

# STOCK EXCHANGE PRACTICES

**FRIDAY, FEBRUARY 17, 1933**

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

The subcommittee met, pursuant to adjournment on Thursday, February 16, 1933, at 10 o'clock a. m., in room 301, Senate Office Building, Senator Peter Norbeck presiding.

Present: Senators Norbeck (chairman), Townsend, Fletcher, and Costigan.

Present also: Senators Brookhart, Steiwer, Walcott, and Reynolds.

Further present: Ferdinand Pecora, special counsel to the committee; Julius Silver and James B. McDonough, jr., associate counsel to the committee.

The CHAIRMAN. The committee will come to order. Mr. Pecora, who will be your first witness?

Mr. PECORA. Mr. Harold L. Stuart.

The CHAIRMAN. Hold up your right hand, please, and be sworn: You solemnly swear that you will tell the truth, the whole truth, and nothing but the truth regarding the matter now under investigation by this committee, so help you God.

Mr. STUART. I do.

## **TESTIMONY OF HAROLD L. STUART, PRESIDENT OF HALSEY, STUART & CO., CHICAGO, ILL.**

Mr. PECORA. Mr. Stuart, will you kindly give to the committee reporter your full name, and business address, and residence, and your business or occupation.

Mr. STUART. My name is Harold Leonard Stuart; business address 201 South La Salle Street, Chicago; residence address 999 Lake Shore Drive, Chicago; president of Halsey, Stuart & Co., dealers in bonds.

Mr. PECORA. Is Halsey, Stuart & Co. a corporation or a partnership?

Mr. STUART. It is a corporation.

Mr. PECORA. In what State is it incorporated?

Mr. STUART. In Illinois.

Mr. PECORA. Does it maintain its principal place of business or office there?

Mr. STUART. The principal place of business is Chicago.

Mr. PECORA. In what other cities, if any, does it maintain branch offices?

Mr. STUART. In Boston, New York, Philadelphia, St. Louis, and Detroit.

Mr. PECORA. How long has the corporation been in existence?

Mr. STUART. Well, as a corporation it has been in existence since the fall of 1911—I mean as a corporation. It was N. W. Halsey & Co., and it was afterwards changed to Halsey, Stuart & Co., in 1916.

Mr. PECORA. How long have you been identified with that company?

Mr. STUART. Well, with this company and the predecessor partnership since September 1, 1903.

Mr. PECORA. How long have you been president of the existing company?

Mr. STUART. Since 1911.

Mr. PECORA. Since its incorporation?

Mr. STUART. Yes, sir.

Mr. PECORA. And you say the business of the corporation is the dealing in bonds?

Mr. STUART. Only that.

Mr. PECORA. Only of dealing in bonds?

Mr. STUART. Only bonds.

Mr. PECORA. Are you a member of any stock exchange?

Mr. STUART. I am personally a member of the Chicago Stock Exchange.

Mr. PECORA. Is that the only direct affiliation that company has with any stock exchange?

Mr. STUART. Yes.

Mr. PECORA. Do you know a corporation called Insull Utility Investments (Inc.)?

Mr. STUART. I do.

Mr. PECORA. Did you have any affiliation with that corporation?

Mr. STUART. I was a member of the finance committee and a director.

Mr. PECORA. Did you take any part in the organization of that corporation?

Mr. STUART. Only in—well, perhaps I was consulted a little about it.

Mr. PECORA. By whom?

Mr. STUART. Mr. Samuel Insull.

Mr. PECORA. Did you or your company have any participation in the organization of the financial set-up of that company?

Mr. STUART. Yes.

Mr. PECORA. What was the nature of it?

Mr. STUART. We bought \$6,000,000 of 5 per cent debentures with warrants attached, and \$6,000,000 preferred 5½ per cent stock, also with warrants attached.

Mr. PECORA. What was the nature of those warrants that were attached to the debentures that you have referred to? In other words, what rights were conferred by them?

Mr. STUART. I have forgotten. I haven't the circular, but it was the right to buy certain shares of common stock at a price.

Mr. PECORA. At what price?

Mr. STUART. Well, I have forgotten. If I could get a copy of the circular I could identify it probably.

Mr. PECORA. Would this circular which I now hand you help you to answer that question?

Mr. STUART. Shall I read from this? This is the fact.

Mr. PECORA. Just give us an answer after consulting that circular.

Mr. STUART. On the debentures I mentioned, and on the prior preferred stock, there were warrants which entitled the holder to purchase common stock of the company, on or before June 30, 1929, five shares for each \$100 at \$15 a share.

Mr. PECORA. How many of those debentures did you or your company acquire as a total?

Mr. STUART. \$6,000,000 face value.

Senator BROOKHART. At what price?

Mr. STUART. At par and accrued interest.

Mr. PECORA. That meant 60,000 debentures, did it?

Mr. STUART. \$6,000,000 face value.

Senator FLETCHER. You mentioned a while ago preferred stock. Did you then mean prior preferred stock?

Mr. STUART. Prior preferred stock, I should have said.

Senator TOWNSEND. What was the price of the prior preferred stock?

Mr. STUART. We paid par for the preferred stock.

Senator BROOKHART. That is, for the prior preferred stock?

Mr. STUART. Yes, sir.

Senator BROOKHART. What did you pay for the common stock?

Mr. STUART. The common we paid nothing for. But ordinarily in the investment business of course one buys securities at a discount, that is, a banker gets a discount. In this case we thought it would be to the best interests of the company to have the company receive par for its securities in cash, and we received the common stock for nothing for our services.

Senator BROOKHART. And then they would advertise that those debentures had been sold at par.

Mr. STUART. They were sold at par.

Senator BROOKHART. When in fact they had not been, because they gave other securities in order to consummate that deal?

Mr. STUART. Senator, the company got par for the debentures then. They got the full face value of the debentures in cash.

Senator BROOKHART. And they got it by giving you a lot of other stock for nothing.

Mr. STUART. That was the common stock.

Senator BROOKHART. Do you call that a fair deal when there is a side understanding of that kind?

Mr. STUART. Oh, yes. That would be a very favorable deal to the company.

Mr. PECORA. And unfavorable to the purchaser.

Mr. STUART. It would be a very favorable deal to the company. And I would not say unfavorable to the purchaser. But it was a very unusual thing so far as the sale by the company at par was concerned.

Senator BROOKHART. It tended to make the company's credit look better than it really was.

Mr. STUART. I do not get that angle of it, Senator.

Mr. PECORA. Well, now, Mr. Stuart, this is the situation as I understand it. You bought 60,000 shares of prior preferred stock of this Insull Utility Investments (Inc.), upon its organization, and when I say you, of course I mean Halsey, Stuart & Co.

Mr. STUART. Yes, sir.

Mr. PECORA. And each share of that prior preferred stock had warrants attached, giving the holder the right to purchase five shares of common stock of that company at \$15 a share; is that correct?

Mr. STUART. Yes, sir.

Mr. PECORA. So that your company thereby, through its acquisition of those 60,000 shares of prior preferred stock, acquired the right to buy 300,000 shares of Insull Utility Investments (Inc.), common stock at \$15 a share; is that correct?

Mr. STUART. We did not acquire the right. The rights went to the holders of those securities.

Mr. PECORA. Your company as the holder of those securities acquired those rights?

Mr. STUART. Yes, for the moment.

Mr. PECORA. For the moment?

Mr. STUART. Yes, sir.

Mr. PECORA. Those rights were exercised, were they not?

Mr. STUART. I think the rights were all exercised.

Mr. PECORA. By whom?

Mr. STUART. By the holders of the securities.

Mr. PECORA. Who were the holders of those securities originally issued to your company who exercised those rights to buy common stock at \$15 a share?

Mr. STUART. We sold the prior preferred stock, the whole of the 60,000 shares of the prior preferred stock, to the Utility Securities Co. at 95%.

Mr. PECORA. And the Utility Securities Co. was a subsidiary or affiliate of the Insull Utility Investments (Inc.) which was the company that issued that prior preferred stock, was it not?

Mr. STUART. I did not so understand it.

Mr. PECORA. Don't you know that the stock of that company was entirely owned by Insull Utility Investments (Inc.)?

Mr. STUART. No, sir. My understanding of the—well, I never knew, but my understanding in a general way was that the stockholders of the Utility Securities Co., were the various Insull companies, that owned some share in the capitalization, one of them being Insull Utility Investments (Inc.), and Insull Utility Investments (Inc.) was an Insull company.

Mr. PECORA. Insull Utility Investments (Inc.) was an Insull company.

Mr. STUART. Yes, sir.

Mr. PECORA. And Utility Securities Co., to which you say you sold the 60,000 shares of prior preferred stock of Insull Utility Investments (Inc.), was another Insull company, was it not?

Mr. STUART. Yes, sir.

The CHAIRMAN. Do I understand that those securities were issued by one Insull company, and sold to Halsey, Stuart & Co., and then by them sold to another Insull company? Mr. Pecora, will you bring that out?

Mr. PECORA. Is that a correct assumption, Mr. Stuart?

Mr. STUART. Yes, sir.

Senator BROOKHART. Who were the profiteers in that kind of deal?

Mr. STUART. Well, we bought the prior preferred stock from Insull Utility Investments (Inc.) at par. We sold it to the Utility Securities Co. at 95%. That was the stock-distributing company. They distributed that stock to the public at par.

Mr. PECORA. And made sales, many of them?

Mr. STUART. Oh, yes.

Mr. PECORA. How did you get your money back?

Mr. STUART. In our common stock.

Mr. PECORA. How much profit did you get out of that?

Mr. STUART. We got a total of 57,000 shares of common stock given to us at the time we underwrote this.

Mr. PECORA. You got that for nothing?

Mr. STUART. Yes, sir.

Mr. PECORA. Did that cover your losses?

Mr. STUART. We figured that that was going to be worth \$10 a share, and we were willing to take it on that basis instead of cash.

Mr. PECORA. How much was your loss?

Mr. STUART. Well, the actual cash loss on this sale of prior preferred stock was the difference between par and 95½%.

Mr. PECORA. How much was the total?

Mr. STUART. \$270,000.

Mr. PECORA. And this was, this other was \$570,000?

Mr. STUART. Yes. But, then, the debentures that we bought at par and sold at par, had we in the ordinary routine bought them for cash, we would have paid 95, and so we figured that that was also chargeable up to the cost of our common stock at \$10 a share.

Mr. PECORA. That is the way I figure it——

Senator FLETCHER (interposing). The common stock sold at 30.

Mr. PECORA. I was coming to that, Senator.

Senator FLETCHER. All right.

Mr. PECORA. Mr. Stuart, what was the reason for the financial operation that you have just told us about, namely, the purchase by your company from this Insull company, called Insull Utility Investments (Inc.), of 60,000 shares of prior preferred stock, with warrants attached, at par, \$100, and the sale of those shares by your company to another Insull company at 95½ ex warrants?

Mr. STUART. No; at 95½ with warrants.

Mr. PECORA. With warrants?

Mr. STUART. Yes; with warrants.

Mr. PECORA. What was the reason for that deal?

Mr. STUART. Well, we thought it would be better for this kind of company, and so did the management, if they realized the full face value of their obligations, which were debentures and their prior preferred stock, in cash.

Senator BROOKHART. It was better for them because it would give the public an exaggerated idea of their financial condition, wasn't it?

Mr. STUART. I wouldn't look at it that way. That was not the idea. There was no such idea in mind.

Senator BROOKHART. I can not see why they would do it for any other reason.

Senator FLETCHER. Well, Mr. Stuart, you were an officer and director of the Insull Co.?

Mr. STUART. Yes, sir.

Senator FLETCHER. And you were president of Halsey, Stuart & Co.?

Mr. STUART. Yes, sir.

Senator FLETCHER. So as an officer of the Insull Co. you sold to the other concern, of which you were president, certain debentures and stock, and then you sold that as the president of Halsey, Stuart

& Co. to another Insull company, owned by the first Insull company, and made a profit.

Mr. STUART. Well, I was a director in Insull Utility Investments (Inc.). That was all, I wasn't running the company. I was one of many directors.

Senator FLETCHER. Was there a conflict of interest between the Insull Company and your company?

Mr. STUART. Well, I shouldn't think there would be, any more than there would be in the case of a banker who is on the board of any corporation with which he does business.

Mr. PECORA. In addition to being a director of Insull Utility Investments (Inc.), you were a member of its finance committee, were you not?

Mr. STUART. I was.

Mr. PECORA. How frequently did the board of directors meet?

Mr. STUART. Infrequently.

Mr. PECORA. Quarterly, wasn't it?

Mr. STUART. I am not sure, but quite infrequently.

Mr. PECORA. The finance committee met weekly, didn't it?

Mr. STUART. Yes, sir.

Mr. PECORA. Was the real management of Insull Utility Investments (Inc.) in a practical sense vested in the members of the finance committee rather than in the board of directors?

Mr. STUART. I should say that all current operations were.

Mr. PECORA. And the process was, for that finance committee to meet weekly, the board of directors to meet quarterly, and that the quarterly meetings of the board of directors reports would be made of some activities of the finance committee in the intervening period, is that right?

Mr. STUART. Yes, sir.

Mr. PECORA. Who besides you composed the finance committee of Insull Utility Investments (Inc.) during the first year of its existence, 1929?

Mr. STUART. Could I get the annual report from some one here? Here it is: Mr. Samuel Insull, sr., Samuel Insull, jr., Martin J. Insull, Walter S. Brewster, and myself.

Mr. PECORA. Mr. Brewster is a stockbroker in Chicago?.

Mr. STUART. Mr. Brewster is a stockbroker; yes, sir.

Mr. PECORA. You attended the meetings of the finance committee quite regularly, didn't you?

Mr. STUART. Quite regularly, as regularly as I could.

Mr. PECORA. Was there any special reason for your company turning back to the Utility Securities Co. 60,000 shares of prior preferred stock?

Mr. STUART. Yes, sir.

Mr. PECORA. At a discount from the par value which your company paid for them; is that so?

Mr. STUART. Yes, sir.

Mr. PECORA. What was the reason for that?

Mr. STUART. The lawyers agreed that for some reason or other the transactions ought to be made together. Now, we do not sell stocks at all, never sold any stocks to anybody. We had to find a buyer for that stock. This arrangement was really made between the management of Insull Utility Investments (Inc.) and Utility

Securities Co., but the securities came through us because it all had to be done in one transaction.

Senator BROOKHART. Why did they have to come through you?

Mr. STUART. I do not know. The lawyers decided it ought to be done that way.

Mr. PECORA. In order to have it done that way, the facilities of your company were loaned, would you say, or permitted to be used in the working out of this arrangement?

Mr. STUART. Yes, sir.

Mr. PECORA. And for that your company received 57,000 shares of the common stock of Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir. But we took an actual cash loss on \$270,000 on the 60,000 shares of prior preferred that we passed on to Utility Securities Co., because we paid par for it and got 95½ for it.

Mr. PECORA. Were those 57,000 shares of common stock for the purpose of enabling you to make up that loss?

Mr. STUART. Yes, sir.

Mr. PECORA. That was the sole consideration for the issuance to you of those 57,000 shares of common stock?

Mr. STUART. No; plus the usual 5 per cent commission on the debentures. You see, if we had bought those debentures for cash we would have paid about 95 for them, and that leaves 5 there.

Senator BROOKHART. Why couldn't you have passed that spread over to the other company and saved that 5 per cent commission, and saved this excess value of common stock? I can not see any use of going round the ring there.

Mr. STUART. Except, that the company got par for the prior preferred stock.

Mr. PECORA. The company got par for the prior preferred stock from your company?

Mr. STUART. Yes.

Mr. PECORA. And you transferred it to another Insull company at 95½?

Mr. STUART. Yes.

Mr. PECORA. Leaving your company out a matter of \$240,000.

Mr. STUART. No; \$270,000.

Mr. PECORA. And to reimburse or recompense your company for that loss your company received at the same time and as part and parcel of the transaction, a block of 57,000 shares of common stock of Insull Utility Investments (Inc.).

Mr. STUART. Yes, sir; in connection with that, and also in connection with the 5 points discount which we would have got had we paid 95 for those debentures.

Mr. PECORA. You mean if you had underwritten the debentures in the ordinary market way you would have been allowed a 5-point spread, is that it?

Mr. STUART. That is it.

Mr. MILLER. Might I add a correction to the witness's testimony there?

Mr. PECORA. What is your name?

Mr. MILLER. My name is Miller.

Mr. PECORA. Is Mr. Miller your attorney, Mr. Stuart?

Mr. STUART. Yes, sir.

Mr. MILLER. There is one correction I want to suggest, if you will permit it.

Mr. PECORA. I have no objection to a correction.

Mr. MILLER. As to the 57,000 shares, did they come from the company or from the Insulls?

Mr. STUART. Oh, that came from the Insull family.

Senator BROOKHART. It was still the same thing, coming from the Insull family.

Mr. STUART. But those came out of their own personal holdings.

Mr. PECORA. The value of the stock to you remained the same, whether given to you directly by the company or by Mr. Insull or members of his family.

Mr. STUART. That is right.

Mr. PECORA. Now, as a matter of fact, your company did not actually risk the amount of money that it paid over when it took over those 60,000 shares of prior preferred stock at par, did it?

Mr. STUART. No. We knew we were going to sell that stock immediately to the Utility Securities Co.

Mr. PECORA. Was there really any actual transfer of funds amounting to \$6,000,000, or thereabouts, from your company to Insull Utility Investments (Inc.) in that operation?

Mr. STUART. No. We knew that they would take the stock.

Mr. PECORA. You lent yourselves to that process as an accommodation.

Mr. STUART. Yes, sir.

Mr. PECORA. And for that accommodation you received 57,000 shares of common stock from Mr. Insull, is that right?

Mr. STUART. No; it is not. We actually bought, took the risk and paid over the whole \$12,000,000 in the way of the securities of the——

Mr. PECORA (interposing). Wait a minute. Let us confine ourselves, first, to the 60,000 shares of prior preferred stock, and then I will take up the acquisition by your company of \$6,000,000 of debentures.

Mr. STUART. But the 57,000 shares of common stock applied to the debentures as well as to the prior preferred stock.

Mr. PECORA. Well, I will take that up later.

Mr. STUART. So the 57,000 shares of common stock were not a consideration for simply that prior preferred stock.

Mr. PECORA. That is, it was a consideration not only for your lending yourself to this thing that Senator Brookhart has termed round-the-ring process, but also for your company taking at par \$6,000,000 of debenture notes that were issued at the same time by Insull Utility Investments (Inc.); is that correct?

Mr. STUART. Well, if you will let me correct this round-the-ring expression: Utility Securities Co. was a regularly organized company to distribute stocks to the public. We bought from Insull Utility Investments (Inc.), \$6,000,000 of prior preferred stock, for which we paid par to the company.

Mr. PECORA. That is \$6,000,000.

Mr. STUART. Yes, sir. We sold that same stock to the Utility Securities Co. for \$270,000 less than par. That was an actual out-of-pocket loss to Halsey, Stuart & Co. of \$270,000.

Mr. PECORA. We understand that. But——



Senator FLETCHER (interposing). You had already done that before you bought it.

Mr. STUART. Yes; they had agreed to do that. But that was our loss, \$270,000.

Mr. PECORA. That was a loss you had agreed in advance to take.

Mr. STUART. Yes. Now, we agreed to take 27,000 shares of stock, which we were willing to take at \$10 a share, for that \$270,000 loss that applied to the preferred stock. But please do not get the idea that this was any intercompany transaction, where the money went back into some body's pocket in connection with the transaction. That was all sold to the public.

Mr. PECORA. Eventually that went to the public?

Mr. STUART. Immediately.

Senator BROOKHART. Those 27,000 shares that you took at \$10, you disposed of them?

Mr. STUART. We disposed of it later in connection with the Corporation Securities Co.

Senator BROOKHART. Do you remember what you got for that?

Mr. STUART. Par.

Senator BROOKHART. What was the value of it?

Mr. STUART. The value of all the stock we had went into many millions of dollars, for which we took Corporation Securities Co. common stock.

Senator BROOKHART. This stock sold for 30 the first day, didn't it?

Mr. STUART. I have forgotten.

Senator REYNOLDS. Mr. Chairman, I should like to ask a question or two with your permission.

The CHAIRMAN. Very well.

Senator REYNOLDS. Mr. Stuart, you got 27,000 shares of stock, and you took it over at \$10 a share, didn't you?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And ten times 27,000 is \$270,000.

Mr. STUART. Yes, sir.

Senator REYNOLDS. Which wiped out any loss that you say you might have had?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And that you took in the beginning?

Mr. STUART. Yes; we figured that would do that.

Senator REYNOLDS. What did those 27,000 shares of stock sell for actually? I understand that you took it in at \$10 a share. Now what did you get for it?

Mr. STUART. Well, we never sold it except to the Corporation Securities Co. for paper.

Senator REYNOLDS. For what kind of paper?

Mr. STUART. Common stock.

Senator REYNOLDS. For common stock. Did you get 27,000 shares of common stock?

Mr. STUART. Of Insull Utility Investments (Inc.), yes.

Senator REYNOLDS. You took that in at \$10 a share. What did you do with it?

Mr. STUART. That, with some other stock, we eventually exchanged for Corporation Securities Co. common stock.

Senator REYNOLDS. I understood that your company did not deal in stocks.

Mr. STUART. Well, we do not.

Senator REYNOLDS. But you did then.

Mr. STUART. No. That was our own stock.

Senator REYNOLDS. You have that now, haven't you, the 27,000 shares of common stock?

Mr. STUART. Yes.

Senator REYNOLDS. In view of the fact that the Insull Co. is broke you are out \$270,000, aren't you?

Mr. STUART. Yes.

Senator REYNOLDS. You never did get back that \$270,000, did you?

Mr. STUART. It seems to me we did, when the corporation——

Senator REYNOLDS (interposing). You are the president of that company. I assumed that you knew as to whether or not you lost \$270,000. Now, did you lose it or didn't you lose it?

Mr. STUART. No. I think we got that \$270,000 back in the organization of Corporation Securities Co.

Senator REYNOLDS. Are you sure you did?

Mr. STUART. I am quite sure.

Senator REYNOLDS. That you got that back?

Mr. STUART. Yes, sir.

Senator REYNOLDS. I want to know this: Why you bought \$6,000,000 of debentures with warrants attached and immediately sold them to another Insull company at a loss of \$270,000? That was the question Mr. Pecora put to you a moment ago but I can not get it through my head why you were willing to take a chance of losing all that money.

Mr. STUART. Oh, we sold the preferred stock to the Utility Securities Co.

Senator REYNOLDS. I understood you to say a while ago that your company never dealt in stocks.

Mr. STUART. We passed those right along.

Senator REYNOLDS. Why did you in this instance, when you never did anything of the kind before, deal in those stocks?

Mr. STUART. If I may be permitted to explain that.

Senator REYNOLDS. Yes, I want you to explain it.

Mr. STUART. Well, please let me explain it. I said when the company was organized the lawyers thought it would be better for the company to sell the preferred and the debentures all at the same time, through one source, but why I do not know.

Senator REYNOLDS. Well, you were the president of the company, were you not?

Mr. STUART. Of Halsey, Stuart & Co.

Senator REYNOLDS. Now, this transaction was taking place through your company.

Mr. STUART. Oh, yes.

Senator REYNOLDS. Didn't you even ask your lawyer why they had to do that; that merry-go-round business which is talked about here?

Mr. STUART. Well, Senator, it really did not make any difference because we were not going to distribute that stock to the public. Here was a utility over here that wanted to buy. We paid for it all at one time and passed it right through to Utility Securities Co., at 95½.

Senator REYNOLDS. And they sold it at par?

Mr. STUART. Yes; I think so.

Senator REYNOLDS. Didn't you say a while ago that you paid par for it so it would look better?

Mr. STUART. Yes; we wanted to pay par, and —

Senator REYNOLDS (interposing). So it would appear. But why did you want to pay par, to make something for the Insull Co. look better to the public?

Mr. STUART. Will you let me have time to make a little statement about that?

Senator REYNOLDS. Yes.

Mr. STUART. When Insull Utility Investments (Inc.) was formed Mr. Insull debated it for a long, long time, before he formed it, for many, many months. He said that he wanted, or that his idea was to form an investment company which he and his family would put all their securities into, securities of his various companies into, and it would be a relatively small company so that they could consolidate their holdings. When we discussed the price at which we would buy those securities he said that he thought, being a personal company, and every company always having to pay a discount on securities, if we could work it out so that the company would receive par for those debentures and the preferred stock, it would please him very much indeed, as it was a personal matter with him. So we worked out this scheme to pay par and get no compensation other than the compensation we would get in the common stock.

Senator REYNOLDS. As a matter of fact, the Insulls were interested in having your particular company pay par for that stock. The Insulls themselves, I say, were interested in having your company pay par for that stock; is that right?

Mr. STUART. I presume so.

Senator REYNOLDS. Well, they were interested to the extent of giving you 27,000 shares of their own common stock, weren't they?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Now, you knew why they were interested in that then, didn't you?

Mr. STUART. Only for the reason I have given you.

Senator REYNOLDS. Didn't you know it was for the purpose of making those securities look better to the public?

Mr. STUART. Well, I think it would make the securities look better to the public, for the company to get par for them.

Senator REYNOLDS. And therefore Insull gave to you out of his own personal possession \$27,000?—

Mr. PECORA (interposing). Gave them 27,000 shares.

Senator REYNOLDS. Yes, gave your company 27,000 shares, in order to make this look better to the suckers who were going to buy. That was right, wasn't it?

Mr. STUART. Well, I wouldn't put it that way.

Senator REYNOLDS. Well, you could put it a little milder perhaps, but that is true, isn't it?

Mr. STUART. No; I wouldn't put it that way at all.

Senator REYNOLDS. Now, what you asked, Mr. Pecora, and what I am trying to get at is this: Why Insull was so interested in taking out of his own pocket 27,000 shares of stock and giving it to Mr. Stuart just to get him to buy it at par. That is what I want to know.

Mr. STUART. I could only give you the reasons and the discussion that took place.

Senator REYNOLDS. I want to ask you this: You finally sold those 27,000 shares, didn't you?

Mr. STUART. Yes; we finally sold them.

Senator REYNOLDS. What did you get a share for them?

Mr. STUART. Exactly what we paid for them.

Senator REYNOLDS. \$10 a share?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Didn't you put them on the market, which paid \$30 a share for them in the beginning?

Mr. STUART. We didn't sell any stock.

Senator REYNOLDS. You didn't sell any stock at all?

Mr. STUART. No.

Senator REYNOLDS. How much did your company make out of this transaction?

Mr. STUART. Well, our company—

Senator REYNOLDS (interposing). Taking the transaction as a whole, pertaining to 60,000 shares of prior preferred stock with warrants and \$6,000,000 of debentures. Now \$12,000,000 were involved there.

Mr. STUART. Yes, sir.

Senator REYNOLDS. How much money did you actually put up, if any?

Mr. STUART. Well, we put up all the money. We paid for it all.

Senator REYNOLDS. Did you actually transfer the money?

Mr. STUART. Oh, yes; actually.

Senator REYNOLDS. There is no question about that?

Mr. STUART. No. We actually paid the money.

Senator REYNOLDS. How much money did your company make out of this transaction?

Mr. STUART. Well, on the prior preferred stock of course we lost in cash and got that 27,000 shares of common stock.

Senator REYNOLDS. You got that back?

Mr. STUART. Yes; we got that back, but no profit.

Senator REYNOLDS. All right. How much money on the other?

Mr. STUART. For the \$6,000,000 of debentures we bought at par, we sold \$4,000,000 of them to the public at par, and kept \$2,000,000, or approximately \$2,000,000 of them, at par.

Senator REYNOLDS. Have you still got them?

Mr. STUART. No.

Senator REYNOLDS. When did you sell them?

Mr. STUART. Well, we sold them some time later. I have not the details of that. But we have statistics here with us. But let me give you this picture: As soon as this Insull Utility Investments (Inc.) was organized there was a tremendous demand, not only for those bonds, those debentures, but we could have sold \$50,000,000 just as easily as we could have sold \$6,000,000. The demand was something tremendous in anything that Insull's name was attached to, particularly as he had announced that his whole personal fortune was in that common stock and in some second preferred that he took, everybody wanted to become a partner of Samuel Insull.

Senator WALCOTT. What was the date of the issue?

Mr. STUART. In January of 1929.

Senator REYNOLDS. Let me interrupt you there——

Mr. STUART (continuing). Just let me give you the general surroundings in order to let you see that this was something we did not expect, and nobody else did. Those debentures sold in a very short time up to over 200 per cent, because of those common-stock warrants. Those common-stock warrants called for stock at \$15 a share. Now, as a matter of fact, the price at which those warrants were made, was the subject of discussion for weeks before it was put up, whether it should be 11, or 12, or 15, or 16, or what. Nobody knew what the stock would sell at. But there was nobody who was consulted in regard to this stock so far as I know who thought that the stock would sell at higher than \$20 a share in six months. And yet it sold at 30 the first day on the stock exchange.

Senator REYNOLDS. That was the common stock?

Mr. STUART. Yes, sir.

Senator REYNOLDS. I understood you to say a while ago it only sold for \$10 a share.

Mr. STUART. We took it at \$10 a share.

Senator REYNOLDS. But you sold it at \$30 a share?

Mr. STUART. No; we did not sell it at all.

Senator REYNOLDS. What about the \$30 a share for the stock?

Mr. STUART. Well, some stock that they had. And also don't forget that people could detach those warrants and convert them into stock, and that supplied stock to be sold, and that was what made the enormous call for it.

Senator BROOKHART. You also had 27,000 more shares on the debentures?

Mr. STUART. No, 30,000 shares. We figured 5 per cent on the debentures, and that was \$300,000, that we would have paid in cash. Instead of that we took the stock at \$10 a share, which gave us 30,000 shares.

Senator BROOKHART. And that stock went up to 149 at one time?

Mr. STUART. Yes, sir.

Senator WALCOTT. How many shares of common stock did Mr. Insull get?

Mr. STUART. I can not answer that.

Senator WALCOTT. How many were issued altogether? That would likely show.

Mr. STUART. Originally 1,014,000 shares.

Senator WALCOTT. Well now, those came out when the prior preference stock was issued, probably.

Mr. STUART. Yes; when the debentures came out.

Senator WALCOTT. So that Mr. Insull would have kept all of that except 27,000 shares, and then others were issued to cover the warrants later?

Mr. STUART. Yes. But there was some sale there, that has been referred to, but I am not clear on the details, of some 250,000 shares at 12.

Senator WALCOTT. That would have given Mr. Insull a profit at the top of the market, if he got his shares, of about \$150,000,000.

Mr. STUART. Yes, sir; but he did not have the shares. He had a very large paper profit, however.

Senator FLETCHER. You received from the second Insull company the entire amount that you paid for the debentures yourself, less

\$270,000. You sold them in one transaction. You paid cash, but you got that cash from the other company to which you delivered the debentures.

Mr. PECORA. It was not debentures but prior preferred stock that was handled in that way.

Mr. STUART. Yes.

Senator FLETCHER. You got that all back from the other company?

Mr. STUART. At 95%. They paid us 95% for something that we paid par for. I want to make this clear: No one had any realization what this stock would sell at.

Senator REYNOLDS. Is this the prospectus that you used?

Mr. STUART. No; this is the prospectus that the Utility Securities Co. used on prior preferred stock.

Senator TOWNSEND. Do you class prior preferred stock as bonds?

Mr. STUART. No, sir. That is just stock.

Senator TOWNSEND. I understood you to say you did not deal in stock but only in bonds.

Mr. STUART. That is true. We just took those and passed them through our office to another dealer. We never distributed any stock.

Senator TOWNSEND. It was just an accommodation transaction?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And you were paid for that accommodation?

Mr. STUART. In the sense that we were permitted to buy 27,000 shares at \$10 a share.

Senator REYNOLDS. I understood that Mr. Insull gave you 27,000 shares.

Mr. STUART. He gave us 27,000 shares, but we took a loss of \$270,000, and for that he gave us 27,000 shares.

Senator REYNOLDS. And that made it even as to that?

Mr. STUART. Yes, sir.

The CHAIRMAN. Now then, on those 27,000 shares I want to bring out the profit on the transaction as being the difference between what he took them for and what they went to. This seems to have been talked about as a loss, and the two transactions should go into the record, Mr. Pecora.

Mr. PECORA. All right. Mr. Stuart, the 27,000 shares that you have been referring to, you say your company disposed of eventually by turning them over to Corporation Securities Co. of Chicago, is that correct?

Mr. STUART. That is correct.

Mr. PECORA. Corporation Securities Co. of Chicago was another Insull investment trust, was it not?

Mr. STUART. Yes, sir.

Mr. PECORA. Which was organized in October of 1929, wasn't it?

Mr. STUART. Yes, sir; I believe so.

Mr. PECORA. About 10 months after the organization of Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir.

Mr. PECORA. And organized to do the same thing, the same kind of business, as Insull Utility Investments, wasn't it?

Mr. STUART. Yes; plus—well, it was organized primarily to maintain Mr. Insull's control of Insull Utility Investments (Inc.).

Mr. PECORA. And officers of Halsey, Stuart & Co. became executive officers of Corporation Securities Co. of Chicago from the very beginning of its existence.

Mr. STUART. Yes, sir.

Mr. PECORA. And the offices of Corporation Securities Co. of Chicago were the same offices as Halsey, Stuart & Co., were they not? That is, they were housed in the same building.

Mr. STUART. 201 South LaSalle Street, but they were not the same offices but were in the same building.

Mr. PECORA. In the same building.

Mr. STUART. Yes, sir.

Mr. PECORA. The building of Halsey, Stuart & Co. in Chicago.

Mr. STUART. In the Rookery Building.

Mr. PECORA. Now then, when your company transferred those 27,000 shares of common stock of Insull Utility Investments (Inc.), to Corporation Securities Co. of Chicago, at what figure were they so transferred, at what price?

Mr. STUART. Mr. McNeill will have the details——

Mr. PECORA (interposing). Don't you recall the price at which they were taken over by Corporation Securities Co. of Chicago?

Mr. STUART. They were taken over at just what the shares cost us.

Mr. PECORA. Weren't they taken over at \$100 par value?

Mr. STUART. In cash.

Mr. PECORA. Weren't they taken over at a valuation of \$100?

Mr. STUART. At market value.

Mr. PECORA. At a valuation of \$100, whether market value or not?

Mr. STUART. That is correct.

Mr. PECORA. Those shares that were given to you at an apportioned value of \$10 a share at the outset, were thereafter transferred by your company to another Insull company, of which the officers of your company were the executive officers, at a valuation of \$100 per share; is that correct, Mr. Stuart?

Mr. STUART. The market value was 100. But won't you let me say something, because this does not sound right if left in that way.

Mr. PECORA. Well, we let you say many things, but I just want to question you about this first.

Mr. STUART. I should like to reply to that.

Mr. PECORA. Is that a correct statement? The statement embodied in my question is correct, is it not?

Mr. STUART. I think the statement is correct, but the inference to be drawn from it is not correct.

Mr. PECORA. The inference that you would draw might be different from the inference some one else would draw, do you mean?

Mr. STUART. Won't you let me——

Mr. PECORA [interposing]. I don't think we ought to stop here and discuss inferences with the witness, Mr. Chairman. Let us get the facts on the record.

Mr. STUART. Well, I should like to explain that.

Mr. PECORA. At the time of the organization of Insull Utility Investments (Inc.), which took place in December of 1928, there was another angle to the financial set-up of that company in which Halsey, Stuart & Co. participated, and that has reference to your company acquiring at the outset \$6,000,000 at par of those debenture notes, is that correct?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, those debentures had warrants attached to them, did they not?

Mr. STUART. Yes.

Mr. PECORA. And what rights were conferred by those warrants upon the holders?

Mr. STUART. May I see that prospectus, Senator?

Senator REYNOLDS. Certainly.

Mr. STUART. The same as on the prior preferred.

Mr. PECORA. That is, to buy five shares of common stock at \$15 a share for each \$100 of par value of debentures, is that correct?

Mr. STUART. Yes.

Mr. PECORA. Now, when your company purchased those \$6,000,000 face value of debenture notes, it thereby acquired the right to buy 300,000 shares of common stock of Insull Utility Investments (Inc.) at \$15 a share, is that correct?

Mr. STUART. Yes, sir.

Mr. PECORA. Were those rights exercised by your company?

Mr. STUART. The rights—just one second. \$4,000,000 of them were sold to the public.

Mr. PECORA. No; that is not my question. Were those rights to buy 300,000 shares of common stock of Insull Utility Investments (Inc.) at \$15 per share exercised by you?

Mr. STUART. No; they were not.

Mr. PECORA. Did you sell the rights?

Mr. STUART. We sold \$4,000,000 of debentures and kept \$2,000,000 of them.

Mr. PECORA. Did you sell the rights that you kept?

Mr. STUART. We did.

Mr. PECORA. Did you sell the \$4,000,000 of debentures ex warrants or with warrants?

Mr. STUART. With warrants.

Mr. PECORA. Are you sure of that?

Mr. STUART. Yes, sir.

Mr. PECORA. Now when did your company exercise the rights attaching to the \$2,000,000 worth of debenture notes that you kept and did not sell to the public? If you can not answer that now, we will come back to it later, Mr. Stuart.

Well now, just answer the question, Mr. Stuart, and do not give us a statement that you have just referred to in a desire to give the whole picture. We will get the whole picture question by question.

Can you not answer the question, Mr. Stuart?

Mr. STUART. You are asking me the time, and I am looking it up. May I hear that question once more?

(Thereupon the question referred to was read to the witness, as follows:)

Now when did your company exercise the rights attaching to the \$2,000,000 worth of debenture notes that you kept and did not sell to the public?

Mr. STUART. I will have to look it up and tell you. I can not tell you.

Mr. PECORA. Well, now, the \$4,000,000 par value of those debenture notes that your company sold to the public were sold at a premium, were they not?



- Mr. STUART. They were sold at par.
- Mr. PECORA. All sold at par?
- Mr. STUART. Yes, sir.
- Mr. PECORA. Are you sure of that?
- Mr. STUART. Yes, sir.
- Mr. PECORA. How long after your company acquired those debentures did it sell at par to the public?
- Mr. STUART. Oh, at once.
- Mr. PECORA. At once?
- Mr. STUART. Yes, sir.
- Mr. PECORA. That is, you had a market ready for them at the time you acquired them, did you?
- Mr. STUART. Well, within a day or two of it.
- Mr. PECORA. Now what was the profit to your company from that transaction?
- Mr. STUART. Only the 30,000 shares of common stock which we bought at 10.
- Mr. PECORA. Did you buy it at 10 or was it allocated to you at the valuation of 10, which was given to you without any consideration?
- Mr. STUART. That is right; it was allocated at 10.
- Mr. PECORA. Now, did your company look into that transaction in order to get a profit represented by the 30,000 shares of the common stock allocated to you at \$10?
- Mr. STUART. Yes, sir.
- Mr. PECORA. That is all it expected to make out of this 2 or 3-day transaction?
- Mr. STUART. That is right.
- Mr. PECORA. Now, did your company dispose of those 30,000 shares of the common stock?
- Mr. STUART. Ultimately, in the same way as the 27,000 shares.
- Mr. PECORA. That is, you transferred those shares to the Corporation Securities Co. of Chicago shares at \$100?
- Mr. STUART. At the market, yes.
- Mr. PECORA. And it was then the market value, was it?
- Mr. STUART. Yes, sir.
- Mr. PECORA. That \$100 was then the market value of this common stock?
- Mr. STUART. Yes, sir.
- Mr. PECORA. That you took over at 10?
- Mr. STUART. Yes, sir.
- Mr. PECORA. That would be \$3,000,000 valuation at the market at the time you transferred it to the Corporation Securities Co. of Chicago?
- Mr. STUART. Yes, sir.
- Mr. PECORA. The \$2,700,000 valuation at the market when you transferred the other 27,000 shares?
- Mr. STUART. Yes, sir.
- Mr. PECORA. And that was the consideration, commission, bonus, or call it whatever you please, that your company got from this Insull company for the 2 or 3 day participation in the financial set-up of the company at its outset?
- Mr. STUART. No; we got the 57,000 shares which were allocated at \$10. That was the value to us. We decided not to sell that stock. It ultimately became worth, at the highest point, nearly \$150 a share.

It is not fair to say that such a fund represents our compensation. Our total compensation, so far as this transaction was concerned, was 57,000 shares of stock allocated to us at \$10 a share, which was all we were willing to pay for it.

Mr. PECORA. You do not mean to say that you actually paid anything for it in dollars and cents, do you?

Mr. STUART. Oh, yes.

Mr. PECORA. Well, the only thing you paid for it in dollars and cents was the difference for the \$6,000,000 valuation in price at which you took over 60,000 shares of the preferred stock, and the reselling of that same stock within a day or two thereafter——

Mr. STUART (interposing). No; the 6,000,000 debentures.

Mr. PECORA. The 6,000,000 debentures you sold, then, within two or three days, to the public at par?

Mr. STUART. Yes, sir.

Mr. PECORA. And you took no loss on those?

Mr. STUART. No, sir.

Mr. PECORA. And the \$2,000,000 of debentures which remained in your company were sold eventually in what fashion and to whom?

Mr. STUART. Eventually the warrants were detached.

Mr. PECORA. You mean those warrants——

Mr. STUART (interposing). On the 2,000,000.

Mr. PECORA. You mean warrants which represented rights to buy five shares for every one of the stock at \$15 a share; is that right?

Mr. STUART. Yes, sir.

Mr. PECORA. So that beyond the right to buy 100,000 shares of the common stock at \$15 a share, that is all?

Mr. STUART. Yes, sir.

Mr. PECORA. When did you turn those \$2,000,000 of debentures back?

Mr. STUART. I would have to look that up.

Mr. PECORA. Well, about when?

Mr. STUART. In the fall of 1929.

Mr. PECORA. Was it not in June, 1929?

Mr. STUART. I had better look it up to be sure.

Mr. PECORA. Well, it was some time in 1929?

Mr. STUART. It was some time in 1929.

Mr. PECORA. Before the incorporation of the Corporation Securities Co. of Chicago?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, at the time you turned those \$2,000,000 of debentures back to the other Insull company, you kept those rights?

Mr. STUART. Yes, sir.

Mr. PECORA. What was the market price of the common stock of the Insull Utility Investments (Inc.) at the time you turned back those \$2,000,000 of debentures?

Mr. STUART. Well, I don't have the——

Mr. PECORA. Well, it was around 100, was it not?

Mr. STUART. I do not know.

Mr. PECORA. It was much more than \$10, was it not?

Mr. STUART. It was much more than \$10.

Mr. PECORA. It was at least \$50 a share, was it not?

Mr. STUART. It was an amount which realized a total profit of about \$2,000,000, which we voluntarily gave the Insull Utility Investments (Inc.) about one-third of it.

Mr. PECORA. Well, you say you voluntarily gave that corporation one-third of \$2,000,000?

Mr. STUART. Yes, sir.

Mr. PECORA. As a gift?

Mr. STUART. Yes, sir.

Mr. PECORA. What was the Insull Utility Investments (Inc.) doing, standing on a corner with a tin cup and you dropped in \$666,000 into it for it?

Mr. STUART. No; but as I have already tried to explain, that the price of the stock went so high, and so fast, away beyond anybody's dream, or the thought of anybody that it would do, that we decided that we would keep 2,000,000 of debentures, and we thought we should give it back—

Mr. PECORA (interposing). You were conscience-stricken and you decided to give it back?

Mr. STUART. We thought the company should have it back.

Senator REYNOLDS. You were a member of the finance committee of the Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And also a director of the Insull company?

Mr. STUART. Yes, sir.

Senator REYNOLDS. So when you handed that money back to the Insull company you were really taking the money out of your right-hand pocket and putting it into your left-hand pocket?

Mr. STUART. No.

Senator REYNOLDS. Why, you had a large interest in that company?

Mr. STUART. Yes, sir.

Senator REYNOLDS. You were interested in the company as a director, and financially interested. If you had not been financially interested, do you think you would have turned that money back to them?

Mr. STUART. Yes; we might have under those circumstances.

Senator REYNOLDS. You might have, but would you have?

Mr. STUART. Yes; we would, because we wanted to in this case.

Senator REYNOLDS. You were greatly interested in the Insull company?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Financially interested?

Mr. STUART. Financially interested.

Senator REYNOLDS. You were going to get your pro rata share of the profits?

Mr. STUART. We were interested; yes.

Senator REYNOLDS. Isn't that a fact, you were?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And then you were transferring that money from one of your pockets to the other?

Mr. STUART. I would not say that.

Senator REYNOLDS. Would you not say that was really the case?

Mr. STUART. No.

Senator REYNOLDS. Did you not get a part of that money?

Mr. STUART. Only what little came back to us as a relatively small stockholder.

Senator REYNOLDS. But you were a stockholder?

Mr. STUART. Yes, sir. But a comparatively small stockholder.

Senator REYNOLDS. And you knew that some of that money would come back?

Mr. STUART. Yes.

The CHAIRMAN. Why did you not give it back to the public who had overpaid?

Mr. STUART. Senator, we did not act for everybody. We were buying.

The CHAIRMAN. They were misled by the circulars of the company of which you were a director.

Mr. STUART. Well, I did not know that the public wanted the stock so badly, they paid a big price for it.

Senator REYNOLDS. Did you sell any of that stock to your company, the company of which you are president?

Mr. STUART. No; we sold no stock.

Senator REYNOLDS. You sold debentures?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Have you one of the prospectuses of that?

Mr. STUART. Of the debentures?

Senator REYNOLDS. Yes.

Mr. STUART. Yes.

Senator REYNOLDS. May I see one of the prospectuses?

Mr. STUART. Yes, sir.

Mr. PECORA. Is this one of them, Mr. Stuart (handing paper to the witness)?

Mr. STUART. Yes; this is one of them.

Senator WALCOTT. Mr. Stuart, what were the approximate earnings on these shares of common stock; do you remember?

Mr. STUART. No; I do not remember what it was.

Senator WALCOTT. Well, it would be the earnings of all the Insull securities after paying fixed charges?

Mr. STUART. Yes; all of the surplus earnings of the company.

Senator WALCOTT. You do not remember what that was?

Mr. STUART. No, sir.

Senator WALCOTT. Do you remember what it was at any time?

Mr. STUART. No; there were no earnings given in this original statement.

Mr. PECORA. Now, Mr. Stuart, in February, 1929, was your company interested only in the 57,000 shares of common stock of the Insull Utility Investments (Inc.) that you have told us you got from Insull for your participation in the financial setup of the company?

Mr. STUART. No; we bought 43,000 shares at 12.

Mr. PECORA. From whom?

Mr. STUART. Well, from either the Insull family or the company.

Mr. PECORA. When?

Mr. STUART. I should say in January, 1929.

Mr. PECORA. Well, did you not buy that under an option? I will withdraw that. Are those the 43,000 shares that Samuel Insull individually permitted you to subscribe for at \$12 a share out of a total allotment of 250,000 shares?

Mr. STUART. That is my recollection.

Mr. PECORA. That the company had given to Samuel Insull the right to buy at \$12 a share?

Mr. STUART. That is my recollection.

Mr. PECORA. Now, when you subscribed for those 43,000 shares at \$12 a share were you under any agreement with Mr. Insull not to dispose of those shares for a substantial period of time?

Mr. STUART. I think there was, yes; but I do not remember.

Mr. PECORA. Well, now, you answered that question after a consultation with some other gentleman.

Mr. STUART. Mr. McNeille; yes, sir.

Mr. PECORA. And Mr. McNeille is an officer of the Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir.

Mr. PECORA. His full name is what?

Mr. STUART. Clarence T. McNeille.

Mr. PECORA. And this Mr. McNeille with whom you just consulted before answering the question, was the president of the Corporation Securities Co. of Chicago when it was organized in October, 1929, was he not?

Mr. STUART. No; I think he was secretary.

Mr. PECORA. Secretary?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, did you have to consult with Mr. McNeille before you were able to answer the question as to whether or not Mr. Insull put you under any agreement or understanding not to sell those 43,000 shares?

Mr. STUART. I could not remember. I thought he could remember. You see, this is four years ago.

Mr. PECORA. Now, did your company have any interest in other shares of the Insull Utility Investments (Inc.) in February of 1929?

Mr. STUART. I can not answer.

Mr. PECORA. Why can you not answer?

Mr. STUART. I do not know what we had in February, 1929.

Mr. PECORA. You were subpoenaed to produce certain documents and records from the files of your company at this hearing, were you not?

Mr. STUART. Yes, sir.

Mr. PECORA. Have you produced the records that the subpoena called for?

Mr. STUART. No, sir.

Mr. PECORA. Why not?

Mr. STUART. Because we were relieved from doing that, I thought.

Mr. PECORA. Well, you were asked to bring in certain specific documents, were you not?

Mr. STUART. No, sir. No, sir; my subpoena reads—

Bring with you and deliver to the committee the books and records bearing upon transactions of the Corporation Securities Co. of Chicago, Insull Utility Investments (Inc.), and any other Insull subsidiaries.

Mr. PECORA. Have you produced any of the records called for in that subpoena?

Mr. STUART. I have not the records, because I thought we were not to bring any.

Mr. PECORA. Have you produced any records whatsoever?

Mr. STUART. I have no records; no, sir.

Mr. PECORA. Has Mr. McNeille, to your knowledge, produced any records from the files of Halsey, Stuart & Co., in answer to the subpoena?

Mr. STUART. I think Mr. McNeille has any records that Mr. Stewart wanted him to get.

Mr. PECORA. Now, will you see if you can produce a letter addressed to Utility Securities Co., by Halsey, Stuart & Co., under date of February 7, 1929?

Mr. McNEILLE. Mr. Pecora, I have two files, and it may help us—I think, Mr. Tyler, you have numbered those letters. If you can give me the number I could get it very quickly.

Mr. TYLER. No. 238-R.

Mr. McNEILLE. Is that in the Utility Investments file?

Mr. TYLER. That is written to the Utility Co.

Mr. McNEILLE. And the number is what?

Mr. TYLER. 238-R.

Senator REYNOLDS. Mr. Stuart, while they are looking that up, I want to ask you a question. That prospectus or circular was put out by your company, was it not?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Who wrote that circular?

Mr. STUART. Well, it was written by some one in our office, I suppose.

Senator REYNOLDS. Have you read it?

Mr. STUART. Oh, yes; undoubtedly.

Senator REYNOLDS. Was this distributed to the public? It was distributed to the public, was it not?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Over the signature, as it were, of your company?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And for the express and only purpose of making sale of these securities to the public?

Mr. STUART. Yes, sir.

Senator REYNOLDS. I will ask you to state to this committee if anywhere in that prospectus there is a statement to the effect that your company was deriving 57,000 shares of common stock?

Mr. STUART. No; there would not be.

Senator REYNOLDS. You did not advise them as to anything that had transpired between you and Mr. Insull?

Mr. STUART. No, sir.

Senator REYNOLDS. All right. There was a Mr. Stuart connected with the University of Chicago. What Stuart was that?

Mr. STUART. That is nobody I know.

Senator REYNOLDS. That is nobody you know?

Mr. STUART. I do not think so.

Senator REYNOLDS. Now, there was a man who worked for the University of Chicago as a professor, or something, who used to talk over the radio. You did not know some man who talked over the radio, by the name of "Old Counsellor?"

Mr. STUART. Yes, sir.

Senator REYNOLDS. I tried to get the name. Do you know anything about that gentleman?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Yes. Who employed that gentleman?

Mr. STUART. We employed him.

Senator REYNOLDS. Who gave him the name of "Old Counsellor"? Who gave him that name?

Mr. STUART. I think it was originally selected by the National Broadcasting Co.

Senator REYNOLDS. Who selected that name?

Mr. STUART. I think they did. It was the original plan.

Senator REYNOLDS. They selected the name of "Old Counsellor"?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Do you know why they selected the name of "Old Counsellor"?

Mr. STUART. Yes. I think that Mr. Aylesworth, president of the National Broadcasting Co., had been looking around for some time to get somebody to sponsor a financial program—

Senator REYNOLDS (interposing). To sell your securities?

Mr. STUART. Well, he wanted to get a bank or an insurance company, or some financial institution to give some financial program.

Senator REYNOLDS. To sell securities?

Mr. STUART. No; I would not say that.

Senator REYNOLDS. Well, who paid the "Old Counsellor"?

Mr. STUART. Well, just let me finish. So they decided that they wanted an investment broker, or some well-known investment house, and they had the idea that this program should be fathered by some one called "Old Counsellor."

Senator REYNOLDS. The "Old Counsellor"?

Mr. STUART. We agreed to that, but under our agreement we agreed never to mention the name of a bond or security over the radio, or the price. So there were never any bonds sold over the radio, or any attempt made to sell bonds.

Senator REYNOLDS. Well, was there any mention made by this "old gentleman with the mellow voice" as to your company?

Mr. STUART. Oh, yes; we sponsored his programs.

Senator REYNOLDS. Of course. And every time the "Old Counsellor" talked to the old folks by the fireside, he mentioned the name of your company?

Mr. STUART. I presume he did.

Senator REYNOLDS. You presume he did?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And you paid him?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And you did that for the purpose of selling these Insull securities?

Mr. STUART. Oh, no; I beg your pardon.

Senator REYNOLDS. At the time you issued this prospectus had you, as president of that company, made a thorough investigation as to the actual physical holdings of the Insull company?

Mr. STUART. Oh, yes; we went into it fully.

Senator REYNOLDS. And you knew that these securities were worth dollar for dollar?

Mr. STUART. We knew that the assets behind them were worth a great deal more than the gold debentures.

Senator REYNOLDS. Well, would the Insull company pay to the investors for the assets now a great deal more?

Mr. STUART. Then they were——

Senator REYNOLDS (interposing). I mean now.

Mr. STUART. At the present time they are worth very little.

Senator REYNOLDS. How much?

Mr. STUART. Practically nothing.

Senator REYNOLDS. We would like to know.

Mr. STUART. Practically nothing.

Senator REYNOLDS. Thank you.

Senator FLETCHER. Now, those 43,000 shares that you got, Mr. Stuart, did you sell those to the public?

Mr. STUART. No; we sold those afterwards to the Corporation Securities Co. of Chicago.

Senator FLETCHER. To the Corporation Securities Co. of Chicago?

Mr. STUART. Yes, sir.

Senator FLETCHER. Well, you got them as an investment, rather than for sale?

Mr. STUART. Yes; we never sold any of the stock we acquired, except to the Corporation Securities Co. of Chicago.

Mr. PECORA. Now, when you sold those 43,000 shares which you acquired at \$12 a share to the Corporation Securities Co. of Chicago, they were transferred at the then market of approximately \$100 a share?

Mr. STUART. Yes, sir.

Mr. PECORA. Making a profit of \$88 a share on them?

Mr. STUART. No, sir.

Mr. PECORA. Well, the difference between \$100 a share and \$12 a share is \$88 a share?

Mr. STUART. I ask you to let me explain.

Mr. PECORA. Mr. Stuart, is there anything wrong with the mathematical calculation which reaches the conclusion that taking \$12 a share from \$100 a share makes a difference of \$88 a share?

Mr. STUART. Yes; but it was not that. We took common stock. We did not take cash.

Mr. PECORA. Did you consider, in taking that common stock of the Corporation Securities Co. of Chicago that you were getting bilked?

Mr. STUART. No; but it was common stock, a sale for common stock.

Mr. PECORA. And at the time you sold it it was \$100 a share?

Mr. STUART. It was selling \$100 a share.

Senator REYNOLDS. Who got all this money?

Mr. STUART. What money?

Senator REYNOLDS. All this money you collected from the public.

Mr. STUART. Who got it? We took stock for it, as I just explained.

Senator REYNOLDS. Who got all the money that these investors paid in? Where is the money?

Mr. STUART. I do not think I know what you mean by the public.

Mr. PECORA. On the debentures.

Senator REYNOLDS. The debentures. Where is it?

Mr. STUART. Technically, Senator——

Senator REYNOLDS. How much is in the company?

Senator BROOKHART. Some of it is in Greece.

Senator REYNOLDS. How much is in the treasury?

Mr. STUART. It is bankrupt.



Senator REYNOLDS. I know, but where did the money go to?

Mr. STUART. It went into the company and was invested in securities.

Mr. PECORA. The Insull securities?

Mr. STUART. Yes, sir.

The CHAIRMAN. As the "Old Counsellor" recommended.

Senator REYNOLDS. I want to know whether there were a large number of the public invested in it.

Mr. STUART. A large number?

Senator REYNOLDS. Five hundred thousand? That is not many in buying securities, is it?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Who got that money?

Mr. STUART. It was like any other securities that were sold. The money went into the treasury.

Senator REYNOLDS. All right. Who has hold of the treasury now?

Mr. STUART. I do not know.

Senator REYNOLDS. You are a director?

Mr. STUART. Yes; but the company is in bankruptcy.

Senator REYNOLDS. What became of the money that came in from the sale of securities?

Mr. STUART. It was all invested.

Senator REYNOLDS. What securities?

Mr. STUART. Mostly securities of Insull companies.

Senator REYNOLDS. All right. Those who bought the stock, where is that money?

Mr. STUART. Depreciation, that is the answer to it.

Mr. PECORA. Mr. Stuart, when were those radio talks initiated by your company?

Mr. STUART. I think in the spring of 1928.

Mr. PECORA. And they were delivered weekly?

Mr. STUART. Delivered weekly.

Mr. PECORA. To the accompaniment of music?

Mr. STUART. Yes, sir.

Mr. STUART. Yes, sir.

Mr. PECORA. And how long did they continue?

Mr. STUART. Until June or July of 1932.

Mr. PECORA. And do you recall who made the first talk upon the initiation of the radio program policy of your company back in 1928?

Mr. STUART. Yes, sir.

Mr. PECORA. Who?

Mr. STUART. Representative McFadden.

Mr. PECORA. Congressman Louis T. McFadden, of Pennsylvania?

Mr. STUART. Yes, sir.

Mr. PECORA. Who asked him to do it?

Mr. STUART. I think the National Broadcasting Co. Perhaps I may have asked him. I do not remember.

Mr. PECORA. Well, the National Broadcasting Co. would not pick out your introducer, would it?

Mr. STUART. Oh, they might.

Mr. PECORA. Well, as a matter of fact, did not you ask Congressman McFadden to do it?

Mr. STUART. I may have done so.

Mr. PECORA. Congressman McFadden at that time was a member of the Banking Committee of the House, was he not?

Mr. STUART. Yes, sir.

Mr. PECORA. And known as such throughout the country?

Mr. STUART. Yes, sir.

Mr. PECORA. Who wrote the speech that Congressman McFadden delivered upon the initiation of this policy?

Mr. STUART. He wrote it himself.

Mr. PECORA. What is that?

Mr. STUART. So far as I know, he wrote it himself.

Mr. PECORA. I am reminded that Congressman McFadden at that time was the chairman of the House Banking Committee; is that so?

Mr. STUART. I think it says so.

Mr. PECORA. Now, I show you this printed pamphlet entitled "The Purpose of the Halsey, Stuart & Co. Radio Programs, a Reprint of the Talk by Congressman Louis T. McFadden of Pennsylvania, who, as Guest Speaker, Introduced the Halsey, Stuart & Co. radio program on April 5, 1928."

Do you recognize that as being the speech delivered by the Congressman on that occasion?

Mr. STUART. Yes, sir.

Mr. PECORA. May I read it into the record, Mr. Chairman? It is not so very long.

The CHAIRMAN. Yes.

Mr. PECORA. (Reading:)

THE PURPOSE OF THE HALSEY, STUART & CO. RADIO PROGRAMS BY CONGRESSMAN  
LOUIS T. McFADDEN OF PENNSYLVANIA

When I was asked to introduce this new Halsey, Stuart & Co., radio hour, I accepted very willingly. I did so because of my own deep personal interest in matters of banking and finance, but more particularly because of the need that I know exists so widely for a broader understanding of investment fundamentals to meet which is, I understand, the purpose of this interesting undertaking.

I have been connected with banks and banking now for 36 years; practically my first job was in a bank, first as office boy and then progressing through the various stages to the position of cashier, and finally to the presidency of a bank in my home community. It was that experience which guided me in shaping the now well-known details of the McFadden Banking Act. It was the same experience which brought home to me the urgent need that exists for more enlightened understanding of investment.

Never before in the world's history have so many people had a surplus above living requirements as in this fortunate country of ours during the past several years. Not only has there been a vast increase in wealth, but a widespread distribution of it.

And with the broader distribution of wealth, there has undoubtedly come a better understanding of how to use it, but yet much, I fear, still remains to be done along this line. The vast sums that find their way into fraudulent schemes every year is convincing evidence of that. The law, of course, has done much to protect credulous investors against what is the flagrantly, but that does not touch the broad field of honest investment in which the average man also needs to be guided.

So I think the house of Halsey, Stuart & Co., is doing a fine public service in employing this vast network of radio communication to broadcast the principles of sound investment to millions of listeners. It is really a unique undertaking in the history of finance. Never before, to my knowledge has the subject of investment been broadly discussed over the radio. People, to be sure, have read much editorial comment and theoretic discussion of the subject. This certainly is the first instance of practical knowledge and experience of a great investment house being made so directly available to the general public.

There are great social as well as economic potentialities in a sound investment viewpoint among the people of our Nation. Clearly there can be no economic progress unless people conserve some part of their earnings. If every one lived up to his income, manifestly there would be no surplus left either for his own protection or for financing the great undertakings which are a part of to-day's life. The will to save, despite its importance, is, however, only a part of the task. There must be knowledge of how to employ one's savings after they have been accumulated.

With both the will to save prevalent among our people, and the knowledge of how to make use of their savings, America will inevitably march forward in a material way even faster than in the prosperous years behind us. Nor will this progress be merely material. It is bound to be reflected also in social, yes, even in the spiritual standards of the people. Give our average citizen an invested surplus, be it only a small amount, perhaps employed in the ownership of his home or in the form of sound securities, and you have a better, more useful citizen. He is more stabilized, more interested in affairs of state and of business, less inclined to be carried away by spurious leaders and unsound doctrines. A nation of investors will inevitably lend balance to our thinking, our actions, and perhaps more than any single influence, will fortify and strengthen the foundation upon which our Government rests.

And so I venture to say, if this forward-looking venture of Halsey, Stuart & Co. contributes even in part toward the realization of any such accomplishment, vast good is bound to spring from it. I wish it well.

Senator BROOKHART. What is the date of that?

Mr. PECORA. April 5, 1928.

Senator BROOKHART. Louis has learned a great deal since that time.

Senator REYNOLDS. What did they pay men to make speeches like that?

Mr. STUART. Not a dollar.

Senator REYNOLDS. I mean your lecturers.

Mr. STUART. The "Old Counsellor"?

Senator REYNOLDS. The "Old Counsellor."

Mr. STUART. We paid him so much a week.

Senator REYNOLDS. Did you pay him in stock?

Mr. STUART. You want to be fair, do you not?

Mr. PECORA. Of course.

Mr. STUART. Do not create the impression that every security we sold is bad. Of the amount of securities we sold there was an extremely small part that were bad, so that we are proud of our record. Now this security that we sold, while 1 in 20 may have gone wrong, the other 19 were very good. So when you are riding me so much about the "Old Counsellor," you are giving the impression that we were selling securities that were bad only. We have sold some securities that turned out bad, that is true. So has every one else, but it is a very small proportion of what we have sold.

Mr. PECORA. Mr. Stuart, do you think it is sound of an investment house offering investments to the public to disclose to the investing public any and all things in connection with its issues and allied securities?

Mr. STUART. I think it should be done.

Mr. PECORA. You think it should be done?

Mr. STUART. Yes, sir.

Mr. PECORA. Was it done when your company put out the circular which has already been called to your attention and in which it offered the 5 per cent gold debenture bonds to the public in the Insull Utility Investments (Inc.)?

Mr. STUART. It was not done.

Mr. PECORA. It was not done?

Mr. STUART. It was not the custom in the profession to do it at that time.

Mr. PECORA. You mean it is not the custom to disclose it to the public—

Mr. STUART. It is not customary when offering securities of corporations or affiliates, and whether they—

Mr. PECORA (interposing). It was not then fair to the public?

