

10 Questions . . .

Patrick Kuhse on Serving Time in Prison and Picking Up the Pieces

by Shelley Lee

Who: Patrick J. Kuhse

What: Former CFP certificant and financial advisor, convicted felon, founder of Speaking of Ethics (www.speakingofethics.com)

What's on his mind: "Business leaders need to get out into high school and college classrooms and get a handle on how students perceive business. They need to talk about all the good things they're doing and how honest and ethical most people really are."

Upbeat, outgoing, cheerful, and modest, Patrick Kuhse would not appear to be a man with a horrible, and horribly painful, past. Nothing in his DNA or upbringing would have led anybody to suspect that he would one day become an international fugitive and serve four years in prison for, among other things, money laundering, bribing a public official, and conspiracy. "We've certainly analyzed that to death in my family," says Kuhse. "But no, I had a Mayberry-like childhood with loving parents in a farming town of 2,000 people in Iowa. Very low-key, very happy."

After arriving at Arizona State University, it wasn't long before Kuhse went very off-trajectory from his all-American, apple pie upbringing. After joining a fraternity full of not just party boys but party boys with money, Kuhse discovered the vast difference in their socioeconomic backgrounds and his. "I was out of my comfort zone. I think of it now as a defining moment for me," says Kuhse. "I began to have a values shift. Suddenly, a loving family wasn't enough. I had a burning desire to obtain material items-cars, a fancy house, a lot of money." He was majoring in business during a time when ethics wasn't even addressed and "go out, kick butt, take no prisoners, greed is good, and have it all" was the businessperson's mantra. He left Arizona State before earning his degree.

Fast forward to the 1980s. Kuhse earned his CFP designation in 1986 and until 1994 was a financial planner, regional manager with two national securities firms, and then principal of a firm in which he maintained a personal client base along with providing financial products and services for independent advisors nationwide. In 1989, an acquaintance who had oversight of bond trading for the Oklahoma State Treasurer's Office asked Kuhse to bid on bond transactions, encouraging him to "bump up" his commission. Kuhse paid the acquaintance what amounted to kickbacks. Eventually, a fired and disgruntled state employee tipped off the FBI about what was going on.

Kuhse ultimately fled the United States, was indicted, and finally returned to face the charges against him. Sentenced to 71 months in prison, he served four years, in Oklahoma, California, and Nevada-"The Feds were mad at me because I had left the country and so they kept moving me around," he says. Kuhse also was ordered to pay \$3.89 million in restitution to the state of Oklahoma. (Needless to say, he was stripped of his CFP designation.) His community service requirement has turned into a full-time career as a speaker. Since 2001, Kuhse has given hundreds of presentations to major universities, including Harvard, Stanford, and Cornell; businesses; civic groups; professional organizations, including several of the Financial Planning Association's chapters; and law enforcement agencies. The CFP Board recently authorized Kuhse's presentations for up to two hours of ethics continuing education credits. He also was named Ethics Fellow-in-Residence for the Eller College of Management at the University of Arizona and at the Sawyer Business School at Suffolk University in Boston. Voice recently talked with Patrick Kuhse about ethical dilemmas in financial services, living on the run, serving his time, and how he's piecing it all back together with a focus on speaking about ethics.

You were a successful financial advisor who held the CFP designation, living a very good life in San Diego. Were you an honest and ethical advisor?

I don't think I was unethical. I believe I treated my clients with respect and I took good care of them. But I wasn't unaware of certain ethical dilemmas in this business—and I hope others recognize them, too. Let's say it's the end of the month and you need to make your big mortgage payment—do you suddenly believe that a financial product with a higher commission is the perfect thing to do? Would you normally do it? Do you tell yourself it's really in the client's better interest? Yeah, I'm sure I did that once in a while. I do think it's important that advisors recognize these situations for what they are and don't pretend they don't exist, gloss over them, or succumb and then rationalize their actions.

When you began what turned out to be your ultimate transgression, what were you thinking? Weren't you aware you weren't doing the right thing?

I was approached about participating by a friend. Often that's what happens—it comes from somebody you know and trust. I spent a lot of time thinking about this issue and talking with fellow prisoners about how we got to the place we did and I discovered it's not that otherwise honest and good people just suddenly jump off the deep end. It's a series of small compromises that just get bigger and bigger. I liken it to a crack in your windshield—you sure notice it at first, you have a hard time seeing out of it, and you notice it's spreading, but eventually you get used to it and can't even see it right in front of your face. And there's always a good reason you don't get around to having it fixed.

What did you do when you became aware you were being investigated? When did you decide to run?

