

**Wallace Timmeny  
With Harwell Wells  
Annandale, VA  
July 15, 2019**

Harwell Wells: I'm here with Wallace Timmeny, former Deputy Director of Enforcement at the Securities and Exchange Commission in Annandale, Virginia on July 15, 2019. An interview for the Securities and Exchange Commission Historical Society. Thank you so much for taking the time to speak to us.

Wallace Timmeny: My pleasure and thank you for coming out here to the boonies.

Harwell Wells: Our pleasure. We like to start our interviews with a bit of background on our subjects. If you could talk a little about where you grew up and where you went to college, and perhaps how you decided to go to law school?

Wallace Timmeny: Grew up in North Tarrytown, New York, now called Sleepy Hollow. They changed their name. About 18 miles north of the city. What was really significant about our home there was it was a block-and-a-half from a library, the Warner Library in Tarrytown. I walked over there a lot when I was a little kid. Seven, eight years old I went in the library and started to pull out books and read them. I loved to read right from the start. I found that I read a lot of things, whatever came along, but I seemed to be reading a lot about lawyers and law. I read a whole series of books by Catherine Drinker Bowen. She wrote a biography of Oliver Wendell Homes, then John Adams. Then it was Edward Koch, or Koch. The proper pronunciation is Koch. They do it all ways, but anyway.

Wallace Timmeny: They were really an introduction to the law more than anything else. I was in high school, or maybe... Yes. Late high school. Didn't read anything to do with school in any event. I just had a vague notion in the back of my mind I might like go to law... I may like to be a lawyer. That's how I got to law school. Went to NYU.

Wallace Timmeny: NYU was great. I had to work my way through college, including a stint on the assembly line at General Motors right there in North Tarrytown. Basically I had to work my way through because my parents couldn't help me. We went to... I'm trying to think. Somewhere in there I went into the Marine Corps. That was because I had gotten laid off at General Motors I think, and I thought the draft was in the distance. I don't know. Whatever. So, I enlisted in the Marine Corps which it tended to be really, really helpful later. Things you learned in boot camp, discipline, etc. Great stuff. Then went to NYU.

Harwell Wells: Well, if I can ask, why NYU?

Wallace Timmeny: As a New Yorker, it was my wild shot. I thought Columbia maybe, but I didn't want to go to Columbia because I didn't like where it was physically. It was up in

Harlem. NYU was downtown in the village. I knew enough about the city. I grew up close to the city. We were in and out of the city all the time when were kids. NYU had a very attractive physical location not to mention a great reputation as a law school.

Wallace Timmeny: That's why I wanted... I tell you, it was my wild shot, my wildcard. They accepted me. Not only did they accept me, they loaded me up with help. No loans, just grants and stuff. You'll laugh. I recall the tuition in those days was about a thousand dollars a year, something like that. But I had no tuition payments. They helped me all three years that I was there that way. It got better actually later on.

Wallace Timmeny: My father died after my first year in NYU. That got me to the point I had really had to struggle to eat. I went to work my last couple of years. I had a lot of different jobs just to eat basically.

Wallace Timmeny: One of them was Wall Street involved. It was one of the major investment advisors in those days, subscription type thing where they put something out every month on whatever industry. But I went to work there after school and got some flavor for the securities industry I guess and that process.

Harwell Wells: At this point at NYU were you interested in securities law?

Wallace Timmeny: No. No. I was interested in constitutional law and I really had a history bent. I loved history in my reading. But then I went to NYU and we had a constitutional law course, first year, mandatory. They used two case books. They were six inches high and all tax cases. Well, if you wanted to get turned off on an industry that was it, you know?

Wallace Timmeny: My dream about constitutional law, boom, out the window. It was over the first year. But no specialty at all. Knew nothing about securities laws. Never heard of them. In fact, I wrote a paper. It was a required writing piece in, I think second year, and I chose an article... I wrote about corporations' buyback of its own shares to ward off people who were trying to do takeovers. This was well before Wachtell and Skadden.

Harwell Wells: This would have been the early '60s?

Wallace Timmeny: Yes.

Harwell Wells: Okay.

Wallace Timmeny: Yes, '62?

Harwell Wells: Okay.

**Harwell Wells:** **How, with no interest in securities law, did you get to the Securities and Exchange Commission?**

Wallace Timmeny: My roommate in law school was a guy named Dave Wexler who was on law review, wrote a lot. Wrote law review articles while we were in law school mostly dealing with the rights of the criminally insane. That was his interest. Somehow or other he went to the SEC when we graduated. He said they offered him a job. He was looking around for a job. He was there less than a year and he called me. I was still looking for a job. Those days, when you passed the bar in New York, it was in '64 when I graduated, I took the bar in the summer and after you passed, they started all the admissions stuff. I don't think I got admitted until the fall of '65? I'm not sure.

Wallace Timmeny: Anyway, I'm still looking around for where I'm going to go, what I'm going to do. He called me and said, "I'm over at the SEC, and I positively hate the place." He said, "But I think you would like it." He more or less wise cracked. He said, "You spend as much time reading the Wall Street Journal as you did reading cases." Something like that. He said, "I think this would be in your bailiwick." I said, "I'd love to try." So, he set me up for interviews down there in the New York regional office. I went to the interviews, was very well received. But they told me the only vacancy they had was Dave's, created by his leaving. In the meantime I should go down to Washington and talk to a guy named Pollack because he had things that might be of interest.

Wallace Timmeny: For whatever reason I went down to Washington and the only Pollack I knew of to check with was Harry Pollack who was the personnel director at the SEC. Harry said, "You know, this is not good. Yesterday, we did all our interviewing on Thursdays before panels, and the kids who did well on the panels were invited over to interview more in-depth in divisions. You missed that." But he said, "Oh, don't worry about it. I'll fix you up." So, he set me up for interviews in Trading and Markets, Corp Fin, and the Washington regional office.

Wallace Timmeny: Out of that came offers from trading and markets and the Washington regional office, but I didn't know what to do with the offers. Then of course the New York regional office calls up and said they're ready to go, too. So I had a wealth of riches to deal with. I said to my former roommate, Dave, "I'm trying to figure out what would be the best to do in the circumstance." And he said, "I know this guy." He said, "He's a red-headed guy with a beard. He comes up from Washington and spends a lot of time in New York regional office." He said, "He seems to know everybody and really know what he's doing. Why don't you call him and ask him?" So I call him. It was Art Matthews.

Wallace Timmeny: I called Arthur at home one night and he said, "There's no question as to what you should do. You should come down to Washington and work in the Division of Trading and Markets, in our division. You had an offer from Malon Frankhauser then who was an assistant director down there in this unit that was called..."

Harwell Wells: Is this the Criminal...?

Wallace Timmeny: Yes, the Criminal Reference and Special Proceedings unit. Arthur said, "I worked there." Said, "I love it. You'll love it." So I did. That's where I ended up. That's where I started.

