

## STOCK EXCHANGE PRACTICES

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THURSDAY, JUNE 23, 1932

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D. C.*

The committee met, pursuant to call of the chairman, on Thursday, June 23, 1932, in the hearing room of the Committee on Banking and Currency, Senate Office Building, Senator Peter Norbeck presiding.

Present: Senators Norbeck (chairman), Brookhart, Goldsborough, Townsend, Carey, Couzens, Fletcher, and Costigan.

The CHAIRMAN. The committee will come to order. Mr. Stock wanted to put some papers in the record that Mr. Gray had left with him. You may make your statement, Mr. Stock, and present the papers.

### STATEMENT OF DAVID STOCK, ASSISTANT COUNSEL TO THE COMMITTEE, WASHINGTON, D. C.

Mr. STOCK. Mr. Chairman, Mr. Gray in his absence asked me to present to the committee various matters pertaining to publicity in the Fox matter which he was unable to present due to limitations of time.

During the week commencing Saturday, October 12, 1929, William Fox made a personal appeal over the Fox Movietone of some 500 Fox controlled theaters throughout the United States urging theatergoers to invest in the stock of the Fox Theaters Corporation. This use of the movie screen for the stock promotion was preceded by an advertising and publicity build-up generally throughout the country. The collapse of the stock market following within 10 days drove the price of Fox Theaters stock from 29 $\frac{3}{8}$ , its high of October 14, to 10 on October 29. The financial condition of Fox Theaters Corporation at the time of this screen stock promotion was such that it appears likely that the stock would have collapsed even had there been no serious break in the stock market.

On October 11, 1929, Fox Theaters ran a full page ad in the newspapers, in all principal cities in which Fox Theaters were located announcing the silver jubilee of the William Fox Theaters on October 12. I would like to introduce this full page ad in the record. It is a full page advertisement and in some newspapers it was run as a 2-page advertisement.

The CHAIRMAN. There being no objection, it will be made part of the record.

(The full page ad is as follows:)

THE NEW YORK TIMES, FRIDAY, OCTOBER 11, 1929



The story of William Fox is the history of the Motion Picture—a pioneer, who, by his courage, integrity, independence and foresight has transformed an obscure enterprise into a magnificent art. It is significant that the Fox enterprise is the only Motion Picture endeavor to attain a quarter century of worldwide growth and success.

**You Are Invited To Celebrate**

## THE SILVER JUBILEE of the WILLIAM FOX THEATRES

Tomorrow, OCTOBER 12th and continuing for the entire week, every Fox theatre throughout the United States will observe this event with a splendid entertainment befitting the attainment of a quarter century of remarkable growth. ▼ ▼ ▼

### FAR MORE IMPORTANT

Than even the entertainment, will be a message from William Fox of vital concern to the future welfare of every patron of Fox Theatres. In 25 years the Fox Organization has grown from a nickleodeon to the most gigantic enterprise in the world. This unparalleled success could not have been possible without the whole-hearted response and liberal support extended to William Fox by the American people. On this occasion William Fox will disclose through the Movietone screen of each Fox Theatre his plan to repay you in material profit for this quarter century of generous patronage.

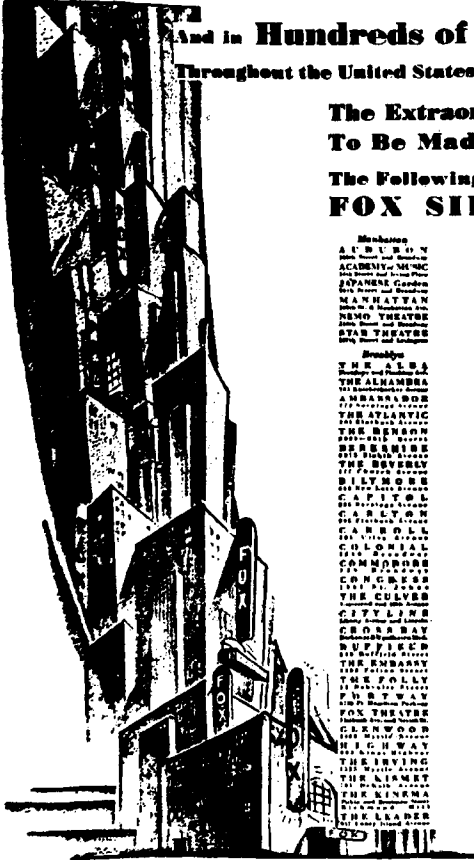
Share the Future of This Empire of Amusement with William Fox

Mr. Stock, I will also introduce the accompanying page. Those are photostatic copies of the advertisement running at that time.



**Throughout Metropolitan New York Listed Below**

**The Following Local Theatres Celebrate  
FOX SILVER JUBILEE**



*New Jersey*  
**THE APOLLO**  
*Jersey City*  
**THE BROOK**  
*Jersey City*  
**THE CAMEO**  
*Jersey City*  
**THE CAPITOL**  
*Newark*  
**THE DUMONT**  
*Newark*  
**THE EMPIRE**  
*Newark*  
**THE FULTON**  
*Jersey City*  
**THE LIBERTY**  
*Jersey City*  
**MONTICELLO**  
*Jersey City*  
**THE PALACE**  
*Newark*  
**THE PASCACK**  
*Newark*  
**THE LAKA**  
*Newark*  
**QUEEN ANNE**  
*Newark*  
**THE RALTO**  
*Jersey City*  
**THE STANARD**  
*Jersey City*  
**THE MINERAL**  
*Newark*  
**THE OLYMPIA**  
*Newark*

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 Federal Reserve Bank of St. Louis

Movietone News urging the purchase of shares in Fox Theaters Corporation.

Senator COUZENS. May that not go into the record without reading, Mr. Chairman?

Mr. STOCK. I am not going to read them, Senator. I just want to identify them in the record.

The CHAIRMAN. He is just describing them.

Mr. STOCK. I would like to have this photostatic copy of the article appearing in the New York Times of October 12, 1929, also in the record.

(The newspaper clipping presented by Mr. Stock is here copied in the record in full as follows:)

[The New York Times, Saturday, October 12, 1929]

**FOX WILL BROADCAST ON HIS ANNIVERSARY—TO TELL OF FOX THEATERS CORPORATION FROM SCREENS IN 500 OF HIS HOUSES**

William Fox, head of several moving-picture enterprises, will celebrate his twenty-fifth anniversary in the motion-picture field to-day with a message spoken through Fox Movietone from the screens of more than 500 of his theaters throughout the country. He will urge the purchase of shares of the Fox Theaters Corporation. In anticipation of his message, the shares of all the Fox enterprises were strong yesterday.

Class A shares of the Fox Theaters Corporation are quoted on the curb exchange. They pay no dividend. Early this year a Wall Street pool, composed of leading brokers, was organized to distribute the stock, but, after getting it up to 37½, the pool encountered liquidation and the stock broke to 21½. Its gain yesterday on the news that it would be recommended in all Fox theaters throughout the country was 1½ points, the closing price being 98%.

The corporation has two classes of stock, A and B. There are 7,400,000 A shares authorized. The B stock, which carries the voting rights, is not listed and is all held by Fox interests. Both classes share equally in any earnings. The A shares were increased from 3,900,000 shares to 7,400,000 shares on September 24.

The shares should not be confused with Fox Film A, which controls the manufacturing and distribution of the corporation's pictures. This stock is listed on the New York Stock Exchange and pays a dividend of \$4 annually. Yesterday it closed at 100½, up 3½ points on the day. Its high point this year was 105½ and its low, 30¼.

Mr. Stock. At the same time this publicity was appearing distinguished citizens appeared on the stages of many Fox theaters throughout the country and testified to the integrity and business ability of William Fox. Important of these was the appearance in New York City of Mayor Walker on the stage of the Fox Academy of Music and before the microphone of Radio Station WMCA. The report of the mayor's tribute to Mr. Fox appears in a photostat which I am now asking to be identified as an article appearing in the New York Times of Sunday, October 13, 1929.

(The article presented by Mr. Stock is as follows:)

**WALKER PRAISES FOX—ATTENDS CELEBRATION OF PRODUCER'S 25 YEARS IN MOVIE FIELD**

Mayor Walker appeared on the stage of the Fox Academy of Music, Irving Place and Fourteenth Street, last night during the vaudeville and picture program to pay a brief tribute to William Fox on the occasion of the twenty-fifth anniversary of the latter's entry into the moving-picture industry. The mayor, whose speech was broadcast over Station WMCA, praised Mr. Fox

for his charitable work in connection with the city hospitals as well as for his achievements in the amusement world and referred to him as "the kind of man who makes New York the great city that it is."

"I have known William Fox personally for years," Mr. Walker said, "and I admire him for many things. His is a real benevolent and charitable heart. When I became mayor of this great city it was William Fox who interested me in the condition of our hospitals and it was through his instigation that we started a program which, when completed, will give this city the finest system of hospitals in the world. I admire him because he is a born New Yorker and because he loves New York with a devotion that is surpassed by no man."

**Mr. Stock.** On Saturday, October 12, 1929, the same day William Fox, from his estate at Woodmere, Long Island, had issued a statement for publication generally in the press on Monday, October 14, 1929, in which he announced his intention to spend \$9,000,000 over a period of 25 years to reform American education by movies. He further stated his belief that:

On the theory that every man, woman, and child will be a finer citizen if a God-fearing one, we shall make talking pictures of the great religious leaders of the world to be shown on screens in every church.

I now ask that a photostatic copy of the article appearing in the New York Times October 14, 1929, in which that statement appeared be marked for identification.

(The newspaper clipping presented by Mr. Stock is here copied in the record in full as follows:)

**FOX AIMS TO REFORM EDUCATION BY MOVIES—PRODUCER TO SPEND \$9,000,000 OVER 25 YEARS TO SUBSTITUTE VISUAL-ORAL SCHOOLING—SIMILAR AID FOR CHURCH—PLANS TALKIES OF SURGEONS TO AID MEDICAL STUDY—FILM LIBRARIES FOR HOME USE**

On the twenty-fifth anniversary of his entrance into motion-picture business William Fox announced on Saturday at Fox Hall, Woodmere, Long Island, for publication this morning his program for the next quarter of a century. During that time he plans, by means of talking pictures, to institute a system of visual-oral education in every school in the country, whereby he hopes to cut school time by half and standardize teaching; to fill every vacant seat of the 75,000,000 church and parish house seats in the United States, and to assist in the dissemination of medical knowledge by having hospitals equipped with apparatus to photograph every major operation which will be accompanied with talk by a specialist and the film of which will later be distributed throughout the world for the use of medical students, physicians, and surgeons.

To further this project, Mr. Fox said that he was willing to contribute one-quarter of his personal fortune, an amount estimated to be approximately \$9,000,000. Although allowing 25 years, he hopes to complete the program within 5.

#### PLANS NEWSREEL THEATER

In addition Mr. Fox announced that a newsreel theater, a hitherto unknown institution, will be established within two weeks at the Embassy Theater, where only newsreels will be shown. He said also that the Fox organization soon would enter the home projection field so that at a nominal cost the layman would be able to project in his home 16-millimeter talking pictures, selected and rented from the film libraries that the Fox corporation will establish throughout the country.

Mr. Fox prefaced his remarks with a comment on his own health. Suntanned and apparently hardy, he said that since an automobile accident last July he had regained his normal health, contrary to rumors of a sustained illness.

"There are 15,000,000 to 20,000,000 school children who are held in schools during the hours from 9 to 3," Mr. Fox asserted. "During this time it has always seemed a pity that that number should be indoors while the sun is at its height. How then can we conceive of something that will cut the 6-hour

period in half and release the student to play in the sun? We now offer a plan whereby 1,000,000 classrooms in America will have an abundance of empty space rather than insufficient seats. Talking pictures will make such a thing possible.

"We shall try to install a talking-picture projection machine in every classroom in the country. We shall get the best available persons to record a series of lectures on celluloid and distribute them widespread. On the theory that one picture is the equivalent of eight words and that each word uttered by a proved educator is greater in effect than that, it is easily understandable how valuable a lesson in geography or arithmetic shall be to the student. This is easily appreciated when such men, for example, as President Butler of Columbia, or Lowell, Hibben, or any other great educator, lectures on a subject in which he is well versed. It would release teachers from drudgery. It would establish a higher standard of learning and a swifter means of disseminating it. And in addition these lectures would be recorded in every language for international distribution.

"When a lesson in geography, for instance, is shown, there will be flashes of the exact location which the speaker describes on the screen at the same time so that the student not only will hear of the place but actually see it."

#### WOULD AID CHURCH ATTENDANCE

In regard to the second phase of this plan Mr. Fox said that a survey of church attendance had been taken recently which showed that of the 150,000 churches and parish houses in America, 15 per cent of the 75,000,000 seats were unoccupied on Sundays.

"On the theory that every man, woman, and child will be a finer citizen if a God-fearing one," Mr. Fox explained, "we shall make talking pictures of the great religious leaders of the world to be shown on screens in every church. Imagine Dr. S. Parkes Cadman delivering a sermon in every Protestant church in the Nation, or Doctor Fosdick or Bishop Manning. The same in the other churches. Cardinal Hayes or even the Pope for the Catholics, Rabbi Stephen S. Wise or Dr. Nathan Krass for the synagogues, and hundreds of others. I believe sincerely that if this program is carried out the attendance in churches will surpass anything ever before noted."

The third phase of the program involved the installation of apparatus in every noteworthy hospital in the world for taking talking pictures upon which will be recorded the most skilled operations. These films will be used in the medical colleges of the world where they may be studied repeatedly.

"Imagine the many famous surgeons performing operations and describing them at the same time for talking pictures," Mr. Fox said, "so that the future surgeon may see the operation 100 or 1,000 times until it is as clearly in his mind as in the mind of the expert who performed it.

"We have made the first of this series already. A film was recorded and photographed in Chicago of an operation by Dr. Nelson H. Lowry, who performed with a radium knife on a cancerous patient. Doctor Lowry will give a private showing to-day and then present the picture at the annual meeting of the American College of Physicians and Surgeons which is now convening in Chicago. This is the first time in history that a talking picture was made of an operation. The job will not be completed, however, until every surgeon will permit his work to be photographed."

#### TALKING PICTURES IN HOME

The motion-picture producer then announced the entrance of the Fox Film Corporation in the home talking picture business. He said that in the immediate future the Fox Co. would be ready to sell talking motion-picture projection apparatus to every home in America. This machine will project 16-millimeter talking films the sound track of which is on the celluloid.

The films for use in this apparatus are to be rented at film library depots to be established at strategic points over the country and the projection machinery will be sold on a partial-payment plan. The pictures will either be reduced from the regulation 35-millimeter Fox full-length photoplays or will be especially produced in the 16-millimeter size.

Mr. Fox then ventured the opinion that such a move would in no way hamper attendance in motion-picture theaters, but said it would improve it instead.

"This will come about," he said, "because on the first of next year we shall install at the Roxy Theater and probably in most of our houses throughout the country, of which there are more than 1,100, our new grandeur screen. This screen takes up almost the entire proscenium of the theater and presents a scope of vision that can not be duplicated on the present small one. This, on the other hand, can not be applied in the home."

The establishment of a newsreel theater, in which only sound pictures pertaining to the news of the day will be shown, possibly for 24 hours at a time and at a low rate of admission, was announced by Mr. Fox for the Embassy Theater beginning October 28. No sound entertainment short films will be exhibited, only sound newsreels, of which the Fox Movietone News takes about 4,000 feet each week. This theater will be the first of a chain of similar ventures to be established across the country. The admission is to be 25 cents in the afternoon and 35 cents in the evening.

It was admitted that in such a house the full pictorial and sound record of a complete baseball, football, or other athletic contest might be shown.

Mr. Fox foresaw the possibility of the newsreel theater as a competitor of the newspaper, and said that sound news films could be got out as fast as newspapers. He facetiously suggested the time when reporters might come to the moving-picture theater to cover the news.

