that little discussion, did you ever have any exposure to that in any of your roles in this market?

MD: Yes. In general I would say by the time I was on the MSRB, we had pretty good guidance about campaign contributions and so on. And I think, honestly, from the time when I was first in the eighties and even the nineties in investment banking, wow, there were huge campaign contributions going out the door. So by the time I re-entered after my stint as deputy mayor, I think what I sensed in the industry was a huge sigh of relief that there were regulations around this, and that you could no longer write checks. At least in the areas that I worked in, it was like, oh, thank God that day is done. And that was the tone at the MSRB, as well. I would say everybody thought that was the best thing that ever happened to us.

I guess the dialogue I was part of is who should be subject to that rule? And there was gigantic frustration that financial advisors and bond counsel and others in the universe that we in some cases compete against,(particularly regional firms compete against financial advisors, often, for financial advisory work,) that there were just different rules applied. And yet, for some reason, there were kind of white hats and black hats, and no matter what, investment banks were black hats and financial advisors were white hats, and that just didn't seem like a level playing field.

KD: Was the MSRB, then, pursuing rulemaking?

MD: Yes.

KD: So how did that go?

MD: I think I was exiting right about the time when they were debating do they put financial advisors under this umbrella. I honestly can't remember now. I think that there is some regulation now related to financial advisory contributions. I don't think bond counsel still have anything, I'm pretty sure. And obviously, the MSRB's purview was limited, to some degree, about who they were regulating, so there was only so much they could do. But there was general consensus. It wasn't a heated debate. I guess there was debate around the ballot initiatives. Could you give to ballot initiatives? That's right. There were some smaller regional firms that really wanted to be able to make campaign contributions to ballot initiatives. My particular firm, and many of the firms I interacted with, were all for let's put limitations on that as well, because of the incredible demands it puts on everybody to just be a piggy bank. And by having a limitation, it's sort of your best way; it levels the playing field for everybody, and it eliminates that constant ringing of your phone saying, "What about another X dollars to contribute to this ballot measure?" It just creates a more ethical industry.

KD: And that's one of the things that is really interesting about this industry, and particularly from your position, is that so much of what you're able to do as an issuer depends on public opinion and whether the public is going to get behind this or not get behind it. And I noticed an interlude having to do with the Seattle Monorail Project. Just tell me a little bit about that if you can, and where that ended up.

MD: (Laughter.) Oh my God. So we were financial advisor on that project. It was so funny, and it sort of haunted me during my time at the mayor's office. We had a taxi driver that put a measure on the ballot that basically was like he drew on a napkin an X and said, "Do you want a monorail that goes like this in the city of Seattle?" We all didn't take it that seriously, and it passes overwhelmingly. So this is how crazy Seattle can be. I think it happened at the same time the mayor that I worked for got elected. And so he created a little taskforce, and his whole goal with the thing was let's just kind of quietly put this thing to sleep. We tried; didn't work. It just inflamed it so that the next year, there's another ballot issue. This time it has some money attached to it, I think. And anyway, I think by the time the monorail actually ended, it was probably four or five different ballot measures that got passed. The final one killed it, so it was a very interesting tenure.

So what happened was that it had gotten enough legs that some of the more entrepreneurial civic leadership in town got interested and said, “Oh, well, you know, if we can’t defeat this darn thing, let’s see if we can make it work.” So they got involved, they went around, they surveyed all these monorails around the world. They came up with technology they thought made sense, created an organization, and hired a financial advisor. And at that point, I was at Seattle-Northwest, and so I knew a lot of these people, and they called me up and said, “Would you think about competing for this?” So I competed for it against several other people and got hired.

We were the financial advisor, and gosh, who was the underwriter? It was Smith Barney, Citigroup Smith Barney. So we started working on, okay, let’s get the financing plan together. We were six months into it when we realized, the finance director calls and said, “Oh, made an error in the budget spreadsheet, the forecasting. I was off by some.” This was through the entire ballot process and into the first six months, and actually, long story, it was huge. It basically took a third of the revenues, and they were gone. So then all of us went, “This is no longer a viable financing plan.” So we sat down with the finance director and with the head of the monorail project and said, “You’ve got to either get more money, or you’ve got to get a different cost structure, but you can’t make this work.”