Harwell Wells: At this time, you joined Trading and Markets but Enforcement, there wasn't a separate division of Enforcement.

Wallace Timmeny: No.

Harwell Wells: It's my understanding that each division had its own Enforcement wing or Enforcement operation.

Wallace Timmeny: That's correct. It's the equivalent of a branch or a large branch or two branches, or whatever, in most divisions. Alan Levinson ran one in Corp Fin. Sid Mendelson, I think, ran the one down in Investment Management. But they had their own units. Then later, as you most likely know, when Bill Casey came in, Irv, to that point-

Harwell Wells: Actually, I want to hold on a second because I want to ask what you did before we get to what was going on in the early '70s, which is very important. But just quickly before we get ahead, what did you first do when you joined the division of Criminal References and Special...?

Wallace Timmeny: Criminal References and Special Proceedings.

Harwell Wells: Okay.

Wallace Timmeny: First thing I did was notice there was no training program. Absolutely nothing. There also wasn't a lot to do.

Harwell Wells: Meaning?

Wallace Timmeny: They had more people than they needed to do what was coming in. What was coming in were these criminal reference reports that the young lawyers worked on, helped put them together, package them up and send them up to the Justice Department. Referred to the Justice Department. The other side of that operation was Special Proceedings. They responded to the regional offices' cries for help when they were trying proceedings and they needed help with briefs and whatever. My first real assignment in the Washington regional office was trying a case. I remember it was a very large case. It involved five different offerings that had been made by one firm. They were exploring the harm done to the investors in these offerings.

Wallace Timmeny: The first thing they asked me to do was write a response to a motion in a case filed by, it was then Sydney Dickstein and David Shapiro, of great fame later in

their own firm. I jumped at the chance. Wrote the motion and then they said to me, "Would you like to argue?" I said, "Of course I'd like to argue." Went and argued before the administrative law judge. Then at the conclusion... That went well. At the conclusion of that they said to me, "Would you like to help in a trial?" I said, "Sure. Great."

Wallace Timmeny: "We start in two weeks. We would like you to put on the first two-fifths of the case." There were actually five... This developed into five individual cases. It was a monster proceeding once we got going. I said, "Great. Give me the files. I'll study them. I'd love to know what to do." Of course, I never tried anything.

Wallace Timmeny: It turns out the files that they gave me were boxes of confirmations. They hadn't done the investigation. Crazy. Absolutely crazy. That stuck with me. Believe me. Later on. So, I just... I took the files, took the confirms, called people at night, had them come down the next day for interviews and so forth. I put together the case. Enough to kill the couple of weeks at the start of the hearing. Then I was just basically second chair to help the lead trial counsel. The trial lasted forever. It was the longest administrative proceeding in the history of the Commission to that point. I remember Judge Budge at some point complaining about that. The length of this proceeding down there and so forth and so forth.

Wallace Timmeny: The reason he was complaining was because after finishing the trial I was writing the post-trial documents, and I had made a very close friend at the time. His name was Tim Green. He worked in Corp Fin, but he lived near me. We lived over in the apartment buildings near the Pentagon. He lived in one right next door close by where I was. For whatever reason we got to drive to work together. Car pooled. Tim went from Corp Fin to work for newly appointed Commissioner Hamer Budge who'd been on the House Rules Committee or something.

Harwell Wells: Who later became chair?

Wallace Timmeny: Who later became chair. Tim worked for him. During that process, after the first year or so, Tim wanted to go on vacation. He said, "Would you come up and help the judge? I'm going away for two weeks."

Wallace Timmeny: "Yes, sure. Would love the chance." That's how I got to be a legal assistant because when I did that, I also did it for another commissioner. Helped out when his legal assistant went on vacation. It was Hugh Owens. That was Sven Johansson. When Sven left, Hugh Owens hired me as his legal assistant. This would have taken us to about, what? '68 or so, I'm guessing.

Wallace Timmeny: Then I went and became his assistant, legal assistant for a couple of years... It was only about a year. At the end of about a year, I had a lot to do with the Commission at that point. The legal assistants had a lot to do in those days. It was really unique. Every single registration statement was cleared by the Commission. They'd come up from the division of Corporation Finance with

recommendations as to why it should be approved. But they approved them. You had to go through that for your commissioner. Then there's a daily calendar. Every action they were going to take came up through the Commission. My duty was to go through that action and prepare a memo for my commissioner, so the next day at the meeting he'd go in there and be ready on everything.

Wallace Timmeny: We got into everything as legal assistants. Wrote opinions too. Opinions were written by the commission. They had an opinion writing unit. But the opinion writing unit did drafts that they submitted to the commissioners. But it was up to the legal assistants to go over those drafts and make whatever suggestions, come back, that sort of thing.

Harwell Wells: In your experience, I want to get... In a minute I want to get back to your return to Enforcement. But as a general question, did you have the impression... Because it must have given you a very intimate look at the commissioners. Did you have a sense that it was generally a collegial body? Were there significant disagreements between the commissioners?

Wallace Timmeny: No, they're very collegial. Very. The first chairman, when I went up there as a fill-in for a legal assistant, I think was Manny Cohen. Manny ran a very collegial Commission. But yes, very well put. Manny was replaced by Judge Budge when Nixon was elected. Manny had been very close to Johnson. During the second World War, Manny and the SEC worked in the building with Senate staffers and Johnson was there. So, when Nixon was elected, he appointed a judge. Manny left of course. He didn't have to. He could have finished out his term as the commissioner, but he left. Went to Wilmer Cutler where he started what became a fabulous SEC practice. At that point, I was up there. Commissioner Owens hired me, and so that when that change came in '68-

Harwell Wells: End of '68, early '69? Commissioner Budge becoming Chairman while you were still aid to Commissioner Owens. Is that right?

Wallace Timmeny: I was still down in the Trading Markets division when he became chairman. It was after that, sometime in early '69 or late '68, I went to work for Commissioner Owens and got to observe the Commission. Again, the Commission was very collegial. Extremely.

Harwell Wells: But then you chose to return to what became the Enforcement Division.

Wallace Timmeny: I didn't choose.

Harwell Wells: Oh. Okay.

Wallace Timmeny: I had been with Commissioner Owens for about a year, a little over a year, when Chairman Budge called me in. This is terrible but, he said he didn't like the style of the lawyers who were doing enforcement work. He said they tended to come

up to the table and make presentations to the Commission where they were sort of righteous. Maybe table pounders and whatever. He received a lot of complaints from the outside bar that they were pushing them around in the outside bar. He said, "I won't tolerate that." So he said, "I want you to go down there and there's an assistant director's job open. I'll put you in that job. You do what I've observed you can do, which is, you're collegial. You get along with people. You can do it without being a tough guy." Or something like that. I said, "Fine, sir." Off I went not knowing what I was getting into. I had no idea.