Mr. STUART. Excuse me. I think it should be in the future.

Mr. PECORA. It was not done in the past?

Mr. STUART. No.

The CHAIRMAN. It may have to be done in the future.

Senator WALCOTT. I was going to say that the law in England prohibits this sort of thing.

Mr. PECORA. The British companies act is based upon full disclosure.

Senator WALCOTT. Yes.

Mr. PECORA. Now, Mr. Stuart, when your company put out this circular advertising debenture bonds of the Insull Utility Investments (Inc.), instead of consulting the public, it was concealing its own profit interests in the Insull Utility Investments (Inc.)?

Mr. STUART. No.

Mr. PECORA. It concealed it in not putting it out?

Mr. STUART. It was not the customary thing to do.

Mr. PECORA. The fact is, it was concealed?

Mr. STUART. We did not state it, that is true.

Mr. PECORA. Whether it was customary or not.

Mr. STUART. Yes, sir.

Senator REYNOLDS. And you did not state in that circular that you were a member of the finance committee and a director of the Insull Utility Investments (Inc.) at the time your company was endeavoring to make the sale to the public?

Mr. STUART. Yes; it is there as a director. At least as a director.

Senator REYNOLDS. A director?

Mr. STUART. Yes; I am not sure it says finance committee, but perhaps it does. I am on there as a director, on the prospectus.

Mr. PECORA. Now, Mr. Stuart, this transaction by which your company acquired the securities from the Insull Utility Investments (Inc.) all took place on January 17, did it not, of 1929?

Mr. STUART. Yes—just a moment, please.

Mr. PECORA. And that happens to be the date on which the trading in the common stock of the Insull Utility Investments (Inc.) took place on the Chicago Stock Exchange?

Mr. STUART. May I correct that and make it the 16th?

Mr. PECORA. The 16th of January?

Mr. STUART. Yes, please.

Mr. PECORA. Well, the 17th of January was the date on which the trading in these issues commenced on the Chicago Stock Exchange, was it not?

Mr. STUART. I do not know. I have not that information.

Mr. PECORA. Is there any way by which you can ascertain that, either by consultation with Mr. McNeille, or anybody else?

Mr. McNEILLE. I think that was brought out by Mr. Davis of the Chicago Stock Exchange.

Mr. PECORA. Yes. Mr. Stuart, you have attended all these sessions of the committee this week?

Mr. STUART. Yes, sir.

Mr. PECORA. And you have heard all the witnesses who have testified this week?

Mr. STUART. I have heard most of them.

Mr. PECORA. Yes. Now it is agreed that January 17, 1929, was the date on which the trading began on the Chicago Stock Exchange in the Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir.

Mr. PECORA. Do you know at what price the common stock of the Insull Utility Investments (Inc.) sold on the Chicago Stock Exchange on that opening day?

Mr. STUART. I do not know.

Mr. PECORA. Was it not \$30 a share?

Mr. STUART. I do not know.

Mr. PECORA. Have you not heard this week witnesses say that?

Mr. STUART. Yes; I have heard that.

The CHAIRMAN. The witness said it inadvertently this morning.

Mr. PECORA. And then you heard the witnesses testify that on the second day's trading in that stock the stock went up to \$40 a share?

Mr. STUART. I heard that yesterday. I heard Mr. Davis say it.

Mr. PECORA. Now when you took over the 43,000 shares of stock from Mr. Insull under the conditions you have described, in January, 1929, it was allocated to you because of discussions among you and you considered that was the fair and reasonable value of that stock?

Mr. STUART. Yes, sir.

Mr. PECORA. And the following day it opened at \$30 a share; is that right, on the public exchange?

Mr. STUART. Yes, sir.

Mr. PECORA. And the second day at \$40 a share?

Mr. STUART. Yes.

Mr. PECORA. It reached \$40 a share; is that correct?

Mr. STUART. I so understand.

Mr. PECORA. Well, then, did you consider that the public was being put in the position, by these quotations on the stock exchange, of paying three or four times what you thought that stock was worth?

Mr. STUART. Well, we did not have anything to do with that, you see. We did not sell any of the stock. We did not have anything to do with it.

Mr. PECORA. Are you sure you did not buy any of that stock in open trade?

Mr. STUART. No. We may have bought for the account of some customer.

Mr. PECORA. Then, if you bought stock of the Insull Utility Investments (Inc.) at \$40 and paid that for it, you bought stock which had been allocated to you the day before at \$10 a share, and which had been agreed upon as a fair and reasonable price in conferences between you and the Insulls?

Mr. STUART. Yes; that would be so.

Mr. PECORA. Did you advise your customer about buying that at that price, that it was three or four times what you had bought it for?

Mr. STUART. No; we would not buy any. The only way we would do it would be by some one asking us to buy it. We were not dealing in stock.

Mr. PECORA. Do you know how anybody not acquainted with it could have acquired a notion of the actual value of those common issues on the day they were issued to you and Insull?

Mr. STUART. Excepting the public's notion what it was worth.

Mr. PECORA. What did the public have before it on the 17th of January?

Mr. STUART. I should say all they had was a prospectus.

Mr. PECORA. That your company had put out?

Mr. STUART. Or the Utility Securities Co. (Inc.) had put out.

Mr. PECORA. Then that prospectus you have was worded in such a fashion as to cause the investing public to believe that the common stock was worth \$40 a share?

Mr. STUART. Apparently it did.

Mr. PECORA. Apparently it did?

Mr. STUART. Yes, sir.

Mr. PECORA. That was put out by the people who, after discussion, had come to the conclusion that it was worth \$10 a share?

Mr. STUART. The public did not agree with us. They thought it was worth much more.

Mr. PECORA. And you knew much more than the public, did you not?

Mr. STUART. We thought we did.

Mr. PECORA. You had greater facilities for knowing?

Mr. STUART. We thought \$10 a share was enough for this.

Mr. PECORA. And you were the organizers of this company?

Mr. STUART. Yes, sir.

Mr. PECORA. And were familiar with all its assets?

Mr. STUART. Yes, sir.

Senator BROOKHART. Does the circular say that it is worth \$10 a share?

Senator REYNOLDS. No.

Mr. PECORA. No; it does not show \$10 a share.

Senator WALCOTT. Mr. Chairman, does the prospectus give any earnings per share? That would be a guide. You do not recall what that was?

Mr. STUART. No.

Mr. PECORA. I ask that this circular relating to the Insull Utility Investments (Inc.), for the \$6,000,000, 5 per cent gold debentures, series A, be spread on the record.

The CHAIRMAN. Without objection, that will be done.

(The circular is printed in the record in full, as follows:)

#### EXHIBIT 7

New Issue—Insull Utility Investments (Inc.) \$6,000,000 5 per cent gold debentures, series A (with stock purchase warrants) dated January 1, 1929—due January 1, 1949.

INSULL UTILITY INVESTMENTS (INC.),  
OFFICE OF THE PRESIDENT,  
*Chicago, January 16, 1929.*

HALSEY, STUART & Co. (Inc.).

GENTLEMEN: In connection with your purchase of \$6,000,000 5 per cent gold debentures, series A, of Insull Utility Investments (Inc.), I take pleasure in giving you the following information:

## BUSINESS

Insull Utility Investments (Inc.) has been organized under the laws of Illinois to carry on an investment business and to acquire, hold, sell, and underwrite securities of all kinds. The company, in consideration of the issuance of 40,000 shares of preferred stock and 764,000 shares of common stock and from the proceeds of the sale of these debentures and 60,000 shares of prior preferred stock, will acquire the entire capital stock of Insull, Son & Co. (Inc.), and among other securities, substantial blocks of common stock of Commonwealth Edison Co., The Peoples Gas Light & Coke Co., Middle West Utilities Co., and Public Service Co. of northern Illinois. The assets of the company, including its initial acquisitions of securities (valued at current market prices) and cash on hand and cash to be received prior to December 31, 1929, pursuant to contracts made, have an aggregate value of approximately \$27,000,000 as compared with the \$6,000,000 principal amount of debentures to be presently outstanding. The company will receive par and accrued interest in cash for this issue of its debentures and \$100 per share and accrued dividends in cash for this issue of its prior preferred stock.

*Capitalization*

[Upon completion of the present financing]

	Author- ized	To be out- standing
Funded debt: 5 per cent gold debentures, series A (this issue).....		\$6,000,000
Capital stock:		
\$5.50 prior preferred (no par).....shares.....	250,000	60,000
Preferred (no par).....do.....	250,000	140,000
Common (no par).....do.....	3,000,000	1,014,200

<sup>1</sup> Annual dividends will be payable for the first year at \$2 per share, for the next year at \$3 per share, for the next year at \$4 per share, for the next year at \$5 per share, and thereafter at \$6 per share.

<sup>2</sup> Sufficient shares of common stock will be reserved against the exercise of warrants attached to the debentures and the prior preferred stock. The purchasers of the 40,000 shares of preferred stock have been given an option for 2 years to purchase 200,000 shares of common stock at \$15 per share.

<sup>3</sup> The 1,014,200 shares of common stock will be issued in part payment for the assets constituting the initial acquisitions of the company, as above stated, and for \$3,000,000 in cash to be paid to the company before Dec. 31, 1929.

## STOCK PURCHASE WARRANTS

Each debenture will have attached thereto a nondetachable warrant (exercisable as an entirety only) entitling the holder of the debenture, upon presentation thereof to the company for the detachment and cancellation of the warrant, to purchase common stock of the company as follows: Fifty shares at \$15 per share if purchased on or before June 30, 1929; or 40 shares at \$20 per share if purchased after June 30, 1929 and before January 1, 1930; or 30 shares at \$25 per share if purchased after December 31, 1929 and before July 1, 1930. The holders of the 60,000 original shares of prior preferred stock will also be given the right for each share held by them to purchase common stock as follows: Five shares at \$15 per share on or before June 30, 1929, or four shares at \$20 per share between June 30, 1929, and January 1, 1930, or three shares at \$25 per share between December 31, 1929, and July 1, 1930. Certificates covering stock purchased through the exercise of such warrants will be delivered to the purchaser 30 days after the date of purchase.

## EARNINGS

The following is a statement of estimated annual net earnings applicable to interest charges on these debentures, based upon the present annual income from the securities to be acquired initially and in 1929 under contracts already made and the average annual net earnings of Insull, Son & Co. (Inc.);

Net income after deducting all expenses and taxes, \$1,053,000.

The annual interest requirements on the present issue of \$6,000,000 debentures will be \$300,000.

The above statement of earnings does not reflect any cash realization from stock rights on stocks to be included in the company's initial acquisitions. Based on existing market prices of such stocks it is estimated that these rights will have in the year 1929 a value of approximately \$1,015,000.

## DEBENTURE PROVISIONS

The company will covenant in each debenture that so long as any of these debentures are outstanding, it will not mortgage or pledge any of its assets without securing the debentures equally and ratably with the other obligations secured or to be secured by such mortgage or pledge, except that the company, without so securing the debentures, may mortgage or pledge any of its assets for the purpose of securing loans in the usual course of business for periods not exceeding one year and may mortgage or pledge property hereafter acquired to secure the purchase price thereof in whole or in part. The company will further covenant that its capital stock of any class shall not be redeemed or purchased in whole or in part when such redemption or purchase will reduce the value of its assets to less than 150 per cent of its indebtedness then outstanding.

## DESCRIPTION OF DEBENTURES

These debentures will be dated January 1, 1929, and will be due January 1, 1949. They will be noncallable prior to July 1, 1930. Thereafter, they will be redeemable as a whole or in part at any time upon 30 days' published notice at the following prices and accrued interest; to and including January 1, 1934, at 105; thereafter, to and including January 1, 1939, at 104; thereafter, to and including January 1, 1944, at 103; thereafter, to and including January 1, 1946, at 102; thereafter, to and including January 1, 1948, at 101; thereafter, to maturity at 100. Both principal and interest will be payable at the office or agency of the company in Chicago and New York. The interest will be payable semi-annually February 1 and August 1, in each year (except that the interest for the first seven months will be payable August 1, 1929, and the interest for the last five months will be payable at maturity) without deduction for Federal income taxes now or hereafter deductible at the source not in excess of 2 per cent. Halsey, Stuart & Co. (Inc.) will be appointed paying agent of the company for the making of such interest payments. The debentures will be in coupon form, in the denomination of \$1,000, and will be registerable as to principal only.

## DIRECTORS AND OFFICERS

The following are the directors and officers of the company. The president and the two vice presidents of the company have agreed to serve the company for a period of two years without compensation.

Samuel Insull, president; Martin J. Insull, vice president; Samuel Insull, jr., vice president; P. J. McEnroe, secretary and treasurer; Walter S. Brewster, of Russell, Brewster & Co.; Britton I. Budd, president Public Service Co. of Northern Illinois; Edward J. Doyle, vice president Commonwealth Edison Co.; Louis A. Ferguson, vice president Commonwealth Edison Co.; John F. Gilchrist, vice president Commonwealth Edison Co.; John H. Gulick, vice president Commonwealth Edison Co.; George F. Mitchell, vice president The Peoples Gas Light & Coke Co.; Stuyvesant Peabody, president Peabody Coal Co.; Marshall E. Sampsell, president Central Illinois Public Service Co.; H. L. Stuart, president Halsey, Stuart & Co. (Inc.); Waldo F. Tobey of Isham, Lincoln & Beale.

Very truly yours,

SAMUEL INSULL, *President.*

These debentures are offered for delivery when, as and if issued and accepted by us and subject to the approval of counsel. It is expected that temporary debentures will be ready for delivery by Halsey, Stuart & Co. (Inc.), on or about January 25, 1929. All statements herein are official or are based on information which we regard as reliable and while we do not guarantee them, we ourselves have relied upon them in the purchase of this security.

Chicago, Ill., January 16, 1929.

Circular No. 2409.

Mr. PECORA. Your company prides itself on the claim of being the largest investment dealers in bonds in the country, does it not?

Mr. STUART. We have never made such a statement.

The CHAIRMAN. As a matter of fact, are you not the largest, or one of the largest?

Mr. STUART. I could not say about the volume, Senator, other people do.



Mr. PECORA. Now, Mr. Stuart, the only holders of any of the stock of the Insull Utility Investments (Inc.) on January 17, 1929—that is the date?

Mr. STUART. Yes, sir.

Mr. PECORA (continuing). When trading opened on it on the stock exchange, was your company, you individually, and the Insull family group; is that not so?

Mr. STUART. I could not answer that. I could not answer.

Mr. PECORA. Well, you have heard that testified to by other witnesses here this morning, have you not?

Mr. STUART. I have heard something to that effect, but I know nothing about it. We took so much stock, subscribed for it, and that is the limit of our knowledge.

Mr. PECORA. Do you know who made the market for the common stock, of \$30 a share, on opening day?

Mr. STUART. I do not.

Mr. PECORA. How is the market usually made?

Mr. STUART. I presume by buyers and sellers.

Mr. PECORA. Buyers and sellers representing what class of persons?

Mr. STUART. Buyers and sellers trading through brokers, selling and buying through brokers.

Mr. PECORA. As a matter of fact, do you not know that the making of the market is done for a new issue by the persons who are promoters of the issue?

Mr. STUART. I am entirely unfamiliar with stock operations.

Mr. PECORA. You have been a member of the exchange for many years?

Mr. STUART. I have been a member of the exchange for 24 years and I have been on the floor two times in my life.

Mr. PECORA. You do not have to be on the floor to be familiar with their methods, do you?

Mr. STUART. We do not deal in stocks, and I individually do not deal in stocks, and never have.

Senator FLETCHER. Do you have any broker representing you?

Mr. STUART. Oh, no; if a customer asks us to buy anything for him, we might telephone to a half-dozen different brokers to buy it.

Senator FLETCHER. Mr. Stuart, did you, or your "Old Counsellor" ever advise the public that these stocks were going wild, and for the public to beware?

Mr. STUART. Frequently. If you will look at our radio programs you will see that he did talk, in talk after talk, in the great rises of 1928 and 1929, telling people that the stocks they bought were too high. He did that over and over again. But no one was paying any attention to that. Everybody wanted the stock. Bonds were away down, and stocks were away up. Nobody paid any attention to us.

Mr. PECORA. Mr. Stuart, did your company ever participate in any market operations in the stock of Insull Utility Investments (Inc.)?

Mr. STUART. Not that I recall; no, sir.

Mr. PECORA. But you might without your being able at the present time to recall it?

Mr. STUART. We might, yes. I can not say. But I do not recall it.

Mr. PECORA. Have you consulted any of the records of your office for the purpose of refreshing your recollection about that?

Mr. STUART. No, sir.

Mr. PECORA. Have you got that letter, Mr. MacNeille, of February 7, 1929, which I called for?

Mr. MACNEILLE. Yes, sir.

Mr. PECORA. Will you kindly produce it?

Mr. MACNEILLE. Yes, sir.

Mr. PECORA. Now, Mr. Stuart, Mr. MacNeille, of your company, has just handed me what appears to be a dupliatce original of a letter dated February 7, 1929, addressed by Halsey, Stuart & Co. to Utility Securities Co. Will you look at that letter? [Handing same to the witness.]

Mr. STUART. Yes, sir.

Mr. PECORA. Read it, to yourself.

While the witness is reading that letter, may I read into the record from a print of one of the "Old Counsellor's" radio talks on sound investments, given on May 10, 1928, entitled "How Should a Widow with \$10,000 Invest Her Money?"

The CHAIRMAN. You may read it.

Mr. PECORA. (Reading:)

I am a widow and have just received \$10,000 in insurance money. This represents my total resources. I know nothing about investments and I have already been besieged by people wanting me to put my money into various things—some promising a very large return. Can you tell me how to meet the problem of investing my money safely and getting a good return from it?

I just want to read that portion at this time.

Now, after reading that letter of February 7, 1929, Mr. Stuart, does that refresh your recollection that as early as February 7, 1929, or within about three weeks after the opening of the market on the Chicago Stock Exchange, the opening of trading rather, in the Insull Utility Investments (Inc.), your corporation entered into a stock-selling syndicate agreement with Utility Securities Co., which you described as another Insull company, with respect to the shares of the common stock of the Insull Utility Investments (Inc.)?

Mr. STUART. Yes; this letter says that we agreed to sell to Utility Securities for so much stock.

Mr. PECORA. How many shares?

Mr. STUART. Ninety-three thousand five hundred shares.

Mr. PECORA. Of the common stock of the Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, you said, in the early part of your examination, that the total number of shares that you and your company acquired upon the set-up of the Insull Utility Investments (Inc.) was something like 57,000 shares. Had your company, in the meanwhile, between January 16, 1929, and the date of this letter, February 7, 1929, acquired a number of shares equivalent to the difference between the 93,500 shares and the 57,000 shares?

Mr. STUART. No, sir; this stock was stock that was attached to the 2,000,000 debentures that I spoke of that we had not sold.

Mr. PECORA. Then you detached the warrants from those \$2,000,000 of debentures?

Mr. STUART. Yes, sir.

Mr. PECORA. That gave you the right to buy 150,000 shares of stock?

Mr. STUART. Yes, sir.

Mr. PECORA. And had you exercised those rights prior to February 7, 1929?

Mr. STUART. No; I do not think we had. We might have done so. I am not sure. But that is the arrangement on stock where we gave one-third of our profit.

Mr. PECORA. No; that transaction took place in the fall of 1929, did it not? You said some time between June and the fall of 1929.

Mr. STUART. It was all a part of the same transaction.

Mr. PECORA. Well, in this connection here your company, according to this letter of February 7, 1929, was entering into a marketing operation with another Insull company called Utility Securities Co., having for its purpose the selling in the market of 93,500 shares of the common stock of Insull Utility Investments (Inc.), was it not?

Mr. STUART. Yes; but so far as we were concerned, it was not a market operation. We agreed to sell Insull Utility Investments (Inc.) so much stock.

Mr. PECORA. At what price?

Mr. STUART. At not less than \$40 a share.

Mr. PECORA. Is that all that this letter means, that you were simply agreeing to sell it at not less than \$40 a share?

Mr. STUART. Yes, sir.

Mr. PECORA. Ninety-three thousand five hundred shares of this Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir.

Mr. PECORA. Have you read the letter in full?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, let us see. The second paragraph of that letter reads as follows, does it not? (Reading:)

As compensation for your services in this matter you shall retain the selling price for all shares sold in excess of \$40 and up to \$42 per share and one-half of the selling price for all shares sold in excess of \$42 per share. The purchase price for all shares sold by you under this authority, less your commissions, shall be remitted to us as and when received by you.

Mr. STUART. Yes, sir.

Mr. PECORA. Well, did not the agreement embodied in this letter constitute something more than a mere arrangement under which your company was selling Utility Securities Co.'s 93,500 shares of the common stock of Insull Utility Investments (Inc.) at a price of not less than \$40 a share?

Mr. STUART. No, sir; I do not think so.

Mr. PECORA. Does it not constitute an arrangement under which the Utility Securities Co. is to sell those 93,500 shares in the market, and if it gets more than \$42 a share for it, it was to divide with your company equally all moneys received from those sales in excess of \$42 per share?

Mr. STUART. Yes; but that is simply arranged as to the price we were to receive for it. That is simply an arrangement in regard to price.

Mr. PECORA. Well, now, is it not a syndicate account—is not this letter based on a syndicate account whereby your company and the

Utility Securities Co. agreed to stage a market operation for 93,500 shares of the common stock of the Insull Utility Investments (Inc.)?

Mr. STUART. No, sir; I should say not, so far as we are concerned. It is simply a sale so far as we are concerned.

Mr. PECORA. You could have sold it in the market? There was an open and free market?

Mr. STUART. Yes; there was an open and free market, had we chose to sell it that way.

Mr. PECORA. You chose to sell it to another company controlled by the Insulls on terms differing from those prevailing in the free and open market; is that right?

Mr. STUART. Well, I do not know what the conditions of the open market were. We chose to sell this stock to this company on those terms.

Mr. PECORA. Well, the Utility Securities Co. was a subsidiary of the Insull Utility Investments (Inc.), was it not?

Mr. STUART. No, sir. My understanding of the Utility Securities Co. was that it was owned by a great many different Insull companies: The Commonwealth Edison; Peoples Gas; Middle West, and that Insull Utility Investments (Inc.) owned a portion of the stock of that company, but I never saw a list of the stockholders, so I do not know who owned it.

Mr. PECORA. You attended a meeting of the finance committee of the Insull Utility Investments (Inc.) which was held on June 17, 1929, according to the minute book of that finance committee, did you not?

Mr. STUART. Yes, sir.

Mr. PECORA. Will you turn to page 41 of that minute book, of the minutes of that meeting. Now, will you read the second paragraph on page 41.

Mr. STUART (reading):

The president then presented to the meeting an offer of the Utility Securities Co. to purchase 250,000 shares of the common stock of the company at \$40 per share, the stock to be paid for as follows: A million—

Mr. PECORA (interposing). No; you are not reading the paragraph I intended you should. I said the second one.

Mr. STUART (reading):

The president stated that he had entered into an agreement on behalf of the company, with Halsey, Stuart & Co., and that in his belief the net profits accruing therefrom to the company would be in the neighborhood of \$650,000.

Mr. PECORA. Now, you were present at the meeting of that finance committee at which that action was taken?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, what was the action referred to by the president of the Insull Utility Investments (Inc.)?

Mr. STUART. The one I spoke of where I said we gave them back, as a voluntary arrangement, the sum of \$600,000 for \$700,000.

Mr. PECORA. Was that properly referred to as a joint account?

Mr. STUART. Yes, sir.

Mr. PECORA. Was this gift to that company a voluntary gift, as you call it, then?

Mr. STUART. Yes; we made a voluntary joint account.

Mr. PECORA. A voluntary joint account?

Mr. STUART. Yes, sir.

Mr. PECORA. What is the difference between a voluntary joint account and a voluntary gift?

Mr. STUART. Well, I do not know that there is any.

Mr. PECORA. Well, when you make a gift to one do you have a joint account with him?

Mr. STUART. Well, you might take a man into a piece of business and voluntarily go to him and take him in, in which you knew you were going to make money for him.

Mr. PECORA. Is that a joint account, or a gift?

Mr. STUART. It is a joint account, customarily so called.

Mr. PECORA. I offer in evidence and ask to have spread on the record in full the letter of February 7, 1929, which this witness has identified.

Senator FLETCHER (presiding). It may go into the record.

(The letter of February 7, 1929, is printed in the record in full, as follows:)

FEBRUARY 7, 1929.

UTILITY SECURITIES Co.,  
Chicago, Ill.

GENTLEMEN: We hereby authorize you as our broker to sell for us at any time within 60 days from the date hereof, 93,500 shares of common stock of Insull Utility Investments (Inc.) at not less than \$40 per share. Of these shares we now have on hand 60,200, certificates for which we can deliver immediately, and the remaining 33,300 we will be in a position to deliver as soon as we receive from the company the certificates therefor. Please advise us whether you wish us to make request for these additional shares, the certificates for which will be delivered 30 days after making such request.

As compensation for your services in this matter you shall retain the selling price for all shares sold in excess of \$40 and up to \$42 per share, and one-half of the selling price for all shares sold in excess of \$42 per share. The purchase price for all shares sold by you under this authority, less your commissions, shall be remitted to us as and when received by you.

If the foregoing arrangement is satisfactory to you, please indorse a memorandum to that effect upon the inclosed duplicate of this letter and return the same to us.

HALSEY, STUART & Co.,  
F. K. SHRADER,  
*Vice President.*

The foregoing is satisfactory to us.

UTILITY SECURITIES Co.,  
FRED H. SCHEEL,  
*Vice President.*

Senator REYNOLDS. What was the name of the "Old Counsellor"? What was his name?

Mr. STUART. I ought to remember it. He is a professor of note at the University of Chicago.

Senator REYNOLDS. At the University of Chicago?

Mr. STUART. Yes, sir.

Senator REYNOLDS. How much did you pay him per week?

Mr. STUART. \$50 a week. I will probably think of it later. It was Nelson.

Senator REYNOLDS. Professor Nelson?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Is he still at the university?

Mr. STUART. I think so. Of course, everything he delivered was written for him. He was simply the deliverer of it.

Senator REYNOLDS. Who wrote it?

Mr. STUART. It was written in our office.

Mr. PECORA. How much did Halsey, Stuart & Co. realize from the agreement embodied in this letter of February 7, 1929, to the Utility Securities Co.?

Mr. STUART. I have not the—let me see if I understand your question.

Mr. PECORA. How much did your company realize in the stock-selling agreement represented by that letter?

Mr. STUART. Do you mean the total proceeds, or those that came to us?

Mr. PECORA. Yes.

Mr. STUART. The total proceeds that came to us were, roughly, \$3,900,000.

Senator TOWNSEND. How much of that was profit?

Mr. STUART. And the gross profit on it was, roughly, \$2,450,000. I would prefer to submit a detailed statement, because as a part of that transaction we turned back to the company a lot of debentures at 85 which we had previously paid par for, so all of that came out of the profit. The net profit in the joint account, I should say, was about \$2,000,000.

Senator TOWNSEND. And of that you gave back one-third?

Mr. STUART. We gave back one-third; yes, sir.

Mr. PECORA. Mr. Stuart, will you be good enough to produce from the files of your company which you brought here, the letter addressed by Halsey, Stuart & Co. on February 26, 1931, to Miss Evaline McNeil. I think it is No. 17.

Mr. STUART. Which letter, please?

Mr. PECORA. Letter dated February 26, 1931, by Halsey, Stuart & Co. to Miss Evaline McNeil.

Mr. STUART. Yes; I have it.

Mr. PECORA. Will you let me have it?

I ask that this letter, or a copy thereof produced by the witness, be spread on the record. And I want to read to the witness the following excerpts therefrom. [Reading:]

DEAR MISS MCNEIL: At the request of Mr. E. J. Redden, we are writing to suggest several securities which we feel you would do well to purchase in exchange for your present holdings of United States Government obligations. Our reasons for feeling that such an exchange would be to your advantage are twofold.

While the Government obligations are, of course, the outstanding securities in the country as to their liquidity and safety, they are in such great demand by the larger institutions and banks which are required to keep a certain proportion of their funds invested in this manner that their market is artificially stimulated to a great extent.

We are inclosing a chart which we have drawn up with our recommendations, and you will notice a material increase in your annual income should you decide to accept our recommendations.

Now, among the recommendations that you made to this Miss McNeil, Mr. Stuart, was for her to sell her United States Government bonds and to invest part of the proceeds of the sale in debenture notes of the Corporation Securities Co. of Chicago; is that not correct?

Mr. STUART. May I see it? I have never seen it before.

Mr. PECORA. There it is. [Handing same to the witness.]

Well, Mr. Stuart, is it necessary for you to take all that time to assure yourself that your company recommended, in February, 1931, to Miss McNeil that she sell her Government bonds and purchase

with the money derived from the proceeds the bonds of the Corporation Securities Co. of Chicago?

Mr. STUART. Yes; that is what it says.

Mr. PECORA. That is what it says?

Mr. STUART. Yes, sir.

Mr. PECORA. And that is what your company did?

Mr. STUART. Yes, sir.

Mr. PECORA. And this woman bought \$1,000 worth, par value, of Corporation Securities Co. of Chicago bonds out of the proceeds of the sale of her Government bonds that she had previously owned; is that right?

Mr. STUART. Well, apparently she bought them, and some other things.

Mr. PECORA. Well, I mean, in part.

Mr. STUART. Yes; in part. Yes.

Mr. PECORA. Now, this Corporation Securities Co. of Chicago is the same company that was officered, in large part, by officers of Halsey, Stuart & Co., was it not?

Mr. STUART. It was at the very beginning; yes, sir.

Mr. Mr. PECORA. And it still is, in part, so officered?

Mr. STUART. We have directors; yes, sir.

Mr. PECORA. You did not tell Miss McNeil in this communication that your company had an interest, through stock ownership, in the Corporation Securities Co. of Chicago, did you?

Mr. STUART. No, sir; apparently not.

Mr. PECORA. And did you think it was sound advice to give this woman, to sell her Government bonds for debentures that to-day are worth practically nothing?

Mr. STUART. Well, you see, all these other securities are good. Corporation Securities Co. of Chicago is the one that is not good.

Mr. PECORA. The Corporation Securities Co. of Chicago which you advised her to buy from the proceeds of the sale of her Government bonds represented about 20 per cent?

Mr. STUART. Yes, sir.

Mr. PECORA. The other four-fifths was good, and that one-fifth was not good?

Mr. STUART. Yes, sir.

Mr. PECORA. And the one-fifth that was not good was the security issued by the Corporation Securities Co. of Chicago in which your company had a very extensive stock interest, and it was officered by officers of your company?

Mr. STUART. Yes, sir.

Mr. PECORA. At any time was Miss McNeil advised of the community of interest between your company and the Corporation Securities Co. of Chicago?

Mr. STUART. I would have to find out. I would not know. But there was no reason why she should not be told. It was common knowledge.

Mr. PECORA. It was common knowledge?

Mr. STUART. Oh, I think it was common knowledge.

Mr. PECORA. Was any prospectus of the securities of the Corporation Securities Co. of Chicago, or did Halsey, Stuart & Co. ever issue or put its name upon a prospectus that contained a statement in any

way, shape, or form that Halsey, Stuart & Co. had a large stock interest in the Corporation Securities Co. of Chicago?

Mr. STUART. I am not sure.

Mr. PECORA. Well, you know that no such thing was done, do you not?

Mr. STUART. Oh, no, sir; because in some of the prospectuses—

Mr. PECORA (interposing). I will ask you to produce a single prospectus put out by Halsey, Stuart & Co. covering issues of the Corporation Securities Co. of Chicago in which mention is made of the fact that Halsey, Stuart & Co. ever had a large stock interest, through ownership of the common stock, in Corporation Securities Co. of Chicago. Will you do that?

Mr. STUART. I will endeavor to find one.

Mr. PECORA. And if you find any such prospectuses let me have them, and we will put them in the record.

I ask that there be spread on the record the letters, or copies thereof, produced by the witness, from which I have already read certain excerpts, dated February 26, 1931, addressed to Miss Evaline McNeil, by Halsey, Stuart & Co.; and the chart, so-called, accompanying that letter.

And also this letter of March 6, 1931, also produced by the witness, addressed to Miss Evaline McNeil, advising her of the receipt of certain securities for safe keeping for her account.

Senator FLETCHER (presiding). Without objection, they may be put into the record.

(The letter of February 26, 1931; the chart accompanying same; and the letter of March 6, 1931, are here printed in the record in full, as follows:)

FEBRUARY 26, 1931.

MISS EVALINE MCNEIL,  
4556 Woodlawn Avenue, Chicago, Ill.

DEAR MISS MCNEIL: At the request of Mr. E. J. Redden, we are writing to suggest several securities which we feel you would do well to purchase in exchange for your present holdings of the United States Government obligations. Our reasons for feeling that such an exchange would be to your advantage are twofold.

While the Government obligations are, of course, the outstanding securities in the country as to their liquidity and safety, they are in such great demand by the larger institutions and banks which are required to keep a certain proportion of their funds invested in this manner that their market is artificially stimulated to a great extent. This results, of course, in a comparatively low return which will accrue to the holder of these securities, and we feel that you can well take advantage of some of the present opportunities among the higher type of corporation bonds to increase both your yield to maturity and your annual income, at the same time preserving an extremely high degree of safety through the application of the principles of diversification.

While we do not know exactly what securities you hold at present, your brother John has given us some idea, and we have made our recommendations on the basis of \$5,000 par amount divided in two blocks, one of \$3,000 United States Liberty loan fourth 4¼'s and \$2,000 first 3½'s. Such minor adjustments as are necessary to make our suggestions conform to your actual holdings can easily be made through Mr. Redden.

We are inclosing a chart which we have drawn up with our recommendations, and you will notice a material increase in your annual income should you decide to accept our recommendations. Mr. Redden has asked us to say that he will be glad to talk with you or your brother at any time, but that his primary consideration has been for the intrinsic safety of the obligation involved in each case. You will find descriptive circulars included in this folder and will understand that we make this offer strictly subject to prior sale and price change.

We are grateful for the opportunity of serving you in this way, and trust that we may have the privilege of a continued business relationship in the future.

Very truly yours,



*Investment recommendations for Miss Evaline McNeil*

Issue	Par amount	Rate	Maturity	Price	Principal amount	Annual income	Yield
<b>SELL</b>							
		<i>Per cent</i>					<i>Per cent</i>
United States Liberty loan, fourth	\$3,000	4½			\$3,095.70	\$127.50	2.88
United States Liberty loan, first	2,000	3½			2,023.00	70.00	2.34
Total	5,000				5,118.70	197.50	
<b>BUY</b>							
Corporation Securities Co., serial notes	1,000	5	Sept. 1, 1932	\$97.13	971.30	50.00	7.00
Illinois Power & Light Corporation, first and refunding mortgage	1,000	5	Dec. 1, 1956	97.75	977.50	50.00	5.15
Michigan Gas & Electric Co., first mortgage	500	5	do	96.50	965.00	25.00	5.25
Monongahela Western Pennsylvania Public Service Co., first lien and refunding	1,000	5½	Feb. 1, 1953	100.00	1,000.00	55.00	5.50
Peabody Coal Co., first mortgage sinking fund	1,000	5	May 1, 1953	80.00	800.00	50.00	6.75
Virginia Public Service Co., first mortgage and refunding	1,000	5	Dec. 1, 1950	90.00	900.00	50.00	5.85
Total	5,500				5,136.50	280.00	

<sup>1</sup> Note error.

MARCH 6, 1931.

EVALINE MCNEIL,  
4556 Woodlawn Avenue, Chicago, Ill.

DEAR MISS MCNEIL: To-day we have placed in safekeeping the following securities which you have purchased in trade as follows:

Sale TH96864, Peabody Coal 5's	\$797.22
Sale TH96868, Monongahela Western Pennsylvania Public Service 5½'s	1,005.19
Sale TH96867, Illinois Power & Light 5's	990.56
Sale TH96865, Corporation Securities 5's	971.86
Sale TH96869, Michigan Gas & Electric 5's	489.03
Sale TH96866, Virginia Public Service 5's	913.06
	\$5,166.92
Purchased TH12335, United States Liberty 4¼'s	1,036.32
Purchased TH12336, United States Treasury 3½'s	3,050.54
Purchased TH12337, United States Liberty fourth 4¼'s	1,052.78
	5,139.64
Balance due us	27.28

There is a balance due of \$27.28 for which we shall be pleased to receive remittance.

Yours very truly,

Mr. PECORA. Now this Corporation Securities Co. of Chicago, that we have been talking about here was incorporated on October 5, 1929, was it not?

Mr. STUART. Yes, sir.

Mr. PECORA. And from its very outset your company acquired a very substantial interest, through the ownership of common stock, in that company?

Mr. STUART. Yes, sir.

Mr. PECORA. Did not your company make preliminary arrangements to dispose of the senior securities of the Corporation Securities Co. of Chicago, in advance of the actual incorporation of that company?

Mr. STUART. Well, we had nothing to do with the disposition of the securities or stocks of the Corporation Securities Co. of Chicago.

Mr. PECORA. I said of the senior securities, which means the bonds and the preferred stock.

Mr. STUART. The senior securities? No; we had nothing to do with the preferred stock.

Mr. PECORA. How about the bonds?

Mr. STUART. There were not any sold until about a year later, or something like.

Mr. PECORA. Now, let us see. Will you produce from the files of your company its daily bulletin bearing date September 20, 1929. The number of it is 1.

Mr. STUART. September 20?

Mr. PECORA. September 20, 1929, numbered 1.

Mr. STUART. Yes; I have it.

Mr. PECORA. May I have it, please. Now, this daily bulletin was issued to the salesmen and employees of your company, was it not?

Mr. STUART. Yes, sir.

Mr. PECORA. As a guidance to them in their efforts to sell to the investing public securities sponsored by your company; is that right?

Mr. STUART. And items of general information.

Mr. PECORA. And items of general information?

Mr. STUART. Yes, sir.

Mr. PECORA. Now at the time of the incorporation of the Corporation Securities Co. of Chicago, in October, 1929, there was merged in that company an older company which had been organized in 1919 by Halsey, Stuart & Co., called Corporation Securities Co., was there not?

Mr. STUART. Yes, sir.

Mr. PECORA. And this bulletin issued by your company on September 20, 1929, to your employees and salesmen related, in part, to the proposed incorporation of the Corporation Securities Co. of Chicago, did it not?

Mr. STUART. Yes, sir.

Mr. PECORA. I ask that this bulletin be spread in full on the record.

The CHAIRMAN. It is so ordered.

(The Daily Bulletin, dated September 20, 1929, is printed in the record in full, as follows:)

HALSEY, STUART & Co., DAILY BULLETIN

*Chicago, Ill., September 20, 1929.*

IMPORTANT NOTICE

The Corporation Securities Co. was organized by Halsey, Stuart & Co. in 1919 to buy, sell, and hold securities of all kinds, including shares of stock. The corporation has not been active for a number of years. All of the stock heretofore has been owned by Halsey, Stuart & Co. They recently agreed with the Insull interests to expand this corporation so that it becomes the holder of shares of stock in some of the Insull companies. In order to facilitate this enlargement and the plans in connection therewith, it became necessary to raise some new money, all of which is being done by the Corporation Securities Co. itself. Halsey, Stuart & Co. will continue to be stockholders. It is expected that any publicity will be limited to a simple announcement of the facts by the Corporation Securities Co.

Because of Halsey, Stuart & Co.'s ownership of stock in the corporation, there may be inquiries made of the various members of the organization and the only reply is that Halsey, Stuart & Co. have no part in the sale of the new securities as they do not deal in stocks of any kind. They understand that arrangements have been undertaken with private sources for all of the money to be raised at this time.

Plans are being worked on with a view to permitting at least some of the members of Halsey, Stuart & Co.'s organization to subscribe to a limited amount of the stock of the Corporation Securities Co., on the basis of permanent investment. Until these plans have been further developed, no inquiries concerning participation by members of Halsey, Stuart & Co.'s organization can be answered.

Mr. PECORA. Now let me read from this daily bulletin to you, Mr. Stuart, and then I will ask you some questions about it. [Reading:]

#### IMPORTANT NOTICE

The Corporation Securities Co. was organized by Halsey, Stuart & Co. in 1919 to buy, sell, and hold securities of all kinds, including shares of stock. The corporation has not been active for a number of years. All of the stock heretofore has been owned by Halsey, Stuart & Co. They recently agreed with the Insull interests to expand this corporation so that it becomes the holder of shares of stock in some of the Insull companies. In order to facilitate this enlargement and the plans in connection therewith, it became necessary to raise some new money, all of which is being done by the Corporation Securities Co. itself. Halsey, Stuart & Co. will continue to be stockholders. It is expected that any publicity will be limited to a simple announcement of the facts by the Corporation Securities Co.

Because of Halsey, Stuart & Co.'s ownership of stock in the corporation, there may be inquiries made of the various members of the organization and the only reply is that Halsey, Stuart & Co. have no part in the sale of the new securities as they do not deal in stocks of any kind.

Now, was that a correct statement of the facts?

Mr. STUART. Yes, sir.

Mr. PECORA. Let me read further from this bulletin. [Reading:]

They understand—

That is, Halsey, Stuart & Co., understand. [Continuing reading:]

that arrangements have been undertaken with private sources for all of the money to be raised at this time.

Is that a correct statement, Mr. Stuart?

Mr. STUART. I do not recall.

Mr. PECORA. You do not recall?

Mr. STUART. No; I do not recall.

Mr. PECORA. Did Halsey, Stuart & Co. have anything to do with the major finances of the Corporation Securities Co. of Chicago in October, 1929, when that company was organized?

Mr. STUART. No; only to exchange our securities—only to exchange our Insull securities for Corporation Securities Co. of Chicago.

Mr. PECORA. Well, that was the time that you exchanged these shares of Insull Utility Investments (Inc.), which your company had acquired early in that year, in January of that year at \$12 to \$15 a share, at \$100 a share, which was then the market?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, upon the incorporation of the Corporation Securities Co. of Chicago in October, 1929, Halsey, Stuart & Co. acquired a considerable amount of its securities, did it not—securities to be issued?

Mr. STUART. Of its common stock; yes, sir.

Mr. PECORA. Of its common stock only?

Mr. STUART. Yes, sir.

Mr. PECORA. Now did it not acquire also its units?

Mr. STUART. No; I do not think so. I do not think so.

Mr. PECORA. Who were the officers of Halsey, Stuart & Co. that became officers of Corporation Securities Co. of Chicago upon the incorporation of the latter company?

Mr. STUART. I think myself; Mr. —

Mr. PECORA (interposing). What office did you hold?

Mr. STUART. President.

Mr. PECORA. You became president of the Corporation Securities Co. of Chicago?

Mr. STUART. Yes; I became president of the Corporation Securities Co. of Chicago.

Mr. PECORA. Is your brother, C. B. Stuart an officer of Halsey, Stuart & Co.?

Mr. STUART. Yes, sir.

Mr. PECORA. Did he become an officer of Corporation Securities Co. of Chicago?

Mr. STUART. I think he became vice president.

Mr. PECORA. How about Mr. C. T. MacNeille?

Mr. STUART. Mr. MacNeille is vice president of Halsey, Stuart & Co. I think he became secretary treasurer.

Mr. PECORA. How about Mr. T. V. Lamont?

Mr. STUART. Mr. Lamont was not an officer of ours, but he was connected with us.

Mr. PECORA. Now do you recall that on October 14, 1929, nine days after the formal incorporation of the company, at a meeting of the board of directors of the company that included yourself, a resolution was adopted providing, in part, as follows [reading]:

That the remainder of such units of stock to the number of 654,564 are hereby authorized to be sold by the officers of this corporation to such persons or corporations and at such prices, not less than \$75 per unit, as to said officers, or any of them, shall seem advisable; and allotment certificates representing such units so sold shall be issued by said depository and registered.

And so forth.

Do you recall such action?

Mr. STUART. No, sir; I do not recall that meeting.

Mr. PECORA. Well, now, in what form were the stock issues of Corporation Securities Co. (Inc.) made?

Mr. STUART. They were made in a unit of 1 share of preferred, \$3 dividend preferred; and 1 common.

Mr. PECORA. Did the preferred warrants carry with them any rights to purchase common stock?

Mr. STUART. I have forgotten.

Mr. PECORA. Perhaps Mr. MacNeille can tell you.

Mr. MACNEILLE. I was just trying to think, Mr. Pecora. I think it was convertible, but I am trying to refresh my memory.

Mr. PECORA. Well, did it have the right to convert 2½ preferred for one common?

Mr. MACNEILLE. I think it did.

Mr. PECORA. In other words, each unit, which included 1 share of preferred and 1 share of common, carried with it the right at any

time within five years to convert the 1 share of preferred into  $1\frac{1}{2}$  shares of common?

Mr. MACNEILLE. Yes, sir.

Mr. PECORA. That was a matter at the option of the holder at any time within five years.

Mr. STUART. Yes, sir.

Mr. PECORA. Now at what price were those units originally issued to the public?

Mr. STUART. \$75.

Mr. PECORA. \$75?

Mr. STUART. Yes, sir.

Mr. PECORA. And that made an allocation of how much to the common stock? You would divide the 75 by  $2\frac{1}{2}$ , would you not?

Mr. MACNEILLE. May I answer that? \$50 to the preferred stock, and \$25 to the common.

Mr. PECORA. That made an allocation of \$50 to the preferred stock?

Mr. STUART. Yes, sir.

Mr. PECORA. And \$25 to the common?

Mr. STUART. Yes, sir.

Mr. PECORA. Now how many of those units were issued to Halsey, Stuart & Co.?

Mr. STUART. I do not recall. If any were issued, I would have to look it up.

Mr. PECORA. Well, will you please look it up?

Mr. STUART. Yes, sir. There were none issued to Halsey, Stuart & Co. for its own account.

Mr. PECORA. Did the sales organization of Halsey, Stuart & Co. undertake to sell those units to the public?

Mr. STUART. No, sir.

Mr. PECORA. Did it undertake to sell any of the securities issued by Corporation Securities Co. of Chicago to the public?

Mr. STUART. No; not until the debenture notes were put out.

Mr. PECORA. And when were those debenture notes put out?

Mr. STUART. My recollection is, in the fall of 1930.

Mr. PECORA. In the fall of 1930?

Mr. STUART. Yes, sir.

Mr. PECORA. Will you produce from the records of your company the daily bulletin to its salesmen dated October 21, 1929?

Mr. MACNEILLE. The number?

Mr. PECORA. No. 7.

Mr. STUART. Yes, sir.

Mr. PECORA. Have you got it, Mr. Stuart?

Mr. STUART. Yes, sir.

Mr. PECORA. I ask that this daily bulletin, dated October 21, 1929, produced by the witness, be spread upon the record.

The CHAIRMAN. It will be so ordered.

(The daily bulletin of Halsey, Stuart & Co., under date of October 21, 1929, is printed in the record in full, as follows:)

HALSEY, STUART & CO. DAILY BULLETIN

CHICAGO, ILL., *October 21, 1929.*

SPECIAL MEMORANDUM REGARDING CORPORATION SECURITIES OFFERING

For the guidance of our organization relative to the public offering of shares by the Corporation Securities, the following course of action is outlined and must be adhered to without exception.

On Saturday, the Corporation Securities Co. mailed letters to a selected list of names, inviting formal subscriptions for its shares. Included in this list were many of the customers of Halsey, Stuart & Co. whose names were suggested to the Corporation Securities Co. by members of our organization. Because the Corporation Securities Co. in its present form is new and as yet not extensively or well known, our managers and salesmen should capitalize the opportunity for which we are responsible by getting in touch with customers immediately as the books may close quickly. In all such instances there must be absolute adherence to the following line of thought:

"Possibly you are already familiar with the formation of the Corporation Securities Co. to be controlled jointly by interests associated with Halsey, Stuart & Co. and the Insull interests. Halsey, Stuart & Co. does not underwrite or recommend stocks, but it is possible you will receive an invitation from the Corporation Securities Co. to participate in the offering of its shares.

"Any such letter will be the result of a suggestion on our part that such an invitation be extended to you. We have no recommendation to make and no interest in what your decision may be, other than to let you know of our major interest in the enterprise."

A circular describing the new offering will be inclosed in all invitation letters. There will be no harm in helping any of our customers to interpret the statements therein. Under no circumstances, however, may any of the members of our organization go beyond a discussion of actual facts set forth in the circular and the general expression set forth in quotation marks.

All subscriptions by customers or others must be communicated by them direct to the Corporation Securities Co. They will not be accepted on any other basis.

E. HILL LEITH.

#### ASSOCIATED GAS & ELECTRIC CO. RIGHTS

Associated Gas & Electric Co. has offered to its stockholders, and to certain other security holders of record at the close of business October 31, 1929, rights to purchase one \$8 interest-bearing allotment certificate at \$133 for each eight shares of stock then held.

The securities covered by each allotment certificate with their current value are as follows:

1 share of common stock, class A, of General Gas & Electric Corporation, or 5 new split up shares (at New York Curb Exchange prices for split up shares).....	\$106
½ share of \$5 dividend series preferred stock of Associated Gas & Electric Co.....	19
1 debenture right of Associated Gas & Electric Co.....	25
Total.....	150

Among the classes of securities which are entitled to these rights are the Associated Gas & Electric Co. 5½ per cent convertible investment certificates of 1938. These rights are to be obtained by the exchange of the 5½ per cent certificates of 1938 for the stock of Eastern Utilities Investing corporation, as provided for in the certificates. If it is wished to make such an exchange, the certificates should be deposited on or before October 30, 1929, with the Irving Trust Co. if in bearer form, or with the company if in registered form. This delivery will constitute such owners as stockholders of record as of October 31, 1929.

#### EASTERN UTILITIES INVESTING CORPORATION

Stockholders of this corporation are to receive the same rights offered to stockholders of Associated Gas & Electric Co. Further, the holders of debentures of Eastern Utilities Investing Corporation are entitled to these rights provided they exercise their stock purchase warrants, and permission has been granted them to do so on or before October 30, 1929. Such exercise will constitute them stockholders of record on October 31, 1929.

In exercising these purchase warrants the debentures should be delivered or sent by registered mail to the New York Trust Co., 100 Broadway, accompanied by check payable to Eastern Utilities Investing Corporation for \$15 for each share of class A common stock covered by the purchase warrants. Such shipments should be made so as to reach the New York Trust Co. not later than

October 30. The debentures will be returned after the warrants have been detached.

Rights will then be mailed to debenture holders on or about November 15. The class A common stock will be delivered as soon as practicable after 30 days after December 31, 1929. Holders may upon request, however, receive immediately transferable class A common stock warrants pending the issue of the definitive stock.

ANALYTICAL SERVICE.

*Taxable securities listed*

Name of issue	Rate	Maturity	M	D	C	Price	Yield	Code	Conc.
	<i>Per cent</i>								
Brooklyn City Ry. Eq.-----	5	Jan. 15, 1931	1	---	---	98.16	6.50	Q.KE	.UK
Central Power Co.-----	5	July 1, 1957	4	1	---	92.50	5.53	i.	.UK
Chgo. Aur. & Elgin.-----	5½	Apr. 1, 1934	1	---	---	95.20	6.75	i.	Not
Do-----	6	Mar. 1, 1931	2	---	---	98.67	7.00	i.	.UK
Chgo. N. S. & Milw. Eq.-----	5	Jan. 1, 1931	---	1	---	97.70	7.00	Q.KE	.UK
Do-----	5½	Jan. 1, 1933	1	---	---	96.76	6.625	i.	.UK
Chgo. S. S. & So. Bend Eq.-----	5½	Apr. 1, 1934	1	---	---	96.15	6.50	i.	.UK
Do-----	5½	July 1, 1936	1	---	---	94.61	6.50	i.	.UK
Cinn. Ham. & Dayton Eq.-----	6	Apr. 1, 1934	4	---	---	96.50	7.00	C.	.UK
Cinn. Traction Eq.-----	6	July 1, 1930	---	1	---	99.31	7.00	U.	.UK
Gary Railways.-----	6½	Aug. 15, 1945	3	1	---	90.00	7.00	T.	.UK
Hydro Elec. Corp. of Va.-----	5	Dec. 1, 1958	---	1	5	90.00	5.70	i.	.UK
Long Bell Lumber.-----	6	Dec. 1, 1931	1	---	---	97.00	7.50	i.	.UK
Mtge. Guar. Assoc.-----	5	June 1, 1930	36	---	---	98.75	7.00	Q.KE	.UK
So. West Lt. & Fr.-----	5	Feb. 1, 1957	---	1	2	91.00	5.65	i.	.UK
Texarkana Water.-----	5	Feb. 1, 1958	5	---	---	91.00	5.65	i.	.UK

<sup>1</sup> Not included in real estate campaign.

Mr. PECORA. Now, let me read from this bulletin of October 21, 1929, the following excerpts to you [reading]:

SPECIAL MEMORANDUM REGARDING CORPORATION SECURITIES

For the guidance of our organization relative to the public offering of shares by the Corporation Securities, the following course of action is outlined and must be adhered to without exception.

On Saturday, the Corporation Securities Co. mailed letters to a selected list of names, inviting formal subscriptions for its shares. Included in this list were many of the customers of Halsey, Stuart & Co. whose names were suggested to the Corporation Securities Co. by members of our organization.

Now, let me ask you, Mr. Stuart, what names were referred to in that portion of this daily bulletin?

Mr. STUART. Well, I presume they were just what it says.

Mr. PECORA. Well, were they a large number of names of customers generally of Halsey, Stuart & Co.?

Mr. STUART. I could not answer.

Mr. PECORA. Do you know anybody that can answer? You were president of Halsey, Stuart & Co.

Mr. STUART. Yes, sir.

Mr. PECORA. And you were the president of the Corporation Securities Co. of Chicago at the same time?

Mr. STUART. Yes; but I would not know what names were suggested.

Mr. PECORA. Well, without knowing particular names, would you know the kind of names, or would you know from what list those names were compiled?

Mr. STUART. No; I would not.

Mr. PECORA. Well, as you read that information on this daily bulletin, does it occur to you that probably the list of names referred to here was a list taken from the customers of Halsey, Stuart & Co.?

Mr. STUART. Yes; because it says so.

The CHAIRMAN. That is the corporation that never sells stock?

Mr. PECORA. Yes. Do you know how many names of customers of Halsey, Stuart & Co. were given——

Mr. STUART (interposing). I do not.

Mr. PECORA (continuing). To the Corporation Securities Co. of Chicago by members of your company?

Mr. STUART. I do not; no, sir.

Mr. PECORA. It was a large number, was it not?

Mr. STUART. I really do not know.

Mr. PECORA. Do you know of anyone who would know?

Mr. STUART. I think somebody in our office being in the sales department would know; yes. They might remember.

Mr. PECORA. Now, let me read further from this daily bulletin [reading]:

Because the Corporation Securities Co. in its present form is new and as yet not extensively or well known, our managers and salesmen should capitalize the opportunity for which we are responsible by getting in touch with customers immediately as the books may close quickly.

That was in the nature, was it not, of a summons or request to your sales force to push the sale of the stock of the Corporation Securities Co. of Chicago?

Mr. STUART. No, sir; I would not take it that way.

Mr. PECORA. Well, what does this mean when you say to your salesmen in this bulletin, "Our managers and salesmen should capitalize the opportunity for which we are responsible by getting in touch with customers immediately as the books may close quickly"?

Mr. STUART. Well, I think there was a howling mob stock market at that time, and, as I said before, everyone was buying stocks and not bonds, and that this was thought by everybody to be a tremendous opportunity.

Mr. PECORA. Well, you mean thought by the general public to be a tremendous opportunity to buy the common stock of the Corporation Securities Co. of Chicago; is that what you mean, Mr. Stuart?

Mr. STUART. That is what the public thought.

Mr. PECORA. That is what you think the public thought?

Mr. STUART. Yes, sir.

Mr. PECORA. Did you not say in this bulletin to your salesmen that the public knew very little about this security because it was a new issue?

Mr. STUART. Well, you see, the mere rumor of it, as I remember, the brokers on the mere rumor, brokers were selling it on the Street at more than \$100.

Mr. PECORA. The mere rumor of this issue——

Mr. STUART (interposing). Yes, sir.

Mr. PECORA (continuing). Caused a tremendous demand for it?

Mr. STUART. Yes, sir.

Mr. PECORA. Despite the fact, as you advised your company, that the "Corporation Securities Co. in its present form is new and as yet not extensively or well known"?



Mr. STUART. Yes, sir.

Mr. PECORA. You still think——

Mr. STUART (interposing). Oh, I know there were actual sales.

Mr. PECORA (continuing). The public were exceedingly anxious to buy the securities?

Mr. STUART. There were actual sales between brokers of over \$100 a unit.

Mr. PECORA. Between brokers?

Mr. STUART. Yes, sir; between brokers.

The CHAIRMAN. Speaking of tremendous opportunities, did it not turn out to be a tremendous opportunity for those who were selling, rather than for those who were buying?

Mr. STUART. Well, it turned out unfortunately.

Mr. PECORA. Now, in this bulletin you were stating to your salesmen, among other things, that they "should capitalize the opportunity for which we are responsible." What did you mean; for which Halsey, Stuart & Co. were responsible?

Mr. STUART. Well, I think it included, what it says in the early paragraphs, that many of the names were suggested by members of our organization.

Mr. PECORA. No; but this injunction is to your managers and salesmen to capitalize the opportunity.

Mr. STUART. Yes, sir.

Mr. PECORA. What did that mean? The opportunity to sell common stock of Corporation Securities Co. of Chicago to the public?

Mr. STUART. No; I think it means just what it says here, to tell people that they might receive an invitation to join this group. I think that is what it means.

Mr. PECORA. Were the salesmen of your company given commissions on the sales of this stock?

Mr. STUART. No, sir.

Mr. PECORA. Then how could they capitalize it, if they were not getting commissions?

Mr. STUART. I think they could capitalize in this way: I have already said the sales were at \$100 a unit, and we suggested to the organization that they should send names in, and then we told the customer that they had presented his name. I think that is what it meant. There was not anything in it for us.

Senator BROOKHART. That was the stongest kind of a recommendation. You opened it up by buying the Insull stock. You meant the record of the Insull stock; on account of the record you put it up?

Mr. STUART. Oh, I do not know. I should not think so.

Mr. PECORA. Let me read further from this bulletin. [Reading:]

In all such instances there must be absolute adherence to the following line of thought:

And then there follow two paragraphs in this bulletin in quotations. Is that so?

Mr. STUART. Yes, sir.

Mr. PECORA. Those two paragraphs in quotation marks were intended to be the line of talk which the salesmen of your company were to use in any representations they made to customers of Halsey,

Stuart & Co. of the securities of the Corporation Securities Co. of Chicago?

Mr. STUART. Yes, sir.

Mr. PECORA. Is that right?

Mr. STUART. Yes, sir.

Mr. PECORA. Do you know who prepared this bulletin?

Mr. STUART. I think Mr. Leith, whose name is signed below.

Mr. PECORA. What was Mr. Leith's position with your company?

Mr. STUART. Mr. Leith is vice president.

Mr. PECORA. Now, let me read these two paragraphs in quotation marks from this bulletin. [Reading:]

Possibly you are already familiar with the formation of the Corporation Securities Co. to be controlled jointly by interests associated with Halsey, Stuart & Co. and the Insull interests. Halsey, Stuart & Co. does not underwrite or recommend stocks, but it is possible you will receive an invitation from the Corporation Securities Co. to participate in the offering of its shares.

Any such letter will be the result of a suggestion on our part that such an invitation be extended to you. We have no recommendation to make and no interest in what your decision may be, other than to let you know of our major interest in the enterprise.

Now, in that so-called line of talk, Mr. Stuart, is there not subtly conveyed to the prospective purchaser of these securities, or the salesmen of your company a recommendation that the common stock of Corporation Securities Co. of Chicago would be a good purchase?

Mr. STUART. I would not so regard it, Mr. Pecora.

Mr. PECORA. You do not think that the language is capable of any such interpretation, do you?

Mr. STUART. It would not, to me.

Mr. PECORA. What would it mean to you, if it did not mean that?

Mr. STUART. What would it mean to me? It just meant that somebody called my attention to it, take it or not. No recommendation.

Mr. PECORA. Does not that mean that somebody in Halsey, Stuart & Co. called to the attention of the prospective purchaser or buyer an issue which Halsey, Stuart & Co. were not recommending, but in which Halsey, Stuart & Co. were interested; is not that what it means?

Mr. STUART. Yes; it says that.

Mr. PECORA. And does not that convey the idea that Halsey, Stuart & Co. were interested in the security, or in the company issuing the security? In other words, a recommendation?

Mr. STUART. It would not to me.

Mr. PECORA. From Halsey, Stuart & Co.?

Mr. STUART. No, sir; I do not think so.

Senator BROOKHART. Then why mention it?

Mr. STUART. Well, just for the reason that is given here, that is all. It would not be any recommendation to buy.

Mr. PECORA. Well, when Halsey, Stuart & Co. was giving Corporation Securities Co. of Chicago a list of names of its customers or purchasers of securities in the latter company, it did it for the purpose of enabling the latter company to sell to them?

Mr. STUART. It gave them an opportunity to buy.

Mr. PECORA. It gave an opportunity to contact the customers of Halsey, Stuart & Co., a contact to be utilized in an effort to sell the common stock of that company to those persons, would it not?

Mr. STUART. Well, it was given as an opportunity to the investor if he wanted to exercise it.

Senator BROOKHART. Did that include your entire list of customers?

Mr. STUART. I do not know. He asked me that before, and I do not know what kind of list it means.

Mr. PECORA. You had in these quoted portions of this bulletin for your salesmen to tell the customers of your company who were to receive these letters from the Corporation Securities Co. of Chicago to subscribe to its stock, that Halsey, Stuart & Co. had a major interest.

Mr. STUART. Yes; that is what it says here.

Mr. PECORA. Yes. And Halsey, Stuart & Co.'s major interest would be served, would it not, by a substantial sale of the stock of the Corporation Securities Co. of Chicago to the investing public?

Mr. STUART. Well, not to our customers.

Mr. PECORA. Well, why did you put your customers' names on the list of the Corporation Securities Co. of Chicago?

Mr. STUART. I understood your question was our customers. There were plenty of other people that wanted to buy. The thing was oversubscribed in three or four hours.

Mr. PECORA. Then why did you give the Corporation Securities Co. of Chicago the names of your customers to be written to?

Mr. STUART. I do not know. It was done, I suppose, days in advance.

Mr. PECORA. It was done days in advance?

Mr. STUART. It was done days in advance, I suppose.

Senator BROOKHART. That is the reason it was oversubscribed?

Mr. STUART. I do not know how many names were on it. I imagine there were thousands of people who got it.

Mr. PECORA. Now let me read the following excerpts from the bulletin. This is not in quotes. [Reading:]

A circular describing the new offering will be inclosed in all invitation letters. There will be no harm in helping any of our customers to interpret the statements therein.

Now what was meant by that instruction to your salesmen?

Mr. STUART. That I do not know, unless they could answer any remarks. That is what it says here.

Mr. PECORA. Well, when you say: "There will be no harm in helping any of our customers to interpret the statements therein," you meant the statements that would be in the circular that was to be sent to your customers in the event of Corporation Securities Co. of Chicago offering its common stock to them for sale?

Mr. STUART. I think that is what it means; yes.

Mr. PECORA. Now I will ask you if you will be good enough to produce a letter from your files dated August 12, 1932, addressed to Halsey, Stuart & Co., by a man named Frank J. Bunker? I think it is No. 6.

Mr. STUART. August, 1932?

Mr. PECORA. August 12, 1932.

Mr. STUART. Yes, sir.

Mr. PECORA. May I have it, please?

Mr. STUART. Yes, sir.

Mr. PECORA. I ask that this letter be spread on the record, the letter produced by the witness; and also the reply to that letter made

by Halsey, Stuart & Co. under date of August 18, 1932, also produced by the witness.

The CHAIRMAN. There being no objection, it is so ordered.

(The letter of August 12, 1932, and also the letter of August 18, 1932, are printed in full in the record, as follows:)

NEW LISBON, WIS.,  
August 12, 1932.

HALSEY STUART & Co.,  
Milwaukee, Wis.  
(Attention of Mr. Adams.)