The announcement was also made by Mr. Fox that H. G. Wells will next week begin the recording of a series of three lectures on *The History of Civilization*, to be used as the first of a program of adult educational films, and the fact that Martin Johnson and Commander George M. Dyott, the explorers, will soon depart for Africa and other points to make sound films of animals and peoples for the Fox organization.

Referring to television and the large screen, Mr. Fox said that the big screen would revolutionize the picture business just as the talking pictures did recently. He added that television would in no way affect the motion-picture attendance, because the largest possible projected television image in the home could only be as large as the wall of the room in which it is shown, whereas the new screen would be from fifty to one hundred times as large.

Mr. Stock. While all this publicity was going on and during the ensuing week Mr. Fox through his representatives made his personal appeal over the Movietone News on the screens of some 500 theaters throughout the country, urging theater patrons to share in his prosperity and invest in the shares of Fox Theaters Corporation.

I would like to introduce into the record a report of one of the committee investigators of earning statements appearing during this period and the ensuing period of Fox Film. This shows that there were issued by the Fox Film Corporation during this period three different statements of earnings for 1929. In addition to those three statements the Wall Street Journal on its own initiative issued a fourth estimate of Fox Film earnings for the year 1929, the year in question, pointing out certain unfair accounting practices and calculating the earnings at a lower figure than any of those issued by the company.

I might say that in this case the Wall Street Journal appears to have used diligence in presenting a true picture of the earnings of the Fox Film Corporation, which was handicapped by the confusing character of information furnished by the officials of the company.

(The investigators' report presented by Mr. Stock is here copied in the record in full as follows:)

[Wall Street Journal]

#### FOX EARNINGS STATEMENT IN 1929

Careful examination of files of the Wall Street Journal reveals that Fox Film Corporation officially reported a net profit for the year ended December 29, 1928, of \$5,957,218, equivalent to \$6.47 a share on combined 920,660 shares class A and class B stock.

On August 14, 1929, Fox Film officially reported for the six months ended June 30, 1929, net profit of \$6,134,337, equal to \$6.11 a share on 920,660 shares.

On September 21, 1929, the Wall Street Journal stated: "Based on showing made in first six months, Fox Film should earn this year between \$12,000,000 and \$13,000,000, or approximately \$12 a share on 920,660 shares outstanding."

This article was apparently originated by the Wall Street Journal, based on conversations with officials of the Fox Film Co.

November 1, 1929, Fox Film officially reported net profit of \$8,845,000 for the nine months ended September 30, 1929, or \$9.61 a share.

November 4, 1929, there was published a statement by Jack Leo, vice president of Fox Film, stating that earnings for the fourth quarter would exceed \$4,000,000, bringing net for the full year 1929 to over \$12,000,000.

On December 3, 1929, the Wall Street Journal, in an article headed "Fox Film Funds Used to Expand—Cash and Call Loans Lower," stated that the balance sheet as of June 30, 1929, issued for the first time in connection with the listing of 72,760 shares new Fox Film stock on November 28, 1929, revealed a number of important changes. The article said:

"No announcement regarding means of financing the acquisition of Loew's stock by Fox Theaters has been made. Part of the funds may have come from the sale of 12,000,000 6 per cent notes by Fox Film last April, which in turn apparently lent the money to Fox Theaters. It is difficult to gage at present the effects of the recently filed Government suits against Fox Film (objecting to purchase of Loew stock).

"If the Government is able to win its case against Fox the value of controlling interest in Loew's, for which a price of over \$100 a share was paid, will be reduced to the market valuation of the Loew stock, at present around 45.

"Balance sheet of Fox Film as of June 30, 1929, shows item of \$12,075,000 notes receivable not current, indicating that Fox Film made this loan to Fox Theaters."

On December 9, 1929, official announcement was made that William Fox, H. L. Stuart, and John E. Otterson would act as trustees to work out permanent financial arrangements for Fox Theaters Corporation, which to date has made only temporary arrangements for financing purchases of Loew stock.

December 10, 1929: Article, apparently originating in the Wall Street Journal, headed "Fox Prospects Seem Doubtful—Necessity for Reducing Obligations May Ultimately Effect Dividend Payments," said, "Picture of the present financial position of Fox Film is difficult to form in the absence of a recent balance sheet of Fox Theaters Corporation since the expansion plans of the latter company, backed by the credit of Fox Film, are the fundamental cause of Fox's difficulties.

"Since total current assets of Fox Theaters Corporation on October 31, 1928, were \$1,828,000, against \$2,181,000 current liabilities, it is obvious most of the purchases since that date have been made on borrowed money or by issuance of stock.

"Total cost of Loew stock was roughly \$54,000,000. It is apparent at the time that Fox must have received powerful backing, since neither resources of Fox Film or Fox Theaters were large enough to handle the transaction. It now appears that Western Electric Co. loaned Fox Theaters about \$15,000,000 to finance the purchase, plus an additional \$12,000,000 provided by Halsey Stuart & Co.

"Total floating debt of Fox Film and Fox Theaters is said to be between \$80,000,000 and \$90,000,000. Present financial position of the company raises the question of continued dividend payments. It seems probable, unless some means of permanent financing can be arranged, all earnings might have to be diverted to reducing indebtedness and the dividend might later be discontinued."

On January 31, 1930, the Wall Street Journal stated: "Affidavit submitted by William Fox, president of Fox Film, to Federal Judge Coleman in answer to petition for receivers gives estimated earnings of Fox Film Corporation for 1929 of \$14,700,000."

After adjustment and taxes, net income available for dividends, on this official basis, was \$13,573,000.

On March 8, 1930, the Wall Street Journal stated: "Report of Fox Film and Fox Theaters Corporation for year ended December 28, 1929, issued with reorganization plan prepared by Bankamerica group, shows \$90,739,000 current liabilities against combined quick assets of \$29,000,000. Together with bonds, obligations of the two Fox concerns aggregate \$161,000,000. This is the first



time the exact current position of the two Fox companies has been revealed since their difficulties began to attract public attention.

"According to the audit made for the Bankamerica group, net profit of Fox Film was \$11,848,276 equal to \$12.87 a share for the year ended December 28, 1929."

On March 18, 1930, the Wall Street Journal published an article headed "Analysis of Fox Earnings." This article said: "Net profit of Fox Film Corporation for year ended December 28, 1929, was apparently about \$5,600,000 equal to approximately \$6.08 a share on 920,000 shares if deductions from surplus account, which according to general accounting practices might have been made from income, are subtracted from net profit reported for the year.

"Fox reported net after taxes for 1929 of \$11,848,000 equal to \$12.87 a share. From surplus account was deducted \$4,764,000 for 'obsolescence of silent film, scenarios, and advertising accessories.' It is customary for other film companies to charge off at least 85 per cent of the cost of films in the first year of release and it has been stated in the past that a similar policy was followed by Fox. Therefore, at least 85 per cent, or more than \$4,000,000 of this amount, might be deducted from the year's net. In addition, the following charges have been made against surplus account, all of which are fairly chargeable to 1929 income: Expenditures for contracts in acquisition of theaters \$192,000; settlement of claims, \$50,000; reserve for contingencies, \$2,128,000. Since, according to memorandum attached to the balance sheet, this reserve was apparently consumed, it is consequently a charge against income. In addition to this, approximately \$400,000 estimated interest on investment in British holdings which was capitalized should be deducted from profits.

"Total of these deductions is approximately \$6,770,000. Subtracting this amount from net before taxes of \$13,114,000 and subtracting estimated income tax of \$697,000 leaves net profit for the year \$5,647,000."

On April 26, 1930, the Fox Film Corporation submitted a revised annual report which was published in the Wall Street Journal of that date, showing consolidated net profit of \$9,469,050 which included a special provision of \$2,379,225 for obsolescence of silent films, etc. This profit was equal, for the year 1929, to \$10.28 a share on the combined class A and class B common stock.

The difference between these various estimates for 1929, of which the above shows there were at least three official estimates in addition to the estimate made by the Wall Street Journal resolves into a question of what write-offs can fairly be made to surplus and what to income. The situation appears to be that the Wall Street Journal published all of the official reports made by various interests in the company and in addition made its own analysis of Fox earnings, in which analysis it placed the earnings at a lower figure than reported by any official source.

At the time, however, that it made this analysis, it was shown that the \$6.08 a share estimated earnings which resulted, came about after deducting from income items which had previously been charged to surplus. That there was justification for this position is shown by the revised official report above referred to which was later made by the company. It is probable that various accountants would disagree as to which charges should be made to income and which should be made to surplus; but the revised official report would indicate later consideration on the part of the company or its bankers which resulted in further charges being made to income.

The controversial character of the various accounting theories was discussed by the Wall Street Journal on March 21, 1930, as follows: "There may be some differences of opinion as to whether or not the entire wiping out of the inventory of silent films should be deducted from 1929 income \* \* \*. The company's auditors take the position that a substantial part of this charge is not applicable to 1929 profits."

It may also be of significance in this connection that when the 1930 report was made, which was discussed on May 20, 1931, in the Wall Street Journal, it was revealed that official reports would be presented in two forms, the auditors for the banking group—that is, the Chase Securities and Bankamerica group—making more severe amortization charges than the company deemed necessary. On this date the auditors for the banking group reported earnings for the 52 weeks ended September 27, 1930, of \$6,592,000 before taxes indicating earnings of about \$2.30 a share for the 2,525,000 shares of class A and class B stock outstanding for the period after the deduction of taxes. At the same time the management, stating that it regarded the charges made by the auditors as excessive, officially reported a net profit of \$10,104,000 for the 39 weeks ended September 27, 1930.

Mr. Stock. I would like also to enter into the record and have copied for the committee four booklets which were distributed to patrons of the motion-picture houses at the time this publicity was going on and at the time that these movietone talks were given urging patrons of Fox Theaters to purchase stock in those companies.

The CHAIRMAN. If there be no objection, it will be printed in the record.

(The four booklets, presented by Mr. Stock are here printed in the record in full as follows:)

THE STORY OF MOTION PICTURES AND THE FOX THEATERS CORPORATION

BOOKLET NO. 1

(Copyright by Fox Theaters Corporation, 850 Tenth Avenue, New York City.  
Printed in U. S. A.)

The following is an address delivered in behalf of Mr. William Fox, on the screens of some of the theaters owned or controlled by the Fox interests:

"Ladies and Gentlemen, this is a Fox Theater that you and I are now in. This is a Fox program. But here is an interesting addition to your program for to-day. It is a brief message from Mr. William Fox himself, who, as you know, is the active head of this, one of the largest amusement enterprises in the world. I have just come from Mr. Fox's office and tried there to get him to talk to you personally. He disclaimed being a speaker but permits me to repeat his words as accurately as I can from memory just as he delivered them to me. I suggest that you follow them closely, for this is the first time in the history of the screen that any such message has been delivered. It certainly will make history.

"MR. FOX'S MESSAGE

"My friends (remember Mr. Fox is speaking). I have something important to say to each one of you sitting there in your chair. It will mean more to you if you will consider that I am talking to you alone; that you alone weigh the sincerity of my purpose and the value of the invitation you are about to receive, and you alone make the decision as to whether you will accept it.

"However a great many individual "you's" are hearing these words, for to-day every chair in the Fox Theaters will be occupied on the average twice. To-day more than 1,000,000 people will listen to these words. This week more than 7,000,000 people—a number equal to 1 person in every 18 in the United States.

"Twenty-five years ago I started in the amusement business with a capital of a few hundred dollars. Shortly afterwards a few men gathered around me as associates who believed in the enterprise and in what we were doing—men who had the vision to see something of the future of this undertaking. They have received their reward.

"In the meantime the motion-picture industry has grown tremendously. It is refining its art and improving its machinery of sight and sound reproduction. It is estimated that sound reproduction alone will increase our patronage by 30 per cent. The industry has won the good will of the whole people. There will be over 350,000,000 paid admissions this year to the American theaters in which we are interested. On the average every man, woman, and child in the United States will see our performance this year at least three times.

"MOTION PICTURES AS 'BIG BUSINESS'

"Since we are not a "big business" we must apply the methods of big business as far as they are right methods, in order that our growth may keep pace with the increasing demand for our products, which are amusement, recreation, and education. By standardized and quantity production we are supplying the luxury of amusement at the price of a necessity. But is amusement a luxury? Even during the Great War all governments found amusement a necessity for their troops. Is the automobile any longer a luxury? Is the telephone?

**"THE SUPPORT OF CUSTOMER OWNERSHIP**

"Speaking of the telephone, we are in the same situation that the telephone companies and the electric light companies were a few years ago. The electric light companies were giving light and power to the great cities and to towns and to many of the farms all over the country. But they were owned by small groups of capitalists and institutions, often located far distant from the States where the service was being given. From this fact arose the customer ownership campaigns which won for these companies not only additional capital necessary for them to grow and to increase the amount and quality of their service but also the friendly understanding and moral support of the communities they served, for then their customers to a great extent had become stockholders.

"For the same reasons our management, which serves amusement as a necessity, prefers to look now and in the future to our customers, our patrons, for a substantial part of the capital with which to enlarge and improve our service, and for that support in all our undertakings which spells artistic and financial success. Our need of your good will as stockholders is even greater than the need of a light and power or a telephone company, a railroad or a gas or water company because you may seek your amusement in whatever way and wherever you will.

**"MR. FOX'S SENSE OF OBLIGATION TO HIS PATRONS**

"There is a more personal reason, however, why I want every one of you who hear these words to-day to join us in the ownership of Fox Theaters Corporation. Just as originally the progress of our business was made possible by the faith and cooperative support of my associates, so now the management realizes its obligations to each of you, our patrons, for our present success. How can I repay that real debt to so many? Only by inviting you to become copartners with us. My ideal is a fellowship of 5,000,000 patrons of Fox Theaters Corporation, each owning at least one share of common stock.

"But the debt is not paid by your mere association with us as stockholders. Only as the executives of our company increase the value of your investment in the common stock will this debt be paid and will there be lifted from me the responsibility that I now willingly assume in advising you to buy the common stock of Fox Theaters Corporation. In a short talk like this it is impossible to explain to you the growing financial strength of this company or to make you see with our eyes the sources of earning power that can not yet find expression in the records of income. It may be stated, however, that developments are under way which can hardly fail of accomplishment, that in themselves should very materially and permanently increase the value of your investment in this company.

**"INVITATION TO PURCHASE FOX THEATERS STOCK**

"Since the company has no preferred stock, the net profits all go to the common-stock holders, who represent the entire ownership. Our common stock is bought and sold daily on the New York curb market and on the Boston Stock Exchange. Your own bank, banker, or broker can buy our stock for you. We recommend that you instruct him to buy to-morrow that number of shares and only that number of shares—whether 100, or 75, or 50, or 25, or 5, or even 1 share—which you can afford to pay for in full and put away as a permanent investment.

"Will you have that same faith which of old my associates had in this industry, in this company, and in me? If so, I pledge you that you too shall receive your reward."

"Here ends the message of Mr. Fox. And may I ask you to remember—as you go out after this performance you will be handed at the door a booklet of some interesting facts about the motion-picture industry and this company that there was not time to tell you, and that should be the basis of your judgment of the wisdom of joining us in the ownership of Fox Theaters Corporation."

**ONLY A FEW OF FOX PATRONS ARE STOCKHOLDERS**

The managers of the various Fox theaters enterprises realize that the daily attendance at their houses, as Mr. Fox has intimated in his address reprinted above, runs from one to two million people, depending on the attractions

booked, holidays, and weather. The executives have carefully examined the stock books of the Fox Theaters Corporation. These show that the number of stockholders is less than 6,000. From the list of names and places of residence of these stockholders, as well as from the disparity between the number of stockholders and of daily patrons, it is very clear that only a small proportion of Fox patrons are stockholders. From the address it is evident that what Mr. Fox would like is to change the character of that ownership so that every person who attends his theaters and who has made their success and his success possible by that attendance should in the spirit of reciprocity share in the financial rewards of it.