Wallace Timmeny: But went down there to Trading and Markets. It's still run by Irv Pollack, and he had an associate director who ran Enforcement. Tom Ray was his name. And then Stanley was next in line. I don't know what he was doing at the time. Ran a grant or two. I went in there as the... Stanley was senior obviously. I was the assistant director. Tom Ray already had left I guess by that point and Stanley was the Chief Associate Director in charge of Enforcement.

Harwell Wells: Effectively, Trading and Markets had what we would think of as a Trading and Market side, and then what became the Enforcement Division, the Enforcement side?

Wallace Timmeny: Exactly.

Harwell Wells: And Judge Sporkin was head of the Enforcement side but-

Wallace Timmeny: No. Irv was.

Harwell Wells: I'm sorry. Was Mr... Was Pollack...

Wallace Timmeny: He was the director.

Harwell Wells: He was the director overall. Then...

Wallace Timmeny: Stanley was the associate who ran the Enforcement business end.

Harwell Wells: Got it. Okay.

Wallace Timmeny: The other side, he had an associate... I can't remember his name but he did the regulatory stuff.

Harwell Wells: Okay. So why... I guess a couple of years later Enforcement... There was a reorganization. Enforcement was created as a separate division. Why, at least in your understanding, did that happen?

Wallace Timmeny: Well, my observation was... The big issue at the time was the fixed rates at the New York Stock Exchange. Irv had his view as to what should happen to fixed rates, which was it should be essentially abolished. Casey came in as chairman and that was not Casey's view. He wasn't sent there for that purpose. He

wanted to become more involved in market regulation. He didn't want Irv in there at all. Short and sweet. Go put a lot of theory behind how that came about but Casey wanted to run... He was going to run it himself through... He brought a squad of guys in with him who were really very talented. I think it was Lee Picard was one of those guys. He put... Casey put Lee Picard in to run Market Regulation. Something like that. Later, Harvey Pitt. Wasn't too much later. He succeeded, and he was working for Casey in what was then Market Regulation.

Wallace Timmeny: Casey organized the Enforcement Division to... He took all the Enforcement operations and the various divisions, put them in an Enforcement Division and then basically didn't order, but wanted the regional offices to come through that new Enforcement Division, who would look at their stuff and bring it up to the Commission. Irv was made the director and Stanley was the associate director in charge of Enforcement. I don't think there's anybody else at that level. They were all assistant directors here and there. I was one. Borowski was there. Irwin Borowski. He was senior to me and he was... May have been an associate early on. I'm not sure. Ted Levine worked for Borowski and later Stanley took Ted out from under Borowski. Gave him his own operation. Ted was real talented. Very talented.

Wallace Timmeny: After a while we end up with... I was an assistant director. Irwin was an assistant director. Maybe Ted Levine was assistant. I'm not sure. Whatever. We worked for Stanley and reported up to Stanley everything we had to do.

Harwell Wells: What was your actual... You obviously reported up to Judge Sporkin. What was your actual role in terms of supervising investigations or making decisions about what investigations to open, what investigations to settle and so forth?

Wallace Timmeny: Well, a good example of how that worked was when I was... Early on, one of my first actions as an assistant director was to... I was reading a newspaper one day. Read an article in the Wall Street Journal about bond daddies down in Memphis who were following, I guess, questionable sales practices, or who knows what. So I went to Stanley and I said, "You know, I'd like to go down there and take a look at this stuff. See what it's all about." He said, "Yes." It's funny because I remember reading an oral history interview with someone that was done years ago who said he thought that interest in municipal securities came because there were a lot of complaints floating in from down south. Well, there weren't any complaints. They were just my inquisitiveness about what that business was all about, because I had a sense that it wasn't very... It had a lot of things wrong with it.

Wallace Timmeny: So, I went down and made arrangements to visit some of these bond dealers in Memphis. I was amazed at what I saw. They were boiler rooms and guys there were supervisors. People who all had desks with phones. Big rows of them. Supervisors up front. "There's a shotgun on the wall here. Here it is. I'm putting it up here. The next guy-"



Harwell Wells: You mean as a reward for...?

Wallace Timmeny: "The next guy who sells a batch of these so-and-so bonds gets the shotgun." They showed me that day I was there. Saw it. It was amazing how they were... They didn't think there was anything wrong with it. Part of that visit, I went over to meet with the... I think it was the securities regulation chief for the state of Tennessee. I mentioned to him, I said, "This stuff really looks wild." He said, "It's horse trading. Don't worry about it." Anyway, I came back up, sat down with Irv and Stanley and I said, "This is the Wild West down there. Things are being done, taken care of... [inaudible 00:36:14] broker dealers years ago. These are boiler rooms." And they said, "Well, go ahead. You want to go do it, take care of it." So I did.

Wallace Timmeny: I went back into one of the branches where they're supposedly working on general reference reports or something. and there were a couple of guys there. One was a guy named Peter Clark. Another was Jim Birchby. I just gave them the names of these brokerage firms and I said, "Get on the phone. Dig in. See what you find out about them, customers and whatever. Develop a case." And they did. We brought our first case, an injunctive action.

Wallace Timmeny: Dave Doherty and Jim Birchby were principally going to try the case. Dave lead trial counsel. Jim Birchby was his expert that he put on. Really critical to the case. I was interested, so I went down and put on a portion of the case dealing with the son of the Assistant US Attorney. There was an Assistant US Attorney down there. The Senior Assistant US Attorney.

Harwell Wells: In Memphis?

Wallace Timmeny: In Memphis. His son was a defendant in a case. I remember I put the case on involving his son, and after I finished that day the assistant's up talking to the judge. We were just finished with the day. Cleaning up, picking up things. The assistant was up there talking to the judge. The judge was a great judge. His name is Bailey Brown, as I recall. District court judge. Anyway, the case went really well. We got everything we wanted to get, which was injunctions against the firm and I don't know seven or eight people. Then that spread. The regionals saw that stuff and got very active in those cases developing their own cases. Regional office particularly in Texas as I recall. Mostly Texas I guess.

Harwell Wells: Let me actually follow up with a question because I was curious listening to you talk about bringing people from headquarters down to Memphis, which is, what was the relationship between the Enforcement Division and the regional offices like? Especially because you said after enforcement was created, their recommendations or their... I'm not sure how to phrase it... their actions were supposed to be channeled through the Enforcement Division?

Wallace Timmeny: That's right. The regional administrators were sort of like barons in their own right. Most of them felt they answered directly to the chairman. Had no interest

in dealing with anybody who would interfere with that, or intervene in that relationship. But I don't know when it was but the regional offices wanted to deal directly with the chairman. I forget what chairman it was who said that was not going to happen, but it was... I know it didn't happen under Casey.

Wallace Timmeny: Stanley handled it really well. He got along really well with the regional administrators. Spent a lot of time with them. Some of them came to depend on him. I remember one very large region, the regional administrator had personal problems. His wife was sick or died or something. Stanley had to go out there and run the region to help him. He spent a lot of time doing that. He was extraordinary in terms of his relationships with the regional administrators. They all came around to the system eventually. It was due to his efforts.