GENTLEMEN: For — sake, is there any issue that Halsey Stuart sold me that hasn't or isn't going to default? I refer to Northwestern Elevated, American Ice, State and Washington Building, LaSalle Wacker Building, etc., Corporation Securities.

Please let me have a little information on the above-named issues as to when some of them will again pay interest, especially on the American service issue which I cursed from the start but was always soaped along to think it was all right.

Also what is happening to LaSalle Wacker Building and State and Washington Building, Corporation Securities, etc. When I think of the small fortune I sunk in Halsey Stuart sound bonds it gives me a headache, and I am writing you to find out if these things are about to start paying out.

FRANK J. BUNKER.

AUGUST 18, 1932.

MR. FRANK J. BUNKER,  
New Lisbon, Wis.

DEAR MR. BUNKER: Replying to your letter of August 12, addressed to Mr. Adams, we are sorry we can not give you any definite information as to when Northwestern Elevated Railroad, American Service Co., State and Washington Buildings, La Salle Wacker Building, or Corporation Securities Co., securities, will resume interest payments.

In the case of the Northwestern Elevated first 5's we have a situation where traffic has declined to a point where earnings are not sufficient to meet charges. How soon business is going to increase to a point where these charges can again be met is something nobody can predict. However, you have a first mortgage on an important part of the rapid transit system in Chicago and you should be accorded consideration in a reorganization.

In the case of the American Service Co., you have probably deposited your bonds with the bondholders' committee and have received the information this committee has been sending out from time to time. The last communication was sent out on April 5 of this year, which gave a balance sheet and earnings statement. We have no detailed figures since that date. The company is not in receivership, and so far no plans for reorganization have been taken up. If you do not have a copy of the committee's letter of April 5, we shall be glad to send you one, as this gives you the information in rather complete form.

In the case of the State and Washington Buildings, this situation is one where you have a first mortgage on a piece of property which has always been considered very valuable and one of the best in Chicago. The difficulties of its principal tenant are, of course, responsible for the impending default in interest on September 1.

In the case of the La Salle Wacker Building Corporation, this situation is one we have been working on for some time and we hope to be able to advise you further in this connection before very long. You will be interested in knowing that the building is now paying its way, although it is not yet able to pay its bond interest.

The Corporation Securities Co. notes are probably the most unsatisfactory of the issues mentioned in your letter. Figures are of little use to you in this instance, as the value of the collateral owned by the company has changed and we have no way of knowing what the action of the courts or bank creditors will be. With these factors it is impossible to make any prediction as to the near, or ultimate outlook for these notes.

In going over your list of purchases we note there are a number of issues about which we do not think you should have any concern; also, in this connection we

note that some of the issues referred to in your letter were purchased at very substantial discounts.

We realize that there is nothing tangible, or very encouraging, we have been able to tell you in this letter; but we assure you that we are doing all we can to cooperate with the responsible individuals in the working out of these situations on the best possible terms for those who purchased the securities from us.

Very truly yours,

Mr. PECORA. The letter reads as follows—this is the letter to Halsey, Stuart & Co., dated August 12, 1932. [Reading:]

(Attention of Mr. Adams.)

GENTLEMEN: For ——— sake, is there any issue that Halsey, Stuart sold me that hasn't or isn't going to default. I refer to Northwestern Elevated, American Ice, State & Wash Building, LaSalle Wacker Building, etc., Corporation Securities.

Please let me have a little information on the above-named issues as to when some of them will again pay interest, especially on the American Service issue which I cursed from the start but was always soaped along to think it was all right.

Also what is happening to LaSalle Wacker Building and State & Wash Building, Corporation Securities, etc. When I think of the small fortune I sunk in Halsey, Stuart sound bonds it gives me a headache, and I am writing you to find out if these things are about to start paying out.

FRANK J. BUNKER.

And there is a pencil memorandum at the bottom of the letter reading as follows:

Barney: Reply to this.

Who was Barney?

Mr. STUART. I do not know.

Mr. PECORA. He is an employee of the company?

Mr. STUART. Yes; but I do not know who it is.

Mr. PECORA. Now in the reply, which was written by your company to Mr. Bunker, under date of August 18, 1932, I want to call your attention, Mr. Stuart, to the following paragraph [reading]:

The Corporation Securities Co. notes are probably the most unsatisfactory of the issues mentioned in your letter. Figures are of little use to you in this instance, as the value of the collateral owned by the company has changed and we have no way of knowing what the action of the courts or bank creditors will be. With these factors it is impossible to make any prediction as to the near, or ultimate outlook for these notes.

In going over your list of purchases we note there are a number of issues about which we do not think you should have any concern; also, in this connection we note that some of the issues referred to in your letter were purchased at very substantial discounts.

We realize that there is nothing tangible, or very encouraging, we have been able to tell you in this letter; but we assure you that we are doing all we can to cooperate with the responsible individuals in the working out of these situations on the best possible terms for those who purchased the securities from us.

Now all of the securities referred to in Mr. Bunker's letter are in default, are they not?

Mr. STUART. Yes, sir.

Mr. PECORA. And have continued in default?

Mr. STUART. Yes; I think so; all of them.

Mr. PECORA. Are you in a better position now than you were in August, 1932, to say what the debenture holders of the Corporation Securities Co. of Chicago will get for their debentures?

Mr. STUART. To-day, I presume, yes; I think so.

Mr. PECORA. What?

Mr. STUART. I think we could say to-day that they will get very little.

Mr. PECORA. If anything?

Mr. STUART. They will get very little.

Mr. PECORA. They will get very little, if anything?

Mr. STUART. Yes; that would be my judgment.

The CHAIRMAN. The committee will now take a recess until 2.15 o'clock this afternoon, and convene again in this room. All witnesses who are under subpoena will return and be in attendance at that time.

(Thereupon, at 1 o'clock p. m., the committee stood in recess until 2.15 o'clock p. m. of the same day.)

#### AFTER RECESS

The subcommittee resumed at 2.15 p. m. on the expiration of the recess.

The CHAIRMAN. The committee will resume.

#### TESTIMONY OF HAROLD L. STUART, PRESIDENT, HALSEY, STUART & CO., CHICAGO, ILL.—Resumed

Mr. STUART. Mr. Pecora, you asked me to produce any literature that we may have gotten out which showed that we had some large connection with Corporation Securities Co. of Chicago.

Mr. PECORA. Not particularly any large connection, but a connection which represented a considerable or large stock ownership.

Mr. STUART. Which indicated that, you meant?

Mr. PECORA. Yes.

Mr. STUART. Here is a circular on the issue of \$40,000,000 of gold notes, that explains about a voting trust on a very large amount of stock.

Mr. PECORA. You have produced, Mr. Stuart, from your files this prospectus relating to the issue of \$40,000,000 of serial gold notes, by the Corporation Securities Co. of Chicago, as being a prospectus put out by your company to the public, in which it is indicated that your company had a substantial interest, represented through stock ownership in the Corporation Securities Co. of Chicago. Is that your purpose in giving me this prospectus?

Mr. STUART. Yes, sir.

Mr. PECORA. Will you point out any language in that prospectus which has that effect?

Mr. STUART. I should say that this last paragraph would have that effect.

Mr. PECORA. Do you mean that portion of the prospectus which reads as follows:

Two million, thirty thousand shares of 4,116,403 shares of common stock now issued or held in voting trust expiring on November 1, 1934, with option to renew for an additional five years. The voting trustees under this trust are Samuel Insull, H. L. Stuart, and Samuel Insull, jr.

Is that the portion of this prospectus that you maintain informs the public of a large stock ownership by Halsey, Stuart & Co. of common stock of the Corporation Securities Co. of Chicago?

Mr. STUART. Yes; I should say so.

Mr. PECORA. Is there anything at all said there about Halsey, Stuart & Co. being the owner of any common stock of Corporation Securities Co. of Chicago?

Mr. STUART. I think this indicates a large ownership.

Mr. PECORA. Well, as a matter of fact, doesn't it indicate that you individually were one of three trustees who had the right to vote a large block of the common stock of the Corporation Securities Co. of Chicago? Isn't that all that that statement means?

Mr. STUART. Yes; but I understood your question to me to be anything that would indicate that we had a large interest in it, and I think this would indicate that.

Senator BROOKHART. From that how could one tell who were the owners of the common stock?

Mr. STUART. I was one of the voting trustees.

Mr. PECORA. Well, can not one be a voting trustee without being the owner of a single share of stock?

Mr. STUART. Yes, but——

Mr. PECORA (continuing). So that all that circular states is that you were one of three voting trustees; and yet it was possible for you or anyone else to be a voting trustee without being the owner of a single share of stock?

Mr. STUART. Yes; but it indicates that we had an interest there, and also that we had something to say about management, too.

Mr. PECORA. And that something to say about management flowed from the voting trust agreement and not from the ownership of any shares.

Mr. STUART. Yes, sir; but——

Mr. PECORA (continuing). And it is a device that is often resorted to in order to obtain control of the operation and management of a corporation at a minimum of actual investment.

Mr. STUART. Yes; and——

Mr. PECORA (interposing). And that is what you are pointing to as evidence, and the only evidence you have been able to produce, by which your company informed the public through the medium of a circular that it had a substantial interest in a company whose securities you were offering to the public, represented by ownership of stock. Is that right?

Mr. STUART. That is the only thing I have been able to find so far.

Mr. PECORA. What is the date of that circular?

Mr. STUART. September 10, 1930.

Mr. PECORA. And that was nearly a year after that company was first organized?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, in view of the fact that you have referred to this voting trust agreement, let me ask you something about it: When was that voting trust agreement effected?

Mr. STUART. I think it was effected right after the organization of the company.

Mr. PECORA. That is, on or about October 5, 1929?

Mr. STUART. Yes, sir.

Mr. PECORA. At that time the public held no shares of the common stock of the company?

Mr. STUART. No; not up to the time of the public offering.

Mr. PECORA. And the officers and directors, or rather the directors of Corporation Securities Co. of Chicago, of which you were president, created this voting trust, and attached it to a large block of the common stock of the company.

Mr. STUART. Yes.

Mr. PECORA. And the voting trustees designated in that trust agreement were Mr. Samuel Insull, sr., Samuel Insull, jr., and yourself.

Mr. STUART. Yes, sir.

Mr. PECORA. And the purpose of it was to enable the three voting trustees, you, Mr. Samuel Insull, sr., and Mr. Samuel Insull, jr., without necessarily investing a single dollar of your own money in the corporation, to retain the management and control of it through the creation of that voting trust, attaching to over a million shares of stock? Isn't that right?

Mr. STUART. Well, of course we actually owned shares.

Mr. PECORA. But you need not have owned any shares at all in order to have obtained that control through the medium of that voting trust.

Mr. STUART. I presume a voting trust could be created without the trustees owning stock.

Mr. PECORA. Under the terms of this voting trust and the manner in which it was created, it was made possible for you and the other two trustees to control the company without owning a single share of the stock.

Mr. STUART. But we actually did.

Mr. PECORA. But, I say, it was made possible by this voting trust.

Mr. STUART. Perhaps.

Mr. PECORA. And that was done by the directors at the outset.

Mr. STUART. Perhaps it was.

Mr. PECORA. And the directors and officers were all persons that were connected with either the Insull companies or Halsey, Stuart & Co., weren't they?

Mr. STUART. That is my recollection.

Mr. PECORA. Is there anything more that you want to tell us about this voting trust agreement?

Mr. STUART. I think the circular put out by the company when offering the original allotment units also said something about a voting trust, but I have not a copy of that circular.

Mr. PECORA. Well, Mr. Stuart, I take it you are not pointing with pride to this voting trust in the light of the things that have since transpired.

Mr. STUART. No. But you asked me this morning to produce such a document, and I think that document answers your question.

Mr. PECORA. You still think it answers the question I asked you this morning?

Mr. STUART. I think it indicates a large ownership.

Mr. PECORA. At the time of the incorporation of Corporation Securities Co. of Chicago a certificate of such incorporation was filed under the laws of the State of Illinois in the office of the secretary of state, wasn't it?

Mr. STUART. I presume so.

Mr. PECORA. And under the laws of the State of Illinois such certificate was required to show the stockholders at the time of the filing of the certificate.



Mr. STUART. I presume so.

Mr. PECORA. And at the time of the filing of this certificate were Halsey, Stuart & Co. the owners, either legally or equitably, of any common stock of Corporation Securities Co. of Chicago?

Mr. STUART. I could not answer without looking that up.

Mr. PECORA. Will you look that up if you have any records available?

Mr. STUART. All right.

Mr. PECORA. Let me remind you, and perhaps it will save you the trouble of looking it up: Were any shares of the common stock of the corporation acquired by Halsey, Stuart & Co. at the time of the incorporation on October 5, 1929?

Mr. STUART. I presume so, but I couldn't tell you definitely without looking it up.

Mr. PECORA. Don't you recall that at the outset of that corporation a million shares of its common stock were allotted to Halsey, Stuart & Co., and a little more than a million shares to Samuel Insull, sr.?

Mr. STUART. I recall those amounts, but I do not know the dates of the allotment.

Mr. PECORA. Now, in whose name was the subscription for those million shares allotted to Halsey, Stuart & Co.?

Mr. STUART. I could not answer.

Mr. PECORA. Do you know a man named Walter F. Darfler?

Mr. STUART. Yes, sir.

Mr. PECORA. Who is he?

Mr. STUART. He is connected with Halsey, Stuart & Co.

Mr. PECORA. In what capacity?

Mr. STUART. He is assistant secretary or assistant treasurer, I find by inquiry.

Mr. PECORA. Isn't it a fact that at the time of the filing of this certificate of incorporation with the secretary of state of Illinois the certificate showed that Walter F. Darfler gave the address of 201 South La Salle Street, Chicago, and that he was the owner or was one of the stockholders to the corporation to the extent of 999,996 shares of common stock?

Mr. STUART. I could not say. But if that is the record, that is true.

Mr. PECORA. For which he was supposed to have paid in to the company the sum of \$13,778,034.45?

Mr. STUART. If that is the record.

Mr. PECORA. Let me show you the original certificate of the secretary of state of Illinois, dated October 11, 1929, of the articles of incorporation of the Corporation Securities Co. of Chicago.

Mr. STUART. All right.

Mr. PECORA. Will you turn to the photostatic pages attached to that certificate, the one that contains the list of stockholders of Corporation Securities Co. of Chicago?

Mr. STUART. All right.

Mr. PECORA. I will point it out to you if you wish.

Mr. STUART. I have it here.

Mr. PECORA. Do you see Mr. Darfler's name on that?

Mr. STUART. Yes, sir.

Mr. PECORA. Is Halsey, Stuart & Co.'s name shown on that list?

Mr. STUART. No, sir.

Mr. PECORA. The fact of the matter is that Darfler, a subordinate officer of Halsey, Stuart & Co., is shown to be the owner of nearly 1,000,000 shares, in fact 1,000,000 shares less 4 shares, of the common stock of the company.

Mr. STUART. Yes, sir.

Mr. PECORA. And Darfler was not the owner of those shares, was he?

Mr. STUART. No, sir.

Mr. PECORA. He was a dummy or nominee with respect to such shares of Halsey, Stuart & Co.?

Mr. STUART. He was the nominee, our nominee.

Mr. PECORA. Now, was there any purpose in concealing from the public records the fact that Halsey, Stuart & Co. and not Darfler were the actual owners of those 1,000,000 shares of common stock?

Mr. STUART. There was no point of concealment there.

Mr. PECORA. Why was it done?

Mr. STUART. We wanted some individual's name instead of the name of a corporation.

Mr. PECORA. For what reason?

Mr. STUART. I do not know. I suppose it was done in order that——

Mr. PECORA (interposing). Wasn't it because you did not want a public record of the fact that Halsey, Stuart & Co. owned a million shares of the common stock of this corporation in view of the fact that Halsey, Stuart & Co. had planned to offer and sell to the public the debentures of the Corporation Securities Co. of Chicago in the matter of some millions of dollars?

Mr. STUART. No, sir. There was no attempt at concealment.

Mr. PECORA. But there was concealment.

Mr. STUART. It was done for that purpose. There was no attempt at concealment.

Mr. PECORA. It was a concealment, but was it done for any other purpose that you can now think of?

Mr. STUART. None, except that it was easier to handle it in that way.

Mr. PECORA. Was it easier to write in the name of Walter F. Darfler than to write in the name of Halsey, Stuart & Co.?

Mr. STUART. No, sir. But it was easier to handle in the case of an individual.

Mr. PECORA. Those million shares of common stock were not handled by Darfler but by Halsey, Stuart & Co.?

Mr. STUART. That is right.

Mr. PECORA. So that there was no ease that accrued in the handling of this stock from the mention of the name of Darfler as the owner of those shares instead of the name of Halsey, Stuart & Co.?

Mr. STUART. Well, it is frequently done. We always do it.

The CHAIRMAN. Well, Mr. Stuart, you are an individual. You could have used your own name.

Mr. STUART. Yes. I do not know why we used his name particularly.

The CHAIRMAN. I noticed when a question was asked you a moment ago by counsel to the committee you didn't know even who he was.

Mr. STUART. Oh, I know him all right. But I asked about his title or office.

Senator COUZENS. Is there anything in the statutes of the State of Illinois which prohibit a copartnership or corporation from holding stock in another corporation?

Mr. STUART. I do not know. I can not answer that.

Mr. PECORA. You know, as a matter of fact—

Mr. ISAAC H. MAYER (interposing). Mr. Chairman, I am counsel for one of the Chicago banks, and perhaps I might answer that.

The CHAIRMAN. Very well.

Mr. MAYER. The Illinois law expressly permits an Illinois corporation to own stock in another corporation, with certain exceptions, the exceptions being along the line calculated to prevent a monopoly. But speaking generally—

Senator COUZENS (interposing). In other words, there was no prohibition in the Illinois statute preventing Halsey, Stuart & Co. from being subscribers to the stock of that corporation?

Mr. MAYER. No; assuming that Halsey, Stuart & Co. were not a bank. I do not know anything about them or their charter as to that matter.

The CHAIRMAN. Is Halsey, Stuart & Co. a bank?

Mr. STUART. No, sir. We are a corporation under the general corporation law.

The CHAIRMAN. You said this morning you never claimed you were the largest bank.

Mr. PECORA. I think he said investment dealer.

Mr. STUART. Investment dealer, I think I said.

The CHAIRMAN. Do you know anyone that is larger than yourselves?

Mr. STUART. Well, as I said this morning, I do not know about the volume of business done by others.

The CHAIRMAN. But you are not sure that there are any in the United States which are larger than yours?

Mr. STUART. I do not know about that.

Senator COUZENS. You are the concern that used to broadcast The Old Counsellor?

Mr. STUART. Yes, sir.

The CHAIRMAN. That was gone into fully this morning, Senator Couzens, but I am not saying that in order to stop you, but merely to inform you that that has been fully gone into.

Senator COUZENS. I do not want to repeat it. I was not able to be here this morning.

The CHAIRMAN. Mr. Stuart admitted that he employed The Old Counsellor.

Senator COUZENS. Well, I hope he did not take The Old Counsellor's advice. [Laughter.]

Mr. PECORA. What did Halsey, Stuart & Co. pay to Corporation Securities Co. of Chicago for those million shares of its common stock.

Mr. STUART. One hundred fifty two thousand two hundred seventy shares of Insull Utility Investments, (Inc.) common, which then had a market value of between fifteen and sixteen million dollars.

Mr. PECORA. In other words, a market value of about 100?

Mr. STUART. A market value of about 100, between 100 and 106 on the day that it was organized.

Mr. PECORA. Yes.

Mr. STUART. A value of between fifteen and sixteen million dollars, and —

Mr. PECORA (interposing). And those are the shares that your company got at \$10 and \$12 a share originally?

Mr. STUART. Well, some higher than that.

Senator COUZENS. What was the average?

Mr. STUART. I think our average cost was around 40 or 41.

Senator COUZENS. And you put them in at over 100?

Mr. STUART. Yes. There was a market value of 100, but the way we got paid for them was not in cash. The actual cash cost of that stuff to us had been about \$3,400,000. That was our actual cash cost, which was somewhere around or a little over \$20 a share.

Senator COUZENS. And you got in return for that some \$13,000,000 of this Corporation Securities Co.'s stock?

Mr. STUART. Just a moment. We sold that—all the stock we had, which cost us \$3,400,000, to the Corporation Securities Co., for our cost price, and the average was about—for the high we paid as much as 40, but our average was about 20. And that gave us back our actual cash, and there was a real market at that time, well, a very big market for it—and then we took the common stock in the corporation for the balance.

Senator COUZENS. What was the par value of the stock you took from the Corporation Securities Co.?

Mr. STUART. It was stock without par value. A million shares I think without par value.

Senator COUZENS. That is what is represented in the articles of incorporation originally \$13,000,000 plus.

Mr. STUART. Yes. The point is that we did not get any cash profit. That is what I want to emphasize.

Mr. PECORA. At what price per share did your company take over a million shares in October of 1929 from the Corporation Securities Co.?

Mr. STUART. We took them over at the difference between the then market value and the cash.

Mr. PECORA. At what price per share was it? Wasn't it \$12 and a fraction per share?

Mr. STUART. I think that is the way it would figure out. But I have not the exact figures.

Mr. PECORA. It was \$12 and a fraction per share, wasn't it?

Mr. STUART. I do not know.

Mr. MACNEILLE. If I understood just what Mr. Pecora is asking about, if he agrees for me to answer it?

Mr. STUART. Would you like to leave that until Mr. MacNeille can answer it?

Mr. PECORA. At the outset of the existence of Corporation Securities Co. you recall, don't you, that 1,045,433 shares of common stock were sold to Samuel Insull and members of his family, and 1,000,000 shares to Halsey, Stuart & Co., at a price of \$12.11 per share?

Mr. STUART. I do not remember the price.

Mr. PECORA. You wouldn't dispute that that is a fact, would you?

Mr. STUART. Oh, no; I would not dispute it. I just do not remember what it was.

Mr. PECORA. Now, this common stock of Corporation Securities Co. of Chicago was shortly thereafter listed on the Chicago Stock Exchange, wasn't it?

Mr. STUART. That is my recollection.

Mr. PECORA. Do you know at what price the stock was sold on the opening day on the Chicago Stock Exchange?

Mr. STUART. I do not know.

Mr. PECORA. Don't you recall that this common stock was issued and traded in in units, each unit calling for one share of preferred convertible and one share of common?

Mr. STUART. Yes.

Mr. PECORA. And that the conversion privilege attached to the preferred shares was to exchange the preferred for one and one-half shares of common?

Mr. STUART. Yes, sir.

Mr. PECORA. Don't you recall that the opening day's trades on the Chicago Stock Exchange for those units was at \$100 per unit, giving a value of \$40 to the common shares?

Mr. STUART. I do not remember what it sold at.

Senator COUZENS. I should like to ask just what counsel for the committee means. Does he mean to indicate that the preferred was worth 60 and the common worth 40?

Mr. PECORA. Yes, sir; because each unit consisted of 1 share of preferred convertible into  $1\frac{1}{2}$  shares of common, and also 1 share of common. So that a unit selling for \$100 would represent  $2\frac{1}{2}$  shares of common stock, making \$40 a share for the common stock.

Senator COUZENS. That is on the assumption that the conversion was made?

Mr. PECORA. Yes.

Senator COUZENS. But your conclusion does not follow until the conversion was made?

Mr. PECORA. But the conversion, at the option of the holder, would be made, I take it, and that was the valuation.

Senator COUZENS. But conversions are not always made.

Mr. PECORA. No.

Senator COUZENS. All right.

Mr. PECORA. Now, Mr. Stuart, how many units did Halsey, Stuart & Co. acquire?

Mr. STUART. We did not acquire any units of that original offering, for our own account.

Mr. PECORA. At what price per unit did Halsey, Stuart & Co. acquire those units?

Mr. STUART. Well, as I say, we did not acquire any for our own account. If we acquired them it was for somebody else's account, and then at the unit price, which I think was 75.

Mr. PECORA. Well, now, didn't Halsey, Stuart & Co. sell those units through its selling organization to the public?

Mr. STUART. No; not at all.

Mr. PECORA. Were not those units offered to the public in the name of Corporation Securities Co. of Chicago but to customers of Halsey, Stuart & Co. whose names were furnished by Halsey, Stuart & Co. to Corporation Securities Co. of Chicago?

Mr. STUART. Yes. We furnished some names to the Corporation Securities Co., and they sent a circular direct. We had nothing whatever to do with the sale.

Mr. PECORA. At what price were the units offered to the public at that time?

Mr. STUART. It is my recollection at 75.

Mr. PECORA. Now, did Halsey, Stuart & Co. at any time enter into any syndicate agreements with anyone for the purpose of supporting the market for the common stock of either Insull Utility Investments (Inc.) or Corporation Securities Co. of Chicago?

Mr. STUART. Not that I recall.

Mr. PECORA. Do you mean by that answer that there may have been some such instances but they are not now within your recollection?

Mr. STUART. I do not remember any such instance.

Mr. PECORA. I show you this letter, written on the letterhead of Halsey, Stuart & Co., dated December 31, 1929, addressed to Mr. Samuel Insull, chairman Insull Utility Investments (Inc.). Will you kindly look at it and read it?

Mr. STUART. All right. I remember it.

Mr. PECORA. After reading that letter is your recollection refreshed as to whether or not Halsey, Stuart & Co. entered into any syndicate agreement with anyone with respect to maintaining the market for the common shares of Insull Utility Investments (Inc.)?

Mr. STUART. Yes. That statement still holds. Here is what we did here: After we bought these \$60,000,000 of debentures for the account of the buying syndicates, a part of the conditions of the trade was that the company would have to maintain the market on the common stock at the closing price on the day prior to the dealers' offering for four business days thereafter. That was a part of the consideration of purchase. We had nothing to do with supporting that stock or buying any of it.

Mr. PECORA. That is, you agreed to take over those debentures?

Mr. STUART. Yes, sir.

Mr. PECORA. And the company issuing those debentures was to agree to maintain the market for the common stock?

Mr. STUART. Yes, sir; that is right.

Mr. PECORA. What did you mean by maintaining the market for the common stock?

Mr. STUART. It says:

We also understand that you agree to maintain the market on Insull Utility Investments (Inc.) common stock at the closing price on the day prior to dealers' offerings for four business days thereafter.

Mr. PECORA. What did you understand Insull Utility Investments (Inc.) was to do under that arrangement?

Mr. STUART. They would have to maintain the market, keep the price at what it was at that time.

The CHAIRMAN. Well, now, Mr. Stuart, I thought you said a while ago it was the public that made the price. Now you are getting into another line.

Mr. STUART. Well, Mr. Chairman, this is a particular transaction. Mr. Pecora was asking me what this meant.

The CHAIRMAN. But you said the market was maintained by public buying. Here it would seem that it was to be maintained by somebody else.

Mr. STUART. Here was a different matter. It is true that generally the prices must be made by the public. This was a particular transaction, connected with \$60,000,000 of gold debentures with conversion and stock purchase warrants attached.

The CHAIRMAN. And it says that the market must be maintained for four days. Is that in order that the public may be protected or that the syndicate may be protected?

Mr. STUART. Well, in order that the public may be protected.

The CHAIRMAN. I can not see that at all.

Mr. STUART. Connected with the purchase of the gold debentures.

Mr. PECORA. But did it not in this case work the other way for the public?

Mr. STUART. Well, you see——

The CHAIRMAN (interposing). But what I want to know is: Who is making the market? It has been reported so often to this committee that markets were never made but were just the result of natural conditions of buying and selling. Here for the first time is something sprung on us, and in writing, that calls for maintaining the market at a high price, or at least at a certain price, until something else takes place.

Mr. STUART. I think you have me confused with Mr. Davis. I do not know anything about stocks.

The CHAIRMAN. I do not know anything about what happened yesterday at all. I am talking about what has been happening before this committee.

Mr. PECORA. Mr. Stuart, doesn't this letter refer to maintaining the market for the common stock of Insull Utility Investments (Inc.)?

Mr. STUART. That is correct.

Mr. PECORA. And that expression is in a letter from your company to Mr. Samuel Insull.

Mr. STUART. Yes, sir. But it might have worked the other way. When the Senator said it might hurt the public, don't forget, or please try in all these things to keep before yourself this picture: In 1929 the public was mad for speculation. They bought anything in the way of common stock. They were not looking for safe investments, apparently, but bought anything. If they knew the name of a stock they would buy it.

The CHAIRMAN. If it was recommended by investment bankers or specialists.

Mr. STUART. It would not make any difference whether it was recommended or not. The public wanted to buy stocks. They bought them. And they paid any price for them. And in the light of what has happened since it would seem that everybody must have gone crazy. And so it is that I ask you: In discussing this thing put yourself back as things were then. Neither you nor we had any control over that.

The CHAIRMAN. Well, we have had witnesses before this committee connected with stock exchanges saying markets are not made. Now, on the other hand, here is plain evidence of the market being made by interested parties.

Mr. STUART. Well, that is a fact, anyway, of what was done here.

The CHAIRMAN. And your testimony is that markets are made by interested parties.

Mr. STUART. On this deal.

The CHAIRMAN. Well, in this case, we will say.

Mr. STUART. Yes, sir; it was maintained, whatever it was.

Senator BROOKHART. Aren't markets made that way nearly all the time? Isn't there someone whose duty it is to sustain them whenever you float a bond issue?

Mr. STUART. No; I do not recall ever making a similar arrangement before.

Senator BROOKHART. The president of the New York Stock Exchange testified in regard to an issue of \$98,000,000 of foreign bonds, floated by J. P. Morgan & Co., and said that they first got brokers to sell it, and then Mr. Whitney's own company, and he was the president of the Exchange, was to buy some of the bonds at the same time that these other brokers were selling them, and that Whitney was instructed not to let them go below 90, and that he bought back some \$10,000,000 for J. P. Morgan & Co. while they were getting rid of the bonds. Isn't that the usual method?

Mr. STUART. Well, I will say that I never had that particular type of experience.

Senator BROOKHART. Well, that was the president of the New York Stock Exchange who was testifying, and certainly he ought to know.

Mr. STUART. Well, that may be.

Senator COUZENS. What did the people have to do in order to work this out?

Mr. STUART. I do not know how it worked out.

Senator COUZENS. It is a fact, possibly, that nothing was necessary for them to do, that the public themselves maintained the market.

Mr. STUART. I think that was probably so. As I remember, those debentures were put out at par or at 99½.

Mr. PECORA. What did you acquire them at?

Mr. STUART. I would have to look that up.

Mr. PECORA. Perhaps this letter will enlighten you.

Mr. STUART. Well, they sold right afterward, or shortly afterward at 114, and there was no such manipulation or arrangement as you have suggested. They naturally sold at 114.

Senator BROOKHART. But if they had gone the other way there would have been manipulation of the market?

Mr. STUART. There might have been, but in this case there was no such thing. We acquired these \$60,000,000 of gold debentures at 94 and accrued interest.

Senator COUZENS. In other words, when you wrote that letter you had in mind that you wanted to unload those \$60,000,000 of debentures before there should be any drop in the market?

Mr. STUART. Yes. Then we were also afraid of that hectic stock market, that was going on all the time. We didn't know what would happen, and I don't think anyone else knew what would happen.

Senator COUZENS. In other words, you had fixed it so you would be able to get out no matter what happened to the market?

Mr. STUART. Oh, no, indeed; we did not.

Senator COUZENS. Why, certainly you did.

Mr. STUART. No, indeed.



Senator COUZENS. Just a minute and let me complete my question: You obliged the Insulls to maintain the market for the stock.

Mr. STUART. For four days.

Senator COUZENS. I understand, but long enough in any event for you at least to unload \$60,000,000 of debentures. Now, evidently you could have had no other intention than to oblige the Insull Co. to do that. And after the \$60,000,000 of debentures had been unloaded on the public you were not at all interested in regard to the course of the stock.

Mr. STUART. No. But, Senator, the mere fact that——

Senator COUZENS (interposing). Well, that answers it.

Mr. STUART. I was going to say that we might have been adversely affected by the stock. But it so happens that we sold.

Senator COUZENS. You got out yourself.

Mr. STUART. Well, that happened.

Mr. PECORA. This agreement between your company and Insull to maintain the market for the common stock of Insull Utility Investments (Inc.), was made at the time that your company was offering to the public \$60,000,000 of gold debentures?

Mr. STUART. Yes.

Mr. PECORA. Now, those gold debentures carried with them, didn't they, certain warrants?

Mr. STUART. Yes, sir.

Mr. PECORA. And what was the nature of those warrants in so far as they related to the common stock of the company?

Mr. STUART. May I read from this? It is the only way I can tell you.

Mr. PECORA. Surely.

Mr. STUART. This says:

Each \$1,000 debenture will carry a non-detachable warrant whereby the debenture may be surrendered at its principal amount in exchange for common stock of the company at the following prices per share: During the calendar year 1930 at \$65—

Mr. PECORA (interposing). What were the prices?

Mr. STUART. I was going to read them:

During the calendar year 1930 at \$65; during 1931 at \$72.50; during 1932 at \$87.50; during 1933 at 105; and during 1934 at 125.

This is rather long. Shall I continue?

Mr. PECORA. I think that goes far enough.

Mr. STUART. There were some other matters.

Senator BROOKHART. How far in the future does it go?

Mr. STUART. Up to 1934, five years.

Senator COUZENS. What are the debentures worth now?

Mr. STUART. Oh, practically nothing.

Senator BROOKHART. Was there any property value or earning value to base such a prediction as that upon at the time it was made?

Mr. STUART. Yes. There was an earnings statement in there.

Mr. PECORA. Do you know what the market quotation was in December of 1929 or in January of 1930, the average price during those months, on the common stock of Insull Utility Investments (Inc.)?

Mr. STUART. I do not.

Mr. PECORA. Did your company succeed in selling to the public those \$60,000,000 worth of gold debenture notes?

Mr. STUART. They were sold immediately.

Mr. PECORA. Sold within the 4-day period?

Mr. STUART. Yes.

Mr. PECORA. After Insull obligated himself to maintain the market?

Mr. STUART. Yes.

Mr. PECORA. Do you recall any other occasions when Halsey Stuart & Co. entered into any agreement or understanding with anyone else to maintain a market for the common shares of either Insull Utility Investments (Inc.), or Corporation Securities Co., of Chicago?

Mr. STUART. No; I do not. I do not recall.

Mr. PECORA. Do you know Mr. Fred H. Scheel, vice president of Utility Securities Co.?

Mr. STUART. Yes, sir.

Mr. PECORA. The Utility Securities Co. of which he was vice president was another Insull subsidiary or affiliate, wasn't it?

Mr. STUART. It was a stock-distributing company, owned by a number of Insull companies. I never saw a list of the stockholders and I do not know how it was owned.

Mr. PECORA. It was a sort of trading company, wasn't it, for the Insull interests?

Mr. STUART. I think it was a stock-distributing company. As I understand it distributed stocks.

Mr. PECORA. Will you look at this letter which I now show you, dated March 31, 1930, addressed to Mr. Fred H. Scheel, vice president of the Utility Securities Co., signed by Corporation Securities Co. of Chicago through C. T. MacNeille, secretary, and tell us if that letter does not refer to another market operation for supporting or maintaining the market for the common shares of Corporation Securities Co. of Chicago?

Senator COUZENS. Mr. Chairman, it does seem to me the committee ought to know what is in these letters before they are passed over to the witness, who is asked to comment on them.

Mr. PECORA. All right.

The CHAIRMAN. Let Senator Couzens see the letters.

Mr. PECORA. Certainly. I now want to ask that this last letter of December 31, 1929, with respect to which the witness has been questioned, be spread in full on the record.

The CHAIRMAN. There being no objection, it is so ordered.

HALSEY, STUART & Co.,  
Chicago, December 31, 1929.

Mr. SAMUEL INSULL,  
Chairman Insull Utility Investments (Inc.),  
Chicago, Ill.

DEAR SIR: Confirming conversation with you, we have agreed to purchase, and you have agreed to sell, \$60,000,000 Insull Utility Investments (Inc.) 10-year 6 per cent gold debentures, with characteristics substantially as described in the attached proof of circular dated December 31. The purchase price is to be 94 and accrued interest to the date of delivery, such delivery to be made to us at our office in Chicago on January 20 next.

We understand that you will furnish, free of expense to us, the approving legal opinion of Messrs. Isham, Lincoln & Beale.

We also understand that you agree to maintain the market on Insull Utility Investments (Inc.) common stock at the closing price on the day prior to dealers' offerings for four business days thereafter.

If the foregoing is in accordance with your understanding, will you kindly confirm by signing and returning the attached carbon copy of this letter to us?  
Yours very truly,

HALSEY, STUART & Co.

Accepted: Subject to the legally authorized increase in common stock.

INSULL UTILITY INVESTMENTS (INC.).

SAMUEL INSULL, *Chairman.*

NEW ISSUE—INSULL UTILITY INVESTMENTS (INC.)—\$60,000,000 10-YEAR 6 PER CENT GOLD DEBENTURES SERIES B (WITH CONVERSION AND STOCK PURCHASE WARRANTS)—DATED JANUARY 1, 1930, DUE JANUARY 1, 1940

*Balance sheet of the Insull Utility Investments (Inc.), November 30, 1929, as certified by independent auditors*

After giving effect to (a) the proposed sale of \$60,000,000 in principal amount of 10-year 6 per cent gold debentures, series B and the application of the proceeds therefrom to the liquidation of floating indebtedness incurred in the purchase of securities and the remainder added to cash and (b) the proposed increase in the amount of authorized common stock. No part of the cost of investment stocks has been transferred or assigned to the stock rights received thereon on sale or other disposition of these rights.

#### ASSETS

Investment securities (aggregate market value, Nov. 30, 1929, \$130,554,700.54)-----	\$130,199,900.98
Insull Son & Co. (Inc.), capital stock-----	1,250,000.00
Investments not yet completed-----	2,513,511.30
Advances for purchase of securities-----	3,000,000.00
Advances to affiliated company-----	7,500,000.00
Subscribers to capital stock-----	80,300.00
Cash-----	19,657,789.20
Notes receivable-----	300,000.00
Interest, dividends, and earnings receivable accrued not due--	1,206,052.42
Furniture and fixtures-----	6,551.92
Unamortized discount on debentures, organization expense, etc-----	3,863,970.89
Reacquired securities: Prior preferred stock, without par value, 20,000 shares-----	1,750,000.00
Total assets-----	171,328,076.71

#### LIABILITIES

Capital stock:	
Prior preferred, without par value; authorized, 250,000 shares; issued, first series \$5.50 cumulative, 60,000 shares-----	6,000,000.00
Preferred, without par value; authorized 500,000 shares:	
Issued--	
First series, entitled to cumulative dividends as follows, 40,000 shares-----	4,000,000.00
Year 1929, \$2.	
Year 1930, \$3.	
Year 1931, \$4.	
Year 1932, \$5.	
Each year after 1932, \$6.	
Second series \$6 cumulative, 450,000 shares-----	36,000,000.00
Paid-in surplus arising from this issue of second series-----	6,750,000.00
Common, without par value; authorized, 6,000,000 shares. Less: Reserved for sale and exchange to holders of 5 per cent gold debentures, 40 shares; prior preferred stock, 8 shares. Preferred stock, first series, 200,000 shares; second series, 360,000 shares; 6 per cent gold debentures, 2,028,000 shares; total, 3,411,952 shares.	

## Capital stock—Continued.

Issued, 2,077,224 shares.....	\$41,935,166.23
Subscribed for but not issued, 27,100 shares.....	325,200.00
Total.....	95,010,366.23
Gold debentures:	
5 per cent, series A, due Jan. 1, 1949....	\$2,469,000.00
6 per cent, series B, due Jan. 1, 1940....	60,000,000.00
	62,469,000.00
Purchase contract obligations, due 1930-31.....	2,211,300.00
Accrued interest on gold debentures, series A.....	41,150.00
Accrued preferred dividends.....	731,866.67
Surplus (before provision for 1929 Federal income tax).....	10,864,393.81
Total.....	171,328,076.71

Contingent liability as subscriber to the amount of \$4,700,000 to the Middle West Syndicate agreement.

*Statement of shares of stock receivable under conversion and stock purchase warrants attached to Insull Utility Investments (Inc.), 10-year 6 per cent gold debentures, based upon cost of \$995 per \$1,000 debenture fractional shares deliverable in form of bearer scrip*

## SHARES RECEIVABLE

During the calendar year	Upon surrender of each \$1,000 debenture	Through purchase for cash		Total shares		Average cost per share	
		Number of shares	Cost per share	Result if debentures surrendered and stock purchased in the respective year	Result if stock purchased in 1930 and debentures surrendered and additional stock purchased in succeeding respective year	Result if debentures surrendered and stock purchased in the respective year	Result if stock purchased in 1930 and debentures surrendered and additional stock purchased in succeeding respective year
1930.....	15,384	10	\$65.00	25,384	10,000	\$64.804	\$65.000
1931.....	13,793	10	62.50	23,793	33,793	68.087	67.173
1932.....	11,428	10	77.50	21,428	31,428	82.602	77.001
1933.....	9,524	10	95.00	19,524	29,524	99.621	87.894
1934.....	8,000	10	115.00	18,000	28,000	118.167	99.821

<sup>1</sup> Purchasable only if debentures are exchanged for stock.

INSULL UTILITY INVESTMENTS (INC.),  
OFFICE OF THE CHAIRMAN,  
Chicago, December 1, 1929.

HALSEY, STUART & Co. (INC.).

GENTLEMEN: In connection with your purchase of \$60,000,000 10-year 6 per cent gold debentures, series B (with conversion and stock purchase warrants) of Insull Utility Investments (Inc.), I take pleasure in giving you the following information:

## BUSINESS

Insull Utility Investments (Inc.), was organized under the laws of Illinois on December 27, 1928, to carry on an investment business and to acquire, hold, sell and underwrite securities of all kinds. It now owns, among other securities, substantial blocks of stock of Commonwealth Edison Co., the Peoples Gas Light & Coke Co., Middle West Utilities Co. and subsidiaries, Public Service Co. of Northern Illinois, and the entire capital stock of its subsidiary, Insull Son & Co. (Inc.).

The value of the company's assets, including securities now owned and to be acquired under existing contracts valued at market prices as of the date of this letter, is in excess of \$163,000,000.

## CAPITALIZATION

(Upon completion of the present financing)

## Funded debt:

5 per cent gold debentures, series A due Jan. 1, 1949, outstanding, \$2,469,000;  
6 per cent gold debentures, series B (this issue), outstanding, \$60,000,000.

## Capital stock:

\$5.50 prior preferred (no par value), authorized 250,000 shares; outstanding, 40,000 shares.

Preferred (no par value), authorized, 500,000 shares, first series<sup>1</sup> outstanding, 40,000 shares; second series, \$6, outstanding, 450,000 shares.

Common (no par value), authorized, 6,000,000 shares<sup>2</sup>, outstanding, 2,304,408 shares.

## DESCRIPTION OF DEBENTURES

These debentures will be dated January 1, 1930, and will be due January 1, 1940. They will be redeemable as a whole or in part at any time upon 30 days' published notice at the following prices and accrued interest: To and including December 31, 1930, at 105; thereafter less one-half per cent for each year or fraction elapsed to December 31, 1934; thereafter to and including December 31, 1938, at 101; thereafter to maturity at 100. Both principal and interest will be payable at the office or agency of the company in Chicago and New York. The interest will be payable semiannually January 1 and July 1 without deduction for Federal income taxes now or hereafter deductible at the source not in excess of 2 per cent per annum. Halsey, Stuart & Co. (Inc.), will be appointed paying agent of the company for the making of such interest payments. The debentures will be in coupon form, in the denomination of \$1,000, and will be registerable as to principal only.

Application will be made to list these debentures on the Chicago Stock Exchange.

## DEBENTURE PROVISIONS

The company will covenant in each debenture that so long as any of the series B debentures are outstanding, it will not mortgage or pledge any of its assets without securing the debentures equally and ratably with the other obligations secured or to be secured by such mortgage or pledge, except that the company, without so securing the debentures, may mortgage or pledge any of its assets for the purpose of securing loans in the usual course of business for periods not exceeding one year and may mortgage or pledge property hereafter acquired to secure the purchase price thereof in whole or in part. The company will further covenant that it will neither pay cash dividends on its common stock nor redeem or purchase its capital stock of any class in whole or in part when such payment or redemption or purchase will reduce the value of its assets to less than 150 per cent of its indebtedness then outstanding. The company will also covenant that so long as any of the series B debentures are outstanding, it will not create or assume any additional indebtedness if as a result thereof its total indebtedness will exceed 50 per cent of the then value of its assets.

## CONVERSION AND STOCK PURCHASE WARRANTS

Each \$1,000 debenture will carry a nondetachable warrant whereby the debenture may be surrendered at its principal amount in exchange for common stock of the company at the following prices per share: During the calendar year 1930 at \$65; during 1931 at \$72.50; during 1932 at \$87.50; during 1933 at \$105; and during 1934 at \$125. Each such warrant will also provide that in case the debenture to which it is attached is so surrendered in exchange for common stock during the year 1931 the holder thereof may simultaneously purchase 10 additional shares of common stock at \$62.50; if so surrendered during 1932, 10 additional shares of common stock at \$77.50; if so surrendered during 1933, 10 additional shares of common stock at \$95, and if so surrendered during 1934, 10 additional shares of common stock at \$115. Bearer stock scrip will be issued for fractional

<sup>1</sup> Maximum dividends on preferred stock, first series, are payable as follows: \$3 per share during the year 1930; \$4 per share during the year 1931; \$5 per share during the year 1932; and \$6 per share per annum after the year 1932.

<sup>2</sup> There will be reserved 360,000 shares of common stock which may be issued during the year 1931 to satisfy warrants attached to preferred stock, second series. Sufficient additional shares of common stock will also be reserved to provide against the exercise of the warrants attached to the 10-year 6 per cent gold debentures, series B.

shares and cash adjustments will be made for interest accrued on the debenture to the date of any such exchange. In addition, each \$1,000 debenture will carry a nondetachable warrant giving the holder of the debenture the unconditional right to purchase 10 shares of common stock during the year 1930 at \$65 per share. This latter warrant will be detachable in the event the debenture is redeemed prior to its exercise. Arrangements have been made with Insull, Son & Co. (Inc.), whereby all common stock of the company to which a debenture holder may be entitled through the exercise of warrants will be acquired by him from Insull, Son & Co. (Inc.), within 30 days from the date of surrender to it of the debenture or the payment of the purchase price, as the case may be. In case the company subdivides its outstanding shares of common stock into a greater number of shares, then the number of shares deliverable on the exercise thereafter of each warrant shall be proportionately increased without requiring any payment by the warrant holder in addition to the aggregate purchase price specified in the warrants.

#### COMMON STOCK DIVIDENDS

The company has already declared a 6 per cent dividend on the common stock out of 1929 earnings payable in common stock in quarterly instalments during 1930. The first instalment will be paid on January 15, to stockholders of record on January 1. In addition, the company has announced its intention to declare dividends of 6 per cent in common stock during 1930 out of earnings for that year of which 4½ per cent if declared will be paid in 1930.

#### EARNINGS

The consolidated earnings of the company and its wholly owned subsidiary from all sources applicable to the interest charges for the calendar year 1929 with the month of December partly estimated, amounted to \$12,227,252.85 as against which the annual interest requirements on all debentures to be presently outstanding will be \$3,723,450. These figures are not necessarily a true reflection of the earnings of the company inasmuch as they do not include income on all the securities that will be owned upon the completion of this financing nor on approximately \$19,500,000 of free cash that will be in the Treasury. On the other hand, they do include an unusually large sum received during the year, representing proceeds of the sale of stock rights, which, while recurring, may not always realize the same amount. The estimate for 1930 indicates net earnings of at least \$13,450,000 available for interest, which may be considered as a more accurate reflection of the present earning capacity of the company. This latter figure is based upon proceeds of the sale of rights on an average of the past five years and from the receipt of stock dividends taken at the present market.

#### PURPOSE OF ISSUE

The proceeds of this financing will furnish sufficient funds to pay off all current indebtedness and acquire all securities now contracted for, and will further provide the company with a substantial cash sum.

#### OFFICERS AND DIRECTORS

The following are the officers of the company: Samuel Insull, chairman; Samuel Insull, jr., president; Martin J. Insull, vice president; P. J. McEnroe, secretary and treasurer; John F. O'Keefe, assistant secretary and assistant treasurer.

The following are the directors of the company: Walter S. Brewster, of Russell, Brewster & Co.; Britton I. Budd, president, Public Service Co. of Northern Illinois; Edward J. Doyle, vice president, Commonwealth Edison Co.; Louis A. Ferguson, vice president Commonwealth Edison Co.; John F. Gilchrist, vice president Commonwealth Edison Co.; John H. Gulick, vice president, Commonwealth Edison Co.; Martin J. Insull, president Middle West Utilities Co.; Samuel Insull, president Commonwealth Edison Co.; Samuel Insull, jr. president Midland United Co.; P. J. McEnroe, secretary and treasurer Insull Utility Investments (Inc.); George F. Mitchell, vice president the Peoples Gas Light & Coke Co.; Stuyvesant Peabody, president Peabody Coal Co.; Marshall E. Sampsell, president Central Illinois Public Service Co.; H. L. Stuart, president Halsey, Stuart & Co. (Inc.); Waldo F. Tobey, of Isham, Lincoln & Beale.

Your attention is called to the accompanying balance sheet of November 30, 1929.

Very truly yours,

\_\_\_\_\_, *Chairman.*

These debentures are offered for delivery when, as and if issued and accepted by us and subject to the approval of counsel. It is expected that definitive debentures will be ready for delivery by Halsey, Stuart & Co. (Inc.) on or about ----- All statements herein are official or are based on information which we regard as reliable and while we do not guarantee them, we ourselves have relied upon them in the purchase of this security.

Chicago, Ill., December —, 1929.

Senator COUZENS. How does the committee know what is in a letter which is handed to the witness, and whether he interprets it correctly or not?

Mr. PECORA. I will have that other letter spread on the record after the witness identifies it.

Senator COUZENS. All right.

Mr. PECORA. Mr. Stuart can you now answer that question?

Mr. STUART. This letter of March 31, 1930, addressed to Mr. Fred H. Scheel, vice president, Utility Securities Co., has nothing to do with Halsey, Stuart & Co. It is an agreement between Corporation Securities Co. of Chicago and Utility Securities Co.

Mr. PECORA. Halsey, Stuart & Co. had a major interest in the Corporation Securities Co. of Chicago.

Mr. STUART. We owned a million shares of common stock.

Mr. PECORA. You had what Halsey, Stuart & Co. described in its bulletin to its salesmen, which was spread on the record this morning as a major interest.

Mr. STUART. We had a large interest. But this agreement does not refer to that issue.

Mr. PECORA. You were president of Corporation Securities Co. and also of Halsey, Stuart & Co.?

Mr. STUART. Yes, sir.

Mr. PECORA. In your opinion does this letter relate to another agreement to maintain or support the market for the securities of Corporation Securities Co. of Chicago?

Mr. STUART. Oh, it does as between Corporation Securities Co. and the other company, but not as to Halsey, Stuart & Co. at all.

Senator COUZENS. In this letter that is addressed to Utility Securities Co., dated March 31, 1930, it says, in the second paragraph:

Corporation Securities Co. of Chicago will protect the market on its allotment certificates between \$69.50 and \$70 per unit.

Then it goes on and makes the statement, in paragraph 3, that:

You are to purchase from Insull, Son & Co. (Inc.) and Corporation Syndicates (Inc.), jointly 1,250,000 shares of common stock of Corporation Securities Co. of Chicago at \$25.50 per share net to the sellers.

What is the difference between this reference to common stock shares and the allotment certificates?

Mr. STUART. The allotment certificates included one share of preferred and one share of common. They were together. And the common stock was something else all by itself.

Senator COUZENS. What relation did the allotment certificates have to the common shares, making it necessary to maintain the price at two or three times that of the common stock?

Mr. STUART. There was preferred stock in the allotment certificates.

Senator COUZENS. Why was it necessary to maintain that price?

Mr. STUART. I do not know. I suppose the Utility Securities Co. figured out that there would have to be that sort of spread between the price they paid and the market price on the allotment certificates. But that is merely a guess on my part.

Senator COUZENS. On that basis you would figure the preferred share at about \$44 a share, if that was the spread?

Mr. STUART. That is the way it would figure out there. It was a \$3 stock.

Mr. PECORA. Mr. Chairman, I also ask that there be spread on the record the letter of Corporation Securities Co. of Chicago to Fred H. Scheel, vice president of Utility Securities Co., dated April 3, 1930, which refers to the previous letter of March 31, 1930; and both of them be made a part of the record.

The CHAIRMAN. There being no objection, it is so ordered.

CORPORATION SECURITIES CO. OF CHICAGO,  
Chicago, March 31, 1930.

Mr. FRED H. SCHEEL,  
Vice President Utilities Securities Co.,  
Chicago, Ill.

DEAR SIRS: Confirming the writer's verbal understanding with you to-day, you will enter into a contract with Insull, Son & Co. (Inc.) and Corporation Syndicates (Inc.), jointly, which will include the following provisions:

*First*, Corporation Securities Co. of Chicago will immediately apply for the listing of 2,500,000 shares of its common stock and if the listing is accepted and we have had no advices to lead us to believe otherwise, trading will commence on Thursday, April 3, next, you to name the specialist who will handle the stock, and take care of all market operations at your own expense and in connection therewith you agree to maintain a market for the common stock between \$27 and \$28 per share.

*Second*, Corporation Securities Co. of Chicago will protect the market on its allotment certificates between \$69.50 and \$70 per unit until you complete the sale of the 1,250,000 shares of common stock of Corporation Securities Co. of Chicago, which you are purchasing but in no event for a period exceeding 90 days from this date and further provided that in so doing it is not required to purchase in the aggregate over 100,000 units.

*Third*, you are to purchase from Insull, Son & Co. (Inc.) and Corporation Syndicates (Inc.), jointly, 1,250,000 shares of common stock of Corporation Securities Co. of Chicago at \$25.50 per share net to the sellers.

*Fourth*, you are to be given the privilege by Insull, Son & Co. (Inc.) and Corporation Syndicates (Inc.) to make payment for your purchases as above set forth during a period of 60 days after the date of the public offering but in no event for a longer period than 90 days from the date of this letter. Deliveries to you of said stock will be in such amounts and on such dates as you may designate within the period above specified.

*Fifth*, in consideration of your entering into an agreement as above set forth, Corporation Securities Co. of Chicago hereby gives you an option to purchase from it all or any part of 250,000 shares of common stock of Corporation Securities Co. of Chicago at a price of \$25.50 per share net to the seller, said option to extend for a period of 30 days beyond the date on which you complete the selling of the original purchase of 1,250,000 shares, but in no event for a period exceeding 120 days from the date of this letter.

Will you kindly confirm this understanding by signing and returning the accompanying carbon copy of this letter?

Yours very truly,

CORPORATION SECURITIES CO. OF CHICAGO,  
By C. T. MACNEILLE.

The above and foregoing is correct in accordance with our understanding.

UTILITY SECURITIES CO.,  
By FRED H. SCHEEL.



CORPORATION SECURITIES CO. OF CHICAGO,  
*Chicago, April 3, 1930.*

Mr. FRED H. SCHEEL,  
*Vice President Utility Securities Co., Chicago, Ill.*

DEAR SIR: Please refer to the second paragraph in our agreement with you incorporated in our letter of March 31, which reads as follows:

"Second, Corporation Securities Co. of Chicago will protect the market on its allotment certificates between \$69.50 and \$70 per unit until you complete the sale of the 1,250,000 shares of common stock of Corporation Securities Co. of Chicago, which you are purchasing but in no event for a period exceeding 90 days from this date and further provided that in so doing it is not required to purchase in the aggregate over 100,000 units."

And consider this letter as our confirmation of your telephone conversation with the writer wherein he requested you to handle the market of said allotment certificates in accordance with the terms of said paragraph for the account of Corporation Securities Co. of Chicago pending instructions from us to the contrary.

It is our understanding that in your judgment it may be to our advantage to pay slightly above \$70 per unit for small amounts in special cases from time to time and that in so doing, it will reduce the aggregate number of units that might otherwise be necessary for us to purchase in accordance with the terms of our agreement with you. Under these circumstances we are willing to authorize you to make such purchases from time to time if in your judgment they are fully justified.

You will please have either Miss Carden or Miss Brown in the writer's organization advised by telephone at the close of the market each day of such purchases as you have made and confirm such oral advices by letter.

Will you please signify your willingness to handle the market in accordance with the foregoing letter by signing and returning the carbon copy inclosed?

Yours very truly,

CORPORATION SECURITIES CO. OF CHICAGO,  
By C. T. MACNEILLE.

Accepted.

UTILITIES SECURITIES CO.

Mr. PECORA. Mr. Stuart, do you recall any other occasion when Corporation Securities Co. of Chicago or Insull Utility Investments (Inc.), or any of their subsidiaries or affiliates, entered into any understanding or agreement to maintain or support the market for the common shares of these two companies?

Mr. STUART. I do not recall it.

Mr. PECORA. Let me show you, Mr. Stuart, this printed form of syndicate agreement, bearing date August 15, 1930, by and between Insull, Son & Co. (Inc.), called the "syndicate manager" and certain subscribers called the "subscribers" and Insull Utility Investments (Inc.), party of the third part. Will you look at that printed form and tell us if that recalls to your mind the fact that in August of 1930 there was another syndicate agreement, to which Insull Utility Investments (Inc.) was a party, calling for the supporting or maintaining of the market for the common shares of that corporation?

Mr. STUART. I think I remember this.

Mr. PECORA. Do you know who the subscribers were to that agreement? That is, those persons that are collectively termed the syndicate?

Mr. STUART. I do not know.

Mr. PECORA. Were you one of them?

Mr. STUART. I doubt it. It might be that Halsey, Stuart & Co., were subscribers.

Mr. PECORA. I was going to ask you that for the next question.

Mr. STUART. They might have subscribed, but I do not remember being in on any syndicate list.

Mr. PECORA. Were you familiar with the operations of that syndicate account?

Mr. STUART. No, sir.

Mr. PECORA. Do you know anything about it?

Mr. STUART. No; I do not know anything about it.

Mr. PECORA. You recognize from that printed form I handed you that there was such a syndicate agreement initiated and consummated, do you not?

Mr. STUART. I think I do; yes, sir.

Mr. PECORA. Mr. Chairman, I ask that the form of syndicate agreement be spread on the record.

Senator COUZENS (presiding). Without objection it is so ordered.

(A printed form headed "Insull Utility Investments, Syndicate Agreement" will here be printed in the record, as follows:)

#### INSULL UTILITY INVESTMENTS, SYNDICATE AGREEMENT

This agreement, dated August 15, 1930, by and between Insull, Son & Co. (Inc.), an Illinois corporation (hereinafter called the "syndicate manager"), party of the first part, the subscribers hereto (hereinafter called severally the "subscribers" and collectively the "syndicate"), parties of the second part, and Insull Utility Investments (Inc.), an Illinois corporation (hereinafter called the "investments company"), party of the third part, witnesseth:

Whereas the investments company pursuant to a resolution of its board of directors adopted at a meeting of said board on July 28, 1930, is offering for subscription to the holders of its outstanding stock of all classes, 600,000 shares of the common stock of the investments company at a price of \$50 per share; and

Whereas the investments company has requested the syndicate manager to form a syndicate to purchase so many of said shares of common stock, if any, as shall not be subscribed, pursuant to the terms of said offer, by the persons entitled to subscribe therefor and to purchase in the market shares of the common stock of the investments company and the subscription rights with respect thereto; and

Whereas the syndicate manager and the subscribers desire to form a syndicate for said purposes and the investments company and the syndicate desire to enter into an agreement fixing the terms of such purchase and the conditions with respect to supporting the market for such shares and such rights and the compensation to be paid to the syndicate;

Now, therefore, in consideration of the premises and of the mutual undertakings herein contained, the parties have agreed and do agree as follows:

First. The subscribers hereby form a syndicate for the purpose (1) of purchasing from the investments company so many of said 600,000 shares of common stock of the investments company to be offered to its stockholders pursuant to said resolution as shall not be subscribed by the persons entitled to subscribe therefor and (2) of purchasing in the market shares of the common stock of the investments company and subscription rights with respect thereto, all upon the terms and conditions provided in the agreement between the investments company and the syndicate manager set forth in paragraph 10 hereof. Insull, Son & Co. (Inc.) is hereby appointed the syndicate manager of the syndicate. The subscribers hereto severally subscribe and agree to pay to the syndicate manager at its office, 20 North Wacker Drive, Chicago, Ill., the amounts set opposite their respective names. Each subscriber shall make payment of his subscription as follows: Five per cent of the amount of his subscription shall be paid when and as called for by the syndicate manager after this agreement shall have been declared by the syndicate manager to be in effect and the remainder of each subscription shall be paid from time to time when and as called for by the syndicate manager but only after notice to the subscribers of not less than five days as to each call. The several subscribers shall be called upon to make payment of their subscriptions only ratably according to the several amounts thereof; but to the full extent of his undertakings each subscriber shall be responsible regardless of performance or nonperformance by any other subscriber. In the same proportion, except as otherwise herein provided, each subscriber shall be

entitled to share in the benefits and shall bear any loss resulting to the syndicate under this agreement. Nothing herein contained shall constitute the parties hereto partners or shall render any one of the subscribers liable to contribute more than the amount of his several subscriptions.

Second. In case of the failure of any subscriber promptly to perform any of his undertakings hereunder, the syndicate manager, in behalf of itself and the syndicate, shall have, and at its sole and exclusive option may exercise, the right to exclude such subscriber from all interest in or under the syndicate; and in the discretion of the syndicate manager, without any proceedings either at law or in equity, in such manner and on such terms as it shall deem expedient, and without demand or notice, it may at public or private sale dispose of such participation hereunder or of any interest or right of such subscriber hereunder, and thereupon all interest and right of such defaulting subscriber hereunder shall cease and determine. At any public sale under this article of any interest or right of any subscriber or his transferee, the syndicate manager, or any party hereto, may become purchaser for its, or for his, own benefit, without accountability. Notwithstanding any sale, whether public or private, the defaulting subscriber shall be responsible to the syndicate manager for the benefit of the syndicate for all damages resulting from any such failure on his part not exceeding the amount unpaid on his subscription hereto with lawful interest.

Third. The subscribers nominate and appoint the syndicate manager their agent and attorney, with full power and authority to do any and all acts and things and to enter into and execute any and all agreements or other instruments necessary, proper or expedient in the premises to carry out and perform this agreement according to its true intent and meaning. The syndicate manager is expressly authorized and directed for the account of the syndicate to purchase upon all the terms and conditions stated in paragraph 10 hereof, and subject to the express limitations in said paragraph contained, shares of the common stock of the investments company and subscription rights with respect thereto and in general shall have full power and authority to carry out the undertakings and agreements of the syndicate manager with the investments company, all as provided in said paragraph 10 hereof. The syndicate manager shall also have full power and authority to exercise subscription rights acquired by it and in its discretion to sell, at one time or from time to time, the shares of common stock and rights of the investments company held for the account of the syndicate in such manner and at such price or prices as the syndicate manager may deem expedient. All sales shall be for the account of the syndicate and the proceeds therefrom may be applied to any of the purposes of this agreement. The syndicate manager may make advances or may borrow money for the account of the syndicate as from time to time it may deem expedient for any of the purposes of this agreement and may pledge any stock or property of the syndicate, including the obligations of the respective subscribers hereunder, as security for moneys borrowed.

Fourth. All dividends payable on any stock held for the syndicate may be collected and received by the syndicate manager for the account of the syndicate. The syndicate manager shall have authority to vote all stock held by it for the account of the syndicate at any and all meetings of the investments company. The syndicate manager shall be the sole manager of the syndicate, and in behalf of the syndicate may make any and all arrangements and do and perform any and all acts, even if not herein provided for, that in its opinion shall be or may become necessary or expedient in order to consummate the purposes of this agreement or to promote or protect what the syndicate manager shall deem to be the best interests of the syndicate. The enumeration of specific powers in any paragraph of this agreement shall not be construed as in any way abridging the general powers by this or any other paragraph intended to be conferred upon or reserved to the syndicate manager.