He said, "Get creative. You guys haven't been creative." We were like, "We've been creative. There's only so creative you can be in the municipal securities industry." So from there, we went through all these iterations. Citigroup put their project finance people on it, and we did all this work with the bidders on the monorail project to see what they could do on the cost structure side, and we worked on it for probably another year.

In the meantime, politically, the project had gotten crosswise with a lot of other people It was going to go down Third Avenue, and Washington Mutual was right on Third Avenue, and the head of Washington Mutual took an immediate dislike to the project because he felt it ruined his building that was under construction. So he was infuriated by it, and the head of the monorail project was nothing if not tenacious. He was on a mission and wasn't necessarily hearing everybody's comments and wasn't being flexible. And then the mayor, who had been very supportive, started to get a little bit wiggly. He starts to see, hmm, this may be not –

So we produced a plan, Citigroup and ourselves, that basically was what we called a gigantic stretch plan. It was every creative idea you could put into a plan, leveraged to the max, and we had described it to the finance director as probably unattainable. But he posts it on the website, says, "Here's our finance plan," and it works". And we're like, "What?" No meeting with the finance committee to characterize it, no preparation media-wise. The state treasurer, who had also been a big fan of the project, looks at this and it shows a $16 billion future cost, and its front page above the fold, *Seattle Times*. I mean, the opponents just had a field day, and that killed it.

KD: So did you breathe a big sigh of relief after that?

MD: Pretty much. Then the executive director says, "You've got to show up. You've got to be there. You've got to tell them this is good." And I was like, "I can't really do that. I would characterize it the way I've characterized it to you, which is this is a stretch in every category. If everything goes well, maybe you could do this, but that's about all I could say." It was just really an unpleasant parting of the ways with me and that individual, as well as the mayor walking away, and then they did run an initiative to kill it, which was very successful. I don't think Seattle-Northwest ever got paid anything. I really don't. It was a success fee kind of a thing; so honestly, it was a big loss for our company.

KD: It's interesting that the public is often thought of, you know, the whole Prop 13 thing; the populist democracy is out to put the kibosh on the bankers. In this case, it was actually the opposite. The people started this whole process. I think that gives it a really interesting angle.

MD: It was a very interesting thing. I would say, and I'd say this on behalf of Citigroup, the level of concern and worry on the part of their organization and mine was significant. We just had somebody in the driver's seat at the monorail who was just so focused like a laser beam on getting it done, he was just not hearing. So it was tough as a banker to be caught in that situation, so it was a relief, actually.

KD: Well speaking of being tough, we went through 2008 with the MSRB, but your day job, let's talk a little bit about Seattle-Northwest and how the bank got through that.

MD: I became CEO and president, I think it was 2007. And when I became CEO, we were a very leveraged regional investment bank. We had a desk that did sort of an arbitrage-type trade. It was like a little mini hedge fund kind of approach. And as a result, we just were really leveraged. It was probably 100 to 1 when I was first appointed as president and CEO. As I said, it was an employee-owned company, and this is what would keep me up at night. We had a lot of people in the operations staff who were probably single women in their fifties and sixties who all of their savings had been put into the 401(k) plan, which was in Seattle-Northwest stock. And I'd been on the board of Seattle-Northwest, and I kind of knew what the lay of the land was in terms of ownership and who had risk and all that stuff.

So in 2007, I started to think, this is a crazy. This is a crazy business model. This is way too leveraged. We've got to do something about this. And I was able to get the arbitrage person to basically just stop his endeavors. He was a board member. In all these things, it's a really tricky dynamic when you have your board as your employees, which was true at Seattle-Northwest until the last year I was there, where we got one outside director on the board. And by the time I left, we had actually broadened that; we changed the charter to get more outside directors. But our arbitrage trader saw that he wasn't as successful as he had been and that it was putting the firm at some jeopardy, so he was actually incredibly gracious. First he took a sabbatical from it, and then I actually brought him back in and said, "I think we need to close it." So we did. That brought our leverage down a lot.

