

STOCK EXCHANGE PRACTICES

THURSDAY, NOVEMBER 2, 1933

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

The subcommittee met, pursuant to adjournment on Wednesday, November 1, 1933, in the caucus room of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Gore (substitute for Barkley), Couzens, Townsend, and Goldsborough (substitute for Norbeck).

Present also: Ferdinand Pecora, counsel to the committee; Julius Silver, David Saperstein, associate counsel to the committee; Eldon Bisbee, Alfred E. Mudge, Joseph B. Lynch, and C. Horace Tuttle, of Rushmore, Bisbee & Stern, and also William Dean Embree and A. Donald MacKinnon of Millbank, Tweed, Hope & Webb, counsel representing The Chase National Bank and The Chase Corporation; Martin Conboy, counsel for Albert H. Wiggin.

The CHAIRMAN. The subcommittee will come to order. Mr. Pecora, you may proceed.

TESTIMONY OF ALBERT H. WIGGIN—Resumed

Mr. PECORA. Mr. Wiggin—

Mr. WIGGIN (interposing). Mr. Chairman and Mr. Pecora, Senator Couzens asked for the figures on my personal income, and I have those for you. Here they are.

Senator COUZENS. Mr. Pecora, do you want to read them or have him do it?

Mr. PECORA. Let me look at them for a moment.

Senator COUZENS. Mr. Wiggin, are these figures before deductions for losses or exemptions?

Mr. WIGGIN. I think it is complete, isn't it [addressing an associate]?

Mr. CONBOY. The capital gains or losses are shown separately.

Mr. WIGGIN. Take this one, Senator Couzens, and you will see what it shows. They are indicated.

The CHAIRMAN. Does it cover your individual income only, or the corporations?

Mr. WIGGIN. It is individually. That is what I understood Senator Couzens to ask for.

Mr. PECORA. Well, yesterday you read into the record the income taxes paid by you for the years 1928 to 1931, both inclusive; and not

only paid by yourself but by the various immediate members of your family. And then I asked you, in view of the fact that you saw fit to put those income taxes into the record in behalf not only of yourself but members of your family, that you also give the subcommittee the incomes earned by you and the members of your family in connection with the corporations that paid these taxes.

Mr. WIGGIN. I can do that, but I did not understand that was the request. The request as I understood it coming from Senator Couzens was for myself, but we can get for you anything you want.

Senator COUZENS. Mr. Pecora, I think Mr. Wiggin is correct in that, because as I recall the situation he first read off the taxes paid by himself, and then later the taxes paid by his corporations.

Mr. PECORA. Mr. Wiggin, have you got the income of the family corporations?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Will you please produce them?

Mr. WIGGIN. All right.

Mr. PECORA. Mr. Chairman, I offer in evidence the statement produced by the witness entitled "Albert H. Wiggin. Schedule of income and Federal income taxes for the years 1928 to 1932, inclusive", and ask that it may be spread on the record of our proceedings.

The CHAIRMAN. Let it be admitted, and the committee reporter will make it a part of the record.

(The statement entitled "Albert H. Wiggin, Schedule of income and Federal income taxes for the years 1928 to 1932, inclusive", was marked "Committee Exhibit No. 90, Nov. 2, 1933", and is as follows:)

ALBERT H. WIGGIN

Schedule of Income and Federal Income Taxes for the Years 1928 to 1932, inclusive

	1928	1929	1930	1931	1932	Total
Net income excluding capital gain or loss...	\$1,609,433.80	\$1,563,689.98	\$1,308,588.11	\$940,679.66	\$459,228.66	\$5,881,620.21
Capital gain or loss.....	452.20	None.	None.	179,872.34	None.	179,420.14
Net income, including capital gain or loss.....	1,609,886.00	1,563,689.98	1,308,588.11	860,807.32	459,228.66	5,802,200.07
Federal income taxes...	338,092.12	325,455.80	283,495.81	197,457.76	220,733.25	1,365,234.74

¹ Loss.

Mr. PECORA. I also offer in evidence the statement produced by the witness, entitled: "The Shermar Corporation, the Murlyn Corporation; the Clingston Co., Inc. Schedule of income and Federal income taxes paid for the 5 years 1928 to 1932, inclusive", and ask that the same may be made a part of the record.

The CHAIRMAN. Let it be admitted, and the committee reporter will include it as a part of the record.

(The statement of income taxes paid for the years 1928 to 1932, inclusive, by Shermar, Murlyn, and Clingston Co. was marked "Committee Exhibit No. 91, Nov. 2, 1933", and is as follows:

*The Shermar Corporation, the Murlyn Corporation, the Olingston Co., Inc.—
Schedule of Federal income taxes paid for the 5 years 1928 to 1932,
inclusive*

INCOME

Year	Shermar	Murlyn	Olingston	Total
1928.....	\$3,320,456.15	\$1,881,044.10	\$20,754.28	\$5,222,254.53
1929.....	760,416.30	17,858.68	1,529,501.41	2,307,776.39
1930.....	317,024.94	256,107.96	12,267.31	570,865.56
1931.....	1602,918.51	12302,747.88	1286,241.33	11,191,907.72
1932.....	13,313,854.05	Merged	1796,347.97	14,110,202.02
Total.....	481,124.83	1,852,262.86	465,399.08	2,798,786.77

FEDERAL INCOME TAXES PAID

1928.....	\$359,926.24	\$225,725.29	\$2,150.51	\$623,802.04
1929.....	67,647.97	1,293.14	167,236.33	230,177.97
1930.....	37,332.26	27,502.27		64,834.53
1932.....				
1933.....				
Total.....	500,906.47	254,520.70	169,387.34	924,814.51

¹ Loss.

² To date of merger, to wit, Feb. 4, 1931.

Mr. PECORA. Mr. Wiggin, while I am waiting for certain records to be given to me, let me ask you if you are now prepared to produce the original documents, or true copies thereof, that passed between the Shermar Corporation and others connected with the syndicate in the Sinclair Consolidated Oil Corporation common stock?

Mr. WIGGIN. Here it is.

Mr. PECORA. Mr. Wiggin, among the documents produced by you in response to the last question I fail to find any written communication to you or the Shermar Corporation which invited your participation in this syndicate. Was there such a written communication sent to you or to the Shermar Corporation?

Mr. WIGGIN. I do not know. [Consulting an associate.] I am advised there was none.

Mr. PECORA. Well, how was your participation in this syndicate invited—orally?

Mr. WIGGIN. Well, I don't remember it at all.

Mr. PECORA. Who formed this syndicate?

Mr. WIGGIN. Well, I presume Mr. Cutten formed it.

Mr. PECORA. Do you know whether or not Mr. Cutten was connected with the Sinclair Consolidated Oil Corporation at the time of the formation of this syndicate.

Mr. WIGGIN. I do not know.

Mr. PECORA. I show you what purports to be either a copy or duplicate original of a letter addressed to Mr. Arthur Cutten under date of October 24, 1928, by the Sinclair Consolidated Oil Corporation, which document is one of the documents produced by you. Will you please look at it and tell us if you understand it to be a true and correct copy or duplicate original of a letter sent by the Sinclair Consolidated Oil Corporation to Mr. Cutten?

Mr. WIGGIN. I have no way of knowing, but have no doubt about it.

Mr. PECORA. Well, how do you happen to have that copy of the letter or that duplicate original thereof in your possession?

Mr. WIGGIN. That I do not know.

Mr. PECORA. You say you haven't any doubt that it is a true copy?

Mr. WIGGIN. I do not question it at all.

Mr. PECORA. But you have no personal knowledge thereof?

Mr. WIGGIN. No, sir.

Mr. PECORA. But you believe it to be?

Mr. WIGGIN. I do not question it at all.

Mr. PECORA. Mr. Chairman, I offer it in evidence and ask that it may be spread on the record.

The CHAIRMAN. Let it be received, and the committee reporter will make it a part of the record.

(A letter dated Oct. 24, 1928, addressed to Mr. Arthur Cutten from Sinclair Consolidated Oil Corporation was marked "Committee Exhibit No. 92, Nov. 2, 1933", and will be found below where read by Mr. Pecora.)

Mr. PECORA. The letter reads as follows:

OCTOBER 24, 1928.

MR. ARTHUR CUTTEN,
New York, N.Y.

DEAR SIR: The undersigned, Sinclair Consolidated Oil Corporation, a New York corporation (hereinafter called the corporation) confirms its agreement with you as follows:

1. The Corporation has a duly authorized capital stock consisting of \$100,000,000 par amount of preferred stock and 5,500,000 shares of common stock without par value, of which \$16,604,600 par amount of 8 percent cumulative preferred stock and 4,384,480 shares of common stock without par value are now validly outstanding fully paid and nonassessable. The 1,130,000 shares of its common stock hereinafter mentioned which remain unissued or in the treasury of the corporation will, when issued and sold as herein provided, constitute duly issued, full paid and nonassessable shares of common stock of the corporation.

2. The Corporation agrees promptly to take all necessary corporate action to authorize the issue and sale of said 1,130,000 shares and to authorize and approve this agreement, and to furnish to your counsel certified copies of all corporate papers and minutes of proceedings required to evidence such authorization and approval.

3. The Corporation agrees to sell to you, or to purchasers found by you, and, subject to the terms and conditions herein set forth, you agree to purchase, or to find purchasers who will purchase, from the corporation said 1,130,000 shares at and for the price of \$30 per share.

4. Delivery of and payment for said 1,130,000 shares shall be made at the office of the Corporation, No. 45 Nassau Street, New York City, or at such other place as you shall specify, at any time or from time to time designated by you within a period of 12 months from the date hereof, subject to the right of the Corporation, at any time or from time to time after 30 days from the date hereof, and upon 30 days' written notice to you signed by the president or treasurer of the Corporation, to require you to take up and pay for said shares in whole or in part, and pay the purchase price or balance thereof when due. You agree that, if you shall not take up and pay for all of said shares within 30 days from the date hereof, you will pay to the corporation, if and when requested by the corporation, up to but not exceeding 20 percent of the purchase price of said shares, and will pay interest at not exceeding 6 percent per annum on the balance of the purchase price until paid (with appropriate adjustment for dividends, if any, which shall be declared during such period).

5. The shares at any time or from time to time delivered hereunder may be in temporary or definitive form. The certificates for such shares shall be issued in such name or names and for such number of shares, respectively, as you shall specify.

6. The Corporation will pay all costs and expenses involved in the issue and delivery to you, or to purchasers procured by you, of said 1,130,000 shares

including the cost of printing temporary certificates and engraving definitive certificates, the cost of execution, registration, and delivery of such certificates, temporary and definitive, and the cost of all stamp or issue and transfer taxes and of listing such shares on the New York Stock Exchange.

7. The Corporation will at its expense promptly furnish you with prospectus letters descriptive of the corporation's business and affairs in such form and containing such information, signed by its Chairman or its President and addressed to such persons, firms, or corporations, as you shall request, for use in connection with any sale or offering of said shares which you or your associates desire to make.

8. The Corporation will at its expense and contemporaneously with the delivery thereof at any time or from time to time hereunder cause said shares to be listed on the New York Stock Exchange.

The Corporation will also, at its expense and when requested by you, from time to time comply with the Blue Sky laws of any and all States designated by you under the laws of which such compliance will not require the corporation to qualify through the appointment of a resident agent for any purpose other than the service of process in actions arising out of or founded upon the sale of its securities.

9. Your obligation to purchase, or to procure purchasers for said shares, or to make any payment on account of said shares hereunder shall be subject to the further condition that prior to the date on which you shall be required to take delivery of any of said shares, or make any such payment hereunder, you shall have received an opinion of counsel, Messrs. Cravath, de Gersdorff, Swaine & Wood, New York City, approving all legal details in connection with the authorization of and issue and sale of said shares.

10. References herein to the Corporation shall be deemed to include any successor Corporation carrying on the business of the corporation.

11. Kindly confirm the foregoing statement between the Corporation and yourself by signing the annexed confirmation thereof.

Very truly yours,

SINCLAIR CONSOLIDATED OIL CORPORATION,
By _____.

I cannot read the signature.

Mr. WIGGIN. They tell me it is W. E. Watts.