Fifth. As compensation for its services hereunder the syndicate manager shall be paid a fee of one-tenth of 1 per cent of the aggregate subscription price of the number of shares underwritten by the syndicate. The syndicate manager shall have authority, from time to time and at any time, to incur such expenses as it may deem proper in carrying out, or in endeavoring to carry out, this agreement, or in doing any act or thing which it may deem to be in the interest of the syndicate. All expenses incurred hereunder by the syndicate manager and the fee of the syndicate manager hereinbefore provided for shall be paid out of moneys of the syndicate in the hands of the syndicate manager and shall be a prior charge in favor of the syndicate manager upon any and all moneys, stocks, and property received or held hereunder for the syndicate.

Sixth. The syndicate manager shall, by notice to the subscribers, declare this agreement in effect and operative when and not before subscriptions, approved by the syndicate manager, for a total of \$30,000,000 shall have been made hereunder. Unless \$30,000,000 shall have been subscribed for hereunder on or before August 25, 1930, this agreement on that date shall be and become void and of no effect. This agreement shall continue in force and operation until December 15, 1930, but the syndicate manager may in its discretion extend the same to a date not later than March 16, 1931, in which event this agreement shall continue in force until such extended date, provided that the syndicate manager may in its uncontrolled discretion terminate this agreement at any time before its termination under the foregoing provisions. Upon the termination of this agreement and after first paying all expenses and liabilities incurred hereunder, including the fee provided for in paragraph 5 hereof, the syndicate manager shall pay over, assign, and distribute to the subscribers all shares of common stock then remaining in the hands of the syndicate manager and all remaining cash and other assets then held hereunder, such distribution and payment to be made ratably in the proportion of the several amounts subscribed hereunder by the subscriber, except only that in lieu of the distribution of fractional shares of stock, adjustments shall be made in cash, on the basis of the average cost to the syndicate of all shares purchased on its account. No subscriber shall be entitled to receive any stock, or the proceeds thereof, held for the syndicate under this agreement until the termination of the syndicate under the provisions hereof.

Seventh. The syndicate manager shall not be liable under any provision of this agreement, or for any matter therewith connected, except for lack of good faith in performing the obligations by it herein expressly assumed, the implication of any obligation not herein expressly assumed by it being hereby expressly denied and waived. It is understood that, in the same manner as other subscribers, the syndicate manager and/or the investments company may become subscribers hereto; that as such subscribers they shall be liable for any subscriptions by them made; and that in all respects they shall be entitled to the same rights and benefits as any other subscribers.

Eighth. Each subscriber shall set opposite his subscription hereunder an address to which notices, calls or other communications may be sent, and any notice, call or other communication addressed to any subscriber at the address so given, and either left at such address or mailed, shall be deemed actually given to such subscriber and shall be sufficient for all the purposes hereof. If any subscriber shall fail so to furnish his address to the syndicate manager he shall not be entitled to any notice of calls or offers or any other notice hereunder and he shall be deemed to assent to any action of the syndicate manager.

Ninth. The syndicate manager shall issue to the several subscribers suitable receipts in respect of moneys paid or advanced hereunder, or certificates of interest of such tenor and form as it may deem suitable. Such certificates of interest and all rights and obligations hereunder of the respective subscribers may be made transferable in such manner and on such terms and conditions as the syndicate manager may prescribe; but no transfer hereunder shall be valid unless assented to in writing by the syndicate manager, and, unless otherwise expressly provided in such assent, the transferor shall continue to be liable for the payment of the unpaid part of the transferred subscription until the same shall be fully paid.

Tenth. (a) The investments company hereby agrees to sell to the syndicate and the syndicate manager hereby agrees to purchase from the investments company for and on behalf of the syndicate, at the price of \$50 per share, such number of said 600,000 shares of common stock of the investments company to be offered for subscription to its stockholders pursuant to the resolution of July 28, 1930, as shall not be subscribed for on or before September 15, 1930, pursuant to the offer of subscription, by the persons entitled to subscribe therefor. For the shares purchased hereunder the syndicate manager shall pay the investments company under one or both of the two following plans, to-wit: (1) in one payment of \$50 per share on September 15, 1930; or (2) in 10 equal installments of \$5 per share each, one on September 15, 1930, and one on the 15th day of each of the nine calendar months in the period commencing with the month of October, 1930, and ending with the month of June, 1931 (except that the February and March, 1931, installments shall be payable on the 16th instead of the 15th of those months). Any installment may be prepaid at any time. The number of shares to be paid for under each of said plans shall be determined by the syndicate manager and within five days after September 15, 1930, the syndicate manager shall notify the investments company of the number of shares to be paid for

under each of said plans. As to all shares agreed to be purchased hereunder with respect to which such notice shall not be given, the syndicate manager shall be conclusively deemed to have selected the 10-payment plan. Deliveries of any of the shares purchased shall be made from time to time as desired by the syndicate manager upon full payment to the investments company at its office for the shares delivered. In the case of all shares paid for in installments the investments company shall pay to the syndicate manager interest to the ex-dividend date next preceding the date of issue, upon all installments paid prior to such preceding ex-dividend date, at the rate of 4 per cent per annum. Ex-dividend dates, hereinabove referred to, are as follows: September 30, 1930, December 15, 1930, and March 15, 1931.

(b) The syndicate manager agrees to support the market for shares of the common stock of the investments company and the subscription rights with respect thereto, making use, to the extent required for the purpose, of all the means and resources available to it as syndicate manager hereunder, provided that no purchase need be made on the market on behalf of the syndicate at a price in excess of \$57.50 per share for shares of said common stock or in excess of \$1.50 per right for rights issued to holders of common stock or in excess of \$0.68 per right for rights issued to holders of preferred stock, and provided further that the obligation to support the market, as herein expressed, shall terminate upon the termination of this agreement or whenever prior thereto a total of 120,000 shares or the equivalent thereof in rights, shall have been purchased in the market by the syndicate manager. For the purpose of this subparagraph (b) five fractional rights issued to holders of common stock or 11 fractional rights issued to holders of preferred stock shall be taken as equivalent to one share.

(c) The investments company, in consideration of the agreements of the syndicate manager in this paragraph 10 contained, and as compensation to the syndicate for its undertakings herein, shall pay to the syndicate manager for the account of the syndicate the sum of \$600,000, being at the rate of \$1 for each share of common stock underwritten by the syndicate and \$1.50 for each share of stock or the equivalent thereof in rights (but not to exceed 120,000 shares) purchased by the syndicate manager pursuant to the provisions of subparagraph (b) of this paragraph 10. Such payment shall be made on or prior to the termination of this agreement at the option of the investments company.

(d) This agreement between the investments company and the syndicate manager may be modified by their mutual consent in any respect except as to the purchase price of the stock and the compensation to be paid to the syndicate manager.

Eleventh. This agreement shall bind, and is for the benefit of, the parties hereto and their successors, executors and administrators, severally and respectively.

In witness whereof, the syndicate manager has caused this agreement to be executed in its corporate name by its proper officers under its corporate seal, and the investments company, to evidence the undertakings and agreements made by it as expressed in paragraph 10 hereof, has caused this agreement to be executed in its corporate name by its proper officers under its corporate seal, and the subscribers at various dates have made their subscriptions hereto, it being understood that for convenience this agreement may be subscribed in several parts and copies with like force and effect as though all the subscriptions were upon one part or copy thereof.

INSULL, SON & Co. (INC.),  
By E. V. GRAHAM,  
*Vice President.*

Attest:

M. E. CARNEY,  
*Assistant Secretary.*  
INSULL UTILITY INVESTMENTS (INC.),  
By SAMUEL INSULL, Jr., *President.*

Attest:

JOHN F. O'KEEFE,  
*Secretary.*

Mr. PECORA. Mr. Stuart, this last syndicate agreement related to a transaction involving the marketing of 600,000 shares of the common stock of Insull Utility Investments (Inc.), didn't it?

Mr. STUART. That is what it said.

Mr. PECORA. You would call that a major market operation, wouldn't you?

Mr. STUART. I call it a large amount, but it is a new stock, isn't it? It is not maintaining an outstanding stock.

Mr. PECORA. Look at it again and let it refresh your recollection in whatever way it will do so.

Senator COUZENS. What is counsel trying to do? To prove by this witness that the market is rigged or maintained without customer demand?

Mr. PECORA. Yes, sir; that the market is artificially stimulated in that manner.

Mr. STUART. I should say that this was a new stock.

Mr. PECORA. A new stock that was to be put out by Insull Utility Investments (Inc.).

Mr. STUART. That is what I take it to be here.

Mr. PECORA. New shares of common stock.

Mr. STUART. New shares of common stock.

Senator BROOKHART. But it was the same stock as the old stock, wasn't it?

Mr. STUART. The same kind of stock.

Senator BROOKHART. Stock that had not been marketed before.

Mr. STUART. This was new money, stock that evidently had not been sold before.

Senator BROOKHART. Was that a new stock issue?

Mr. STUART. Yes, sir; a new issue, but the same grade of stock as the other, undoubtedly.

Mr. PECORA. It was an issue of 600,000 additional shares of common stock of the same kind as had been previously issued.

Mr. STUART. I take it that is so.

Senator BROOKHART. And this syndicate agreement was to maintain the price while it was being put off on the public, was it?

Mr. PECORA. Mr. Stuart, did you hear Senator Brookhart's question?

Mr. STUART. Yes, sir. But let me read this. Just excuse me for a minute while I read this.

Mr. PECORA. All right.

Mr. STUART. Yes; it is provided in this agreement for the maintenance of the market and the right to acquire up to 120,000 shares of stock at not to exceed 57½.

Senator BROOKHART. And that means that the members of the syndicate would bid the price up to that level all the time and keep it there.

Mr. STUART. Yes, sir. Of course, a syndicate manager who handles a thing like this, it is his job to sell 600,000 shares of stock. Now, in the process of doing that he is permitted to buy back 120,000.

Mr. PECORA. 120,000 shares, you mean.

Mr. STUART. Yes, sir; that is the way I read this.

Senator BROOKHART. He can buy back that much in order to maintain the price on the 600,000 shares?

Mr. STUART. Yes, sir.

Senator BROOKHART. And of course he sells the 120,000 shares again?

Mr. STUART. Yes, sir.

Senator BROOKHART. So that it is all cleaned up at the end and the public has paid the higher price.

Mr. STUART. Yes, sir; that may be so.

Mr. PECORA. Mr. Stuart, let me call your attention to the minutes of the finance committee of Insull Utility Investments (Inc.), at a meeting held on April 7, 1930, which read as follows at page 142 of the minutes:

The chairman stated that the company had purchased during the last few months a substantial number of allotment certificates of the Corporation Securities Co. of Chicago, and explained that as a result of the offering of common stock of Corporation Securities Co. of Chicago, that company had undertaken to support the allotment certificate market for a period of about three months, and he wondered therefore whether the company should continue to purchase those allotment certificates. After full discussion of the subject it was agreed that the company would discontinue purchasing allotment certificates of Corporation Securities Co. of Chicago for the time being.

That relates to the transaction set forth in the letters of March 31, 1930, and April 3, 1930, that passed from the Corporation Securities Co. of Chicago to Mr. Fred H. Scheel, vice president of the Utility Securities Co., doesn't it?

Mr. STUART. Did you say Utility Securities Co.?

Mr. PECORA. Yes.

Mr. STUART. I do not know but presume it does.

Mr. PECORA. I mean this excerpt that I have read from the minute book of the company.

Mr. STUART. I do not know that myself.

Mr. PECORA. Do you recall any other occasion when the Insull Utility Investments (Inc.) or the Corporation Securities Co. of Chicago entered into any agreement, arrangement, or understanding with anyone else with respect to supporting or maintaining the market for the common shares of either of those companies?

Mr. STUART. No; I do not recall.

Mr. PECORA. Would you say there were any others?

Mr. STUART. I would not say there were not others. I say I do not recall.

Mr. PECORA. These three or four that I have brought to your notice in the last few minutes you were unable to recall at the outset.

Mr. STUART. The only one was where we bought the Insull debentures. The others I did not recall at all.

Mr. PECORA. Mr. Stuart, do you think that is a fair practice, fair to the investing public, for corporations to indulge in, when issuing and offering their securities to the investing public?

Mr. STUART. Oh, yes; I think it is necessary. If a corporation is going to borrow large amounts of money they must make it possible to sell the securities.

Mr. PECORA. In order to make it possible to sell the securities you think it is justifiable to maintain a syndicate agreement to produce artificial stimulation and activity in the market for those securities?

Mr. STUART. Well, but it might not be an artificial stimulation. Stocks sometimes go the other way, you know.

Mr. PECORA. Well, then, the stimulation has had the wrong effect, not the desired effect, but the intent is to produce artificial stimulation.

Mr. STUART. I would not put it that way. I would put it as some kind of base, to have a solid base to sell securities on.

Mr. PECORA. By having a solid base don't you really mean to establish a price and maintain it over a period of time during which the corporation is offering the securities to the public?

Mr. STUART. Yes, sir; I think that is necessary and desirable, and I think it has to be done in large financial transactions in some cases.

Mr. PECORA. Do you think it desirable for the investing public or the corporations?

Mr. STUART. I think it is desirable in order to raise money.

Mr. PECORA. That is, desirable for the company issuing the securities, but not for the investing public; isn't that so?

Mr. STUART. Well, I do not think I would agree with you there. You take these same Insull Utility Investments debentures we are talking about, and there was a clause in there which says "Maintain the market." In talking about that here we seem to have been under the idea that that was something that was artificially maintained to unload something on the public. I think that was the expression used. As a matter of fact, those debentures went up to 114.

Mr. PECORA. After your house had put them out.

Mr. STUART. After the issue. So that unless there had been a demand from the public for the stock, which helped to send the debentures up, why, they would not have gone to 114.

Mr. PECORA. How long after your house sold them to the public until they went up to 114?

Mr. STUART. I could not answer that.

Mr. PECORA. Was it a long time or a short time?

Mr. STUART. I would say a comparatively short time.

Mr. PECORA. What do you mean by that, about what period of time?

Mr. STUART. If I were guessing at it I would say within six weeks.

Mr. PECORA. Your company bought those debentures at 94 and accrued interest?

Mr. STUART. I think that is the price stated; yes, sir.

Mr. PECORA. And it disposed of them within three or four days to the public at 100?

Mr. STUART. I think the stated price was 99½.

Mr. PECORA. In the circulars that your company put out offering those shares to the public at 99½ or 100, whichever it was, did your company indicate to the public the price at which your company had acquired or underwritten those debentures?

Mr. STUART. No, sir.

Senator BROOKHART. You say it is necessary to protect the price in all cases where you are selling debentures or bonds in that way? Is that right?

Mr. STUART. Yes; in large amounts. If you deal with a very large amount of securities, such as \$60,000,000, which after all is a very large amount—

Senator BROOKHART (interposing). You do not rely on the market to maintain the price?

Mr. STUART. No. It is merchandise that has to be sold.

Senator BROOKHART. Why isn't that about the same thing as I described as coming from J. P. Morgan & Co. in the case of foreign bonds, the price of which was maintained by Mr. Whitney, president of the New York Stock Exchange, or the firm of which he was a member? Why isn't it the same deal?



Mr. STUART. Perhaps there may be the same principles underlying them, but in this particular case the debentures you see had warrants to buy stock attached to them.

Senator BROOKHART. Well, take the most of your business, and that is the selling of bonds, isn't it?

Mr. STUART. Entirely the selling of bonds.

Senator BROOKHART. Well, now, do you underwrite those bonds?

Mr. STUART. Oh, yes.

Senator BROOKHART. Well, then, do you have the market protected in each case?

Mr. STUART. Well, the question does not come up unless it is a very large transaction.

Senator BROOKHART. And you have very large transactions?

Mr. STUART. Yes, sir. But I say that question of protecting the market comes up very infrequently.

Senator BROOKHART. But when you have these large transactions it does come up?

Mr. STUART. And you must do something to protect the market, and you do it one way or the other: You make a trade with the company whereby it protects the market, or the company gives you more commission in order for you to protect yourself. It costs something to do that.

Senator BROOKHART. You go in, or the company with which you have dealt goes in and keeps the price of the bonds up to the agreed price, and you do not let them fall below that price on the market until you have finally disposed of the issue?

Mr. STUART. Yes; that is about the way it goes.

Senator BROOKHART. And that is the way you do it in every case that is a big and important issue.

Mr. STUART. Yes, exactly. That is the accepted practice. You could not sell securities without you did some such thing.

Senator BROOKHART. In other words, you can not resell them there upon the market until you have rigged the market to dispose of them?

Mr. STUART. You have to have something on which an organization can go out and dispose of all the bonds. Once they are finally placed then there is a free and open market, because the transactions are small, may be a few thousands dollars every day.

Senator BROOKHART. In this case the market went up, but in the case I referred to a while ago after the support was withdrawn they went down promptly.

Mr. STUART. The market goes both ways.

Senator BROOKHART. I think in Mr. Whitney's case it dropped from 90 to 86 the first day after he quit maintaining the market. And when he was testifying here they were down to 32.

Mr. STUART. That may be.

Mr. PECORA. Mr. Stuart, when your company undertook and did sell the \$60,000,000 par value of debentures of Insull Utility Investments (Inc.), it marketed those debentures through groups of dealers, did it not?

Mr. STUART. Yes.

Mr. PECORA. And were not confidential advices sent out by your company to those dealers for their guidance and instruction given with respect to the marketing of those \$60,000,000 of debentures?

Mr. STUART. I think so; yes, sir.

Mr. PECORA. I show you this printed paper, and I ask you if that is a printed paper containing such confidential advices to dealers.

Mr. STUART. Yes, sir; it is.

Mr. PECORA. I will read a paragraph from this printed paper:

The selling group members will have the privilege of trading in these debentures with other members of the group at the list price less any part of the selling commission. This privilege, however, is to be exercised only between members of the selling group. The public offering price must be maintained on all sales or resales to other than members of the selling group.

Halsey, Stuart & Co. were the selling group managers in this undertaking, were they not?

Mr. STUART. Yes, sir.

Mr. PECORA. Mr. Chairman, I ask that that be spread in full on the record.

Senator COUZENS (presiding). There being no objection it is so ordered.

(A photostatic copy of a circular headed "Confidential Dealers' Offering, \$60,000,000 Insull Utilities Investments (Inc.) 10-Year 6 per cent Gold Debentures, Series B, With Conversion and Stock Purchases Warrants," is here furnished in the original transcript to be printed in the record as follows:)

**\$60,000,000 INSULL UTILITY INVESTMENTS (INC.), 10-YEAR 6 PER CENT GOLD DEBENTURES, SERIES B, WITH CONVERSION AND STOCK PURCHASES WARRANTS, DUE JANUARY 1, 1940**

(Selling group, confidential dealers' offering)

*NEW YORK, January 2, 1930.*

We have purchased and will offer, if, when and as issued and received by us, and subject to the approval of counsel, the above debentures which are more fully described in the inclosed circular. The public advertisement will appear on Monday, January 6, 1930, and the price is to be 99½ and interest yielding about 6.07 per cent. A concession of ¼ per cent may be allowed to banks, dealers and institutions. No modifications of the above terms may be allowed unless authorized by the selling group managers, who reserve the right to make such modifications, as they may deem advisable for the interests of the offering.

We are forming a selling group to distribute these debentures in which we invite you to participate. The price to the selling group will be 96½ and interest, which allows you a gross profit of 3 per cent against which expenses not to exceed ¼ per cent may be charged.

Definitive debentures are expected to be ready for delivery on or about January 20, 1930, against payment at the Chicago office of Halsey, Stuart & Co. (Inc.), in Chicago funds, at 99½ and interest.

Under this agreement we reserve the right to withhold delivery of 10 per cent of the amount of debentures allotted to selling group members during the life of the selling group.

The selling commission will be payable following the termination of the group, except on such debentures as may be repurchased or contracted for by us in the market at or below full list price and interest, prior to the termination of the group. On such debentures we reserve the right to retain the entire selling commission and, in addition, to charge members \$2 broker's commission per \$1,000 debenture in instances where such commission has been paid by us. In lieu thereof we may redeliver such debentures to members of the group, at the cost to us, even though debentures against such purchases may not be delivered to us until after the termination of the group. In the event we exercise the option to require members to take up such repurchased debentures from us at cost, we reserve the right to deliver any numbers, even though not the ones originally delivered to them. The selling group will expire at the close of business March 3, 1930, but we reserve the right in our discretion to dissolve the group at an earlier date and also to extend it for a period not exceeding 60 days.

The selling group members will have the privilege of trading in these debentures with other members of the group at the list price less any part of the selling

commission. This privilege, however, is to be exercised only between member of the selling group. The public offering price must be maintained on all sales or resales to other than members of the selling group.

The managers agree with the selling group members to cause to be published a State notice respecting the securities to be offered to the public in New York State under this agreement, in the form required by and pursuant to the provisions of Article 23A of the general business law of the State of New York.

Members of the selling group will be free to advertise at their own expense the day following the appearance of the advertisement over our names.

All subscriptions will be taken strictly subject to allotment and should be reported immediately to Halsey, Stuart & Co. (Inc.), 35 Wall Street, New York City, by wire or telephone. We reserve the right to close the subscription books or withdraw the offering without notice, to reject any and all applications and to award a smaller amount than applied for.

Yours very truly,

HALSEY, STUART & Co. (INC.),  
CONTINENTAL ILLINOIS Co. (INC.),  
HARRIS, FORBES & Co.,  
CENTRAL ILLINOIS Co.,  
FIRST UNION TRUST & SAVINGS BANK,  
FIELD, GLORE & Co.,  
FOREMAN-STATE CORPORATION,  
THE NATIONAL REPUBLIC Co.,  
INSULL, SON & Co. (INC.),  
INSULL, SON & Co. (LTD.), LONDON, ENGLAND,  
By HALSEY, STUART & Co. (INC.),  
*Selling Group Managers.*

Mr. PECORA. Now, Mr. Stuart, the units of Corporation Securities Co. of Chicago were listed on the Chicago Stock Exchange on or about October 19, 1929, or within about two weeks after the company was incorporated, were they not?

Mr. STUART. I do not remember the date.

Mr. PECORA. Do you recall the prices realized on the first day's trading on the floor of the exchange in those units?

Mr. STUART. I do not.

Mr. PECORA. Was it \$100 a unit?

Mr. STUART. I do not remember.

Mr. PECORA. Do you recall whether or not either you personally or your company made the market or helped to make the market for those units on the first day of trading?

Mr. STUART. That is, of the Corporation Securities Co. of Chicago?

Mr. PECORA. No; either Halsey, Stuart & Co. or you individually or the Corporation Securities Co. of Chicago.

Mr. STUART. I do not recall.

Mr. PECORA. Do you recall how many shares, or how many units rather, were traded in on the first day?

Mr. STUART. I do not.

Mr. PECORA. Do you recall that the aggregate amount was a thousand units on the first day of trading, and that of those 1,000 units either you or Halsey, Stuart & Co. bought 250 units and sold 600 units?

Mr. STUART. No; I do not recall.

Mr. PECORA. It would not surprise you if that were the fact, would it?

Mr. STUART. Yes; it would a little. I do not get it.

Mr. PECORA. Do you know who made the market for those units on that opening day?

Mr. STUART. No. But I am surprised that our name is mentioned in connection with it.

Mr. PECORA. Mr. Chairman, I have no further questions to ask this witness.

Senator BROOKHART. I have here your statement in the bankruptcy court on October 11, 1932, in which you say:

I looked through the files, and I find a clipping from the Wall Street Journal of February 20, 1932, which gives the volume of business done publicly, and I mean by that through public advertisement, by a great many issuing houses, including ourselves, for the past five years, and this states that we have originated \$1,681,000,000 of bonds, and participated in \$2,433,000,000 additional, for a total of approximately \$4,100,000,000 in five years.

Does that represent your volume of business?

Mr. STUART. No. Those would be the volume that is taken by the Wall Street Journal from public advertisements. But if you came into our office and sold us \$5,000 of bonds, or if Senator Couzens were to do that, that would not be in there. That is just public sales.

Senator BROOKHART. So the volume is much greater than this?

Mr. STUART. Yes. But you must understand that these figures are awfully misleading. You see as to certain participations, syndicate participations, I mean, it is a very large amount, but——

Senator BROOKHART (interposing). The question I am getting at is this: What proportion of this business had been sustained by those supporting the market?

Mr. STUART. Oh, I would say a small percentage, a very small percentage.

Senator BROOKHART. You say you originated over a billion dollars.

Mr. STUART. Have you now finished with me?

Mr. PECORA. Yes, sir.

Mr. STUART. There are two or three things I should like to clear up that I said, and one that I did not explain that I should like to have the opportunity of explaining.

Mr. PECORA. Oh, by the way. Mr. Stuart, do you recall in September of 1930 your company underwrote an issue of \$40,000,000 of debenture notes of Corporation Securities Co. of Chicago?

Mr. STUART. Yes, sir.

Mr. PECORA. And actually sold some \$30,000,000 worth of those to the public?

Mr. STUART. Yes, sir.

Mr. PECORA. And then Corporation Securities Co. of Chicago took back from you the remaining \$10,000,000 of debentures that you had not sold?

Mr. STUART. I have forgotten what that trade was. I know that we had some Corporation Securities Co. notes, but I have forgotten the trade.

Mr. PECORA. Apart from the terms of the trade, do you recall the incident of the Corporation Securities Co. of Chicago taking back from your company \$10,000,000 worth of those gold debentures?

Mr. STUART. I recall something about it.

Mr. PECORA. That you had originally underwritten?

Mr. STUART. But I have not the details in mind.

Mr. PECORA. Do you recall the incident?

Mr. STUART. I recall the issue; yes, sir.

Mr. PECORA. Now, in the summer and fall of 1931 do you recall that there was a steadily declining market and a steady shrinkage in market values of those securities?

Mr. STUART. In 1930?

Mr. PECORA. In the summer and fall of 1931.

Mr. STUART. Yes, sir.

Mr. PECORA. And that the depreciation affected as well the securities that were in the portfolio of the Corporation Securities Co. of Chicago?

Mr. STUART. I presume so; yes, sir.

Mr. PECORA. And those securities in its portfolio were the assets of the company substantially, were they not? I mean that the company's assets, whatever they were, consisted mainly of those portfolio securities?

Mr. STUART. I think mainly so; yes, sir.

Mr. PECORA. Now, with that steadily depreciating value of those assets, did your company continue to sell those debenture notes to the public right throughout the year 1931?

Mr. STUART. I can not answer that without looking it up.

Mr. PECORA. Where would you have to look it up?

Mr. STUART. From our sales records in Chicago.

Mr. PECORA. Are any of your employees here who could tell you?

Mr. STUART. Mr. MacNeille is here if he could answer.

Mr. MACNEILLE. I could not answer without looking it up.

Mr. PECORA. Will you look it up and inform the committee through the medium of a written statement?

Mr. STUART. Whether we made sales then?

Mr. PECORA. Whether you continued to sell the debentures of Corporation Securities Co. of Chicago to the public while the market value of the assets of that company were depreciating, during the summer and fall of 1931.

Mr. STUART. All right.

Mr. PECORA. That is all.

Mr. STUART. May I now explain one or two things?

Senator BROOKHART. One other matter right there: In this volume of business that you originated there is mentioned here business of \$1,681,000,000 that you headed. What does that mean?

Mr. STUART. That means that we were the head of that syndicate. We might have had four or five or a dozen with us, but we were the head of it, and we were given the credit in public advertisements with its origination.

Senator BROOKHART. What proportion of those securities were sold in the exchanges?

Mr. STUART. Oh, a very small proportion.

Senator BROOKHART. But even those that you had protected in the exchanges, only a small proportion of them were sold through the exchanges?

Mr. STUART. Yes, sir.

Senator BROOKHART. You protected your market outside of the exchange as well as inside?

Mr. STUART. Oh, yes.

Senator BROOKHART. All right.

Senator COUZENS (presiding). Now, Mr. Stuart, you may proceed to make your explanation.

Mr. STUART. In the record here where I have frequently said that we never sold stocks, what I mean is that we have never sold stocks to the public. Naturally, in the course of our business we have sold stocks to brokers, or we have underwritten stocks with our own capital, but we have never sold stocks to the public.

Senator COUZENS. You have sold worse than stocks, for you have sold some second, third, and fourth rate bonds.

Mr. STUART. Well, I am afraid we have done some of that, as it has turned out in these times, but a small percentage of them. Our record is pretty good I think.

Senator COUZENS. Is your record good here in Washington in connection with the Mayflower Hotel bonds?

Mr. STUART. It is not so good in some places, perhaps, but it is pretty good on the whole.

Senator COUZENS (presiding). Go ahead.

Mr. STUART. In connection with the organization of Corporation Securities Co. of Chicago, it should be clearly understood that Halsey, Stuart & Co. never made a cent of profit out of that.

Senator COUZENS. That wasn't your fault, was it?

Mr. STUART. Oh, yes. We traded in our stock, which had cost us an average of \$20 and was then worth 100, and took a million shares of Corporation Securities Co. of Chicago stock, and we still have it.

Senator COUZENS. But when you took those million shares you expected to make a profit?

Mr. STUART. We never expected to sell it. That is the reason it was in the form of that voting trust.

Senator COUZENS. But you expected to make a profit by holding it?

Mr. STUART. Well, perhaps at some time. But we never intended to sell it. It was a 5-year voting trust, with option to continue for five years.

Senator COUZENS. Don't try to put before us the thought that you were wholly unselfish.

Mr. STUART. I do not mean to do that. [Laughter.] I could not if I tried it, with you, Senator Couzens.

Senator COUZENS. I hope you would not take a million shares of any stock without expecting to make a profit out of it.

Mr. STUART. Now, I do not know whether this committee would wish me to go into such a subject, but I have some ideas about what ought to be done in the future in the investment business. Is the committee interested in hearing from me on that?

Senator COUZENS (presiding). Certainly. You may proceed now.

Mr. STUART. I will speak briefly, because I know that you have not much time and want to hear others. I think that we should adopt the English practice of not only having very complete prospectuses of all issues, but that we should state right in the prospectus what the security cost; what the company got for it.

Senator COUZENS. Is that along the line of the British companies' act?

Mr. STUART. Yes, sir. The investor in England sees, therefore, when he buys a security just what the company got for it, and how much spread there is between the price the company got and the price he is expected to pay.

Senator BROOKHART. What would you say about stopping this protection of the market?

Mr. STUART. I would put that right in the prospectus, because it is a thing that has to be done. You can not sell bonds, you can not sell securities, any more than you can sell shoes without its costing money to do it. In this so-called protection of the market, that is another way to help sell bonds.

Senator BROOKHART. You mean that you could not get a loan at the bank?

Mr. STUART. You could not distribute securities without you did some such thing as that.

Senator COUZENS. In that respect there isn't any very great difference as to steel corporations getting together and maintaining a price of \$40 per ton for steel rails, and you getting together and maintaining the prices of your securities.

Mr. STUART. No. It is about the same thing, too, but different from that.

Senator BROOKHART. And both of them are violations of the anti-trust law.

Mr. STUART. I do not know about the legal end of this thing, but that is common practice in the business, and Senator Couzens knows it just as well as I do, or better.

Mr. PECORA. Do you know of any reason why Halsey, Stuart & Co. in making the public offerings in the past could not have given the public the information that you now say the public ought to have in the future?

Mr. STUART. Well, I can only say in reply to that question that it has not been the custom to do it.

Mr. PECORA. And the custom was established by the investment houses making those offerings to the public in the past, wasn't it?

Mr. STUART. Yes, I think so. Investment houses and bank affiliates, any one who sold securities.

Senator COUZENS (presiding). Go ahead.

Mr. STUART. I would also have stated in the circular making an offering a list of all participants or have made available all of the selling group. If you have 50 or if you have 500 you could attach a list showing it, so that if somebody in Lansing, Mich., or anywhere else, was participating—

Senator COUZENS (interposing). Michigan is not in very good shape now to buy securities.

Mr. STUART. Perhaps not, but it is a grand old State.

Senator COUZENS. Before you go on with that explanation, let me ask: Would you also incorporate a statement as to the amount of securities held by the controlling interests, that is, the directors and officers?

Mr. STUART. Oh, yes. I would give the whole thing. In other words, I have mentioned the English system, which has a very complete prospectus. In fact, it is so complete that I can not imagine one investor in ten reading their prospectus, but at any rate it is there if a prospective investor wants to read it. The publicity is there.

And then another thing that is just a little different from this, but I am inclining to the view it is the thing to do: The most popular bonds to-day are public utility bonds, or bonds of operating gas and

electric companies. That is one business that has shown itself to be a stable business during all these bad times. Earnings have been less affected. And the bonds of those companies that we have sold, many millions of dollars, the operating companies are still good and paying interest.

In the most of the States they have a public service commission which regulates the issuance of securities. I think it is well worth considering having these public utility commissions put these bonds up at auction and sell them to the highest bidder instead of by some private concerns. They are easily sold, and——

Senator BROOKHART (interposing). Do you mean to put up bonds in public utility companies at public sale?

Mr. STUART. Yes, sir; the same as the Interstate Commerce Commission did in the matter of the railroad equipment trusts.

Senator COUZENS. Mr. Stuart, I would suggest that you better not appear in Wall Street after making that statement.

Mr. STUART. Well, you understand, I say I am leaning toward that view.

Senator COUZENS. And you better not go too far or you will run across Mr. Roosevelt.

Mr. STUART. I think it well worth consideration. As a matter of fact, neither of these ideas is new. I will be glad to see them done.

Now, in reading a book written by Mr. Justice Brandeis, and you will remember that he published a book back in 1914——

Mr. PECORA (interposing). The book entitled "Other Peoples' Money"?

Mr. STUART. Yes, sir. In that he covered this and other things that I think are worthy of more consideration to-day.

Mr. PECORA. The original edition of that book was published in 1914.

Mr. STUART. Yes. But I just read a new edition of it the other day.

Mr. PECORA. Did you read it in 1914?

Mr. STUART. I am sorry but I did not.

Senator BROOKHART. And you are just now finding out about it?

Mr. STUART. Well, he is that much ahead of me.

Senator COUZENS. How long are you going to take, Mr. Stuart, to conclude?

Mr. STUART. I am through now. May I go back to Chicago?

Mr. PECORA. Yes.

Senator COUZENS (presiding). Then you are excused, Mr. Stuart. (And thereupon Mr. Stuart was excused.)

Senator COUZENS (presiding), Mr. T aylor, will you come around? Oh, here is the chairman now.

The CHAIRMAN. Hold up your right hand: You solemnly swear that you will tell the truth, the whole truth, and nothing but the truth regarding the matter now under investigation by this committee, so help you God.

Mr. TAYLOR. I do.



**TESTIMONY OF MELVIN A. TRAYLOR, PRESIDENT FIRST NATIONAL BANK OF CHICAGO**

Mr. PECORA. Mr. Traylor, will you give your full name, and address, and your business or occupation to the committee reporter, please?

Mr. TRAYLOR. My name is Melvin A. Traylor. I am president of the First National Bank of Chicago.

Mr. PECORA. How long have you been president of that bank?

Mr. TRAYLOR. Since January of 1925.

Mr. PECORA. Since that time has that bank made a number of loans which are still outstanding to corporations or persons connected with the so-called Insull group of public utility companies?

Mr. TRAYLOR. Yes, sir.

Mr. PECORA. Have you for the sake of convenience prepared a written statement containing a list of those loans now outstanding?

Mr. TRAYLOR. I have.

Mr. PECORA. Will you produce it, please?

Mr. TRAYLOR. Here it is.

Mr. PECORA. In view of the hour, Mr. Chairman, and the fact that the witness wants to get away, I will ask that this be spread on the record.

The CHAIRMAN. There being no objection it is so ordered.

FEBRUARY 17, 1933.

HON. PETER NORBECK,

*Chairman Committee on Banking and Currency,  
United States Senate, Washington, D. C.*

MY DEAR MR. CHAIRMAN: As president of the First National Bank, of Chicago, Ill., and the First Union Trust & Savings Bank of that city, I am attaching hereto a list of the loans due those banks by the so-called Insull companies together with a list of loans to individuals and corporations, collateralized in the main by Insull securities, all as of the date of April 16, 1932. The attached list sets out in detail the collateral held in each instance against the specific loan of the particular borrower and is prepared from the records of the banks.

The dealings of the First National Bank with the Insull companies and the other borrowers whose names appear upon the attached list covers a considerable period of time. Loans to many of the companies and individuals were at times partially paid and additional loans later made, hence it would require a long, detailed search to give a full history of the loan transactions with any particular borrower. We will, however, be glad to furnish such information upon request. The attached list, however, does correctly portray our relations with the borrowers and our loans to them as of the date above mentioned, April 16, 1932.

In the case of the First Union Trust & Savings Bank, the only borrower in the Insull group was Mr. Samuel Insull, jr.

The First National Bank of Chicago took over the assets and assumed the deposit liabilities of the Foreman-State National Bank on June 6, 1931. Among the assets of that bank was a loan to the Mississippi Valley Utilities Investment Co., aggregating \$1,048,303.29. That loan remained unpaid on April 16, 1932, and I attach list of collateral securing that loan.

On April 16, 1932, the First National Bank of Chicago had capital of \$25,000,000, surplus \$25,000,000, undivided profits and reserves of about \$3,000,000. On the same date the First Union Trust and Savings Bank had capital of \$10,000,000, surplus of \$5,000,000, undivided profits and reserves of about \$5,000,000.

Respectfully submitted,

MELVIN A. TRAYLOR.

(The tabulation furnished with the foregoing letter is here inserted as follows:)

FIRST NATIONAL BANK

Date	Due	Name of maker	Rate	Balance, Apr. 16, 1932	Collateral
June 9, 1930	Demand	Insull Utility Investments (Inc.)	<i>Per cent</i>		
July 15, 1930	do	do	5	\$1,233,608.03	28,218 shares Commonwealth Edison Co.
			5	1,500,000.00	183,365 shares Middle West common.
			5	2,000,000.00	2,733 shares Public Service Co. of Northern Illinois common.
Oct. 9, 1930	do	do		4,733,701.08	57,100 shares Corporation Securities Co. common; 71,100 shares Corporation Securities Co. \$3 preferred.
May 28, 1931	do	Corporation Securities Co.	5	4,880,093.05	9,924 shares Commonwealth Edison Co.; 5,924 shares Public Service Co. of Northern Illinois no par; 33,849 shares Insull Utility Investments second preferred; 6,182 shares Insull Utility Investments \$5.50 prior preferred; 12,200 shares Peoples Gas Light & Coke Co.; 252,035 shares Middle West common; 5,000 shares Middle West \$6 preferred; 10,000 shares Insull Utility Investments common.
July 14, 1930	do	Middle West Utilities Co.	5	2,692,903.46	10,100 shares Northwest Utilities Co. 6 per cent preferred.
July 29, 1930	do	do	5	1,250,000.00	244 shares Inland Power & Light Co. 7 per cent preferred.
			5	1,000,000.00	2,100 shares Michigan Gas & Electric 6 per cent prior lien.
June 5, 1931	do	do		4,942,903.46	193,000 shares National Electric Power Co. class B common; 734 shares Peoples Gas Light & Coke Co.; 3,300 shares Michigan Gas & Electric Co. common; 22,000 shares Kansas Electric Power Co. common; 5,600 shares Central Illinois Public Service Co. common 110,000 shares North Western Utility Co. common; 829 shares Commonwealth Edison Co.; 730 shares Arkansas-Missouri Power Co. preferred; 34 shares Public Service Co. of Northern Illinois common; 4,900 shares Central & South Western Utilities 6 per cent prior lien; 3,200 shares Central & South Western Utilities 7 per cent preferred; \$97,000 Arkansas-Missouri Power Co. 6 per cent first 1953; 6,900 shares North Western Utility Co. 7 per cent preferred; 210,300 shares Central & South Western Utilities common; \$85,000 Arkansas-Missouri Power Co. debentures 6 per cent 1935; \$80,000 Inland Power & Light Co. 6 per cent collateral 1936; \$21,000 Indiana Electric Corporation 5 per cent first 1951; \$72,100 National Electric Power Co. 5 per cent debentures 1978; \$173,000 Inland Power & Light Co. 6 per cent collateral 1957; \$23,000 West Texas Utility Co. 5 per cent first 1957; \$80,000 North Western Public Service 5 per cent first 1957; \$121,000 Inland Power & Light Corporation 7 per cent debenture, 1935; 250 shares National Electric Power 6 per cent preferred; 3,800 shares North Western Utility Co. 7 per cent prior lien; \$176,000 Inland Power & Light Corporation 6 per cent collateral, 1941; 32,700 shares Kentucky Utility Co. common; 85,100 shares National Electric Power Co. class A common; 3,600 shares South Western Light & Power Co. preferred no par; \$14,000 National Public Service Corporation 5 per cent debenture, 1978.

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STOCK EXCHANGE PRACTICES

Oct. 30, 1930	do	Associated Employees Investment	4½	275,000.00	111,635 shares Middle West Utilities common; 10,277 shares Associated Telephone Utilities Co. common; 5,439 shares Central & South Western Utilities Co. common; 11,260 shares Corporation Securities Co. common; 2,500 shares Insull Utility Investment second preferred; 4,426 shares Middle West Utilities 6 per cent preferred; 250 shares Insull Utilities Investment Co. \$5.50 prior preferred; 650 shares Corporation Securities Co. \$3 optional preferred; 12,925 shares Insull Utilities Investment common.
Feb. 16, 1931	do	Utility Securities Co.	5	150,033.81	315 shares North American Light & Power \$6 preferred.
Apr. 18, 1931	do	do	5	500,000.00	2,500 American Service Co. 6½ per cent debenture 1934.
Apr. 21, 1931	do	do	5	500,000.00	25 shares Michigan Electric Power Co. 6 per cent preferred.
				1,150,033.81	14 shares Michigan Gas & Electric 6 per cent preferred; 6,586 shares Insull Utilities Investment second preferred; 7,000 shares Insull Utilities Investment \$5.50 preferred; 94,400 shares Central & South Western Utilities common; 600 shares Consumers Co. 6 per cent prior preferred; 584 shares Consumers Co. 7 per cent preferred; 950 shares Midland United Co. convertible preferred; 1,868 shares Middle West Utilities 6 per cent preferred; 2,000 shares Peoples Gas Light & Coke Co.; 1,000 shares Midland Utilities Co. 7 per cent prior lien; 40,502 shares Middle West Utilities common; 1,508 shares Commonwealth Edison Co.; 700 shares Public Service Co. of North Illinois no par; 500 shares Midland Utilities Co. 7 per cent preferred class A; 28,620 shares Corporation Securities Co. common; 20,000 shares Midland United Co. common; 5,662 shares Insull Utilities Investment common; 200 shares Public Service Co. of North Illinois \$100 par; 33,877 shares National Electric Power Co. class A common; 1,200 shares Midland United Co. 6 per cent preferred.
Apr. 16, 1931	do	Hill Joiner & Co.	5	190,956.33	\$20,000 Arkansas-Missouri Power Co. 6 per cent first, 1953.
May 20, 1931	do	do	5	50,000.00	\$3,000 Ashland Light, Power & Street Railway Co. first, 1939.
May 22, 1931	do	do	5	100,000.00	\$26,000 Central Power & Light Co. 6½ per cent first, 1951.
July 1, 1931	do	do	5	50,000.00	44,500 shares Central & South Western Utilities common.
June 24, 1931	do	do	5	115,000.00	\$4,000 Chicago Northern Shore & Milwaukee Railroad 6 per cent first and refunding, 1955.
July 9, 1931	do	do	5	350,000.00	200 shares Corporation Securities Co. common.
July 15, 1931	do	do	5	400,000.00	3,000 shares Corporation Securities Co. preferred.
Sept. 9, 1931	do	do	5	50,000.00	\$81,000 Corporation Securities Co. 5 per cent, 1932-1935; \$13,000 Eastern Shore Public Service Co. 5 per cent first, 1955; \$13,000 Federal Utilities Co. 5½ per cent first lien, 1957; \$2,000 Hydro Electric Corporation of Virginia 5 per cent, 1958; \$25,000 Illinois Northern Utilities Co. 5 per cent first and refunding, 1957; 6,000 shares Insull Utility Investment Co. common; 1,722 shares Insull Utility Investment Co. \$6 second preferred; \$1,000 Ironwood & Bessemer Railway & Light Co. 5 per cent first, 1936; \$22,000 Metropolitan District Finance Co. 6 per cent collateral, 1943; \$28,000 Metropolitan District Finance Co. 6½ per cent collateral, 1944; 12,917 shares Middle West Utilities Co. common; 21,700 shares Midland United Co. common; 965 shares Midland United Co. \$3 preferred convertible ex rights; 3,520 shares Midland United Co. \$3 preferred class A convertible with warrants; 16,500 shares Midland United Co. \$6 preferred; 5,000 shares Mississippi Valley Utility common; 1,600 shares Mississippi Valley Utility 6 per cent prior lien preferred; 1,000 Missouri Edison Co. 5½ per cent

FIRST NATIONAL BANK—Continued

Date	Due	Name of maker	Rate	Balance, Apr. 16, 1932	Collateral
Sept. 9, 1931	Demand	Hill Joiner & Co.	<i>Per cent</i> 5	\$50,000. 00	first, 1947; 6,300 shares National Electric Power Co. common class A; 1,000 shares National Electric Power Co. \$6 preferred; 500 shares National Electric Power Co. \$7 preferred; \$151,000 National Electric Power Co. 5 per cent, 1978; \$221,000 National Public Service Co. 5 per cent note, 1978; 300 shares New England Public Service Co. 6 per cent preferred prior lien; 1,133 shares North West Utility Co. 7 per cent preferred; 256 shares North West Utility Co. 7 per cent prior lien; 1,000 shares Seaboard Public Service Co. 6 per cent preferred; 1,568 shares Seaboard Public Service Co. \$3.25 preferred; \$33,100 Southland Ice Co. 6 per cent first, 1942; \$4,700 South Western Gas & Electric Co. 6 per cent first, 1961; \$2,100 South Western Light & Power Co. 5 per cent first, 1957; \$20,000 Starrett Investment Corporation 5 per cent, 1950; \$500 Swiss Oil Corporation 6 per cent first and collateral, 1931-1933; 2,400 shares Wisconsin Power & Light Co. common; \$1,000 Wisconsin Power & Light Co. 5 per cent first lien, 1961; \$1,000 Seneca Coal & Coke Co. 6 per cent first, 1933.
Nov. 27, 1931	do	A. B. Leach & Co.	5	13,080. 24	\$507,000 Central West Public Service Co. 3-year first lien collateral, Series C, 5 per cent, 1933.
Jan. 21, 1930	do	do	5	1,045,000. 00	\$1,300,000 Allied Motors Industries, Inc., 5-year convertible gold notes, 6 per cent, 1934.
Dec. 31, 1929	do	do	5	1,250,000. 00	\$25,000 American Service Co. convertible debenture first mortgage, 15-year, series A, 6 per cent, 1944.
Sept. 15, 1931	do	do	5	472,000. 00	\$327,000 American Service Co., convertible debenture, 5-year convertible debenture, 6½ per cent, 1934.
Sept. 25, 1930	do	do	5	180,000. 00	\$11,000 American Service Co. convertible debenture, 3-year convertible gold notes, 7 per cent, 1932; \$20,000 Central Power & Light, first, 6½ per cent, 1951; \$137,000 Central West Public Service, first, 5½ per cent, 1956; \$100 Cities Service Co. convertible debenture, 5 per cent, 1950; \$30,000 Florida Portland Cement Co., first, 6½ per cent, 1932; \$189,500 Mid Continent Laundries (Inc.), first lien collateral gold, 6 per cent, 1939; \$126,000 Mid Continent Laundries (Inc.) convertible gold debentures, 7 per cent, 1939; \$12,000 Municipal Light & Power Co., New Jersey, 5-year secured gold debenture, 6 per cent, 1935; \$58,000 National Terminals Corporation convertible debenture, 6½ per cent, 1940; \$1,500 Ohio Terminal Co. first sinking-fund, 6 per cent, 1947; \$15,000 Super Power Co. of Illinois, first, 4½ per cent, 1970; \$39,000 Van Sicklen Corporation convertible debenture, 5-year convertible gold notes, 6 per cent, 1934; \$1,000 Wardman R. E. Properties (Inc.), first and refunding, 6½ per cent, 1938; \$1,000 Wardman R. E. Properties (Inc.), first and refunding, 6½ per cent, due, 1948; \$129,000 Wardman Realty & Construction Co. gold debenture, 6½ per cent, 1938; \$30,000 Western Power Light & Telephone Co., first lien collateral, series A, 6 per cent, 1948; \$31,000 Corporation Securities Co. of Chicago, 5 per cent, 1933; \$65,000 Corporation Securities Co. of Chicago, 5 per
Jan. 25, 1930	do	do	5	120,000. 00	
Mar. 3, 1931	do	do	5	466,700. 00	
Dec. 2, 1929	do	do	6	103,390. 83	
				3,650,170. 07	

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STOCK EXCHANGE PRACTICES

Aug. 27, 1931	Dec. 28, 1931.....	M. J. Insull and M. E. Sampsell.....	5½	70,000.00	cent, 1934; \$1,000 Corporation Securities Co. of Chicago, 5 per cent, 1935; \$45,000 Corporation Securities Co. of Chicago, 5 per cent, 1932; \$300 O-Cedar Corporation, first mortgage, 6 per cent, 1932; 100 shares Certain-Teed Products Corporation, common; 5,900 shares Jersey Central Power & Light Co., 5½ per cent preferred; 10,187 shares Allied Motors Industries (Inc.), common; 1,225 shares Allied Motors Industries (Inc.), preferred; 10,260 shares American Service Co., common; 1,350 shares American Service Co., preferred; 750 shares Copeland Products (Inc.), class A; 300 shares Godshaux Sugars (Inc.), class B; 300 shares Leach Corporation, preferred; 10,300 shares Mid Continent Laundries (Inc.) common; 2,350 shares National Terminals Corporation, participating preferred; 108 shares National Terminals Corporation, cumulative convertible preferred; 5 shares 20 Wacker Drive Building Corporation, 6 per cent cumulative preferred; 4,863 shares Van Sicklen Corporation, participating, class A; 1,600 shares Western Power, Light & Telephone Co. participating, class A; 3,554 shares Woodruff & Edwards, class A; 45,000 shares Aeronautical Corporation; 327 shares Middle West Utility Co., common.
Dec. 14, 1931	Apr. 14, 1932.....	M. J. Insull.....	5½	29,000.00	2,000 shares Insull Utilities Investment common; 1,000 shares Middle West Utilities common; 2,000 shares Associated Telephone Utilities common.
Mar. 25, 1931	Demand.....	do.....	5	200,000.00	1,200 shares Producers & Refiners Corporation common. 2,500 shares Insull Utilities Investment common; 800 shares Western Pacific R. R. preferred; 1,000 shares United Dry Docks (Inc.), common; 1,424 shares Insull Utilities Investment first preferred; 1,900 shares Corporation Securities Co. convertible voting trust certificate; 500 shares Corporation Securities Co. \$3 preferred; \$100,000 Third Avenue Ry. Co. 5 per cent adjusted income 1960.
June 20, 1930	do.....	E. J. Murnane.....	5½	171,000.00	100 shares Bendix Aviation common.
Oct. 7, 1930	do.....	do.....	5½	28,240.00	200 shares Paramount Publix common.
Oct. 21, 1930	do.....	do.....	5½	11,760.00	10,600 shares Insull Utilities Investment common; 3,373 shares Middle West Utilities common; 23,200 shares Corporation Securities Co. common; 20,900 shares Corporation Securities Co. voting trust certificate; 200 shares Corporation Securities Co.
Mar. 25, 1931	do.....	H. G. Clabaugh.....	5½	48,161.25	1,000 shares Middle West Utilities common; 525 shares Commonwealth Edison Co.
Feb. 2, 1932	Apr. 1, 1932.....	A. L. Tossell.....	5	11,932.55	150 shares Union Carbide & Carbon.
Mar. 1, 1932	July 1, 1932.....	do.....	5	11,288.08	1,900 shares Middle West Utilities common.
Mar. 29, 1932	July 1, 1932.....	do.....	5	11,143.61	334 shares Peoples Gas Light & Coke Co.; 50 shares Inland Investment Co.; 100 shares North American Light & Power common; 30 shares Continental Chicago Corporation common; 30 shares Continental Chicago Corporation preferred; 100 shares Lake Co. Land Association common.

<sup>1</sup> Of this amount \$1,400,000 was charged to contingent reserve A-C prior to April 16, 1932.

<sup>2</sup> Of this amount, \$160,000 was charged to contingent reserve prior to Apr. 16, 1932.

## FIRST NATIONAL BANK—Continued

Date	Due	Name of maker	Rate	Balance, Apr. 16, 1932	Collateral
			<i>Per cent</i>		
Dec. 16, 1931	Mar. 15, 1932.....	Federal Electric Co.....	5	\$20,000.00	Plain note.
Mar. 25, 1932	Demand.....	Virginia Insull Rafferty.....	5½	40,000.00	1,507 shares Green Acre Farms Co. common; 3,315 shares Middle West Utility common.
Mar. 25, 1931	.....do.....	Green Acre Farms (Inc.) <sup>2</sup> .....	5½	60,000.00	2,850 shares Lincoln Printing Co. common; 200 shares Middle West Utility \$6 preferred; 682 shares Insull Utility Investment common; 100 shares Associated Telephone Utility Co. common; 300 shares Middle West Utility common; 300 shares Insull Utility Investment preferred first lien.
Oct. 3, 1930	.....do.....	Washington Flexner and M. J. Insull...	5	301,843.75	6,000 shares Lincoln Printing Co. common; 700 shares International Harvester Co. common; 800 shares Insull Utility Investment second preferred with warrants; 300 shares General Motors Corporation common; 2,100 shares Sears, Roebuck & Co.; \$25,000 General Theatres Equipment convertible debenture 6 per cent Apr. 1, 1940; 25 shares Adams Millis Corporation 7 per cent preferred; 300 shares Cities Service common.

## FIRST UNION TRUST AND SAVINGS BANK

Feb. 26, 1931	Demand.....	Samuel Insull, jr.....	5	\$730,000.00	31,834 shares Insull Utility Investment common; 728 shares Corporation Security Co. common; 600 shares Corporation Security Co. optional preferred; 90 shares Arlington Park Jockey Club preferred; 90 shares American National Jockey Club Trust; 25 shares Chicago South Shore & South Bend 6½ per cent preferred; \$25,000 Elizabeth Cordell Hospital 5 per cent notes; 175 shares Standard Auto Signal Corporation common; 50 shares Peoples Gas Light & Coke Co. full paid units, fund No. 6; \$100 Chicago Riding Club 6 per cent general 1932; 278 shares Peabody Coal Co. A common; \$1,000 Electric Club note, 1945; No. 119 Post & Paddock Club membership; \$531.25 Central Public Service Corporation notes, 1934; \$147,000 Tracy C. Drake. Various demand notes secured by 5,000 shares Whitestone Co. and 100 shares Continental Illinois Bank & Trust Co.; \$2,000 demand note of John Ashenhurst, secured by 20 shares Commonwealth Edison Co.
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FOREMAN-STATE NATIONAL BANK

Mar. 11, 1932	Demand.....	Mississippi Valley Utilities Investment Co.	<i>Per cent</i> 5	\$148,303.29	15,000 shares North American Light & Power common.
Mar. 24, 1932	do.....	do.....	5	900,000.00	10,750 shares Texas Hydro Electric Corporation common; 357 shares Southern Nebraska Power Co. preferred; 3,090 shares Midland United Co. common; 3,000 shares Corporation Securities Co. preferred; 200 shares South Western Light & Power Co. preferred; \$930,000 Texas Hydro Electric Corporation first 6 per cent 1956; 200 shares American Public Utility Co. preferred; 14,500 shares Texas Hydro Electric Corporation preferred.

<sup>3</sup> Endorser: Virginia Insull Rafferty.

<sup>4</sup> \$37,000 charged to contingent reserve prior to Apr. 16, 1932.

<sup>5</sup> \$60,000 charged to contingent reserve prior to Apr. 16, 1932.

<sup>6</sup> 17,066 shares Insull Utility Investment; 28,000 shares Corporation Securities Co.

Mr. PECORA. Mr. Traylor, if the aggregate amount of those loans made to units of the Insull group had been made to one borrower, would they have exceeded the amount which under the law could have been loaned by the bank to a single borrower?

Mr. TRAYLOR. They would, had they been grouped to just one borrower.

Mr. PECORA. Those loans were made to how many different persons or units?

Mr. TRAYLOR. There must be a dozen, or more than that, probably 15. As a matter of fact, on looking at it I find there are about 22 corporations and individuals. But I might say they include other collateral as well as Insull collateral.

Mr. PECORA. Mr. Traylor, did your bank have a so-called investment affiliate?

Mr. TRAYLOR. We do have now. We did not have at the time I became president.

Mr. PECORA. What is the name of the affiliate?

Mr. TRAYLOR. The First Chicago Corporation.

Mr. PECORA. How long has it been in existence and operation?

Mr. TRAYLOR. Well, it has never operated, in that it has neither underwritten nor distributed securities. The capitalization of the present company was set up in 1928.

Senator COUZENS. For what purpose?

Mr. TRAYLOR. Oh, we did not have much idea, Senator Couzens, what we would do at the time. We were consolidating at that time with the Union Trust Co., and we had some surplus assets, and we created the First Chicago Corporation and paid in \$5,000,000 of capital.

Senator COUZENS. What was the consideration back of the organization?

Mr. TRAYLOR. As I say, we did not have a very clear idea of what we might do with it. We thought some day we might use it for our distribution of securities. As a matter of fact we have never done anything with it. We invested in bonds and securities of one kind and another, and have lost about a quarter, or perhaps a third of it. It is not active at all.

Mr. PECORA. Is the First Union Trust & Savings Bank affiliated with your bank?

Mr. TRAYLOR. Yes, sir. The First Union Trust was organized originally in 1903 as the First Trust & Savings Bank. It is a state institution, and the stock is held by trustees for the beneficial interest of the stockholders of the First National Bank. The First National Bank carries an indorsement that the stockholder participate pro rata in the assets of the First Union Trust & Savings Bank.

Mr. PECORA. So that the shareholders of the First National Bank of Chicago, through this trustee form of ownership, are also shareholders of the stock of the First Union Trust & Savings Bank?

Mr. TRAYLOR. Yes, sir.

Senator COUZENS. Does that constitute a double liability also?

Mr. TRAYLOR. It does. Specifically the trustees are guaranteed against personal double liability by the assumption on the part of the stockholders of the First National Bank of that double liability.

Mr. PECORA. Now, the loans that the First National Bank made to these Insull corporations or groups, were secured by stock or



securities, consisting of stock of these Insull groups for the most part, were they not?

Mr. TRAYLOR. Largely stocks. There are some bonds and debentures scattered through the collateral.

Mr. PECORA. You are acquainted with a corporation called Insull Utility Investments (Inc.)?

Mr. TRAYLOR. Yes, sir.

Mr. PECORA. And also with a corporation called Corporation Securities Co. of Chicago?

Mr. TRAYLOR. Yes, sir.

Mr. PECORA. Those are two Insull companies?

Mr. TRAYLOR. They are.

Mr. PECORA. In the form of investment trusts?

Mr. TRAYLOR. They are.

Mr. PECORA. Among the loans made by your bank to the Insull group were loans to those two investment trusts, is that correct?

Mr. TRAYLOR. We had a loan to each; yes, sir.

Mr. PECORA. Are you familiar with the debenture notes that were issued and sold to the public by those two investment trusts?

Mr. TRAYLOR. I am.

Mr. PECORA. Do you know whether the First Union Trust & Savings Bank distributed any of those shares to the investing public?

Mr. TRAYLOR. They did.

Mr. PECORA. Do you know to what extent?

Mr. TRAYLOR. No; because it was a trading account. That is, we were in and out on the open market for the securities. In other words, we would buy from somebody who wanted to sell, or sell to somebody who wanted to buy. But the original participation in the Insull Utility Investments (Inc.), if I am not mistaken, was in the neighborhood of one and one-fourth million dollars of the debentures and less than \$500,000 of the Corporation Securities debentures.

Mr. PECORA. You know that in December of 1931 there were outstanding bank loans to the aggregate of \$78,000,000 which had been made to those two investment trusts of the Insull group?

Mr. TRAYLOR. Well, the sum I am not familiar with, but I know it was a large sum.

Mr. PECORA. And those loans were held by a number of banks in Chicago and some banks in New York?

Mr. TRAYLOR. Yes, sir.

Mr. PECORA. Including your bank in Chicago?

Mr. TRAYLOR. That is right.

Mr. PECORA. There was a so-called standstill agreement discussed by the officers of the various bank creditors of these two Insull investment trusts, was there not?

Mr. TRAYLOR. In January and February, and carried along for some time.

Senator COUZENS. How much was involved in the stand-by agreement?

Mr. TRAYLOR. I could not tell you, but it involved the loans of the banks in Chicago and the banks in New York. It would be easy enough to ascertain what the total was, but I am assuming it was in the neighborhood of what Mr. Pecora said.

Senator COUZENS. Were the banks in the stand-by agreement?

Mr. TRAYLOR. The standstill agreement as a matter of fact was never consummated. It was permitted to run along without anybody tipping the apple cart over, so to speak, for a while, but it was never signed up.

Senator COUZENS. How much did your bank have by way of interest in this stand-by agreement?

Mr. PECORA. Standstill agreement they call it, Senator.

Senator COUZENS. Well, standstill agreement.

Mr. TRAYLOR. Well, with respect to those two companies it was something just under \$5,000,000 in each case. The loans had been for \$5,000,000 and had some payments on them.

Mr. PECORA. Now it developed, did it not, that with regard to those banks loans which aggregated around \$78,000,000 last December, that virtually all the assets in the possession of those two companies had been pledged with the banks to secure those loans?

Mr. TRAYLOR. That is substantially correct; yes, sir.

Mr. PECORA. And that left substantially no security for the debenture bonds that had been sold to the public?

Mr. TRAYLOR. That is correct. But may I say that the debentures on their face specifically authorized the companies to pledge their assets for current borrowings, so long as the total indebtedness in either case would not exceed 50 per cent of the assets. Of course, the finish was that the assets depreciated so rapidly that when the breakdown came there was not much for anyone.

Senator COUZENS. What were those borrowings used for, Mr. Traylor?

Mr. TRAYLOR. I would assume, without any knowledge—and we did not ask—that they were invested largely in the purchase of other Insull securities.

Senator COUZENS. And in their purchasing these other Insull securities with this borrowed money, did they add that to the securities they owned?

Mr. TRAYLOR. That went into their general assets, and probably was pledged to buy more.

Senator COUZENS. But your security was not augmented by those purchases?

Mr. TRAYLOR. It is altogether probable, in taking additional collateral as our margin went down, that we may have gotten back as collateral some of the securities that were purchased with the proceeds of our loan. I am not in a position to say that, but that is a fair assumption.

Mr. PECORA. The covenant in the indenture, in pursuance of which these debentures were issued, provided that the indebtedness should at no time exceed 50 per cent of the assets?

Mr. TRAYLOR. That is right.

Mr. PECORA. And one reading that provision would assume that no indebtedness would be contracted that would exceed the value of 50 per cent of the assets, and that provided the other 50 per cent of the assets which would give security to the debenture holdings.

Mr. TRAYLOR. That was the assumption.

Mr. PECORA. That was the assumption?

Mr. TRAYLOR. Yes, sir.

Mr. PECORA. Now, in practice it worked out that in the depreciating value of the debentures the banks called for more and more

collateral, and those demands were complied with, so that in December of 1931, at the time this standstill agreement was first proposed the banks had virtually all of the assets of those two companies; was not that the practical operation?

Mr. TRAYLOR. That was the practical operation. The practical result, however, of the failure, assuming that the loans were made at a time when the assets exceeded the 50 per cent requirement, and a break in the market, and depreciating collateral, the net result would have been, had there not been call for additional collateral, they would have further depreciated, and we would have come, probably, to the same net result as we have to-day.