Then we worked on the risk limits in our taxable trading area. We had someone running that desk who was a fairly aggressive trader and was positioning a lot of securities almost like a hedge fund. He wasn't really trading the way that he was supposed to be trading. We had many, many battles over that. He eventually left the company, and we deleveraged on that, too. So by the time we went into 2008, we had gone from 100 to 1 to about 8 to 1 leverage. Had we not done that, the firm would not have survived.

And so the first event, which was the collapse of Bear, sent a shockwave, of course, through us, as it did everywhere. But it was, I wouldn't call it a ripple, but it was like, oh my God, that's a huge deal. And then you sort of got through it, and life continued to kind of go along. And I'd say that happened through the summer. It wasn't until Lehman collapsed, I remember walking out to the trading desk, and it was just dead quiet, and it was quiet like that for like three weeks.

Now, to little Seattle-Northwest's credit, a week after Lehman collapsed, we had an issuer in Boise, Idaho, who had to get this bond issue done. It was pretty sizeable. It might have been something like, I want to say $50 million. It was an irrigation district.

It was a funky credit, but they absolutely were under the gun, and it was critical for a variety of reasons that I can't remember at this point. They were just hell-bent on taking it to market, and we're like, "It's going to be expensive. We don't even know if we'll find buyers. Everything is just dead." They're like, "Well, can you try?" So we did. Our sales force did an amazing job. We placed it. We actually did get it done, all through these relationships that people had for a zillion years, could you do this one thing for me? It's been a great deal and everybody's done really well with it, but it was the only deal we got done for a very long period of time.

Mainly what I worried about for a firm our size was capital and how long we could sustain a general shutdown of the marketplace. And I was also worried about regulatory capital, what was going to be asked of us, because I definitely knew we had sufficient capital to operate the business, particularly after we deleveraged, and I felt like we had cushion in margin, and we had access to other sources of capital if we needed them. But some of the standards that were being discussed were pretty darn onerous for a firm our size.

KD: Dodd-Frank discussions?

MD: Yes, and even what happened, too, with the creditors themselves. Like we had a very, very close relationship with Bank of New York. They'd been our basic overnight bank for a gazillion years. We knew them very, very well; they knew us very, very well, so there's a lot of trust and faith and confidence built up, because we had never, ever, ever defaulted on a single thing, ever. However, the tightening of credit in general was impacting all aspects of their operation, and they were translating it down to folks like us. There were some scary propositions put in front of us that we were like, that doesn't work. Can we try this? Try this.

So we did a lot of negotiating our way through the end of 2008 into pretty much through 2009. The market started to recover and we started to get activity again. Probably after about two months, we started to sort of see some movement. And of course, part of what we were doing at the time was helping all of our clients through it, because the auction rate problems, trying to get people out of auction securities, trying to look at every single issue to make sure no one was in jeopardy of especially variable rate, obviously, losing their good standing in the marketplace. So there was a lot of activity, not a lot of dollars coming in. A lot of that's just," holy crap, what could possibly go wrong, and how do we help our clients?"

KD: But things started going up in 2009, then?

MD: They started to improve. It took us until, how long did I stay? I left in 2012, and it was really in the last year that I felt comfortable that things were stable enough to leave. We had basically gotten our business back and we started a new business. We started an asset management business at Seattle-Northwest to manage fixed income assets for both equity managers in the marketplace and directly for clients, so it was both sub-advisory work and direct advisory work. So I invested a lot of my time post-2008 trying to diversify us into what is a much more stable environment, to have a third really strong revenue stream for the company.

KD: So you said that it took until 2011 or something for the company to be strong enough to leave. Was that your plan?

MD: I thought when I joined Seattle-Northwest I'd maybe be there two or three years. I was going to whip them into shape and be the New York whippersnapper kind of person. I ended up falling in love with the company, ended up being their CEO, which was a huge honor, and I still to this day feel really indebted to that company for giving me that incredible experience. Getting the company and all of its employees intact through 2008 was challenging. And then in a time when industry is consolidating, and the economies of scale make more difference and margins are getting skinnier, just trying to keep a small, independent, regional firm together, keep people excited about their future is a huge deal. And so, I felt like after basically doing that for five years that I was going to be ready to transition away from finance.