Mr. PECORA. W. E. Watts, vice president. And then the following appears at the foot of the letter [reading]:

SINCLAIR CONSOLIDATED OIL CORPORATION,
45 Nassau Street, New York, N.Y.

DEAR SIRS: I confirm the foregoing agreement between us.

Very truly yours,

ARTHUR W. CUTTEN,
By R. E. CUTTEN.

NEW YORK, October 24, 1928

Mr. PECORA. Mr. Wiggin, attached to this letter which has been marked in evidence as committee's exhibit no. 92 I find what purports to be either a copy or a duplicate original of a letter addressed to Mr. Arthur Cutten under date of October 24, 1928, signed by H. F. Sinclair. Will you kindly look at it and tell me if you recognize that to be either a true copy or a duplicate original of such letter?

Mr. WIGGIN. I have no recollection of it, but I have no question about it.

Mr. PECORA. Was it furnished to you as a true copy of such a letter?

Mr. WIGGIN. I presume so. I just do not remember anything about it.

Mr. PECORA. Do you believe it to be that?

Mr. WIGGIN. Yes.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. It will be admitted and entered on the record.

(The copy or duplicate original referred to, dated October 24, 1928, addressed to Mr. Arthur Cutten and signed by H. F. Sinclair, was received in evidence, marked "Committee's Exhibit No. 93, Nov. 2, 1933.")

Mr. PECORA. The letter, which has been marked in evidence as "Committee's Exhibit No. 93" of this date, reads as follows [reading]:

OCTOBER 24, 1928.

MR. ARTHUR CUTTEN,
New York, N.Y.

DEAR MR. CUTTEN: You have advised me that you and your associates have bought from Sinclair Consolidated Oil Corporation 1,130,000 shares of the common stock of that Corporation, as per copy of your agreement with said Corporation hereto attached.

This confirms the agreement between you and your associates and myself whereby you are to sell to me, and I am to purchase from you, 130,000 shares of the common stock of Sinclair Consolidated Oil Corporation upon the same terms and conditions that you are purchasing from the said Sinclair Consolidated Oil Corporation.

Delivery and payment for such shares shall be made at the office of Sinclair Consolidated Oil Corporation, No. 45 Nassau Street, New York City. The certificates for such shares are to be issued in such name or names as I shall request and shall be duly endorsed in blank for transfer or accompanied by appropriate instruments of transfer in blank and also accompanied by appropriate transfer stamps.

Kindly confirm at the bottom hereof the foregoing agreement between us.

Very truly yours,

H. F. SINCLAIR.

NEW YORK, *October 24, 1928.*

I confirm the foregoing agreement.

ARTHUR W. CUTTEN.
By R. E. CUTTEN.

Now I show you another document which is one of those that you have handed me this morning and which purports to be either a copy or a duplicate original of a memorandum of agreement made on October 24, 1928, between Blair & Co., Inc., Chase Securities Corporation, the Shermar Corporation, Arthur Cutten, and Harry F. Sinclair, and I ask you if you recognize that to be either a true copy or a duplicate original of such an agreement.

Mr. WIGGIN. It is undoubtedly correct, because the signature of the Shermar Corporation is on there.

Mr. PECORA. Who executed or signed that agreement on behalf of the Shermar Corporation?

Mr. WIGGIN. The treasurer.

Mr. PECORA. With your approval?

Mr. WIGGIN. Undoubtedly.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted.

(The memorandum of agreement referred to, dated October 24, 1928, between Blair & Co., Inc., Chase Securities Corporation, the Shermar Corporation, Arthur Cutten, and Harry F. Sinclair, was received in evidence, marked "Committee's Exhibit No. 94, Nov. 2, 1933.")

Mr. PECORA. The memorandum of agreement reads as follows, and it is marked "Committee's Exhibit No. 94" [reading]:

MEMORANDUM OF AGREEMENT MADE THIS 24TH DAY OF OCTOBER, 1928, BETWEEN BLAIR & CO., INC., CHASE SECURITIES CORPORATION, THE SHERMAR CORPORATION, ARTHUR CUTTEN, AND HARRY F. SINCLAIR

Arthur Cutten is negotiating with Sinclair Consolidated Oil Corporation (hereinafter called Sinclair Consolidated) for the purchase of 1,130,000 shares of the common stock of Sinclair Consolidated on the terms and conditions set forth in the form of agreement between Arthur Cutten and Sinclair Consolidated annexed hereto. The other parties hereto wish to join and participate in such purchase on original terms.

The parties hereto, therefore, agree as follows:

1. Arthur Cutten will contemporaneously with the execution of this agreement execute said agreement between him and Sinclair Consolidated in the form annexed hereto.

2. In consideration thereof and of the obligations on the part of the other parties hereby assumed, it is agreed that the parties shall participate and take an interest, and they hereby do participate and take an interest, on original terms, in such agreement for the purchase and in the purchase pursuant thereto of said 1,130,000 shares in the following respective proportions (sharing all profits, expenses, and losses in such respective proportions):

Arthur Cutten, 3/12; Blair & Co., Inc., 3/12; Chase Securities Corporation, 2/12; The Shermar Corporation, 1/12; Harry F. Sinclair, 3/12.

The participations of the parties hereto shall be joint and several, so that if any one of the parties hereto shall fail at any time or from time to time to take up and pay for his or its proportion of said shares required to be taken up and paid for hereunder and pursuant to Arthur Cutten's agreement with Sinclair Consolidated, the other parties hereto in each such case shall be obligated, when requested by Cutten, to take up and pay for such shares in respect of which default shall be made, in the respective proportions thereof that the participation of each of the parties hereto not in default bears to the aggregate of the participations of such parties not so in default.

3. The parties hereto hereby agree immediately to form a trading account in the shares of common stock of Sinclair Consolidated, the aggregate commitment for such account not to exceed 500,000 shares of such stock, and such trading account to run for a period of 6 months from the date hereof with such extension or extensions of such period as the parties hereto shall determine. After making allotments to others in such trading account as the parties hereto shall determine, the parties hereto shall participate in the balance of the trading account in the respective proportions in which they participate in the original purchase of said 1,130,000 shares of common stock of Sinclair Consolidated hereunder. Cutten shall be the manager of such trading account with customary powers.

4. It is understood that the parties hereto intend to give participations on original terms or otherwise to such others as the parties hereto shall determine, not exceeding in the aggregate 12 percent of the business, such participations to be deducted pro rata from the original participations of the parties hereto.

BLAIR & CO., INC.,
By HUNTER S. MARSTON.
CHASE SECURITIES CORPORATION,
By FRANK CALLAHAN.
THE SHERMAR CORPORATION,
By J. F. WERNERSBACH, *Treas.*
H. F. SINCLAIR [L.S.],
ARTHUR W. CUTTEN [L.S.],
By R. E. CUTTEN.

Senator GOLDSBOROUGH. Do I understand from your reading of that that each of the participants took three twelfths with the exception of Chase Securities, which divided its part one third with the Shermar?

Mr. PECORA. The participations are, Arthur Cutten, three twelfths; Blair & Co., three twelfths; Harry F. Sinclair, one twelfth. The other three twelfths were taken by the Chase Securities Corporation and the Shermar Corporation in these participations, respectively, two twelfths and one twelfth.

Now, have you any other correspondence whatsoever that passed between the Shermar Corporation and any of the other participants with respect to this syndicate agreement?

Mr. WIGGIN. I do not know. I will find out.

Mr. CONBOY. All we have is what we were requested to bring. I do not know about any more correspondence than that. We brought what was indicated upon the memorandum that was shown to us the other day as the documents that were wanted. We can make an inquiry for other things.

Mr. PECORA. I asked for all documents or writings pertaining to this syndicate.

Mr. CONBOY. We were requested to bring those things that were mentioned upon the sheet that Mr. Silver showed me, and we made a note of them, and we have got them here. If there are other things that you want us to bring, we will try to get them for you. But Mr. Silver will acquaint you with what was shown to me.

Mr. PECORA. On the record, according to my recollection, when I first interrogated Mr. Wiggin about this syndicate operation, I asked for all documents or writings relating to that syndicate. I used that phraseology because I wanted it to be all-inclusive—all correspondence as well as documents evidencing the terms and conditions under which the syndicate was formed.

Senator COUZENS. And they are not here?

Mr. CONBOY. No, sir. Nothing else is here except what we understood you had requested.

Mr. PECORA. I asked, you remember, at the time, that Mr. Wiggin produce a folder from the Shermar Corporation files known as "folder no. 40", which I understood contained all the documents and writings pertaining to this syndicate. Is folder no. 40 here?

Mr. CONBOY. My recollection is that you have folder no. 40 there. If you will look at the folder you will see that it is folder no. 40. If there is more than what is in folder no. 40 we will try to find it for you. Will Mr. Silver give me the memorandum that he showed me the other day?

Mr. SILVER. That was an abstract of the contents of folder 40.

Mr. CONBOY. That is what we furnished you; and if you check what we furnished you as the contents of that folder, you will find that everything you have asked for has been handed to you.

Mr. PECORA. I asked for all documents and writings. That certainly would include letters. If there are such letters in existence I would like to have them.

Mr. CONBOY. We will see if there are.

Mr. PECORA. You have not got them here?

Mr. CONBOY. No, sir.

Mr. PECORA. That is, other than what is contained in this envelop marked "folder 40."

Mr. CONBOY. What we have furnished you were four documents on the list that was shown me.

Mr. PECORA. Mr. Wiggins, have you not some recollection of the circumstances under which the Shermar Corporation was invited to participate in this syndicate?

Mr. WIGGINS. I have not. I only judge by the management of the syndicate that it must have come from Mr. Cutten.

Mr. PECORA. Do you recall discussing the proposed syndicate and the participation of the Shermar Corporation therein with anybody?

Mr. WIGGINS. No; I do not; but I probably did.

Mr. PECORA. This syndicate operation involved a considerable sum of money, did it not?

Mr. WIGGINS. Yes, sir.

Mr. PECORA. It involved the purchase in the aggregate by the syndicate of 1,130,000 shares of the common stock of Sinclair Consolidated at the price of \$30 per share, which meant a transaction involving upwards of \$30,000,000?

Mr. WIGGINS. Yes, sir.

Mr. PECORA. Have you forgotten the substance of any conversations that you may have had with anybody in connection with the Shermar Corporation entering the syndicate?

Mr. WIGGINS. I do not remember any; but there may have been some, and probably were some.

Mr. PECORA. Mr. Wernersbach is the treasurer of the Shermar Corporation?

Mr. WIGGINS. Yes, sir.

Mr. PECORA. Is he also employed by the Chase National Bank or any of its subsidiaries?

Mr. WIGGINS. Part of his time. He was employed by the Chase National Bank; yes, sir.

Mr. PECORA. Was he an employee of the Chase National Bank during the time that he was treasurer of the Shermar Corporation?

Mr. WIGGINS. Yes, sir.

Mr. PECORA. What position or office did he hold with the Chase National Bank at those times?

Mr. WIGGINS. One of the secretaries in my office.

Mr. PECORA. Was his compensation paid by the bank?

Mr. WIGGINS. Both.

Mr. PECORA. Both by the bank and the Shermar Corporation?

Mr. WIGGINS. Yes, sir.

Mr. PECORA. Was he one of those employees of the Chase Bank who was not required to sign that form of agreement that has been heretofore offered in evidence whereby the employees agreed to devote all of their time to the interests of the bank?

Mr. WIGGINS. I don't know whether he ever signed that agreement or not.

Mr. PECORA. You recall the evidence introduced here with regard to employees signing such an agreement?

Mr. WIGGINS. Yes, sir.

Mr. PECORA. Well, if he signed such an agreement, you as executive head permitted him to devote part of his time to the activities of your family corporation?

Mr. WIGGINS. I don't know that he did sign such an agreement, but I do state without any question that he devoted part of his time to my own affairs.

Mr. PECORA. Whose convenience was served by his doing that—yours or the bank's?

Mr. WIGGIN. Both, I think.

Mr. PECORA. How was the bank's convenience served by his acting as treasurer of your family corporation?

Mr. WIGGIN. Well, I don't know that it was. He was there; that is all. He was used by both parties, just as any official's secretary is frequently used for personal affairs. It is very hard to draw the line, as you know.