Mr. PECORA. And the banks that called for that additional collateral were some of the banks that distributed these debentures to the public, were they not?

Mr. TRAYLOR. Undoubtedly. We were, in our case.

Mr. PECORA. That is all.

Senator BROOKHART. I want to ask a few questions. Mr. Young testified that when General Electric made its loan to Mr. Insull it took his personal indorsement, and also took his agreement that he would maintain the market of those securities that were pledged.

Mr. TRAYLOR. The market, or margin?

Mr. PECORA. The margin, I think, of 40 per cent.

Senator BROOKHART. Yes, the margin; I believe that is the way he stated it.

Mr. TRAYLOR. Yes, sir.

Senator BROOKHART. Now is there an agreement made by banks when they make loans, to float those securities?

Mr. TRAYLOR. When we make current loans, as this one, from time to time, and our loans were current, they would probably borrow five million to pay off three or four, and then come back and get additional money. They had a line of credit, and the loan provides that the margin shall be maintained.

Senator BROOKHART. In the market?

Mr. TRAYLOR. Well, that is our contract with the borrower, that if his margin goes below whatever it is, 20, or 30, or 40, he will maintain the margin.

Senator BROOKHART. The margin is determined by the market for those securities?

Mr. TRAYLOR. That is right.

Senator BROOKHART. And that, you say, is the universal practice of the banks?

Mr. TRAYLOR. That is the only way they can safely make collateral loans.

Senator BROOKHART. So that means an artificial support of the market by the holders of those securities whenever the market is dropping, in particular?

Mr. TRAYLOR. Well, I suppose that the borrower on collateral would be anxious to see the market maintained if he could; yes.

Senator BROOKHART. That is all, Mr. Traylor.

(The witness was excused.)

Mr. PECORA. Mr. Tyler.

The CHAIRMAN. Mr. Tyler, raise your right hand. You do solemnly swear that the testimony you will give before this com-

mittee will be the truth, the whole, truth, and nothing but the truth; so help you God.

Mr. TYLER. I do.

**TESTIMONY OF EDWARD M. TYLER, CERTIFIED PUBLIC ACCOUNTANT, WOODWARD BUILDING, WASHINGTON, D. C.**

Mr. PECORA. Mr. Tyler, give your full name, your address, and your business.

Mr. TYLER. Edward M. Tyler, certified public accountant, Woodward Building, Washington, D. C.

Senator COUZENS. Who are you employed by now?

Mr. TYLER. I have a firm of my own, Tyler, Stovall & Co.

Senator COUZENS. And are you employed by this committee?

Mr. TYLER. Yes, sir.

Mr. PECORA. What education have you had in the field of accountancy?

Mr. TYLER. I graduated from the Washington School of Accountancy, as I recall it, about 1917.

Mr. PECORA. When did you become a certified public accountant?

Mr. TYLER. I became a certified public accountant in the State of North Carolina in June of 1919; and in the District of Columbia immediately upon the passage of that act, on February 17, 1923.

Mr. PECORA. Since that time what have been your activities and experience in the field of accountancy?

Mr. TYLER. In 1920 I became a partner of William Clabaugh, practicing as William Clabaugh & Co. He is since deceased.

In 1926 I engaged in individual practice.

In 1929 I became a partner of Clyde B. Stovall, practicing as Tyler, Stovall & Co., with offices in the Woodward Building; and my activities were transferred to New York.

About the same time I became comptroller of Harris, Winthrop & Co., members of the New York Stock Exchange, with offices at 11 Wall Street, the Stock Exchange Building; and was comptroller for Harris, Upham & Co., the succeeding company to Harris, Winthrop & Co.

Mr. PECORA. Does that comprehend your training and experience and education in the field of accountancy?

Mr. TYLER. I believe that covers it briefly.

Mr. PECORA. Were you employed as a certified public accountant by this committee to make certain examinations, investigations, and analyses of the records of the Insull Utility Investments (Inc.), and the Corporation Securities Co. of Chicago, and collateral records?

Mr. TYLER. I was.

Mr. PECORA. How long have you been engaged in making such examination and analyses?

Mr. TYLER. Since about October 1.

Mr. PECORA. Of 1932?

Mr. TYLER. Of 1932.

Mr. PECORA. And have you also, in your research along this line and in your investigations, inquired into and examined into and analyzed the records of transactions in the stock of those two companies?

Mr. TYLER. I have.

Mr. PECORA. Of certain persons or corporations?

Mr. TYLER. Yes; I have.

Mr. PECORA. Before I come to that portion of your testimony, let me ask you if, among other things, you examined the financial statement to the public of Corporation Securities Co. of Chicago for the year 1929 with respect to the item thereon showing the organization expense?

Mr. TYLER. Yes, sir.

Mr. PECORA. What was the organization expense shown in that statement to the public?

Mr. TYLER. I will have to refer to one of my records here.

Mr. PECORA. Very well. Have you got it?

Mr. TYLER. Yes; here is the item referred to, amounting to \$347,000—

Mr. PECORA (interposing). No; I mean, in the statement put out to the public, what was the amount of the item for operating expenses for the year 1929 of that company?

Mr. TYLER. The operating expenses, according to their statement, was \$4,980.

Mr. PECORA. Now, have you seen in the offices of that company a copy of its income-tax return for the year 1929, showing the item for operating expenses for that year of 1929?

Mr. TYLER. Yes; I have.

Mr. PECORA. What is the amount shown on the income-tax return for operating expenses?

Mr. TYLER. \$347,446.03.

Mr. PECORA. Now, let me invite your attention to a corporation called Insull Utility Investments (Inc.).

Mr. TYLER. Yes, sir.

Mr. PECORA. Having in mind that the opening trades on the Chicago Stock Exchange for the common stock of that company were had on January 17, 1929, will you tell us who were the only holders of outstanding common stock of the company on that date, according to the corporation records?

Mr. TYLER. According to the corporation records, the only outstanding stock at that date were the so-called Insull family, with the possibility of warrants in connection with the issue of debenture A's.

Mr. PECORA. Who were the only holders of the common stock actually issued and outstanding?

Mr. TYLER. The only holders were the Insull family.

Mr. PECORA. How about Halsey, Stuart & Co.?

Mr. TYLER. Halsey, Stuart & Co., so far as my records go, had no actual stock.

Mr. PECORA. What were the sales made on the exchange on the opening day in the common stock of that company; that is, of the Insull Utility Investments (Inc.)?

Mr. TYLER. According to the stock exchange records, there were 4,150 shares traded in on that day.

Mr. PECORA. At what price?

Mr. TYLER. At the price of 30.

The CHAIRMAN. None below and none above?

Mr. TYLER. All at 30, all day long.

Mr. PECORA. Have you made any investigation to ascertain what person or persons engaged in those trades on the opening day?

Mr. TYLER. Yes; I made an analysis of all of those trades as to the purchasers. We determined that approximately 750 shares of this stock was bought by employees of the Civic Opera Co., one of Mr. Insull's hobbies. As to the sales, we were not able to determine the actual sellers, but we find that they were all sold by two brokers, namely, Farnum, Winter & Co. and M. D. Cahn & Co. Farnum, Winter & Co. and M. D. Cahn & Co. are known as brokers for both the Insull group and for Halsey, Stuart & Co.

Mr. PECORA. Now, can you give us a recapitulation, by week or month, of the course of trading in that security during January, February, and March, we will say, of 1929?

Mr. TYLER. I can give you—by the course of trading, Mr. Pecora, I presume you mean the volume?

Mr. PECORA. The volume and the range of prices.

Mr. TYLER. The volume and the range of prices?

Mr. PECORA. Yes, sir.

Mr. TYLER. I have stated that on January 17 the volume was 4,150 shares. January 18 the volume was 16,950 shares.

Mr. PECORA. You are talking about the number of shares now?

Mr. TYLER. Yes; when I say volume, I mean the number of shares. They ranged from 33½ to 40, closing at 40.

On the 19th the volume was 9,250 shares, with a range from 37¼ to 38½.

On the 21st, 15,650 shares, ranging from 33 to 39, closing at 35.

On the 22d—

Mr. PECORA. Do not give it to us by days. Have you not a weekly or monthly recapitulation?

Mr. TYLER. The monthly volume I have recapitulated. I have not the monthly range in price, but I can give that very quickly by a glance at my sheets here.

Mr. PECORA. All right.

Mr. TYLER. The monthly volume of Insull Utility Investments (Inc.), for January, was 91,525 shares.

February, 122,250 shares.

Mr. PECORA. Give us the range as you go along by month, will you? The range in price, so we will know from month to month what the range was.

Mr. TYLER. The range in January was from 30 to a high of 40, closing the month at 35¼.

In February the range was from 35½ to a high of 48½, closing at 46.

The volume for March was 54,400; the range for March was from 37 to 46, closing at 40¼.

The volume for April was 26,150, with a range from 40¼ to 44, closing at 41¼.

Mr. PECORA. Mr. Tyler, as you give those monthly volumes, can you also include what number of those tradings, or the volume of those tradings that you traced or attributed to any of the Insull group corporations, or any of the individuals connected with it, or Halsey, Stuart & Co.?

Mr. TYLER. I can. I was up to May, I believe. I can go back to January. The Insull group bought—I might say, before I give these statistics, that we examined approximately 8 or 10 brokers to find the trades, and all that we had an opportunity to examine before being called here. Of those 8 or 10 brokers we found in the Insull

group that they had bought during January 8,035 shares, and sold 2,000 shares.

Bought in February 1,970 shares, and sold 3,070 shares.

Bought in March 4,820 shares, and sold 200 shares.

Bought in April 500 shares, and sold 1,545 shares.

In May the total volume was 22,200. The Insull group bought 1,080 shares, and sold 2,190 shares.

Mr. PECORA. When you say the Insull group, do you include trades of Halsey, Stuart & Co. under it?

Mr. TYLER. Yes, sir.

Mr. PECORA. All right. Go ahead.

Mr. TYLER. The range during that month was from 38½ to 41, closing at 38.

In June the volume was 101,450 shares. The Insull group bought 4,143 shares, and sold 5,535 shares. In June the range was from 38 to a high of 54, closing at 51½.

In July the volume was 942,050 shares. The Insull group bought 6,325 shares, and sold 46,192.

Mr. PECORA. What was the range?

Mr. TYLER. The range in that month was from a low of 52 to a high of 127½, closing at 126.

In August the total volume was 794,480 shares. The Insull group bought 28,964 shares, and sold 21,072 shares. The range was from a low of 104 to a high of 149¼, closing at 110¾.

The September total volume was 436,550 shares. The Insull group bought 6,993 shares, and sold 3,964 shares. The range during September was from a low of 104½ to a high of 116, closing at 107.

In October the total volume was 435,650 shares. The Insull group purchased 51,005 shares, and sold 2,284 shares. The October range was from 40 low to a high of 108, closing at 70.

The November total volume was 273,150 shares. The Insull group bought 16,989 shares, and sold 247 shares. The range during November was from 39½ to 55, closing at 55½.

The December total volume was 297,200 shares. The Insull group purchased 6,198 shares, and sold 4,109 shares. The range for December, 1929, was from 54 low to a high of 66, closing at 60¾.

Mr. PECORA. Have you made an analysis of the same operations in the market for the year 1930?

Mr. TYLER. Yes; I have. I have a complete analysis of 1930, also, along the same lines.

Mr. PECORA. Will you give it to us month by month?

Mr. TYLER. January, 1930, the total volume was 149,050 shares. The Insull group purchased 42,091 shares, and sold 12,830 shares. The range was from 53 low to a high of 64½, closing at 63¾.

In February, 1930, the total volume was 151,850 shares. The Insull group purchased 59,160 shares, and sold 9,230 shares. The range during February was from 63½ to a high of 70¾, closing at 67¾.

The March total volume was 223,650 shares. The Insull group bought 68,500 shares, and sold 18,620 shares. The range was from 67½ low to a high of 70¾, closing at 68¾.

The April total volume was 160,350 shares. The Insull group purchased 68,500 shares, and sold 18,620 shares. The April range was from 67¾ to 69¾, closing at 68¾.

The May total volume was 139,600 shares. The Insull group bought 47,100 shares, and sold 42,114.

Senator BROOKHART. What was the purchase?

Mr. TYLER. Forty-seven thousand and one hundred shares purchased by the Insull group, and sold 42,114 shares.

Senator BROOKHART. They were getting their stock back now?

Mr. TYLER. The range for May was 64 low to a high of 67, closing at 65.

The June total volume was 236,800 shares. The Insull group purchased 110,800 shares, and sold 72,460 shares. In June the range was from 52 to 67½, closing at 56.

In July the total volume was 220,650 shares. The Insull group purchased 122,700 shares, and sold 86,583 shares. The range during July was from 55½ low to a high of 62½, closing at 61½.

Mr. PECORA. Mr. Tyler, have you a separate recapitulation or tabulation in one document of these monthly sales and purchases?

Mr. TYLER. Yes, sir.

Mr. PECORA. I mean have you got it here?

Mr. TYLER. Yes; that is what I am reading from.

Mr. PECORA. I will get you to let me have that, and we will spread that on the record without the necessity of reading all these tabulations. It takes a lot of time.

Mr. TYLER. That does not include the prices, Mr. Pecora, but I have a detail here, day by day, of the high, low, and closing.

Mr. PECORA. Well, will you supplement this recapitulation with the information showing the range of prices month by month?

Mr. TYLER. Just add that to this?

Mr. PECORA. Yes, and submit it to the committee as soon as you are able to do it, and it can be spread in full on the record.

The CHAIRMAN. There will be no objection to that.

Mr. PECORA. And have you, Mr. Tyler, prepared a similar report based upon an examination and investigation of similar records with respect to the Corporation Securities Co. of Chicago?

Mr. TYLER. I have.

Mr. PECORA. Will you recapitulate those transactions in the same manner, and when you have completed it submit it to the reporter so that it may be spread on the record?

Mr. TYLER. I will do that.

The CHAIRMAN. Does that record also include transactions of the Insull family and Halsey, Stuart & Co. interests?

Mr. TYLER. Well, we have included the Insull group.

The CHAIRMAN. That includes Halsey, Stuart & Co.?

Mr. TYLER. It includes Halsey, Stuart & Co.; yes, sir.

Mr. PECORA. And when you do that, let me have it and we will put it in the record.

Mr. TYLER. All right.

(The witness was excused.)

(The report thereafter furnished by Mr. Tyler is here printed in the record as follows:)

WASHINGTON, D. C., March 13, 1933.

The following is a report of the result of the investigation of Corporation Securities Co. of Chicago and Insull Utility Investments (Inc.) for the Committee on Banking and Currency of the United States Senate by myself and associates.

The report discloses that inordinate profits were made by the individuals and firms in connection with the organization and financing of these corporations.



The investment house of Halsey, Stuart & Co. appears to have obtained the greater portion of these profits, a partial summary of their share being as follows:

Profit on sale of \$2,000,000 debentures A back to Insull Utility Investments (Inc.)	\$3, 995, 388
Profit Insull Utility Investments (Inc.) \$5.50, preferred warrants	7, 500, 000
Value of 57,000 shares of Insull Utility Investments (Inc.) received as a bonus for sale of stock and debentures	2, 280, 000
Profit on sale of \$60,000,000 Insull Utility Investments (Inc.) debentures B	3, 300, 000
Excess of opening market value over cost of Corporation Securities Co. of Chicago, common stock	27, 800, 000
<b>Total</b>	<b>44, 955, 388</b>

The investigation in my opinion disclosed the existence of various unsound practices.

In the succeeding section of this report is presented further information in addition to that presented by oral evidence which was ascertained from the investigation of the affairs of Insull Utility Investments, (Inc.) and Corporation Securities Co. of Chicago.

Respectfully submitted.

EDWARD M. TYLER, C. P. A.  
Member of firm, Tyler, Stovall & Co.,  
Certified Public Accountants.

#### ORGANIZATION OF INVESTMENT TRUSTS AND STOCK FLOTATIONS

##### INSULL UTILITY INVESTMENTS (INC.)

Insull Utility Investments (Inc.) was incorporated under the laws of the State of Illinois on December 27, 1928.

The initial issue of stock of 200 shares was to the incorporators for \$1,000 on January 4, 1929.

On January 11, 1929, the corporation acquired from the Insull family the following securities and at the following values:

	Value
1,000 shares Insull, Son & Co. common	\$1, 250, 000. 00
19,293.6 shares Middle West Utilities Co. 6 per cent preferred	2, 006, 534. 40
29,928 shares Middle West Utilities Co. common	5, 147, 441. 60
472 shares Midland Utilities Co. A preferred	46, 492. 00
6,090 shares Peoples Gas Light & Coke Co. capital stock	1, 315, 440. 00
<b>Total</b>	<b>9, 765, 908. 00</b>

Stock was issued in payment as follows:

To—	Preferred	Amount	Common	Amount
	<i>Shares</i>		<i>Shares</i>	
Samuel Insull	25, 456	\$2, 545, 600. 00	486, 176	\$3, 669, 170. 27
Mrs. Samuel Insull	3, 692	369, 200. 00	70, 461	531, 769. 17
Martin J. Insull	4, 924	492, 400. 00	94, 122	710, 338. 73
Samuel Insull, jr	5, 928	592, 800. 00	113, 241	854, 629. 83
<b>Total</b>	<b>40, 000</b>	<b>4, 000, 000. 00</b>	<b>764, 000</b>	<b>5, 765, 908. 00</b>

As a part of this purchase a contract was entered into with the stockholders and reduced to writing on January 17, 1929, which contained the following provisions:

1. Preferred stock (first series) were to have dividends at the following rates:

First year	\$2. 00
Second year	3. 00
Third year	4. 00
Fourth year	5. 00
Fifth year	6. 00

2. The stockholders were given an option to purchase 200,000 shares of common stock at \$15 per share within two years.

3. Samuel Insull, Samuel Insull, jr., and Martin J. Insull agreed to serve the corporation in any capacity for a period of two years without compensation.

4. Samuel Insull agreed to purchase or cause to be purchased 250,000 shares of common stock within one year at the price of \$12 per share.

The sale in accordance with item No. 2 on the foregoing page was made on December 28, 1929, at which time 200,000 shares were sold for a total of \$3,000,000.

The sale of 250,000 shares at \$12 per share was made in accordance with the fourth section to individuals as per the attached schedule A.

On January 17, 1932, \$6,000,000 in 5 per cent gold debentures, with warrants to purchase 5 shares of common stock for each \$100 of debentures at \$15 per share within the first six months, were sold to Halsey, Stuart & Co. at par.

On July 31, 1929, the corporation reacquired, ex warrants, from Halsey, Stuart & Co., \$2,000,000 par value of these debentures at 90 plus accrued interest in exchange for 46,458 shares of common at 40. The market closed on July 31, 1929, for Insull Utility Investments (Inc.), at a price of 126.

At that time this represented to Halsey, Stuart & Co., an unrealized profit, in the common stock, of \$3,995,388.

Additional debentures A were reacquired, ex-warrants, from Halsey, Stuart & Co. as follows:

August 24, 1929, \$250,000 at 90.....	\$225, 000
September 25, 1929, \$500,000 at 95.....	475, 000
October 3, 1929, \$250,000 at 95.....	237, 500
November 5, 1929, \$276,000 at 93.80.....	258, 888

Total (\$1,276,000)..... 1, 196, 388

There was reacquired, ex-warrants, from Insull Son & Co., the following:

September 3, 1929, \$255,000 at 88 and 89.....	\$226, 400
December 31, 1930, \$10,000 at 90.25.....	9, 025

Total (\$265,000)..... 235, 425

There were also purchased, ex-warrants, from Field, Glore & Co. \$7,000 at 66.35 or \$4,645.

January 18, 1929, the corporation sold to Halsey, Stuart & Co. 60,000 shares of \$5.50 prior preferred stock, with warrants to purchase 5 shares of common at \$15 per share prior to June 30, 1929, for the sum of \$6,000,000.

Insull Utility Investments (Inc.) common stock closed at \$40 per share on January 18, 1929, and continued to rise until August 2, 1929, at which time it reached the price of 149½. On the basis of the January 18, 1929, closing the warrants were worth \$25 per share (\$40—\$15=\$25). The 60,000 shares of \$5.50 prior preferred carried warrants for 300,000 shares of common which, valued at \$25 per share would result in \$7,500,000 as a profit or bonus to Halsey, Stuart & Co. at the time of purchase.

As additional compensation for the underwriting of the \$6,000,000 in debentures and \$6,000,000 in \$5.50 prior preferred stock, Halsey, Stuart & Co. were given 57,000 shares of common stock by the stockholders. The value of these on January 18, 1929, was \$2,280,000 on the basis of \$40 per share.

On August 31, 1929, 450,000 shares of preferred stock, second series, with conversion warrants, were sold to Utilities Securities Co. at 95 allocating 80 to the preferred stock and 15 to the value of the warrants. The total amount thus received was \$42,750,000.

On January 1, 1930, the corporation issued \$60,000,000 6 per cent gold debentures with warrants at 94. These were underwritten by Halsey, Stuart & Co. and retailed at 99½ with warrants. This represents a profit to Halsey, Stuart & Co. of \$3,300,000.

The foregoing constitutes the major financing of Insull Utility Investments (Inc.), but from the inception of the corporation to August 30, 1930, common stock was sold, including the before mentioned, on which the corporation realized \$101,845,293.56. If this stock had been sold in the market at the price prevailing during each month in which it was sold the corporation would have realized

\$231,387,442.37. In other words the corporation sold this stock for \$129,542 - 148.81 less than the market value.

On August 2, 1929, the common stock of this company attained the price of \$149 per share. On July 30, 1929, there was outstanding 2,027,146 shares of common for which the company had received an average price of \$19.88 per share or a total of \$40,330,502.48. Had these shares been sold on the market during the same months in which they were sold for the mean (average) price obtainable, the sum of \$101,701,725 would have been realized. The difference is \$61,371,-222.52.

At \$149 a share, this stock had a market value as of August 2, 1929, seven months after the corporation was formed, of \$302,044,754, or seven and one-half times the invested capital. That any such value should be placed on this stock is ridiculous may be illustrated by the fact that to earn 6 per cent on the market value on August 2, 1929, the corporation would have to earn \$18,122,685.24 yearly or 44 per cent on the invested capital of \$40,330,502.48.

As a matter of fact the net profit for the entire year of 1929, exclusive of stock dividends, and the sale of rights, both of which do not constitute income (stock dividends recorded as \$234,144.09 and sale of rights \$8,059,555.26), was \$1,948,-265.85. This amount covering the entire year, lacks \$16,174,419.39 of the required amount or in other words the earnings amounted to less than one-fifteenth the amount that would have been required to have paid a 6 per cent return on the market value at the end of the first seven months of operation. The earnings, in terms of percentage, on the market value as of August 2, 1929, were four-tenths of 1 per cent.

#### CORPORATION SECURITIES CO. OF CHICAGO

Corporation Securities Co. of Chicago was organized on October 5, 1929. The opening transaction on that day was the issue of 1,045,433 shares to Samuel Insull and family and 1,000,000 shares to Halsey, Stuart & Co. at a price of \$12.112 plus per share. In addition, 45,436 shares of "Three dollar optional preferred stock" were sold to Samuel Insull and family at \$50 per share.

Payment was made in the following manner, cash \$65,750.83, organization expense carried forward \$36,647.25 and 304,540 shares of Insull Utility Investments (Inc.) common stock, at price of \$100, totaling \$30,454,000. At the same time the company assumed indebtedness of \$3,510,000.

On October 14, 1929, the corporation issued 654,564 units consisting of one share of preferred and one share of common stock at \$75 per unit. The corporation realized \$49,092,300 and applied \$50 per share to the preferred stock and \$25 per share to the common stock.

That these units were sold at too high a figure may be illustrated if it is borne in mind that after selling the 654,564 units the company could only liquidate on the basis of \$3.94 in cash and 0.11279 share of Insull Utility Investments (Inc.) common stock for each share of the company's common stock. In other words, a purchaser of common stock at \$25 per share paid \$21.06 (\$25 less \$3.94) for 0.11279 share of Insull Utility Investments (Inc.) common stock at the rate of \$186.74. October 14, 1929, Insull Utility Investments (Inc.), common, closed at 104½.

On October 19, 1929, the first trading in the units took place at \$100 per unit. Due to a conversion privilege in the preferred stock in the unit one share of preferred was worth one and one half shares of common. Therefore, a unit was worth two and one half shares of common. A price of \$100 per unit is equal to \$40 per share for the common. A purchaser of common stock at \$40 per share was paying \$36.06 (\$40 less \$3.94) for 0.11279 share of Insull Utility Investments (Inc.) common stock or purchasing Insull Utility Investments (Inc.) common stock at the rate of \$319.73 per share. On this day (October 19, 1929) the stock closed at a price of \$97 per share.

On November 15, 1929 (1 month and 10 days after the purchase), it was necessary to write down Insull Utility Investments (Inc.) common stock to \$15,074,730 or by more than half.

On April 4, 1930, 1,250,000 shares of common stock was issued at \$25 per share to Corporation Syndicates and Insull, Son & Co. for which \$31,250,000 in cash was realized.

On September 15, 1930, by resolution of the board of directors \$40,000,000 of serial gold notes were sold to Halsey, Stuart & Co. at \$95.45 plus accrued interest. However, only \$30,000,000 were issued for which the corporation received \$28,865,139.01 in cash and Halsey, Stuart & Co. were relieved of the necessity of buying the balance of \$10,000,000. This completes the public financing of Corporation Securities Co. of Chicago.

#### MARKET MANIPULATIONS

On January 17, 1929, the common stock of Insull Utility Investments (Inc.) was listed and trading began that day. The volume of trading on this first day consisted of 4,150 shares, all at \$30 per share. At this time the only stock outstanding was in the hands of the Insull family so it was possible for them to dictate the price to prevail. The price of 30 is four times the price which the Insull family paid for their stock just 6 days previously. All sales on this day were made by the brokerage houses of M. D. Cahn & Co. and Farnum Winter & Co. Both houses were brokers for Insull and Halsey, Stuart & Co.

On February 7, 1929, Halsey, Stuart & Co. made a contract with Utility Securities Co. whereby Utility Securities Co. was to sell 93,500 shares of stock of Insull Utility Investments (Inc.) common stock at \$40 or better. Utilities Securities Co. was to have the excess over \$40 and up to \$42, but above that amount the excess was to be divided equally. Mr. Stuart, president of Halsey, Stuart & Co., stated that 57,000 shares of this amount were given to them as additional compensation in connection with the sale of the \$6,000,000 preferred stock and \$6,000,000 of debentures and the balance of the 93,500 shares was from the exercise of warrants on the debentures. The profit on the 57,000 shares has been accounted for (see p. 1695), but there remains to be accounted for the profit on 36,500 shares acquired through the exercise of warrants detached from debentures A. This is explained in the following paragraph.

In addition to what debentures A were sold, ex warrants, to the public by Halsey, Stuart & Co., the corporation bought back \$3,176,000 worth, ex warrants, from Halsey, Stuart & Co., which means that Halsey, Stuart & Co. exercised warrants and acquired 158,800 shares of Insull Utility common. Therefore, the 36,500 shares required to complete the sale of 93,500 shares must have come from the warrants at \$15 per share. The sale of these 36,500 shares at \$40 gives a profit of \$912,500.

On June 21, 1929, 250,000 shares of Insull Utility Investments (Inc.) were sold to Utility Securities Co. under the same arrangement as that made between Halsey, Stuart & Co. and Utility Securities Co. The price obtained was at an average of \$41,854 per share or \$10,463,512.73 net to the corporation. At this time a program of publicity was started with an advertisement in many Chicago papers which included a statement of estimated 1929 earnings of \$2,819,103. The actual earnings for the year were \$1,948,265.85, or less than the advertised estimate by \$870,837.15. Following this several news articles stated similar estimates and there were several references to rumors of new properties being acquired. The result of this propaganda was to run the price up to 149¼ on August 2, 1929, during which time Utility Securities Co. was selling Insull Utility Investments (Inc.) common stock in the market as well as privately. During the period from June 21 to July 30, 1929, the Chicago Daily News carried 23 items on Insull and the Chicago Daily Tribune 21 items. The monthly volume and price range are shown on Schedule B following this report. The total trades in the market from June 21 to July 30, 1929, were 998,100 shares.

On January 20, 1930, at which time Halsey, Stuart & Co. purchased \$60,000,000 of debentures B, a contract was entered into between Halsey, Stuart & Co. and Insull Utility Investments (Inc.) wherein Insull Utility Investments (Inc.) agree to maintain the market in their common stock for four days after the offer of the debentures to the public. See photostatic copy of letter attached. (Schedule C.)

Insull, Son & Co. were designated to maintain this price on the common stock and between January 23 and 31, 1930, the following trades were made in the market by them.

1930	Bought	Sold	1930	Bought	Sold
Jan. 23.....	4,800	1,700	Jan. 30.....	9,350	500
Jan. 24.....	2,050	650	Jan. 31.....	1,050	200
Jan. 27.....	3,150	3,600			
Jan. 28.....	2,900	1,000	Total.....	25,050	9,300
Jan. 29.....	1,750	1,650			

On August 15, 1930, a syndicate was formed with Insull, Son & Co. in which Insull, Son & Co. were to maintain the market on Insull Utility Investments (Inc.) common at a price of \$57.50 per share. They were to maintain the market on common rights at \$1.50 per right and \$0.68 per right on preferred rights.

The trades of this syndicate are shown on Schedule D attached. The total trades were 107,601 shares purchased and 64,503 shares sold.

Photostatic copy of syndicate agreement is attached. (Schedule E.)

Corporation Securities Co. of Chicago units were listed on October 19, 1929, on the Chicago Stock Exchange. That day 1,140 units were sold at a price range between 99¼ and 100¼ closing at 100¼. Of the total sales during this first day, H. L. Stuart purchased 250 units (100 at 99¼ and 150 at 100) and sold 600 units (150 at 100, 100 at 100¼, 200 at 100½ and 150 at 100¾). As these units had not been offered to the public until October 14, it is apparent that there was only a very small quantity available for public sale and in view of the fact that H. L. Stuart sold more than 50 per cent of the total volume traded on the exchange, it is also apparent that the price was made by his trades.

On the basis of the market value thus established at \$40 per share for the common stock the organizers of Corporation Securities Co. of Chicago reaped a large profit. That of Halsey, Stuart & Co. was \$27,880,000 and the Insull family of \$29,146,671.

On March 31, 1930, a contract was made between Corporation Securities Co. of Chicago and Utility Securities Co. wherein Corporation Securities Co. of Chicago was to protect the market on allotment certificates between \$69.50 and \$70 for a period of 90 days after April 3, 1930. During the months of April, May, and June, 1930, the trades in Corporation Securities Co. of Chicago were as follows (see also Schedule I):

Insull group:	
Bought.....	63,125
Sold.....	7,541
Total volume.....	83,900
Price range:	
High.....	72½
Low.....	62
Close.....	63¾

#### BANK LOANS, POSITION OF COLLATERAL, ETC.

From almost the very beginning these corporations were very large borrowers from banks using as collateral the securities held by the two corporations. The following is a statement of bank loans at the end of the year.

	1929	1930	1931
Corporation Securities Co.....		\$15,881,745	\$15,750,000
Insull Utility Investments.....	\$27,949,163	58,476,218	53,257,145

In addition to loans to the corporations named above loans were made to other corporations and individuals of the Insull group and the following is a summary of loans by Chicago banks which exceeded the legal limit in the aggregate.

*First National Bank of Chicago, Ill.*

Total loans to Insull group April 16, 1932-----	\$20,080,267.21
Capital-----	25,000,000.00
Surplus-----	25,000,000.00
Total capital and surplus-----	50,000,000.00
Percentage of loans to combined capital and surplus, 40 per cent.	
Percentage of loans to capital, 80 per cent.	

*Continental Illinois Bank & Trust Co., Chicago, Ill.*

Total loans to Insull group April 16, 1932-----	\$59,857,135.23
Capital-----	75,000,000.00
Surplus-----	65,000,000.00
Total capital and surplus-----	140,000,000.00
Percentage of loans to combined capital and surplus, 43 per cent.	
Percentage of loans to capital, 80 per cent.	

*Central Republic Bank & Trust Co., Chicago, Ill.*

Total loans to Insull group April 16, 1932-----	\$11,157,069.70
Capital-----	14,000,000.00
Surplus-----	10,000,000.00
Total capital and surplus-----	24,000,000.00

Percentage of loans to combined capital and surplus, 46 per cent.

Percentage of loans to capital, 80 per cent.

All debentures issued by these two corporations contained covenants that the assets of the corporations would not be pledged to the extent of more than 50 per cent of such assets unless the debentures were secured ratably with the loans so secured. On October 1, 1931, the 50 per cent point was exceeded, and it increased month by month thereafter until December 31, 1931, and remained the same until the date of bankruptcy. Statements of the condition of loans, etc., were made to the boards of directors and finance committees weekly, and each member of the board and the finance committee knew when the covenants in the debentures were broken. H. L. Stuart, president of Halsey, Stuart & Co., was a member of these boards and finance committees and had knowledge of the breach of the covenant, but the firm of Halsey, Stuart & Co. continued to sell these debentures. A list of the sales taken from the sales tickets of Halsey, Stuart & Co. from October 1, 1931, to, and in some cases beyond, the date of receivership is attached hereto. (Schedule F.)

All statements issued by these companies contained inflated income reports, and the balance sheets were inflated to the extent that stock dividends and proceeds from the sale of subscription rights were included in the value of assets. When stock dividends are received, nothing has been added of value to the original stock. This point was decided by the Supreme Court of the United States in the case of *Eisner v. Macomber* (252 U. S. 189). The sale of rights should not be treated as income except for the amount by which the proceeds exceed the equity which attaches to the rights. In no case were rights sold by the companies sold at a profit.

In 1929 a corporation was formed which existed for less than a month and whose only activity was to purchase from Insull Utility Investments (Inc.) a number of stock subscription rights, upon which a value was placed of \$8,059,000. The rights were paid for with 100 shares, the total capital of this corporation and the value of \$8,059,000 applied to the capital. This \$8,059,000 was improperly included in income of Insull Utility Investments (Inc.). Schedule G-H shows the adjustments of income for these corporations to the proper amount.

These statements were more misleading to the public in that they were certified to by firms of accountants. The auditors in the case of Insull Utility Investment (Inc.) were Arthur Young & Co., and for Corporation Securities Co. of Chicago—Touche, Niven & Co.

In June, 1930, after a contest between Samuel Insull and Cyrus J. Eaton for the control of the Insull group of corporations, the two investment trusts purchased from Mr. Eaton the securities which he had acquired paying him \$350 per share which was more than \$100 per share above the then market value of these securities. The total consideration for this purchase was \$56,000,000 which was paid by \$48,000,000 cash and \$8,000,000 in stock of the two investment trusts.

An interesting example of the inflationary methods pursued and which were finally reflected in the books of account of the Corporation Securities Co. of Chicago, and which tended to obscure the true state of affairs of the company, is contained in the following description of a purchase and immediate write-up of the value of 557,000 shares of Middle West Utilities, new common stock.

It appears from their books that on October 14, 1929, just nine days after organization, the Corporation Securities Co. of Chicago contracted to buy on open account 557,000 shares of Middle West Utilities, new common, at \$24.136 plus per share, or a total purchase price of \$13,443,794.26. This was the first purchase of securities by the new corporation, other than the original securities obtained as a result of the consolidation of the old Corporation Securities Co. and Western Securities Co.

On this same day, October 14, 1929, the corporation made entries on its books increasing the book value of this 557,000 shares of Middle West Utilities stock by over 86 per cent above cost, or \$11,611,301.92; thus making this investment appear on its books at a value of \$25,055,096.18.

Although the market value of the stock at that time was about equal to the increased value shown, the corporation followed an unsound practice in carrying this increase into its investment account and absorbing the credit therefor in its common capital stock account and in surplus reserves.

The application of the increase was as follows:

Common stock.....	\$4, 111, 301. 92
Reserve for contingencies, investments, market value decline, or for other purposes.....	7, 000, 000. 00
Reserve for organization expense.....	500, 000. 00
Total.....	11, 611, 301. 92

The effect of the foregoing was to "water" the then outstanding common stock of Corporation Securities Co. of Chicago to the extent of about 47 per cent. It also caused the books to reflect an apparent but fictitious surplus equal to, approximately, 24 per cent of the total preferred and common stock outstanding, although up to this point the books showed no surplus or surplus reserves of any character whatsoever.

Schedule J attached shows purchases and sales by the Insull group of Corporation Securities Co. of Chicago, common stock, also the monthly volume of trades and the price range from April, 1930, to April, 1932.

#### SCHEDULE A

##### *Insull Utility Investments (Inc.) common stock sold at \$12 per share*

	Shares
Albright, Chas. D., care of Isham, Lincoln & Beal, 72 West Adams Street.....	1, 500
Andrus, L. B., Guaranty Building, Indianapolis, Ind.....	1, 000
Annan, J. Gilroy, 32 Bishopsgate, London, E. C. 2, England.....	1, 125
Adams, C. C., 137 South La Salle Street, Chicago.....	500
W. L. Abbott, 72 West Adams Street, Chicago.....	1, 000
Alschuler, Benj. P., 57 Fox Street, Aurora, Ill.....	1, 000
Arthur, William, care of Isham, Lincoln & Beale, 72 West Adams Street, Chicago.....	500

	Shares
Bullard, Edward M., care of Isham, Lincoln & Beale, 72 West Adams Street	500
Budd, Britton I., 72 West Adams Street, Chicago	2, 195
Barrett, Oliver R., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago	300
Blackinton, Fred L., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago	250
Brewster, Walter S., 112 West Adams Street, Chicago	6, 000
Brice, John P., care of Lake County Land Association, 72 West Adams Street	100
Burns, Geo. E., 72 West Adams Street, Chicago	100
Bird, Miss Esther, care of P. J. McEnroe, 72 West Adams Street	350
Bradley, Ralph R., The Rookery, 209 South La Salle Street, Chicago	500
Busby, Leonard A., 38 South Dearborn Street, Chicago	750
Barkman, Alice M., care of Chicago Civic Opera Co., Chicago, Ill.	50
Cooke, Judge, Geo. A., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago	3, 000
Conerty, Jos. A., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago	750
Chase, C. W., 1085 Broadway, Gary, Ind.	1, 000
Curtin, Emmett R., The Lima Trust Co., Lima, Ohio	1, 000
Clinch, R. Floyd, The Rookery, 209 South La Salle Street, Chicago	1, 000
Cunningham, James A., 72 West Adams Street, Chicago	100
Crum, Miss I. Ruth, 72 West Adams Street, Chicago	100
Cooke, Sullivan & Ricks Investment Fund, care of Judge Geo. A. Cooke, 310 South Michigan Avenue, Chicago	1, 000
Culver, Wm. H., 72 West Adams Street, Chicago	500
De Clercq, A. G., 72 West Adams Street, Chicago	1, 000
Dunbaugh, Harry J., care of Isham, Lincoln & Beale, 72 West Adams	2, 000
Doyle, E. J., 72 West Adams Street, Chicago	2, 000
Dines, Homer D., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago	1, 000
Daily, F. L., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago	1, 000
Dell Plain, Morse, 649 Hohman Street, Hammond, Ind.	1, 000
Daniels, Charles W., 72 West Adams Street, Chicago	200
Evers, Frank R., Utility Securities Co., 230 South La Salle Street, Chicago	500
Ellis, George Corson, 122 South Michigan Avenue, Chicago	500
Evers, J. W., jr., 72 West Adams Street, Chicago	1, 000
Elliott, Dr. Arthur R., 30 North Michigan Avenue, Chicago	200
Ettelson, Samuel A., Room 514, City Hall, Chicago	250
Elliott, R. L., 72 West Adams Street, Chicago	100
Ferguson, Louis A., 72 West Adams Street, Chicago	2, 000
Fiedler, Edw. H., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago	2, 000
Feustel, Robert M., care of Indiana Service Corporation, 310 West Maine Street, Fort Wayne, Ind.	1, 000
Forsey, P. G., 32 Bishopsgate, London, E. C. 2, England	250
Foreman, Gen. Milton J., 38 South Dearborn Street, Chicago	1, 000
Flexner, Washington, 732 Sherman Street, Chicago	500
Fox, William A., 72 West Adams Street, room 1124, Chicago	500
Gilchrist, John F., 72 West Adams Street, Chicago	2, 000
Gulick, John H., 72 West Adams Street, Chicago	2, 000
Guinan, James J., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago	1, 500
Graham, E. V., 72 West Adams Street, Chicago	1, 500
Gear, H. B., 72 West Adams Street, Chicago	500
Griffin, W. V., 72 West Adams Street, Chicago	250
Gorman, W. S., Midland Utilities Co., 122 South Michigan Avenue, Chicago	200
Gardner, Addison L., jr., 134 South La Salle Street, Chicago	500



	Shares
Geddes, William, care of Illinois Merchants Trust Co., 231 South La Salle Street, Chicago.....	500
Gamashe, Harry, 1828 No. Springfield Avenue, Chicago.....	25
Hedrick, Edwin, care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago.....	1, 200
Heign, Harry B., 137 South La Salle Street, Chicago.....	300
Harsbarger, Miss Dema, care of Civic Concert Service (Inc.) 58 East Congress Street, Chicago.....	1, 000
Hare, Mrs. S. Johnson, care of P. J. McEnroe, 72 West Adams Street, Chicago.....	350
Hare, F. Lumsden, care of P. J. McEnroe, 72 West Adams Street, Chicago.....	100
Harding, Charles A., 72 West Adams Street, Chicago.....	500
Harcourt, Mrs. Alice, care of P. M. McEnroe, 72 West Adams Street, Chicago.....	60
Halsey, Stuart & Co., 201 South La Salle Street, Chicago.....	43, 000
Hansen, Miss I. F., Hawthorne Farm, Lake County, Ill.....	100
Insull, Son & Co. (Inc.), 72 West Adams Street, Chicago.....	10, 000
Insull, Martin J., 72 West Adams Street, Chicago.....	10, 000
Jenkins, Paul A., 230 South La Salle Street, Chicago.....	400
James, Lieut. Col. R. H., 72 West Adams Street, Chicago.....	1, 000
Joiner, T. E., 137 South La Salle Street, Chicago.....	900
Johnson, H. M., Auditorium Theater, 58 East Congress Street, Chicago.....	1, 000
Jones, Geo. R., 72 West Adams Street, Chicago.....	1, 000
Jay, N. Dean, care of J. P. Morgan & Co., Wall and Broad Streets, New York City.....	2, 000
Kemp, Geo. A., 230 South La Salle Street, Chicago.....	500
Ketting, E. Odgen, care of P. J. McEnroe, 72 West Adams Street, Chicago.....	1, 125
Keily, W. E., 72 West Adams Street, Chicago.....	500
Kulbker, Miss Ruby, Hawthorn Farms, Lake County, Ill.....	50
Lawyer, John C., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago.....	500
Lloyd, E. W., 72 West Adams Street, Chicago.....	1, 500
Lucey, P. J., 10 South La Salle Street, Chicago.....	1, 000
Lewis, C. W., 72 West Adams Street, Chicago.....	100
Learned, John G., 72 West Adams Street, Chicago.....	1, 000
Larsonn, Wm. E., Libertyville Trust & Savings Bank, Libertyville, Ill.....	100
Lawler, Herbert F., 3658 Flournoy Street, Chicago.....	25
McKeever, Buell, care of Isham, Lincoln & Beale, 72 West Adams Street.....	2, 000
Matthews, Ben. H., care of Isham, Lincoln & Beale, 72 West Adams Street.....	1, 000
Mitchell, Geo. F., 122 South Michigan Avenue, Chicago.....	2, 000
McEnroe, P. J., 72 West Adams Street, Chicago.....	2, 000
Mulholland, S. E., Northern Indiana Public Service Co., Fort Wayne, Ind.....	1, 000
Myers, L. E., Monadnock Building, Chicago.....	2, 000
Mullaney, B. J., 122 South Michigan Avenue, Chicago.....	1, 000
Mueller, Richard, 72 West Adams Street, Chicago.....	500
Mehan, W. M., 72 West Adams Street, Chicago.....	100
McGuire, Catherine A., 72 West Adams Street, Chicago, room 1700....	100
Monroe, W.S., care of Sargent & Lundy, 72 West Adams Street, Chicago.....	1, 000
McInerny, W. A., South Bend, Ind.....	500
Morgan, Marshall S., 120 South Broad Street, Philadelphia, Pa.....	1, 000
Mott, Milan C., State Bank of Mundelein, Mundelein, Ill.....	100
Miller, Benjamin H., Libertyville, Ill.....	150
Merz, C. H., New Castle-upon-Tyne, England.....	1, 000
Otis, Jos. E., 125 West Monroe Street, Chicago.....	1, 000
Obee, T. W., 72 West Adams Street, Chicago.....	50
O'Donnell, Florence, 72 West Adams Street, Chicago, room 1218.....	250
Quersker, C. B., care of Illinois Merchants Trust Co., Chicago.....	50
Porter, Gilbert E., care of Isham, Lincoln & Beale, 72 West Adams Street.....	5, 000

	Shares
Peabody, Stuyvesant, 332 South Michigan Avenue, Chicago.....	2, 000
Peniston, Cordova L., 112 West Adams Street, Chicago.....	2, 000
Pennington, William A., 230 South La Salle Street, Chicago.....	500
Public Service Trust, 72 West Adams Street, Chicago.....	2, 000
Pahlman, H. H., 137 South La Salle Street, Chicago.....	200
Purcell, T. V., 122 South Michigan Avenue, Chicago.....	500
Pilkington, R. R., 72 West Adams Street, Chicago.....	100
Perry, W. S., care of Carter & Co., 115 Broadway, N. Y.....	1, 000
Peden, Thos. J., 9047 Commercial Avenue, Chicago.....	200
Powers, Margaret E., 244 East Pearson Street, Chicago.....	30
Parshall, H. F., London, England.....	1, 000
Quinn, E. J., 134 South La Salle Street, Chicago.....	2, 000
Quinn, Martin J., care of E. C. Benedict & Co., 71 Broadway, N. Y.....	2, 000
Russell, E. P., 112 West Adams Street, Chicago.....	4, 000
Rust, H. B., care of Koppers Co., Union Trust Building, Pittsburgh, Pa.....	1, 000
Rudd, W. G., 72 West Adams Street, Chicago.....	500
Rice, J. F., 72 West Adams Street, Chicago.....	100
Ray, Harold E., Auditorium Theater, Chicago.....	100
Rowe, John C., 30 Church Street, New York City.....	1, 000
Ryan, Gen. Jas. A., 111 Broadway, New York City.....	1, 000
Rider, Mrs. L. V., 655 Federal Building, Chicago.....	50
Raef, James J., 72 W. Adams Street, Chicago.....	250
Ricks, Jesse J., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago.....	1, 000
Rimini, Madam Rosa Raisa, care of P. J. McEnroe, 72 West Adams Street, Chicago.....	290
Sullivan, Boetius H., 310 South Michigan Avenue, Chicago.....	5, 000
Scheel, Fred H., 230 South La Salle Street, Chicago.....	8, 500
Shearon, B. P., 122 South Michigan Avenue, Chicago.....	500
Schuyler, Daniel J., 234 South Clark Street, Chicago.....	1, 500
Scheinman, Jesse D., 310 South Michigan Avenue, Chicago.....	1, 000
Sauer, W. A., 122 South Michigan Avenue, Chicago.....	1, 000
Swope, Gerard, 120 Broadway, New York City.....	2, 000
Stewart, I. M., 2920 Forty-fourth Place, Washington, D. C.....	300
South Trimble, care of Wyoming Apartments, Washington, D. C., placed by Judge Geo. A. Cooke.....	1, 000
Sargent & Lundy, 72 West Adams Street, Chicago.....	1, 000
Suter, Arthur E., Libertyville Trust & Savings Bank, Libertyville, Ill.....	200
Swan, Chester B., 1639-72 West Adams Street, Chicago.....	50
Taber, David F., care of Isham, Lincoln & Beale, 72 West Adams Street.....	2, 000
Tobey, Waldo F., care of Isham, Lincoln & Beale, 72 West Adams Street.....	5, 000
Tossell, A. L., 122 South Michigan Avenue, Chicago.....	500
Thompson, F. L., 6906 Constance Avenue, Chicago.....	500
Thompson, Charles, 72 West Adams Street, Chicago.....	500
Trigge, Alfred B., care of Rowe & Flagg, 30 Church Street, New York.....	1, 000
Talley, Mrs. Ester, room 901, 820 Tower Court, Chicago.....	125
Timms, Albert, Hawthorn Farm, Lake County, Ill.....	100
Utilities Securities Syndicate, care of E. V. Graham, 72 West Adams Street, Chicago.....	2, 000
Utilities Syndicate No. 2, care of Walter S. Brewster, 112 West Adams Street, Chicago.....	2, 000
Van Arsdel, E., care of J. F. Wild Building, Indianapolis, Ind.....	1, 000
Wing, John E., care of Isham, Lincoln & Beale, 72 West Adams Street.....	2, 000
White, H. A., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago.....	500
Waite, R. W., care of Utility Securities Co., 230 South La Salle Street, Chicago.....	750
Woodford, J. T., care of Utility Securities Co., 230 South La Salle Street, Chicago.....	200
Williamson, Geo., 72 West Adams Street, Chicago.....	750
Wing, H. E., 72 West Adams Street, Chicago.....	500

	Shares
Weinfeld, Charles, 234 South Clark Street, Chicago.....	250
Wright, Peter B., 72 West Adams Street, room 1432, Chicago.....	50
Weber, Evelyn, 72 West Adams Street, room 1436, Chicago.....	100
Willson, Fanny, Mrs., care of Carter & Co., 115 Broadway, New York, joint account of Messrs. W. S. Perry and F. S. Cutter.....	50
Young, Owen D., 120 Broadway, New York City.....	4, 000
Total original list.....	223, 000
Total supplemental list (follows).....	27, 000
Grand total.....	250, 000

*Supplemental list*

	Shares		Shares
E. D. Alexander.....	500	Dempster MacMurphy.....	600
A. J. Authenrieth.....	500	Oliver E. McCormick.....	1, 000
L. B. Breedlove.....	300	John A. McPhail.....	500
Allen E. Burns.....	500	Mississippi Valley Utilities In- vestment Co.....	800
D. F. Burritt.....	200	G. C. Neff.....	400
W. A. Buttrick.....	100	E. B. Neiswanger.....	500
J. Paul Clayton.....	1, 000	Harry Reid.....	2, 950
T. R. Crumley.....	500	Marshall E. Sampsell.....	2, 500
E. A. Davis.....	600	C. B. Scott.....	1, 000
C. J. Eaton.....	500	W. C. Sharp.....	150
G. W. Fry.....	200	J. H. Shearer.....	200
A. H. Gossard.....	450	J. Brodie Smith.....	500
E. V. Graham.....	700	George Otis Spencer.....	600
G. W. Hamilton.....	1, 000	R. D. Stevenson.....	1, 000
A. Hardgrave.....	800	W. S. Vivian.....	300
L. B. Herrington.....	1, 000	G. S. Williams.....	100
C. C. Herrmann.....	500	Walter S. Wyman.....	600
A. W. Higgins.....	250	C. B. Zeigler.....	500
Fred W. Insull.....	600		
William Insull.....	50		
James C. Kennedy.....	600	Total supplemental list.....	27, 000
Eustace J. Knight.....	1, 000	Total original list.....	223, 000
F. E. Kruesi.....	600		
A. Lieberman.....	350	Grand total.....	250, 000

## SCHEDULE B

*Insull Utilities Investment (Inc.), common stock purchases, sales, and prices*

Date	Insull group		Monthly volume of trades	Price range during month		
	Bought	Sold		High	Low	Close
1929						
January.....	8, 035	2, 000	91, 525	40	30	35½
February.....	1, 970	3, 700	122, 250	53	35½	46
March.....	4, 820	200	54, 400	47½	37	40¾
April.....	500	1, 545	26, 150	43½	40¼	41½
May.....	1, 080	2, 190	22, 200	41½	38	38
June.....	4, 143	5, 435	101, 450	54	38	51½
July.....	6, 325	46, 192	942, 050	127½	92	128
August.....	28, 964	21, 072	794, 480	149¼	92	110¾
September.....	6, 993	3, 164	432, 550	121½	104	107
October.....	51, 005	2, 284	435, 650	108¼	40	70
November.....	16, 989	247	273, 150	70	37	55½
December.....	6, 198	4, 909	297, 200	69½	54	60½
Total, 1929.....	137, 022	92, 938	3, 593, 055			

*Insull Utilities Investment (Inc.), common stock purchases, sales, and prices—Con.*

Date	Insull group		Monthly volume of trades	Price range during month		
	Bought	Sold		High	Low	Close
1930						
January.....	42,091	12,830	149,050	64½	53¾	64
February.....	59,106	9,236	151,850	70½	63½	67¾
March.....	26,565	42,250	223,650	70½	67½	68¾
April.....	68,500	18,620	160,350	69¾	66½	68½
May.....	74,100	32,414	139,600	64½	61	65
June.....	110,800	73,466	236,800	65	51½	56
July.....	122,700	86,583	220,650	63¾	55¾	61½
August.....	126,653	85,811	191,200	62	57	59
September.....	102,875	51,144	238,150	59¾	46	49¾
October.....	127,970	77,095	413,900	52¾	43¾	44¾
November.....	139,002	103,836	420,000	45½	36¾	40½
December.....	165,800	115,898	449,700	41¾	27½	29¾
Total, 1930.....	1,166,216	709,183	2,994,900	-----	-----	-----
1931						
January.....	56,095	15,230	289,200	42¾	28¾	40¾
February.....	40,437	8,028	238,200	49¾	39¾	46
March.....	15,635	13,639	131,050	47¾	39	39¾
April.....	17,687	22,844	186,750	39½	30¾	33¾
May.....	29,743	46,398	152,300	34¾	27½	29
June.....	61,855	74,084	342,500	34¾	21	31¾
July.....	45,000	55,867	256,200	33½	26¾	27½
August.....	30,170	32,158	157,900	28¾	26	27
September.....	88,212	73,501	394,550	27¾	11½	12½
October.....	48,614	50,851	297,700	14½	7¾	12½
November.....	28,350	10,976	121,400	14¾	9¾	10½
December.....	91,502	54,000	264,450	11	4	6
Total, 1931.....	553,300	457,576	2,832,200	-----	-----	-----
1932						
January.....	42,701	24,569	137,250	61¾	3¾	4
February.....	4,949	12,936	121,600	4¾	1¾	2
March.....	6,143	74,854	147,900	2	¾	¾
Apr. 16.....	2,023	0	56,850	¾	¾	¾
Total, 1932.....	55,816	112,359	463,600	-----	-----	-----

#### SCHEDULE C

HALSEY STUART & Co. (INC.),  
Chicago, December 31, 1929.

Mr. SAMUEL INSULL,  
Chairman Insull Utility Investment (Inc.),  
Chicago, Ill.

DEAR SIR: Confirming conversation with you, we have agreed to purchase, and you have agreed to sell, \$60,000,000 Insull Utility Investments (Inc.), 10-year 6 per cent gold debentures with characteristics substantially as described in the attached proof of circular, dated December 31. The purchase price is to be 94 and accrued interest at the date of delivery, such delivery to be made to us at our office in Chicago on January 20 next.

We understand that you will furnish, free of expense to us, the approving legal opinion of Messrs. Isham, Lincoln & Beale.

We also understand that you agree to maintain the market on Insull Utility Investments (Inc.'s) common stock at the closing price on the day prior to dealers' offerings for four business days thereafter.

If the foregoing is in accordance with your understanding, will you kindly confirm by signing and returning the attached carbon copy of this letter to us.

Yours very truly,

HALSEY, STUART & Co.

Accepted: Subject to the legally authorized increase in common stock.

INSULL UTILITY INVESTMENTS (INC.),  
By SAMUEL INSULL, Chairman.

## SCHEDULE D

*Insull Utility Investment (Inc.) common stock purchases and sales by Insull Son & Co. (Inc.)*

Date	Shares		Prices	
	Purchases	Sales	High	Low
1930				
Aug. 15.....	5,650	5,350	59 $\frac{1}{4}$	57 $\frac{1}{2}$
Aug. 18.....	9,150	5,650	58 $\frac{1}{4}$	58 $\frac{1}{2}$
Aug. 19.....	3,900	3,150	59 $\frac{1}{2}$	58 $\frac{1}{2}$
Aug. 20.....	1,300	500	59 $\frac{1}{4}$	58 $\frac{3}{4}$
Aug. 21.....	2,300	1,050	59	58 $\frac{1}{2}$
Aug. 22.....	900	600	58 $\frac{3}{4}$	58 $\frac{1}{2}$
Aug. 25.....	1,950	450	59	58 $\frac{1}{2}$
Aug. 26.....	4,200	3,200	59 $\frac{1}{2}$	58 $\frac{1}{2}$
Aug. 27.....	8,650	5,750	60 $\frac{1}{2}$	59 $\frac{1}{4}$
Aug. 28.....	5,700	2,850	60 $\frac{1}{2}$	60
Aug. 29.....	3,000	950	59	58 $\frac{3}{4}$
Total.....	46,700	29,500	-----	-----
Sept. 2.....	1,500	1,150	59 $\frac{1}{4}$	58 $\frac{3}{4}$
Sept. 3.....	4,700	300	58 $\frac{1}{4}$	58
Sept. 4.....	5,650	3,900	58 $\frac{1}{4}$	57 $\frac{1}{2}$
Sept. 5.....	1,100	850	58	57 $\frac{1}{2}$
Sept. 8.....	4,750	2,050	57 $\frac{3}{4}$	57
Sept. 9.....	2,700	302	57 $\frac{3}{4}$	57 $\frac{1}{4}$
Sept. 10.....	1,100	300	57 $\frac{3}{4}$	57 $\frac{1}{4}$
Sept. 11.....	4,200	1,400	57 $\frac{1}{2}$	56
Sept. 12.....	1,930	668	56 $\frac{3}{4}$	55 $\frac{3}{4}$
Sept. 15.....	6,121	11,290	56	53 $\frac{3}{4}$
Sept. 16.....	4,350	4,553	57	55
Sept. 17.....	7,400	5,150	57 $\frac{3}{4}$	56 $\frac{3}{4}$
Sept. 18.....	3,600	870	57 $\frac{1}{2}$	56 $\frac{3}{4}$
Sept. 19.....	5,800	850	56 $\frac{3}{4}$	55 $\frac{1}{2}$
Sept. 22.....	6,000	1,400	55	51 $\frac{3}{4}$
Total.....	60,901	35,033	-----	-----

## SCHEDULE E, PAGE 1

## INSULL UTILITY INVESTMENTS

## SYNDICATE AGREEMENT

This agreement, dated August 15, 1930, by and between Insull, Son & Co. (Inc.), an Illinois corporation (hereinafter called the syndicate manager), party of the first part, the subscribers hereto (hereinafter called severally the subscribers and collectively the syndicate), parties of the second part, and Insull Utility Investments (Inc.), an Illinois corporation (hereinafter called the Investments Co.), party of the third part, witnesseth:

Whereas the Investments Co. pursuant to a resolution of its board of directors adopted at a meeting of said board on July 28, 1930, is offering for subscription to the holders of its outstanding stock of all classes, 600,000 shares of the common stock of the Investments Co. at a price of \$50 per share; and

Whereas the Investments Co. has requested the syndicate manager to form a syndicate to purchase so many of said shares of common stock, if any, as shall not be subscribed, pursuant to the terms of said offer, by the persons entitled to subscribe therefor and to purchase in the market shares of the common stock of the Investments Co. and the subscription rights with respect thereto; and

Whereas the syndicate manager and the subscribers desire to form a syndicate for said purposes and the Investments Co. and the syndicate desire to enter into an agreement fixing the terms of such purchase and the conditions with respect to supporting the market for such shares and such rights and the compensation to be paid to the syndicate;

Now, therefore, in consideration of the premises and of the mutual undertakings herein contained, the parties have agreed and do agree as follows:

First. The subscribers hereby form a syndicate for the purpose (1) of purchasing from the Investments Co. so many of said 600,000 shares of common stock of the Investments Co. to be offered to its stockholders pursuant to said

resolution as shall not be subscribed by the persons entitled to subscribe therefor and (2) of purchasing in the market shares of the common stock of the Investments Co. and subscription rights with respect thereto, all upon the terms and conditions provided in the agreement between the Investments Co. and the syndicate manager set forth in paragraph 10 hereof. Insull, Son & Co. (Inc.), is hereby appointed the syndicate manager of the syndicate. The subscribers hereto severally subscribe and agree to pay to the syndicate manager at its office, 20 North Wacker Drive, Chicago, Ill., the amounts set opposite their respective names. Each subscriber shall make payment of his subscription as follows: Five per cent of the amount of his subscription shall be paid when and as called for by the syndicate manager after this agreement shall have been declared by the syndicate manager to be in effect and the remainder of each subscription shall be paid from time to time when and as called for by the syndicate manager but only after notice to the subscribers of not less than five days as to each call. The several subscribers shall be called upon to make payment of their subscriptions only ratably according to the several amounts thereof; but to the full extent of his undertakings each subscriber shall be responsible regardless of performance or nonperformance by any other subscriber. In the same proportion, except as otherwise herein provided, each subscriber shall be entitled to share in the benefits and shall bear any loss resulting to the syndicate under this agreement. Nothing herein contained shall constitute the parties hereto partners or shall render any one of the subscribers liable to contribute more than the amount of his several subscription.

Second. In case of the failure of any subscriber promptly to perform any of his undertakings hereunder, the syndicate manager, in behalf of itself and the syndicate, shall have, and at its sole and exclusive option may exercise, the right to exclude such subscriber from all interest in or under the syndicate; and in the discretion of the syndicate manager, without any proceedings either at law or in equity, in such manner and on such terms as it shall deem expedient, and without demand or notice, it may at public or private sale dispose of such participation hereunder or of any interest or right of such subscriber hereunder, and thereupon all interest and right of such defaulting subscriber hereunder shall cease and determine. At any public sale under this article of any interest or right of any subscriber or his transferee, the syndicate manager, or any party hereto, may become purchaser for its, or for his, own benefit, without accountability. Notwithstanding any sale, whether public or private, the defaulting subscriber shall be responsible to the syndicate manager for the benefit of the syndicate for all damages resulting from any such failure on his part not exceeding the amount unpaid on his subscription hereto with lawful interest.

Third. The subscribers nominate and appoint the syndicate manager their agent and attorney, with full power and authority to do any and all acts and things and to enter into and execute any and all agreements or other instruments necessary, proper, or expedient in the premises to carry out and perform this agreement according to its true intent and meaning. The syndicate manager is expressly authorized and directed for the account of the syndicate to purchase, upon all the terms and conditions stated in paragraph 10 hereof, and subject to the express limitations in said paragraph contained, shares of the common stock of the Investments Co. and subscriptions rights with respect thereto and in general shall have full power and authority to carry out the undertakings and agreements of the syndicate manager with the Investments Co., all as provided in said paragraph 10 hereof. The syndicate manager shall also have full power and authority to exercise subscription rights acquired by it and in its discretion to sell, at one time or from time to time, the shares of common stock and rights of the Investments Co. held for the account of the syndicate in such manner and at such price or prices as the syndicate manager may deem expedient. All sales shall be for the account of the syndicate and the proceeds therefrom may be applied to any of the purposes of this agreement. The syndicate manager may make advances or may borrow money for the account of the syndicate as from time to time it may deem expedient for any of the purposes of this agreement and may pledge any stock or property of the syndicate, including the obligations of the respective subscribers hereunder, as security for money borrowed.

Fourth. All dividends payable on any stock held for the syndicate may be collected and received by the syndicate manager for the account of the syndicate. The syndicate manager shall have authority to vote all stock held by it for the account of the syndicate at any and all meetings of the Investments Co. The syndicate manager shall be the sole manager of the syndicate, and in behalf of the syndicate may make any and all arrangements and do and perform any and

all acts, even if not herein provided for, that in its opinion shall be or may become necessary or expedient in order to consummate the purposes of this agreement or to promote or protect what the syndicate manager shall deem to be the best interest of the syndicate. The enumeration of specific powers in any paragraph of this agreement shall not be construed as in any way abridging the general powers by this or any other paragraph intended to be conferred upon or reserved to the syndicate manager.