I never really thought of myself as a finance person through all of this. I thought of myself as a little bit of a civic entrepreneur. I like to be involved in public policy; I like to fix big, thorny problems; I like to engage with lots and lots of people. So I figured this is a great post to do it from, but there are lots of posts to do that from, and I had been in the company almost ten years. So at year nine, I started to develop my exit strategy, and I didn't share it with that many folks. I had an executive coach throughout my entire tenure. Actually, from the time I'd been a senior leader at the Port of Seattle, I've always had an executive coach.

And I said, "I'm antsy. I feel like this has been really fun, really great, but it's time for me to do something else." I had chaired the board at the chamber the year before, so 2010, 2011, I chaired it. I think that was the year. But somewhere in there I had gotten back involved in civic stuff. I had stayed completely out of politics for a long period of time, but then my appetite was whet again by being chair. Kind of re-encountered a lot of my old network a lot and thought, oh yes, maybe I could do something really fun here.

But to exit a company like Seattle-Northwest takes a year, because it's like a family business. I had a great management team, but they were quite young, and none of them wanted to step up. And I didn't want to wait for them to be ready to step up, so what eventually happened was we had a vacancy appear on the board because somebody left the company. I was looking for people that might be good successors so I could give the board a good list as I was trying to exit, and I ran into somebody named Karl Leaverton, who ended up being just a great choice for the board, which ultimately did put him in as my successor.

We first recruited him onto the board, he got acquainted with the dynamics of the company, got to know everybody. I think it was his first meeting when I let people know that I was actually planning to step aside, probably by June of the following year, so I gave them eight months' notice or something like that, and worked really closely with

Karl on the transition. And it was great. I mean, it was about as seamless a transition as you can imagine.

I knew that it was likely, in fact, I knew it was probably necessary for the firm to merge into a different firm. I did not want to be the person to do that. I had such affection for the firm as a stand-alone firm, and I also felt like that wasn't my innate skillset. I wanted somebody who was really good at that to get the best shareholder value for that company, and I didn't want to try to hire that, and I thought it should be embedded in the leader. So when I found Karl, I knew he was the right guy, because he'd done a lot of that work.

And sure enough, a year after I exited, he had sold it to Piper, which was perfect. And it's been very successful. I mean, all of the people are still really happy. They're all there. The same kind of culture. And Seattle-Northwest Asset Management, which was the asset management firm we built, has split off and is an independent asset management company, and thriving. They're doing just fine. And still, same folks running it. And so it's a good news story, which I'm very happy about.

KD: And then the chamber punches off all those things on your ticket that you mentioned earlier.

MD: It's totally that. This is a funny story. So I am a week away from announcing publicly that I'm departing Seattle-Northwest, and the phone rings, and it's my predecessor in this job. I've worked really closely with this guy, and he calls to say, "I'm going back to my old company." And I'm like, "You can't do that. You've got to stay. What can we do to keep you? He was really good, and he was like, "Nope, I've made my decision. This is my dream job; I've got to do it." So then I'm in mourning, and I'm thinking, what are we going to do? He was just such a good person.

And the current chair of the board called me and said, "Hey, we've been looking about what to do with Phil's departure, and we're thinking maybe you could step in. You're the prior chair. And just run the chamber for a few months while we search. Would you be willing to do that?" And I said, "You know, normally, no, because I'd be too busy. But, confidentially, why not? I'm about to step away." I knew I was going to transition Karl in, so basically I ran both the chamber and Seattle-Northwest on a half-time basis for three months. At the end of the three months, I had to decide whether I was going to try to submit to be the permanent here.

And what I liked about it is it is right in the heart of all the civic dialogue in the community. I have a belief that businesses have a responsibility to try to be problem solvers and take on tough challenges and wrestle them to the ground--our current one is the minimum wage law in Seattle—and that too often, businesses are sort of the anti-force. They need to be the positive, productive force. I knew a lot of people and I kind of knew what I was getting myself into, and I had a vision that I wanted to try to see if I could execute on. So they hired me, and I've been here full-time since June of 2012.

KD: Well that takes us all the way around. Is there anything that we haven't talked about, particularly in the municipal securities area, that we should have?

MD: I don't think so, no. I think we've covered everything.

KD: Well thank you very much for talking to me today. I appreciate it.

MD: Oh, well it's delightful to meet you, and I wish you the best of luck.

[End of Interview]