Mr. PECORA. What did you know about the Sinclair Consolidated Oil Corporation's common stock at that time that caused you to have your family corporation participate in this syndicate to the extent to which it did?

Mr. WIGGIN. I think the participation was based more on the confidence that Cutten would handle the syndicate successfully than it was from knowledge of the stock.

Mr. PECORA. What did you know about Cutten's ability to handle syndicate operations successfully?

Mr. WIGGIN. Well, I knew Mr. Cutten and I knew that he had handled things successfully.

Mr. PECORA. Handled what kind of things successfully?

Mr. WIGGIN. Other operations.

Mr. PECORA. Stock market operations?

Mr. WIGGIN. I understood so; yes, sir.

Mr. PECORA. Was he a member of the New York Stock Exchange?

Mr. WIGGIN. I don't think so.

Mr. PECORA. So that his stock market operations, insofar as they related to securities listed on the Exchange, necessarily were had through members of the Exchange; he had no membership there himself?

Mr. WIGGIN. You mean, any purchases or sales had to be made through somebody else?

Mr. PECORA. Yes.

Mr. WIGGIN. I so understand.

Mr. PECORA. Did you understand that this syndicate was engaged in stock-market operations with regard to this common stock of the Sinclair Consolidated?

Mr. WIGGIN. Yes. There was a trading account that gave him that right.

Mr. PECORA. The agreement evidencing this syndicate formation contained provision for the operation of a trading account incidental to the operations of the syndicate; is that so?

Mr. WIGGIN. I understand so.

Mr. PECORA. Had you made any research into the value of the common stock of the Sinclair Consolidated which led you to believe that the price of \$30 a share which your corporation obligated itself to pay for a large block of that common stock was a fair and reasonable value?

Mr. WIGGIN. I had made no research.

Mr. PECORA. Did you have any knowledge or information which caused you to form any opinion that \$30 a share was then the fair and reasonable value of that security?

Mr. WIGGIN. I don't think so.

Mr. PECORA. Then you went into this operation, or rather caused your Shermar Corporation to go into it, without any knowledge of the fair and reasonable value of the stock that this syndicate was organized to trade in?

Mr. WIGGIN. I had made no study of it myself at all.

Mr. PECORA. And you had no knowledge or information which gave you any opinion as to the fair and reasonable value of the stock?

Mr. WIGGIN. I presume I did have at that time; yes, sir; but I don't know what it was or how I got it.

Mr. PECORA. Is it fair to presume that if you had any such knowledge or information it led you to believe that the stock was fairly and reasonably worth, in October 1928, \$30 a share?

Mr. WIGGIN. I would say, yes, sir.

Mr. PECORA. I thought you said you had made no research.

Mr. WIGGIN. I don't think I did.

Mr. PECORA. Do you know from what sources you derived your knowledge and information upon which you based any such opinion of value?

Mr. WIGGIN. I had known of the Sinclair Oil Co. for some years; known more or less as to its financing; knew a good many of the directors. I believe it all came from that general relationship.

Mr. PECORA. Was this issue of common stock referred to in this syndicate agreement a new issue that was just being brought out by the Sinclair Consolidated?

Mr. WIGGIN. I don't know. I will find out for you.

Mr. PECORA. Apparently the stock had not yet been listed on the New York Stock Exchange, because of the references in the syndicate agreement to an obligation on the part of the Sinclair Consolidated to cause the stock to be listed on the New York Stock Exchange at its expense.

Mr. WIGGIN. Does the agreement show whether it was new stock or not?

Mr. PECORA. I have read the agreement.

Mr. CONBOY. Mr. Wiggin means that he does not carry the terms of it in his mind. You have it before you there.

Mr. PECORA. I assume he has had it before him all these years.

Mr. CONBOY. He had a great many things before him all during these years, Mr. Pecora.

Mr. PECORA. So have I.

Mr. CONBOY. I think you understand that.

Mr. PECORA. Now, subsequent to the execution of the agreement which has been marked in evidence here as "Committee's Exhibit No. 94", was an agreement entered into in writing between Arthur W. Cutten and the other participants in the syndicate under consideration?

Mr. WIGGIN. Is that a question?

Mr. PECORA. I asked it.

Mr. WIGGIN. I did not follow it.

(The pending question was read by the reporter, as above recorded.)

Mr. PECORA. I show you one of the documents you gave me this morning, and ask you if that is a true copy or a duplicate original

of an agreement dated October 25, 1928, between Arthur W. Cutten and the other participants in the syndicate under discussion?

Mr. WIGGIN. I presume so. I don't know, but I don't question it at all.

Mr. PECORA. Was not the Shermar Corporation a party to that agreement by its signature?

Mr. WIGGIN. Yes; there is no question about it.

Mr. PECORA. Does not that satisfy you?

Mr. WIGGIN. I am perfectly satisfied.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted and entered on the record.

(Copy of agreement dated October 25, 1928, between Arthur W. Cutten and other participants was received in evidence, marked "Committee's Exhibit No. 95, Nov. 2, 1933.")

Mr. PECORA. The agreement which is marked in evidence as "Exhibit No. 95" of this date reads as follows (reading):

AGREEMENT made and entered into as of this 25th day of October 1928, by and between Arthur W. Cutte, of 209 Lake Shore Drive, Chicago, Illinois, (hereinafter called the Manager), party of the first part, and the subscribers hereto, severally (each of whom is hereinafter called the subscribers) parties of the second part, and all of whom together constitute the syndicate:

WHEREAS, the parties hereto desire to form a syndicate for the purpose of buying and/or selling the shares of the Common Capital Stock of the Sinclair Consolidated Oil Corporation,

NOW, THEREFORE, in consideration of the premises and the sum of \$1 by each to the other in hand paid, the receipt whereof is hereby acknowledged, the subscribers hereby agree with one another and with the Manager as follows:

1. The subscribers hereby form a syndicate for the purpose above expressed, and each subscriber for himself or itself, and not for any other, agrees to subscribe to an interest in said syndicate represented by the number of shares set opposite his or its name, and authorizes the Manager to purchase at private sale, 1,130,000 shares of the Common Capital Stock of the Sinclair Consolidated Oil Corporation, at the price of \$30 per share, and thereafter to purchase, and/or sell for the syndicate account, from time to time, shares of the common capital stock of said Sinclair Consolidated Oil Corporation, provided only that the Manager shall not have a net commitment at any one time for the syndicate account exceeding in the aggregate (including the shares so to be purchased at private sale) 1,130,000 shares of said stock. All stock bought by the Manager pursuant to the authority hereby given shall be carried by him in a syndicate account which he shall open on his books, or with any firm or firms, members of the New York Stock Exchange, which the Manager may select. Each subscriber hereto shall participate in such purchases and/or sales, and in the profits and/or losses and reasonable expenses of the Syndicate, in the proportion that the number of shares subscribed for by him or it bears to the total of 1,130,000. The Manager may call upon the subscribers, or any of them, from time to time, for payment of their or its proportion of all or any part of the stock purchased for the syndicate account, and each subscriber agrees to pay promptly the full amount of such call or calls, up to but not exceeding in any event the full amount of his or its individual liability as indicated by the interest in the syndicate subscribed for by him hereunder. Each subscriber shall, at the request of the Manager, at any time, or from time to time, during or upon the termination of the syndicate, take up and pay for in full at the cost thereof to the syndicate, his or its proportion of any stock held for the syndicate or for which it may be committed, or, at the option of the Manager, shall margin to the Manager's satisfaction, his or its proportionate part of any such stock held by the syndicate and shall meet his or its other syndicate obligations, if any, upon call by the Manager. Stocks so taken up by participants during the life of the syndicate, shall be for carrying purposes only, and shall be subject to recall by the Manager at any time.

2. In case of the failure of any subscriber to make such payments as and when called, the Manager may sell the rights and interests of the defaulting

subscriber in and under this agreement, and any stock represented thereby at public or private sale, at any time thereafter without advertisement or notice, and after deducting all interest or other costs and expenses the residue shall be applied on any liability or indebtedness of such defaulting subscriber, and if there be any deficiency he or it shall pay and discharge the same. Any overplus shall be paid over to such defaulting subscriber. The managers may purchase on any such sale the rights and interests of any defaulting subscribers, for the benefit of the nondefaulting subscribers and may call for and apportion any assessment to pay for the same.

3. The Manager shall have the sole direction, management, and entire control of the business and transactions of the syndicate, and any stock purchased by him for the syndicate account may, in his discretion, be loaned by him or by any Stock Exchange House carrying the syndicate account. He shall have full power to buy and/or sell said stock at public or private sale, or upon the New York Stock Exchange, for the account of the syndicate, in his uncontrolled discretion, but as above provided, he shall not have a net commitment for the syndicate account at any one time exceeding 1,130,000 shares of said stock, and shall not purchase, except on the floor of the New York Stock Exchange, any shares of said stock at a price in excess of \$30 per share. The Manager may become a subscriber to the syndicate, and in that event, his share in the assets, profits, losses, and expenses thereof, shall be on the same basis as any other member. He shall have the exclusive custody of the money and assets of the syndicate, but may deposit the same with any firm or firms, members of the New York Stock Exchange, or any national bank or trust company selected by him, and he may use the same in the operations of the syndicate. He may deal with any other group or syndicate of which he is a member and/or manager for the syndicate account, and no contract with any such group or syndicate shall be affected by reason of the fact that he is manager thereof or a member or participant therein.

4. The Manager may borrow for the syndicate account such amounts as he may deem necessary, not to exceed in the aggregate at any time the total amount due and unpaid from the syndicate subscribers, and may pledge all or any portion of the stock so purchased, or this agreement and the several payments to be made hereunder by the subscribers to secure any loan or loans made for the syndicate account. He may, for and on behalf of the syndicate, contract with any bank and/or trust company for any loan or loans necessary to carry on the operation of the syndicate, and may himself advance or loan money to the syndicate, charging for such advances the current interest rate charged by stock-exchange firms to their customers.

5. As soon as subscriptions are obtained to the syndicate aggregating 1,130,000 shares of stock, the syndicate shall become operative without further notice.

6. The syndicate shall continue for a period of 180 days from the date hereof, but the Manager may, in his discretion, extend the same for a further period or periods not exceeding in the aggregate 180 days. He may, in his discretion, close the operation of the syndicate at any time. At the expiration of the syndicate the Manager shall prepare a statement of the syndicate operations, and after paying all the costs and expenses of the syndicate, and settling all of its obligations, any money and/or stock belonging to the syndicate remaining shall be distributed pro rata among the various subscribers. The acceptance by the subscribers of any statement rendered by the Manager at the expiration of the syndicate, together with any payment in either stock or money, or both, shown to be due by said statement, shall operate as a full and complete release of the Manager from any and all liability hereunder.

7. The Manager shall not be liable for any error in judgment or for any mistake of law or fact nor shall he be liable save for his own gross negligence or willful default, nor liable for any acts done or performed in good faith under any of the provisions of this agreement.

8. Each subscriber ratifies, assents to, and agrees to be bound by any action of the Manager assumed to be taken under this agreement, and agrees to perform his undertakings herein as stated in this agreement to the full extent of the number of shares subscribed for as his participation herein, but in no event or under no circumstances shall he be called upon to pay or be liable for any amount beyond the interest in the syndicate subscribed for by him plus interest thereon. The failure of any subscriber to perform any of his undertakings hereunder shall not affect or release any other subscriber.

9. Any notice which the Manager or any lender may have occasion to give to any subscriber shall be sufficient for all purposes if given in writing mailed postpaid to the address of such subscriber set opposite his signature hereto.

10. Nothing contained in this agreement or otherwise shall constitute the subscribers partners with or agents or—

I think that “or” should read “of”—

partners with or agents of one another or for the Manager or render them liable to contribute in any event more than the interest in the syndicate subscribed for by them, plus interest thereon.

11. In case of the resignation or incapacity to act of the Manager, a successor or successors shall be appointed in writing by a majority in amount of the subscribers.

12. This agreement shall be binding upon and enure to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto and it may be executed in several counterparts each of which when so executed shall be deemed to be the original and such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Manager, party of the first part, and the subscribers, parties of the second part, have subscribed this agreement, as of the day and year first above written.