Fifth. As compensation for its services hereunder the syndicate manager shall be paid a fee of one-tenth of 1 per cent of the aggregate subscription price of the number of shares underwritten by the syndicate. The syndicate manager shall have authority, from time to time and at any time, to incur such expenses as it may deem proper in carrying out, or in endeavoring to carry out, this agreement, or in doing any act or thing which it may deem to be in the interest of the syndicate. All expenses incurred hereunder by the syndicate manager and the fee of the syndicate manager hereinbefore provided for shall be paid out of moneys of the syndicate in the hands of the syndicate manager and shall be a prior charge in favor of the syndicate manager upon any and all moneys, stocks, and property received or held hereunder for the syndicate.

Sixth. The syndicate manager shall, by notice to the subscribers, declare this agreement in effect and operative when and not before subscriptions, approved by the syndicate manager, for a total of \$30,000,000 shall have been made hereunder. Unless \$30,000,000 shall have been subscribed for hereunder on or before August 25, 1930, this agreement on that date shall be and become void and of no effect. This agreement shall continue in force and operation until December 15, 1930, but the syndicate manager may in its discretion extend the same to a date not later than March 16, 1931, in which event this agreement shall continue in force until such extended date, provided that the syndicate manager may in its uncontrolled discretion terminate this agreement at any time before its termination under the foregoing provisions. Upon the termination of this agreement and after first paying all expenses and liabilities incurred hereunder, including the fee provided for in paragraph 5 hereof, the syndicate manager shall pay over, assign, and distribute to the subscribers all shares of common stock then remaining in the hands of the syndicate manager and all remaining cash and other assets then held hereunder, such distribution and payment to be made ratably in the proportion of the several amounts subscribed hereunder by the subscriber, except only that in lieu of the distribution of fractional shares of stock, adjustments shall be made in cash on the basis of the average cost to the syndicate of all shares purchased on its account. No subscriber shall be entitled to receive any stock, or the proceeds thereof, held for the syndicate under this agreement until the termination of the syndicate under the provisions hereof.

Seventh. The syndicate manager shall not be liable under any provision of this agreement, or for any matter therewith connected, except for lack of good faith in performing the obligations by it herein expressly assumed, the implication of any obligation not herein expressly assumed by it being hereby expressly denied and waived. It is understood that, in the same manner as other subscribers, the syndicate manager and/or the Investments Co. may become subscribers hereto; that as such subscribers they shall be liable for any subscriptions by them made; and that in all respects they shall be entitled to the same rights and benefits as any other subscribers.

Eighth. Each subscriber shall set opposite his subscription hereunder an address to which notices, calls, or other communications may be sent, and any notice, call or other communication addressed to any subscriber at the address so given, and either left at such address or mailed, shall be deemed actually given to such subscriber and shall be sufficient for all the purposes hereof. If any subscriber shall fail so to furnish his address to the syndicate manager he shall not be entitled to any notice of calls or offers or any other notice hereunder and he shall be deemed to assent to any action of the syndicate manager.

Ninth. The syndicate manager shall issue to the several subscribers suitable receipts in respect of moneys paid or advanced hereunder, or certificates of interest of such tenor and form as it may deem suitable. Such certificates of interest and all rights and obligations hereunder of the respective subscribers may be made transferable in such manner and on such terms and conditions as the syndicate manager may prescribe; but no transfer hereunder shall be valid unless assented to in writing by the syndicate manager, and, unless otherwise expressly provided in such assent, the transferor shall continue to be liable for the payment of the unpaid part of the transferred subscription until the same shall be fully paid.

Tenth. (a) The Investments Co. hereby agrees to sell to the syndicate and the syndicate manager hereby agrees to purchase from the Investments Co. for and on behalf of the syndicate, at the price of \$50 per share, such number of said 600,000 shares of common stock of the Investments Co. to be offered for subscription to its stockholders pursuant to the resolution of July 28, 1930, as shall not be subscribed for on or before September 15, 1930, pursuant to the offer of subscription by the persons entitled to subscribe therefor. For the shares purchased hereunder the syndicate manager shall pay the Investments Co. under one or both of the two following plans, to wit: (1) In one payment of \$50 per share on September 15, 1930; or (2) In 10 equal installments of \$5 per share each, one on September 15, 1930, and one on the 15th day of each of the nine calendar months in the period commencing with the month of October, 1930, and ending with the month of June, 1931 (except that the February and March, 1931, installments shall be payable on the 16th instead of the 15th of those months). Any installment may be prepaid at any time. The number of shares to be paid for under each of said plans shall be determined by the syndicate manager and within five days after September 15, 1930, the syndicate manager shall notify the Investments Co. of the number of shares to be paid for under each of said plans. As to all shares agreed to be purchased hereunder with respect to which such notice shall not be given, the syndicate manager shall be conclusively deemed to have selected the 10-payment plan. Deliveries of any of the shares purchased shall be made from time to time as desired by the syndicate manager upon full payment to the Investments Co. at its office for the shares delivered. In the case of all shares paid for in installments the Investments Co. shall pay to the syndicate manager interest to the ex-dividend date next preceding the date of issue, upon all installments paid prior to such preceding ex-dividend date, at the rate of 4 per centum per annum. Ex-dividend dates, hereinabove referred to, are as follows: September 30, 1930, December 15, 1930, and March 15, 1931.

(b) The syndicate manager agrees to support the market for shares of the common stock of the Investments Co. and the subscription rights with respect thereto, making use, to the extent required for the purpose, of all the means and resources available to it as syndicate manager hereunder, provided that no purchase need be made on the market on behalf of the syndicate at a price in excess of \$57.50 per share for shares of said common stock or in excess of \$1.50 per right for rights issued to holders of common stock or in excess of \$0.68 per right for rights issued to holders of preferred stock, and provided further that the obligation to support the market, as herein expressed, shall terminate upon the termination of this agreement or whenever prior thereto a total of 120,000 shares or the equivalent thereof in rights, shall have been purchased in the market by the syndicate manager. For the purpose of this subparagraph (b) 5 fractional rights issued to holders of common stock or 11 fractional rights issued to holders of preferred stock shall be taken as equivalent to 1 share.

(c) The Investments Co. in consideration of the agreements of the syndicate manager in this paragraph tenth contained, and as compensation to the syndicate for its undertakings herein, shall pay to the syndicate manager for the account of the syndicate the sum of \$600,000, being at the rate of \$1 for each share of common stock underwritten by the syndicate and \$1.50 for each share of stock or the equivalent thereof in rights (but not to exceed 120,000 shares) purchased by the syndicate manager pursuant to the provisions of subparagraph (b) of this paragraph tenth. Such payment shall be made on or prior to the termination of this agreement at the option of the Investments Co.

(d) This agreement between the Investments Co. and the syndicate manager may be modified by their mutual consent in any respect except as to the purchase price of the stock and the compensation to be paid to the syndicate manager.

Eleventh. This agreement shall bind, and is for the benefit of, the parties hereto and their successors, executors, and administrators, severally and respectively.

In witness whereof, the syndicate manager has caused this agreement to be executed in its corporate name by its proper officers under its corporate seal, and the Investments Co. to evidence the undertakings and agreements made by it as expressed in paragraph tenth hereof, has caused this agreement to be executed in its corporate name by its proper officers under its corporate seal, and the subscribers at various dates have made their subscriptions hereto, it being understood that for convenience this agreement may be subscribed in several parts and copies



with like force and effect as though all the subscriptions were upon one part or copy thereof.

INSULL, SON & Co. (INC.),  
By E. V. GRAHAM, *Vice President.*

Attest:

M. E. CARNEY, *Assistant Secretary.*

INSULL UTILITY INVESTMENTS (INC.),  
By SAMUEL INSULL, JR., *President.*

Attest:

JOHN F. O'KEEFE, *Secretary.*

SCHEDULE F

CORPORATION SECURITIES CO. OF CHICAGO

*Five per cent gold notes maturing September 1, 1932—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to April 16, 1932, as taken from sales tickets of Halsey, Stuart & Co.*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 1	Citizens Bank, Spencerville, Ohio.....	\$3,000.00	90	\$2,700.00
3	A. A. Reeves and associates.....	1,000.00	91.50	915.00
	Jos. H. Lee.....	2,000.00	92	1,840.00
5	David K. Tone.....	2,000.00	88	1,760.00
	A. A. Reeves and associates.....	2,000.00	91.50	1,830.00
6	Arthur C. Wright.....	1,000.00	80	800.00
7	Ralph W. Croker.....	4,000.00	80	3,200.00
9	State Bank, Panaman, Ill.....	2,000.00	80	1,600.00
	Bonbright & Co.....	5,000.00	68	3,400.00
10	United States Underwriters.....	5,000.00	80	4,000.00
13	Farmers & Merchants Bank, Vandalia, Ill.....	2,000.00	75	1,500.00
	Lincoln Park National Bank, Lincoln Park, Mich.....	5,000.00	78	3,900.00
	Ed. J. Quinn.....	1,000.00	73	730.00
14	State Bank, of Mundelein, Ill.....	3,000.00	83	2,490.00
15	Hickey Doyle & Co.....	1,000.00	74	740.00
	Frank & Chas. Buchman.....	1,000.00	75	750.00
17	Miss Marion Bothwell.....	1,000.00	77	770.00
	First National Bank, Altamont, Ill.....	1,000.00	71	710.00
19	J. B. Grove.....	1,000.00	74	740.00
	Fuller Cruttenden Co.....	6,000.00	77.50	4,650.00
	Peoples National Bank, Chicago, Ill.....	20,000.00	78	15,600.00
	Libertyville Trust & Savings Bank, Libertyville, Ill.....	2,000.00	83	1,660.00
	Salem National Bank, Salem, Ill.....	5,000.00	72	3,600.00
20	Mrs. Rose Goodman.....	5,000.00	79	3,950.00
	G. C. Reynolds.....	1,000.00	71	710.00
26	Ottumwa Ice Co.....	2,000.00	77.50	1,550.00
	Carson Goldsmith & Co.....	10,000.00	72.50	7,250.00
22	Clayton Bank & Trust, Clayton, Del.....	2,000.00	70	1,400.00
23	Warren Boynton State Bank, New Berlin, Ill.....	2,000.00	79.50	1,590.00
	Bruce Securities Co.....	5,000.00	75	3,750.00
	do.....	5,000.00	74.50	3,725.00
28	Farmers & Merchants Bank.....	1,000.00	76	760.00
31	R. L. Bowen.....	1,000.00	76.50	765.00
Nov. 3	A. C. Rincheimer.....	2,000.00	76	1,520.00
	Peoples State Bank, Prairie du Chein, Wis.....	2,000.00	90	1,800.00
	G. E. Rincheimer.....	1,000.00	76	760.00
4	Henry Straus.....	2,000.00	76.50	1,546.39
	Mrs. Myra Reich.....	1,000.00	79.50	795.00
5	William S. Vinson.....	2,000.00	73	1,460.00
	W. T. Dofflemeyer.....	5,000.00	75	3,750.00
6	Chas. A. Rincheimer.....	1,000.00	78	760.00
	A. J. Cole.....	1,000.00	78	760.00
	Miss Etta Briley.....	1,000.00	78	760.00
9	Fred E. Hyatt.....	1,000.00	97.20	972.00
10	Miss Elizabeth L. Ford.....	1,000.00	76	760.00
13	C. W. Velser.....	1,000.00	76	760.00
	Fuller Cruttenden & Co.....	5,000.00	83.125	4,156.25
16	A. J. Cole.....	1,000.00	84	840.00
18	C. G. Thomas.....	3,000.00	83	2,490.00
19	Geo. W. Blow.....	5,000.00	96.98	4,849.00
	C. B. Burpee.....	1,000.00	85	850.00
20	Bank of Sellwood, Portland, Oreg.....	2,000.00	85	1,700.00
21	First Trust & Savings Bank, Taylorville, Ill.....	6,000.00	85.50	5,130.00
24	Geo. L. Davis.....	1,000.00	83.50	835.00
	Jos. B. Mount.....	1,000.00	92	920.00
	Fred Happel.....	1,000.00	84	840.00
25	Mrs. Myra Reich.....	1,000.00	79.50	795.00
	Chas. B. Phillips.....	2,000.00	75	1,500.00

*Five per cent gold notes maturing September 1, 1932—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to April 16, 1932, as taken from sales tickets of Halsey, Stuart & Co.—Continued*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Dec. 1	State Bank, of Cherry, Ill.	\$1,000.00	69	\$690.00
	Kinton Savings Bank, Kinton, Ohio	4,000.00	72.50	2,900.00
	James P. McGee	1,000.00	85	850.00
	First National Bank, Mildred, Pa.	5,000.00	85	4,250.00
2	R. A. Mac Neille	1,000.00	68	680.00
	Chas. Frank Bachman	3,000.00	70	2,100.00
3	Leland Anderson	1,000.00	71	710.00
4	Chas. Klink	1,000.00	66	660.00
7	Robert D. Miller	1,000.00	62	620.00
	Mrs. Mary R. Sharat	1,000.00	70	700.00
	Earl H. Thompson	2,000.00	66	1,320.00
9	D. C. Finn	2,000.00	65	1,300.00
11	Victor Hemphill	1,000.00	62.50	625.00
15	Louis Larsen	1,000.00	61	610.00
17	William Krickheper	3,000.00	53	1,590.00
18	Carl Jones	2,000.00	53	1,060.00
	Hillsborn National Bank	3,000.00	64	1,920.00
	William J. Waldschmitt	4,000.00	53	2,120.00
21	Geo. A. Puck	10,000.00	53	5,300.00
	Rev. Chas. L. McCarron	1,000.00	53	530.00
	W. O. Gosselin	3,000.00	50	1,500.00
	M. D. Abercrombie	1,000.00	97.13	971.30
	James A. Cunningham	10,000.00	43.25	4,325.00
22	Mrs. L. E. Ford	1,000.00	40	400.00
	First National Bank, Utica, Nebr.	1,000.00	53	530.00
23	A. H. Miller	1,000.00	62	620.00
	Allen H. Stewart	1,000.00	50	500.00
	First National Bank, Tullahoma, Tenn.	4,000.00	53	2,120.00
24	T. D. Matthiesson	2,000.00	42	840.00
	J. S. Christopherson	1,000.00	40	400.00
26	Earl L. Pierce	3,000.00	40.50	1,215.00
28	Hickey Doyle & Co.	1,000.00	38.50	385.00
	J. B. Gordon	2,000.00	42.50	850.00
	The Fairway Co.	15,000.00	42.50	6,375.00
	W. J. Harris	1,000.00	98.37	983.70
	Citizens State Bank, Shawano, Wis.	5,000.00	42	2,100.00
29	Walter A. Bechthold	4,000.00	50	2,000.00
	Dorothy S. Tucker	2,000.00	53	1,060.00
	E. S. Sprague	1,000.00	40	400.00
30	Jos. Thai	1,000.00	41	410.00
	do	1,000.00	53	530.00
	J. D. Phillips	1,000.00	42.50	425.00
31	Robert S. Ashe	4,000.00	42.50	1,700.00
	N. D. Bachman	5,000.00	42.50	2,125.00
Oct. 27	Mrs. J. C. Oliver	1,000.00	71	710.00
	Hickey Doyle & Co.	10,000.00	73.375	7,337.50
1932 Jan. 2	H. J. Calkins	2,000.00	42.50	850.00
4	Alexander Grant	2,000.00	53	1,060.00
6	Gerhardt Baase	1,000.00	30	300.00
	Fuller Cruttenden & Co.	3,000.00	29	870.00
7	H. J. Calkins	1,000.00	40	400.00
8	Geo. W. Ross	1,000.00	97.20	972.00
9	E. W. Lawlor	3,000.00	32	960.00
11	Edison Cherrington	1,000.00	30	300.00
	Gerhardt Busse	1,000.00	30	300.00
13	C. W. Velser	1,000.00	42.50	425.00
15	W. J. C. Ralph	2,000.00	31	620.00
	Donald Ralph	1,000.00	31	310.00
16	W. C. Smith	1,000.00	30	300.00
19	A. W. Boylston	3,000.00	42.50	1,275.00
	Hulburt Warren & Chandler	2,000.00	39	780.00
25	Hickey Doyle & Co.	1,000.00	34	340.00
26	do	1,000.00	34.25	342.50
	Catholic Diocese of Green Bay	5,000.00	47.50	2,375.00
	B. N. Paulsrud	1,000.00	39	390.00
28	Edwin Gallun	5,000.00	35	1,750.00
Feb. 2	E. S. Selby	6,000.00	30	1,800.00
3	L. F. Wentzel	3,000.00	50	1,500.00
4	Chas. Sincere & Co.	1,000.00	28.25	282.50
	Hickey Doyle & Co.	1,000.00	29	290.00
5	Edison Cherrington	1,000.00	28.75	287.50
11	Fuller Cruttenden & Co.	1,000.00	15.50	155.00
16	do	4,000.00	15.875	635.00
	do	2,000.00	16	320.00
9	Geo. Krutzkowsky	1,000.00	30	300.00

*Five per cent gold notes maturing September 1, 1932—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to April 16, 1932, as taken from sales tickets of Halsey, Stuart & Co.—Continued*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1932				
Feb. 15	Jerome W. Naylor.....	\$1,000.00	18	\$180.00
	Mrs. Mary Settle.....	1,000.00	97.67	976.70
	Fuller Cruttenden & Co.....	1,000.00	14.50	145.00
19	Watts C. Valentine.....	2,000.00	13.75	275.00
23	Southland Investment Co.....	2,000.00	17	340.00
26	R. F. Farcells.....	1,000.00	10.50	105.00
24	Geo. Krutzikowsky.....	1,000.00	18	180.00
29	Fuller Cruttenden & Co.....	1,000.00	8.50	85.00
Mar. 12	W. D. Hanson.....	1,000.00	16.75	167.50
17	Southland Investment Co.....	3,000.00	9.50	285.00
	W. M. Dickey & Co.....	2,000.00	7.75	155.00
	do.....	1,000.00	7.75	77.50
24	Southland Investment Co.....	6,000.00	6.25	375.00
4	do.....	2,000.00	6.25	125.00
31	Bankers Security Co. of Philadelphia, Pa.....	1,000.00	8.00	80.00
Apr. 6	J. M. Ellis.....	1,000.00	69	690.00
13	First National Co.....	3,000.00	5.25	157.50
12	Hickey Doyle & Co.....	5,000.00	3.75	187.50
8	do.....	1,000.00	3	30.00
7	W. M. Dickey & Co.....	1,000.00	3.50	35.00
	Southland Investment Co.....	5,000.00	5.25	262.50
15	Frank J. Bunker.....	1,000.00	96	960.00
20	Jackson Engineering Co.....	1,000.00	98	980.00
	Total, Oct. 1, 1931, to Apr. 20, 1932.....	392,000.00	-----	225,334.84

*Five per cent gold notes maturing September 1, 1933.—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to May 3, 1932, as taken from sales tickets of Halsey, Stuart & Co.*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 1	Dr. Wm. Cooke.....	\$1,000.00	72.50	\$725.00
2	Mrs. Lena Burton.....	1,000.00	94.50	945.00
2	Dr. L. L. Leonard.....	2,000.00	71.50	1,430.00
6	A. E. Edgecomb.....	4,000.00	71	2,840.00
6	Mrs. W. T. Roos.....	1,000.00	72.50	725.00
7	Geo. W. Mundelein, trustee.....	10,000.00	57.75	5,775.00
10	James J. Quigley.....	5,000.00	71	3,550.00
13	Spencer Ewing.....	3,000.00	58	1,740.00
13	Mrs. Myra Reich.....	1,000.00	52	520.00
13	N. D. Bachman.....	5,000.00	52	2,600.00
15	Mrs. M. Klute.....	1,000.00	54	540.00
15	Jos. Thal.....	1,000.00	54	540.00
17	Miss Jay Keck.....	1,000.00	57	570.00
16	P. O. Baykin.....	2,000.00	58	1,160.00
16	Mr. Otto Kretschmer.....	8,000.00	58.50	4,680.00
17	State Bank of Delwein, Ill.....	1,000.00	52.75	527.50
19	Libertyville Trust and Savings Bank, Libertyville, Ill.....	2,000.00	81	1,620.00
19	Mrs. Rose Goodman.....	15,000.00	52	7,800.00
19	Rose Goodman.....	10,000.00	52	5,200.00
19	Frank R. Muenzen.....	5,000.00	60	3,000.00
19	Fuller Cruttenden & Co.....	2,000.00	58.25	1,165.00
19	do.....	5,000.00	58	2,900.00
19	State Bank of Latimer.....	2,000.00	57.75	1,155.00
20	John Lane.....	1,000.00	72.50	725.00
20	Farmers State Bank, New Madison, Ohio.....	1,000.00	60.75	607.50
20	H. K. Lorentzen.....	1,000.00	95.50	955.00
22	Miss Nellie Edwards.....	2,000.00	60	1,200.00
22	Main Belting Co.....	4,000.00	59	2,360.00
21	Elkville State Bank.....	1,000.00	60	600.00
21	Fred Bennitt.....	2,000.00	81	1,620.00
21	Farnum Winter & Co.....	3,000.00	56.875	1,706.25
21	W. H. Batten.....	1,000.00	60.50	605.00
23	Clement Alderfer.....	1,000.00	61	610.00
23	Central Republic Co.....	1,000.00	57	570.00
23	Farmers State Bank, New Madison, Ohio.....	1,000.00	60.50	605.00

*Five per cent gold notes maturing September 1, 1933.—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to May 3, 1932, as taken from sales tickets of Halsey, Stuart & Co.—Continued.*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 23	Fuller Cruttenden & Co. ....	\$2,000.00	57	\$1,140.00
26	H. M. Chapin .....	1,000.00	58.50	585.00
26	C. B. Ozias .....	3,000.00	60.50	1,815.00
27	Bank of Sellwood .....	3,000.00	60.50	1,815.00
27	Edith Randall .....	2,000.00	60.50	1,210.00
27	Lenore Dunlap .....	1,000.00	60.50	605.00
27	John Schwarz .....	1,000.00	56	560.00
29	Geo. R. Jones .....	1,000.00	57	570.00
29	W. J. Wilsch .....	1,000.00	60	600.00
27	Blanch Clark .....	1,000.00	94.50	945.00
31	H. M. Chapin .....	1,000.00	59	590.00
31	Gretchen Schoenleber .....	1,000.00	59	590.00
31	E. L. Aquart .....	1,000.00	58.50	585.00
Nov. 4	State Savings Bank, Woodville, Ohio .....	5,000.00	61	3,050.00
15	Rose Goodman .....	10,000.00	59.50	5,950.00
16	Letty Blieden .....	1,000.00	95	950.00
16	E. S. Selby .....	2,000.00	74.50	1,490.00
19	Geo. F. Blow .....	5,000.00	95.21	4,760.50
21	Peter Newburg .....	4,000.00	58.50	2,340.00
24	Edward Hallett .....	1,000.00	74	740.00
27	State Bank, of Eastman, Wis. ....	2,000.00	67	1,340.00
Dec. 5	Walter Bechthold .....	4,000.00	60	2,400.00
9	Fuller Cruttenden & Co. ....	2,000.00	49	980.00
14	do .....	5,000.00	41	2,050.00
17	do .....	4,000.00	37	1,480.00
17	E. M. Kerwin .....	2,000.00	91	1,820.00
19	Albert J. Taylor, trustee .....	1,000.00	43	430.00
24	Fuller Cruttenden & Co. ....	1,000.00	30	300.00
24	R. A. Strecker .....	1,000.00	37	370.00
24	Geo. E. Fetterman .....	2,000.00	42	840.00
28	John R. Robertson .....	1,000.00	94.50	945.00
29	Dr. J. O. Baker .....	10,000.00	30	3,000.00
31	Robert Ashe .....	2,000.00	35.50	710.00
1932				
Jan. 4	Mrs. Mae R. Whiting .....	5,000.00	37	1,837.50
9	Hodgman Manufacturing Co. ....	1,000.00	93.50	935.00
12	Peter Voelker .....	1,000.00	94.50	945.00
18	Athens Messenger & Herald Printing Co. ....	10,000.00	95.60	9,560.00
23	Abram J. Becker .....	3,000.00	94.50	2,835.00
25	J. L. Wedgwood .....	1,000.00	27	270.00
25	Hickey Doyle & Co. ....	1,000.00	24.75	247.50
27	do .....	3,000.00	20	600.00
29	do .....	1,000.00	19.50	195.00
29	Fuller Cruttenden & Co. ....	1,000.00	19.75	197.50
15	Wm. H. Donner .....	19,000.00	25	4,750.00
Feb. 2	Hickey Doyle & Co. ....	2,000.00	19.75	395.00
11	Fuller Cruttenden & Co. ....	1,000.00	14.50	145.00
13	Harry Buck .....	1,000.00	20.50	205.00
16	John Lauria .....	1,000.00	94.50	945.00
15	Eugene Rice .....	1,000.00	94.50	945.00
23	Herbert Noble .....	3,000.00	17	510.00
24	Dewey Ericsson .....	1,000.00	94.50	945.00
Mar. 7	R. E. Stewart .....	1,000.00	58.50	585.00
8	Hulburd Warren & Chandler .....	3,000.00	7	210.00
11	do .....	1,000.00	8	90.00
11	do .....	1,000.00	8.25	82.50
Apr. 8	Hickey Doyle & Co. ....	3,000.00	3	90.00
26	B. C. Getzelman .....	2,000.00	3	60.00
26	J. A. Safrank .....	1,000.00	95	950.00
15	Peoples State Bank, Lansing, Iowa .....	1,000.00	1	10.00
May 3	W. B. Thurbell .....	1,000.00	94.50	945.00
Total, Oct. 1, 1931, to May 3, 1932 .....		261,000.00	-----	140,891.75

*Five per cent gold notes maturing on September 1, 1934—Record of sales by Halsey, Stuart & Co. from October 2, 1931, to April 16, 1932, as taken from sales tickets of Halsey, Stuart & Co.*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 2	Wm. J. Welch	\$2,000.00	69	\$1,380.00
5	Dr. L. L. Leonard	1,000.00	69	690.00
5	Charles A. Garrison	1,000.00	70	700.00
5	Teutopolis State Bank, Illinois	1,000.00	69	690.00
6	L. W. Cooney	3,000.00	69	2,070.00
6	Charles L. Tucker	1,000.00	92	920.00
8	John M. Montgomery	1,000.00	46.50	465.00
10	James J. Quigley	5,000.00	82	4,100.00
13	R. E. Crain	2,000.00	56.50	1,130.00
13	Mrs. Myra Reich	1,000.00	50	500.00
13	Judge John F. O'Connell	3,000.00	50	1,500.00
13	Mrs. Mary D. Boykin	2,000.00	50	1,000.00
14	Wm. H. Arthur	10,000.00	50	5,000.00
14	Robert MacNeille	1,000.00	53	530.00
14	J. Fred Conover	2,000.00	69	1,380.00
17	Citizens Bank & Trust Co., Hauma, Iowa	3,000.00	51	1,530.00
17	Walter Tobey	1,000.00	50	500.00
16	Irene I. Clasz	2,000.00	57.50	1,150.00
16	Listed Sec. Car.	1,000.00	56	560.00
16	Peoples State Bank, Lansing, Iowa	2,000.00	50.75	1,015.00
19	Citizens State Bank, Shawano, Wis.	5,000.00	55	2,750.00
20	Mrs. Rose Goodman	5,000.00	55	2,750.00
20	Ludington State Bank, Michigan	5,000.00	57.25	2,862.50
22	S. Purry Pollak	2,000.00	53.50	1,070.00
22	John H. Seal	1,000.00	56	560.00
22	Dr. Elmer Eymann	1,000.00	56.50	565.00
22	Arthur Horton	2,000.00	53	1,060.00
23	J. H. Noyes	1,000.00	65	650.00
23	Milton Gottlieb	1,000.00	55.50	555.00
23	John Maher	1,000.00	56	560.00
26	N. M. Utley	1,000.00	50	500.00
26	Hickey Doyle & Co.	5,000.00	50.50	2,525.00
26	Fred Hellner	1,000.00	56	560.00
27	Arthur Brick	2,000.00	56.50	1,130.00
27	do.	1,000.00	56	560.00
27	Miss V. S. Runyan	1,000.00	55	550.00
29	Fuller Crutenden & Co.	3,000.00	54.625	1,638.75
29	George H. McNelly	25,000.00	58	14,500.00
31	G. W. Hubbard	1,000.00	55	550.00
Nov. 3	Miss Ethel Larson	1,000.00	56	560.00
5	M. W. Younkin	3,000.00	57	1,710.00
5	E. F. Putman	1,000.00	56	560.00
6	Farmers State Bank, Pittsfield, Ill.	5,000.00	57	2,850.00
7	Harry Shriver	1,000.00	57	570.00
7	Walter Lobhart	1,000.00	56	560.00
9	C. A. Sprague	1,000.00	57	570.00
9	H. D. Friebe	1,000.00	57	570.00
10	Charles Sincere & Co.	1,000.00	56.50	555.00
16	Richard Hamm	1,000.00	56.50	562.50
16	E. S. Selby	2,000.00	70	1,400.00
16	Kenton Savings Bank & Trust Co.	10,000.00	58	5,800.00
16	Robert Chittenden	5,000.00	56.50	2,825.00
16	Citizens Bank, Spencerville, Ohio	5,000.00	56.25	2,812.50
18	Mrs. C. H. Jones	1,000.00	56	560.00
18	Major John Welch	1,000.00	68	680.00
19	Mrs. J. Richard Hamm	1,000.00	67.50	675.00
19	Robert Ford	1,000.00	67.50	675.00
20	Mrs. Helen Judd	2,000.00	56.50	1,130.00
23	Mervin Gable	1,000.00	67.50	675.00
23	Mathilde Furst and Gladys Furst	1,000.00	67.50	675.00
24	Bellefontaine National Bank, Ohio	5,000.00	67.50	3,375.00
24	Farmers State Bank, Madella, Minn.	1,000.00	67.25	677.50
24	Mrs. D. L. Glen	1,000.00	67	670.00
25	Frank Graibb	1,000.00	67	670.00
25	Farmers & Merchants State Bank, Zumbro, Minn.	3,000.00	67.25	2,017.50
27	Mrs. M. T. Clark	5,000.00	56	2,800.00
Dec. 1	R. H. Conyin	2,000.00	62	1,240.00
2	Mrs. Erna Hill	2,000.00	58	1,160.00
3	Miss Wanda Alexander	1,000.00	92	920.00
3	Walter Hall	5,000.00	57	2,850.00
8	Dr. John Lee	1,000.00	62	620.00
8	Herman Falk	10,000.00	63	6,300.00
8	W. E. Brice	10,000.00	54	5,400.00
8	F. J. Bunker	2,000.00	60	1,200.00
9	Sunshine Coal Co.	1,000.00	52.50	525.00
12	Lloyd Gehress	1,000.00	54	540.00
14	Reb. William Lane	1,000.00	62	620.00

*Five per cent gold notes maturing on September 1, 1934—Record of sales by Halsey, Stuart & Co. from October 2, 1931, to April 16, 1932, as taken from sales tickets of Halsey, Stuart & Co.—Continued*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 16	Samuel Carpenter.....	\$1,000.00	52.50	\$525.00
17	H. W. Kellogg.....	1,000.00	51	510.00
18	James Davidson.....	5,000.00	62	3,100.00
18	Dr. T. H. Waters.....	1,000.00	38	380.00
24	Dr. Royal French.....	1,000.00	53.50	535.00
29	Mr. H. McFarland.....	2,000.00	35	700.00
31	Robert Ashe.....	2,000.00	34	680.00
19	Rev. J. Newton Kugler.....	1,000.00	43	430.00
1932				
Jan. 13	Society of Typographic Arts.....	1,000.00	92	920.00
14	Wm. H. Donner.....	10,000.00	25	2,500.00
18	Hickey Doyle & Co.....	7,000.00	20.75	1,452.50
18	do.....	1,000.00	21.25	212.50
15	W. H. Donner.....	2,000.00	25	500.00
21	Mrs. Johanno Herman.....	1,000.00	92	920.00
15	W. H. Donner.....	6,000.00	25	1,500.00
Feb. 1	Hickey Doyle & Co.....	3,000.00	18.50	555.00
1	do.....	2,000.00	18.75	375.00
11	Fuller Cruttenden & Co.....	1,000.00	13.25	132.50
16	do.....	1,000.00	12	120.00
16	do.....	4,000.00	11.50	460.00
Mar. 15	Hickey Doyle & Co.....	3,000.00	8.75	262.50
15	Mrs. Telca Seedorff.....	1,000.00	92	920.00
16	Hickey Doyle & Co.....	4,000.00	7.75	310.00
Apr. 16	Peoples State Bank, Lansing, Iowa.....	3,000.00	1	30.00
16	E. P. Lee.....	1,000.00	92	920.00
	Total, Oct. 2, 1931, to Apr. 16, 1932.....	272,000.00	-----	140,216.25

*5 per cent gold notes maturing September 1, 1935—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to April 20, 1932, as taken from sales tickets of Halsey, Stuart & Co.*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 1	C. A. Straubel.....	\$2,000.00	69	\$1,380.00
	First National Bank, Dagshaw, Del.....	1,000.00	69	690.00
	do.....	3,000.00	69	2,070.00
2	Henry E. Hardtner.....	1,000.00	82	820.00
	Jack Pass.....	1,000.00	96.78	967.80
5	William John Jackson.....	3,000.00	60	1,800.00
	Charles A. Garrison.....	1,000.00	69	690.00
	C. R. Mengel.....	1,000.00	69	690.00
	Prof. H. G. Plum.....	1,000.00	68	680.00
6	Daniel P. Mitchell.....	3,000.00	69	2,070.00
	Allen H. Stewart.....	1,000.00	66	660.00
9	John M. Montgomery.....	1,000.00	47.50	475.00
13	Leston B. May.....	1,000.00	45	450.00
	C. B. Crain.....	1,000.00	48	480.00
	John M. Montgomery.....	3,000.00	53	1,590.00
14	Libertyville T. & S. Bank, Ill.....	5,000.00	38	1,900.00
17	H. A. Straubel.....	1,000.00	56.50	565.00
19	Keokuk National Bank, Iowa.....	5,000.00	56.50	2,825.00
	Mrs. E. T. Wilder.....	1,000.00	54	540.00
	Mrs. Myra Reich.....	1,000.00	56.50	565.00
	B. E. Alewey.....	1,000.00	90	900.00
20	Miss Jessie E. Kibby.....	1,000.00	56.50	565.00
	Powix Trading Co.....	5,000.00	89.75	4,487.50
23	Rev. A. A. Zenck.....	1,000.00	90	900.00
22	First National Bank, Plymouth, Mich.....	1,000.00	56.50	565.00
	W. D. Williams.....	5,000.00	55	2,750.00
	J. P. Metzger.....	2,000.00	55.50	1,110.00
	J. E. Stumpf.....	2,000.00	55	1,100.00
	Dr. F. B. Knight.....	1,000.00	70	700.00
26	Mrs. Jos. Eggers.....	1,000.00	55.50	555.00
27	Plymouth State Bank, Ill.....	2,000.00	55	1,100.00
29	R. B. Whitman.....	1,000.00	55	550.00
	Hickey Doyle & Co.....	5,000.00	52.75	2,637.50
27	Mrs. Alma M. Peppes.....	1,000.00	90	900.00
31	William O. Frank.....	1,000.00	54.50	545.00

5 per cent gold notes maturing September 1, 1935—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to April 20, 1932, as taken from sales tickets of Halsey, Stuart & Co.—Continued.

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Nov. 2	Miss Jessie E. Bibby.....	\$1,000.00	55	\$550.00
	Wm. H. Arthur.....	10,000.00	55	5,500.00
	Dr. Dwight C. Orcutt.....	1,000.00	54	540.00
	Mrs. Geo. S. Carson.....	1,000.00	55	550.00
3	Joseph T. Schwartz.....	1,000.00	55	550.00
	W. A. Austin.....	2,000.00	57	1,140.00
	Joseph T. Schwartz.....	1,000.00	55.50	550.00
5	F. M. McIntyre.....	1,000.00	54.50	545.00
6	Lewis S. McMeekin.....	1,000.00	90	900.00
	R. E. Archibold.....	1,000.00	54.50	545.00
9	H. S. Remington.....	1,000.00	90	900.00
13	Miss Margaret Brown.....	1,000.00	82	820.00
16	E. S. Selby.....	2,000.00	67	1,340.00
	M. L. Sparkman.....	1,000.00	54.50	545.00
18	Wm. F. Mulvihill.....	2,000.00	64.50	1,290.00
	Joseph Thal.....	1,000.00	66	660.00
19	Fuller Cruttenden & Co.....	2,000.00	61.25	1,225.00
	do.....	5,000.00	61.75	3,087.50
20	W. W. Armstrong.....	5,000.00	63	3,150.00
	Hickey Doyle & Co.....	13,000.00	61.50	7,995.00
21	F. J. Bunker.....	3,000.00	55	1,650.00
24	Taylor Mathers.....	1,000.00	54.50	545.00
27	Edward W. Hallett.....	1,000.00	64.50	645.00
23	Mrs. Kathaleen K. Tysen.....	1,000.00	66.50	665.00
	C. B. Hamilton.....	2,000.00	67	1,340.00
Dec. 1	Mrs. O. W. Chamberlain.....	1,000.00	66	660.00
2	Mrs. Maud M. Pollard.....	4,000.00	60	2,400.00
3	Dr. Royal French.....	1,000.00	82	820.00
	Eugene Wulfekuhler.....	1,000.00	66	660.00
5	Herman W. Falk.....	25,000.00	63	15,750.00
8	E. M. Koontz.....	1,000.00	90	900.00
7	Mrs. Cora B. Lantz.....	1,000.00	64.50	645.00
14	Mrs. Harriett S. Marsh.....	1,000.00	90	900.00
15	A. T. Meyer.....	1,000.00	65	650.00
21	A. J. Tusa.....	1,000.00	36.50	365.00
	Dr. Robert R. Hansen.....	1,000.00	37	370.00
24	Karl Legner.....	1,000.00	38	380.00
	Farmers State Bank, Clarkson, Nebr.....	2,000.00	35.75	675.00
28	A. A. Hammersmith.....	1,000.00	34	340.00
29	G. L. Huiskamp.....	2,000.00	30.50	610.00
31	Robert S. Ashe.....	2,000.00	34	680.00
1932				
Jan. 6	Dr. Edwin Cobb.....	3,000.00	37	1,110.00
13	Geo. R. Jones.....	5,000.00	21.75	1,087.50
11	Frederick W. Pohl.....	1,000.00	50	500.00
13	J. W. Canavan.....	5,000.00	90	4,500.00
14	Fuller Cruttenden & Co.....	2,000.00	20.50	410.00
15	W. H. Donner.....	13,000.00	25	3,250.00
20	Eli C. Eisele.....	2,000.00	21	420.00
21	Buffett Sklenicka.....	1,000.00	22	220.00
	J. Otis Garber.....	1,000.00	90	900.00
26	Mrs. Cora M. Campbell.....	1,000.00	21	210.00
28	Mrs. A. F. Vasina.....	1,000.00	23	230.00
Feb. 1	E. F. Lacey.....	1,000.00	90	900.00
	Hickey Doyle & Co.....	2,000.00	18.75	375.00
9	Wm. T. Galey.....	4,000.00	30	1,200.00
16	Fuller Cruttenden & Co.....	2,000.00	12.50	250.00
Mar. 7	H. J. Owens.....	1,000.00	6.25	62.50
10	Howard E. Butterfuss.....	1,000.00	90	900.00
11	O. B. Adams.....	1,000.00	6	60.00
31	L. A. Lanigan.....	1,000.00	90	900.00
Apr. 11	Catherine M. Burns.....	1,000.00	90	900.00
14	Jay Silkerberg.....	1,000.00	82	820.00
15	Peoples State Bank, Lansing, Iowa.....	1,000.00	1	10.00
20	Jack Pass.....	2,000.00	90	1,800.00
	Total.....	227,000.00	-----	128,750.30

## INSULL UTILITIES INVESTMENTS (INC.)

*Five per cent A debenture bonds, maturing January 1, 1949, ex warrants—Record of sales by Halsey, Stuart & Co. from October 16, 1931, to April 11, 1932, as taken from sales tickets of Halsey, Stuart & Co.*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 16	Chas. P. Schwartz	\$5,000.00	35	\$1,750.00
29	Marge E. Janes	1,000.00	47	470.00
Nov. 2	Hickey Doyle & Co.	1,000.00	40	400.00
12	do	4,000.00	40	1,600.00
25	Watts C. Valentine	1,000.00	40.50	405.00
20	Harry L. Meyers	1,000.00	42.50	425.00
Dec. 5	H. L. Wisner & Co.	1,000.00	37.75	377.50
	Harry K. Black	1,000.00	41	410.00
7	Ernest Libbe	1,000.00	38	380.00
	Lloyd Gehres	1,000.00	39.75	397.50
21	Alice H. Cook	1,000.00	31.50	315.00
22	Hickey Doyle & Co.	3,000.00	27	810.00
	Stein Alstrin & Co.	2,000.00	28.25	565.00
	Hickey Doyle & Co.	2,000.00	26	520.00
28	Guaranty Trust Co. of New York	9,000.00	25	2,250.00
1932				
Jan. 2	Guaranty Trust Co. of New York	1,000.00	25	250.00
	Fuller Cruttenden & Co.	1,000.00	21	210.00
7	Helen L. Butler	1,000.00	85	850.00
18	Fuller Cruttenden & Co.	1,000.00	29	290.00
29	Farnum Winter & Co.	1,000.00	24.75	247.50
Feb. 3	do	10,000.00	24.75	2,475.00
5	Citizens Savings Bank, Iowa	1,000.00	25	250.00
24	Daly & Co.	1,000.00	15.75	157.50
Mar. 15	do	5,000.00	11.80	590.00
16	J. L. Grass	1,000.00	13.25	132.50
	Daly & Co.	1,000.00	9.75	97.50
19	do	5,000.00	11.25	562.50
22	Hutchins & Packinson	1,000.00	8.25	82.50
25	Stein Alstrin & Co.	4,000.00	8.50	340.00
31	Daly & Co.	5,000.00	5.80	290.00
	do	1,000.00	8	80.00
Apr. 7	C. D. Barney & Co.	1,000.00	5	50.00
	Daly & Co.	3,000.00	5	150.00
	do	5,000.00	2.75	137.50
11	do	2,000.00	2.75	55.00
	Total Oct. 16, 1931, to Apr. 11, 1932	85,000.00	-----	18,372.50

*Debenture Bonds, B, maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 3, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 3	Bassett Savings Bank	\$2,000.00	62	\$1,240.00
	Mrs. Nellie C. Coleman	1,000.00	62	620.00
	Otto A. Kretschmer	6,000.00	61.25	3,675.00
	Clara J. Hungerford	1,000.00	59.25	592.50
	B. F. Hamill	2,000.00	59.75	1,195.00
	Geo. E. Dube	1,000.00	67.25	672.50
	F. C. Amsden	1,000.00	63.50	635.00
	Otto Smith	2,000.00	60.75	1,215.00
	Henry E. Hardtner	1,000.00	66	660.00
	Teutopolis State Bank	1,000.00	61	610.00
	W. H. Geagan	1,000.00	62	620.00
	First Trust & Savings Bank	1,000.00	60.25	602.50
	C. A. Straubel	1,000.00	62	620.00
	W. F. Quarin	8,000.00	60.75	4,860.00
	Continental Illinois Co.	1,000.00	62	620.00
	Frank Hollister	2,000.00	69	1,260.00
	W. E. Beach	1,000.00	60.125	601.25
	Carrie Cooper	1,000.00	59.75	597.50
	O. R. Newcombe	10,000.00	63	6,300.00
	First National Bank, Plymouth, Mich.	3,000.00	59.50	1,785.00



*Debenture bonds, B, maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 3, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Oct. 3	E. A. Tuttle.....	\$1,000.00	61.75	\$617.50
	A. Strassburger.....	2,000.00	99.50	2,000.00
5	D. Frohman.....	5,000.00	62.25	3,112.50
	Miss Emma Glasfelter.....	1,000.00	63.25	632.50
	Gilbert Austen.....	1,000.00	62.25	622.50
	Caroline B. Courson.....	1,000.00	60.25	602.50
	Bessie Briggs.....	2,000.00	60.375	1,207.50
	Daniel P. Mitchell.....	5,000.00	63	3,150.00
	Fred A. Oldsrick.....	3,000.00	60.125	1,803.75
	Miss M. A. Van Valkenberg.....	1,000.00	61.75	617.50
	Otis J. Sawin.....	1,000.00	61.25	612.50
7	Harry E. Riser.....	1,000.00	50.75	507.50
5	Thos. A. Mullen, Exec.....	2,000.00	60.375	1,207.50
	Mr. O. D. Wiseman.....	1,000.00	62	620.00
	H. S. Bachman.....	5,000.00	49.50	2,475.00
	Mrs. L. D. Bansberger.....	6,000.00	61	3,660.00
	Jack Koenigstein.....	2,000.00	62.125	1,242.50
	Paul W. McCarthy.....	1,000.00	60.25	602.50
	E. S. Hubbard.....	1,000.00	59.125	4,138.75
	do.....	3,000.00	55.25	1,657.50
	Ed. J. Quinn.....	1,000.00	54.75	547.50
	do.....	1,000.00	58.50	585.00
	Leland County Bank.....	3,000.00	56.75	1,702.50

*Debenture Bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931 to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Oct. 1	Richard Herberick.....	\$2,000.00	69.25	\$1,265.00
	J. W. Miller.....	3,000.00	62	1,860.00
	Geo. Stanley.....	5,000.00	61.25	3,062.50
	W. O. Hofficker.....	1,000.00	69.25	692.50
	Millicent Pike.....	1,000.00	66.25	662.50
	William A. Lamb.....	2,000.00	62	1,240.00
	Wilcoforce Smith.....	2,000.00	59.50	1,190.00
	William F. Zeigler.....	1,000.00	59.50	595.00
	Clarence W. Hayes.....	1,000.00	67.25	672.50
	Mrs. Maria Oldman.....	1,000.00	60.125	601.25
	Charles A. Garrison.....	2,000.00	63.50	1,270.00
	S. LeCompte.....	1,000.00	62.75	627.50
	H. C. Middleton.....	5,000.00	59.75	2,987.50
	H. A. Berwind, jr.....	20,000.00	59.75	12,006.25
	E. Dean Tanzer.....	1,000.00	60.25	602.50
	C. A. Straubel.....	2,000.00	62	1,240.00
	Miss Nancy T. Baker.....	1,000.00	60.125	601.25
	Mrs. Ada M. Nelson.....	1,000.00	60.25	602.50
	Dr. C. L. Wright.....	1,000.00	60.75	607.50
	Langley S. Foote.....	1,000.00	63	630.00
	Fred M. Shilling.....	3,000.00	62	1,860.00
	Samuel Flusher.....	5,000.00	62	3,100.00
2	Geo. A. Mason.....	10,000.00	62.25	6,225.00
	Bremerton Trust & Savings Bank.....	5,000.00	59.50	2,975.00
	J. N. Canavan.....	4,000.00	61	2,440.00
	Mrs. H. C. Sweeten.....	2,000.00	61.25	1,225.00
	Miss Mable Bishop.....	2,000.00	61.75	1,235.00
3	Don Green.....	1,000.00	60	600.00
	William F. Mulvihill.....	10,000.00	59.125	5,912.50
	A. N. Larasan.....	1,000.00	60.75	607.50
	Mrs. Myra Reich.....	1,000.00	61.50	615.00
	Dr. O. M. Vaughan.....	2,000.00	62	1,240.00
	John W. Platt.....	2,000.00	62.65	1,245.00
	Levant W. Hall.....	1,000.00	60.125	601.25
	Chas. O. Pankow.....	1,000.00	66.25	662.50
	J. R. Van Dyke.....	1,000.00	65.75	657.50
	F. H. Welsh.....	3,000.00	60.25	1,807.50
	Dr. G. A. MacDiarmid.....	5,000.00	60.25	3,012.50

*Debtenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931 to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 3	Mrs. C. A. Sanborn.....	\$1,000.00	65.125	\$651.25
	Harry Greenberg.....	1,000.00	60.125	601.25
	F. L. Phillips.....	1,000.00	60.25	602.50
	A. E. Simmons.....	2,000.00	60.25	1,205.00
	C. H. Toombs.....	3,000.00	62.25	1,867.50
5	J. H. Keeney.....	5,000.00	60.75	3,437.50
	W. G. Rudd.....	1,000.00	55.25	552.50
	Peter A. Jessen, jr.....	1,000.00	61.25	612.50
	Prof. Henry L. Rietz.....	1,000.00	61	610.00
	E. C. Morden.....	1,000.00	59.125	591.25
	Otto Moyer.....	1,000.00	55.25	552.50
	B. O. Sippy.....	1,000.00	59.75	597.50
	G. A. Lenington.....	1,000.00	65.125	1,302.50
	H. M. Carruthers.....	7,000.00	62.75	4,392.50
	Wathey Daugherty C. T. fund.....	2,000.00	62.75	1,255.00
	Grove City National Bank.....	1,000.00	62.75	627.50
	A. A. Reeves and associates.....	4,000.00	62.75	2,510.00
	Ed. J. Quinn.....	1,000.00	51.25	512.50
	Rock Moran.....	1,000.00	61.25	612.50
6	John F. Ellert.....	1,000.00	62.625	626.25
	Mrs. M. Alice Waite.....	1,000.00	60.25	602.50
	Miss Idella S. Gibson.....	1,000.00	62.75	627.50
	Mrs. S. B. Houck.....	2,000.00	66.25	1,325.00
	Foster Lewis.....	1,000.00	62.25	622.50
	Poland M. Homer.....	1,000.00	62.75	627.50
	E. T. George.....	2,000.00	60.25	1,205.00
	do.....	1,000.00	60	600.00
	M. D. Cohn.....	1,000.00	48	480.00
	E. R. Stellway.....	1,000.00	58.75	587.50
	B. C. Gardner.....	1,000.00	99.50	995.00
	Mrs. A. R. Beard.....	1,000.00	48.25	482.50
	do.....	1,000.00	48.25	482.50
	Maurice Spain.....	3,000.00	49	1,470.00
	United State Bank.....	2,000.00	62.50	1,250.00
	O. H. D. Rohwer.....	1,000.00	49.50	495.00
	E. W. Moss.....	1,000.00	49.25	492.50
	Iowa Fidelity Investment Co.....	1,000.00	59.625	596.25
	E. V. Hall.....	1,000.00	61.25	612.50
	Fuller Cruttenden & Co.....	7,000.00	48.425	3,388.75
	Babcock Rushton & Co.....	5,000.00	49	2,450.00
	do.....	5,000.00	49	2,450.00
	Fuller Cruttenden & Co.....	1,000.00	48.50	482.50
	Harry E. Burke.....	2,000.00	52.25	1,045.00
	Jos. Thal.....	1,000.00	62.25	622.50
	A. W. Boylston.....	3,000.00	39.25	1,177.50
	W. G. Rudd.....	1,000.00	40.50	405.00
	Wm. A. Pohl.....	10,000.00	49.50	4,950.00
	Mrs. S. J. Pierce.....	5,000.00	59.75	2,987.50
	Jesse L. Morrow.....	1,000.00	69	690.00
	Listed Securities Corporation.....	1,000.00	56.75	567.50
	Miss Josie Bruse.....	1,000.00	58.75	587.50
	W. H. Kubocki.....	1,000.00	47.50	475.00
7	Miss Tillie Krenk.....	1,000.00	39.25	392.50
	do.....	1,000.00	42.75	427.50
	W. S. Palmer.....	2,000.00	62.25	1,245.00
	J. H. Peterson.....	1,000.00	69.75	597.50
	J. L. Greiner.....	1,000.00	62.75	627.50
	C. G. Coppel.....	1,000.00	55.25	552.50
	William A. Clark.....	1,000.00	50.25	502.50
	Hoyleton State Bank.....	2,000.00	62.75	1,255.00
	J. E. Harsh.....	3,000.00	60.75	1,822.50
	R. C. Ford.....	1,000.00	66.25	662.50
	Joy J. Sewer.....	3,000.00	48.50	1,455.00
8	Bessie M. Fuller.....	1,000.00	40.75	407.50
	Dr. John S. Kellogg.....	2,000.00	47.50	950.00
	Benjamin Kaye.....	1,000.00	40.25	402.50
	Winthrop Mitchell & Co.....	3,000.00	47.75	1,432.50
	Fred S. Sadler & Co.....	2,000.00	44.60	890.00
	E. A. Soeffgen.....	1,000.00	40.75	407.50
	Lewis McDonald.....	2,000.00	39.50	790.00
	Samuel H. Thoe.....	1,000.00	59	590.00
	A. C. Reneheimer.....	1,000.00	48.25	482.50
	H. L. D. Webely.....	1,000.00	48.75	487.50
	John G. Weber.....	1,000.00	48.75	487.50
	H. D. Duttine.....	2,000.00	40.75	815.00
	Ray Hurd.....	1,000.00	40.25	402.50
	J. J. Book.....	1,000.00	49	490.00

*Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 8	Winthrop Mitchell & Co.	\$3,000.00	47.95	\$1,432.50
	Listed Securities Corporation	9,000.00	47.75	4,297.90
	John A. Wagner	1,000.00	48.25	482.50
	James M. Hedenberg	3,000.00	60.50	1,815.00
	Geo. F. Pott	1,000.00	61.75	617.50
	Miss Lillian Clement	1,000.00	48.75	487.50
	Farnum Winter & Co.	1,000.00	43.50	435.00
	Thomas G. Thompson	3,000.00	47.75	1,432.50
	A. D. Spencer	1,000.00	60.25	602.50
	Henry Gutleber	1,000.00	60.25	602.50
	Thomas Fisher	10,000.00	60.25	6,025.00
	John Veale	1,000.00	59.75	597.50
	Jos. W. Webster	1,000.00	61.50	615.00
	Charles J. Merritt	1,000.00	61.50	615.00
	Nathan R. Rice	1,000.00	59.125	591.25
	Michael D. Bingham	1,000.00	59.125	591.25
	James E. Bogley	1,000.00	61.50	615.00
	James Kinsburgh	1,000.00	56.75	567.50
	Charles L. Tucker	1,000.00	56.75	567.50
	Miss Alice Hutchins	1,000.00	59.75	597.50
	Mrs. Rose R. Friend	1,000.00	61.00	610.00
	Lewis R. Friend	1,000.00	61.00	610.00
	Gern Hammock	5,000.00	83.00	4,150.00
	First National Bank	1,000.00	58.75	587.50
	Dr. E. A. Sosby	1,000.00	61.25	612.50
9	Miss Alice L. Brunson	7,000.00	57.75	4,042.50
	R. E. Archibald	1,000.00	39.50	395.00
	W. P. Meyers	1,000.00	48.75	487.50
	Ottumwa Ice Co.	1,000.00	48.75	487.50
	A. G. Peters	1,000.00	55.25	552.50
	Fred F. Johnston	1,000.00	55.25	552.50
	Mrs. Emma Johnston	1,000.00	55.25	552.50
	Anna Harris	1,000.00	55.25	552.50
	G. A. Benny	1,000.00	59.875	598.75
	Allen K. Shenk	2,000.00	49.50	990.00
	Geo. Stanley	5,000.00	62.625	3,131.25
	Dr. E. Paschall	1,000.00	60.75	607.50
	F. J. Brehan	2,000.00	61.00	1,220.00
	First National Bank	3,000.00	49.25	1,477.50
	Dr. David Andelson	1,000.00	41.25	412.50
	Wm. S. Stringham	2,000.00	40.75	815.00
	Ignor Pilot	5,000.00	55.75	2,787.50
	W. H. Hoyt	1,000.00	55.25	552.50
	John C. Kirby	5,000.00	47.25	2,362.50
	E. W. Gutenknozt	2,000.00	49.25	985.00
	Roy E. Hammond	1,000.00	44.25	442.50
	W. F. Brown	1,000.00	47.25	472.50
	Harry E. Riser	1,000.00	50.75	507.50
10	J. H. Middemist	1,000.00	40.50	405.00
	A. W. Urquhart	5,000.00	56.00	3,300.00
	R. F. Brick	2,000.00	59.75	1,195.00
	Rowland H. Starr	5,000.00	40.25	2,012.50
	C. H. Isbell	2,000.00	62.75	1,255.00
	David Grosjean	1,000.00	61.50	615.00
	Epiphony Apostolic College	6,000.00	59.125	3,547.50
	Chas. Clanberg	1,000.00	49.50	495.00
	Russell L. Tarbox	6,000.00	50.25	3,015.00
	E. C. Haus	3,000.00	59.875	1,796.25
	Kenton Savings Bank & Trust Co.	10,000.00	60.00	6,000.00
	W. S. Leach	3,000.00	55.25	1,657.50
	Fred D. Sadler & Co.	5,000.00	48.25	2,412.50
13	W. H. Nymeyer	1,000.00	44.25	442.50
	Elizabeth O'Malia	1,000.00	64.25	642.50
	Victor Enos	1,000.00	59.00	590.00
	Mary C. Butler	1,000.00	55.375	553.75
	Glen E. Hovenden	1,000.00	46.25	462.50
	William Garland	1,000.00	58.25	582.50
	S. R. Fiedman	1,000.00	55.75	557.50
	Fuller Cruttenden & Co.	4,000.00	55.25	2,210.00
	E. L. Penniston	1,000.00	62.00	620.00
	James G. Shakman	2,000.00	45.25	905.00
	Ernest H. Redeker	1,000.00	55.25	552.50
	Mary G. Warly	1,000.00	55.375	553.75
	R. T. Elliott	1,000.00	49.50	495.00
	Thomson & McKinnon	1,000.00	56.00	560.00
	Farnum Winter & Co.	5,000.00	56.25	2,812.50
	do.	3,000.00	55.25	1,657.50

*Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 13	Mitchell Hutchins & Co.....	\$2,000.00	55.50	\$1,110.00
	Edward W. Juhl.....	1,000.00	41.25	412.50
	Ed. J. Quinn.....	1,000.00	43.25	432.50
	Miss Elizabeth Sweet.....	1,000.00	48.25	482.50
	Mrs. Mal Roberts.....	1,000.00	55.25	552.50
	L. W. Stevenson.....	4,000.00	38.75	1,550.00
	Estate of Edward Cope.....	1,000.00	59.75	597.50
	Daniel J. Doneker.....	1,000.00	62.00	620.00
	William A. Randall.....	1,000.00	49.00	490.00
	H. A. Berwind, jr.....	5,000.00	49.25	2,462.50
	Phillip Shane.....	1,000.00	49.00	490.00
	D. L. Grinnell.....	2,000.00	47.75	955.00
	Margaret Armstrong.....	5,000.00	45.50	2,275.00
	Lucy M. Wands.....	1,000.00	60.00	600.00
	Noah M. Dixon.....	1,000.00	48.75	487.50
	T. J. Mathews.....	1,000.00	46.25	467.50
	L. H. Martin.....	17,000.00	49.25	8,370.50
	First National Bank.....	4,000.00	44.25	1,770.00
	Fred A. Kunkel.....	1,000.00	49.50	495.00
	Mose Zimmerman.....	6,000.00	40.50	2,430.00
	Matilda Nelson.....	1,000.00	62.00	620.00
14	Mrs. W. Kenneth Eaton.....	2,000.00	82.25	1,645.00
	Myra Reich.....	1,000.00	55.25	552.50
	H. L. Childs & Co.....	5,000.00	38.75	1,937.50
	Wilber National Bank.....	2,000.00	60.25	1,205.00
	Dr. William Cooke.....	2,000.00	62.00	1,240.00
	John G. Connell.....	2,000.00	60.25	1,205.00
	Thomas Wilson.....	2,000.00	63.00	1,260.00
	O. W. Walchli.....	5,000.00	63.25	3,162.50
	Charlotte P. Many.....	1,000.00	45.25	452.50
	William O. Frank.....	1,000.00	41.25	412.50
	Boris Rosenbaum.....	1,000.00	46.25	462.50
	Rowland H. Starr.....	2,000.00	55.25	1,105.00
	F. B. Kelly.....	4,000.00	48.50	1,940.00
	First Trust & Savings Bank.....	3,000.00	47.75	1,432.50
	Bank of Washington.....	3,000.00	60.75	1,822.50
	Emma Roessler.....	1,000.00	62.75	627.50
	H. C. Bonton.....	1,000.00	48.75	487.50
	Walter B. Spelman.....	1,000.00	49.25	492.50
	State Bank of Mundelein, Ill.....	6,000.00	78.00	4,680.00
	C. V. Potter.....	1,000.00	55.75	557.50
	Arthur P. Laughlin.....	1,000.00	60.75	607.50
15	Samuel Thal.....	1,000.00	44.25	442.50
	W. S. Leach.....	2,000.00	55.25	1,105.00
	Walter A. Bechthold.....	2,000.00	49.25	985.00
	do.....	4,000.00	45.25	1,810.00
	E. P. Cockrell.....	1,000.00	40.25	402.50
	E. F. Younger.....	1,000.00	65.00	650.00
	Dr. Ellis Kockery.....	1,000.00	64.25	642.50
	Jessie E. Blodgett.....	1,000.00	55.375	553.75
	Geo. E. Boynton.....	1,000.00	47.50	475.00
	Globe Spec. Co.....	2,000.00	84.625	1,292.50
16	F. J. Kotlar.....	1,000.00	48.25	482.50
	Dr. M. H. Scheele.....	2,000.00	64.75	1,295.00
	Miss A. C. Wolf.....	1,000.00	44.25	442.50
	Miss Louise C. Perry.....	1,000.00	61.75	617.50
	Mrs. Lena K. Randolph.....	2,000.00	64.25	1,285.00
	W. D. Hanson.....	1,000.00	38.75	387.50
	L. H. Roller.....	1,000.00	59.25	591.25
	A. F. Houghton.....	4,000.00	49.25	1,970.00
	Geo. Wiggan.....	2,000.00	49.25	985.00
	Stuart Cooper.....	5,000.00	49.50	2,475.00
	Mount Holly Cemetery Co.....	1,000.00	40.25	402.50
	Dr. Louis F. Jeiman.....	1,000.00	40.00	400.00
17	Mr. Volney Ross.....	1,000.00	65.00	650.00
	John Vanderveen.....	1,000.00	55.375	2,215.00
	W. P. McCoffrey & Co.....	1,000.00	64.50	645.00
	Peoples Bank & Trust Co.....	5,000.00	55.375	2,768.75
	John A. Manion.....	1,000.00	55.25	552.50
	Mrs. Frank Paul.....	2,000.00	55	1,100.00
19	Protected Home Association.....	10,000.00	65.125	6,512.50
	do.....	5,000.00	65	3,250.00
	Miss F. E. Flagler.....	1,000.00	59	590.00
	Mr. F. Kuehne, jr.....	5,000.00	49	2,450.00
	Nerret National Bank.....	5,000.00	60.75	3,037.50
	Ohio General Fire Insurance Co.....	2,000.00	62.75	1,255.00
	Morrison & Townsend.....	1,000.00	56	560.00

*Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Oct. 19	A. Pardini.....	\$1,000.00	59.25	\$592.50
	Mrs. E. T. Wilder.....	1,000.00	62.75	627.50
	Miss Margaret E. McClellan.....	1,000.00	65.25	652.50
	Miss G. M. Merchant.....	2,000.00	45.25	905.00
	Frank Burnnell.....	8,000.00	64.75	5,180.00
	H. A. Goble.....	1,000.00	56.75	567.50
	Geo. F. Booker.....	1,000.00	40.25	402.50
	John S. Baughman.....	1,000.00	56.75	567.50
	G. W. Chapman.....	1,000.00	64.25	642.50
	Mrs. Harry Gunberg.....	2,000.00	55.25	1,105.00
	A. H. Miller.....	2,000.00	66.25	1,325.00
	Mark Alexander.....	1,000.00	47.85	477.50
	C. H. Bashford.....	4,000.00	58.25	2,330.00
	Libertyville Trust & Savings Bank.....	2,000.00	69.25	1,385.00
20	M. S. Carter.....	1,000.00	56.75	567.50
	Harris Upham & Co.....	1,000.00	58.75	587.50
	Rev. William W. Lane.....	1,000.00	55.75	557.50
	A. Burton Nelson.....	2,000.00	64.25	1,285.00
	Frank R. Muenzen.....	5,000.00	65	3,250.00
	Mrs. Edith M. Thom.....	4,000.00	61.75	2,470.00
	D. C. Guest.....	1,000.00	65	650.00
	Frank P. Geiner.....	1,000.00	57.75	577.50
	Mrs. M. L. Boll.....	2,000.00	61.75	1,235.00
	E. H. Branding.....	1,000.00	74.50	745.00
	R. C. Burkholder.....	1,000.00	60.125	601.25
	Ban Cromer.....	1,000.00	67.25	672.50
21	F. P. Garcken.....	3,000.00	61.25	1,837.50
24	Judge Harry B. Davis.....	2,000.00	58.75	1,175.00
	Louis L. Briden.....	1,000.00	58.75	587.50
	Mrs. Minnie B. Garceau.....	1,000.00	58.75	587.50
	E. A. Pierce & Co.....	5,000.00	59	2,950.00
	Ernest Kloppenbach.....	1,000.00	59.75	597.50
	Fuller Cruttenden & Co.....	5,000.00	59.75	2,987.50
	do.....	2,000.00	59	1,180.00
	Geo. Cory.....	2,000.00	41.50	830.00
	August H. Petersen.....	1,000.00	55.25	552.50
	Mr. J. A. Barnell.....	1,000.00	62.25	622.50
	Wilber National Bank.....	1,000.00	64.25	642.50
	do.....	3,000.00	64.125	1,923.75
	Clement A. Alderfer.....	1,000.00	60.25	602.50
	Bank of Murray.....	5,000.00	49.75	2,487.50
	Charles F. Fetts.....	1,000.00	60	600.00
	Geo. G. Whitney.....	2,000.00	59.75	1,195.00
	Elizabeth O'Maleo.....	1,000.00	58.75	587.50
21	John Doolan.....	1,000.00	58.75	587.50
	George P. Gleisner.....	1,000.00	65.25	652.50
26	Joseph A. Clinger.....	1,000.00	62.75	627.50
	Joseph Eggers.....	1,000.00	60.50	605.00
	H. J. Brock.....	1,000.00	44.25	442.50
	Carrie Knopp.....	1,000.00	63.75	637.50
	F. W. Brook.....	1,000.00	58.75	587.50
	Miss Ida Werdell.....	1,000.00	58.75	587.50
	H. S. Remington.....	2,000.00	59.25	1,185.00
	Walter E. Wheeler.....	3,000.00	60.25	1,807.50
22	Joliet National Bank.....	1,000.00	60	600.00
	Warren C. Groves.....	5,000.00	65	3,250.00
	J. P. Metzger.....	2,000.00	60	1,200.00
	W. D. Williams.....	5,000.00	59.75	2,987.50
	Joliet National Bank.....	5,000.00	59.25	
	do.....	6,000.00	59.50	6,560.00
	Louis W. Alexander.....	1,000.00	65.25	652.50
	John Blood.....	10,000.00	63.25	6,325.00
	A. A. Weaver.....	1,000.00	65	650.00
	M. C. Byssey.....	1,000.00	57.25	572.50
	R. S. Eastwood.....	2,000.00	63.75	1,275.00
	Steuben Trust Co.....	1,000.00	59.75	597.50
	Miss V. S. Runyan.....	1,000.00	59.75	597.50
	Harry A. Le Doyt.....	2,000.00	59.50	1,190.00
	William J. Nash.....	1,000.00	60	600.00
	R. B. Whitman.....	1,000.00	60.25	602.50
	First National Bank.....	5,000.00	60.25	3,012.50
27	Fuller Cruttenden & Co.....	5,000.00	60.25	3,012.50
	do.....	2,000.00	59.75	1,195.00
	St. Joseph Loan & Trust Co.....	1,000.00	58.25	582.50
	F. W. Brooks.....	1,000.00	59.75	597.50
28	First National Bank.....	9,000.00	59.50	5,355.00
	Fuller Cruttenden & Co.....	2,000.00	57.25	1,145.00

*Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931 to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Oct. 28	Thomson & McKinnon.....	\$1,000.00	58	\$580.00
	Fuller Cruttenden & Co.....	3,000.00	59.25	1,777.50
	Paul H. Davis & Co.....	1,000.00	59.25	592.50
	Joseph E. Bennett & Co.....	2,000.00	57.50	1,150.00
	First National Bank.....	7,000.00	59.75	4,182.50
	Fuller Cruttenden & Co.....	2,000.00	57.25	1,145.00
	.....do.....	2,000.00	57.50	1,150.00
	Paine Weber & Co.....	1,000.00	57.50	575.00
	Winthrop Mitchell & Co.....	3,000.00	57	1,710.00
	Webster Marsh & Co.....	1,000.00	58	580.00
	Julius Liebenow.....	1,000.00	59.25	592.50
29	Mrs. C. B. Lombard.....	1,000.00	61.75	617.50
	Russell Brewster & Co.....	1,000.00	57	570.00
	Rogers & Tracy.....	1,000.00	58.75	587.50
	Fuller Cruttenden & Co.....	5,000.00	57.375	2,868.75
	Thomson & McKinnon.....	1,000.00	57.375	573.75
	W. O. Marsh.....	2,000.00	59.25	1,185.00
	W. E. Gillespie.....	1,000.00	59.50	595.00
	C. D. Barney & Co.....	1,000.00	58	580.00
	Bruce W. Bean.....	1,000.00	59.25	592.50
	Varney Putnam.....	2,000.00	60	1,200.00
	.....do.....	1,000.00	60	600.00
	Estate of Howard P. Cornell.....	5,000.00	59.50	2,975.00
	Miss Emma Shepard.....	1,000.00	40.25	402.50
	Rowland G. Redman.....	1,000.00	40.25	402.50
	F. J. Butler.....	1,000.00	40.50	405.00
	Dr. J. B. Gordon.....	2,000.00	55.375	1,107.50
	Dr. G. R. Hickey.....	5,000.00	40.75	2,037.50
	.....do.....	1,000.00	44.25	442.50
Nov. 3	Mrs. Meta D. Burgmeyer.....	5,000.00	66	3,300.00
	H. S. Remington.....	2,000.00	55.25	1,105.00
	Fuller Cruttenden & Co.....	5,000.00	53	2,650.00
	W. F. Brown.....	2,000.00	54.875	1,097.50
	E. J. Hubbard.....	1,000.00	54.25	542.50
	Dr. L. M. Carr.....	1,000.00	56.25	562.50
	First National Bank.....	2,000.00	55.25	1,105.00
	Fuller Cruttenden & Co.....	3,000.00	55	1,650.00
	J. S. Grove.....	1,000.00	55.25	552.50
	I. Glazer.....	1,000.00	60.75	607.50
	F. G. Zerber.....	5,000.00	52.50	2,625.00
	Charles Gamble.....	3,000.00	52.50	1,575.00
	John A. Wagner.....	1,000.00	54.875	548.75
	Miss Florence Magee.....	1,000.00	62.125	621.25
	Bank of Bellwood, Ill.....	2,000.00	50.25	1,205.00
	Mrs. Nellie F. Nelson.....	1,000.00	58.25	582.50
	Miss Lanson Fewerty.....	1,000.00	50.25	502.50
	Ed. A. Quinn.....	1,000.00	50.25	502.50
	Charles Crelle.....	2,000.00	55	1,100.00
	C. A. Bullpit.....	2,000.00	55.75	1,115.00
	John B. Movin.....	3,000.00	50.25	1,507.50
	Scott Burrows and Christie.....	1,000.00	50.50	505.00
	E. T. Allen.....	1,000.00	52.625	526.25
	E. P. Wenner.....	1,000.00	59.75	597.50
	Mrs. Edith Alice Baker.....	1,000.00	60.75	607.50
	Mr. H. W. Bradbury.....	1,000.00	63	630.00
	H. B. Lyman.....	1,000.00	58.75	587.50
	Howard R. Ford.....	2,000.00	64.25	1,285.00
	Miss F. M. Edmeister.....	1,000.00	60.25	602.50
	Iowa Bond Corporation.....	5,000.00	56.25	2,812.50
	Mrs. Emma M. West.....	1,000.00	55.25	552.50
	A. Goldberg.....	3,000.00	60.25	1,807.50
	A. M. Frankenfield.....	1,000.00	58.75	587.50
	O. H. Gusson.....	1,000.00	60.25	602.50
	James S. Toffel.....	1,000.00	59.25	592.50
	Geo. F. Hornbeyer.....	1,000.00	50.25	502.50
	Mrs. R. C. Kersten.....	1,000.00	56.25	562.50
	Mudge Lee Corporation.....	1,000.00	58	580.00
	Richland State Bank.....	5,000.00	57.75	2,887.50
	J. P. Young.....	1,000.00	59.50	595.00
	First National Bank.....	1,000.00	64.125	1,285.00
	Miss Victoria Speckert.....	1,000.00	55.25	552.50
5	Louis D. Ernst, Jr.....	1,000.00	60.25	602.50
	W. E. Stengson.....	1,000.00	60	600.00
	W. O. Conrad.....	1,000.00	53	530.00
	E. D. Putnam.....	2,000.00	51.125	1,022.50
	Anderson Securities Co.....	3,000.00	55	1,650.00
	.....do.....	1,000.00	55	550.00

*Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Nov. 5	Charles Schenkel.....	\$1,000.00	55.25	\$552.50
	Geo. Shoolerott.....	1,000.00	50	500.00
	Samuel Insull 3d.....	1,000.00	54.75	547.50
	Chas. H. Kay.....	1,000.00	55.25	552.50
	Fanny G. Waite.....	1,000.00	54.25	542.50
	James S. Muse.....	2,000.00	50.75	1,015.00
	James Kruesenhansel.....	1,000.00	53	530.00
6	Miss Rose Chesney.....	2,000.00	54.25	1,085.00
	Eugene D. Hoodley.....	1,000.00	55.25	552.50
	E. C. Morden.....	1,000.00	55.125	551.25
	R. E. Archbold.....	1,000.00	54.75	547.50
	Anderson Securities Co.....	1,000.00	55.75	557.50
	C. W. Smith.....	1,000.00	52.25	522.50
	Hutchins & Parkenson.....	1,000.00	54.625	546.25
7	Frank Carter.....	2,000.00	53.25	1,065.00
	Daly & Co.....	4,000.00	55	2,200.00
	Mrs. Mary D. Boykin.....	2,000.00	55.875	1,117.50
	C. C. Kennord.....	3,000.00	56	1,680.00
	A. K. McCowan.....	3,000.00	55.125	1,653.75
	E. S. Hebbard.....	2,000.00	52.25	1,045.00
	L. S. Burley.....	5,000.00	66.25	3,312.50
	Miss Bulah Perry.....	1,000.00	56	560.00
	E. G. MacLeod.....	1,000.00	60	600.00
	Arthur C. McGill.....	1,000.00	55.375	553.75
	Fuller Cruttenden & Co.....	4,000.00	55	2,200.00
	Miss Alice Brunson.....	1,000.00	54.25	542.50
	E. P. Hebbard.....	8,000.00	52.25	4,180.00
10	Winthrop Mitchell & Co.....	3,000.00	56.375	1,691.25
	do.....	2,000.00	56.50	1,130.00
	E. V. Hall.....	1,000.00	54.25	542.50
	E. S. Selby.....	2,000.00	55.75	1,115.00
	Winthrop Mitchell & Co.....	3,000.00	56.375	1,691.25
	Geo. Krutzkowsky.....	1,000.00	56	560.00
	E. C. Hartley.....	1,000.00	54.50	545.00
	W. T. McNoonan.....	1,000.00	50.25	502.50
	Arthur M. Eastburn.....	1,000.00	60.50	605.00
	Thomas Mills.....	2,000.00	55.625	1,112.50
	Anderson Securities Co.....	6,000.00	55.50	3,330.00
	do.....	5,000.00	56	2,800.00
5	do.....	5,000.00	56.00	2,800.00
	do.....	1,000.00	55.75	557.50
	do.....	2,000.00	55.75	1,115.00
	do.....	1,000.00	55.75	557.50
13	Frank W. Sledd.....	4,000.00	56	2,240.00
	Mount Gilwood National Bank.....	3,000.00	55.75	1,672.50
	Charles Clanberg.....	2,000.00	55	1,100.00
	First National Bank in Trenton.....	1,000.00	55.25	552.50
	Dr. Armond J. Quick.....	1,000.00	55	550.00
	Francis P. Fonfield.....	1,000.00	55.25	552.50
	Mrs. John L. Redstroker.....	1,000.00	50.75	507.50
	M. E. Wetten.....	1,000.00	50.25	502.50
	Mrs. Harold D. Stoll.....	1,000.00	55.75	557.50
	Howell E. Bollinger.....	1,000.00	50.25	502.50
	Dr. Harold Marsh.....	5,000.00	58	2,900.00
	E. S. Elder.....	1,000.00	54.75	547.50
	Geo. Wiggan.....	2,000.00	60.125	1,202.50
	John J. Byrd.....	2,000.00	56	1,120.00
	Mrs. Ruth S. Wellington.....	1,000.00	55.625	556.25
	Thomas C. Riley.....	1,000.00	55.625	556.25
	H. A. Burgstahler.....	1,000.00	60.25	602.50
	E. J. Hubbard.....	1,000.00	58.75	587.50
	E. S. Selby.....	3,000.00	60.625	1,818.75
	Dr. G. W. Peitol.....	1,000.00	54.50	545.00
	J. F. Sefrott.....	1,000.00	58.75	587.50
	Chas. H. Schrom.....	1,000.00	55.75	557.50
	Geo. L. Van Bergen.....	1,000.00	52.50	525.00
17	Winthrop Mitchell & Co.....	3,000.00	57.50	1,725.00
	Farnum Winter & Co.....	5,000.00	57.625	2,881.25
	Fuller Cruttenden & Co.....	10,000.00	55.75	5,575.00
	Mrs. Rose W. Morris.....	1,000.00	56	560.00
	L. D. Warcham.....	1,000.00	59.50	595.00
	Fort Jennings State Bank.....	2,000.00	54.50	1,090.00
	Winthrop Mitchell & Co.....	3,000.00	57.375	1,721.25
	Otto F. Randenbock.....	1,000.00	60.25	602.50
	W. S. Leeds.....	10,000.00	59	5,900.00
	H. W. Brastelien.....	1,000.00	55.75	557.50

*Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Nov. 17	Geo. E. Fettermon, trustee.....	\$4,000.00	55.25	\$2,210.00
	William Bond.....	4,000.00	55.375	2,215.00
	W. G. Hollands.....	1,000.00	60.25	602.50
	Mrs. Alice Goepp.....	1,000.00	56	560.00
	Carlton Garwood.....	5,000.00	56.125	2,806.25
	Main Belting Co.....	2,000.00	59.75	1,195.00
	A. H. Blank.....	5,000.00	58	2,915.00
18	Ward T. Huston.....	5,000.00	56.25	2,812.50
	S. Herk.....	1,000.00	56.125	561.25
	Charles Crelle.....	1,000.00	55.50	555.00
	J. O. Robinson.....	1,000.00	56.125	561.25
19	Geo. W. Blow.....	5,000.00	80.75	4,037.50
	C. Hughes.....	1,000.00	60.25	602.50
	Wilber National Bank.....	2,000.00	60	1,200.00
	Antonio Roig.....	1,000.00	82	820.00
	Miss Lillian Rice.....	2,000.00	60.25	1,205.00
	E. Smith.....	4,000.00	55.25	2,210.00
	Paul Gilliland.....	2,000.00	55.625	1,112.50
	Arthur W. Skiford.....	1,000.00	56.125	561.25
	Fred A. Abbott.....	1,000.00	59.50	595.00
	Mrs. Martha K. Lahiff.....	1,000.00	59.50	595.00
	Charles F. Goller.....	2,000.00	60.00	1,200.00
	Mrs. A. J. Witt.....	1,000.00	59.125	591.25
	C. E. Faucut.....	1,000.00	56.25	562.50
	George S. Carson.....	1,000.00	54.25	542.50
	John M. Welch.....	1,000.00	56	560.00
	Eastman Dillon & Co.....	1,000.00	56	560.00
	C. W. Moody.....	1,000.00	60.25	602.50
	G. E. Burnan.....	2,000.00	59.50	1,190.00
	Fuller-Cruttenden & Co.....	3,000.00	54.25	1,627.50
	do.....	5,000.00	55.375	2,768.75
	Oscar Atherton.....	1,000.00	56.50	565.00
20	W. G. Fisher.....	2,000.00	55.25	1,105.00
	David Conger.....	2,000.00	60.25	1,205.00
	Steuban Trust.....	5,000.00	59.25	2,962.50
21	Chas. F. Goller.....	1,000.00	58.75	587.50
24	Helen F. Brennan.....	2,000.00	56	1,120.00
	A. Goldberger.....	1,000.00	59.25	592.50
	E. L. Fraser.....	1,000.00	56.25	562.50
	Albert Taylor, trustee.....	1,000.00	56.25	562.50
	C. G. Hamilton.....	2,000.00	55.25	1,105.00
	W. W. Sketshely.....	2,000.00	53.75	1,075.00
	Mrs. Fred Gill.....	2,000.00	53.75	1,075.00
	Brownell Buchler.....	1,000.00	56.25	562.50
	Howard W. Halbert.....	1,000.00	55.625	556.25
	Walter Fosbrod.....	1,000.00	54.25	542.50
	A. A. Wereback.....	1,000.00	56.25	562.50
	Carolyn M. Boril.....	1,000.00	56.25	562.50
	Harry C. Gleason.....	1,000.00	56	560.00
	R. E. Winslow.....	1,000.00	56.25	562.50
	W. P. Warren.....	1,000.00	58.875	588.75
	E. A. Sorby.....	1,000.00	55.625	556.25
	K. B. Mathews.....	2,000.00	56.25	1,125.00
	Nelson Gignor.....	1,000.00	53	530.00
	Ethel B. Howden.....	5,000.00	56.25	2,812.50
	Farmers State Bank.....	2,000.00	59.25	1,185.00
	Mrs. Martha D. Dobl.....	2,000.00	56.25	1,125.00
	Scotts Burrows & Christie.....	1,000.00	52.50	525.00
23	W. G. Fisher.....	2,000.00	55.50	1,110.00
	O. T. Cermanka.....	2,000.00	55.50	1,110.00
16	Hubert E. Rich.....	1,000.00	59.50	595.00
23	G. A. Miller.....	1,000.00	53.75	537.50
	M. L. Spankman.....	2,000.00	54.25	1,005.00
	Fuller Cruttenden & Co.....	2,000.00	52.875	1,057.50
	H. L. Welsh.....	10,000.00	60.25	6,025.00
	Farnum Winter & Co.....	5,000.00	53	2,650.00
	Mrs. Lillian M. Lord.....	1,000.00	56.25	562.50
	B. M. Harnes.....	1,000.00	57.50	575.00
	Otto Plessner.....	1,000.00	58.125	581.25
	Edw. S. Clifford.....	3,000.00	59.25	1,777.50
	James R. and I. Tanner.....	2,000.00	59.25	1,185.00
	O. B. Ellis & Co.....	10,000.00	54.25	5,425.00
	Joe Bower.....	1,000.00	50	500.00
	First Trust Savings Bank.....	1,000.00	55.25	552.50
	J. G. Stuart.....	1,000.00	55.50	555.00
	Fuller Cruttenden & Co.....	2,000.00	52.50	1,050.00



*Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued*

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Nov. 23	M. V. Alexander.....	\$1,000.00	58.75	\$587.50
	First National Bank.....	5,000.00	54	2,700.00
	Worth County State Bank.....	1,000.00	58.50	585.00
	State Bank Waterloo.....	1,000.00	56	560.00
	Benjamin Koye.....	1,000.00	52.25	522.50
	Kathaleen K. Tysen.....	1,000.00	58.875	588.75
	John Cochran.....	1,000.00	60.25	602.50
	Martin Neimring.....	1,000.00	56	560.00
	Iowa Fidelity Investment Co.....	1,000.00	53.875	538.75
	Tillie F. Echman.....	1,000.00	52.25	522.50
	Mrs. L. Thomas.....	1,000.00	53.75	537.50
25	Virgil M. Estes.....	5,000.00	53	2,650.00
	C. W. Oakley.....	1,000.00	54.25	542.50
	N. P. Hall.....	3,000.00	55.625	1,668.75
	Louis Ballin.....	5,000.00	56.25	2,812.50
27	Alfred S. Frank.....	1,000.00	53	530.00
	J. W. Householder.....	5,000.00	56.25	2,812.50
	F. R. Evers.....	1,000.00	52.50	525.00
	Chas. B. Younger.....	1,000.00	52.25	522.50
	George Lusk.....	1,000.00	54.25	542.50
	John Post Miller.....	1,000.00	56	560.00
	Chas. P. Wright.....	1,000.00	56	560.00
	Chester Wainwright.....	1,000.00	56.25	562.50
	Reynold T. Wheeler.....	2,000.00	56	1,120.00
	W. H. Bates.....	1,000.00	54.25	542.50
	F. Cawthers.....	1,000.00	52.875	528.75
	R. A. Robertson.....	1,000.00	54.75	547.50
	Wilber F. Bennet.....	1,000.00	53.25	532.25
	R. L. Katter.....	1,000.00	55.75	557.50
	W. W. Cutter.....	1,000.00	53	530.00
	A. N. Larson.....	1,000.00	55.75	537.50
	Harry Cline.....	1,000.00	53.25	532.50
	Arland H. Starr.....	1,000.00	52.375	523.75
	J. Leslie Payne.....	1,000.00	55.625	556.25
	First National Bank.....	2,000.00	52.50	1,050.00
	Dickinson McQuire & Paul.....	1,000.00	51.875	518.75
	First National Bank.....	5,000.00	52.50	2,625.00
30	F. B. Moore.....	5,000.00	52.50	2,625.00
	Fred Sadler & Co.....	5,000.00	53	2,650.00
	H. McFarland.....	1,000.00	52.75	527.50
	J. E. Johnson.....	2,000.00	53.25	1,065.00
	Mrs. Herman Luderman.....	1,000.00	52	520.00
	F. M. Ingolls.....	1,000.00	52.25	522.50
	H. J. Bengstahler.....	1,000.00	52.50	525.00
	Oscar Larson.....	2,000.00	53.75	1,075.00
	First National Bank.....	1,000.00	52.25	522.50
	G. L. Whoster.....	1,000.00	52.25	522.50
	Harry W. Lindsey.....	2,000.00	99.50	1,990.00
	Oscar Braindly.....	1,000.00	53.50	535.00
	George W. Caldwell.....	1,000.00	59.625	596.25
	Knight Quincy.....	1,000.00	52.25	522.50
	Amos H. Warner.....	1,000.00	52.50	525.00
	William C. Waltman.....	3,000.00	53.25	1,597.50
	do.....	1,000.00	53	530.00
	Frederick C. Kenworthy.....	1,000.00	53.375	533.75
	S. Martha Watson.....	1,000.00	53.375	533.75
	Lillian M. Lord.....	1,000.00	53.375	533.75
	H. Davis.....	2,000.00	52.25	1,045.00
	Total.....	1,436,000.00	-----	827,058.15

## SCHEDULE G

## INSULL UTILITY INVESTMENTS (INC.)

*Actual income after elimination of inflations*

	1929	1930	1931	1932	Total
Profit per published reports.....	\$10,242,015.20	\$10,341,444.13	\$5,022,967.32	\$1,248,443.98	\$24,357,982.67
Deduct:					
Stock dividend at market.....	234,194.09	4,968,725.38	5,145,467.00	372,280.00	10,720,666.47
Stock dividend Insull, Son & Co.....		1,995,000.00			1,995,000.00
Dividend declared but not received.....		471,446.52	63,750.00		535,196.52
Proceeds from sale of rights.....	8,059,555.26	3,656,906.12	1,401,309.35		13,117,770.73
Proceeds from sale of rights on treasury stock.....		24,172.05			24,172.05
Total.....	8,293,749.35	11,116,250.07	6,610,526.35	372,280.00	26,392,805.77
Net profit.....	1,948,265.85	1 774,805.94	1 1,587,559.03	1 1,620,723.98	1 2,034,823.10
Dividends paid.....	952,551.33	2,995,065.13	3,149,827.20	82,662.00	
Surplus after dividends.....	995,714.52				
Deficit after dividends including 1929 surplus.....		2,774,156.55			
Deficit for year after dividends.....			4,737,386.23	1,703,385.98	

1 Loss.

Dividends for years 1930, 1931, and 1932 were paid out of capital and therefore illegal, as follows:

1930.....	\$2,774,156.55
1931.....	3,149,827.20
1932.....	82,662.00
Total.....	6,006,645.75

## SCHEDULE H

## CORPORATION SECURITIES CO. OF CHICAGO

*Actual income after elimination of inflations*

	1929	1930	1931
Net income for years per published reports.....	\$630,091.79	\$8,006,804.05	\$2,569,370.03
Deduct:			
Stock dividends at market value when received.....	279,215.25	5,180,457.95	3,424,801.58
Sale of rights.....		1,497,763.63	1,472.62
Rights on hand taken up at subsequent sale price.....			143,581.75
Cash dividends received on reacquired stock.....	24,250.00	43,650.00	
Loss on called Middle West Utilities preferred and prior lien stock (carried in investment account).....	342,637.50		
Unamortized debt discount and expense.....			564,820.71
Deferred debits (documentary tax paid under protest).....			33,182.06
Dividends taken as income but not received as of Apr. 16, 1932.....		25,750.00	21,250.00
Portion of loss paid to Utility Securities Co. on the sale of 1,250,000 shares of Corporation Securities Co. of Chicago common stock charged to capital surplus: This company received \$301,452.36 cash dividend from Corporation Syndicates which was made on the sale of this stock.....		250,000.00	
Total.....	646,102.75	6,997,621.58	4,189,108.72
Net profit.....		1,009,182.47	
Net loss.....	16,010.96		1,619,738.69
Dividends paid.....	349,998.50	3,044,293.48	3,083,469.49
Earned surplus for the years (loss).....	366,009.46	2,035,111.01	4,703,208.18
		366,009.46	2,401,120.47
Earned surplus balance at end of year (loss).....	366,009.46	2,401,120.47	7,104,328.65

## SCHEDULE I

ALLOTMENT CERTIFICATES (UNIT—1 SHARE OF PREFERRED AND 1 SHARE OF COMMON)

*Purchases, sales, and prices*

Date	Insull group		Monthly volume of trades	Price range during month		
	Bought	Sold		High	Low	Close
1929						
October.....	1,150	600	58,150	100	65	70
November.....	6,400	-----	22,250	69	57	65
December.....	2,600	-----	17,750	67	51	55
Total.....	10,150	600	98,150	-----	-----	-----
1930						
January.....	6,300	750	12,650	64	54	63½
February.....	10,650	960	24,550	71	63½	69
March.....	20,000	4,410	21,000	71	68	70
April.....	29,175	1,825	43,800	72½	69	72
May.....	17,300	905	15,850	72	67½	69¾
June.....	16,650	4,811	24,250	69¾	62	63¾
July.....	5,250	2,600	5,100	68	62	66½
August.....	3,000	1,300	4,100	65½	60¾	64
September.....	3,450	900	5,000	64	59	60
October.....	8,400	1,502	10,500	62	54½	60
November.....	17,000	3,102	12,650	59¾	50	50¾
December.....	10,450	1,600	12,050	51	44	50
Total.....	147,625	24,665	191,500	-----	-----	-----
1931						
January.....	2,960	500	3,150	55	50	55
February.....	5,110	1,250	3,150	60	53	59
March.....	2,570	450	3,250	60	57½	59
April.....	3,200	300	3,900	58	53	53½
May.....	2,900	100	3,200	53	50	50½
June.....	4,000	600	5,200	50	44	49
July.....	2,150	50	4,300	49	45	46
August.....	2,300	-----	2,000	47	44	46
September.....	5,400	100	6,400	46	23	23
October.....	3,200	200	5,800	30	12	27
November.....	50	-----	-----	-----	-----	-----
Total.....	33,840	3,550	40,350	-----	-----	-----

NOTE.—Oct. 31, 1931, represents final date for trading in allotment certificate units.

## SCHEDULE J

## COMMON STOCK

*Purchases, sales and prices*

Date	Insull group		Monthly volume of trades	Price range during month		
	Bought	Sold		High	Low	Close
1930						
April .....	200,850	12,300	238,300	28½	27½	27¾
May .....	165,775	34,282	206,500	27¾	24½	26
June .....	49,350	22,242	112,500	26	19½	21½
July .....	25,323	7,715	61,350	26½	21½	25¼
August .....	19,500	4,344	50,950	25½	21½	23¼
September .....	36,125	9,938	70,850	23½	18	18½
October .....	62,930	19,386	97,050	20	17	17¾
November .....	49,650	14,011	82,400	18	15	16½
December .....	59,945	4,617	67,950	16½	14	15
Total .....	669,448	128,815	987,850	-----	-----	-----
1931						
January .....	34,376	12,768	69,900	19¾	14½	18½
February .....	46,238	8,603	93,950	16½	18	20½
March .....	46,970	6,986	98,700	21	17¾	17¾
April .....	22,085	6,361	44,150	18½	16¾	17½
May .....	20,289	5,355	33,900	17¾	15½	15½
June .....	30,253	9,344	60,950	16½	14¼	16
July .....	16,200	3,726	33,300	16¾	14¼	14¾
August .....	8,305	961	17,250	15½	14¼	14¼
September .....	28,325	7,484	58,550	14½	5½	6¾
October .....	20,110	7,350	37,650	8¼	5	7
November .....	15,100	5,174	23,150	7	5¼	6
December .....	30,469	3,859	50,100	6	1½	2¾
Total .....	318,720	77,971	621,550	-----	-----	-----
1932						
January .....	645	950	17,850	2	1½	1½
February .....	174	900	14,600	1½	¾	1
March .....	2,504	8,475	33,400	1	¾	¾
April .....	1,327	639	9,100	½	¼	¾
Total .....	4,650	10,964	74,950	-----	-----	-----

Mr. PECORA. Now, we will call Mr. Stilwell.

The CHAIRMAN. Mr. Stilwell, raise your right hand.

You do solemnly swear that the testimony you are about to give the committee in this investigation will be the truth, the whole truth, and nothing but the truth; so help you God.

Mr. STILWELL. I do.

**TESTIMONY OF ABNER J. STILWELL, VICE PRESIDENT CONTINENTAL - ILLINOIS NATIONAL BANK & TRUST CO., CHICAGO, ILL.**

Mr. PECORA. Mr. Stilwell, what is your full name and address, and business or occupation?

Mr. STILWELL. Abner J. Stilwell, 1260 Astor Street, Chicago; vice president Continental-Illinois National Bank & Trust Co.

Mr. PECORA. How long have you been connected with that bank as an officer?

Mr. STILWELL. Either with that bank or its predecessor bank since March 15, 1919.

Mr. PECORA. Now, did your bank or its predecessor bank make loans from time to time to corporations or individuals connected

with or affiliated with the so-called Insull group of public utilities companies?

Mr. STILWELL. It did.

Mr. PECORA. And were there a number of those loans outstanding in December, 1931?

Mr. STILWELL. There were.

Mr. PECORA. Have you prepared a written statement itemizing those loans?

Mr. STILWELL. I have.

Mr. PECORA. And the units, corporations, or individuals to whom they were made?

Mr. STILWELL. I have.

Mr. PECORA. Will you produce it, please?

Mr. STILWELL. Yes, sir.

Mr. PECORA. On account of the voluminous character of the statement, I ask, Mr. Chairman, that it be spread on the record.

The CHAIRMAN. There being no objection, it is so ordered.

(The statement is printed in the record in full, as follows:)

JANUARY 17, 1933.

Hon. PETER NORBECK,

*Chairman Committee on Banking and Currency,  
United States Senate, Washington, D. C.*

MY DEAR MR. CHAIRMAN: As requested by you, I am pleased to advise you regarding the status and conditions surrounding the making of loans by the Continental-Illinois National Bank & Trust Co. and its predecessor banks to companies and corporations with which Mr. Samuel Insull was identified and commonly referred to as of the Insull group of companies.

From time to time, and over a period covering many years my bank has been making loans to various Insull companies in good faith and in the due and ordinary course of business. I have here a statement of all the existing loans as of April 16, 1932, as requested by you, showing the amounts, the names of debtors and a description of collateral.

I want especially to point out that in the case of the debentures which were issued by the Insull Utility Investments (Inc.), and Corporation Securities Co., of Chicago, the debentures on their face, expressly permitted the companies at any time without regard to the debentures to mortgage or pledge any of their property for the purpose of securing loans to the companies contracted in the usual course of business for periods not exceeding one year.

Sincerely yours,

ABNER J. STILWELL,

*Vice President Continental-Illinois National Bank & Trust Co.*

119852-33-PT 5-22

Date made	Date due	Maker	Interest rate	Amount owing Apr. 16, 1932	Collateral
Feb. 4, 1932.....	May 4, 1932	W. L. Abbott.....	<i>Per cent</i> 5½	\$264,000.00	2,327 shares Commonwealth Edison; 200 shares Chicago Bank of Commerce; \$5,000 Northwestern Mutual Life Insurance policy; \$5,000 Equitable Life Assurance policy; \$10,000 Aetna Life Insurance Co. 6,054 shares Middle West Utilities, common; 3,786 shares Central & Southwest Utilities, common; 63 shares Peoples Gas Light & Coke; 81 shares Public Service Co. of Northern Illinois, \$100 par; 47 shares Highland Park State Savings Bank, Illinois; 65 shares Texas Corporation; 20 shares State Bank of Mundelein, Illinois; 13 shares Public Service Co. of Northern Illinois, no par; 10 shares Hinsdale State Bank, Illinois; 10 shares Federal Electric Co., 7 per cent cumulative preferred; 10 shares Federal Electric Co., 6 per cent cumulative preferred; 30 shares Libertyville Trust & Savings Bank, Illinois; 5 shares Northern Indiana Public Service Co., preferred; 5 shares Sears, Roebuck & Co.; 100 shares 20 Wacker Drive Building Corporation, preferred; 3,100 shares Edward G. Budd Manufacturing Co., common.
Mar. 15, 1932.....	June 13, 1932	Britton I. Budd.....	5	38,700.00	10,000 shares Middle West Utilities, common; 475 shares Commonwealth Edison Co.
Oct. 22, 1931.....	Demand.....	H. G. Clabaugh.....	5	61,200.00	2,902 shares Middle West Utilities, common; 1,295 shares Middle West Utilities, preferred; 462 shares Commonwealth Edison Co.; 169 shares Central & Southwest Utilities, common.
Feb. 20, 1932.....	do.....	J. W. Evers, jr.....	5	58,700.00	500 shares Midland United Co., common; 500 shares Lincoln Printing Co., common; 50 shares 20 Wacker Drive Building Corporation, preferred; 100 shares New England Power & Light, 6 per cent cumulative preferred; 400 shares Inland Investment Co., no par; 1,082 shares Commonwealth Edison Co., common; 9,917 shares Middle West Utilities Co., common; 500 shares Insull Utilities Investment Co., second preferred; 300 shares Insull Utilities Investment Co., common; \$50,000 copy of trust agreement No. 9590 to Northern Trust Co., trustee, assignment and letters pertaining to above interest in life insurance held by Northern Trust Co., Chicago; 100 shares Federal Electric (Inc.), 7 per cent cumulative preferred; 100 shares Federal Electric (Inc.), 6 per cent cumulative preferred; 132 shares Public Service Co. of Northern Illinois, no par; 7 shares Central Illinois Public Service, preferred; 500 shares Corporation Securities Co., common; 500 shares Corporation Securities Co., preferred; \$10,000 Equitable Life Assurance Society policy.
Nov. 30, 1931..... \$120,000	do.....	J. F. Gilchrist.....	5	165,500.00	632 shares Public Service Co. of Northern Illinois, no par; 130 shares Public Service Co. of Northern Illinois, \$100 par; 200 shares North American Light & Power Co., common; 101 shares Midland United Co., common; 125 shares Corporation Securities Co., common; 125 shares Corporation Securities Co., preferred; 400 shares Middle West Utilities Co., preferred; 21 shares Commonwealth Edison Co.; 1,382 shares Insull Utilities Investment Co., common; 100 shares Insull Utilities Investment Co., 6 per cent preferred.
Mar. 21, 1932..... 45,500	June 30, 1932				
Total..... 165,500					
Feb. 3, 1932.....	May 3, 1932	J. L. Hecht.....	5	84,000.00	

Mar. 7, 1932.....		Demand.....	R. S. Holden.....	6	40,495.05	30 shares Central & Southwest Utilities Power & Light, preferred; 61 shares Public Service Co. of Northern Illinois, \$100 par; 258 shares Commonwealth Edison Co.; 800 shares Corporation Securities Co. of Chicago, common; 149 shares Public Service Co. of Northern Illinois, no par; \$3,000 New York Life Insurance Co., policy; \$12,873 (computed value) New York Life Insurance Co. policy.
Oct. 20, 1931.....		Feb. 29, 1932.....	Martin J. Insull.....	4½	350,000.00	49,000 shares Corporation Securities, voting trust certificates; 8,250 shares Corporation Securities, common; 8,250 shares Corporation Securities, preferred.
Jan. 6, 1932.....		Demand.....	Samuel Insull.....	4½	2,775,000.00	21,000 shares Insull Utilities Investment (Inc.), preferred; 233 shares Commonwealth Edison Co.; 88,054 shares Insull Utilities Investment (Inc.) common; 162 shares Public Service Co. of Northern Illinois, common; 8,802 units Corporation Securities of Chicago; 136,189 shares Corporation Securities of Chicago, common; 608,941 shares Corporation Securities of Chicago, voting trust.
Mar. 14, 1932.....		do.....	J. G. Learned.....	5	96,357.00	800 shares Insull Utilities Investment, common; 5,000 shares Middle West Utilities Co., common; 831 shares Public Service Co. of Northern Illinois, no par; \$40,000 Northwestern Mutual Life Insurance policy.
Dec. 18, 1931.....		do.....	P. J. McEnroe.....	5	127,070.25	5 shares Commonwealth Edison Co.; 6,650 shares Insull Utilities Investment, common; 7,700 shares Corporation Securities Co. of Chicago, common; 27,000 shares Corporation Securities Co. of Chicago, voting trust.
Mar. 14, 1932.....	\$2,125,000	do.....	Midland United Co.....	5	3,125,000.00	278,549 shares Public Service Co. of Indiana, common (Midland Utilities Co., indorser); \$939,100 Central Indiana Power, first mortgage 6s, 1947; 175,000 shares Central & Southwest Utilities Co., common; \$3,619,000 Public Service Co. of Indiana, first mortgage 6s Feb. 1, 1952.
Mar. 19, 1932.....	1,000,000	do.....				50,000 shares Gary Electric & Gas Co. (Midland United Co., indorser); 1,000,000 shares Northern Indiana Public Service Co., common.
Total.....	3,125,000					3,730 shares Peoples Gas Light & Coke Co.; 77¾ shares Insull Utilities Investment Co. common; 194 warrants Middle West Utilities class A; 194 warrants Middle West Utilities class B; 100 shares Inland Investment Co.
Jan. 25, 1932.....		do.....	Midland Utilities Co.....	5	2,500,000.00	1,225 shares Insull Utilities Investment Co.; 500 shares Corporation Securities Co. of Chicago voting trust certificates; 107 shares Commonwealth Edison Co.
Apr. 8, 1932.....		do.....	Geo. F. Mitchell.....	5	318,707.27	730 shares Arkansas-Missouri Power Co. preferred; \$85,000 Arkansas-Missouri Power Co., 10-year 6½ debenture, 1935; \$97,000 Arkansas-Missouri Power Co., first 6 per cent 30-year sinking fund 1953; 5,600 shares Central Illinois Public Service Co., no par; 4,900 shares Central & Southwest Utilities \$6 prior lien preferred; 3,200 shares Central & Southwest Utilities \$7 preferred; 210,300 shares Central & Southwest Utilities, no par, common; 829 shares Commonwealth Edison Co.; \$173,000 Inland Power & Light Corporation, collateral trust sinking fund 6s, 1957; \$80,000 Inland Power & Light Corporation collateral trust sinking fund 6s, 1936; \$121,000 Inland Power & Light Corporation, sinking fund 7s, 1935; 244 shares Inland Power & Light Corporation, 7 per cent cumulative preferred; \$176,000 Inland Power & Light Corporation collateral trust sinking fund 6s, 1941; \$21,000 Indiana Electric Corporation first mortgage 5 per cent C, 1951; 22,000 shares Kansas Electric Power Co., no par common; 3,300 shares Michigan Gas & Electric, \$100 par common; 2,100 shares Michigan Gas & Electric 6 per cent, no par preferred; 10,100 shares North-
Mar. 23, 1932.....		June 17, 1932.....	J. F. O'Keefe.....	5	16,500.00	
Feb. 9, 1932.....	\$3,000,000	May 9, 1932.....	Middle West Utilities Co....	5	5,000,000.00	
Feb. 15, 1932.....	2,000,000	May 16, 1932.....				

Date made		Date due	Maker	Interest rate	Amount owing Apr. 16, 1932	Collateral
Feb. 9, 1932.....	\$3,000,000	May 9, 1932	Middle West Utilities Co....	<i>Per cent</i>		
Feb. 15, 1932.....	2,000,000	May 16, 1932		5	\$5,000,000.00	west Utilities Co. \$5 preferred; 193,000 shares National Electric Power B common; \$14,000 National Public Service Corporation, G debenture 5s, 1978; 85,100 shares National Electric Power Co., no par A common; \$72,100 National Electric Power Co. second G debenture 5s, 1978; 734 shares Peoples Gas Light & Coke Co.; 110,000 shares Northwest Utilities Co., no par common; 32,700 shares Kentucky Utilities Co., \$100 common; \$80,000 Northwestern Public Service Co., first mortgage A 5s, 1957; 6,900 shares Northwest Utilities Co., \$100 par 7 per cent preferred; 3,800 shares Northwest Utilities Co., \$100 par 7 per cent prior lien preferred; 34 shares Public Service Co. of Northern Illinois common; 3,600 shares Southwestern Light & Power Co. preferred, no par; \$23,000 West Texas Utilities Co., first mortgage 5 per cent A, 1957; 250 shares National Electric Power, 6 per cent cumulative preferred.
Dec. 28, 1931.....	45,500	Apr. 28, 1932	Marshall E. Sampsell.....	5	269,900.00	22,247 shares Middle West Utilities Co. common; 2,000 shares Central Illinois Public Service preferred; 2,826 shares Insull Utilities Investment (Inc.), common; 8,500 shares Central & Southwest Utilities Co. common; \$50,000 Canada Life Assurance Co. policy; \$100,000 New York Life Insurance Co.
Jan. 25, 1932.....	46,000	Apr. 25, 1932				
Feb. 16, 1932.....	22,000	May 16, 1932				
Mar. 3, 1932.....	1,500	June 1, 1932				
Mar. 16, 1932.....	44,500	May 16, 1932				
Do.....	900	June 14, 1932				
Mar. 28, 1932.....	47,000	June 27, 1932				
Apr. 11, 1932.....	16,500	Demand.....				
Apr. 15, 1932.....	46,000	.....do.....				
Total.....	269,900					
Jan. 7, 1932.....		.....do.....	W. A. Sauer.....	5	272,500.00	2,925 shares Peoples Gas Light & Coke Co.; 500 shares Corporation Securities Co. of Chicago, common; 500 shares Corporation Securities Co. of Chicago, \$3 preferred; 7,195 shares Insull Utilities Investment (Inc.), common; 500 shares Insull Utilities Investment (Inc.), preferred; 3,050 shares Middle West Utilities Co., common; 100 shares Middle West Utilities Co., preferred; 100 shares Inland Investment Co.; 5,650 shares Midland United Co.
Mar. 30, 1932.....	\$123,800	July 29, 1932	F. H. Scheel.....	5	273,800.00	100 shares Lake Co. Land Association; 863 shares Public Service Co. of Northern Illinois, no par; 89 shares Public Service Co. of Northern Illinois, \$100 par; 1,000 shares Peoples Gas Light & Coke Co.; 1,300 shares Commonwealth Edison Co.; 100 shares Lowell Scherman Syndicate; \$38,000 Middle West Utilities Co. 5s, 1935; \$4,000 Public Service Co. of Northern Illinois, 5s, Oct. 1, 1956; \$5,000 North American Light & Power 5½s, July 1, 1956; \$10,000 Commonwealth Subsidiary Corporation 5½s, July 1, 1956; \$5,000 Arkansas-Missouri Power Co. 6½s, May 1, 1935; \$10,000 Gary Electric & Gas Co. 5s, July 1, 1934; \$5,000 Metropolitan West Side Elevator 4s, 1938; \$16,000 Middle West Utilities Co. 5s, 1934; \$5,000 Standard Power & Light Corporation 6s, 1957; \$2,000 Middle West Utilities Co. 5s, June 1, 1933.
Apr. 6, 1932.....	150,000	Aug. 8, 1932		4½		100 shares American Public Service Co. preferred.
Total.....	273,800					
Feb. 10, 1932.....		May 10, 1932	Chas. B. Scott.....	5	16,146.75	



Dec. 24, 1931.....	Demand.....	Charles E. Thompson.....	5½	15,000.00	20 shares 20 Wacker Drive Building Corporation preferred; \$6,400 Consumers Co. notes 6s, Jan. 1, 1934; \$3,000 Union Elevated R. R. first mortgage 5s, 1945; \$8,000 Chicago Rapid Transit first refunding 6s, 1953; \$12,000 C/D Chicago Ry. Co. first mortgage, 15 per cent preferred 5s, 1927; 303 shares Consolidated Properties Trust, common; \$10,000 New England Mutual Life Insurance Co. policy.
July 8, 1931.....	do.....	20 Wacker Drive Building Corporation.	5	3,385,000.00	\$7,000,000 20 Wacker Drive Building Corporation, second mortgage 5 per cent G/B, due 1942 (Samuel Insull indorser).
Feb. 5, 1932.....	June 10, 1932	G. W. Williamson.....	5	29,957.00	399 shares Middle West Utilities Co., common; 262 shares Commonwealth Edison Co.; 200 shares Corporation Securities Co., common; 200 shares Corporation Securities Co., \$3 preferred; 100 shares Central Illinois Securities Corporation, convertible preferred; 100 shares Central Illinois Securities Corporation, common; \$1,000 Central Georgia Power 5s, 1938; 102 shares Central & Southwest Utilities common; 3 shares Public Service Co. of Northern Illinois, 7 per cent preferred; 11 shares Public Service Co. of Northern Illinois, no par; 7 shares Public Service Co. of Northern Illinois \$100 par; 14 shares Insull Utilities Investment (Inc.), common; 245 shares Middle West Utilities Co., common; \$392.50 cashier's check.
Apr. 16, 1931.....	Demand.....	Public Service Trust.....	5	1,790,000.00	1,330 shares Peoples Gas Light & Coke Co.; 2,708 shares Commonwealth Edison Co.; 176,170 shares Middle West Utilities Co., common; 14,275 shares Insull Utility Investments Co., common; 500 shares Insull Utility Investment Co., second series preferred; 15 shares Central Illinois Public Service Co., preferred; 360 shares Central & Southwest Utilities Co., \$7 preferred; 400 shares Central & Southwest Utilities Co., \$7 prior lien preferred; 1,450 units Corporation Securities Co. of Chicago; 10,944 shares Corporation Securities Co. of Chicago, common; 3,502 shares Corporation Securities Co. of Chicago, voting trust certificates; 4,300 shares Corporation Securities Co. of Chicago, preferred; 334 shares Illinois Northern Utilities Co., preferred; 816 shares New England Public Service Co., \$7 preferred; 219 shares Peoples Trust & Savings Bank of Chicago; 610 shares 20 Wacker Drive Building Corporation, \$6 cumulative preferred; 6,571 shares Midland United Co., common; 5,810 shares Central & Southwest Utilities, common; 48 shares Middle West Utilities Co., \$6 preferred; \$343,000 Peabody Coal Co., first mortgage 5 per cent, 1953; \$3,500 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1933; \$3,500 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1934; \$3,500 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1935; \$3,000 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1936; \$5,500 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1937; \$5,500 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1938; \$5,500 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1939; \$100,000 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1940; 264 shares Public Service Co. of Northern Illinois, 7 per cent preferred; 106 shares Public Service Co. of Northern Illinois, no par common; \$6,500 note of Rudolph Kleybolts & Co., due on demand, secured by 500 shares Central States Electric Corporation, common (held by

Date made	Date due	Maker	Interest rate	Amount owing Apr. 16, 1932	Collateral
Apr. 16, 1931-----	Demand-----	Public Service Trust-----	<i>Per cent</i> 5	\$1,790,000.00	Provident Savings Bank & Trust Co. of Cincinnati, Ohio); \$67,647.91 demand note of F. L. Daily, dated Sept. 15, 1930 secured by \$67,500 corporation note Bennington Apartments Building Corporation, due December 15, 1931, 1932, 1933, 1934, 1935; \$1,250 demand note of C. W. Daniels, dated Aug. 29, 1930; \$30,000 demand note of Julianne Deane, dated Oct. 22, 1930, secured by 20 units Corporation Securities Co. of Chicago, 261 shares Insull Utilities Investment Co., common, 125 shares Loudon Packing Co., 53 shares Middle West Utilities Co., common, 20 shares Midland Utilities Co. prior lien, 100 shares Paramount Public Corporation common, 5 shares Peoples Gas Light & Coke, 50 shares Swift International, 100 shares Union Carbide & Carbon Co., 50 shares United States Pipe & Foundry Co. common; \$3,000 demand note of J. W. Evers, dated Feb. 27, 1925, secured by 100 shares Inland Investment Co.; \$10,000 demand note of George B. Foster, dated Nov. 11, 1929, secured by 100 shares Lake Co. Land Association; \$1,250 demand note of E. Ogden Ketting, dated July 15, 1929; \$1,250 demand note of E. Ogden Ketting, dated Aug. 20, 1929, secured by 25 shares Inland Investment Co.; \$6,866.26 demand note of Frances Held, dated Oct. 29, 1929, secured by 320 shares Insull Utilities Investment (Inc.) common, 620/200th shares Insull Utilities Investment (Inc.) common; \$1,250 demand note of W. R. Irwin, dated Aug. 29, 1920; \$4,000 demand note of Ida T. Jorgensen, dated May 3, 1929; \$2,981.53 demand note of Ida T. Jorgenson, dated May 18, 1927, secured by 80 shares Middle West Utilities 6 per cent preferred, 863 shares Middle West Utilities common, 80 warrants Middle West Utilities A, 80 warrants Middle West Utilities B, 1512/400ths scrip certificates Middle West Utilities common; \$5,000 demand note, dated Aug. 20, 1929, of F. M. O'Donnell; \$5,000 demand note, dated July 15, 1929, of F. M. O'Donnell, secured by 100 shares Inland Investment Co.; \$28,535.82 demand note of John F. O'Keefe, dated Oct. 31, 1931, secured by 100 shares Corporation Securities Co. of Chicago \$3 preferred, 100 shares Corporation Securities Co. of Chicago common, 100 shares Inland Investment Co., 100 shares Insull Utilities Investment preferred second series; \$1,200 note of Lillian G. Ross, dated Oct. 26, 1931, due Oct. 26, 1932, secured by \$2,000 Insull Utilities Investment (Inc.) debentures 6 per cent, due 1940; \$3,000 demand note of Wilkinson Process Rubber Sales Corporation, dated June 5, 1931; \$7,000 demand note of Wilkinson Process Rubber Sales Corporation, dated June 29, 1931; \$3,800 demand note of Wilkinson Process Rubber Sales Corporation, dated Aug. 18, 1931; \$4,146.54 demand note of Wilkinson Process Rubber Sales Corporation, dated Aug. 31, 1931; \$3,500 demand note of Wilkinson Process Rubber Sales Corporation, dated Nov.-2, 1931; \$1,700 demand note of Wilkinson Process Rubber Sales Corporation, dated Dec. 7, 1931; \$500 demand note of A. F. Arsenaault; \$4,065 demand note of Esther T. Bariff, secured by 116

shares Middle West Utilities Co. common, 448/400 shares Scrip certificates Middle West Utilities common; \$140,000 mortgage notes of Lawrence Benson, due Mar. 19, 1932; \$360.84 demand note of Robert W. Bonesteel, secured by 50 shares Insull Utilities Investment second preferred; \$2,500 demand note of Robert W. Bonesteel, secured by 50 shares Inland Investment Co.; \$2,500 demand note of Robert W. Bonesteel; \$3,730 demand note of Robert W. Bonesteel, secured by 50 shares Corporation Securities Allotment certificates; \$3,750 demand note of Robert W. Bonesteel, secured by 250 shares Insull Utilities Investment common; \$2,600 demand note of Richard C. Burritt; \$7,600 demand note of Richard C. Burritt, secured by 123 shares No. 201 East Delaware Place Building Corporation; \$1,250 demand note of W. J. Keely, dated Aug. 29, 1930; \$1,050 demand note of W. J. Keely, dated May 22, 1931, secured by participation receipt of Insull Utilities Investment Syndicate; \$175,000 demand note of Lake County Land Association, dated Mar. 3, 1930; \$10,000 demand note of Lake County Land Association, dated Apr. 15, 1930; \$70,000 demand note of Lake County Land Association, dated Feb. 17, 1931; \$1,000 note of Louis Kavpil and Katherine Kavpil, dated Aug. 21, 1931, due Aug. 21, 1932, secured by 40 shares Chicago Rapid Transit Co. prior preferred, series B, \$18,578.54 demand note of P. J. McEnroe, dated Oct. 1, 1931, secured by \$500 Electric Club 5 per cent 1945, 1 share Libertyville Construction Co., 5 shares Libertyville Trust & Savings Bank, 30 shares Libertyville Bond & Mortgage Co., 140 shares Insull Utilities Investment (Inc.) common, 514 shares Corporation Securities Co. of Chicago voting trust certificates, 201 shares Corporation Securities Co. of Chicago common, 74 shares Middle West Utilities Co. common, 145 warrants Middle West Utilities Co. B; \$17,450 demand note of Catherine A. McGuire, dated Aug. 18, 1931, secured by 26 shares Associated Telephone Utilities Co. common, 7 shares Chicago Rapid Transit Co. voting trust certificates, 28 shares common Edison Co., 120 units Corporation Securities Co. of Chicago, 5 shares Corporation Securities Co. of Chicago, 70 shares Insull Utilities Investment (Inc.) preferred second series, 204 shares Insull Utilities Investment (Inc.) common, 40 shares Middle West Utilities Co. common; \$4,000 demand note of Benjamin H. Miller, dated June 2, 1931; \$6,000 demand note of Benjamin H. Miller, dated May 15, 1931; \$25,000 demand note of Benjamin H. Miller, dated Nov. 29, 1930; \$25,000 demand note of Benjamin H. Miller, dated June 9, 1930; \$50,000 note of Benjamin H. Miller, dated June 11, 1930, due May 15, 1931, secured by 25 shares Continental Illinois Bank & Trust Co., 10 shares First National Bank of Chicago, 100 shares Irving Trust Co. of New York, 20 shares Guaranty Trust Co., 30 shares National City Bank, New York; \$1,875 demand note of Thomas W. Bee, dated Nov. 1, 1929, secured by 25 units Corporation Securities Co. of Chicago; \$53,000 demand note of Chicago Civic Opera Co., \$70,000 demand note of Chicago Civic Opera Co., \$2,725 demand note of I. Ruth Crum; \$9,970 demand note of I. Ruth Crum, secured by 92 shares Insull Utilities Investment second preferred, 100 shares Insull Utilities Investment common.

Date made	Date due	Maker	Interest rate	Amount owing Apr. 16, 1932	Collateral
Jan. 8, 1932-----	Demand-----	Corporation Securities Co.	Per cent 5	\$5,750,000.00	\$125,176.49 cashiers check No. 428859, payable to ourselves; 21,982 shares Commonwealth Edison Co.; 18,923 shares Insull Utilities Investment Co., common; 29,500 shares Insull Utilities Investment Co., 6 per cent preferred; 8,000 shares Insull Utilities Investment Co. 5½ per cent preferred; 368,821 shares Middle West Utilities, common; 8,345 shares Middle West Utilities, 6 per cent preferred; 2,700 shares Peoples Gas Light & Coke Co.; 2,845 shares Public Service Co. Northern Illinois, no par common; 1,166 shares Public Service Co. Northern Illinois, \$100 par.
July 1, 1931-----	Demand-----	Hill Joiner & Co.	5½	\$1,478,747.42	\$2,000 American Natural Gas Corporation 6¼ per cent, 1942; \$500 Bee News Publishing Co. 6s, 1937; \$8,000 Bee News Publishing Co. 6s, 1938; \$1,000 Bee News Publishing Co. 6s, 1939; \$7,500 Bee News Publishing Co. 6s, 1940; \$10,000 Bee News Publishing Co. 6s, 1941; \$8,000 Bee News Publishing Co. 6s, 1942; \$8,000 Bee News Publishing Co. 6s, 1943; \$1,000 Central Power Co. 5s, 1957; \$31,800 Central Power & Light 6½s, 1951; \$1,000 Chicago District Electric Corporation 6s, 1961; \$1,000 Chicago North Shore & Milwaukee 6s, 1955; \$23,000 Corporation Securities Co. of Chicago 5s, 1933; \$81,000 Corporation Securities Co. of Chicago 5s, 1934; \$31,000 Corporation Securities Co. of Chicago 5s, 1935; \$26,000 Eastern Shore Public Service Co. 5s, 1955; \$1,000 Federal Public Service Corporation 6s, 1932; \$11,500 Federated Utilities Co. 5½s, 1957; \$1,000 Florida Power Corporation 5½s, 1956; \$500 Georgia Power & Light Co. 5s, 1978; \$1,000 Ironwood & Bessemer Railway & Light Co. 5s, 1936; \$1,000 Jersey Central Power & Light Co. 4½s, 1961; \$5,000 Metropolitan District Finance Co. 6s, 1943; \$33,500 Metropolitan District Finance Co. 6½s, 1944; \$3,000 Metropolitan Water Sewerage & Drainage Board 5½s, 1950; \$5,000 Michigan Gas & Electric Co. 6s, 1943; \$89,500 Michigan Gravel Building 6½s, 1948 (520 North Michigan Avenue); \$4,100 Missouri Edison Co. 5½s, 1947; \$1,900 Missouri Gas & Electric Co. 6s, 1944; \$43,000 National Electric Power Co. 5s, 1978; \$82,500 National Public Service Co. 5s, 1978; \$2,000 Phillips Petroleum Co. 5½s, 1939; \$1,000 Public Service Co. of Oklahoma 5s, 1947; \$1,000 Tide Water Power Co. 5s, 1979; \$1,500 Willoughby Tower Buildings 5s, 1943; \$2,000 Wisconsin Power & Light Co. 5s, 1958; 470 shares American Equities Co. common; 537 shares Central Public Service Corporation A; 48,306 shares Central & South West Utilities Co., common; 100 shares Cities Service Co., common; 2,000 shares Corporation Securities Co. of Chicago, \$3 preferred; 190 shares Corporation Securities Co. of Chicago, common; 100 shares De Forest Radio Co.; 758 shares General Gas & Electric Corporation, common A; 50 shares Insull Utility Investments (Inc.), \$5.50 prior preferred; 6,064 shares Insull Utility Investment (Inc.), common; 1,981 shares Insull Utility Investments (Inc.), \$6 preferred; 24,632 shares Middle West Utility, common; 44,288 shares Midland United, common; 13,800 shares Midland United \$6 preferred; 65 shares Midland Utilities, 6 per cent prior lien;
Total-----				1,478,747.42	

Jan. 8, 1932.....	do.....	Inland Investment Co. ....	5	101,300.00	70 shares Midland Utilities, 7 per cent class A preferred; 2,500 shares Mississippi Valley Utilities Investment Co., common; 1,100 shares Mississippi Valley Utilities Investment Co., \$6 preferred; 14,100 shares National Electric Power, A; 100 shares National Public Service Corporation, \$3.50 cumulative preferred; 141 shares New England Public Service Co., preferred; 357 shares Northern Indiana Public Service Co. 6 per cent preferred; 206 shares North West Utilities Co. 7 per cent preferred; 110 shares North West Utilities Co. 7 per cent prior lien; 115 shares The Ohio Oil Co., common; 4,300 shares Seaboard Public Service Co., \$3.25 converted preferred; 250 shares Southwestern Light & Power Co., 6 per cent preferred; 884 shares Twenty Wacker Drive Bldg. Corporation, 6 per cent preferred; 239 shares Utilities Power & Light Corporation, class A. Held at Chase National Bank, New York: \$48,000 Tide Water Power Co. 5s, 1979; 15,000 shares National Electric Power Co., A. (Obligation of Middle West Utilities Co., see agreement dated Feb. 1, 1932.)
Do.....	do.....	Insull Son & Co. (Inc.).....	do	7,035,356.08	6,000 shares Central & Southwest Utilities, common; 50 shares Corporation Securities Co., common; 30 shares Midland Utilities Co., 7 per cent prior lien; 253 shares Midland Utilities Co., 6 per cent prior lien; 500 shares Midland Utilities Co., 7 per cent A preferred; 1,660 shares Insull Utility Investment, common; 2,200 shares Midland United Co., common; 620 shares Peoples Gas Light & Coke Co.; 534 shares Public Service Co. of Northern Illinois, no par; 150 shares Public Service Co. of Northern Illinois, \$100 par.
Do.....	do.....	Insull Utilities Investment (Inc.).	do	18,987,500.00	68,058 shares Central & Southwest Utilities, common; 5,506 shares Commonwealth Edison Co.; 139,058 shares Corporation Securities Co., common; 89,058 shares Corporation Securities Co., preferred; 29,000 shares Insull Utilities Investment Co., common; 900 shares Insull Utilities Investment, \$5.50 preferred; 10,000 shares Marshall Field & Co., common; 317,663 shares Middle West Utilities Co., common; 18,525 shares Middle West Utilities Co., \$6 preferred; 74,058 shares Midland United Co., common; 13,070 shares Midland United Co., convertible preferred, series A; 13,070 shares Midland United Co., warrants for common stock; 553 shares Midland Utilities Co., 6 per cent prior lien; 3,200 shares National Public Service, \$3.50 cumulative convertible preferred; 455 shares Peabody Coal Co., \$6 preferred; 8,400 shares Peoples Gas Light & Coke Co.; 4,000 shares Seaboard Public Service Co., \$5.25 convertible preferred; 440 shares Seaboard Public Service, \$6 preferred; 500 shares 20 Wacker Drive Building Corporation, \$6 preferred; \$250,000 National Public Service Corporation, 5 per cent, 1978; \$100,000 Corporation Securities Co. of Chicago 5s, 1933; \$100,000 Corporation Securities Co. of Chicago 5s, 1934; \$100,000 Corporation Securities Co. of Chicago 5s, 1935.
					75,000 shares Central & Southwest Utilities Co., common; 82,270 shares Commonwealth Edison Co.; 60,000 shares Corporation Securities Co., common; 111,000 shares Corporation Securities Co., \$3 preferred; 913,322 shares Middle West Utilities Co., common; 3,250 shares Middle West Utilities Co., A warrants; 3,250 shares Middle West Utilities Co., B warrants; 30,000 shares Midland United Co., common; 23,607 shares Peoples Gas Light & Coke Co.; 21,230 shares Public Service Co., Northern Illinois, no par common; \$1,000,174.83 cashier's check No. 428,860 on us payable to us; \$3,610.67 cashier's check No. 429,296 on us payable to us.