#### PATRON OWNERSHIP IS SOUND BUSINESS

It is not merely a fine sentiment; it is sound business. It would be to the dollars-and-cents interest of each owner-patron to make it his business to offer suggestions regarding the spirit of employees, the character of the programs, the quality of the performances and even of the proper conduct of the business generally, so that the company would be keyed up to a pitch of satisfactory service that has never been known to the industry.

That is why Mr. Fox has invited you now to participate in the ownership of the common stock of Fox Theaters Corporation, and why, in the spirit of purpose of the invitation, he urges you to purchase through whatever agency you choose such an amount of stock as you can conveniently pay for, "to have and to hold," being absolutely certain in his own mind that if you will do this you will profit by it.

#### HISTORICAL SKETCH OF THE MOTION PICTURE

It is now nearly 40 years since Thomas Edison, seeking eyes for his phonograph, invented the electric camera, and George Eastman at practically the same time perfected the flexible film, so that pictures could be taken of moving things and could be sent in facsimile to any part of the world in which there was equipment to show them.

That was the beginning of the motion picture. But these two sister inventions did not make a business out of pictures until about the opening of this century.

Twenty years ago the majority of mankind were content, broadly speaking, to eat, sleep, and work. But since then labor-saving machinery has accumulated for most of us surplus time and savings, so that our lives are now divided into four parts—we eat, sleep, work, and play. Amusement has become the fourth necessity of living. The business of providing amusement and recreation, not only to the hundred-odd millions in this country but to the rest of the civilized and to some of the uncivilized world, has grown to be one of the major activities of this generation, and it is still growing.

In the field of commercial amusement the motion-picture industry far exceeds all others, not only in the number of persons employed but in the amount of capital invested. The 325,000 persons in the United States who get their wages from motion pictures exceed the number employed by Henry Ford and General Motors, which together make more than 80 per cent of all motor cars produced in this country. The present money value of this vast picture business may be in excess of \$2,500,000,000. Probably between one-fourth and one-third of our population depend largely on it for their principal amusement.

This, then, is "big business." Expressed in other terms, it has been computed that there are 20,500 theaters exhibiting motion pictures in the United States, providing more than 18,000,000 seats, and attended by over 100,000,000 persons each week.

Much of this magnitude is very recent. In 1925 there were 50,000,000 people a week as against 100,000,000 people a week now attending these theaters. The increase is due largely to the addition of sound to sight, and to the introduction of colorful music and motion.

The commercial perfection of sound reproduction is barely two years old, and even yet only 20 per cent of the theaters of this country are equipped with the necessary facilities. In view of the fact that the attendance of the average house is estimated to increase at once 30 per cent by their introduction a continued increase of attendance is assured.

## FOX THEATERS CORPORATION

Fox Theaters Corporation, formed in 1925, was quick to realize the new conditions forced on the exhibitors by the preference of the public for sound films. It met and is meeting this surge of patronage by the construction of houses of great seating capacity located primarily with reference to transit facilities. The largest of these new Fox Theaters—in fact, the largest in the world, with its 6,205 seats—is Roxy's. Similar 5,000-seat theaters have been built and opened in Detroit, Brooklyn, St. Louis, and San Francisco. The present construction program calls for theaters of like capacity to be erected in Philadelphia, Newark, Atlanta, and Boston.

## STATEMENT OF EARNINGS

The cumulative effect of these policies is clearly reflected in the expanding net profits, all of which belong to the holders of the common stock and which were, in

1926	\$758,000
1927	751,000
1928	1,745,000
First 6 months of 1929	1,500,000

and it is fair to assume that for the full business year ending October 31, 1929, they will be upwards of \$3,000,000. For the year beginning November 1, 1929, and ending October 31, 1930, the officials of the corporation estimate that the earnings will be between \$4,500,000 and \$5,000,000.

The Fox interests originated the idea of talking motion-picture news, and Fox Theaters Corporation owns a 25 per cent interest in the corporation that publishes the Fox Movietone News.

Fox Theaters Corporation recently has acquired a large block of the family stock of Loew's (Inc.), which has a very substantial chain of theaters that runs from one end of the country to the other, and which owns, through subsidiaries, all the capital stock of the Metro-Goldwyn-Mayer Pictures Corporation.

Fox Theaters Corporation, through a wholly owned subsidiary, Fox Metropolitan Theaters Corporation, has recently acquired approximately 120 theaters in and around New York City.

In the statement given above no earnings of the three enterprises just described has been included.

Fox Theaters Corporation has additional corporate programs mapped out for its continued growth.

We hope, therefore, that you will take advantage of Mr. Fox's suggestion and that you will promptly instruct your bank, banker, or broker to purchase in the open market the number of shares of common stock of Fox Theaters Corporation which you can conveniently afford to pay for and hold as an investment.

(Cut of specimen of Fox Theaters Corporation stock certificate)

19\_\_

(Name of bank, banker, or broker)

(Address)

Buy at market for my account \_\_\_\_\_ shares Fox Theaters Corporation class A common stock.

(Signed)

(Address)

## BOOKLET NO. 2

The following is an address by Lawrence Chamberlain, nationally known investment banker and economist, delivered in behalf of William Fox, on the screen, in theaters owned, controlled, and operated by Fox interests.

"Ladies and gentlemen; again I bring you the greetings of William Fox. He wishes to express his appreciation of your response to his message of last week represented by the great number of shares of common stock of Fox Theaters Corporation that were purchased by some of those who listened to that message.

"I was astonished to find, on asking him, our experience teaches us that 8 or 9 out of every 10 people who are here to-day were present last week, if

this theater is typical. Therefore, only a brief repetition is necessary of what was said then.

"Repeat orders are the highest compliment to any product, and certainly an average of 80 to 90 per cent of repeated visits to the theater spells a satisfied clientele. But for the benefit of the other 10 to 20 per cent who were not present it may be stated that through me Mr. Fox spoke to the 7 to 10 million people who attended the Fox Theaters last week, inviting them to become stockholders in Fox Theaters Corporation.

"He gave as his reason for the invitation the fact that in the early days of his career his business had been built up with the cooperation of a few associates to whom he feels indebted for his early successes, and that in later years his greater success has been made possible only by the kind of faithful patronage represented by your large and periodic attendance.

#### "CUSTOM OWNERSHIP WISE FOR LARGE CORPORATIONS

"Any company that caters to the public as this company does can make greater progress through a hearty public response created by the present tried and proven method of customer ownership which will result in the cultivation among its patrons of legitimately selfish interest in its welfare, and it is certain that this company can win your greatest interest and support only when it belongs to you.

"If it is wise for telephone companies, gas companies, electric-light companies, water companies, and many other institutions of like character, to develop customer-ownership plans, then it must be proper and wise for us to ask our patrons to become stockholders.

"It does not seem fair to Mr. Fox that Mr. and Mrs. Jones or Mr. and Mrs. Smith patronize his theaters one or more times each week, or 52 or more times each year, and have the profits of their patronage paid to some Mr. and Mrs. John Doe who do not even like the movies.

"It is Mr. Fox's opinion that if the Fox Theaters Corporation ever grew to such a size as to have 5,000,000 shares of common stock outstanding, and if these shares were distributed in such way as to permit 5,000,000 patrons each to own a share of the stock, it would insure and guarantee a most successful enterprise. He feels he has a reason to expect this large number of shareholders in view of the fact that from seven to ten million people each week attend his theaters.

#### "HOW OTHERS HAVE PROFITED

"In last week's message it was stated that those who, in the early days of Mr. Fox's career, had the faith and vision to join him in his motion-picture enterprises had received their reward. This is true not only of men who became executives of the several companies but also of those who were associated merely as stockholders. For example:

"In 1905 a man invested \$1,000 in one of Mr. Fox's companies and during the last 24 years this man has received upwards of \$1,000,000 in dividends. Although he has not put back any of his dividends into the company, his investment is now worth over \$1,000,000 in addition to the dividends he has received.

"In 1910 another man invested \$5,000 in one of the Fox companies and he has received in the last 19 years more than one-half million dollars in dividends. He has not reinvested a single dollar of his dividends but the present value of the same holdings for which he originally paid \$5,000 is more than \$1,000,000 in addition to the dividends he has received.

"In 1915 the president of a large public-utility company invested \$25,000 in the common stock of one of Mr. Fox's amusement companies and 12 years afterward sold his holdings for more than \$2,000,000.

"None of these gentlemen were patrons of motion pictures. If a like total sum at those various times had been invested in various amounts by numerous patrons of the Fox theaters and if these patrons had held their stocks as investments, they would have earned similar profits. With records like these, Mr. Fox feels justified in recommending his patrons to become stockholders in Fox Theaters Corporation.

#### "MR. FOX OBLIGATED TO INVITE SHAREHOLDERS

"This customer-ownership idea is not the impulse of a moment nor the thought of a day but rather the outgrowth of three years of mature deliberation. For more than three years Mr. Fox has argued with himself the pro-

prity of this plan, and only recently has he definitely reached the conclusion that not only is it proper but that he is absolutely obligated to invite you to become stockholders in the enterprise for the success of which you are responsible. Nothing would be more gratifying to William Fox than for you to join him in the ownership of Fox Theaters Corporation, and he strongly urges you to instruct your bank, banker, or broker to buy for you 1, 5, or 10, or as many more shares as you care to purchase, with the understanding, however, that you buy them for cash and put them away as a permanent investment.

To give you the opportunity for further thought in the matter you will receive at the door as you go out to-day booklet No. 2, which contains this message of Mr. Fox and interesting matter concerning the motion-picture industry and the Fox Theaters Corporation.

"A final word. Did ever an industrial leader commit himself more irrevocably to his stockholders than Mr. Fox when last week he said:

"Will you have that same faith as my associates of old in this industry, in this company, and in me?

If so, I pledge you that you, too, will receive your reward."

#### ONLY A FEW OF FOX PATRONS ARE STOCKHOLDERS

The managers of the various Fox Theaters enterprises realize that the daily attendance at their houses, as Mr. Fox has intimated in his address reprinted above, runs from one to two million people, depending on the attractions booked, holidays, and the weather. The executives have carefully examined the stock books of the Fox Theaters Corporation. These show that the number of stockholders is less than 6,000. From the list of names and the places of residence of these stockholders, as well as from the disparity between the number of stockholders and of daily patrons, it is clear that a very small part of our patrons are stockholders. From the address it is evident that what Mr. Fox would like is to change the character of that ownership, so that every person who attends his theaters and who has made their success and his success possible by that attendance should in the spirit of reciprocity share in the financial rewards of it.

#### PATRON OWNERSHIP IS SOUND BUSINESS

It is not merely a fine sentiment; it is sound business. It would be to the dollars-and-cents interest of each patron to make it his business to offer suggestions regarding the spirit of employees, the character of the programs, the quality of the performances, and even of the proper conduct of the business generally, so that the company would be keyed up to a pitch of satisfactory service that has never been known to the profession.

That is why Mr. Fox has invited you now to participate in the ownership of the common stock of the Fox Theaters Corporation, and why in the spirit and purpose of the invitation he urges you to purchase through whatever agency you choose such an amount of stock as you can conveniently pay for "to have and to hold," being absolutely certain in his own mind that if you will do this you will profit by it.

#### HISTORICAL SKETCH OF THE MOVING PICTURE

It is now 40 years since Thomas Edison, seeking eyes for his phonograph, invented the electric camera, and George Eastman, at practically the same time, perfected the flexible film, so that pictures could be taken of moving things and could be sent in facsimile to any part of the world in which there was equipment to show them.

That was the beginning of the motion picture. But these two sister inventions did not make a business out of pictures until about the opening of the century.

Twenty years ago the majority of mankind were content, broadly speaking, to eat, sleep, and work. But since then labor-saving machinery has accumulated for most of us surplus time and savings, so that our lives are now divided into four parts: We eat, sleep, work, and play. Amusement has become the fourth necessity of living. The business of providing amusement and recreation, not only to the hundred and odd millions in this country but to the rest of the civilized and to some of the uncivilized world, has grown to one of the major activities of this generation and is still growing.

In the field of commercial amusement the motion-picture industry far exceeds all others, not only in the number of persons employed but in the amount of capital invested. The 325,000 persons in the United States who get their wages from motion pictures exceeds the number employed by Henry Ford and General Motors which, together, make more than 80 per cent of all motor cars produced in this country. The present money value of this vast business may be in excess of \$2,500,000,000. Probably between one-fourth and one-third of our population depend largely on it for their principal amusement.

This then is "big business." Expressed in other terms it has been computed that there are 20,500 theaters exhibiting motion pictures in the United States, providing more than 18,000,000 seats and attended by over 100,000,000 persons each week.

Much of this magnitude is very recent. In 1925 there were 50,000,000 people a week as against the 100,000,000 people a week now attending these theaters. The increase is due largely to the addition of sound to sight, and to the introduction of colorful music and motion.

The commercial perfection of sound reproduction is barely 2 years old, and even yet only 20 per cent of the theaters of this country are equipped with the necessary facilities. In view of the fact that the attendance of the average house is estimated to increase at once 30 per cent by their introduction, a continued increase of attendance is assured.

#### FOX THEATERS CORPORATION

Fox Theaters Corporation, formed in 1925, was quick to realize the new conditions forced on the exhibitors by the preference of the public for sound films. It met and is meeting this surge of patronage by the construction of houses of great seating capacity located primarily with reference to transit facilities. The largest of these new Fox theaters—in fact, the largest in the world, with its 6,205 seats—is Roxy's. Similar 5,000-seat theaters have been built and opened in Detroit, Brooklyn, St. Louis, and San Francisco. The present construction program calls for theaters of like capacity to be erected in Philadelphia, Newark, Atlanta, and Boston.

#### STATEMENT OF EARNINGS

The cumulative effect of these policies is clearly reflected in the expanding net profits, all of which belong to the holders of the common stock and which were as follows:

1926-----	\$758, 000
1927-----	754, 000
1928-----	\$1, 745, 000
1929 <sup>1</sup> -----	1, 500, 000

It is fair to assume that for the full business year ending October 31, 1929, earnings will be upwards of \$3,000,000. For the year from November 1, 1929, through October 31, 1930, the officials of the corporation estimate that the earnings will be between \$4,500,000 and \$5,000,000.

The Fox interests originated talking motion-picture news, and Fox Theaters Corporation owns a one-quarter interest in the company publishing Fox Movie-tone News.

Fox Theaters Corporation recently acquired a large block of the family stock of Loew's (Inc.), which has a very substantial chain of theaters from coast to coast and which owns, through subsidiaries, all the capital stock of the Metro-Goldwyn-Mayer Corporation.

Fox Theaters Corporation, through a wholly owned subsidiary, Fox Metropolitan Theaters Corporation, has recently acquired approximately 120 theaters in and around New York City.

In the statement given above none of the earnings of the three enterprises just described has been included.

Fox Theaters Corporation has additional corporate programs mapped out for its continued growth.

We hope, therefore, that you will take advantage of Mr. Fox's suggestion and that you will promptly instruct your bank, banker, or broker to purchase in the open market the number of shares of common stock of Fox Theaters

<sup>1</sup> First 6 months only.



Corporation which you can conveniently afford to pay for and hold as an investment.

(Cut of specimen of Fox Theaters Corporation stock certificate.)

-----, 1929.

-----  
(Name of bank, banker, or broker)

-----  
(Address)

Buy at market for my account ----- shares Fox Theaters Corporation class A common stock.

-----  
(Signed)

-----  
(Address)

The following is an address by Lawrence Chamberlain, nationally known investment banker and economist, delivered in behalf of William Fox on the screens in theaters owned, controlled, and operated by the Fox interests:

"Ladies and gentlemen, this is the third week of my appearance at this theater, and, therefore, the third in this series of talks that have as their sole object the conversion of Fox patrons into Fox stockholders. This conversion is accomplished when you have purchased one or more shares of the common stock of Fox Theaters Corporation.