ARTHUR W. CUTTEN,
Manager.

By R. E. CUTTEN.

Subscribers and address:	Number of shares
Blair & Co., Inc., by Elisha Walker, President, 24 Broad Street..	282, 500
Chase Securities Corporation, H. G. Freeman, President, 60 Cedar Street.....	188, 333½
The Shermar Corporation, J. F. Wernersbach, Treas., 18 Pine Street.....	94, 166½
Arthur W. Cutten.....	282, 500
Harry F. Sinclair.....	282, 500
Total.....	1, 130, 000

Mr. PECORA. Now, Mr. Wiggin, the profits that were derived by the syndicate from its operations under this agreement aggregated \$12,002,109.41, did they not? To enable you to answer that, I refer you to a letter given to me by you in connection with these other documents that have been read into the record, and which is addressed to the Shermar Corporation under date of April 16, 1929, by E. F. Hutton & Co. [Handing paper to Mr. Wiggin.]

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I offer that in evidence.

The CHAIRMAN. It may be admitted and spread on the record.

(The document referred to, letter Apr. 16, 1929, Hutton & Co. to Shermar Corporation, was received in evidence, marked “Committee’s Exhibit No. 96”, and the same was subsequently read into the record by Mr. Pecora—see page 3009.)

The CHAIRMAN. This stock was listed on the New York Stock Exchange, Mr. Wiggin?

Mr. WIGGIN. Yes, sir.

The CHAIRMAN. Can you tell about the course of the market from that time on?

Mr. WIGGIN. I have no recollection of it. I will look it up if you would like to have me.

The CHAIRMAN. I would be glad if you would. I cannot quite understand the provision in the agreement that prohibited Cutten from buying any of this stock at above \$30 a share.

Mr. BISBEE. Except on the New York Stock Exchange.

Mr. PECORA. Except such purchases be made on the New York Stock Exchange.

The CHAIRMAN. What was the purpose of that?

Mr. WIGGIN. I do not know.

Mr. PECORA. The letter just offered in evidence has been marked "Committee's Exhibit No. 96" and reads as follows. It is on the letterhead of E. F. Hutton & Co., 61 Broadway, New York, and is dated April 16, 1929. [Reading:]

SHERMAR CORPORATION,
New York City.

GENTLEMEN: At the request of the Manager we have closed the Sinclair Syndicate with a profit of \$12,002,109.41. After deducting $2\frac{1}{2}\%$ due Mr. Fitzpatrick per the group's agreement, there remains a net profit of \$11,702,056.68. Your $7\frac{1}{2}\%$ participation therefore amounts to \$877,654.25, for which we enclose our check. Please acknowledge receipt of this check as final settlement of your interest in this account by signing the enclosed duplicate form for our files.

The Manager further requests that we state the Sinclair Trading Account, in which you have a $33,333\frac{1}{3}\%$ share participation, remains on our books and will be extended for an additional 6 months. The position of that account at last night's close of the market was long approximately 150,000 shares and figured at 39, had an approximate credit equity of \$700,000.

Options have been given on 100,000 shares which are expected to be exercised by May 1, therefore all selling pressure will be withdrawn from the Sinclair market, and it is reasonable to assume that the stock will advance in sympathy with the generally improved oil situation.

Very truly yours,

E. F. HUTTON & Co.
FOR THE SYNDICATE MANAGER.

Now Mr. Wiggin, what do you understand by the expression in this letter which reads as follows:

Options have been given on 100,000 shares which are expected to be exercised by May 1, therefore all selling pressure will be withdrawn from the Sinclair market.

What do you understand by that expression in this letter?

Mr. WIGGIN. I should judge that they had given options on the stock. What is the rest of the sentence, Mr. Pecora?

Mr. PECORA. I will read that portion of it again to you [reading]:

Options have been given on 100,000 shares which are expected to be exercised by May 1, therefore all selling pressure will be withdrawn from the Sinclair market, and it is reasonable to assume that the stock will advance in sympathy with the generally improved oil situation.

Mr. WIGGIN. I do not know that I understand what they meant. I do not see the connection between the options and the withdrawal of selling.

Mr. PECORA. What is the selling pressure to which this letter refers?

Mr. WIGGIN. I do not know.

Mr. PECORA. The signers of this letter, E. F. Hutton & Co., constitute a firm of stock brokers, do they not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Having membership on the New York Stock Exchange?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. One of the members of that firm at this time, I notice from the letterhead, is Ruloff E. Cutten. Is that the same per-

son who executed the various syndicate agreements for Arthur W. Cutten and in his behalf?

Mr. WIGGIN. I think so.

Mr. PECORA. Is he a brother of Arthur W. Cutten?

Mr. WIGGIN. I do not think so. I think he is a nephew, but I am not sure.

Mr. PECORA. What part did E. F. Hutton & Co. play in the syndicate operations?

Mr. WIGGIN. I think they handled the stock exchange orders.

Mr. PECORA. What was this syndicate designed for? What was it designed to do?

Mr. WIGGIN. You are referring now to the big syndicate?

Mr. PECORA. I am referring to the syndicate that was formed under the terms and provisions of the agreements that have been put in evidence here, of which the Shermar Corporation was one.

Mr. WIGGIN. Reference has been made to two syndicates.

Mr. PECORA. What is that?

Mr. WIGGIN. Reference has been made to two syndicates, one underwriting the increase in the stock for the company, and the other in this smaller trading account. The purposes of the syndicate on the increase in stock, I take it, were to sell the stock for the company and increase its capital.

Mr. PECORA. The purpose of the first syndicate was to sell for the Sinclair Co. 1,130,000 shares.

Mr. WIGGIN. They underwrote that stock for the company.

Mr. PECORA. Didn't they buy that stock from the company?

Mr. WIGGIN. Yes, sir; I think they did. I think that would show it.

Mr. PECORA. That is one thing, isn't it, and selling the stock for the Sinclair Co. is another thing?

Mr. WIGGIN. Yes; there is a difference.

Mr. PECORA. This syndicate was organized and formed for the purpose, among other things, of buying from the Sinclair Consolidated Oil Corporation 1,130,000 shares of the common stock at \$30 a share.

Mr. WIGGIN. That is right, sir.

Mr. PECORA. Was that purchase completed by the syndicate?

Mr. WIGGIN. I understand so; yes, sir.

Mr. PECORA. When did the syndicate complete or consummate the purchase from the Sinclair Corporation of these 1,130,000 shares of its common stock?

Mr. WIGGIN. I will have to go back to these papers to get the date, but I have no doubt it is in there.

Mr. PECORA. All right, sir. I will hand them all to you, and let you look at them as much as you want to. [Handing papers to Mr. Wiggins.]

Mr. WIGGIN (after examining papers). I do not remember, and I cannot tell from these papers.

Mr. PECORA. Can you tell from any other papers?

Mr. WIGGIN. No papers that I have.

Mr. PECORA. Have you any other papers with you?

Mr. WIGGIN. No, sir.

Mr. PECORA. What is your recollection of the matter?

Mr. WIGGIN. I have no recollection. I will have to look it up. We can undoubtedly get that from the Sinclair Co.

Mr. PECORA. From whom?

Mr. WIGGIN. The Sinclair Co.

Mr. PECORA. Why could we not also get it from the Shermar Corporation's books and records?

Mr. WIGGIN. We could get their share. We could get their dates of payment.

Mr. PECORA. Are the books of account of the Shermar Corporation here?

Mr. WIGGIN. Here it is. Here is when the Shermar paid. I have a memorandum before me which states, with respect to the Shermar participation, that on December 31, 1928, the Shermar Corporation paid in \$1,125,000 to the account. I am not sure that is the total payment, from this memorandum. I thought it would show in there, but it does not seem to.

Mr. PECORA. Was that the only payment made by the Shermar Corporation on account of its interest in this syndicate?

Mr. WIGGIN. I do not know. I will find out. [After conferring with associates.] I am advised that that is the only payment they have any record of in their information here.

Mr. PECORA. The syndicate was formed to purchase 1,130,000 shares at \$30 a share, and the Shermar Corporation participated to the extent of one twelfth thereof.

Mr. WIGGIN. Yes, sir; and that was cut down a little more. That was afterward cut down a little more, you remember.

Mr. PECORA. That was cut down to what?

Mr. WIGGIN. To 84,750 shares.

Mr. PECORA. Cut down to $7\frac{1}{2}$ percent. The total purchase price that the syndicate agreed to pay to the Sinclair Consolidated for these 1,130,000 shares, at \$30 a share, was \$33,900,000; $7\frac{1}{2}$ percent thereof would represent a figure greatly in excess of the \$1,125,000 which you say was the only payment made by the Shermar Corporation to the syndicate on account of its interest in the syndicate.

Mr. WIGGIN. Yes, sir. That payment was practically one half of the amount due, apparently, from the figures.

Mr. PECORA. Why was not the Shermar Corporation required to make its full payment representing its $7\frac{1}{2}$ percent interest in this syndicate?

Mr. WIGGIN. I do not know what the bookkeeping was. It must have paid for it one way or another, but why it was paid 50 percent at that time, I do not know, and I do not know how the other payments were made. We will try to ascertain.

Mr. PECORA. Do you know that any other payments were made?

Mr. WIGGIN. They must have been. The company got its money.

Mr. PECORA. Do you know what this common stock was selling for on the public exchange on October 25, 1928, that being the date of the formation of this syndicate?

Mr. WIGGIN. I do not know, sir. We can ascertain.

Mr. PECORA. Can you ascertain now?

Mr. WIGGIN. We will have to go back to the newspapers of that date. We have not got it here.

Mr. PECORA. I notice that the syndicate agreement marked "Committee's Exhibit No. 95" gave Arthur W. Cutten, as the manager, the right to borrow moneys on behalf of the syndicate. Were any moneys borrowed on behalf of the syndicate to enable it to carry out its operation?

Mr. WIGGIN. I do not know; very probably.

The CHAIRMAN. The syndicate was organized for 180 days. Do you know exactly when it was terminated?

Mr. WIGGIN. I think we have that date, Senator.

Mr. PECORA. April 16, about 180 days.

From the testimony you have given in the last few moments, the payment by the Shermar Corporation was not made until December 1928.

Mr. WIGGIN. That is what I understand.

Mr. PECORA. That is about 2 months after the syndicate was created. Do you know why it was not called upon to make any payments on account of its participation in this syndicate account at any prior date?

Mr. WIGGIN. I do not know.

Mr. PECORA. You referred before to a second syndicate agreement or operation. Is that the one that you designate as a trading syndicate?

Mr. WIGGIN. I understand that is the way they describe it in the letter.

Mr. PECORA. A trading syndicate. What was the purpose of the organization of that trading syndicate which had the same participants as the original purchasing syndicate?

Mr. WIGGIN. I think to aid the first syndicate.

Mr. PECORA. To aid the first syndicate to do what?

Mr. WIGGIN. In disposing of that large amount of Sinclair stock.

Mr. PECORA. Then, the syndicate which agreed to buy for \$30 a share, these 1,130,000 shares, at the same time organized or formed a trading account to enable it to dispose of those 1,130,000 shares, presumably at a profit?

Mr. WIGGIN. Apparently.

Mr. PECORA. Would you call that a pool account, Mr. Wiggin?

Mr. WIGGIN. We are getting back to an old subject, are we not?

Mr. PECORA. Yes. It seems to be an ever-present one.

Mr. WIGGIN. I do not know. Did they call it a pool account or do they call it a trading account?

Mr. PECORA. Would you call it a pool account?

Mr. WIGGIN. No; I would call it a trading account.

Mr. PECORA. How would you distinguish this, as a trading account, from what you recognize or understand to be a pool account?

Mr. WIGGIN. I do not know that I can.

Mr. PECORA. You think they are one and the same, do you?

Mr. WIGGIN. Similar.

Mr. PECORA. How was it designed to have this trading account, or pool account, operate?

Mr. WIGGIN. How was it designed to have it operate? What was the question?

(The reporter read the pending question.)

Mr. WIGGIN. Entirely in the hands of E. F. Hutton & Co., apparently.