Harwell Wells: One other question, because you mentioned getting injunctions against the municipal... people selling municipal bonds in the boiler shop. Is that... It is striking how in some ways how limited the SECs remedial powers were in the '60s and '70s as opposed to later times where the Remedies Act gave them a wider variety of options. And yet the Enforcement Division still seemed to be remarkably successful in doing what it did with a relatively limited... A lot of creativity obviously but still a relatively limited-

Wallace Timmeny: It was Stanley's imagination.

Harwell Wells: I'm sorry?

Wallace Timmeny: It was Stanley's imaginary approach really. For example, with the municipal bonds the... Most of the commission had no interest in it. Didn't know what it was all about. But there was a period there where someone from Market Regulation, I think it was Andy Klein, took an interest in the regulatory consequences of this stuff. Where would you go with it? What would you do with it? We had nothing to do with that but really Andy and eventually to the municipal securities rulemaking board and that was the... developed there much like the NASD to the brokerage business. Obviously that developed I think.

Harwell Wells: This might be a good chance to ask about the two individuals who loomed particularly large within Enforcement within the period you were there. If you could start by telling us a little bit about your relationship with Commissioner Pollack and what he was like to work for and what he was like as an individual.

Wallace Timmeny: Just a wonderful man. Where else would you start? He was a really, really nice person. Scholarly. Very scholarly. He had a practice of reading through advance sheets coming out of the various courts of appeals, and he would then keep a file on cases that affected the securities laws and so forth. Related issues that came up in Enforcement like aiding and abetting. He just developed great files, his own files, which some of us contributed to. But he asked us to read the advance sheets and make notes on certain cases and so forth. I did that. That's all I ever did with him frankly personally. It was very interesting to work up close

with him. He was, again, a scholar. Wonderful temperament. Nothing caused him to get excited or wave his arms or jump up and down. He was a very, very subdued guy. A model for everybody. That's all I can say. That's the way I saw him. He was great.

Harwell Wells: What about Judge Sporkin? Not judge at this time.

Wallace Timmeny: Well, it's a good thing they call him Judge Sporkin though because what you saw in Stanley right up front, quickly, was that he had an amazing imagination. Spotted things to do, cases where he wanted to go and so forth, parceled them out. He'd just say, "You go do this one. Or give this one to so-and-so. Is so-and-so available down there in one of your branches?" He was very much involved in parceling out cases that he wanted to do. He also was very much involved in dealing with the outside bar. When they came back in they would... wrestle with the staff about whether their client should be included in a proceeding. He was very judicial so to speak. He would sit and listen to them. He had the outside lawyers make their pitch and they'd have the staff guys make their pitch. They'd make a decision as to where he wanted to go. He brought me in on a lot of that stuff.

Wallace Timmeny: Irv at some point had gone up to the commission and Stanley began to involve me in a lot of things where he would have consulted with Irv, I think. At least that's the way I felt. I did his bidding essentially. Whatever he wanted me to do. Especially as I was deputy director. But in the process of moving up, associate and then deputy, I spent a lot of time with him. He would call me in and say, "I want you to sit in on this with me. So-and-so's coming in." He said, "You might enjoy this. I'd like you to be there." Or whatever. Many, many situations like that. I spent a lot of time doing that stuff with him. He was the inspiration for many of the things, everything done in the Enforcement Division with the exception of the Immunity Program. That was something I started.

Wallace Timmeny: Something that was really very important was the... someone worked for NBC, came over to talk to him about how it was that large corporate donations were being provided to 'CREEP,' the committee to reelect the President. Nixon.

Harwell Wells: Yes.

Wallace Timmeny: The reporter was curious as to how these corporations could... How could they do this? What were they doing? So, he left and Stanley came out just, boom, bursting with... here, call in... who'd he called in first? American Ship Building. Called in Northrop. He just went through industries. Called these in... We developed cases then about questionable payments. One of the things that I remember most in that process was, Northrop was under me and I was sitting in Stanley's office and I don't know what we were talking about but the lawyer working in one of my units came in. He said, "You know, so-and-so, lead partner at Cravath," or somewhere, "started chuckling, and said we can't go anywhere with this because they hired consultants to handle these dealings they had with foreign governments."

Harwell Wells: The illegal overseas payments?

Wallace Timmeny: Yes. There's nothing... He said... The lawyer's name was Dave Kinney. Dave said, "He's sitting dealing with me chuckling. He said, 'You guys are up a tree. You can't go anywhere with this.'" I said to him, "Well, Dave, you might want to go back and tell them we'll charge them with having insufficient internal controls." Because they didn't know where the firm's money was going. Their stewardship was lousy. We brought that case and, boy, that brought down... All kinds of people took an interest in what we were doing in those cases. Mostly the chief accountant's office, "What do you know about internal controls? Why are you raising this stuff?" It's a good question. I knew very little about them.

Wallace Timmeny: Anyway, we did it and there was a long expansion and what to do because these cases where everywhere you wanted to go. If you had a case with Northrop, call in Lockheed. They'd had the same problem. A case with Gulf, call in Exxon or whatever. Every industry you go through that did business overseas -- shooting fish in a barrel you'd find these cases. We were overwhelmed with them, basically. I believe it was Alan Levinson, who was then Director of Corporation Finance, in a session with Stanley made a suggestion that maybe the best way to handle this is through a voluntary program. Just put out a word say, "If you guys volunteer, come in and tell us what you got, how you're going to clean up your act, that will be enough. We'll move on to other things." So, that's sort of what happened.

Harwell Wells: The voluntary program eventually had over something around 450 companies walking in with reports about illegal payments overseas?

Wallace Timmeny: That's right. We ended up writing a massive report on them.

Harwell Wells: I've read part of the report. Why do you think so many companies...? And as I understand it there was no guarantee that they would not be-

Wallace Timmeny: There was no guarantee that they would not be sued.

Harwell Wells: Not be sued. Not be charged. Why do you think so many firms wound up willing to participate in the program?

Wallace Timmeny: Because if they were sued it would be very... It would be worse. That's what it came down to. They depended on good judgment of Stanley and the Commission. It worked out.

Harwell Wells: Leading up to this time, this obviously led to the Foreign Corrupt Practices Act.

Wallace Timmeny: Correct.

Harwell Wells: I guess it was Senator Proxmire's bill. There was a huge amount of input from the SEC. Were you at all involved with drafting the act or creating it?

Wallace Timmeny: No. That was his staff as I recall. But they consulted us. I had conversations with Proxmire's people. Got to know them in the process. I don't remember much. We weren't involved in drafting the statute at all. I do remember later when I think I was in private practice people were challenging the Foreign Corrupt Practices Act and Proxmire wanted to have hearing and put on a panel to defend the act essentially. He called me up and asked me to come up and testify on a panel, which I did. But there was no involvement in the legislative process other than things like that.