"I know that it is the fondest hope of William Fox that you are pleased by my visits here. The great number of new stockholders in Fox Theaters Corporation recorded during the past two weeks assures me of an even more cordial welcome, for now we are together not only as 'fellow movie fans' or 'fellow patrons,' but also as 'fellow stockholders,' and I come among you as the ambassador of the founder to welcome you into the fellowship of the owners of the corporation.

"Mr. Fox feels that you should know of the great number of letters he has received from many patrons indicating their interest in this customer-ownership campaign, which may well be called a patron-ownership campaign, and he wishes you to know that he values the help that you have given by your suggestions regarding the conduct of the business, many of which are being adopted.

#### "THE IMMENSE AUDIENCES REACHED BY THESE TALKS

"He is especially proud of the part his organization has played in the development of talking motion pictures on celluloid for many reasons, and particularly because of the fact that it makes it possible for me to deliver this message each week to from seven to ten million people. We Americans are so fond of making and breaking records and of thinking and doing superlative things—here is more Fox pioneering: here is a means that makes it possible for a message to be delivered to you in the hope that through it a very great many of you become partners.

#### "RECENT DEVELOPMENTS IN THE FOX ENTERPRISES

"Now that we are partners you should know something of the progress of the Fox enterprises. Recently in New York the Fox interests publicly presented the first pictures taken with "grandeur" cameras and projected by grandeur projection machines. This new type of picture is destined to revolutionize motion-picture exhibition. Some time in the near future it will be shown here. This new method of photography and projection makes possible a picture three or four times as wide as the screen at which you are now looking, with corresponding depth, perspective, and increase in the sense of reality; and, equally important, it perfects the sound.

"I am sure that you will want to know that recently the Fox people have acquired a substantial interest in the British Gaumont Co., the foremost company in England. It controls more than 300 theaters in Great Britain and Ireland. Also it owns extensive studios abroad in which are made British talking motion pictures, the pick of which you may soon see in this theater.

#### "OTHER INVESTORS WHO HAVE PROFITED

"In my talk last week I brought to your attention the dividends and profits that had come to those who in years gone by had had sufficient confidence to

make investments in the Fox enterprises. Mr. Fox believes it would be a good thing for me to give you a few additional illustrations.

"In 1915 a man invested \$20,000 in one of the Fox amusement companies. Since then he has received over \$250,000 in dividends, and although he has not reinvested his dividends the present value of his investment is \$800,000, or forty times the original value apart from the dividends which have been twelve and one-half times his original investment.

"There has been not only rich reward to living investors but generous protection to the beneficiaries of investors who have passed on. Mr. Fox gets deep satisfaction in the recompense that has come to the families of two of his partners who shared his fortunes in the earlier days.

"One of these invested \$5,000 in 1910. He died in 1921, and the entire estate left to his wife and children was this original investment of \$5,000, which at the time of his death had grown to a value of \$1,000,000, in spite of the fact that he had not reinvested any of the dividends he had received.

"Another investor bought \$200,000 of stock in 1915, from which he has received about \$2,000,000 in dividends. The value of the original investment at the time of his death was over \$8,000,000. In all the investment has yielded fifty times what was put in.

"Let us make a personal application to ourselves of this man's experience. If 2,000 of us had each invested \$100 in 1915 our total investment would have been the same as his. Since then our \$100 would have paid us \$1,000 in dividends, and if in the meantime any of us had passed on, our loved ones would still have the original investment, which would now be worth \$4,000.

"If in 1915 each of us had invested only \$50 our dividends would have amounted to \$500, or an average of over 70 per cent a year from that day to this, and in addition our holdings would be worth \$2,000.

#### YOUR OPPORTUNITY TO PROFIT

"There is every reason to suppose that the next 14 years will have an equally favorable story to tell. The motion-picture industry is still in its infancy. Plans are afoot that should mean greater progress in the Fox enterprises during the next 12 months than during the past 3 years.

"I know I am still a young man and William Fox is younger than I am. Most successful men do not get started until they are 50. Henry Ford was 45 when he produced his first model T car. His great success came after he was 50. William Fox is surrounded by even younger men who are just 'rarin' to go.' So you stockholders are on a real band wagon.

"Therefore again let me urge that you instruct your bank, banker, or broker to buy for you 1, 2, 5, 10, 50, 100, or more shares of the common stock of Fox Theaters Corporation, using for that purpose, if you like, the order blank on the last page of the booklet entitled 'The Story of Motion Pictures and the Fox Theaters Corporation,' which will be given you at the door as you go out. But as an investment banker (and not a speculator) I urge you, only on the understanding that you pay for the stock in full and put it away as a permanent investment. As a result of this investment you will have the same opportunity as those men referred to earlier in my talk, and I feel sure you will realize similar substantial profits."

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That is why Mr. Fox has invited you now to participate in the ownership of the common stock of Fox Theaters Corporation, and why, in the spirit of purpose of the invitation, he urges you to purchase through whatever agency you choose such an amount of stock as you can conveniently pay for, "to have and to hold," being absolutely certain in his own mind that if you will do this you will profit by it.

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## FOX THEATERS CORPORATION

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We hope, therefore, that you will take advantage of Mr. Fox's suggestion and that you will promptly instruct your bank, banker, or broker to purchase in the open market the number of shares of common stock of Fox Theaters Corporation which you can conveniently afford to pay for and hold as an investment.

(Cut of specimen of Fox Theaters Corporation stock certificate:)

-----, 19\_\_

-----  
(Name of bank, banker, or broker)

-----  
(Address)

Buy at market for my account ----- shares Fox Theaters Corporation class A common stock.

-----  
(Signed)

-----  
(Address)

## BOOKLET No. 4

The following is an address by Lawrence Chamberlain, nationally known investment banker and economist, delivered in behalf of William Fox on the screen in theaters owned, controlled, and operated by the Fox interests.

"Ladies and gentlemen, for this week let me get into the Fox Movietone News, so to speak, giving you snapshots of what is going on.

"I said last week that plans are afoot that should mean greater progress in the Fox enterprises (and therefore greater assurance to stockholders in the Fox Theaters Corporation) during the next few months than during the past three years. One can not afford to trifle with words in talking to from 7 to 10 million people each week, particularly when those words are perpetuated in print and distributed in the form of at least 5,000,000 booklets a week.

## "NEW FEATURES IN STORE FOR YOU

"You all know Victor McLaglen, who scored a triumph in What Price Glory, which is a silent film. He has surpassed that success in The Cock-Eyed World (a sound film) which is breaking all records anywhere for theatrical attendance, and he is now busily engaged on his new production, Hot for Paris.

"Mr. Fox says that Sunnyside Up, with Janet Gaynor and Charles Farrell, a new drama of the sidewalks of New York, is considered by many to be the greatest motion picture ever produced.

"These new films were made possible by, and were produced in, the great Fox Movietone City in California—a \$10,000,000 art center and industrial community admittedly the greatest and most nearly perfect plant of its kind in the world. This walled city rising out of the cactus-dotted desert and covering an area equal to 40 city blocks is devoted entirely to the production of sound motion pictures.

#### "SEARCHING FOR REALISM

"In contrast, an entire Fox company has gone to the coast of Ireland in order that the world's most beloved singer, the great John McCormack, may have authentic backgrounds for the outdoor scenes of a new picture and the proper inspiration, in the land of his birth and amid the scenes of his childhood, to sing from the screen to American audiences in Fox theaters as he never has sung before.

"Down on the underside of the world are the South Sea Islands. Recently a Fox company was camped there, making a sound picture. As each boat left for the United States it carried the films taken since the preceding boat. The films were developed and printed at the Fox studios in Los Angeles, and the reproduced sound was wirelessly back to the South Sea Islands. Therefore, each night, with the day's labor done, the director of the company on location and the leading members of the cast listened to the reproduction of their labors—listened to their own voices of a previous day, for approval or correction, that later you and I from Broadway to Frisco might get the benefit of an outstanding, finished performance. You are going to see and hear these pictures in Fox theaters.

#### "RECENT ACQUISITIONS

"In order to give an opportunity to a larger part of the American people to enjoy pictures like these, the Fox interests within the last six months have acquired more than 300 additional theaters throughout the length and breadth of the country. Look about you now in your own theater, form an opinion of its cost in dollars, of its present value in service to your community, of its future value as real estate, and of its contribution as an outlet for Fox pictures to the general prosperity of the Fox group of theatrical enterprises. Then multiply your impressions by 300 and you may have some realization of the progress of the last half year.

#### "WHAT WILLIAM FOX WANTS OF YOU

"Although this is the fourth consecutive week and there have now been four different talks, there is only one object in view as you know, and that is to get so many of you to buy one or more shares of the common stock of Fox Theaters Corporation that hereafter if you desired you might also turn any performance into a shareholders' meeting. That is the customer-ownership idea.

"Surely by this time I have been able to make plain what William Fox is trying to do and why he wants to do it. If the Fox organization is destined to supply to the larger part of the American people that means of relaxation and pleasure which adds to the richness of their lives they must be one with him and he one with them. What hitherto has been an aggressive business must evolve into a national institution. To have you sustaining members of the institution you must become partners in the business, to your pecuniary profit. That is why I bring you daily the invitation from William Fox to purchase the stock of Fox Theaters Corporation, which is bought and sold daily on the New York Curb Market and the Boston Stock Exchange and which you can buy through your bank, banker, or broker."

#### ONLY A FEW OF FOX PATRONS ARE STOCKHOLDERS

The managers of the various Fox Theater enterprises realize that the daily attendance at their houses, as Mr. Fox has intimated in his address reprinted above, runs from one to two million people, depending on the attractions booked, holidays, and the weather. The executives have carefully examined the stock books of the Fox Theaters Corporation. These show that the number of stockholders is less than 6,000. From the list of names and the places of residence of these stockholders, as well as from the disparity between the number of

stockholders and of daily patrons, it is clear that a very small part of our patrons are stockholders. From the address it is evident that what Mr. Fox would like is to change the character of that ownership, so that every person who attends his theaters and who made their success and his success possible by that attendance should be in the spirit of reciprocity share in the financial regards of it.

#### PATRON OWNERSHIP IS SOUND BUSINESS

It is not merely a fine sentiment; it is sound business. It would be to the dollars-and-cents interest of each patron to make it his business to offer suggestions regarding the spirit of employees, the character of the programs, the quality of the performances and even of the proper conduct of the business generally, so that the company would be keyed up to a pitch of satisfactory service that has never been known to the profession.

That is why Mr. Fox has invited you now to participate in the ownership of the common stock of the Fox Theaters Corporation, and why in the spirit and purpose of the invitation he urges you to purchase through whatever agency you choose such an amount of stock as you can conveniently pay for "to have and to hold," being absolutely certain in his own mind that if you will do this you will profit by it.

#### HISTORICAL SKETCH OF THE MOVING PICTURE

It is now 40 years since Thomas Edison, seeking eyes for his phonograph, invented the electric camera, and George Eastman at practically the same time perfected the flexible film, so that pictures could be taken of moving things and could be sent in facsimile to any part of the world in which there was equipment to show them.

That was the beginning of the motion picture. But these two sister inventions did not make a business out of pictures until about the opening of this century.

Twenty years ago the majority of mankind were content, broadly speaking, to eat, sleep, and work. But since then labor-saving machinery has accumulated for most of us surplus time and savings, so that our lives are now divided into four parts: We eat, sleep, work, and play. Amusement has become the fourth necessity of living. The business of providing amusement and recreation, not only to the hundred and odd millions in this country but to the rest of the civilized and to some of the uncivilized world, has grown to one of the major activities of this generation, and is still growing.

In the field of commercial amusement the motion-picture industry far exceeds all others, not only in the number of persons employed but in the amount of capital invested. The 325,000 persons in the United States who get their wages from motion pictures exceeds the number employed by Henry Ford and General Motors, which together make more than 80 per cent of all motor cars produced in their country. The present money value of this vast business may be in excess of \$2,500,000,000. Probably between one-fourth and one-third of our population depend largely on it for their principal amusement.

This then is "big business." Expressed in other terms it has been computed that there are 20,500 theaters exhibiting motion pictures in the United States, providing more than 18,000,000 seats and attended by over 100,000,000 persons each week.

Most of this magnitude is very recent. In 1925 there were 50,000,000 people a week, as against the 100,000,000 people a week now attending these theaters. The increase is due largely to the addition of sound to sight and to the introduction of colorful music and motion.

The commercial perfection of sound reproduction is barely 2 years old, and even yet only 20 per cent of the theaters of this country are equipped with the necessary facilities. In view of the fact that the attendance of the average house is estimated to increase at once 30 per cent by their introduction, a continued increase of attendance is assured.

#### FOX THEATERS CORPORATION

Fox Theaters Corporation, formed in 1925, was quick to realize the new conditions forced on the exhibitors by the preference of the public for sound films. It met and is meeting this surge of patronage by the construction of houses of great seating capacity located primarily with reference to transit facilities.

The largest of these new Fox Theaters—in fact, the largest in the world, with its 6,205 seats—is Roxy's. Similar 5,000-seat theaters have been built and opened in Detroit, Brooklyn, St. Louis, and San Francisco. The present construction program calls for theaters of like capacity to be erected in Philadelphia, Newark, Atlanta, and Boston.

## STATEMENT OF EARNINGS

The cumulative effect of these policies is clearly reflected in the expanding net profits, all of which belong to the holders of the common stock and which were as follows:

1926	-----	\$758,000
1927	-----	754,000
1928	-----	1,745,000
1929 <sup>1</sup>	-----	1,500,000

It is fair to assume that for the full business year ending October 31, 1929, earnings will be upward of \$3,000,000. For the year from November 1, 1929, through October 31, 1930, the officials of the corporation estimate that the earnings will be between \$4,500,000 and \$5,000,000.

The Fox interests originated talking motion-picture news, and Fox Theaters Corporation owns a one-quarter interest in the company publishing Fox Movietone News.

Fox Theaters Corporation recently acquired a large block of the family stock of Loew's Incorporated, which has a very substantial chain of theaters from coast to coast and which owns, through subsidiaries, all the capital stock of the Metro-Goldwyn-Mayer Pictures Corporation.

Fox Theaters Corporation, through a wholly owned subsidiary, Fox Metropolitan Theaters Corporation, has recently acquired approximately 120 theaters in and around New York City.

In the statement given above none of the earnings of the three enterprises just described has been included.

Fox Theaters Corporation has additional corporate programs mapped out for its continued growth.

We hope, therefore, that you will take advantage of Mr. Fox's suggestion and that you will promptly instruct your bank, banker, or broker to purchase in the open market the number of shares of common stock of Fox Theaters Corporation which you can conveniently afford to pay for and hold as an investment.

(Cut of specimen of Fox Theaters Corporation class A common stock certificate.)

-----, 1929.

-----  
(Name of bank, banker, or broker)

-----  
(Address)

Buy at market for my account ----- shares Fox Theaters Corporation class A common stock.

-----  
(Signed)

-----  
(Address)

Senator FLETCHER. Do you know what the result was? Did the public buy that stock?

Mr. STOCK. Senator, we did not have time to make any investigation of how much of the stock was purchased through that means. It would be very interesting to do that.

The CHAIRMAN. On June 20, the physician of William Fox forwarded another letter as to his condition, which I submit for the record at this point:

MAYFLOWER HOTEL,  
Washington, D. C., June 20, 1932.

*To whom it may concern:*

This is to certify that I have this morning examined Mr. William Fox and find his temperature and pulse normal, but a mild head cold has developed.

<sup>1</sup> First 6 months only.