Mr. PECORA. What was E. F. Hutton & Co. to do in behalf of this trading account or pool account?

Mr. WIGGIN. I suppose they were to buy and sell.

Mr. PECORA. They were to buy and sell on the exchange?

Mr. WIGGIN. I think so.

Mr. PECORA. With a view of eventually effectuating a sale and distribution of the 1,130,000 shares?

Mr. WIGGIN. I think that was the purpose, to aid the larger syndicate.

Mr. PECORA. Do you know the course of the buying and selling operations that E. F. Hutton & Co. conducted?

Mr. WIGGIN. I do not.

Mr. PECORA. Did it include short selling?

Mr. WIGGIN. I do not know what it included. I have no knowledge.

Mr. PECORA. These trading accounts or pool accounts are formed at times for the purpose of creating a market or stimulating a market for the security that they deal in, are they not?

Mr. WIGGIN. I do not know that I am enough of an expert to know just how to describe the purpose, but the purpose of the smaller syndicate undoubtedly was to aid in the distribution of the stock for the increased capital of the company.

Mr. PECORA. How was such aid given?

Mr. WIGGIN. I do not know. I am not a stockbroker. I can only guess at it, just as you could guess at it.

The CHAIRMAN. Do the commissions on the purchases and sales made by them go to them or to the syndicate?

Mr. WIGGIN. They go to the broker.

Mr. PECORA. Haven't you some familiarity with the operations of these trading or pool accounts, despite the fact that you are not a stockbroker?

Mr. WIGGIN. I do not know that I know any more about it than anybody else. I know there are those accounts, and I can imagine what they are for, just as you can.

Mr. PECORA. I have never been a participant in one, Mr. Wiggin, nor a beneficiary of any of them. You apparently have, so your opinion or knowledge would be based upon experience, which I lack, either sadly or wisely—I do not know. I would like to have you tell the committee your opinion of how these trading or pool accounts operate.

Mr. WIGGIN. I do not know enough about it to tell the committee. I might make some very serious error in my guess, and I do not like to guess.

Mr. PECORA. You are perhaps modest in saying you do not know enough about it. Tell the committee what you do know about it.

Mr. WIGGIN. I do not really know anything about it.

Mr. PECORA. Is it all a mystery to you?

Mr. WIGGIN. I have not the slightest familiarity with the way they are operated. I can only guess what it is for, just as you could guess.

Mr. PECORA. As a participant in such accounts, haven't you, in the course of your experience, acquired some knowledge of the way these accounts operate?

Mr. WIGGIN. I don't think so; only from results.

Mr. PECORA. From the results, how do you think they operate?

Mr. WIGGIN. This particular trading account showed that they bought and sold stock, and made a profit out of it.

Mr. PECORA. And made a very substantial profit.

Mr. WIGGIN. Yes.

Mr. PECORA. A profit of over one third of the original purchase price of the 1,130,000 shares of the stock purchased by the syndicate.

Mr. WIGGIN. I am speaking of the trading account. You are speaking of the trading account, I take it, when you are speaking of the profits.

Mr. PECORA. The profit of the trading account which was organized to effect a distribution of the 1,130,000 shares originally acquired by the syndicate, amounted to more than one third of the total cost to the syndicate of those 1,130,000 shares, did it not?

Mr. WIGGIN. You have separate figures on the trading account and you have separate figures on the underwriting of that lot of shares.

Mr. PECORA. Where are the figures on the trading account?

Mr. WIGGIN. We had those yesterday, you remember. The first letter you introduced on the subject was from Hutton.

Mr. PECORA. I do not recall introducing a letter in evidence yesterday from E. F. Hutton & Co.

Mr. WIGGIN. The first letter, I think, when you brought up the subject, was that letter.

Mr. PECORA. I think it was a letter to which you made a reference and which I have not yet seen and which I have not introduced in evidence.

Mr. WIGGIN. It does not really matter who saw it first.

Mr. PECORA. So long as you refer to that letter, will you produce it now?

Mr. WIGGIN. It is in your exhibits.

Mr. PECORA. We haven't any such letter.

Mr. CONBOY. We gave you that letter.

Mr. WIGGIN. You have it, Mr. Pecora.

Mr. PECORA. I don't think so.

Mr. CONBOY. We gave you the letter and then I think you said you did not want it.

Mr. PECORA. I recall Mr. Wiggin made some reference in his testimony to such a letter.

Mr. WIGGIN. Well, let us get the record. I do not think it really matters.

Mr. PECORA. I think it was dated some time in May 1929, as I recall your testimony about it, but I do not remember ever seeing the letter.

Mr. CONBOY. You have a photostat on the letter there. It is no. 77.

Mr. PECORA. Yes.

Mr. CONBOY. And your attention was directed to it.

Mr. PECORA. I show you what purports to be a photostatic reproduction of a letter sent to you or sent to the Shermer Corporation by E. F. Hutton & Co., dated May 17, 1929. Is that a true and correct copy of the letter to which you refer?

Mr. WIGGIN. Yes, sir; that is the letter. I do not think it is important, except that I did not want to confuse the committee about two different syndicates.

Mr. PECORA. No. Now, I think I will offer that letter in evidence.

The CHAIRMAN. Let it be admitted.

(Photostat of letter dated May 17, 1929, from E. F. Hutton & Co. to the Shermar Corporation, Re: Sinclair Trading Account, was thereupon designated "Committee Exhibit No. 97, Nov. 2, 1933.")

Mr. PECORA. The letter offered in evidence and marked "Exhibit No. 97" of this date is written on the letterhead of E. F. Hutton & Co. and reads as follows. [Reading:]

MAY 17, 1929.

THE SHERMAR CORPORATION.

*Care of Mr. A. W. Wiggins,
New York City.*

Re: Sinclair Trading Account

GENTLEMEN: At the request of the Manager of the above syndicate we have today closed the syndicate, showing a profit of \$418,383.54. We are therefore enclosing check to your order for \$13,946.12, being your proportionate share of this profit based on your 33,333 $\frac{1}{3}$ -share participation.

We are enclosing check for \$69,662.51, being the \$66,666.67 deposited by you with the Manager, with interest earned on same.

Your endorsement of these checks will be acknowledgment of the full and final settlement of your interest in this syndicate.

Yours very truly,

E. F. HUTTON & Co.

This profit of four hundred and eighteen thousand and odd dollars referred to in this letter was a profit accruing to the trading account as distinguished from the profit of over 12 million dollars that accrued to the syndicate purchasing account?

Mr. WIGGIN. That is as I understand it; yes, sir.

Mr. PECORA. Do you know what the range of market prices of this Sinclair Consolidated stock was during the life of this trading syndicate?

Mr. WIGGIN. I have no information on it, sir.

Mr. PECORA. Was Harry F. Sinclair, who was one of the participants in these two syndicates, an officer or director of the Sinclair Consolidated Oil Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you know what office he held in it?

Mr. CONBOY. Is there not a letter there? One of those papers that is in file 40, doesn't that indicate what office Mr. Sinclair held? Doesn't he sign in some capacity there?

Mr. PECORA. He signed in his individual capacity as a member of the syndicate.

Mr. CONBOY. Would you let me have that folder?

Mr. PECORA. Yes.

Mr. CONBOY. Look at the bottom of it, will you? It is the one you have in your hand. By whom is that signed?

Mr. PECORA. That is signed by P. W. Watts, vice president.

Mr. CONBOY. I thought his name was on there.

Mr. WIGGIN. I think he is chairman of the board, or I think he was at that time. I am not sure. That is easily ascertainable.

Mr. PECORA. Do you know why these 1,130,000 shares of the common stock of that Sinclair Consolidated Oil Corporation was not offered to the stockholders of that corporation for subscription?

Mr. WIGGIN. I do not.

Mr. CONBOY. Do you know that it was not?

Mr. PECORA. Well, there are no references anywhere here to indicate that it was.

Mr. CONBOY. No; but your question implied that it was not.

Mr. PECORA. And if it had been offered I imagine that it might have been subscribed for, because it proved to be such a low price for the stock, according to subsequent developments.

Mr. CONBOY. I thought you might have information there that there was not any exercise of any preempted right.

The CHAIRMAN. The syndicate made about \$9 a share profit?

Mr. WIGGIN. I haven't got that figure before me, but I think that is right.

Mr. PECORA. Did you or your family corporations frequently loan stock to brokers to enable them to cover short sales?

Mr. WIGGIN. I do not think frequently, but I think they have done it on some occasions. I haven't any detail in mind on it, but I think they may have.

Mr. PECORA. Did any of the shares you loaned by your—

Mr. CONBOY (interposing). Just a second. I am informed that there is a schedule showing that that we can furnish to you.

Mr. PECORA. Yes.

Mr. CONBOY. Do you want that information?

Mr. PECORA. Yes.

Mr. CONBOY. Mr. Pecora, I understand that a statement has been furnished to you that contains all of that information.

Mr. PECORA. I am just going to show to Mr. Wiggin a copy of that statement that has been furnished to us. Mr. Wiggin, I show you two typewritten sheets. I ask you to look at them and tell us if that constitutes a true and correct record of various transactions in which the Shermar Corporation loaned to the individuals or corporations or firms indicated thereon various shares of the securities listed in that statement. I ask you if this statement is a true, correct, and complete listing of those transactions had by the Shermar Corporation between June 2, 1927, and February 8, 1932.

Mr. CONBOY. Mr. Pecora, it is my information that this statement was subsequently corrected and you have the corrected copy. This is not the correct copy.

Mr. PECORA. I have just sent for one of my staff to see if he has the correct copy.

Mr. CONBOY. Do you want to withdraw this for the present?

Mr. PECORA. Yes. They are looking for that corrected list. Meanwhile, let me show you this typewritten statement, which purports to be a list of transactions in which the Murlyn Corporation between January 17, 1927, and February 1, 1931, loaned the stock shown thereon to the individuals named therein. I ask you if that is a true, correct, and complete compilation of all such transactions had by the Murlyn Corporation.

(Mr. Conboy compared documents.)

Mr. PECORA. Mr. Wiggin, will you look at this list which has just been handed me, and which I believe is a substitute for the one that I have shown you, and which appears to have been furnished to us as a corrected list in behalf of the Murlyn Corporation?

Mr. CONBOY (after examining document). This is right.

Mr. PECORA. The second one?

Mr. CONBOY. The second one is right.

Mr. PECORA. Then I will offer that in evidence and ask that it be spread on the record. It is intended to show the stocks loaned by the Murlyn Corporation at the time stated therein to the persons named therein.

The CHAIRMAN. Let it be admitted.

(Murlyn list of stocks loaned from Jan. 17, 1927, to Feb. 1, 1931, was thereupon designated "Committee Exhibit No. 98, Nov. 2, 1933", and same appears in full on page 3036.)

The CHAIRMAN. In the case of stocks loaned that means money engaged in short selling?

Mr. WIGGIN. Not necessarily.

Mr. PECORA. Is it not usually indicative of that?

Mr. WIGGIN. I have no way of knowing, but sometimes it is indicative of that, certainly.

Mr. PECORA. When requests were made of you or your family corporation for the loaning of stock what did you think that you were loaning the stock for if it was not to enable the persons to whom you loaned it to cover short sales?

Mr. WIGGIN. Well, it may have been to enable them to make delivery of something that was delayed in being received.

Mr. PECORA. It is also done for the purpose of enabling sellers of securities, which they do not own, to make delivery?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. In other words, to enable them to make delivery of short sales?

Mr. WIGGIN. Frequently.

Mr. PECORA. Have you any notion that these borrowings made by the Murlyn Corporation to the brokers named therein were not made for that purpose?

Mr. WIGGIN. May I see the list?

Mr. PECORA. Certainly [handing document to Mr. Wiggin].

Mr. WIGGIN. Of course, I have no way of telling in each case what the broker wanted to borrow the stock for, but in the case of the Chase Bank stock belonging to the Chase Securities Corporation it was not for a short sale; it was to enable them to make a delivery in connection with the transaction, as I understand it.

Mr. PECORA. Well, it was loaned to the Chase Security Corporation?

Mr. WIGGIN. Oh, yes.

Mr. PECORA. In those instances where the name of that corporation appeared as a borrower of stock?