Harwell Wells: Clearly by the time, we're talking about the voluntary program. It's a very high profile, very public program. There was a lot of public... A lot of praise for it. A lot of criticism as well.

Wallace Timmeny: A lot of criticism.

Harwell Wells: Did any of that reach you in your position?

Wallace Timmeny: Criticism?

Harwell Wells: Criticism or having to do with political pushback. Was that ever something you had to deal with?

Wallace Timmeny: No. I think Stanley caught that. All of it. There was pushback, and it was political, but generally came in through the chairman's office down to Stanley. He dealt with it very well, but various chairmen started to take steps to limit the Enforcement Division's efforts. One thing I remember was one of the chairmen, I don't know if it was Rod Hills who... I'm not sure who it was but set up a unit in the general counsel's office where they would review everything that came out of Enforcement before it came to the Commission. When it came to the Commission, they were to come up to the Commission and advise the Commission on what their thoughts were.

Harwell Wells: Why? What was the concern?

Wallace Timmeny: Cut the Enforcement Division down. Stanley went wherever he wanted to go basically and developed all kinds of things. He was imaginative. The most imaginative man you can imagine. He was all over the place and they wanted to cut him down. Sort of what it came to, I guess. I think he handled it really well until... I left in '79. I thought Stanley would be there forever. He had showed no interest in going into the private sector. Irv had gone up to the Commission. Stanley was... He was 'it' when it came to Enforcement. I enjoyed being his deputy. But right about that time, I hadn't been deputy long, a couple years I guess, there was a revolving door provision that is adopted. All administrative agencies. The centerpiece to the thing was that people at a certain level would be precluded from appearing before that agency for at least a year. One year from after they left.

Wallace Timmeny: Initially, Paul Gonson was in charge of determining how we would respond to that -- who was going to be covered by it. I was the only deputy in the place at the time. He said to me, "We'll ship this over. We'll try to avoid you getting caught up in this thing." Justice came back and said, "This guy's the deputy? He has all the authority and stuff that the director has?" They said, "Yes, yes, yes. He's covered." So Paul came back to me and he said, "You've got 30 days before you're going to be covered by this thing."

Wallace Timmeny: I thought at that time, not that I'd planned to leave, but that I knew that would be an untenable position because there's a lot of pressure coming down. Stanley had handled that all from chairman and from commissioners who opposed what we were doing. And you were going to be in a position where you wanted to go up there and state what you felt without being concerned about the consequences. That's the way I was when I went to the Commission and everything. You were... I felt you'd be hampered if you had this thing where you couldn't get out. Couldn't leave. So I decided to leave. Went out to this... Bridewell and Patterson I think was my first private sector job.

Harwell Wells: I want to return to that in a minute because one of the things I'm curious about is the experience from the other side of the table. But let me before we... A few more questions about the Enforcement Division.

Wallace Timmeny: Of course.

Harwell Wells: One of which is, apart from Judge Sporkin and Commissioner Pollack, who else... Sorry. When we do the histories we obviously pay attention to the division directors. We pay attention the chairs. Are there other individuals who you encountered in the Enforcement Division who are particularly memorable or who you think contributed a great deal to its workings?

Wallace Timmeny: Yes. Ted Levine was one. I thought Ted was a very dynamic... And he led his people. He was much like Stanley in some respects. He delved into areas that he thought were worth delving into. He was one in Enforcement Division. Irwin Borowski was very... Not... Wasn't the type. Irwin handled his people. What came through them. In my era, I would say it was Ted and me. Whatever. Of course that's from my standpoint.

Harwell Wells: Sure. Apart from the municipal investigations and the voluntary program, what did you most enjoy working on?

Wallace Timmeny: I don't think anything compared to the questionable payments stuff. It was really fun. You had to deal with the cream of the outside bar, the targets or potential parties and the litigation were top corporations in the country. So it was stimulating to say the least. That's the way I looked at it. Really enjoyed it. I'm trying to remember how it was... Oh. Something I found very interesting. Got involved in the sense that before Casey became chairman his name came up in a case I was doing. I went in to see Irv and Stanley and mentioned that. I

said, "This is going to be a challenge for us because..." I actually came right out and said it. I said, "We have a lot of leaks come out of this thing. Casey may be up there in his confirmation hearing."

Harwell Wells: This was after his nomination?

Wallace Timmeny: Yes.

Harwell Wells: Okay.

Wallace Timmeny: "He's going to get blindsided with this investigation." So Irv called the... It was Commissioner Loomis maybe. Commissioner Needham, Stanley and myself in a meeting. Said, "What do we do about this?" Well, the consensus was quick. It was just somebody's got to go up and interview Casey. And in a process let him know that there's a possibility this thing may come up. They all looked around and they looked at me. My charge. Go do it. So I went up and met Casey in the process. Of course, I interviewed him, told him why I was there and that, for me, led to a relationship with Casey that was quite good, I thought.

Harwell Wells: Oh, good.

Wallace Timmeny: Oh, yes. As much as he wanted to cut down, he wanted Irv out of the market rate business, he never wanted to cut down on Enforcement. He was very supportive. So we had our heads under him.

Harwell Wells: I'm curious about the relationships you might have developed with chairs or commissioners. We've already talked some about the period when you were actually advising Commissioner Owens. But when you were an associate and the deputy director and you had to go in front of the Commission and obviously explain matters you wanted brought, what was that relationship like?

Wallace Timmeny: For me it was wonderful. I was very well received when I brought matters up to the Commission. Commission was... I remember Ray Garrett, Phil Loomis was the Commissioner then, whoever they were, it went really well. I didn't think I even knew Phil Loomis, but I was up there making a presentation or something, someone else made a presentation from the general counsel's office. I think they wanted them to appeal a case we had lost somewhere. I'm not sure what the substance was, but in any event I was there. The Commission, they listen to what I had to say. They listened to what someone else had to say. They went to a vote right there in front of us. I think it was chairman Garrett turned Phil Loomis, "Phil, what do you think?" He said, "Well, I really don't like to vote against Wally." I didn't even know he knew me, frankly. He said, "I don't like to vote against him, but this time I will." But that gave me a view as to how I was received by the Commission. It went really well. I really had a very good relationship with the Commission.

Wallace Timmeny: Didn't change when Commissioner... What was her name?

Harwell Wells: Is that Commissioner Karmel?

Wallace Timmeny: Roberta Karmel. When Roberta was appointed to the Commission, I knew her from her days in the regional office. I'd done a lot of dealings with the regional office. She let me alone. I worked on things, she didn't bother me, but she worked over a lot of the people. She had always run [inaudible 01:10:06] Stanley. They didn't get along at all. And then even younger lawyers in the [inaudible 01:10:12]. I remember one time I had got there. She was all over Dave Doherty for something. I had to intervene. Come to what I thought was Dave's protection in the process. That's the way I saw it anyway. But generally, I was really well received by the Commission in presenting matters the whole time I was there.