His diabetic condition is practically the same as reported on the morning of the 18th and it will be necessary for his diabetes to be gotten under control before the question of permitting him to be subjected to any severe nervous or mental strain could be considered. It would take not less than a week under the most careful diabetic regimen to materially control the diabetic condition. As a matter of fact it would probably take considerably longer than that, under the most favorable conditions, to get him in physical condition to be able to safely stand any unusual mental or nervous stress.

In my judgment the subjection of Mr. Fox to any severe nervous or mental strain would endanger his health or life or both, wherever the severe strain might be undergone.

F. A. HORNADAY,  
*Attending Physician.*

### STATEMENT OF SENATOR S. W. BROOKHART

The CHAIRMAN. Senator Brookhart has a statement he desires to make.

Senator BROOKHART. Mr. Chairman, I have some information in reference to the connection of the so-called Better Business Bureau of New York City (Inc.), with the New York Stock Exchange.

I want to present first for the record a letter dated June 26, 1923, signed by James C. Auchincloss, of the committee on library of the New York Stock Exchange. This is approving of the Better Business Bureau of New York City (Inc.), as to certain statements in reference to its efficiency, and so forth:

NEW YORK STOCK EXCHANGE,  
*New York, June 26, 1923.*

E. H. H. SIMMONS,  
*Chairman Committee on Library, New York, N. Y.*

DEAR SIR: The Better Business Bureau of New York has in the few short months of its existence established a splendid record of accomplishment by exposing and driving out of the city a number of fraudulent promotions. Won't you read over the inclosed literature and judge for yourself the value of this service to reputable Wall Street establishments?

The character of the organization is indicated by the personnel of the advisory council, which includes the following names: D. F. Houston, president of the Bell Telephone Securities Co. and formerly Secretary of the Treasury; Gates McGarrah, chairman of the board, Mechanics and Metals Bank; Lewis E. Pierson, chairman of the board, Irving Bank-Columbia Trust Co.; and R. T. H. Halsey of Tefft, Halsey & Co.

If, in the face of widespread stock swindling, we remain indifferent to the reputation of our community, Wall Street is bound to be misjudged. By supporting the work of the Better Business Bureau of New York, we shall earn and deserve the good will of the public by enabling them to distinguish between reputable financial establishments and fakirs who masquerade as legitimate business men.

A special committee of stock exchange members and partners have been active during the past several weeks in enlisting the support of various stock exchange members and firms, a majority of whom this committee have succeeded in enrolling as members in the bureau. In addition to firm memberships, we should like to bring to the active support of the work of the bureau those individual members of the exchange who are unattached. We would be very glad, therefore, if you would give serious consideration to the work and aims of the bureau, as described in the accompanying literature. If it commends itself to you, will you please fill out the inclosed application for membership and return, accompanied by your check for \$25, being the annual subscription rate for individual membership.

Faithfully yours,

JAMES C. AUCHINCLOSS,  
*Committee on Library.*

I have a second letter, dated June 12, 1924, signed by the same James C. Auchincloss, but this time as treasurer of special com-



mittee for the Better Business Bureau of New York City, (Inc.). And, as before, I will furnish for the record a photostat copy of the letter.

SPECIAL COMMITTEE FOR THE  
BETTER BUSINESS BUREAU OF NEW YORK CITY (INC.)  
280 Broadway, New York.

Joint chairmen Bayard Dominick, New York Stock Exchange; Gates W. McGarrah, banks and trust companies; Henry R. Hayes, Investment Bankers Association; John J. Pulleyn, savings banks. James C. Auchincloss, Howard F. Beebe, Winthrop Burr, H. B. Clark, Seymour L. Cromwell, Moreau Delano, Walter E. Frew, Casimer I. Stralem, Erastus Tefft, Donald Geddes, Jerome D. Greene, R. T. H. Halsey, Charles Hayden, George W. Hodges, John W. Horner, Thomas W. Lamont, Everett B. Sweezy, Albert A. Tilney, Arthur Myles, James H. Perkins, Clarkson Potter, Charles S. Sargent, Mortimer L. Schiff, E. H. H. Simmons, Harold Stanley, Walter H. Sykes, jr., William J. Wollman.

JUNE 12, 1924.

Mr. \_\_\_\_\_,  
\_\_\_\_\_ Street, New York, N. Y.

DEAR MR. \_\_\_\_\_: Under date of May 12th. a letter was addressed to you by the special committee for the Better Business Bureau of New York City, signed by Messrs. Bayard Dominick, Gates W. McGarrah, Henry R. Hayes, and John J. Pulleyn as joint chairmen, requesting a subscription from you of \$25 toward the work of the bureau.

Not having heard from you, and thinking that through inadvertence this letter failed to reach you, I am sending herewith a copy thereof with the inclosures therein referred to.

On behalf of the committee I would request that you give this matter your attention, and trust that we may receive an early and favorable response to the committee's appeal.

Faithfully yours,

JAMES C. AUCHINCLOSS, *Treasurer.*

Then I have a third letter under date of November 18, 1931, signed by the same James C. Auchincloss, but this time as president of the Better Business Bureau of New York City (Inc.). And again I furnish a photostatic copy for the record.

THE BETTER BUSINESS BUREAU OF NEW YORK CITY  
280 Broadway, New York, N. Y.

H. J. Kenner, general manager; Breed, Abbott & Morgan, counsel; C. Van Rensselaer Halsey, vice president; Sherman B. Joost, treasurer; James C. Auchincloss, president.

Directors: James C. Auchincloss, governor New York Stock Exchange; Raymond Ives, Stagg, Mather & Hough; Clarkson Potter, Hayden, Stone & Co.; Sherman B. Joost, Joost, Patrick & Co.; Lawrence M. Lloyd, vice president Lennen & Mitchell (Inc.); C. Van Rensselaer Halsey, C. D. Halsey & Co.; Robert E. Miller, vice president Bank of New York & Trust Co.; Lester W. Perrin, Lazard Freres; Emlen M. Drayton, Eastman Dillon & Co.; Edwin S. Friendly, business manager The Sun; Philip A. Benson, treasurer the Dime Savings Bank of Brooklyn; Andrew Mills, jr., president Dry Dock Savings Institution; Ralph H. Stever, president the Seamen's Bank for Savings in the City of New York; Oliver J. Troster, Hoyt, Rose & Troster; Sheldon R. Coons, Lord, Thomas & Logan.

Advisory council of the investors' section: E. H. H. Simmons, chairman E. H. H. Simmons & Co.; Lewis E. Pierson, chairman of the board, Irving Trust Co.; Albert A. Tilney, vice chairman Bankers Trust Co.; John J. Pulleyn, chairman of the board, Emigrant Industrial Savings Bank; Henry R. Hayes, vice president Stone, Webster & Blodget (Inc.); Richard Whitney, president New York Stock Exchange; James Gilbert White, chairman of the board, J. G. White & Co. (Inc.); A. C. Pearson, chairman of the board, United Business Publishers (Inc.); William S. Irish, executive vice president Bank of Manhattan Trust Co., Brooklyn division; Henry J. Davenport, president Home Title Insurance Co.; Lewis Gawtry, president the Bank for

Savings in the City of New York; Victor A. Lersner, chairman of the board, the Bowery Savings Bank; D. Irving Mead, president the South Brooklyn Savings Bank.

Advisory council of the merchandise section: John S. Burke, president B. Altman & Co.; Franklin Simon, president Franklin Simon & Co. (Inc.); Bernard F. Gimbel, president Gimbel Bros. (Inc.); Samuel Mundheim, president Stern Bros.; Louis Wiley, business manager the New York Times; Howard Davis, business manager New York Herald-Tribune; Walter Hammitt, vice president Frederick Loeser & Co. (Inc.); Roy C. Holliss, general manager Daily News; Fremont C. Peck, publisher Brooklyn Daily Times; Noel S. Macneish, assistant publisher New York World-Telegram; Michael Schaap, president Bloomingdale Bros. (Inc.); Joseph E. Priddy, president Lord & Taylor; C. Ludwig Baumann, president C. Ludwig Baumann & Co., Brooklyn; C. C. Lane, business manager New York Evening Post.

NOVEMBER 18, 1931.

*New York City.*

DEAR MR. —: I know this is a poor time to ask for money, but we are confronted by a serious situation, and must turn to our friends for aid. We face a deficit this year in spite of many retrenchments.

It will hearten us a whole lot if our friends back us up so we may overcome this deficit. If your firm will send us \$25 as a special contribution, you will have done your share and we shall be eternally grateful.

Faithfully yours,

JAMES C. AUCHINCLOSS, *President.*

P. S.—Please make check payable to James C. Auchincloss, president, and forward to me at 1 Wall Street.

Mr. Chairman, this information was furnished to me by Mr. Clark G. Hardeman of St. Louis, Mo., who sued the Better Business Bureau for \$20,000 for trying to put him out of business, and they settled and paid him the \$20,000 without coming into court. In other words, they settled out of court. He showed me a few days ago a copy of the first \$10,000 check given in payment, and, as I understand, the second \$10,000 was paid to him in cash.

So I want to request that the steering committee of this Committee on Banking and Currency order an investigation to be made of the association of this so-called Better Business Bureau's connection with the New York Stock Exchange.

The CHAIRMAN. Senator Brookhart, your request will be brought before the steering committee.

Senator BROOKHART. Very well.

The CHAIRMAN. The first witness this morning will be Miss A. M. Gushee. Miss Gushee, if you will please stand, hold up your right hand and be sworn:

You do solemnly swear that you will tell the truth, the whole truth, and nothing but the truth regarding the matter now under investigation by the committee, so help you God.

Miss GUSHEE. I do.

#### TESTIMONY OF MISS A. J. GUSHEE, OF DENVER, COLO.

The CHAIRMAN. Senator Carey, you are familiar with this matter. Would you mind asking the questions and develop whatever you may desire?

Senator CAREY. Miss Gushee, you formerly lived in Cheyenne, Wyo., did you not?

Miss GUSHEE. Yes, sir.

Senator CAREY. And afterwards you moved to Denver, Colo.

Miss GUSHEE. Yes, sir.

Senator CAREY. And you were living in Denver during the spring and summer of 1929, I believe.

Miss GUSHEE. Yes, sir.

Senator CAREY. During that time you invested in Continental Shares (Inc.), I believe.

Miss GUSHEE. I did.

Senator CAREY. You bought them from whom?

Miss GUSHEE. From Otis & Co.

Senator CAREY. Can you tell the committee about the two purchases you made of those shares?

Miss GUSHEE. My first purchase was made on April 29, 1929, when I purchased 12 shares of the common new stock at 70 or about that figure. My second purchase—no; I beg pardon. Let me see—yes, was made on June 1, 1929, of 23 shares of the common stock at about 83 or I think the figure was 83 and a fraction.

Senator CAREY. Do you know if this price of 83 or 83 and a fraction for this stock was higher than the stock was ever listed?

Miss GUSHEE. I do not know, Senator Carey, that it was, but I have been informed that it was. I think it was true that it was never as high as 83 as listed.

Senator CAREY. I believe it was 78, that that was the highest price the stock was ever listed.

Miss GUSHEE. Yes, sir; I believe so; 76 or 78.

Senator CAREY. In the selling of this stock to you by Otis & Co., did they advise you as to what stocks and securities Continental Shares (Inc.) owned?

Miss GUSHEE. They did not. I asked to see the portfolio at the time, but was advised it was not available. However, they did tell me that the stocks they owned were very high-grade securities.

Senator CAREY. After the portfolio of Continental Shares (Inc.) was made public, were those stocks in fact high-grade securities?

Miss GUSHEE. They were not, in my judgment. And, had I seen the portfolio at the time, I would not have purchased their stock.

Senator CAREY. You purchased the stock with the belief that the portfolio contained only the highest grade stocks, did you?

Miss GUSHEE. Yes, sir.

Senator FLETCHER. Whom did you deal with?

Miss GUSHEE. I dealt with Otis & Co., of Denver, Colo.

Senator FLETCHER. Do I understand from you that they had a place of business in Denver?

Miss GUSHEE. Yes, sir.

Senator FLETCHER. But their principal office is in New York City, isn't it?

Miss GUSHEE. They were operating through a branch office in Denver. They had been in Denver for a number of years.

Senator CAREY. At that time Otis & Co. had salesmen covering Colorado, Wyoming, and that part of the country, selling the stock quite generally, didn't they?

Miss GUSHEE. Yes, sir.

Senator BROOKHART. Who was the particular person in charge of the company's business at Denver?

Miss GUSHEE. I can not answer that question definitely.

Senator BROOKHART. Did you talk to him personally?

Miss GUSHEE. No. I talked to the salesman. I bought the stock through their salesman.

Senator BROOKHART. In Denver, or where?

Miss GUSHEE. In Denver.

The CHAIRMAN. Did you sell any of that stock?

Miss GUSHEE. No, sir.

The CHAIRMAN. What is it worth now?

Miss GUSHEE. I think it has had a very small value if any. I do not know that it is quoted at all now.

The CHAIRMAN. Is it a dollar or less per share?

Miss GUSHEE. Probably less than a dollar a share.

The CHAIRMAN. And what was the price at which you purchased those shares?

Miss GUSHEE. It was \$83 for 23 shares and \$70 for 12 shares, or approximately those figures.

Senator CAREY. As I understand, this stock of Continental Shares (Inc.), you bought was purchased before the stock was ever listed on the stock exchange?

Miss GUSHEE. Yes, sir.

Senator FLETCHER. Let me see if I understood you aright in an answer you made a moment ago. Did you mean \$83 per share and not \$83 for the 23 shares?

Miss GUSHEE. Yes; I meant \$83 per share.

Senator FLETCHER. And did you mean \$70 per share for 12 shares?

Miss GUSHEE. Yes, sir.

The CHAIRMAN. The chair will state that Mr. Stock tells him recently sales have been made of Continental Shares (Inc.), stock at 25 cents a share.

Senator CAREY. Miss Gushee, you contracted for or purchased the stock before it was listed on the stock exchange, as I understand from you?

Miss GUSHEE. Yes, sir.

Senator CAREY. Do you remember the price at which this stock was listed when it was placed on the stock exchange?

Miss GUSHEE. I think it was around 70, but I can not be sure of that figure. At least I know that it opened very much lower than the price at which I had purchased it. And the stock dropped after the contents of their portfolio were made known, or rather, had been published.

Senator CAREY. Wasn't the stock quoted at  $43\frac{1}{2}$  or 45 when it was listed on the stock exchange? I think you told me that you had been urged to purchase the stock the night before it was listed at  $47\frac{1}{2}$ , and that it was listed the next morning at 45, that you were told by Miss Gavin.

Miss GUSHEE. I have a wire from Miss Gavin. Would you like me to read it?

Senator CAREY. Yes; please read it.

Miss GUSHEE. It says:

April 25, 1929, paid Otis \$1,600 for 20 Continental Shares stop and \$475 for 10 shares day prior to listing on big board upon solicitation after closing hours. Stock opened following morning at 45.

This is signed "Margaret E. Gavin" and is a telegram from Denver. I would like to explain that Miss Gavin's second purchase

of the 10 shares at 47½ per share was not made on April 25, 1929, but some time later, after market listings.

Senator CAREY. Do you know if there was some trouble in Colorado due to the fact that Otis & Co. had not complied with the blue sky law in making public their portfolio of these shares?

Miss GUSHEE. I understand, or at least there was a report current in Denver, that some stockholders threatened to bring suit against Continental Shares (Inc.), for violation of the blue sky laws on account of not having made known the contents of their portfolio. And that a refund was made rather than have it go to suit. I asked if that were true but have not been informed. I asked about it at a meeting of Continental Shares (Inc.), in Baltimore, at their annual meeting on March 17, 1931, if that report was true, but they have not answered my question.

Senator CAREY. Miss Gushee, you have had to work for a living, have not?

Miss GUSHEE. Yes, sir.

Senator CAREY. And where have you been employed?

Miss GUSHEE. At the Stock Growers National Bank, at Cheyenne, Wyo.