Mr. WIGGIN. Undoubtedly. Perfectly right.

Mr. PECORA. If it was necessary for the Chase Securities Corporation to borrow such stock from you, then it was because the Chase Securities Corporation had made short sales of that stock?

Mr. WIGGIN. No; not necessarily.

Mr. PECORA. Well, for what other purpose would it borrow it?

Mr. WIGGIN (after conferring with associates). The big item in the loan of Chase stock on this list to the Chase Securities Corporation was to supply to them the necessary amount of stock they needed for the purchase of the Harris-Forbes Co.

The CHAIRMAN. How many shares?

Mr. WIGGIN. Sixty-two thousand four hundred and eighty-six. It was not a short sale; it was just to enable them to carry through that transaction.

Mr. PECORA. Now I show you what I understand is the so-called "corrected list" furnished by the Shermar Corporation to us.

Mr. CONBOY. It is not "so-called corrected"; it is corrected.

Mr. PECORA. All right; I am just referring to it as the corrected list, so-called "corrected list"—purporting to indicate the transactions between June 2, 1927, and February 8, 1932, in which the Shermar Corporation loaned stock to various individuals or companies named therein. I ask you if that constitutes a true, complete, and correct listing of those transactions.

Mr. CONBOY. Yes, sir.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted.

(Shermar list of stocks loaned from June 2, 1927, to Feb. 8, 1932, was thereupon designated "Committee Exhibit No. 99, November 2, 1933", and same appears in full on page 3038.)

Mr. PECORA. I notice on the list of the lendings of stock by the Murlyn Corporation the name of one O. L. Gubelman. Who was he?

Mr. WIGGIN. He is a dealer in securities with an office at 20 Pine Street.

Mr. PECORA. Is he a broker?

Mr. WIGGIN. I suppose you would call him a broker. He is not a member of the stock exchange.

Mr. PECORA. Is he a stock market operator?

Mr. WIGGIN. I think so.

Mr. PECORA. Do you suppose that he wanted that stock to cover a short sale?

Mr. WIGGIN. I don't know what he wanted that for.

Mr. PECORA. Who is the firm of Gude, Winmill & Co. whose name also appears as a frequent borrower of stocks from the Murlyn Corporation?

Mr. WIGGIN. It is a brokerage house with whom these companies do a good deal of business. One of my sons-in-law is a member of the firm.

Mr. PECORA. Which one?

Mr. WIGGIN. Prescott.

Mr. PECORA. I also notice that a borrower of stock from the Shermar Corporation is Pyncheon & Co. What was the business of that firm?

Mr. WIGGIN. Stockbrokers.

Mr. PECORA. Members of the Exchange?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Is that the firm that went into bankruptcy?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Were you a director of a corporation called the "Underwood-Elliott-Fisher Co."?

Mr. WIGGIN. I am still a director; yes, sir.

Mr. PECORA. And were you such a director in June 1929?

Mr. WIGGIN. I think so.

Mr. PECORA. While you were a director of that company did you participate in a trading account with the stock brokerage firm of Hayden, Stone & Co. which had for its purpose trading in the common stock of that company—that is, of the Underwood-Elliott-Fisher Co.?

Mr. WIGGIN. I do not recall it; but if it is on the record, I have no question of it.

Mr. PECORA. I show you photostatic reproduction of a communication addressed to you and others by Hayden, Stone & Co., dated June 14, 1929. Will you please look at it and tell us if it is a true and correct copy of such a communication received by you on or about the date which it bears.

Mr. WIGGIN. Yes; it is.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted and entered on the record.

(Letter dated June 14, 1929, from Hayden, Stone & Co. to Albert H. Wiggin, and others, was thereupon designated "Committee Exhibit No. 100, Nov. 2, 1933.")

Mr. PECORA. The letter reads as follows, marked "Exhibit No. 100", on the letterhead of Hayden, Stone & Co. [reading]:

JUNE 14, 1929.

Mr. ALBERT H. WIGGIN,
Mr. REEVE SCHLEY,
Mr. OSCAR GUBELMAN,
Mr. PHILIP D. WAGONER,
Mr. CHARLES HAYDEN,
New York City.

GENTLEMEN:

We have opened an account on our books known as Account No. 818 for the purpose of acquiring not to exceed 25,000 shares of Underwood Elliott Fisher common stock.

The handling of this order is in the hands of Mr. Oscar Gubelman. It is for the joint account of the five gentlemen to whom this letter is addressed, each having an equal proportionate interest. We shall be glad to carry this stock for the joint account. Any participant is at liberty at any time to take up his proportion of the shares. We should be very glad at your convenience to receive a check for \$25,000.00 from each of you as margin on the account.

Will you kindly confirm that this letter is in accordance with your understanding.

Very truly,

HAYDEN, STONE & CO.

Mr. CONBOY. Mr. Pecora, before you pass the stock loans, would you inquire of Mr. Wiggin what the purpose was of the loans to the Chase Securities of Chase Bank stock in July through October?

Mr. PECORA. From July 6, 1928.

Mr. CONBOY. To October 1928, because there might be an erroneous impression created by this examination.

Mr. PECORA. To October 1928. I will be glad to ask that question. Will you answer it, Mr. Wiggin?

Mr. WIGGIN. Yes. It was to enable Chase Securities Corporation or the Metpotan Corporation to make deliveries under the Dominick & Dominick option.

Mr. PECORA. That was the option that was given in connection with the operation by Dominick & Dominick as managers of the trading account regarding which you were questioned at some length yesterday?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Well, now, so long as you have mentioned that again, let me ask if the Shermar Corporation actually had that amount of Chase National Bank stock which it sold only to the Chase Securities Corporation which appears from the statement put in evidence as exhibit no. 99.

Mr. WIGGIN. No.

Mr. PECORA. It did not hold it?

Mr. WIGGIN. No.

Mr. PECORA. Shermar in turn had to borrow it from others; is that it?

Mr. WIGGIN. Had to obtain it from the other corporations.

Mr. PECORA. And from other individuals?

Mr. WIGGIN. Yes; that is right.

Mr. PECORA. Some of those other individuals being other officers of the Chase National Bank at the time?

Mr. WIGGIN. I don't think they borrowed any from other officers. [After consulting associate.] They did not borrow any from the other officers. They simply made deliveries, when the time came, to the other officers.

Mr. PECORA. Was this account evidenced by this letter of Hayden, Stone & Co. to you and to the other four gentlemen named therein, marked "Exhibit No. 100", a trading or pool account?

Mr. WIGGIN. I only know what the letter states. Apparently they did not expect to trade. They just wanted to buy. "Acquire" is what they say.

Mr. PECORA. Wasn't there a sale of any of the shares acquired by that account?

Mr. WIGGIN. There may have been. I don't know.

Mr. PECORA. For the purpose of refreshing your recollection thereon, let me show you what purports to be a photostatic reproduction of a letter addressed to the Shermar Corporation by Hayden, Stone & Co. and dated July 8, 1929, relating to 818 Joint Account Underwood-Elliott-Fisher, and ask you if that is a true and correct copy of such a letter received by the Shermar Corporation on or about the date which it bears.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted.

(Letter dated July 8, 1929, from Hayden, Stone & Co. to the Shermar Corporation, was thereupon designated "Committee Exhibit No. 101, Nov. 2, 1933.")

Mr. PECORA. The letter marked "Committee Exhibit No. 101" reads as follows. It is on the letterhead of Hayden, Stone & Co. [reading]:

NEW YORK, N.Y., July 8, 1929.

THE SHERMAR CORPORATION,
New York City.

818 JOINT ACCOUNT

UNDERWOOD ELLIOTT FISHER COMMON

DEAR SIR:

We enclose herewith a check to your order for \$80,539.84, \$25,000 of which is return of margin put up on the above account and \$55,539.84 is profit on your proportion of the same account.

Kindly acknowledge receipt.

Yours very truly,

HAYDEN, STONE & Co.

Mr. PECORA. Does not this letter, Committee Exhibit No. 101, indicate that this account evidence by the letter of June 14, 1929, marked "Committee Exhibit No. 100," was a trading or pool account?

Mr. WIGGIN. Absolutely.

Mr. PECORA. What is that?

Mr. PECORA. Absolutely.

Mr. PECORA. And it was a trading or pool account trading in the stock of a corporation in which you were then a director?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Have you with you the books corresponding to the stock register of the Shermar Corporation?

Mr. CONBOY. Just what book is it you want, Mr. Pecora?

Mr. PECORA. The stock register of the Shermar Corporation. Or the securities register. It might be known as the securities register.

Mr. WIGGIN. Oh, the securities owned by the Shermar?

Mr. PECORA. Yes.

Mr. WIGGIN. I thought you meant their own stock.

Mr. CONBOY. I think what you mean is the securities ledger, is it?

Mr. PECORA. Or securities ledger.

Mr. CONBOY. Are you finished with our folder on the Sinclair? If you are not, why, keep it, but if you are we would like to have it so we can keep it in our files, in order that it will not be displaced.

Mr. PECORA. The documents have been read into the record, so you can have them. The stenographer has them. When he is through I will have them returned.

While your associates are looking for that securities ledger or register let me ask you if you recall any transactions with Gude, Winmill & Co. in the stock of the Underwood Elliot Fisher Co. that were short sales?

Mr. WIGGIN. I do not recall any. I might not have known anything about it and yet there might have been some.

Mr. PECORA. Would you have any scruples against engaging in short sales of the stock of the company in which you were a director or officer?

Mr. WIGGIN. Oh, yes. I would not do it.

Mr. PECORA. What is that?

Mr. WIGGIN. I would not do it.

Mr. PECORA. Did not the Shermar Corporation do just that in connection with the stock of the Chase National Bank that it sold between August and December 1929?

Mr. WIGGIN. Yes, sir. But the family always had a great deal more than that amount of stock, as you know.

Mr. PECORA. Well, it was a species of short selling then against the box?

Mr. WIGGIN. The corporation entered into a short sale.

Mr. PECORA. What?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And the corporation and the family did not actually divest themselves of any shares because they covered the short sales by the purchase through the Murlyn Corporation on December 11, of the 42,506 shares that they sold short?

Mr. WIGGIN. Ultimately; yes, sir.

Mr. PECORA. You were also a director of the Brooklyn-Manhattan Transit Corporation, were you not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And at one time received a salary of \$20,000 from that corporation as such director?

Mr. WIGGIN. Not as a director. As the chairman of the finance committee, yes.

Mr. PECORA. As a member of the finance committee?

Mr. WIGGIN. As chairman of the finance committee; yes, sir.

Mr. PECORA. Were you, when you were chairman of this finance committee, an owner of a substantial block of the common and preferred stock of that company?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you recall in the early summer of 1932 engaging in heavy selling transactions in the common stock as well as the preferred stock of the Brooklyn-Manhattan Transit Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you recall the circumstances under which you made those transactions?

Mr. WIGGIN. I think so.

Mr. PECORA. What were they, generally?

Mr. WIGGIN. The company had owned the stock some time, and I realized that the company would probably have to stop paying dividends on the common stock, so we sold it.

Mr. PECORA. You sold it before any public announcement that the dividends would be passed?

Mr. WIGGIN. Before we knew positively.

Mr. PECORA. Before who knew positively?

Mr. WIGGIN. Before I knew.

Mr. PECORA. Before you as chairman of the finance committee knew positively that the dividend would be passed?

Mr. WIGGIN. Yes, sir. Before anybody knew it.

Mr. PECORA. About how many shares did you sell of the common stock of the Brooklyn-Manhattan Transit Corporation at that time?

Mr. WIGGIN. I think they sold practically all they had. I will find out the number.

Mr. PECORA. Well, you had a block of around 26,000 shares, did you not?

Mr. WIGGIN. I will find out.

Mr. PECORA. In the name of the Shermar Corporation?

Mr. WIGGIN. I will get that for you.

Mr. PECORA. At about the time that the Shermar Corporation commenced to make substantial sales of its holdings of the capital common stock of the Brooklyn-Manhattan Transit Corporation, did Mr. Gerhard M. Dahl also sell large blocks of the same common stock which he owned, and which was in the possession of the Chase Securities Corporation or the Chase National Bank as collateral for loans made to Dahl?