Harwell Wells: I wanted to ask about a couple of other issues that came up at the time you were at the Commission. One of which was what Judge Sporkin called the Access Theory, which is aiming particularly or paying particular attention to lawyers and accountants and their roles in enforcement actions and... I won't say securities fraud, but their roles in the securities market.

Wallace Timmeny: Actually, we refer to that internally as a gatekeeper function.

Harwell Wells: Okay.

Wallace Timmeny: It was on our minds, Stanley, of course, and me. Cared a lot a lot in those muni cases because the municipal... That all the municipal deals depended on the opinion of a lawyer.

Harwell Wells: Bond Counsel.

Wallace Timmeny: Bond Counsel. Clearly it made an impression on me when some of the things that Bond Counsel did, they wrote the official statements. Various things like that. They were just... Checking off checklists. Boom, boom. They weren't getting substance at all. So, we actually started to name a few lawyers with muni programs. That hit the fan. Didn't go over too well. I think the first one is the case came out of... I think it was Texas. I took it up to the Commission. Commission approved the litigation. We sued in... Oklahoma. It was Oklahoma. We sued the underwriters and the Bond Counsel in Oklahoma. A lot of the municipal issues had nothing to do with municipalities or states. They had to do with revenue generating projects within that area. Revenue bonds. Whatever you want to call them.

Wallace Timmeny: There was one in Oklahoma where they did some sort of a revenue district or whatever. They are basically designed to finance a factory that was going to produce salt shakers or something. Something really strange. I went, did the calculations. I said, "These guys, in order to justify the revenue projections and so forth and what they were coming up with, they'd have to sell a set of salt and pepper shakers to everybody in China. They still would come up short." So I



thought this thing is awful. We named the lawyer. The case was filed in Oklahoma. A couple days after it was filed we got a call that said the judge is separating the case out. He wants to go to trial right away on the bond lawyer. So we... They did it. They tried the case and Texas regional office guys tried it. They lost the preliminary injunction against the bond lawyer. Denied. That came back up, then what happened... What are we going to do about that? I remember going to the Commission and essentially saying we should appeal because I felt we were hometowned. That was just not right.

Wallace Timmeny: By that point I'm not sure that the general counsel knew what we were doing but I think it was... Harvey was there in the general counsel's office, and he didn't like the idea. He had looked at the record, or had somebody look at the record for him, and said he didn't like the way the case had been tried, and the judge held in contempt members of the staff who worked on a post-trial brief because we referred to some kind of IRS regulation that had come up in the course of the case.

Harwell Wells: And do you think this came about because you were going after a lawyer?

Wallace Timmeny: Yes.

Harwell Wells: That that offended the judge?

Wallace Timmeny: Yes. Very much so. So, the judge held us in contempt, district court judge. So, I said initially, "Obviously, we have to appeal," and they did. They did fine, but years later, I had a client in Oklahoma in one of my first cases as a defense bar, and my co-counsel was the lawyer who represented bond counsel years ago. And he told me flat out. He said he went to the judge, and "Judge," he said, "This is crazy, Judge," and judge said, "Don't worry, I'll take care of it." I know the judge's name. I'm not going to mention it. Lyndon Johnson, I think, Johnson appointed. But in any event, that's how things went when you came to the lawyers. That was part of the process, and it wasn't easy. We struggled with the cases. We brought them. We included them, various things. For example, one of the things we did was the case involving New York City bonds.

Harwell Wells: This was the near default in '76, '77?

Wallace Timmeny: Yes.

Harwell Wells: Okay.

Wallace Timmeny: '76, I think, and Abe Beame, who was the comptroller of New York, was running for mayor, and I remember it was Harold Williams, the SEC chairman. He just recently had been appointed chairman, I think.

Harwell Wells: He would have been appointed, I think, '77, so around that time, yes.

Wallace Timmeny: Okay, well, this is how it went. He calls upstairs, essentially, me and Stanley, and he said, "Stanley, look, I don't care what you do, but I want it done before the election, well before the election, so do it. Whatever." Stanley's decided the best thing we could do would be a 28E report, I think, and get that out. Just lay out the facts as we discovered them or has been discovered by our New York regional office, they were handling it. And we worked on that. I was involved in ... they split it up. A lot of people were involved with it, and Stanley assigned it to all kinds of people that he had or he considered good writers and whatever. Pull this report together.

Wallace Timmeny: I was involved in writing the conclusions. That's the role of the lawyers. I wrote this whole thing about how they were faced with disclosure issues, and take a vote on them. Best law firms in the country out there. And the votes were split. But in any event, they went with the majority, which was to go ahead with the offering they were working on-

Harwell Wells: Without the disclosure?

Wallace Timmeny: Without disclosure, right. And I said ... I remembered somebody had said, "Well, at a minimum, they should have done additional investigation or whatever, and that had to go out and be approved by the commission. They liked that. But that was a continued development of the enforcement division's relationship with lawyers.

Harwell Wells: Okay. And then the other thing I wanted to ask about was the degree to which insider trading was an issue in the period you were at the commission. And I ask in part because it became so big in the following decade.

Wallace Timmeny: Yes. First big case the commission brought was Texas Gulf Sulphur, and that was it for a long while. I don't remember the name of next one, but the case came in, and I ended up handling it, and how I got ... Stanley asked me to do it. It came in with ... there was a firm that had been ... Geon, company name. The SEC ended up with the case, SEC v. Geon, comes from inspiration. Geon had entered into a merger agreement with someone. They manufactured replacement parts for Volkswagens. They were being bought out by someone. A condition of the buyout was, or the takeover, however you want to call it, that they had to hit certain numbers in the next couple of quarters. So, their CFO and comptroller were working on the financials, to present the quarterly financials, I guess they were. And in the course of that activity, they came to conclusion... we're not going to make the target on earnings. In fact, we're going to ... the deal's going to be blown up. That night, the comptroller went home, I think it was a Sunday night, called his broker, and said, "Sell all my position first thing in the morning."

Wallace Timmeny: It was traded on the American Stock Exchange, as I recall, the exchange immediately halted – it had flooded with trades. Broker sold all his, the comptroller's shares and all the shares of his other clients who had followed the comptroller and whatever. It was a mess. And that became the next big insider

trading case, I think, after Texas Gulf Sulphur. Stanley had, by then, created a litigation unit in enforcement. They were there to handle the cases like this, but they were up to their eyeballs in other stuff, National Student Marketing, or whatever, the other monster cases that they were trying. So, there was no one to try this one, and Stanley said to me, "Why don't you try it?" So, I said "Fine. I'd love to get out from behind a desk, and go do what I like to do, various arguments. And so, mostly I'd been various arguments and preliminary injunction actions and so forth. That's what I'd been involved in over the years.

Wallace Timmeny: But I went to ... I got involved with this one. I'm going to have to try it in a southern district before Judge Bonsal, as I recall, who'd been the Texas Gulf Sulphur judge.

Harwell Wells: Wow.