Senator CAREY. And this money you invested in these shares as I understand represented money that you had saved?

Miss GUSHEE. Yes, sir. That is where I was employed at the time.

Senator CAREY. That is all.

Senator FLETCHER. Was there ever a time that the stock you purchased could have been sold at an advance in price, or did it begin to go down?

Miss GUSHEE. It began to go down. I don't think I could ever have sold it at a profit, not at any time.

The CHAIRMAN. That is all. We thank you.

(The witness was excused.)

The CHAIRMAN. The next witness will be Miss Roberts. Will you please stand, hold up your right hand, and be sworn. You do solemnly swear that you will tell the truth, the whole truth, and nothing but the truth, regarding the matter now under investigation by the committee, so help you God.

Miss ROBERTS. I do.

#### **TESTIMONY OF MISS GRACE VAN BRAAM ROBERTS, HIGHLAND, N. Y.**

The CHAIRMAN. Miss Roberts, will you please give your full name and address to the committee reporter for the benefit of the record?

Miss ROBERTS. Miss Grace van Braam Roberts, or Miss G. van B. Roberts, will do just as well.

The CHAIRMAN. Gentlemen of the committee, Miss Roberts tells me that she has a written statement prepared which will take about 20 minutes to read, and if there is no objection she may proceed by reading it. She would rather conclude the reading of her statement and then will answer questions afterwards, if that is agreeable. Is that right, Miss Roberts?

Miss ROBERTS. Yes; if I may do so.

The CHAIRMAN. You may proceed.

MISS ROBERTS. I am glad to present the facts of my controversy with the New York Stock Exchange to your honorable committee because these facts show that the New York Stock Exchange condones a fraud when committed by influential brokers, and I hope that this evidence will help Congress to pass a law governing the stock exchange so that such condoning of fraud may be prevented hereafter. The facts that I give you are authenticated either by evidence taken before the Supreme Court or by the stock exchange itself. The chronology of events is as follows:

1920-1924. Fraud continued.

1925. Trial held before the Supreme Court in Kingstown.

1926. Court's opinion.

1927. Referee's award.

1928. My first letter to the stock exchange.

1929. My second letter to the stock exchange, followed by correspondence and discussion to February, 1931.

The case, in brief, is as follows: I had done business with Hayden, Stone & Co. for years through Mr. Harold Keays, an honest customer's man. On or about November 14, 1920, Mr. Keays urgently asked me to buy Atlantic, Gulf & West Indies stock. I knew nothing about it. He insisted:

We do know. It is one of our house stocks. It has oil wells in Mexico, a large fleet of steamers leased at attractive rates, and a pipe line in France just completed. Our Mr. Stone is chairman of the board, and other members of our firm are also members of the board. It has just fallen from 160 to 115, but is going up again; it is a splendid investment earning 20 per cent and paying 10. I have just come from a meeting with a member of our firm who is on that board. The only trouble with the stock is that the bears are raiding it. You must let me buy you some. We know.

I suppose you gentlemen understand what a "house stock" is?

THE CHAIRMAN. I think it might be well for you to amplify that a little.

MISS ROBERTS. It is a stock that is controlled by that special brokerage house, that is in their hands, and they know the stock and urge it as one of their house stocks.

THE CHAIRMAN. All right.

MISS ROBERTS. He bought me 100 shares the next day. He had bought some for himself at a higher figure. A few weeks later he lost all that he had put in.

On or about November 29, when he called again, I told him that Atlantic, Gulf & West Indies had been falling steadily; that my brother, O. F. Roberts, who was a member of the exchange, said that the talk on the exchange was that the company was in a bad way, and that I could get the stock for less later if I then wanted it. Mr. Keays replied that his firm knew that the stock was sound; that, although I must not mention it, a pool had been formed to support the stock at its then price of about 102. He said that he wanted to buy me another 100 shares. Since I knew that he believed what he said, and also knew that Hayden, Stone & Co. had a wonderful accounting and investigation department, which I had myself used, I let him buy 50 shares for my account that day and 50 shares on December 1.

Records show that the stock continued to fall almost without variation and never recovered. Early in January, 1921, I sent Mr. Keays

a clipping from the Evening Post pointing out the weakness in the stock, since the oil wells had gone to salt water, the steamers were tied up, and the pipe line in France had been abandoned. After consulting with Mr. Hoyt, Mr. Keays still advised me to hold the stock. The court gave the opinion that this clipping should have put me upon further inquiry, and therefore limited my recovery on this stock to the amount lost by February 1, 1921. The firm continued to advise me to hold the stock until January, 1922, and sold sound stocks from my account to protect this worthless stock.

In January, 1922, in answer to a question, Mr. Keays asked me to see Mr. Hoyt who was the member both of Hayden, Stone & Co. and of the board of the Atlantic, Gulf & West Indies Co. whom he had been quoting about the value of the stock from the beginning. Mr. Hoyt was manager of Hayden, Stone & Co.; he was at that time and still is. When I saw Mr. Hoyt, he advised me to sell at the current price, 30 $\frac{1}{8}$ . Mr. Hoyt was full of regrets that he had not gotten me out when he got his friends out; he said that his own loss had been enormous and had nearly wiped him out; also that Mr. Harry Payne Whitney had bought heavily on his advice. Mr. Hoyt was not convincing. At a later conversation, which took place in February, 1924, Mr. Hoyt said that he had averaged a little over par for his Atlantic, Gulf & West Indies stock. I found that he must, therefore, have sold his stock in December, 1920, since the stock never afterward rose to that point. Then I withdrew my account and brought suit, not in New York City, but in Ulster County. Judge Alton B. Parker, an old friend, was my attorney. He was convinced that I would be defeated, and continually urged me to withdraw my suit.

Chadbourne, Stanchfield & Levy, a well-known stock exchange legal firm, conducted the defense. Since my lawyers were convinced that Hayden, Stone & Co. were honest, the suit was brought for an accounting. The supreme court justice before whom it was tried, in the course of his opinion, said that the pleadings at the election of the plaintiff might be amended to conform them to the proof on the subject of fraud. Hayden, Stone & Co. were thus adjudged cheats.

There is more to the controversy than I am giving you here, for the limited time allotted me forbids further details. I select the cheating in connection with Atlantic, Gulf & West Indies because Mr. Whitney has especially defended this transaction; and my attack here is directed against the utter dishonesty of the New York Stock Exchange as dominated by Mr. Whitney.

I felt in 1927 that such detestable robbery should be made impossible in the case of any other victim, because in all I had lost a good deal of money through the dishonesty of Hayden, Stone & Co.

I wanted my lawyer to appeal. He, however, felt that we had won a great victory. At my request he asked Justice Charles E. Hughes, who was then practicing in New York, to review the case. He also held that I had trusted these cheats too long to obtain any substantial recovery, using the word "cheat" several times in his opinion. Hayden, Stone & Co. paid the judgment, and the case was closed.

**Senator BROOKHART.** How much was the judgment?

**Miss ROBERTS.** Approximately \$16,000.

Senator CAREY. What does the word "cheat" mean in New York? Does that mean fraud?

Miss ROBERTS. Yes, sir; it does. At least, Judge Hughes in reviewing this matter, called them "cheats," and the trial judge had given us leave to amend it to "fraud." And Judge Hughes in reviewing the decision used the word "cheats" several times.

Senator CAREY. It is another name for fraud, isn't it?

Miss ROBERTS. Well, I don't know. I am not an authority on that. If I might inject here, Mr. Chairman, when I took the matter to the business conduct committee, Mr. Harrison said it was too bad that we had not taken this matter up with the district attorney; he said it was the judge's duty to give this matter to the district attorney and that in that case they would have been convicted for criminal fraud; that the evidence for the criminal case would have been the same and could have been used. It was never taken to the district attorney, because we did not know our rights in the matter. But that is as far as punishment through the courts could have gone, and the penalty would have been a good deal worse if it had gone there.

I have always felt that the \$16,000 that they were obliged to pay was nothing to the sum out of which they had cheated each of probably nearly a hundred persons, to say nothing of the very large loss that they had caused me; therefore I asked the stock exchange to punish them. Mr. Richard Whitney was at that time chairman of the business conduct committee. I might quote the routine replies from his committee. Among these papers is my letter of August 15, 1928, inclosing a 5-page memorandum of fact written by my lawyer. On October 4, 1928, the secretary of the business conduct committee replied:

The committee has investigated in detail the complaint against the firm of Messrs. Hayden, Stone & Co. \* \* \* The committee's investigation failed to indicate any conduct on the part of Messrs. Hayden, Stone & Co. which would warrant disciplinary action by the exchange against them.

Although I offered to submit evidence, none was asked for. To my letter of September 3, 1929, the secretary of the business conduct committee replied on September 12:

The facts stated in it are substantially the same as those contained in your communication of August 15, 1928, which was exhaustively investigated by the committee at that time.

To this letter he added the postscript, "The papers submitted by you are returned herewith"; and with it he sent a mass of past correspondence between Hayden, Stone & Co., and myself, carefully bound, year by year, from 1916 to 1924, inclusive, which Hayden, Stone & Co. had given them. I never returned it. It is here, ridiculous for purposes of investigation but interesting as an exhibit of the dishonest way in which the stock exchange investigates charges of fraud when the conduct of powerful and very wealthy brokerage-house members is in question.

I offer it, Mr. Chairman.

The CHAIRMAN. It will be received by the committee.

Senator FLETCHER. What is it?

The CHAIRMAN. Senator Fletcher did not hear you, Miss Roberts. Will you explain it further to him?

Miss ROBERTS. This [holding aloft a bundle of papers] was used by the stock exchange to investigate a complaint of dishonesty made



by me against a powerful stock-exchange firm. When the exchange did not come to me for any evidence, I asked it for permission to submit evidence of their fraud, but it went to the lawyers, or it probably went to Hayden, Stone & Co., the cheats, and they or their lawyers sent it some miscellaneous business correspondence which began in 1916 and continued through 1924. In other words, there were no minutes of the trial or anything that pertained to the fraud.

Senator FLETCHER. Is that supposed to be the evidence that was furnished to the business conduct committee of the stock exchange?

Miss ROBERTS. That was the evidence. And they sent it back to me thinking I had furnished it. The wires got crossed in some way, you understand, and they returned it to me instead of to the cheats. But they had asked me for no evidence.

Senator FLETCHER. I wondered how you got it.

Miss ROBERTS. I got it in that way. Sometimes I might be dishonest to that extent, and this time I was, for I have kept it. [Laughter.]

Senator FLETCHER. Hayden, Stone & Co. were members of the stock exchange?

Miss ROBERTS. Yes; very important members of the stock exchange. That is the whole point.

Senator FLETCHER. And this stock that you bought was listed on the stock exchange?

Miss ROBERTS. Yes. It was their house stock. They said they knew it well. They were the managers of it.

The CHAIRMAN. And they recommended the purchase of it?

Miss ROBERTS. Yes; they urged it.

Senator FLETCHER. As I understand, you brought suit and recovered a judgment for \$16,000.

Miss ROBERTS. I recovered a small judgment against them.

Senator FLETCHER. Well, \$16,000 is not so very small. Was that the amount of your claim or of your loss?

Miss ROBERTS. I did not recover, sir, on my claim entirely. I had trusted them too long. But there were certain other frauds that made up the amount. I only recovered something like six or seven thousand dollars on the Atlantic, Gulf & West Indies stock.

The CHAIRMAN. Your suit in that case was for what amount?

Miss ROBERTS. I sued them for an accounting, you see.

The CHAIRMAN. Oh, yes.

Miss ROBERTS. We treated them very gently.

The CHAIRMAN. And you did not consider that you recovered any substantial part of your loss; is that a fact?

Miss ROBERTS. No; that would be the fact.

To my letter of January 17, 1930—and you see I kept on writing—the secretary of the business-conduct committee replied on January 20, quoting the passage that I have given above from the letter of October 4, 1928, and adding, “In reaching this conclusion, the committee gave consideration to all of the facts presented by you.”

If you have time, it might be interesting to read you my memoranda of my first, second, and third talks with the secretary and the assistant secretary of the business-conduct committee, after I had finally obtained a hearing by having some one else get it for me. These memoranda expose a travesty of justice.

At the second interview I left with the secretary of the business-conduct committee material which he said he had never seen, in the expectation that it would furnish facts with which Mr. Whitney was not familiar, the additional facts which he had requested, and which would, I believed, lead him to expel Hayden, Stone & Co. from the exchange. This was the first time the stock exchange had seen any of the testimony given at the trial. As a result of the interviews, on July 15, 1930, the secretary of the business-conduct committee wrote that these documents, including the testimony, had been "carefully examined, after due consideration, I am directed by the committee to inform you that, in its opinion, the facts disclosed do not warrant it in taking disciplinary action against Hayden, Stone & Co."

On August 14, 1930, Mr. Whitney wrote: I have taken this case under my personal scrutiny and have gone carefully into all the points that you make. I find that all members of the business-conduct committee are thoroughly conversant with your case, as was I when on that committee. We have received the benefit of legal advice from our counsel in this matter on all the points raised, and I regret to state that after the most careful consideration I find that there is nothing one can add to the letter sent you by Mr. Harrison, secretary to the committee on business conduct, under date of July 15.

On November 28 Mr. Whitney wrote:

This complaint of yours \* \* \* has received the most complete consideration by our counsel, by the business-conduct committee, and by myself.

Senator Wheeler took this matter up last winter, and he wrote to Mr. Whitney about my case. On February 16, 1932, in response to a second letter from Senator Wheeler, Mr. Whitney wrote:

I had hoped to acknowledge your letter of February 1, 1932, many days ago, but have found that the work of reviewing this entire case, in which the file amounts to 300 or 400 pages, is taking so much time that my answer has been delayed and a final answer will be still further delayed, so that a proper and full consideration of the matter can again be given. I deeply regret if we have appeared negligent in the matter, but sincerely assure you that we have been giving your inquiry our closest attention and application.

On February 18 Mr. Whitney wrote:

The complete examination of this case has now been effected in accordance with the statement in my recent letter to you. Again I crave your forgiveness for the delay, but this review, as the remainder of this letter will perhaps point out to you, has been exceedingly lengthy and indeed arduous.

After enumerating the occasions on which the exchange had given attention to the case, he continued:

I can assure you, therefore, that few complaints submitted to the exchange have had such careful and thorough consideration.

In response to a further comment by Senator Wheeler in a letter dated February 29, Mr. Whitney wrote on March 14, 1932:

I felt it necessary to review the entire case in every detail with counsel, which has been done.

I think, Mr. Chairman, at this point I will offer for your examination, which will take only one minute, the record of the transactions in Mr. and Mrs. Hoyt's joint account in 1920, and the single item in Mr. Hoyt's personal account in 1921 while he was urging me to hold my stock. This item showed short selling.

Senator CAREY. He was selling you the same stock that he was urging you to buy.

**Miss ROBERTS.** I think I shall show you he was. But the stock exchange can not see it, could not see it four years ago, and yet I hope this committee will see it in one minute.

**Senator CAREY.** Was Mr. Hoyt a director in that company?

**Miss ROBERTS.** He was a member of the board of directors.

**Senator CAREY.** Of the very company in which you were purchasing stock?

**Miss ROBERTS.** Yes, sir.

**Senator CAREY.** He was selling it short and selling it to you.

**Miss ROBERTS.** He did sell it short the year following. He was selling it at the time I was buying. I bought the stock in November and December of 1920. Mr. and Mrs. Hoyt—I have the record here before me—by June 1 of that same year, some months before my purchases, had sold 800 shares out of what they had owned on March 8, and they only owned 1,700 shares on March 8; they had sold a net amount of 700 shares by June 1.

**Senator CAREY.** Perhaps he sold you some of his stock.

**Miss ROBERTS.** I don't know.

This item indicating short selling is the only item from his personal account that he saw fit to introduce in his defense, and this item goes to prove my point. Mr. Hayden's and Mr. Stone's personal accounts were not brought into court because of the extreme courtesy of my counsel. Judge Parker was lovely and he thought there was something queer about the conduct of Hayden, Stone & Co., and yet he seemed to have doubts as to what could be accomplished by haling them into court.