I was in denial about the seriousness of my situation for a while. I thought it was a small, "local" story, a festering problem, a little mistake. But the day after Thanksgiving 1993, ABC's *Nightline* did a story on me. I was big, national news. And scared to death. The gravity of my situation suddenly hit me and I had an overwhelming fear of going to prison. I was in manic self-preservation mode and had run out of options. Of course I didn't tell my team of lawyers I was thinking of fleeing. In February 1994, I flew to Costa Rica to try to find a house, check out the schools, get everything squared away—just like a normal person making a move. I hadn't been indicted at that point. My wife and two young sons, eight and ten at the time, joined me about a month later.

What was it like living as a fugitive in a foreign country?

Awful. You can't trust anybody, you can't warm up to people, you're always on your guard. I was afraid I'd be kidnapped by a bounty hunter. I was constantly looking over my shoulder for the authorities. It's a never-ending state of fear and adrenaline. I did have some money when I left the United States, but a lot of my money was tied up in real estate, which eventually was seized by the government. When we began running out of money I just patched it together with odd jobs. Obviously I couldn't practice my profession down there. We tried as hard as we could to give our boys a "normal" life. They were pretty young and didn't really understand. I told them that people back home were saying things about me that weren't true and were trying to put me in prison. Eventually, my wife and children left and went back home and she divorced me. We had no money and it was becoming obvious that it was a dead end for them. I was trying to fight extradition in a Costa Rican court but it didn't look like I would win. The writing was on the wall.

After four years, I finally decided to turn myself in. I had made an arrangement, by phone, with the U.S. Embassy to turn myself in and said I didn't want to go to prison in Costa Rica. They assured me that they did this all the time and that I would be immediately put on a plane to Miami, where the FBI would meet me. But things went awry—when I went to the embassy a week later and they drove me to the airport, the Costa Rican officials wouldn't let me leave the country, saying I had an "immigration" problem. The embassy had failed to quash the international warrant for my arrest. I was driven downtown to a courthouse and the judge arrested me on the spot and sent me to a local prison, where I spent 17 very

long days. This was very much a "third world" prison—a very small area with lots of people, a dirt floor, a pipe in the corner that was the toilet, no running water, very little food. Eventually, two U.S. Marshals came and took me to Oklahoma City, where I was put in a county jail. I spent six months there, from arraignment to sentencing. I pled guilty and didn't go to trial, although my co-conspirators had gone to trial while I was gone.

Did you ever think about how your family was suffering?

The worst moment of my life was when my wife and sons left for the airport. I suddenly realized I had lost my family. I knew I was responsible for taking my kids' dad away from them, my wife's husband and partner, my parents' oldest son. For a long time, I had simply pulled a pillow over myself and said "It's just me I have to worry about"—it was all about protecting me. And I completely blocked out thinking about my parents and sister in the United States. It was easy to do because I had rarely been able to talk to them while I was a fugitive. I had only seen my mother cry one other time until the day she came to see me in prison in Oklahoma City. I was so happy to see her and my sister because I hadn't seen them in four years. But it was an awful thing and their suffering was visible.

You say you spent your four years in prison talking to other prisoners, thinking about and studying behaviors that get people in trouble. What did you discover that you had in common with fellow criminals?

The first thing I was shocked to learn was that three out of four men go back to prison in four years. I knew what I had done, but I didn't know why. So I decided that if I didn't figure that out, I would continue to fool myself—maybe even wind up in trouble again. I talked to as many other prisoners as I could, looking for some common denominators. One that came up regularly was that they only regretted getting caught.

I eventually broke it down into what I see as major critical-thinking errors that seem to be prevalent in white-collar crime and in ethical lapses. The queen mother of all is a sense of entitlement—that we're owed something just because of who we are. Then there's super-optimism, the feeling that you can do no wrong, or that because of your past charmed life you'll certainly never get caught. Combine that with entitlement and you get arrogance. There's also victimitis—first in line to take credit, last in line to accept responsibility.

Another behavior is what I call affection disconnection—separating yourself from your loved ones, not listening to your mentors, segregating yourself into an "I'm right, you're wrong" cocoon-laziness and sloppiness, and finally, SUDs. These are "seemingly unimportant decisions"—you're in the moment, doing what you want to do in an aggressive way, maybe you're in a hurry and you don't process something correctly. What can result is SUDs. Combined with the other behaviors, you're suddenly sliding down that slippery slope.

You talk about "situational ethics" and how that can lead to real problems. Can you explain?

Situational ethics is when you examine the situation and then reach into your bag of ethics and pull out the response for that particular situation, rather than letting your ethics dictate how you will respond to any situation. When I speak to college students I always ask about whether they drive the speed limit on the expressway—everybody says no, they never do. But when I ask who would drive well above the speed limit near a school, they all say they'd never do that. I point out that they've just decided it's okay not to observe the law in some situations, but right to observe it in others. Thus begins the murkiness. "Medicaid planning" by otherwise decent and ethical people is also an example of situational ethics. People get very good at rationalizing and justifying their behavior, just like I did. I had a million and one reasons why it was okay for me to do what I did. Rationalizing is a common trait of really smart people. Although there obviously are some really dumb criminals, white collar crime is typically committed by people with good brains.