Wallace Timmeny: He knew all there was, everything to know about insider trading, he knew. He had no tolerance, whatever for this, what we were trying to do. "All right, okay, next. What else? What else? Move on."

Harwell Wells: You mean he had no tolerance for the SEC or for the other-

Wallace Timmeny: Yes, the SEC. Right. Yes, absolutely, and he just knew it was just, "Just come on. Next, next ... what else you want to do here?" Well, the first thing we did was ... this was at the suggestion of Stanley. It was awful. He said, "Why don't you call the CFO as your first witness, and take him through the point where they hit the papers, and they know that it's not going to work and so forth, and that'll be the start of your case."

Wallace Timmeny: Okay, Stanley knew best. He had been a clerk or whatever. So, I did. I started with the CFO, and the CFO was on the stand all day. He danced rings around me. It was all about inventory accounting. I knew nothing about inventory accounting, zero, zilch. Well, I had enough sense to ask an accountant in the division, named Morris Lafferman, to come up and sit in on the hearing. And so, at the end of the first day, I knew I had to go back in there and take this guy, in effectively, in a cross-examination, through the papers and get us to the point where we had to be, because things had broken down. So, Morris, I remember, we sat up all night in a hotel in New York. He taught me inventory accounting. I knew nothing about it, and I was like a sponge, I sopped it up, of course. I went back the next day, and they will take the CFO through all the work papers. Take him down, work him down to the point where, right here, you now know that this deal is not going to go. "Yes," he said. Okay. So, that was great. All right.

Wallace Timmeny: That went really well. We won the case. We did one thing that was a little bit of overreaching. We went for, again, at Stanley's suggestion. "Why don't you go for respondeat superior with respect to the broker dealer there?" not just the control provisions and the acts, all the '34 Act control provision, Section 20, I think it was. I don't know, but said, "Why don't you go get some respondeat

superiors? I think we can develop some law here where we can expand the reach." Respondeat superior was full liability. You had no chance to say, "We have processes or whatever, and compliance" which would keep us out ... the broker was trying to keep us out of the enforcement action. Respondeat superior is, if it happened in your firm, on your watch, bang. That was it.

Wallace Timmeny: We lost. Judge Bonsal said something like, "This is not going to admit ... you don't have the authority to try a common law concept and expand your powers through that process," and said no. Went up on appeal. Second circuit agreed with him, said, "You guys have nothing to do with that."

Harwell Wells: So, it sounds like, from that, your description makes it sound like Judge Sporkin was a pretty hands-on supervisor. Or was that-

Wallace Timmeny: He was.

Harwell Wells: Okay.

Wallace Timmeny: He was. Right. Anything he was interested in, absolutely stayed with it.

Wallace Timmeny: We didn't have much of an insider trading operation at that point, but what there was was, initially, I think, under me, it was a market surveillance type thing where we check the markets, especially when there were announcements and saw where the trading was going... drew off some cases that way.

Wallace Timmeny: The way it really worked ... I think it was maybe under Ted Levine, at some point, stood over there, under Ted. But there was an investigator on our staff named Rick Norelle, who was really a solid market guy. He could just look at the ticker tapes and find you an insider trading case. Yeah. And he basically generated most of the cases. Stanley would say, "We haven't brought any insider trading cases," and so, okay, you go, and say "Rick, go look in here and see what you can find." And that was our insider trading program.

Harwell Wells: So, you left the SEC in 1979.

Wallace Timmeny: Correct.

Harwell Wells: And what I'm curious is, you then spent many years in private practice, representing people quite often being investigated-

Wallace Timmeny: Yes.

Harwell Wells: ... by the SEC. Did that experience change your view of the SEC or give you a different perspective on your time at the SEC?

Wallace Timmeny: No, I don't think so. First of all, from the very first case I had, I was very well-received by the staff. When I came in, I knew everybody. When I was there, I

spent a lot of time going back into individual branches, working with lawyers. Stanley asked me to. He'd say, "Go look at that branch. Stuff is not moving back there, and see what you"-

Harwell Wells: When you were still on the staff?

Wallace Timmeny: Yes. He said, "Go back there, and see what's going on. Move some cases, make some decisions," because his term was people tend to "massage" cases. They don't let it go. They keep working on it because they want to make sure it's all set to go. So, he said to me, "Go back, and just get some of those cases, just get them out of there." Various branches, not just mine, necessarily. Other units who were working with me, which I did. And I got to know everybody pretty well throughout the enforcement division. I had a very strong relationship with the other divisions too, Al Levinson, particularly, so that, when I came back in, I was very well-received, whatever the thing involved.

Wallace Timmeny: I think the very first assignment I had was a registration statement that was stuck in Corp. Fin. for a major client. I think it was Marathon Oil or somebody. I was then in Bracewell, Bracewell & Patterson, and they said, the lawyer handling it, said, "You gotta do something," and she said, "This thing is not moving," and so I called people in Corp. Fin. "Sure. We understand. You're good," and broke the logjam and moved on. So, a lot of assignments like that when I first came out. But on substantive matters, when I picked up cases, I came back in, and they were very, very helpful to me, the staff, essentially. I remember, one time, I came in with a case. Might have been the first one I had, where the ... and it's a lesson I learned early on with this first case. The story you were getting from your client did not correspond to what had happened. So, I remember Dave Doherty called me, and he said, "You representing these guys?" I said, "Yes," and he said, "Oh, let me tell you what we know about it." Yeah, and it was bad news. It was quite different from what they had told me. I went back and confronted the clients, and they acknowledged that the SEC staff was right, basically. "So, see what you can do it. Go settle the case," which I did.

Wallace Timmeny: So, I was very well-received, particularly in the regions too, cases in Fort Worth, Fort Worth regional and cases in Philadelphia, and the Washington regional office. But I'd work with their staffs, and I came in on cases and got really good results for clients, basically. They listened to what I had to say and most often went with what I suggested, either by way of settlement or no case, don't bring it, etc. Very good experience.

Wallace Timmeny: I had respect for the staff. Well, the defense bar came in, and there was one particular guy from ... it was Marvin Schwartz. He was the lead litigation partner, I think, in Sullivan and Cromwell, and he'd come in, and his presentation was, essentially, "You guys don't know anything. If you did, you'd be in private practice," and he'd just dump all over the staff guys who were dealing with the case. So, I was quick to learn that that approach was lousy, and when I came in, I had respect for the staff, never lost it, and I was that way throughout my practice years. I think I was in private practice for 30 years after I left.

Harwell Wells: So, looking back, you've been a participant and observer for over 50 years, since you joined the SEC in '65.

Wallace Timmeny: Yes.

Harwell Wells: What is the biggest change, do you think, that you saw?

Wallace Timmeny: Hm, that's a tough question. Well, it really had to do with growth. Their budget ... well, there are two things, actually. No, no, let's think about it. I hadn't thought about this. The budget grew, and it grew. The place grew like wildfire. When we were there, there were under a hundred lawyers doing enforcement in the home office, I would think.