Date made		Date due	Maker	Interest rate	Amount owing Apr. 16, 1932	Collateral
Mar. 2, 1931.....	\$1,627,836.22	Demand.....	A. B. Leach & Co., regular account.	Per cent 5	\$3,503,012.31	A. B. Leach & Co. depositary account in the A. B. Leach & Co. regular account. Assignments of life insurance policies of Arthur B. Leach, together with the consent of both the First National Bank, Chicago, and the Central Republic Bank & Trust Co., to surrender policies on a basis of cash surrender value thereof. The total proceeds representing cash surrender value amounting to \$18,527.67 has been received. Of this amount \$1,676.24 has been credited to the account of A. B. Leach & Co. and \$16,851.43 is represented by our cashier's check No. 435243 for similar amount payable to ourselves account A. B. Leach & Co. and deposited in collateral account. Part interest in \$21,000 of proceeds to be obtained in connection with sale of the following securities held as part collateral to loan of Public Utilities Investment Co.: 2,160 shares Follow the Swallow Tourist Camp (Inc.), \$106,153.97 note of Follow the Swallow Tourist Camp, dated Mar. 3, 1932, due on demand; \$10,000 cashier's check No. 428106 on us, payable to us; 2,250 shares Western Power Light & Telephone, participating class A; 100 shares Central Power & Light Co., 7 per cent preferred; 40,000 shares Mississippi Valley Utilities Investment Co., common; 393 shares Western Power, Light & Telephone Co., 7 per cent preferred; \$35,000 Boston & Maine R. R. 4½s, 1961; \$138,500 Central West Public Service 5s, 1933; \$246,200 Central West Public Service 5½s, 1956; \$43,000 Central West Public Service 6s, 1936; \$55,000 Central West Public Service 7s, 1932; \$5,000 Cities Service Power & Light Co. 5½s, 1949; \$100,000 City of Detroit, Mich., 4s, 1961; \$35,000 Florida Power Corporation 5½s, 1956; \$3,000 Florida Power Corporation 5½s, 1979; \$2,000 Godchaux Sugars 7½s, 1941; \$159,000 Indiana Electric Corporation 4½s, 1932; \$1,000 Interlake Iron Corporation 6s, 1951; \$5,000 Middle West Utilities Co. 5s, 1935; \$2,000 North American Light & Power Co. 5½s, 1956; \$54,100 Northwestern Public Service Co. 5s, 1957; \$3,000 Puget Sound Power & Light 4½s, 1950; \$1,000 Southern Pacific Co. 4½s, 1981; \$14,000 Southwestern Gas & Electric Co. 6s, 1961; \$54,000 Tide Water Power Co. 5s, 1979; \$1,158,000 Western Power Light & Telephone 6s, 1933; \$1,638,000 Western Power Light & Telephone 6s, 1950; \$36,000 Western Power Light & Telephone 6s, 1948. Our proportion of securities deposited with trustees by Middle West Utilities Co., in accordance with agreement dated Apr. 14, 1932.
Apr. 7, 1931.....	65,000.00	do.....				
Apr. 9, 1931.....	65,000.00	do.....				
May 18, 1931.....	110,000.00	do.....				
June 1, 1931.....	656,000.00	do.....				
Aug. 25, 1931.....	40,000.00	do.....				
Sept. 17, 1931.....	155,400.00	do.....				
Sept. 28, 1931.....	40,000.00	do.....				
Oct. 13, 1931.....	20,000.00	do.....				
Oct. 26, 1931.....	120,000.00	do.....				
Nov. 4, 1931.....	155,000.00	do.....				
Nov. 10, 1931.....	37,170.08	do.....				
Nov. 16, 1931.....	40,000.00	do.....				
Nov. 26, 1931.....	105,000.00	do.....				
Dec. 2, 1931.....	25,000.00	do.....				
Dec. 7, 1931.....	11,554.50	do.....				
Dec. 14, 1931.....	50,000.00	do.....				
Dec. 15, 1931.....	26,950.00	do.....				
Dec. 21, 1931.....	25,136.51	do.....				
Jan. 22, 1932.....	80,000.00	do.....				
Jan. 26, 1932.....	24,000.00	do.....				
Jan. 28, 1932.....	10,000.00	do.....				
Mar. 14, 1932.....	9,309.00	do.....				
Mar. 16, 1932.....	4,656.00	do.....				
Total.....	3,503,012.31					
Mar. 2, 1932.....		do.....	A. B. Leach & Co., account No. 1.	6	3,467,000.00	22,147 shares Allied Motors, common; 938 shares Allied Motors, preferred; 3,200 shares American Cirrus Eng., A; 7,500 shares Cord Corporation; 4,761 shares Van Sicklin Corporation, participating A; 101 shares Western Power, Light & Telephone, preferred; 1,089 shares American Service, preferred; 56,655 shares American Service, common; 7,875 shares American Service, B, common; 100 shares Bendix Aviation; 550 shares Godchaux Sugar, B; 10,900 shares Mid Continent Laundries (Inc.), common; 12,400 shares National Terminal, participating; 135 shares 20 Wacker Drive, preferred; 98,500

Oct. 24, 1931.....	597,961.84	.....do.....	Utility Securities Co.....	4½	5,430,698.41
Oct. 28, 1931.....	423,300.05				
Oct. 28, 1931.....	4,409,436.52				
Total.....	5,430,698.41				
Jan. 31, 1931.....	192,186.20	.....do.....	Leach Corporation.....	5	207,015.73
Sept. 22, 1931.....	11,080.31	.....do.....			
Feb. 24, 1932.....	3,749.22	.....do.....			
Total.....	207,015.73				

shares Western Power, Light & Telephone, common; 2,943 shares Woodruff & Edwards, participating; \$39,000 Allied Motors Industries 6s, 1934; \$71,000 American Service, 6½s, 1934; \$75,000 American Service 6s, 1944; \$16,500 Central West Public Service 5½s, 1956; \$71,000 National Terminals 6½s, 1940; \$500 O'Cedar Corporation 6s, 1932; \$1,000 Ohio Terminal 6s, 1947; \$158,000 Van Sicklin Corporation 6s, 1934 C/D; \$7,000 Western Power, Light & Telephone 6s, 1948; \$149,000 Mid Continent Laundries 6s, 1939; \$98,500 Mid Continent Laundries 7s, 1939; \$135,000 Wardman Realty & Construction 6½s, 1938.

\$91,500 American Service Co. Convertible 6½s, 1934 (C/D); 93,233 shares Central & Southwest Utilities common; 2,355 shares Consumers Co., 6 per cent prior lien; 1,335 shares Commonwealth Edison Co.; 1,300 shares Cord Corporation; 172,023 shares Corporation Securities Co. of Chicago, common; 25,100 shares Corporation Securities Co. of Chicago, voting trust certificate; 16,295 shares Corporation Securities Co. of Chicago, \$3 preferred; \$4,000 Corporation Securities Co. of Chicago, gold notes; 5s, 1934; 15,690 shares Insull Utilities Investment, \$6 preferred; 2,000 shares Insull Utilities Investment, \$6.50 preferred; 82,176 shares Insull Utilities Investment, common; \$270,000 Insull Utilities Investment debentures 5s, 1,940; 50 shares Michigan Electric Power Co., 6 per cent preferred; 390,747 shares Middle West Utilities, common; 3,310 shares Middle West Utilities convertible preferred, \$6; 137,608 shares Midland United Co., common; 750 shares Midland United Co., \$3 convertible preferred; 9,800 shares Midland Utilities, 7 per cent preferred; 1,350 shares Midland Utilities, 7 per cent prior lien; 1,800 shares Midland Utilities, 6 per cent prior lien; 203,100 shares Mississippi Valley Utilities Investment, common; 100 shares Mississippi Valley Utilities Investment, 7 per cent preferred; 215 shares Municipal Service, 8 per cent preferred, X. W.; 7,085 shares Municipal Service, 6 per cent preferred, W. W.; 54646 shares National Electric Power, A, common; \$12,000 National Electric Power, 5s, 1978; \$47,000 National Public Service 5s, 1978; 210 shares New England Public Service, 6 per cent preferred; 450 shares New England Public Service, 7 per cent prior lien; \$9,000 North American Light & Power Co. 5½s, 1956; 1,479 shares North American Light & Power Co., \$6 preferred; 517 shares Northwestern Public Service, no par preferred; 3,500 shares North Indiana Public Service, 6 per cent preferred; 115 shares Ohio Electric Power, 6 per cent preferred; 4,800 shares Peoples Gas Light & Coke Co., 675 shares Public Service Co. northern Illinois, no par common; 200 shares Public Service Co. northern Illinois, \$100 par; 773 shares Seaboard Public Service Co., 6 per cent preferred; 918 shares Southland Ice Co., 7 per cent preferred; 1,486 shares 20 Wacker Drive Building, 6 per cent preferred; 100 shares Virginia Public Service, 6 per cent preferred; 118 shares West Texas Utilities Co., 6 per cent preferred; 800 shares Western Power Light & Telephone Co., A.

Assignment dated Jan. 23, 1931 of interest in a certain syndicate agreement between Mitchell Hutchins & Co. as syndicate managers and the Leach Corporation agreement dated Aug. 22, 1929; assignment executed by the Leach Corporation to Continental Illinois Bank & Trust Co. covering sundry accounts and equities due; \$1,408.50 note of Leshner Smith & Co. dated Sept. 29, 1931, 90 days, unsecured;

Date made	Date due	Maker	Interest rate	Amount owing Apr. 16, 1932	Collateral
Feb. 24, 1932.....					
\$3,749.22	Demand.....	Leach Corporation.....	<i>Per cent</i> 5	\$207,015.73	\$2,625 note of Lesh Smith & Co. dated Oct. 14, 1931, 90 days, unsecured; \$2,625 note of Lesh Smith & Co. dated Oct. 14, 1931, 180 days, unsecured; \$500 Chas. A. Floyd dated Nov. 5, 1931, demand, unsecured; \$9,925 note of Wm. Robt. Wilson, dated Oct. 8, 1930, demand, secured by 2,200 shares Allied Motors Industries (Inc.), common; 87,424 shares, The Aeronautical Corporation, common; 47,500 shares, A. C. E. Corporation; 34,935 shares, Allied Motors Co., common; 100 shares, Allied Motors Industries, preferred; \$80,069.78, American Aeronautical Corporation, chattel mortgage, due Dec. 1, 1931; 50,000 shares, American Service Co., common; 600 shares, Burnham Trading Corporation, common; 1,500 shares, Burnham Trading Corporation, preferred; 12,600 shares, Cord Corporation, common; 300 shares, General Heat & Power Corporation, common; 100 shares, General Heat & Power Corporation, preferred; 15,126 shares, Godchaux Sugar, Class B; 2,524 shares, Great Lakes Aircraft Corporation, class A; 530 shares, Mid-Continent Laundries, common; 950 shares, North American Aviation; 835 shares, Van Sicklen Corporation, participating A; 226 shares, Western Power Light & Telephone, preferred.



Mr. PECORA. Now, had all of those loans that were outstanding last December been made to any one individual or corporation, or any one borrower, would they have exceeded the legal limitation?

Mr. STILWELL. They would.

Mr. PECORA. Now, Mr. Stilwell, did your bank have an affiliate engaged in the distribution of securities to the public?

Mr. STILWELL. It has.

Mr. PECORA. What is the name of that?

Mr. STILWELL. Continental-Illinois Co.

Mr. PECORA. How long has that been in existence and operation?

Mr. STILWELL. The Continental National Bank, prior to the merger with the Illinois Merchants, had a company known as Continental National Co. That was in 1928 and prior thereto. In 1929, when these two banks merged, they formed a new company known as the Continental Illinois Co., which has continued from then until now.

Mr. MAYER. Mr. Pecora, may I interrupt for the purpose of avoiding an ambiguity in the record?

Mr. PECORA. Certainly.

Mr. MAYER. I think the witness referred to a merger of those two companies. It is possible when the record is read that there may be some ambiguity as to the two companies.

Mr. STILWELL. I said they formed a new company, Mr. Mayer.

Mr. MAYER. The companies which merged were the two banks?

Mr. STILWELL. Yes, sir.

Mr. PECORA. Now, did this investment affiliate of the bank distribute to the public any of the debentures that were issued by Insull Utility Investments (Inc.), and by Corporation Securities Co. of Chicago?

Mr. STILWELL. It did; yes, sir.

Mr. PECORA. The loans made by your bank to those two companies were secured by stock of the Insull companies, were they not, for the most part?

Mr. STILWELL. The companies that Mr. Insull's name was identified with.

Mr. PECORA. Now, there came a time, during the latter part of 1931, when your bank, with other bank creditors of those two companies, discussed the formation of the so-called standstill agreement?

Mr. STILWELL. That is correct.

Mr. PECORA. That agreement was never formally executed by all of the creditor banks, was it?

Mr. STILWELL. Right.

Mr. PECORA. But the principle of it was adopted by all of the banks up to a certain time?

Mr. STILWELL. That is right.

Mr. PECORA. And that time was when?

Mr. STILWELL. April 15, 1932, the date of the receivership of the Middle West Utilities.

Mr. PECORA. Now, in selling those debentures, was the investment affiliate of your bank familiar with the indenture provision with respect to the security back of those debentures?

Mr. STILWELL. Well, officers of the company must have been; yes.

Mr. PECORA. Now your bank from time to time, with other of the creditor banks, during the year 1931 and up to the end of the year,

made demands for additional collateral to secure the bank loans, in view of the depreciating values of those securities and the collateral in the market?

Mr. STILWELL. That is correct.

Mr. PECORA. And, eventually, by that process, all of those creditor banks acquired virtually all of the assets consisting of securities that were in those two companies, did they not?

Mr. STILWELL. They found out subsequent to December 15 or 16 that that was the case.

Mr. PECORA. And by that process the holders of the debentures were left practically without any security for their debenture gold notes; is that not so?

Mr. STILWELL. That is right.

Mr. PECORA. That is all.

Senator BROOKHART. In making those loans—I am interested in this proposition of maintaining the market to sustain the loans while securities are being sold. When the security is being disposed of, and they get a loan, they carrying it or underwriting it, do you have an agreement with them that they will maintain the market price at a certain figure during that time?

Mr. STILWELL. No; we do not, Senator. We require collateral with a margin. If that is a clearing loan, a loan where they expect to pay it in a few days, they state so. If it is made on the demand basis we expect them to take it up on the day they say they will.

Senator BROOKHART. Supposing it is a time loan.

Mr. STILWELL. Or time either. We place no requirements on them at any time that they must maintain a market on the stocks.

Senator BROOKHART. Or margin?

Mr. STILWELL. All we require is marginal value in the market in stocks.

Senator BROOKHART. You figure up the margin, of course, at the time the loan is made?

Mr. STILWELL. That is right.

Senator BROOKHART. And do you have an agreement that the margin will be maintained?

Mr. STILWELL. No. If the market goes down we call them for additional collateral.

Senator BROOKHART. That is all.

(The witness was excused.)

#### TESTIMONY OF JOHN S. BROEKSMIT, VICE PRESIDENT HARRIS TRUST & SAVINGS BANK, CHICAGO, ILL.

Mr. PECORA. Is Mr. Broeksmit here?

Mr. BROEKSMIT. Yes, sir.

Senator BROOKHART (presiding). Raise your hand, Mr. Broeksmit.

You do solemnly swear that the testimony you will give in this hearing before this committee will be the truth, the whole truth, and nothing but the truth; so help you God.

Mr. BROEKSMIT. I do.

Mr. PECORA. First, give us your name and address.

Mr. BROEKSMIT. My home address?

Mr. PECORA. Either your home or business address.

Mr. BROEKSMIT. My business address is 115 West Monroe Street, Chicago, Ill. I am vice president of the Harris Trust & Savings Bank.

Mr. PECORA. What city; Chicago?

Mr. BROEKSMIT. Chicago.

Mr. PECORA. How long have you been connected with that bank in that capacity?

Mr. BROEKSMIT. Some twenty years with the bank; some eight years, I imagine, as vice president.

Mr. PECORA. Mr. Broeksmit, was your bank one of the banks that had loans outstanding against the so-called Insull companies in December of 1931?

Mr. BROEKSMIT. We were. We had one loan.

Mr. PECORA. You had one loan?

Mr. BROEKSMIT. Yes, sir.

Mr. PECORA. Amounting to how much?

Mr. BROEKSMIT. Five hundred thousand dollars.

Mr. PECORA. Made to whom?

Mr. BROEKSMIT. Insull Utility Investments (Inc.). That is the only utility loan that we had.

Mr. PECORA. That is the only loan you made to any Insull corporation?

Mr. BROEKSMIT. No; in addition to that we had one to the Federal Electric Co.

Mr. PECORA. That was——

Mr. BROEKSMIT (interposing). Of which Mr. Samuel Insull was chairman.

Mr. PECORA. Have you prepared a list of the loans that your bank had outstanding in December, 1931, which you had made to the Insull Companies?

Mr. BROEKSMIT. I have. I have it dated April 16, 1932.

Mr. PECORA. April 16, 1932?

Mr. BROEKSMIT. Yes.

Mr. PECORA. Will you present that list, please?

Mr. BROEKSMIT. Yes.

Mr. PECORA. I ask that it be spread on the record.

The CHAIRMAN. There being no objection, it is so ordered.

(The statement is here printed in the record in full, as follows:)

#### INSULL UTILITY INVESTMENTS (INC.)

(February 11, 1933)

Account opened July 8, 1931 and closed April 16, 1932.

Loan dated July 8, 1931, \$1,000,000, maturing November 9, 1931.

Participation: Bankers Trust Co. of New York, \$500,000.

One renewal to February 8, 1932.

On April 12, 1932 we renewed our loan of \$500,000 on a demand basis and the Bankers Trust Co. took over their participation of a like amount on their own note form.

The Insull Utility Investments (Inc.), were borrowing \$473,407.76 of our bank on April 16, 1932.

Collateral to Harris Trust Co., \$500,000 loan was:

	Shares
Public Service Co. of Illinois, no par.....	165
Public Service Co. of Illinois, \$100 par common.....	935
Peoples Gas Light & Coke Co.....	2, 000
Commonwealth Edison Co.....	2, 250

This collateral above listed stood on April 16, 1932, as security for loan of \$473,407.76.

Harris Trust & Savings Bank, Chicago, as of April 16, 1932; capital \$6,000,000, surplus \$6,000,000.

CORPORATION SECURITIES COMPANY OF CHICAGO

(February 11, 1933)

Account opened July 8, 1931, closed February 26, 1932.

Original loan December 29, 1930, \$2,000,000 maturing July 2, 1931, paid at maturity.

Participations: Chase National, \$500,000; Bankers Trust Co., \$500,000; Guaranty Trust Co., \$500,000.

Loan dated July 8, 1931, \$1,000,000, maturing January 8, 1932.

Participations: Chase National, \$500,000; Guaranty Trust, \$500,000.

Loan renewed by participating banks on their own note forms April 12, 1932.

The Corporation Securities Co. was not borrowing of our bank on April 16, 1932.

RUSSELL BREWSTER & Co.

WALTER S. BREWSTER, DIRECTOR OF INSULL UTILITY INVESTMENTS (INC.)

(February 11, 1933)

Account opened July 27, 1931.

This firm was borrowing \$122,000 of our bank on April 16, 1932. We have made them loans from time to time since the account was opened.

During 1931 their minimum borrowings amounted to \$100,000 and their maximum to \$200,000. In 1932 their minimum loans amounted to \$25,000 and maximum loans to \$182,000.

As collateral to their loans they have given us listed securities, among which we received stocks of various Insull companies. However, the percentage of such Insull securities that were lodged with us as collateral, according to our note department, did not exceed 30 to 50 per cent of the total collateral that was pledged with us.

FEDERAL ELECTRIC Co. (INC.)

(February 11, 1933)

Account opened May 28, 1923.

Line of credit \$150,000 unsecured.

This company was borrowing \$110,000 of our bank on April 16, 1932, and owes us that amount at the present time.

Mr. PECORA. Did your bank have an investment affiliate?

Mr. BROEKSMIT. We have; yes, sir.

Mr. PECORA. What is the name of it?

Mr. BROEKSMIT. The N. W. Harris Co.

Mr. PECORA. Do you know whether that company distributed to the public any of the debentures issued either by the Insull Utility Investments (Inc.) or by Corporation Securities Co. of Chicago?

Mr. BROEKSMIT. I came here to testify concerning loans, and I have no authority or responsibility in the bond department. May I correct an impression? The bond department of the Harris Trust & Savings Bank distributes securities in the West through N. W. Harris Co.; and the East, Boston and Philadelphia, has only recently become active.

Mr. PECORA. Well, that other company that you mentioned, did they distribute any of these debentures to the public?

Mr. BROEKSMIT. I think they were not active at that time. I think our bank, the Harris Trust & Savings Bank, Chicago, may have distributed some.

Mr. PECORA. Do you have any personal knowledge of that?

Mr. BROEKSMIT. No; that is not under my authority or responsibility.

Mr. PECORA. If all of the loans which your bank had outstanding in April, 1932, against the Insull companies had been combined in a loan to a single borrower, would the amount thereof have exceeded the legal limit of loans to a single borrower?

Mr. BROEKSMIT. It would be under one-third of the legal limit.

Senator BROOKHART. One moment. Did your bank make loans to other companies—Halsey, Stuart & Co.—to underwrite bond issues?

Mr. BROEKSMIT. We made loans to Halsey, Stuart & Co. on the usual collateral. A memorandum referring to the same having just been handed in.

Senator BROOKHART. And you had no agreements with reference to the market in maintaining the market value of the securities that were distributed?

Mr. BROEKSMIT. On the securities which they pledged as collateral for the loan?

Senator BROOKHART. Yes.

Mr. BROEKSMIT. No. We figured the collateral as the market may appear at the time.

Senator BROOKHART. And that is all the consideration you gave to the market under the contract?

Mr. BROEKSMIT. That is all.

(The witness was excused.)

Mr. PECORA. Mr. Chairman, yesterday afternoon the witness Davis produced a transcript of the hearing had on January 15, 1929, before the committee on stock lists of the Chicago Stock Exchange in connection with the application of Insull Utility Investments (Inc.) to list certain of its securities on that exchange. I have that transcript here, and I ask that it be spread on the records of this committee.

The CHAIRMAN. There being no objection, it will be so ordered.

(The transcript of record of the hearing had on January 15, 1929, before the committee on stock lists of the Chicago Stock Exchange, is here printed in the record in full, as follows:)

**BEFORE THE COMMITTEE ON STOCK LISTS OF THE CHICAGO STOCK EXCHANGE**

Present: Mr. Wallace C. Winter, chairman, Mr. Leeds Mitchell, Mr. Michael J. O'Brien, Mr. Robert J. Fischer, Mr. Warren A. Lamson, members of the committee on stock lists. Mr. Charles T. Atkinson, secretary of the Chicago Stock Exchange. Mr. Clark J. W. Colby, assistant secretary.

*TUESDAY, January 15, 1929.*

Committee on stock lists met pursuant to call.

**IN RE APPLICATION OF INSULL UTILITY INVESTMENTS CO. APPLICATION TO LIST CERTAIN SECURITIES OF APPLICANT**

There appeared on behalf of applicant Mr. Cyrus Adams, jr., attorney, Mr. Samuel Insull, jr., an officer of applicant, and Mr. Waldo F. Tobey, all of whom appeared before the committee at the beginning of this hearing.

Chairman WINTER. Mr. Adams, will you please be so good as to introduce in the record at the start, in your own phraseology the result of your interview in connection with the Insull Utility Investments (Inc.), securities with Mr. Gilbert of the securities office in Springfield.

Mr. ADAMS. Mr. Chairman and gentlemen: I saw Mr. Gilbert in Chicago a week ago yesterday and had a talk with him in regard to the matter of our

making application to the stock exchange for the listing of these debentures, prior preferred stock and common stock.

I explained the circumstances to him in connection with the securities and gave him circulars and a greater part of the data which is submitted to the stock exchange in connection with this application.

The debentures and prior preferred stock standing alone could be qualified as class C securities under the securities law but attached to the debentures and to the prior preferred are warrants entitling the holders to buy common stock at stated prices over fixed intervals. And I explained to him that the common stock would not, as a matter of record earnings at the present time be entitled to qualifications as a class C security.

I asked him whether the department would have any objection to our making application or to the stock exchange considering application for the listing of the securities. He told me here in Chicago after considering the matter that he saw no objection whatever personally but he would like to discuss the matter with the other men in his department in Springfield, which he would do on Wednesday.

He had that discussion on Wednesday morning, and it happened that Mr. Trowbridge of our office was in Springfield and in his office on another matter and he told Mr. Trowbridge that the department had discussed the situation and it would be entirely satisfactory to the department that the exchange should consider this application of listing the securities.

I expected to get some word from him and, not hearing from him I called him up personally and on the telephone and spoke to him early in the afternoon and he repeated the same statement to me.

He said, "I would be glad to have you tell Mr. Winter for me that that is the case." I asked him whether he would evidence that point of view by a letter to the committee and he said that under their regulations that it would be impossible for them to send a letter but if the committee wished any further assurance, that he would be glad to be telephoned to and he would repeat over the phone what he had said to me, but, "you may state that you have my full authority to state to them that I have no objection to the listing of these securities."

Chairman WINTER. Will you read that statement to Mr. Adams for his correction?

(And thereupon the above statement by Mr. Adams was read by the reporter.)

Chairman WINTER. Will you continue?

Mr. ADAMS. The date on which I talked to Mr. Gilbert over the telephone and he gave me this approval to express to the exchange was Wednesday, January 9, 1929.

Chairman WINTER. Who will speak for this project, Mr. Adams?

Mr. ADAMS. I will be very glad to make a brief statement.

This is an application to list \$6,000,000 of 5 per cent gold debentures series A, 60,000 shares of prior preferred stock carrying \$5.50 dividend rate of no par value, and 1,014,200 shares of common stock of no par value all of the Insull Utility Investments (Inc.).

This is a corporation organized at a very recent date under the laws of this State to carry on a general investment business and to acquire, hold, sell, and underwrite securities of all kinds.

The company commences its business with very large blocks of common stock of Commonwealth-Edison Co., Peoples Gas Light & Coke Co., Public Service Co. of Northern Illinois, and the Middle West Securities Co.; also all of the capital stock of Insull, Son & Co., which is an investment company engaged in underwriting and a substantial amount of stock of other enterprises, practically all of which are enterprises which are controlled by management of Mr. Samuel Insull.

These securities which are acquired by the company and are its portfolio at the start are, to a large extent, the personal holdings of Mr. Samuel Insull and his brother, Mr. Martin Insull and members of his family, his son and wife.

In addition to those holdings substantial amounts of these securities were being acquired by purchase contract by the company simultaneously.

The capital and assets of the company as shown by the portfolio are taken over at prices which are set forth in the auditor's statement which has been submitted to the committee including the \$3,000,000 of cash which will be realized from a sale of a portion of its common stock.

There will be total assets at present value in excess of \$27,000,000. There is about \$6,000,000—there are \$6,000,000 of the debentures, 60,000 shares of no par prior preferred or \$6,000,000 at \$100 nominal value for that, 4,000,000 of second preferred and a total of 1,014,200 shares of common stock. The company will realize from the sale of the debentures and the prior preferred stock an aggre-

gate of \$12,000,000 in cash. It will also realize—I might explain that the underwriting commission which is paid in the marketing of those securities consists in a distribution of a certain amount of common stock to the underwriting houses which will handle them, so that the total amount of cash paid for the purchase will lodge in the company's treasury.

Chairman WINTER. The full amount of cash, that is it, for the debentures and the prior preferred and the preferred stock?

Mr. ADAMS. Yes, sir. The preferred stock with 764,000 shares of common stock, is issued to Mr. Insull and the other individuals in consideration of the transfer of a large proportion of these securities and they will also receive from the company a substantial amount in cash in that transaction.

The balance of the cash assets are used in taking up the purchase contracts for other blocks of securities shown in that statement so that the company will have a working capital of, I think, something like a million dollars.

Mr. TOBEY. A million and a half.

Mr. ADAMS. About \$1,568,000.

I don't know, Mr. Chairman, that I have anything else to add in the way of a brief preliminary statement with respect to—

Chairman WINTER. What contracts, if any, or options for the purchase of any other stocks or any stocks similar to those that have been mentioned exist?

Mr. ADAMS. At the present time—I think you may have to correct me on this, Mr. Insull, there is one contract for the purchase of a substantial amount of Middle West common which has partially been paid and on which a sum of \$4,000,000 is still due.

Chairman WINTER. I did not make myself clear. What options, if any, or calls, if any, are outstanding for the purchase by any third party or first party of any of the stock of Insull Utility Investments (Inc.)?

Mr. ADAMS. So far as I know, there are none. You have no contract at the present time to sell securities in the portfolio to other individuals? Is that what you mean?

Chairman WINTER. No, I mean this: Is there any call or option outstanding for any length of time which would entitle the holder of that call or option to purchase at a price any of the securities?

Mr. ADAMS. No, I thought you were referring to the securities in the portfolio.

Chairman WINTER. No, sir, of the Insull Corporation.

Mr. ADAMS. Yes. At the present time there is a contract in the first place for a purchase of 250,000 shares of common stock at a price of \$3,000,000 in cash, that contract to be carried out by payments running throughout the year 1929.

In addition to that, the purchasers of the 40,000 shares of preferred stock have an option running over two years to buy 200,000 shares of common stock at \$15 per share.

Chairman WINTER. The company has agreed to sell that stock, the 200,000 shares and the 250,000 shares at the prices stipulated?

Mr. ADAMS. Yes, sir.

Chairman WINTER. And within the period indicated?

Mr. ADAMS. Yes, sir, and addition to that of course there are warrants attached to the debentures and also attached to the prior preferred stock under which the holder of the debentures is entitled to buy 50 shares of common at \$15 a share on or before June 30 or 40 shares at \$20 on or before December 31, 1929, or 30 shares at \$25 per share between December 31, 1929, and July, 1930.

And the same is true of the prior preferred stock.

Similar warrants are attached to the prior preferred stock for a like proportionate amount of the common stock.

Chairman WINTER. For a like amount per \$1,000 of preferred stock.

Mr. ADAMS. Yes, sir; the same amount for one share of preferred as for \$1,000 debenture.

Chairman WINTER. What will be the business of this company?

Mr. ADAMS. I think I might ask Mr. Insull if he will answer that as the vice president of the company.

Mr. INSULL. The primary business, Mr. Winter, in general of this company will be to acquire and hold securities in companies, the management of which is conducted by Mr. Samuel Insull.

To deal quite frankly with the committee, I might say that it has been felt, not only by Mr. Insull but after consultation by the various members of the respective boards of directors of the companies of which he is the head that it would be advantageous to those companies, looking to the time when unfor-

tunately Mr. Insull will not be able to exercise the management, to have some substantial community of interests in the shape of a minority holding of the securities of these respective companies; to be sure in the case of some companies the minority holding at first is not large but it is contemplated that they will be increased.

It has been felt that with the great interests in utilities on the part of investors generally and particularly of investment trusts, not only in other sections of the country but also in Europe that unless there is created a community of interests of these various utility companies in the shape of a substantial minority holding in the hands of some one institution which would be so managed as to enjoy not only the hope but the confidence and certainly the sympathy of the various sets of shareholders of the public utility companies as represented by their boards, that if that were not done over the next few decades, a substantial minority interest and a consequent community financial interest in these utility companies would be developed on the part of investors who were not sympathetic to the needs of the communities served by these companies and therefore the companies themselves.

So that the business of this company, although the company does not, by its charter, restrict itself solely to investments in specific companies, the business of the company, as long as the present board of directors of it continue or as long as it is in predominance, which will be as nearly as one can say perpetually, will be to specialize in the acquiring and the holding of securities of companies of which Mr. Insull is the head or has been the head.

Naturally the company will endeavor to secure employment for its funds from time to time in attractive investments as they are offered, but that will not alter the main purpose to which the company will devote itself.

Chairman WINTER. Is it the expectation that the concentration of control of the portfolio plus the votes represented by the portfolio stock would serve as a permanent rallying point for friendly associated stockholders which otherwise could not be provided in that way afford a superior defense to the outlander-holdings to which you refer?

Mr. INSULL. That is the expectation, Mr. Winter.

The minority holding in itself, considering the size of the company, however, substantial, it might not, could not approach a very large percentage, but if this percentage holding is in the hands of this company which friendly stockholders will see is controlled by men who have the interests of the public utility companies at heart, who are, as one might say, its operating executives, this will furnish a rallying point to the votes of the local people interested in these companies, which, rallied together would be effective and, scattered would not be effective.

Chairman WINTER. Is that the paramount consideration in the formation of this company, Mr. Insull?

Mr. INSULL. I was looking at Mr. Tobey because I would need corroboration because we are quoting Mr. Samuel Insull, but it is, I can say after corroboration, that it is the paramount object in forming the company.

Mr. ADAMS. I might say, Mr. Winter, that in presenting these documents we have tried to prepare and present a complete, perfectly frank, and very detailed statement with respect to the financial set-up of this corporation in this audit of Arthur Young & Co.

Chairman WINTER. I was about to touch on that, Mr. Adams, and I am going to ask Mr. Tobey with respect to the balance sheet what the practical necessity or the accounting necessity, if it exists at all is for taking the uncompleted investments at \$4,611,000 and offsetting them by purchase contract. Your balance sheet would be just the same if you were silent on those two entries.

Mr. TOBEY. Yes, it would. I don't know, Arthur Young & Co. looked over our books and they made this up from them.

Mr. ADAMS. That is a liability of the company, that purchase contract. It is a firm contract.

Chairman WINTER. You have agreed to buy and they have agreed to sell?

Mr. ADAMS. Yes, sir.

Chairman WINTER. Is that the only reason?

Mr. TOBEY. Yes; I think it is and I gave no instructions—no instructions were given to Arthur Young about it at all.

Chairman WINTER. Well, it would seem to have some relation to a clause in the circular. I will refer you to it in just a moment.

"The assets which will constitute the initial acquisitions of the company at current market prices have an aggregate value in excess of \$24,000,000 as compared with the \$6,000,000 principal amount of debentures to be presently outstanding."



I shouldn't say that those were net assets and they are included so as to result in the figure of \$24,809,000. That is to say, in excess of \$24,000,000.

Mr. TOBEY. I don't think so. The total here is \$29,378,000 and deducting that \$4,611,000 leaves the—we have not included that in the \$24,000,000 that you have there.

Chairman WINTER. All right, then we will take the \$20,000,000 of portfolio value and we will take the \$3,000,000 due to the \$12 per share on 250,000.

Mr. TOBEY. Yes, sir.

Chairman WINTER. Then how does the cash—how does \$1,568,000 of cash become introduced into it, where does that cash come from?

Mr. TOBEY. That cash comes from the—you see, we have completed a part—we will complete immediately a part of these contracts for the purchase of stock and of the \$12,000,000 received from the sale of the debentures and preferred stock. We are under contract to buy securities which will exhaust that amount and leave this balance of \$1,500,000.

Chairman WINTER. Young says, "The securities required for the issue of the preferred and common stock as shown above are valued at the market and of December 7 at \$9,765,908."

Mr. TOBEY. Yes, sir.

Chairman WINTER. Now, the securities acquired from the proceeds of sale of the gold debentures and the prior preferred stock and through uncompleted contract as shown above are stated at a cost value of \$15,043,620.28.

Now, that value of \$15,043,620.38 plus the \$9,765,908 are the total portfolio values that are representative of \$16,000,000 of parity divided up, \$6,000,000 of debentures, \$6,000,000 of prior preferred stock and \$4,000,000 of preferred stock and 764,000 shares of common stock?

Mr. TOBEY. Yes, sir.

Chairman WINTER. So that that would result in something like this, breaking down these figures: For \$16,000,000—for that dollar liability as represented by the \$16,000,000, always being the prior preferred stock, the debentures and the preferred stock and 764,000 shares of common stock, the company receives value as of December 7, 1928, of \$20,198,288?

Mr. TOBEY. That means that they are paying for the common stock that they are taking at \$5—

Chairman WINTER. \$5.50 a share.

Mr. TOBEY. What is the exact figure?

Chairman WINTER. It figures, I think, \$5.50 a share.

Mr. TOBEY. I think it is five something but that is not quite the whole situation.

In addition to that, these common-stock holders, as Mr. Adams will state, are paying the cost of financing. They are giving their services to the company for a 2-year period without compensation and they also—this preferred that they are taking and which they figure at \$100 a share, they get and take the reduced dividend for a period.

Chairman WINTER. But that does not show in the figure that has got to appear in the record.

Mr. TOBEY. We have got to show that that common stock—

Chairman WINTER. The balance sheet shows that there is acquired in exchange for \$16,000,000 par value of senior securities and 764,000 shares of common stock—that there is acquired value of \$20,198,288.

Mr. TOBEY. Yes, sir.

Chairman WINTER. And if there is subtracted from that the \$16,000,000 of senior securities, there is left attributable to the 764,000 shares of common stock \$4,198,288. I won't burden you particularly with that figure.

Mr. TOBEY. Yes, sir.

Chairman WINTER. Except that is just what \$20,198,288 will provide if you deduct \$16,000,000 from it?

Mr. TOBEY. Yes, sir.

Chairman WINTER. Or a value of about \$5.50 a share for the common stock?

Mr. TOBEY. Yes, that is true.

Mr. ADAMS. There is a cash item there which would enter into that computation of \$1,568,000, isn't there, which is to be added?

Chairman WINTER. I am trying to find out where that cash comes.

Mr. TOBEY. I figure—pardon me, when you said five, I got my figures mixed. It is \$7.54 they are paying; that is the way it figures out for the common stock. I made a mistake and I got it wrong.

Chairman WINTER. That is on the basis of introducing \$1,500,000 of cash in afterwards, yes.

Mr. TOBEY. Yes, sir.

Chairman WINTER. I think we will get to that. You then provide for a capital liability of 250,000 additional shares of common stock in exchange for \$3,000,000?

Mr. TOBEY. Yes.

Chairman WINTER. Of cash?

Mr. TOBEY. Yes, sir.

Chairman WINTER. So that you would have, disregarding your contingent purchase of \$4,611,000, you would have a balance sheet showing investments valued at \$20,198,288. You would have those investments?

Mr. TOBEY. Yes, sir.

Chairman WINTER. And you would have \$3,000,000 in cash?

Mr. TOBEY. Yes, sir.

Chairman WINTER. That represents the proceeds from—

Mr. TOBEY. 250,000.

Chairman WINTER. From 250,000, from 764,000 and from \$16,000,000 except for an item of \$1,568,679, which, as I understand it, is a residue left over after you have paid the agreed price in dollars for these various securities?

Mr. TOBEY. Yes, sir.

Mr. INSULL. Correct.

Mr. ADAMS. Mr. Winter, there is just one thing there, maybe I have not followed that exactly, but in the first paragraph of that statement on the last—of Arthur Young & Co. with respect to the purchase of these securities it says, "securities acquired by the issue of the preferred and common as shown above."

Chairman WINTER. Yes, sir.

Mr. ADAMS. "As valued as of December 7, amounting to nine million seven hundred sixty-five thousand and odd dollars."

Now, if you subtract from that the 4,000,000 of common stock of no par value at a price of \$100 you would have \$5,700,000 left as against the 764,000 shares of common.

Chairman WINTER. You would; yes, sir.

Mr. ADAMS. And I think that there is a value—I thought they showed a statement of \$5.50 a share—I think the value is \$5.50 a share.

Mr. TOBEY. \$7.50.

Chairman WINTER. Well, in that particular item, yes, you have that.

Mr. ADAMS. That is all right.

Chairman WINTER. Because four million deducted from nine million something leaves five million.

Mr. ADAMS. Yes, sir.

Chairman WINTER. But if you take \$20,000,000 of value or \$20,198,000 of value and lump it and deduct \$16,000,000, then you are still left to account for values attaching to other liabilities set up which are represented by 764,000 shares of common stock.

Mr. ADAMS. Yes, sir.

Chairman WINTER. And the residue attributable to that is \$4,198,288 on the basis of \$20,000,000 of value of the portfolio.

Mr. ADAMS. Yes, sir.

Chairman WINTER. But you have received from the sales of your securities more money than that.

Mr. ADAMS. Yes, sir.

Chairman WINTER. And therein lies your cash item.

Mr. TOBEY. Yes, sir.

Mr. INSULL. That is right.

Chairman WINTER. Mr. Insull, while it is quite true that the cost of financing in dollars is not immediately present, nevertheless, ultimately or sooner or later—well, the company has sold some cheap stock. The company is selling some cheap stock—that is, it is cheap stock as compared to the warrant price?

Mr. INSULL. Yes, sir.

Chairman WINTER. You have sold stock at about—well, it stands on the book at about \$7?

Mr. TOBEY. \$7.54.

Chairman WINTER. \$7.54. So that if yourself and associates exercise your option to purchase stock at \$15 a share for five years, your average of cost per share of all of the common stock that you have would be considerably diluted because of the low-priced stock that you acquire.

Now, that is not costing the company anything, if you please, but it is a cheap price compared to what you can buy any more stock for unless the market is very disappointing to you, or, compared to the price that any of your preferred shareholders can buy stock and probably compare to the price that an outsider can buy the stock in the open market at.

What are the most or all or some of the benefits that the company derives because of its sale of common shares at \$7.50?

Mr. INSULL. In the first place, the company acquires an average price less, substantially below the present market, large blocks of securities—a large block of securities of the Middle West Utilities Co. and substantial blocks of securities of the Commonwealth-Edison Co., which if it were to purchase in the open market, it would undoubtedly pay a higher price for in the present market as opposed to a lower price than the present market which it is now paying.

Chairman WINTER. Could a seller dispose in the open market of the equivalent amount of those shares as realized at that price?

Mr. INSULL. The seller could, at those prices.

Chairman WINTER. That must be a matter of opinion.

Mr. INSULL. That is a matter of opinion, Mr. Winter, based, as a matter of fact, upon inquiries for these securities.

The second item is that this company secures control or secures every share of stock of Insull, Son & Co., not upon a basis of the earnings capitalized, but upon a much more favorable basis which approximates more clearly than anything else the actual cash book value of that stock.

Insull, Son & Co. books are run altogether on an English basis. Its business is principally the disposal of our securities—of similar securities through its wholly owned subsidiary, Insull, Son & Co. of London. It also enters into fiscal operations acting largely as an agent.

The third principal advantage is that the company's discount, as you have mentioned, is taken care of and I should say that a large advantage, I should have placed if they were named in the order of importance much higher, is that the second preferred stock pays a dividend of \$2 the first year, \$3 the second year, and so on until it reaches \$6 per share.

The income which the company will save as a result of those payments being scaled down is unimportant in itself but is particularly important as it will be available for the company in the initial years of its operation and can be used for reinvestment in properties through rights which accrue to the company at a time when the company can not raise money for reinvestment as easily, possibly, as in the latter stages of its existence.

Mr. TOBEY. You are being paid \$100 a share for that stock?

Mr. INSULL. Yes, sir.

Chairman WINTER. Well, possibly this means the same thing, that the company is borrowing \$4,000,000 for a year at 2 per cent.

Mr. INSULL. Yes, sir.

Chairman WINTER. And next year at 3 per cent and the next year at 4 per cent and the next year at 5 per cent, at a time when presumably the use of the money which would otherwise be expended in defraying a higher interest rate or a fixed interest rate of 6 per cent thereafter, which becomes applicable—becomes particularly and especially valuable?

Mr. INSULL. In view of the fact that the company is accruing to-day a large amount of rights to acquire securities on not worse than a 7 per cent basis each year.

Chairman WINTER. Yes; which is another way of saying that that money can be made to work at very great advantage?

Mr. INSULL. Yes, sir.

Chairman WINTER. As against an ultimate annual dividend charge against the stock of \$240,000 the first year there will be 80,000; the second year there will be 120,000; the third year 160,000; the fourth year 200,000. As against \$240,000 for four years. There would be saved to the company without reference to the matter of bonding interest or anything of that kind in those first four years exactly \$400,000?

Mr. INSULL. Yes, sir.

Chairman WINTER. That is an actual saving in consideration of the cheapest stock so far as it can be expressed in dollars?

Mr. INSULL. Yes, sir.

Chairman WINTER. The other considerations are those of management, direction of the affairs, and the advantages that will attach to that particular management and could not in the nature of things attach to any other management?

Mr. INSULL. That is so.

Chairman WINTER. Among the list of your portfolio securities there would appear to be one item that, in my opinion, is somewhat less of the general nature than any other, and that is the holdings of a small amount, of 500 shares of Union Carbide & Carbon Co.

Is that company, in its general relation to the utility enterprises as set forth in the other stocks, bearing in mind the difference between the electric railway, as compared to the utilities stock—but what relation has Union Carbide & Carbon Co. to your general operations?

Mr. INSULL. Well, in the first place, it is engaged in the general chemical business, and the gas business in which we are engaged is more and more a chemical business and less and less a gas business.

So that representatives of the management of this company feel that they have some general knowledge of the Union Carbide & Carbon Co.'s affairs, more than they would in an industrial and, in the second place, the management of that company is in the hands of principals who were at one time the principals in the management of the Peoples Gas Light & Coke Co., and some of its influential executives are also drawn from the ranks of the Peoples Gas Light & Coke Co.

There is, one might say, a close personal and also corporate acquaintance between the two companies, without any attempt at corporate association whatsoever.

Chairman WINTER. That brings us to a little closer scrutiny of the other outstanding and conspicuous exception, Insull, Sons & Co. (Inc.), of which you have spoken.

The value set forth here is \$1,025,000 and the evidence of its value is reflected in earnings aggregating \$215,000.

Those earnings are of what year, Mr. Insull?

Mr. INSULL. Those are earnings of the year—that is the estimate of the earnings of the year 1929; 1929 is right, which is estimated on the basis of the earnings for 1928, making due allowance for the fact that the prospects for the sale of securities in England in 1929 is not quite as good as it was in 1928.

Chairman WINTER. It is with regard to the historical earnings of Insull, Son & Co. with particular reference to its performance in 1928?

Mr. INSULL. Yes, sir.

Chairman WINTER. How do the earnings in 1928 of Insull, Son & Co. (Ltd.) compare with their earnings for 1927?

Mr. INSULL. The earnings for the last three years are, allowing for the fact that the difference in money rates between here and England in certain specific periods will render impossible the sale of American securities in Europe, allowing for that fact, the earnings are very nearly level during the past three years.

For the first two years of the company's formation—it was in the formative stage, but it is an interesting fact that Insull & Son (Ltd.) of London officed a profit the first year that it was established and has made a profit ever since and, as I say, that for the last three years it has earned about on this same basis.

Chairman WINTER. When did it commence business?

Mr. INSULL. Let us see; it commenced business about five years ago.

Mr. TOBEY. About five years ago.

Mr. INSULL. That would make it 1924, yes.

Chairman WINTER. It is dependent for its profits upon a reasonable and a constant and a continuing activity in the securities business, is it not?

Mr. INSULL. It is, Mr. Winter. We feel that—I make it a practice to interview the principal European customers, if possible, once a year, probably I only do it on an average of 18 months. We find new customers springing up in localities where we have previously sold securities and so far we have found not only new localities but new countries in Europe that become interested in American securities.

They are led to invest through Insull, Son & Co., rather than possibly come over here and form a direct contact with some American house purely because of the fact that that company has been in business in Europe for some little time and the fact that Mr. Samuel Insull has disposed of securities in Europe for some little time, gives them possibly more confidence than if they were dealing with an absolutely strange name.

Chairman WINTER. It is, by and large, susceptible to disappointments as any well-conducted conservative investment concern, I take it? There is no claim made of any particular magic applying to it?

Mr. INSULL. No, sir.

Chairman WINTER. It is 20 per cent of your earnings. The earnings are \$1,060,000 and these are \$215,000. And that must, I think, admittedly be regarded as a variable, and a variable that is more likely to function, for instance, than the 8 per cent dividend on Peoples Gas?

Mr. INSULL. That is quite so, and it is for that reason that we have put—that Insull, Son & Co. has been sold to Insull Utility Investment, not on the basis of its average earnings capitalized, but on a much lower basis.

Chairman WINTER. It has assets?

Mr. INSULL. It has assets, cash, and securities.

Chairman WINTER. That is its capitalization?

Mr. INSULL. The capitalization I have not in my head; it is some very low number of shares. Its assets I have not in my head, but there are something over a million dollars.

Mr. TOBEY. I don't know what it is.

Mr. LAMSON. A thousand shares?

Chairman WINTER. A thousand shares in this portfolio?

Mr. TOBEY. That is all there is.

Mr. INSULL. Yes; that is all it is. And it has assets which it carries on its books which I have mentioned as somewhat over a million dollars, are altogether cash and securities. There is no good will or any fixed assets included in that figure whatsoever.

Chairman WINTER. They are liquid assets?

Mr. INSULL. They are liquid assets.

Chairman WINTER. Well, if the value at which they are taken over in the new company is not with regard to capitalized figure of earnings, then the \$1,250,000 of value attributable to it must be representative of cash and securities of that value?

Mr. INSULL. Yes, sir.

Chairman WINTER. Am I correct in that?

Mr. INSULL. There was a round figure taken.

Chairman WINTER. It is appropriate that some special scrutiny and discussion take place on that because substantially all of your other securities are susceptible of a value by market determination. This is not.

This application, Mr. Adams, is to list, among other things, prior preferred stock carrying nondetachable warrants. I think it is quite evident, perhaps it is self-evident that it is not the case, but it would seem not unlikely that very presently if your program of the exercise of warrants is carried through as it would appear, you would like it to be carried through, that is to say, early?

Mr. ADAMS. Yes.

Chairman WINTER. That the item of \$4,611,300 of purchase contract liability would very presently be represented by additional shares of common stock at \$12 or at \$15 a share and your \$4,611,300 of assets, of investments, would then be the offset to that additional sum.

Mr. ADAMS. Yes, that is true.

Chairman WINTER. Your desire and the purpose and the desire is to stimulate the exercise of the warrants on your preferred stock—on your prior preferred stock?

Mr. ADAMS. Yes, sir.

Chairman WINTER. And if you can do that in six months on the basis of \$15, it is more desirable than to do it in the second six months on the basis of \$20 for a lesser number of shares.

Mr. ADAMS. That is right.

Chairman WINTER. That is at \$20 per share?

Mr. ADAMS. Yes, sir.

Chairman WINTER. Now, what would you do with a prior preferred certificate on which the right to subscribe was immediately exercised? You would surrender—the holder of the prior preferred certificate would surrender it and receive in exchange a new certificate for prior preferred and his equity of common stock.

Mr. ADAMS. Yes, sir.

Chairman WINTER. The preferred stock which he received would not be the preferred stock on which there had presumably prevailed a free market on the exchange. It would be an entirely different—

Mr. ADAMS. It would be a preferred stock ex warrants.

Chairman WINTER. Now, where is your market for the then holder of the prior preferred stock, ex warrants? The minute that a prior preferred, non-detachable certificate is translated into common stock and preferred stock in

consideration of surrendering cash, there issues an entirely new flavor of preferred stock. I am wondering what you contemplate with respect to a market for that?

Mr. ADAMS. Well, I don't know that that has been discussed, but my understanding would be that of course an application would be made for a listing of that preferred stock, ex warrants, as well as with warrants.

Chairman WINTER. But you have no market. You could have no market in warrants because the warrants are nondetachable.

Mr. ADAMS. No, there could be no market in warrants. You would just have two packages, you would have the stock with the warrant on and the stock with the warrant off. Of course, the value of the warrant, I suppose, would translate itself by the spread.

Chairman WINTER. Yes, the spread, that is true.

Mr. ADAMS. It would be a determinable factor.

Chairman WINTER. But there is a formative period there where you will have a negligible amount. You are to have 60,000 shares of the original stock outstanding.

Mr. ADAMS. Well, we will that, immediately.

Chairman WINTER. Ten thousand shares of that exercises its warrants, then your position is that you have but 50,000 shares of that stock and as that diminishes through the exercise of warrants, your ex warrant stock increases.

Mr. ADAMS. That is true; one will go up and the other down, of course.

Chairman WINTER. Now, there is a period in there when the exchange would not be hospitable to a very small amount of stock and unless provision is made by the proprietors for a market in that ex warrants preferred stock, your holder is penalized in so far as any penalty might be attached to the comparative flexibility of what you might call over-the-counter in ex-warrant preferred and your free market in prior preferred with warrants.

Mr. ADAMS. Yes, I think that is true.

Chairman WINTER. You might have to look out for that. I think you would have to maintain a very good market on ex warrants prior preferred over the counter.

Mr. INSULL. Yes. Well, he had contemplated such action, Mr. Winter. We had contemplated that it would not be possible to include those ex warrant prior preferred or ex-warrant debentures purely selfishly from the view of the company.

Chairman WINTER. You would discourage the exercise of the warrants?

Mr. INSULL. You would discourage not only the exercise of the warrants, but the company's credit generally in its initial stages. That is, if the security is bought and then the market lapses.

Chairman WINTER. I think the better the market in the ex warrant prior preferred, the better the interests of the company would be served. I think that is pretty clear because it would not disable marketwise the ex warrant prior preferred which it will if there is not an equally good market over the counter.

Mr. INSULL. Yes, sir.

Chairman WINTER. Until you shall have outstanding a sufficient amount of that stock to justify being accorded a free trade in a free market. If that contingency arises, and it would arise if your program is carried out—

[At this point Mr. Fischer handed Chairman Winter a memorandum.]

Chairman WINTER. I think that suggestion, Mr. Fischer, will be very readily and heartily agreed to. I think that the 10,000 is too small, I think that it ought to be 20. Can you see any objection to agreeing that when and if there is issued an outstanding 20,000 shares of prior preferred ex-warrants inasmuch as there will be automatically stricken from trade 20,000 shares of prior preferred, with warrants, that application will be made to list on the exchange the 20,000 shares of prior preferred, ex-warrants, and thereafter from time to time such additional shares of prior preferred ex-warrants as may occur?

Mr. INSULL. I should say that we would not only agree to do so, but we would be anxious to do so. We will so agree to do.

Chairman WINTER. Let the record show that you agree so to do, then.

Mr. INSULL. We will so agree.

Mr. ADAMS. Mr. Winter, may I ask a question?

Chairman WINTER. Yes, sir.

Mr. ADAMS. Was there a corrected proof of circular delivered here to-day to the exchange?

Chairman WINTER. I don't know whether a corrected proof was delivered here. I haven't it before me.

Mr. COLBY. No; we didn't receive any.

Mr. ADAMS. There was a slight change made in the circular which we were planning to submit and I thought that they were sent over. They just came in, so far as I saw, late this afternoon to the office.

Chairman WINTER. Does it change—

Mr. ADAMS. It changes this statement right here with respect to the assets of the company so as to make a reference to the conclusion of the \$3,000,000 in cash.

Mr. TOBEY. We thought there was some ambiguity between the note and that.

Mr. ADAMS. With reference to the 250,000 shares of stock?

Chairman WINTER. Yes, you give the effect to the immediate translation of 250,000 shares into dollars.

Mr. TOBEY. Yes, sir; that is the only change.

Chairman WINTER. That is all right.

Now, how many shares are involved through warrants, total shares?

Mr. ADAMS. Six hundred thousand.

Chairman WINTER. Well, if your 1,014,000 shares were admitted to trade, you would not wish to discriminate between those particular shares and any other shares that were issued through the exercise of warrants?

Mr. ADAMS. No, not at all. We would want to list those as fast as they were available for trading under whatever arrangement the stock exchange would deem proper.

Mr. O'BRIEN. Isn't it a fact that this common stock will represent a great many of those purchase warrants?

Mr. ADAMS. Yes, sir; I think it will.

Chairman WINTER. That is the point right here. The query is whether you should not list all of the stock that is contemplated and then admit to trade from time to time the stock that would result.

Mr. ADAMS. The only reason the stock was not applied for in that way was the question whether we could list stock represented by warrants which might never be exercised.

I think it is quite essential that all of the stock that is out in the public's hands should be listed. If it is proper to amend that application so as to cover the whole million six hundred-odd thousand shares, why we will be pleased to do it.

Chairman WINTER. I think it is.

Mr. ADAMS. Then, if it is in order, I would ask to amend the application on that basis at once.

Chairman WINTER. I am sure that would be all right.

Mr. MITCHELL. No; you just have to have the million fourteen available for trading now, but list the whole business now.

Chairman WINTER. Instead of making application to list, simply admit to trade from time to time?

Mr. ADAMS. Yes, sir.

Chairman WINTER. I know that there are a great many questions that I have not asked you, that I ought to, and I rely on my associates on the committee to substitute.

Have you any questions, gentlemen?

Mr. FISCHER. I have not.

Mr. O'BRIEN. I have not.

Mr. MITCHELL. I would like to ask Mr. Adams if these concise statements of these beautiful securities are going to be forthcoming each year?

Chairman WINTER. I was going to get to that phase of it and perhaps this is as good a time as any to get into the record and have our minds meet.

Mr. ADAMS. Well, that is my understanding, that there would be a statement of the portfolio.

Chairman WINTER. Just so that the public gets an idea.

Mr. INSULL. Do you mean furnished to the stock exchange or to the public?

Mr. MITCHELL. No, no; to the stock exchange.

Chairman WINTER. I think we are about to go further than that. It is altogether probable that a recommendation will issue to the board of governors from this committee that these shares shall be listed.

Assuming that the governors of the exchange would approve of the recommendation of the stock list committee, there would then be on the exchange the shares of a company or corporation in the nature of an investment trust. The stock exchange feels and is of the opinion that investment trusts will need to be recognized in some way by the exchange.

The exchange however, has not formulated a questionnaire which would particularly and especially apply to investment trusts. It proposes to immediately study the question and to provide, in so far as it is able, some guide for applicant companies to follow with respect to the requirements whatever they may be, as they may be determined.

The exigencies of this case and the expedient thing from your point of view does not and has not permitted of the preparation of the questionnaire nor of the formulation and the consideration of various agreements and understandings which, when such questionnaire is compiled, will doubtless be present in that questionnaire.

The agreements between the applicant company and the exchange are not at this moment susceptible of statement.

It is not unlikely that when they are formulated they may be regarded by applicant companies as onerous, unreasonable, illogical, superfluous, unnecessary, as, indeed, they may.

Gradually, whatever they are, they will be resolved into a proper and competent questionnaire. It may not be very soon, but we would certainly expect this applicant company would agree to submit to the exchange; that its attitude toward the public should conform to the requirements of the questionnaire when and if it is formulated by the exchange.

Mr. INSULL. Yes, sir.

Chairman WINTER. The point being simply this, that in all frankness it would not be and is not thinkable nor would you desire to have a special exemption in terms that should and ought to be and are of general application in similar situations.

Mr. INSULL. Yes, sir.

Chairman WINTER. So we would expect and do wish it to enter the record that you will conform to the requirements of the exchange with respect to this application as may be required by a questionnaire to be provided and to apply in such case.

Mr. INSULL. We would so comply.

Mr. ADAMS. We might want to quarrel with you a little bit about it.

Chairman WINTER. Undoubtedly would. And let me say, in the record or out, it makes no difference if it is not said: And your acquiescence in that consent is not sought with an idea to hold you, of course, to any unreasonable requirements.

We are new in this; the public is new. I think that you may well appreciate that a degree of publicity that might be distasteful to you, but nevertheless would not be upon analysis. An unfair requirement might be one of those considerations.

If you are going before the public; if you ask the public for support in your enterprise, you must, nevertheless duly and at the appropriate time and in the proper manner let the public know what there is back of your obligation to pay.

Mr. ADAMS. Yes, sir.

Chairman WINTER. We shall not make it unnecessarily onerous.

Mr. ADAMS. I had in mind particularly one of the blue skies I saw somewhere this summer, I have forgotten where, but it started out on the theory that they would require every investment trust to publish a statement every time they bought or sold anything.

Chairman WINTER. Well, that is an idea. What distribution is there going to be of this common stock?

Mr. INSULL. The common stock, as initially—

Mr. ADAMS. The initial distribution is to about 150 individuals. Of course, that will spread very, very rapidly, but in the first place there will be a substantial block that will be placed over a broad number of individual possessions.

I think we have 100,000 shares that will be spread out pretty rapidly and then besides that there are all of these warrants that will tend to bring about a very good distribution as soon as they are exercised.

Chairman WINTER. I mean, distribution with reference to the 1,014,000?

Mr. ADAMS. One million and fourteen thousand?

Chairman WINTER. What distribution will there be of those?

Mr. ADAMS. Well, there is, right off the bat, a distribution of about 150 individuals.

Mr. TOBEY. One hundred and fifty stockholders?

Mr. ADAMS. One hundred and fifty stockholders.

Mr. INSULL. It might be well to state for the record that this 250,000 shares is to be offered to the principal key men in various companies in which this investment company will have invested.



Mr. LAMSON. 250,000?

Mr. INSULL. Two hundred and fifty thousand, yes; and to certain other individuals, who have been closely associated with those companies.

Chairman WINTER. Well, the 1,014,200 shares of stock is represented by 754,000 shares and 250,000 shares?

Mr. INSULL. Yes, sir.

Chairman WINTER. I know that, or at least I think I know that. Now, that is quite a tidy little concentration of stock and it is constipated and nothing else. I take it that the 764,000 shares of stock are not and will not be for sale?

Mr. INSULL. No; they will not, Mr. Winter.

Chairman WINTER. Your 60,000 shares of prior preferred will be of a general distribution through Halsey, Stuart & Co., I take it?

Mr. INSULL. Yes, sir.

Chairman WINTER. Or the utilities?

Mr. TOBEY. The utilities.

Chairman WINTER. Halsey, Stuart takes the debentures?

Mr. TOBEY. The debentures.

Mr. ADAMS. There will be several thousand holders there. I think a statement was filed of the estimated distribution.

Mr. INSULL. We contemplate a distribution of the prior preferred shares to the utility company, stating that they shall have a certain minimum distribution.

Mr. O'BRIEN. Am I to understand that the application is to be amended by adding 600,000 shares?

Chairman WINTER. Yes, sir; with the note that reserved for the exercise of warrants, 300 and 300 respectively.

I will ask you to repeat that last remark to me, I didn't get it.

Mr. INSULL. We have stipulated in the sale of the prior preferred shares to the Utilities Securities Co. that in reselling them they shall secure a certain minimum distribution which minimum distribution is the basis of the estimate we have filed with the committee. That is the minimum number of shares.

Mr. TOBEY. They only allow us to buy so many shares.

Chairman WINTER. That is, there shall be a maximum to one person?

Mr. INSULL. Yes.

Mr. TOBEY. Yes.

Chairman WINTER. Is that maximum a matter of general information? It would be if I wanted to buy 10,000 shares of Halsey, Stuart and he told me I couldn't.

Mr. INSULL. Mr. Winter, I am not clear in my own recollection whether we have restricted them to a maximum number of shares or a minimum number of shareholders.

Chairman WINTER. Your purpose is defeated if you do not get a broad public interest in this matter.

Mr. INSULL. Yes, sir.

Chairman WINTER. Is there anything else?

(And thereupon there was no response.)

Mr. ADAMS. I want to say to the committee that we appreciate very much the courtesy and the time that you have given us.

Chairman WINTER. Very well. Thank you very much, gentlemen. That will be all then.

(Which were all of the proceedings had in the matter of the application of Insull Utility Investments (Inc.), before the committee on stock lists of the Chicago Stock Exchange on this, the 15th day of January, 1929.)

Mr. PECORA. Mr. Chairman, that will conclude the evidence we have to offer on this particular line of inquiry or investigation, subject, of course, to the introduction and spreading on the record the written data that has been called for.

The CHAIRMAN. The data to be prepared?

Mr. PECORA. The data to be prepared.

And I will say now that we will be prepared to present further evidence to this committee on February 21 and for several days thereafter, with regard to another phase or line of this investigation or inquiry. I will ask that the committee arrange to hold public hearings for that purpose.

The CHAIRMAN. The committee will therefore adjourn and will convene here on Tuesday, February 21, 1933, at 10 o'clock a. m.

Mr. PECORA. All the witnessess who have been subpoenaed to appear before the committee this week are now excused from further attendance before this committee, with the exception of Mr. George W. Davidson.

(Whereupon, at 5 o'clock p. m. on Friday, February 17, 1933, the committee adjourned to meet on Tuesday, February 21, 1933, at 10 o'clock a. m.)