Mr. WIGGIN. My recollection is that his sales were 1 or 2 days later.

Mr. PECORA. What position did Mr. Dahl hold at that time in the Brooklyn-Manhattan Transit Corporation?

Mr. WIGGIN. Chairman of the board of directors.

Mr. PECORA. He was the executive head of the corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And you were chairman of the finance committee of the board?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. When for the first time, Mr. Wiggin, did you definitely know or have reason to believe that the board of directors of the Brooklyn-Manhattan Transit Corporation would pass the dividend on its common stock?

Mr. WIGGIN. I do not know that I can tell you the date, but my judgment was based on the fact that they had notes coming due, that the conditions were such that it was very difficult to finance.

Mr. PECORA. That is, that the B.M.T., which is the way I will refer hereafter to the Brooklyn-Manhattan Transit Corporation, had notes falling due which were held by the Chase National Bank in part?

Mr. WIGGIN. In part?

Mr. PECORA. Yes. And as a matter of fact was not the Chase National Bank at about the time you commenced these heavy sellings of the Shermar Corporation's common stock of the B.M.T. preparing to bring out a note issue for the B.M.T.?

Mr. WIGGIN. Not until later; no, sir. Not at that time. But they did later.

Mr. PECORA. Have you got the data from which you can tell the committee the dates of the sales that you made at around that period of time of the Shermar Corporation's holdings of the B.M.T. common stock?

Mr. WIGGIN. I think so.

Mr. PECORA. Will you give us those dates?

Mr. WIGGIN. I will have it in a minute.

The CHAIRMAN. Were those sales, Mr. Wiggin, made on the stock exchange?

Mr. WIGGIN. Yes.

Mr. PECORA. By the way, Mr. Wiggin, when was the meeting of the board of directors of the B.M.T. held at which the dividend on the common stock was passed?

Mr. WIGGIN. I will have to look it up. I do not know.

Mr. PECORA. Well, my recollection is it was June 20, 1932.

Mr. WIGGIN. Well, I do not know. If you know I will be satisfied.

Mr. PECORA. I think you will be able to confirm that that was the date. But, apart from the confirmation of it, and assuming that that was the date, how long before that time would you as chairman of the finance committee of its board of directors be in a position to know whether or not the condition of the company was such that at the meeting of the board on June 20 the dividend would be passed?

Mr. WIGGIN. Well, let us get the date of the dividend.

Mr. PECORA. Well, regardless of the date, how long before the date at which the dividend was passed would you as chairman of the finance committee think that you would be in possession of enough information to indicate whether or not the dividend was going to be passed?

Mr. WIGGIN. It would be a guess in any event. I would not know.

Mr. PECORA. Well, as chairman of the finance committee you were receiving a salary of \$20,000 a year, were you not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And for that salary I presume you rendered services of value to the company?

Mr. WIGGIN. I think so.

Mr. PECORA. And those services included or involved the possession by you of a comprehensive knowledge of the financial condition of the company currently, did they not?

Mr. WIGGIN. I think so.

The CHAIRMAN. When did you sell the common stock, Mr. Wiggin?

Mr. WIGGIN. I am getting the dates now, Senator.

Mr. PECORA. Well, how long before the meeting of the board at which the dividend was passed do you think as chairman of the finance committee you would have been in a position to know whether or not the dividend was going to be passed?

Mr. WIGGIN. I would not know.

Mr. PECORA. Or have reason to believe that it would be passed?

Mr. WIGGIN. Of course my judgment was based on the fact that they had a maturity that the market conditions made it very difficult to renew.

Mr. PECORA. How long before June 20 did you know that?

Mr. WIGGIN. Well, we knew it for some time.

Mr. PECORA. You knew it currently, did you not?

Mr. WIGGIN. We knew for some time that they had this maturity.

Mr. PECORA. And you knew that the company would have to refund those notes?

Mr. WIGGIN. That the company would have to refund those notes in part; yes.

Mr. PECORA. Yes; and you knew that because of the business and financial condition of the company?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And would not the passing of the dividend be a matter on which you would exercise, as chairman of the finance committee, a considerable weight?

Mr. WIGGIN. I think so.

Mr. PECORA. So that your judgment was not formulated at the time the meeting of the board, at which the dividend was passed, was held, was it?

Mr. WIGGIN. Oh, no.

Mr. PECORA. You had given thought to the matter some time prior?

Mr. WIGGIN. Undoubtedly.

Mr. PECORA. And when did you first reach the conclusion that, from your judgment at least, the board should pass the dividend?

Mr. WIGGIN. I think at the time I sold the stock.

Mr. PECORA. And it was about the same time that Mr. Dahl, the chairman of the board, sold large holdings of the stock?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, after the dividend was passed there was a marked depreciation of the market value of the stock, was there not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you know the range of prices that you obtained in connection with your sale then of the B.M.T. common stock that your Shermar Corporation owned?

Mr. WIGGIN. I cannot tell you. I will get that information.

Mr. PECORA. The data which we have, which has been obtained from the records of the Shermar Corporation, as well as from the Chase National Bank, would indicate, Mr. Wiggin, that on the 1st of June 1932 the Shermar Corporation owned 26,400 shares of the common stock of the B.M.T.; that on June 3, 1932, the Shermar Corporation sold 8,700 shares of that stock; that on June 4, 1932, the Chase National Bank sold 50,000 shares of the B.M.T. common stock from the collateral which had been pledged to it by Gerhard M. Dahl for a loan, a large loan which he was then carrying at the bank. Our data further shows that on June 6, 1932, the Shermar Corporation sold 17,700 shares of its common stock of B.M.T.

Mr. CONBOY. Did you say 17,700 or 17,100?

Mr. PECORA. 17,700 shares.

Mr. CONBOY. 17,100 I think is correct.

Mr. PECORA. 17,100, did you say?

Mr. CONBOY. Yes.

Mr. PECORA. And that on the same date, namely, June 6, 1932, the Chase National Bank sold 5,000 shares of the B.M.T. common stock from the collateral which it held to secure the loan to G. M. Dahl. And the following appears to be from our data the range of market quotations for the common stock, commencing with June 4 and ending on June 9:

June 4, high 25, low $23\frac{1}{2}$; June 5 is Sunday; June 6, high $24\frac{1}{4}$, low $17\frac{1}{2}$; June 7, high, $18\frac{3}{4}$, low $15\frac{1}{4}$; June 8, high $15\frac{1}{4}$, low $11\frac{1}{8}$; June 9, high $14\frac{3}{4}$, low 12.

So that in a period of 5 days the common stock went from a high of 25 to a low of $11\frac{1}{8}$. Have you followed those figures?

Mr. CONBOY. Our records do not indicate anything different.

Mr. PECORA. Do you know for what prices the Shermar Corporation sold its shares on June 3 and on June 6?

Mr. WIGGIN. I can give it to you approximately, and I think it will be near enough.

Mr. PECORA. All right.

Mr. WIGGIN. The question is what?

Mr. PECORA. The prices at which the Shermar Corporation on June 3 and on June 6 sold its holdings of B.M.T. common stock.

Mr. WIGGIN. I think an average of about 24.

Mr. PECORA. Yes.

The CHAIRMAN. Both dates?

Mr. WIGGIN. Well, the average on the whole thing, I think, was about that, Senator.

Mr. PECORA. And were there 50,000 shares sold by the Chase Bank for the account of G. M. Dahl?

Mr. WIGGIN. There was a large block sold.

Mr. PECORA. On June 4, 1932?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. On June 4, 1932, sold for prices ranging from 24 to 25?

Mr. WIGGIN. That is correct. He got just a little more for his than I got for mine.

Mr. PECORA. And both of you got a good deal more than the public sold it at after that day?

Mr. WIGGIN. No; because the stock is selling very much higher today. Mr. Pecora, I am asked if I understood the question correctly that the bank sold that stock for Dahl.

Mr. PECORA. Yes; the bank did sell that Dahl stock.

Mr. WIGGIN. That is right.

Mr. PECORA. And credited the proceeds of sale to his loan account?

Mr. WIGGIN. That is right.

Senator COUZENS. What is it selling for now?

Mr. WIGGIN. Well, I do not know today; but I should say about 30. [After conferring with his associates.] Twenty-six or twenty-seven today.

The CHAIRMAN. It went down to 11?

Mr. WIGGIN. It went down to 11, and went up to forty something, I think.

Mr. PECORA. Did you not know by June 3, 1932, that the dividend would be passed on June 20?

Mr. WIGGIN. Not certainly; no, sir. I thought they ought to, but I was only one.

Mr. PECORA. What is that?

Mr. WIGGIN. I thought they should pass it unless they could make arrangements for renewal of the notes.

Mr. PECORA. And you knew that negotiations were then in progress for the refunding of those notes by the Chase National Bank, did you not?

Mr. WIGGIN. We had been considering it right along.

Mr. PECORA. Let me show you a photostatic copy of what purports to be a memorandum to you on the question of the refunding of these notes, signed by "H. G. F.", who, I take it, is Mr. Freeman, then the president of the Chase Securities Corporation, dated June 4, 1932. Will you please look at it and tell me if it is a true and correct copy of such a memorandum received by you on or about that date? [Handing paper to Mr. Wiggin.]

Mr. WIGGIN (after examining same). Yes, sir.

Mr. PECORA. I offer it in evidence and ask to have it spread upon the record.

The CHAIRMAN. Let it be received in evidence and placed in the record.

(Memorandum signed "H. G. F." was received in evidence and marked "Committee Exhibit 102 of Nov. 2, 1933.")

Mr. PECORA. The memorandum, marked "Committee Exhibit No. 102" of this date, reads as follows. [Reading:]

MEMORANDUM

If the common dividend was passed there would be a saving of approximately \$3,000,000 per year. On the other hand, if the dividend was cut in half the saving would be \$1,500,000 per year. On the first basis, we think a 2-year issue with proper collateral might be made if there were quarterly sinking fund payments of \$750,000 each quarter. This would mean seven payments, as the end of the last quarter would be at maturity and would result in \$5,250,000 of the new notes being retired out of the \$13,500,000.

If the dividend was cut in half the sinking fund could be \$500,000 for each of the first four quarters and \$1,000,000 for the remaining three quarters, making a total retired of \$5,000,000. This could only be done, however, in case, after 9 months or possibly one year, the dividend was cut out entirely.

The other possibility in the situation, I understand, is that the employees might accept a 10% deduction from their wages, such an amount to be applied to the purchase of notes or bonds of the company. If it were done there would be a maximum of about \$2,500,000 available which could be used either in retirement of the notes or of the bank debt through purchase in the latter case of bonds in the treasury of the company, or held as collateral.

In regard to the banking syndicate, the present arrangement is that there is a 3/3 account on original terms between Hayden, Stone & Co, Chase Harris Forbes Corporation, and Seligman. This group then offers at a step-up of one third of 1 percent 33⅓ percent of the issue to Kuhn, Loeb & Company and associates, resulting in each of the original three having a 22.22% interest in the issue. Under the circumstances, it would seem unwise to attempt to obtain the ⅓ of 1% profit. If Chase were willing to take 50% of the issue, so far as the original group is concerned, there remains 16⅔% to be divided between Hayden, Stone & Co. and Seligman, provided Kuhn, Loeb and associates took 33⅓%.

I would like to talk about the situation after you have read this memorandum.

H. G. F.

JUNE 4, 1932.

So that is it fair to say from this memorandum that you knew before June 4, 1932, enough about the financial condition of the B.M.T. to indicate to you that the dividend would have to be passed?

Mr. WIGGIN. It indicated to me that there was a possibility of its being passed, and that my personal judgment would be that it should be passed. This, you will understand, was a study of the thing some time before any conclusion was reached on the finances.

Mr. PECORA. Exactly. This memorandum of June 4, 1932, simply is a product of study that had been commenced long before that date, is it not?

Mr. WIGGIN. No; commenced at about that time.

Mr. PECORA. Well, how long before June 4?