This record shows that on March 8 the joint account held 1,700 shares; by June 1 they had sold 800 out of these 1,700 and had bought only 100. They made only one further purchase in 1920—namely, 100 shares on November 5. By December 29 he had sold the entire holdings of the joint account. Does one sell a splendid investment earning 20 per cent and paying 10 per cent?

In his letter of July 15, 1930, the secretary of the business conduct committee wrote:

The investigations of the committee, and, in fact, the record of the case indicates that at the time Mr. Keays, a customer's man, called your attention to the Atlantic, Gulf & West Indies Steamship Lines stock and you purchased the same, certain members of the firm of Messrs. Hayden, Stone & Co. were, themselves, buying large quantities of this same stock.

Also, in his letter of March 14, 1932, to Senator Wheeler, Mr. Whitney says:

Members of the firm were buying this stock for their own account after the date of the last purchase by Miss Roberts.

There was absolutely no evidence introduced to support the above assertions. Here was a trial and yet the defendants did not introduce a scrap of such evidence or anything of that kind.

As you will see, there is in this record that you hold in your hands absolutely no proof of either of the above assertions. There was also introduced into the testimony the record of transactions by a pool, which was begun on November 17 and dissolved on December 31, 1920. In other words, the pool liquidated that same year. December was the date of my last purchase and the pool was out in December of the same year. Only 17½ per cent of the pool stock was owned by members of the firm. Stone never owned more than 1,000

shares; Hayden never owned more than 500 shares; Mr. and Mrs. Hoyt's joint account owned 210 shares. These were indeed small amounts for officers of large means if they had faith in the stock. There is no evidence that Mr. Hayden and Mr. Stone bought even this amount at the time when the pool was formed; the testimony says that the pool "bought or received" stock, and Mr. Hayden's and Mr. Stone's stock may have been merely transferred from their previous personal holdings. You will notice that it says "bought or received." It does not say "bought." It appears that the pool was used to keep customers from selling until the members of the firm, with their inside knowledge, got out.

Mr. Whitney said recently to the House committee for investigating short selling that the Supreme Court of the State of New York was wrong in its decision; this was the decision from which Hayden Stone & Co. took no appeal. In his letter to Senator Wheeler under date of February 18, 1932, Mr. Whitney said further:

The committee was also advised by counsel for the exchange that the record in the case of *Roberts v. Hayden, Stone & Co.*, in the supreme court, Ulster County, did not contain facts which clearly supported the decision reached by the court.

Senator CAREY. In other words, the stock exchange was ahead of the court right along.

Miss ROBERTS. To read the record of the joint account takes only one minute; yet in four years neither the stock exchange nor its members have mastered it. We find Mr. Whitney daringly asserting to a committee of the House that the Supreme Court of the State of New York was wrong in its decision.

Nearly 20 years ago, before the Pujo committee, Mr. Undermyer tried unsuccessfully to limit the power of the New York Stock Exchange. I hope that the time has now come when your honorable committee will bring about a reform.

There is much detail here that the time allotted to me will not allow me to introduce, detail which shows the assured impudence of Mr. Whitney's dishonesty. Recently he was asserting to the Junior League at a large meeting that the stock exchange demands that its members be righteous.

A distinguished lawyer, who had made an effort to curb the New York Stock Exchange, said to me, "I can't do anything for you. I am a friend of Charles Hayden."

I replied, "He may be a friend of yours, but he is a very dishonest man."

He answered, "I did not mean he is a friend, but I know him." He went on: "Do you realize that this is going to be enormously expensive? Do you realize that bringing this to Congress will cost you an immense amount of money?" Later he added, "Any lawyer who helped you would lose all his friends and all his clients." He urged me to stop, saying, "You can't do anything. I am not defending the stock exchange. I know what it is."

I said that it should have some kind of Federal regulation. He replied that it should be placed under the Treasury Department.

Senator COSTIGAN. Did he give you advice before you instituted your suit?

Miss ROBERTS. This was just recently, in arguing this matter after my suit was closed, and I had failed to get the stock exchange to

discipline these cheats. I then contemplated coming on to Congress.

The CHAIRMAN. You may proceed.

Miss ROBERTS. I said that it should have some kind of Federal regulation. He replied that it should be placed under the Treasury Department. I then came before you myself. I am not anxious that any New York man should have to go through all this and lose all his friends, all his clients. I bring this in because it shows the ramifications, the whole of the ramifications of the stock exchange, and it is true. This, Mr. Chairman, is why I am not being advised by any counsel to-day.

A lawyer with a wide practice among stock-exchange firms said: "I fear that you can do nothing. The stock exchange is the greatest Monte Carlo in the world."

Another fine man, the head of a large brokerage house, said:

What has happened to you is nothing to what happens all the time. You will never get Hayden, Stone & Co. expelled, but don't give up. If our firm should help you, it would be impossible for us to continue doing business on the stock exchange.

I add these talks with well-known people who are intimately acquainted with the exchange, in order to disclose to you the hideous monster with far-reaching tentacles that the New York Stock Exchange is acknowledged to be by some of its finest members and by those who are retained by them.

I beg you not to lay down this work until at least one pillar is removed from the beautiful building that might better be called the New York stockyards. Mr. Chairman, you may never again have so perfect a case as this against the exchange. Its president clearly did stupid things in this matter; it will hereafter cover up some of the worst practices, as it did after the Pujo committee's investigation, but the dishonesty will go on until the United States Government takes the New York Stock Exchange under its own control.

The CHAIRMAN. Do any members of the committee care to ask any questions? [A pause, without response.] If not, I will let Mr. Stock, who is Mr. Gray's assistant, ask one or two questions.

Mr. STOCK. Mrs. Roberts, your case is very important because it is indicative, I think, of the attitude of the New York Stock Exchange on these matters. Did they ever ask you to submit voluntarily to arbitration either before or after you started your suit?

Miss ROBERTS. I did not bring the matter to them until after I had obtained judgment, you see.

Mr. STOCK. In the judgment you obtained was there any compromise or settlement?

Miss ROBERTS. No; absolutely none.

Mr. STOCK. And there was no appeal?

Miss ROBERTS. There was no appeal on their part. I wanted to take the case to the upper court but was dissuaded.

Mr. STOCK. Your case was the one that Congressman LaGuardia referred to when he testified here; was it not?

Miss ROBERTS. That is correct.

Mr. STOCK. Mrs. Roberts—

Miss ROBERTS. Not Mrs. but Miss Roberts.

Mr. STOCK. Pardon me. Miss Roberts, Mr. Whitney testified before this committee that the stock exchange had 20 of the best and

most accurate stock exchange accountants in the world, and that they had made about 5,000 investigations during the past two years and had found nothing wrong. Our own investigators, and I, might say fewer than 20 and who are not the greatest stock exchange accountants in the world, found all these things we were looking for the very first day. Did they ever submit to you any account or analysis of the trading in this stock, or did you have to look for it yourself?

Miss ROBERTS. I might say that I did have some hearing before Mr. Lindley, the new chairman of the business conduct committee. It was a very courteous hearing and he said he would investigate it further; and he was a little surprised at certain things, I think. But Mr. Whitney interfered and said it had been settled. In other words, Mr. Lindley was not allowed to investigate it.

Mr. STOCK. As to this pool that you referred to in the Atlantic, Gulf & West Indies stock, did the business conduct committee render any opinion or make any decision as to the activities of that pool?

Miss ROBERTS. Mr. Lindley said that he would investigate further—you see, I was interested—well, that pool is a very interesting thing really if it could be properly investigated. Something I said made Mr. Lindley say that, “Probably the members of the firm were not selling under their own names and you would be unable to get any information.”

Mr. STOCK. You say Mr. Lindley told you that?

Miss ROBERTS. Yes. This is the chairman of the business conduct committee I refer to.

Mr. STOCK. I see. I believe that is all.

The CHAIRMAN. Does any member of the committee wish to ask any further questions of Miss Roberts?

Senator FLETCHER. Miss Roberts, have you had any experience with the stock exchange since that time?

Miss ROBERTS. Only in trying to get them to expel the member, I never did have before or since. My business with the stock exchange was entirely in regard to this cheat, whom they kept. He is very wealthy and powerful, and that is the reason he is left there.

Mr. STOCK. Is this the same Mr. Hoyt who testified here the other day in connection with some of the activities of Fox Film and Fox Theaters?

Miss ROBERTS. Mr. Richard Hoyt?

Mr. STOCK. Yes.

Miss ROBERTS. Then he is the same man.

The CHAIRMAN. Miss Roberts, you have had other transactions with the stock exchange, I suppose? I mean other than the ones you referred to here this morning?

Miss ROBERTS. I do not know what you mean. Do you mean for the purchase of stock?

The CHAIRMAN. Yes.

Miss ROBERTS. Oh, yes.

The CHAIRMAN. You spoke of making a partial recovery on one transaction of \$16,000, but said you did not feel that that was a substantial recovery. Would you care to tell the committee about what losses you have suffered?

Miss ROBERTS. Well, you see in this connection, owing to this and some other frauds, I lost from 1920 to 1924, inclusive, several

hundred thousand dollars. My losses would amount to several hundred thousand dollars through those transactions.

Senator CAREY. Had you been an old customer of the firm of Hayden, Stone & Co.?

Miss ROBERTS. Yes, sir.

Senator CAREY. And had you been doing business with them for some years?

Miss ROBERTS. For some years, going back, I think, to 1916, or probably back to 1914.

Senator CAREY. And you had confidence in anything they might tell you?

Miss ROBERTS. I thought, of course, they were a reliable firm. Mr. Hoyt, their customers' man, was absolutely honest.

Senator CAREY. Do you remember what you paid for Atlantic Oil?

Miss ROBERTS. It was Atlantic, Gulf & West Indies.

Senator CAREY. Well, tell us about that.

Miss ROBERTS. I think my first purchase was made at about 115, and my second purchase at about 102. I was advised by Mr. Hoyt to sell out at about 30. You see I held on after they advised me to buy it, for I thought they ought to know about their own stock. I took that attitude.

Senator CAREY. What was Mr. Hoyt's explanation of the cause of its reduction in value when he advised you to sell out at 30?

Miss ROBERTS. Well, his explanation covers a good many pages in the testimony. But it is not impressive. It is simply that they did not know at that time that it would have to borrow money, did not know any of those things were going on. But the whole Street knew.

Senator CAREY. And he was a director in that company?

Miss ROBERTS. Yes, sir; that is the point.

Senator CAREY. That he did not know those things were going to happen to the company?

Miss ROBERTS. Mr. Stone was the chairman of the board. Mr. Hoyt was a director, and Mr. Hayden was a director. It was right in their house, you see.

The CHAIRMAN. I think you told me something about this case not being tried in New York City but up State. Will you explain that to the committee?

Miss ROBERTS. Yes. Mr. Harrison, of the business conduct committee, the secretary—and you see we had three hearings there before the business conduct committee through Mr. Harrison, the secretary, and Mr. Telfer was also there; and all that is authenticated by the minutes. I had taken a memorandum, and Mr. Telfer vouched for its accuracy. Mr. Harrison said: "You would never have won this case if it had been tried before a supreme court judge." And I might say to you, gentlemen of the committee, that this was after years of investigation. The stock exchange had not yet got down to the fact that it was tried before a supreme court judge and not before a jury. And then he said: "You could not have won it here in New York City. No broker ever wins in New York City."

The CHAIRMAN. I take it you meant to say no broker ever loses in New York City.

Miss ROBERTS. Yes; I do mean that—that no broker ever loses in New York City.

Senator FLETCHER. I should like to ask—

Miss ROBERTS (interposing). I want to make another correction. My attention is called to the fact that I said Mr. Hoyt was honest. I did not mean to say that. I never dreamed of saying that Mr. Hoyt was honest. I ask that a correction be made there so that it will show that I said Mr. Keays, the customers' man, was entirely honest.

Senator FLETCHER. What became of your stock? Did you sell it or do you still hold it?

Miss ROBERTS. I sold it. Mr. Hoyt advised me to sell it at 30, I think it was, in 1922.

Senator FLETCHER. I did not get that answer.

Miss ROBERTS. I then sold.

Senator FLETCHER. He advised you to do that?

Miss ROBERTS. Yes, sir.

Senator FLETCHER. When he advised you to do that, did you do it?

Miss ROBERTS. Yes, sir.

Senator FLETCHER. And you bought it at 102.

Miss ROBERTS. I bought it at 102 and at 115 and sold it at 30.

The CHAIRMAN. What year did you sell it?

Miss ROBERTS. I think it was in 1922. You see I had held it for some time.

Senator FLETCHER. You say since then you have bought and sold stock on the New York Stock Exchange?

Miss ROBERTS. Oh, yes.

Senator FLETCHER. With what brokers have you dealt?

Miss ROBERTS. Since that time?

Senator FLETCHER. Yes.

Miss ROBERTS. Well, I have dealt with several different brokers. I am not attacking brokers generally. There are honest brokers. There are perfectly good brokers. They suffer but they do not dare say a word, for if they did, they could not do business through the exchange. But in saying this I am not quoting any firm of brokers by name. I am not quoting any broker on that.

Senator FLETCHER. You having dealt with brokers of the New York Stock Exchange to begin with, I thought perhaps you wouldn't want to have anything more to do with brokers. I mean after the brokers you had dealt with to start with had robbed you.

Miss ROBERTS. Yes, sir; but don't you think there is a difference? If I wanted to buy some Norfolk & Western stock and I put in an order through a broker and purchased it, that is one thing. I was brought up—my father was a railroad president. I have always been interested in railroads, industrials, public utilities. I am interested in them. Now, it is one thing to put in an order and buy stock and it is another thing to have a broker urge you to buy something on the ground it was one of their stocks, on the ground that they are members of the board.

Senator FLETCHER. I quite understand that, but that seems to be inconsistent with the statement that you have just made that all of these brokers were perfectly honest and good men. You had nothing to say about the brokers.



Miss ROBERTS. I did not intend to say that. I intended to say this, that there is a large and powerful group of dishonest men who dominate the management of the New York Stock Exchange.

Senator FLETCHER. They are brokers?

Miss ROBERTS. They are brokers or they may be bankers.

Senator FLETCHER. Yes.

Miss ROBERTS. But they are there and they cover up a fraud when it is committed by a powerful, wealthy man. Mr. Hayden is a very wealthy man.

The CHAIRMAN. If that is all, thank you very much.

Miss ROBERTS. Do you wish any of these left [referring to data]?

The CHAIRMAN. The committee would like to have them and determine later how much of it should be placed in the record.

Miss ROBERTS. I do not know, sir, how much of this you want. There is a great deal here.

The CHAIRMAN. If you will leave it here we will return it to you.

Now, I want to say there were several other witnesses, but they are not here, after agreeing to be here. One was a lady who had lost very substantial sums, a lady who knew her story very well, but she is not here.

Senator COUZENS. How long ago, Mr. Chairman?

The CHAIRMAN. Rather recently. It had reference to Warner stocks.

Another one was a woman in this city, who looked like a very poor woman, who came in here complaining of losing \$1,500 in what seemed to be a fraudulent way. But when we asked her to come here she said, "No; I am not going to be written up in the newspapers and I would rather take my loss quietly."

There are only a few that have the courage to come and tell us their experience.

Miss ROBERTS. Might I say, I hope, Mr. Chairman, that the courage that those of us who have come have displayed will result in action by your very able committee.

The CHAIRMAN. I am sure that you have both been helpful to the committee this morning. We are striving to get a solution to better conditions and see if the market can not be such as to justify the confidence of the investor.