Harwell Wells: Okay. Those are about the numbers I've seen quoted.

Wallace Timmeny: I think under a hundred, but ... and we had investigators and accountants and so forth. The numbers never got up over 200 professionals, so to speak. But the place just grew. They got to the point where they had ... I mean, I'm just not familiar with the budget. I hadn't thought about it, but they had more and more money, and the divisions expanded enormously, especially enforcement. When I was there, Stanley had been the only deputy. He was deputy to Irv, and when Stanley became director, I was his deputy. We had one deputy, and that was it. I mean, nowadays, there are about 10 or so. Who knows? That's how big the place has gotten.

Wallace Timmeny: The other major change I thought was adverse, was some of the chairmen in recent years had decided they wanted to go to former U.S. attorneys to head the enforcement division. I thought that was a disaster. I mean, there was something about the division when it promoted from within. People were homegrown. They really got to learn these ... learned about the industry, and learn about what it took to develop cases in the various segments of the industry.

Wallace Timmeny: These guys who came in from the U.S. Attorney's office did not have that experience. They were used to getting cases that were packaged for them. Go try. I don't know how they were administratively. Some may have been good, some not good, but I thought that the approach where they began to dominate was terrible. Then, their domination led to the decline of the ... meanwhile, the decline of the kids who are developing industry expertise by working in the division on matters for years. To my way of thinking, that ... the worst ... it started with Chairman Shapiro, I think. She brought in somebody, but it got really bad under Chairman White, Mary Jo White. So the place was all U.S. attorneys, former U.S. attorneys. I just don't think that's the right way for the agency to go.

Harwell Wells: Is it because people enter without expertise, or is it because of a different attitude of their relationship to the people whom they're regulating and charging?

Wallace Timmeny: Both.

Harwell Wells: Okay.

Wallace Timmeny: Both. We'd develop relationships with the industry when we were there. Yeah, absolutely. We had very strong relationships with the self-regulatory organizations, the NASD, New York Stock Exchange, and whatnot. They referred cases us. Sometimes, we referred stuff to them, more often came from them. And we got the help of the industry guys, managed what we were doing. In the municipal bond area, I remember, when I was trying to figure out what was going on, one of the things I did was confer with a muni bond CEO of a brokerage firm down in Houston, long before Bracewell, and I'm still on the staff, early days. And he was extremely helpful. So, you got to know ... you found people like that that are going to help you understand the business, whatever, and develop those relationships. At least, that was my style.

Harwell Wells: So, one other thing I did want to ask you about is, while you talked about the enforcement staff, what were the staff in the other divisions like, and what was your relationship with them?

Wallace Timmeny: My impression was the staff in the other divisions were very professional, very sharp. I remember this guy named Jack Dudley, he was Number 2 in what was then, Corporate Regulation.

Harwell Wells: That became Investment Management?

Wallace Timmeny: Yes.

Harwell Wells: Okay.

Wallace Timmeny: He was smart as anyone I'd ever met, in the same category as Loomis and Stanley. Great firepower, I thought. I thought Lee Picard was quite impressive, he was in Market Regulation. Harvey Pitt, naturally. Harvey Pitt was everywhere, and he deserved it, and earned it. He actually came in was younger than I was. When I first met him, I was the legal assistant to Commissioner Owens, and when I left that job to go back down t division, Harvey said, "You never mentioned it to me, I would have liked something like that." We were friends early on. I said, "I never thought you'd be interested in that kind of stuff."

Harwell Wells: I don't think his career suffered too much.

Wallace Timmeny: Suffered the least? He went through the place like a hot knife through butter, really. He really did. He was everywhere, in General Council, Executive Assistant to at least Rod Hills, maybe others, I don't know. Casey spotted his talent. Casey used him a lot with Market Reg stuff, as I recall. So there were staff aside from our division - that's my way of saying they were very impressive. I've mentioned Al Levinson, he was in Corp Fin. Very, very wonderful guy. Very effective as Division Director, and effective in dealing with other divisions. May be his strength.

Wallace Timmeny: And Stanley Sporkin. The great thing about Stanley was that, you have to look at his career going backwards. He ended up as a Federal Judge.

Harwell Wells: Mm-hmm (affirmative)

Wallace Timmeny: He was a good Federal Judge but, he was so equipped for that. You see, looking back, how that was pretty much the way he conducted his affairs at the division. He'd have the defense bar come in, they'd make a presentation to him, and he would listen, his staff right there, make their arguments. Sometimes he went with the bar, sometimes he went with the staff, you know. Very judicial. So, it started early, in my view, watching him. It was an experience just to watch him. To work with him was an honor, in my opinion. I enjoyed it to no end.

Harwell Wells: Well, you've had an important role and to be honest, at this point the number of people who were around in the 60's and 70's, it's a small group, but there was some important stuff going on so we're grateful you were willing to speak with us.

Harwell Wells: Were there challenges in dealing with other Divisions?

Wallace Timmeny: Sometimes. Clashes were brief. Not that I remember often ... they took different positions on things we were doing, so forth. Again, the municipal bond program was the best example of that. They thought we should have nothing to do with the munis. "If anything, this is a regulatory manner. You guys shouldn't be involved with this stuff." Eventually, we agreed, you know? Nothing wrong with it. Well, that was essentially the way I see it without naming too many names. I thought the most impressive Chairman - and this was later, the former Chairman left - I thought, was Levitt. Levitt was the one who drove that "Cooking the Books" approach. We worked on them inside them, I think it was basically Bill McLucas.

Harwell Wells: Yes.

Wallace Timmeny: But, Levitt gave a number of speeches about that stuff, and they were really terrific. And I thought they were more significant than anything I had seen by any Chairman to that point. I didn't know him. Went to a dinner with him once. There were about six or eight of us. I think Bill McLucas set it up when he first became Chairman. He brought in some of the guys who had strong defense



practices. But I sat a couple people away from him. There were guys between us, and I didn't get to know him at all, truthfully. But I thought his concentration on "Cooking the Books" was the most significant thing that happened in my years in and out of the SEC.

Harwell Wells: I want to wrap up, but is there anything that I haven't asked or any topic that you think we should have discussed that we didn't get to?

Wallace Timmeny: I did discuss why the enforcement division came about?

Harwell Wells: We talked about, yes, the split in '72.

Wallace Timmeny: The most significant thing that happened there, was the law of unintended consequences. I don't think Casey intended to get the best enforcement division of any agency in Washington. But-

Harwell Wells: Sounds like he got it.

Wallace Timmeny: That's what happened. Right. Yes. Can't think of anything else that ... I think we've covered a lot of ground.

Harwell Wells: Then, I will say thank you so much for your time. We deeply appreciate it.

Wallace Timmeny: Thank you very much, especially for coming out here.

Harwell Wells: That was our pleasure.

Wallace Timmeny: Thank you.

Harwell Wells: Thank you.

Wallace Timmeny: Thank you very much.