Are there warning signs? How can you be alert to potential lapses in yourself?

Check your gut. It's there. I mean that literally. When I rationalized in my head that everything I was doing in the Oklahoma situation was on the up and up, when it really wasn't, I knew it in my body. I started to have maladies I'd never had before-ulcers, hair loss, migraine headaches. Your body will tell you the truth. I got to the point when I was in prison that when I saw a new person come in, I could tell by looking at them whether they were guilty of something. It shows physically. The problem for many people is frequently their downfall begins through a relationship with a friend, a colleague, somebody they respect. If it's somebody you know and trust, you may listen. It's not like being pitched by a stranger. That's when we let our defenses down and quit listening to our gut.

Being honest and ethical is not really rocket science. When you speak to college students, tomorrow's leaders, do you stress that fact? What are their attitudes about ethics?

I'm passionate about working with college students because it gives me the opportunity to make a difference in their thinking. But sometimes it frightens me when I hear their thoughts. I always ask, "How many of you think business is generally corrupt?" Almost all raise their hands. Then I ask, "How many of you think that in the first year or two of your job with a business that you might be asked to do something that will go against your personal code of ethics?" Again, almost all raise their hands. Then I ask them why they think that and what they would do. Many say that they will have worked extremely hard and jumped through hoops to get the job they want and they want to really make their mark, so they might do something to advance that premise. But they all say when they make it into management, they'll "change." They believe they can make some small compromises along the way and then turn the ethics "switch" back on later. Or they rationalize things such as illegally downloading music by saying "It's not like I'm going to make any money off of this" or "The record companies are enormously profitable, so..."

Of course, look at what our society rewards-we perceive that those who are most successful are those with the most money and toys. We want to pursue that prize, so we're willing to take risks. This is how many future business leaders are thinking. The problem is when I ask them where they're getting their images of models and leaders, they invariably say television and newspapers. I point out to them that the high-profile misdeeds are always the ones that will be in the paper and on television. What they need to know, and what I tell them, is that I work with companies and groups all over the country and guess what-most of them are quietly going about their business and doing really good things in their companies and communities. There's no reason for them to be in the headlines for that!

Corporate America is not fully aware of the perceptions that young people have about business. I encourage all of the companies I work with to get out into high school and college classrooms and talk about what good things they're doing. Every decade in business has its own ethical meltdowns. When Enron was flying high, everybody was on board. I owned a ton of Enron stock; I had my clients in it. We didn't care because we were all making money. Once in a while I'd see Ken Lay on television and he'd talk about how they were in the energy business and it was doing so well and I'd jump up and down and say, "Hot damn-I'm in the energy business, too! Leave the guy alone; let him go make money for me." We all have greed goggles on at certain times, and when we do it's full speed ahead, don't bother me with the details, all is well.

What is your life like now?

It's crazy and great! I'm on the road four days a week, speaking to many types of groups. When I got out of prison on March 20, 2001, I had to move in with my parents on home confinement. I was 45 years old and had to take a job driving a delivery truck for \$9 an hour. Let's face it-when you're a convicted felon and you've been banned from the securities industry for life, there aren't a lot of people lined up to give you a job. But I also had 208 hours of community service to fulfill, so I started giving talks. I used to say that wherever two or more were gathered, there I would be. I spoke to Rotary Clubs, Kiwanis, anybody that would let me come. People seemed genuinely interested in my story and that became the basis for my

speaking career. It's the greatest job in the world because I get to share my experience and help people take pause, even if just for one hour. I can't teach people ethics, but I can share my story and give them a heads up about what may cloud their vision. I'm working on a book—the working title is *My Time Doing Time*—and there may be a movie. I get asked all the time about who I think would be the best actor to play me in the movie. So I ask my audiences—I get everybody from Danny DeVito to Bruce Willis. But I'm a lot taller than Danny DeVito!

I'm obligated to pay back \$3.89 million—the U.S. Attorney's office never made it clear exactly where they came up with that figure, but I believe they figured it was the excess commissions I had earned. So every six months I have to submit a financial statement to the U.S. Attorney's office in Oklahoma. They analyze it and decide how much of my income I can keep for the next six months. It could take a very long time for me to pay off the debt. But I did it and I have to pay it back. It's up to me to make this right. My two sons, now 19 and 21, are doing well. We don't talk about the past too much, but they've heard my talk on ethics so much that they like to bust me on critical thinking errors. I love that—it's like having two angels sitting on my shoulders. I don't spend much time looking in the mirror and asking myself how I made such a mess of my life because I'm trying to make a positive out of the negative. That period of my life is part of me, but I can't let it fully define me. When I talk to financial planners, I come away thinking about how much harder it is now—the liability concerns, the overwhelming regulation. But I loved the business and I miss it every single day.

For more on Patrick Kuhse, visit his Web site: www.speakingofethics.com.

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