(The witness submitted the following exchange of correspondence between Senator Burton K. Wheeler, of Montana, and Richard Whitney, president of the New York Stock Exchange, involving certain court records and brokerage accounts, etc., which was ordered to be printed, as follows:)

CORRESPONDENCE BETWEEN SENATOR WHEELER AND MR. WHITNEY

UNITED STATES SENATE,  
Washington, D. C., February 1, 1932.

MY DEAR MR. WHITNEY: Miss Grace van B. Roberts, of Highland, N. Y., has called my attention to a decision by Judge Hasbrouck, of the Supreme Court of Ulster County, N. Y., in which the judge found that members of the firm of Hayden, Stone & Co. had by their actions perpetrated a fraud upon her by advising her to buy a stock known as Agwi when at the same time they were selling their stock. She informs me that she took this matter up with the business committee of the New York Stock Exchange, and that they were giving the matter consideration. Likewise, she informed me that you had written her telling her that you had the matter under your personal scrutiny but that you

could not see wherein this brokerage firm or its officers had done anything wrong.

I have had occasion to read the decision of the supreme court and am taking the liberty to write to you to ascertain if the New York Stock Exchange permits its members to advise their clients to buy a stock when they at the same time are selling it, and I should like to know whether or not you as president of the New York Stock Exchange believe that members who are found guilty of that practice should be permitted to be members of your exchange. I am frank to say to you that I had always felt that this was one practice that was not permitted by members of the New York Stock Exchange, and that if you or the business committee found that any member did that sort of thing he would be expelled.

Kindly advise me with reference to the above matters at your earliest convenience and greatly oblige.

Very truly yours,

BURTON K. WHEELER.

NEW YORK CITY, February 16, 1932.

MY DEAR SENATOR: I had hoped to acknowledge your letter of February —, 1932, many days ago, but have found that the work of reviewing this entire case, in which the file amounts to 300 or 400 pages, is taking so much time that my answer has been delayed and a final answer will be still further delayed, so that a proper and full consideration of the matter can again be given. I deeply regret if we have appeared negligent in the matter, but sincerely assure you that we have been giving your inquiry our closest attention and application. You may rest assured that you will have definite word from me at the very first opportunity.

Again with sincere regret at the unfortunate delay, believe me,

Faithfully yours,

RICHARD WHITNEY, *President.*

NEW YORK STOCK EXCHANGE.

OFFICE OF THE PRESIDENT.

New York, February 18, 1932.

Hon. BURTON K. WHEELER.

*United States Senate, Washington, D. C.*

MY DEAR SENATOR WHEELER: In further reference to your letter of February 1 with regard to the complaint of Miss Grace Van B. Roberts against the firm of Messrs. Hayden, Stone & Co., I beg to advise that the complete examination of this case has now been effected in accordance with the statement in my recent letter to you. Again I crave your forgiveness for the delay, but this review, as the remainder of this letter will perhaps point out to you, has been exceedingly lengthy and indeed arduous.

The complaint was brought to the attention of the committee on business conduct of the exchange in August, 1928. The committee made a careful investigation. It did not find that any member or members of the firm of Messrs. Hayden, Stone & Co. had misrepresented the condition of any company, nor did it find that any member of the firm had misrepresented his opinion as to the value of any securities which were being recommended to customers. Finally, the committee did not find that any member of the firm had sold securities at a time when he was recommending their purchase to customers of the firm. The committee was also advised by counsel for the exchange that the record in the case of Roberts v. Hayden, Stone & Co. in the Supreme Court, Ulster County, did not contain facts which clearly supported the decision reached by the court. The committee, therefore, came to the conclusion that there was no action that it could take.

On subsequent occasions Miss Roberts requested that the committee on business conduct, or that I, as president of the exchange, should reopen the matter. In accordance with her request, further investigations were made. Miss Roberts appeared before the secretary of the committee on business conduct and before meetings of the committee. Her elaborate statements were duly considered. Finally I myself investigated the whole matter and concluded that the action of the committee in dismissing the complaint was justified. In the course of these proceedings the entire record of the case in the supreme court was examined by the committee and on two occasions this record was submitted to counsel for the exchange for their opinion in regard to the

legal points involved. I can assure you, therefore, that few complaints submitted to the exchange have had such careful and thorough consideration.

In regard to the merits of the decision made by the committee, the facts disclosed that the transactions in Atlantic Gulf & West Indies stock, which formed the basis of Miss Roberts's action, took place in November and December, 1920. Upon the trial of the case of *Roberts v. Hayden, Stone & Co.* it appeared that in the fall of 1920 Mr. Richard Hoyt, one of the partners of the firm, was interested directly or indirectly in two joint accounts which were long of Atlantic, Gulf & West Indies stock, that one of these joint accounts sold stock in the latter part of December, 1920, and the other at some subsequent period in 1921. Miss Roberts purchased 100 shares of Atlantic, Gulf & West Indies stock on November 15, 1920; 50 shares on November 20, 1920, and 50 shares on December 1, 1920. According to her testimony these purchases were induced by Mr. Keyes, an employee of Messrs. Hayden, Stone & Co. Mr. Keyes testified that Mr. Hoyt had advised him to recommend the stock to customers. The testimony does not show precisely when this conversation between Mr. Hoyt and Mr. Keyes took place. Apparently it occurred in November, 1920, and presumably before November 15, the date of the first purchase by Miss Roberts.

Upon these facts the court decided to disregard completely the testimony of Mr. Hoyt to the effect that he was not aware of the unsatisfactory condition of the Atlantic, Gulf & West Indies Co. until the latter part of December, 1920. The court found that a fraud had been committed on the ground that Mr. Hoyt had misrepresented the condition of the company. The committee on business conduct is advised by counsel that the record does not support this conclusion.

The decision of the committee that there was no action it could take upon Miss Roberts's complaint was predicated not only on the foregoing facts but also on the long delay between the date of the transactions which formed the basis of the complaint and the presentation of the matter to the exchange. Miss Roberts's purchases of Atlantic, Gulf & West Indies stock took place in November and December, 1920. The judgment in her favor in the supreme court was given on November 20, 1920. It was not until August, 1923, that the matter was brought to the attention of the exchange. After a lapse of nearly eight years it was difficult, if not impossible, to ascertain what had actually happened. As you probably know from your own experience, the recital of the bare facts of a case without due consideration of the surrounding circumstances is often misleading. In the fall of 1920 many of our business enterprises still felt the stimulus of war conditions. They had shown surprising profits in 1919. But with the return to more normal conditions most of these companies found themselves, overnight, in a critical situation. This was undoubtedly true in the case of the Atlantic, Gulf & West Indies Co. A person could easily have recommended the purchase of this stock with entire good faith in November, 1920, and within two months have discovered that the company's prospects were not encouraging. The events of recent years have shown that disinterested and highly trained experts make recommendations and statements which in the light of subsequent events appear ridiculous. The optimistic statements of August, 1920, are hard to explain in the light of what took place in October; but the fact that such radical changes occurred within a few weeks does not establish that the optimists were making intentional misstatements.

In your letter you specifically ask the question whether or not the exchange permits its members to advise their clients to buy stock when they are, at the same time, selling it. The facts disclose that this did not occur in the Roberts case. The joint account in which Mr. Hoyt was directly interested did not sell any stock until December 21, 1920, and actually purchased stock as late as November 5, 1920. The account in which Mr. Hoyt was indirectly interested accumulated several thousand shares of stock during December, 1920. Miss Roberts's purchases were made between November 15 and December 1. These facts are contained in the record of the supreme court action, but the court either misinterpreted or overlooked this part of the testimony.

I feel that I should apologize for the length of this letter, but I have set out the facts of the complaint in detail in order to present clearly the basis and the justification for the exchange's refusal to take disciplinary action against the firm of Messrs. Hayden, Stone & Co.

Faithfully yours,

RICHARD WHITNEY, President.

NEW YORK STOCK EXCHANGE,  
OFFICE OF THE PRESIDENT,  
New York, February 25, 1932.

Hon. BURTON K. WHEELER,  
United States Senate, Washington, D. C.

MY DEAR SENATOR WHEELER: Yesterday in Washington I appeared before a subcommittee of the House Committee on the Judiciary. In the course of interrogations put me a question was raised in regard to the complaint of Miss Grace van B. Roberts against the firm of Messrs. Hayden, Stone & Co. I informed the committee of certain facts regarding this controversy, and also told them that I had written you in full very recently about this case and would be pleased to submit copies of my letter to you to the committee for their information, provided I had your permission to do so.

This I now ask, and sincerely hope that you will feel inclined to grant my request to give them copies of my letter written you under date of February 18.

Faithfully yours,

RICHARD WHITNEY, *President.*

UNITED STATES SENATE,  
February 29, 1932.

RICHARD WHITNEY,  
*President New York Stock Exchange, New York City.*

MY DEAR MR. WHITNEY: I have your letters of February 18 and 25, which I have noted.

With reference to your request for permission to submit copies of your letters to me to the House Committee on the Judiciary, I wish to state that it will be perfectly agreeable to me provided I can submit copies of my letters to you on this matter.

In your letter of the 18th you point out that the counsel for the exchange, in reviewing the decision rendered by the Supreme Court of the State of New York, advised you that the testimony given in that case did not support the decision of the court, a decision from which the defendants who were charged with fraud did not appeal. Since my interest is in the normal procedure of the stock exchange, would you be so good as to tell me whether the business conduct committee customarily accepts the advice of its counsel rather than the final judgment of a court? I am informed that the secretary of the business conduct committee told Miss Roberts that no member of the stock exchange ever lost a case tried before a judge without a jury in New York County, but your letter throws the first light upon the attitude of the stock exchange toward decisions adverse to its members that are rendered outside of New York County.

The court that heard the case would seem to me to be a much better tribunal than the business conduct committee of the stock exchange, and it is difficult for me to understand how you could ignore the final decision of the court which found the defendants guilty of fraud.

Passages in your letter lead me to believe that your counsel had not fully informed you as to the testimony given at the trial. You write, "The joint account in which Mr. Hoyt was directly interested did not sell any stock until December 21, 1920." Mr. Hoyt testified that his and Mrs. Hoyt's joint account had sold 1,000 shares of stock by June 1, 1920, while after April 1, 1920, it purchased no Atlantic, Gulf & West Indies stock except the 100 shares on November 5, that you mention.

It would be a simple matter to indicate other points in the testimony which I believe your advisers can not as yet have called to your attention, which would lead you to modify your strictures upon the supreme court. For example, Mr. Hoyt said that he averaged about par in the sale of his Atlantic, Gulf & West Indies stock, which would fix the date at approximately the time when Miss Roberts was urged to buy her stock. Instead of multiplying illustrations now, I think you may find it more to your purpose to turn to the testimony yourself without waiting for me to analyze it further.

In the meantime I look forward with deepest interest to your enlightening me as to your policy in regard to the questions I ask in my letter.

Respectfully yours,

BURTON K. WHEELER.

NEW YORK STOCK EXCHANGE,  
OFFICE OF THE PRESIDENT,  
New York, March 14, 1932.

HON. BURTON K. WHEELER,  
*United States Senate, Washington, D. C.*

DEAR SENATOR WHEELER: I beg to acknowledge receipt of your letter of February 29 in regard to the complaint of Miss Grace van B. Roberts against the firm of Messrs. Hayden, Stone & Co., and I regret that my answer has been delayed by my absence from New York in the South, and also by the fact that I felt it necessary to review the entire case in every detail with counsel, which has been done.

Your question as to the reliance which the exchange places on the advice of its counsel can best be answered by setting forth the facts of the situation which called for an opinion of counsel in the Roberts case. Miss Roberts brought a civil suit for damages against Hayden, Stone & Co. in the Supreme Court of New York State. The court concluded that there was evidence of an actionable fraud and awarded money damages as compensation for the injury which the plaintiff had suffered. The complaint which Miss Roberts subsequently presented to the business conduct committee requested disciplinary action by the exchange against Hayden, Stone & Co. The committee submitted the decision and record in the civil suit to its counsel for an opinion as to the legal effect of the decision.

The committee was advised that the record did not contain facts which clearly showed that any member or members of the firm of Hayden, Stone & Co. had consciously or recklessly misstated the condition of the Atlantic Gulf & West Indies Co. with the intention of deceiving Miss Roberts or any other customer of the firm. Counsel pointed out that there was no evidence that any member of the firm had done more than express an opinion in regard to the Atlantic Gulf & West Indies Co. and advise the purchase of its stock. There was no evidence that this advice was given with a fraudulent intent. In the opinion of counsel the inference that Hayden, Stone & Co., because some of the members of the firm were directors of Atlantic Gulf & West Indies Co., had actual knowledge that the company was in poor financial condition at the time when Miss Roberts was advised to purchase its stock, was completely rebutted by the fact that members of the firm were buying its stock for their own account after the date of the last purchase by Miss Roberts.

In view of this opinion of counsel the committee felt itself free to reach an independent judgment on the merits of the question submitted to the committee. After a thorough examination of the case, including the record before the supreme court, the committee reached the conclusion that there was insufficient evidence to show that any member of the firm of Hayden, Stone & Co. had intentionally or recklessly misstated the condition of the Atlantic Gulf & West Indies Co. with the intention of deceiving or defrauding Miss Roberts. Upon reconsideration of the case on subsequent occasions the committee reached the same conclusion. At my request counsel have also reexamined the entire record of the case and I am now advised that they adhere to the original opinion given to the committee.

In your letter you refer to the fact that I did not mention the sale of 1,000 shares of stock in Mr. and Mrs. Hoyt's joint account in June, 1920, and suggest that this may have been due to the fact that counsel did not call it to my attention. I was aware of this sale, but as I was discussing whether there was evidence to show that Mr. Hoyt had sold stock at the time Miss Roberts was advised to purchase it, I felt that a sale by Mr. Hoyt four and a half months before Miss Roberts made her first purchase was too remote to have any bearing on the case.

Finally, your letter suggests that inasmuch as Mr. Hoyt averaged about par for the stock which he sold it must have been sold at the time when Miss Roberts was buying. On page 55 of the stenographic transcript of the record in the supreme court you will find a list of the exact sales of Atlantic Gulf & West Indies stock made by Mr. Hoyt. This record shows that Mr. Hoyt did not sell any stock during the period when Miss Roberts was purchasing.

I thank you for your permission to submit copies of my letter to you of February 18, 1932, to the House Committee on the Judiciary. I have availed myself of this permission and naturally I am entirely willing that your

letters to me be likewise submitted. May I also ask whether you agree to my sending copies of this present letter to the committee?

With appreciation for your interest and trusting that I have made myself clear as to the facts in this case, believe me,

Faithfully yours,

RICHARD WHITNEY, *President.*

WASHINGTON, D. C., *March 22, 1932.*

HON. RICHARD WHITNEY,  
*President New York Stock Exchange, New York, N. Y.*

MY DEAR MR. WHITNEY: I am in receipt of your letter of March 14 and note what you say.

In reply would say that I am perfectly willing that you should submit copies of any letters to me to the committee.

Yours very truly,

BURTON K. WHEELER.

THE UNITED STATES SENATE,  
*April 21, 1932.*

MR. RICHARD WHITNEY,  
*President the New York Stock Exchange, New York, N. Y.*

MY DEAR MR. WHITNEY: Owing to the fact that I have been out of the city I have neglected taking up the points made by you in your letter of March 14.

It is evident that you and I disagree, not only as to the facts in the case but likewise upon the attitude that should be taken by the stock exchange when a member has been found guilty of fraud. If the stock exchange can justify their actions in this case, then surely it would be extremely difficult to find a case where any member could be ousted from the New York Stock Exchange for defrauding the public.

Very truly yours,

B. K. WHEELER.

Senator COUZENS. There is a matter, Mr. Chairman, that I would like to take up in executive session if you are through now.

The CHAIRMAN. Yes. We will now go into executive session.

(Whereupon, at 11.30 o'clock a. m. the committee concluded the hearing of witnesses and proceeded to executive session.)