Mr. WIGGIN. I do not know that it was any before. It may have been that very day. You see, in ordinary conditions the company would have no difficulty financing, but we were in a market condition where you could not sell a perfectly good note, and we realized that we would have to get a forced extension or partially forced extension on that loan unless we could put it in shape where it would make an attractive note. We finally, in August, I think it was—August 1 was the maturity—we finally made an arrangement that saved the company and saved the credit of the company, and we believe we did a good job for the company.

Mr. PECORA. Is it fair to assume that the reasons that prompted you and Mr. Dahl to sell these holdings of your B.M.T. common

stock is the knowledge that you had of the financial condition of the company, which knowledge you acquired as the chairman of the finance committee and the chairman of the board respectively?

Mr. WIGGIN. Yes. I had no inside information, except the knowledge that influenced my judgment was the maturity of the notes, and everybody knew about it.

The CHAIRMAN. I have an idea, Mr. Wiggin, but you might explain it if you would: Just exactly what was this Brooklyn-Manhattan Transit Corporation's enterprise? What was that?

Mr. WIGGIN. Brooklyn-Manhattan Transit is a holding company that owns railroad operating companies, street railroads, subway and elevated railroads in Brooklyn and in Manhattan.

The CHAIRMAN. This was a holding company?

Mr. WIGGIN. This was a holding company.

The CHAIRMAN. Not an operating company?

Mr. WIGGIN. A holding company.

I ought to add one word there, I think, Mr. Pecora. The notes that were maturing on August 1 were in the hands of the investors; in the hands of the public. And it was impossible to sell a new note to the public. And largely by my efforts, helped by my associates on the committee, we placed the new issue in amounts and divided it up in enough places so that we did prevent a default and did enable the company to continue its preferred stock dividend.

Mr. PECORA. Are you through, Mr. Wiggin?

Mr. WIGGIN. Wait a minute. Hayden, Stone & Co. helped, and J. & W. Seligman—their representatives were on the board—helped. And we also received assistance in the matter from a number of the other banks who each took one half a million or a million of the notes. And in that way, by real strenuous efforts, we did prevent the default.

Senator COUZENS. Did those who took those notes sell them to the public again?

Mr. WIGGIN. No, sir.

Senator COUZENS. Or keep them in their portfolio?

Mr. WIGGIN. They kept them in their portfolio, and they have since been partially paid.

Senator COUZENS. What return was made on those shares that were sold around 24 or 25? That is, what was the dividend rate?

Mr. WIGGIN. On the shares?

Senator COUZENS. Yes; at the time that you were selling them.

Mr. WIGGIN. I will have to look that up. I do not remember. There was a dividend, but what it was up to that time I do not know.

Mr. PECORA. Now, there was a dividend on the preferred stock that was being paid?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That dividend was not passed on June 20, 1932, was it?

Mr. WIGGIN. No, sir.

Mr. PECORA. And was the Shermar Corporation a holder of the preferred stock of the B.M.T. at that time?

Mr. WIGGIN. It was; and it sold it. It made a mistake.

Mr. PECORA. What is that?

Mr. WIGGIN. It was a holder, and it sold it, and it made a mistake in selling it, just as it did with the common.

Mr. PECORA. And did Dahl hold on to his preferred stock in large part?

Mr. WIGGIN. The bank sold part of his stock.

Mr. PECORA. A small part only of the preferred stock?

Mr. WIGGIN. I will have to look that up.

The CHAIRMAN. Have you finished, Mr. Wiggin?

Mr. WIGGIN. I think so.

Mr. PECORA. The heavy selling of these shares of the common stock by you and Mr. Dahl between June 3 and June 6 contributed substantially to the downward trend of that stock, do you not think so?

Mr. WIGGIN. No, sir. We would not have sold if the stock had gone down. The bank said they would only sell if they could get the present market.

Mr. PECORA. Well, the bank got the present market, but the day after the sales by you and Dahl on June 5 or June 6, as I recall it, there was a decline in the high quotation for the stock of about 6 points from the preceding day?

Mr. WIGGIN. I do not know the dates, but it did decline afterward; yes, sir.

Mr. PECORA. Right afterward?

Mr. WIGGIN. Yes.

The CHAIRMAN. I wish to make the following statement for the record. I am just advised that the First National Bank of New York announced in a letter to stockholders today that it proposes to dissolve its securities affiliate, the First Securities Co., which was formed in 1908.

Mr. PECORA. I think, Mr. Chairman, that was either the first or the second securities affiliate organized in this country by any national bank. It was either the first or the second.

Mr. CONBOY. I suppose that dissolution is taking place under the new banking act.

The CHAIRMAN. Probably so.

Mr. PECORA. Mr. Chairman, I want to have subpoenas issued for Harry F. Sinclair and Arthur W. Cutten in connection with the syndicate operation in the stock of the Sinclair Consolidated Corporation.

The CHAIRMAN. Those subpoenas will be issued. We will now take a recess until 2:15 o'clock.

(Thereupon at 1:10 o'clock a recess was taken until 2:15 p.m. the same day, Thursday, Nov. 2, 1933.)

AFTER RECESS

The subcommittee resumed its hearing at 2:15 p.m. at the expiration of the recess.

The CHAIRMAN. The subcommittee will come to order. Proceed, Mr. Pecora.

TESTIMONY OF ALBERT H. WIGGIN—Resumed

Mr. PECORA. Mr. Wiggin, have you found that stock or investment securities ledger of the Shermar Corporation?

Mr. WIGGIN. I will inquire [talking to an associate]. I understand they have identified the account as shown in your papers.

Mr. PECORA. Yes. They have identified the account as it appears on page 96 of the Murlyn Corporation Investment Securities Journal. Have you got that here?

Mr. WIGGIN. I will find out. [After inquiring of an associate.] We have page 96 here before us.

Mr. PECORA. Mr. Wiggin, you have before you one of the books of accounts of the Murlyn Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What book is it?

Mr. WIGGIN. The Daily Journal.

Mr. PECORA. The Daily Journal?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you find any entries on page 96 hereof relating to any profits received by you or your family corporations from short accounts in the sale of the common stock of the Underwood Elliott Fisher Co.?

Mr. WIGGIN. Yes, sir. There is an item here marked "Proceeds of Underwood short account, O.L.G.—"

Mr. PECORA (interposing). And the "O.L.G." refers to O. L. Gubelman, doesn't it?

Mr. WIGGIN. Yes, sir; undoubtedly.

Mr. PECORA. Will you read the entire entries relating to this short account into the record, please?

Mr. WIGGIN. It reads:

Proceeds Underwood short account O.L.G., \$6,292.64.

Is there anything else?

Mr. PECORA. Is there another entry of a similar nature?

Mr. WIGGIN. I do not find it. Was there anything else you had in mind?

Mr. PECORA. Well, our accountant is going around the table there to point out to you another entry.

Mr. WIGGIN. Yes, Mr. Pecora; I now find on page 91, under date of August 15, 1929:

Profits Underwood T.W. short account O.L.G., \$3,130.98.

Mr. PECORA. Now, do those two entries serve to refresh your recollection as to whether or not at about a time corresponding to the dates of those entries you had entered into an account with O. L. Gubelman that made short sales of the stock of the Underwood Elliott Fisher Co.?

Mr. WIGGIN. Well, I don't recall it except from this. But is this the same account that—

Mr. PECORA (interposing). No. This is another account. In the one that you were examined about this morning, that was formed with Hayden, Stone & Co.

Mr. WIGGIN. Well, I don't recall it.

Mr. PECORA. But do these entries convey to you now information that at about the time of the making of those entries you, while a

director of the Underwood Elliott Fisher Co., engaged in an account that made short sales of the stock of that company?

Mr. WIGGIN. I do not recall it, but I have no doubt that this is so.

Mr. PECORA. Now, from the evidence already given by you it has appeared that Mr. Dahl, who you said was chairman of the board of B.M.T., was a heavy borrower from the Chase National Bank.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And some evidence has already been given indicating that he had a loan account with the Chase National Bank aggregating over 3 million dollars at one time, which was considerably undercollateralized.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And in addition to those three million and odd dollars of loans made to him personally, did the Chase National Bank from time to time make large loans to other individuals on notes endorsed by Mr. Dahl?

Mr. WIGGIN. I remember one loan.

Mr. PECORA. And what note was that?

Mr. WIGGIN. A loan to Barron Collier, indorsed by Mr. Dahl.

Mr. PECORA. What was the amount of it?

Mr. WIGGIN. I cannot recall, but I can ascertain.

Mr. PECORA. Will you please do so?

Mr. WIGGIN. Mr. Chairman and Mr. Pecora, before I answer the last question, let me speak again on the Elliott Fisher matter, to which Mr. Pecora directed my attention a moment ago.

Mr. PECORA. All right.

Mr. WIGGIN. That the family corporation always had on hand during that entire period about 9,000 shares of Underwood Elliott Fisher stock.

Mr. PECORA. Well, the short sales that were made were covered afterwards by the purchase of stock at prices that yielded a profit to the short account; isn't that so?

Mr. WIGGIN. I know nothing about the details of that account. That was entirely handled by Mr. Gubelman, and all that I have is this memorandum that I have just read to you, which describes it, on the books as a short account.

Mr. PECORA. All right.

Mr. WIGGIN. Now, in answer to your question about the loan to Barron Collier: I understand that the advances were made in various amounts, and at various dates, and that the maximum loan amounted to \$1,177,850.

Senator COUZENS. Were they all endorsed by Mr. Dahl?

Mr. WIGGIN. Yes, sir; guaranteed by Mr. Dahl.

Mr. PECORA. Do you know that Barron Collier had a contract with the B.M.T. which gave him or his company the advertising rights in the B.M.T.'s subway?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, to get back to the loans made to various individuals on the endorsement of Mr. Dahl: I have before me copy of a clearing house examiner's report on the Chase National Bank as of September 24, 1928, and it shows that as of that date there were loans outstanding to an aggregate amount of \$4,340,576, on which Mr. Dahl was endorser or guarantor. Have you got that record?

Mr. WIGGIN. I haven't any record.

Mr. PECORA. Will you look for it, under the identification number 204-8?

Mr. WIGGIN. I will ask for it. [Inquiring of an associate.] Now will you read the question?

Mr. PECORA. The committee reporter will repeat that question to you. [Which was done.]

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you know the nature of the loans that are represented in that item?

Mr. WIGGIN. Well, I can give you a part of them, anyway. There was \$260,127 loaned to Mr. Dahl—

Mr. PECORA (interposing). Well, that is exclusive of this item of \$4,340,576, isn't it?

Mr. WIGGIN. Yes, sir. And then on the next page you will find listed a loan to the Waubesa Corporation for the amount of \$4,340,576. And then there is listed that a part of the collateral was: 76,083 shares of B.M.T. common stock, 9,636 shares of B.M.T. preferred stock, 12,450 shares of New York Railway stock, and \$447,000 of New York Railways 6-percent bonds due in 1965.

Mr. PECORA. Does that loan represent this item of \$4,340,576?

Mr. WIGGIN. That is right.

Mr. PECORA. Was Mr. Dahl connected with that corporation?

Mr. WIGGIN. That is his family corporation, as I understand it.

Mr. PECORA. So that this loan of an amount of more than 4 million dollars was really a loan for the benefit of Mr. Dahl or his family?

Mr. WIGGIN. Undoubtedly.

Mr. PECORA. Do you know whether that is the private corporation of Mr. Dahl and his family?

Mr. WIGGIN. I understand so.

Mr. PECORA. What is the status of that loan today, if you know?

Mr. WIGGIN. Well, I think that is the loan out of which those sales of stock were made, so that it has been reduced by the proceeds of the sales of stock.

Mr. PECORA. What is the status of the loan?

Mr. WIGGIN. I will have to get that for you. [Inquiring of an associate.] I am advised that there is no loan at the present time to this family corporation of Mr. Dahl's, but that there is a loan to Mr. Dahl personally.

Mr. PECORA. Of what amount?

Mr. WIGGIN. I will inquire. [After inquiring of an associate.] Apparently the loan to the corporation was paid on March 12, 1930, and at the same time a loan to Mr. Dahl personally was made.

Mr. PECORA. In what amount?

Mr. WIGGIN. \$4,244,114.91.

Mr. PECORA. What is the status of that loan account?

Mr. WIGGIN. I will get it for you. [After consulting associates.] I can give it to you on October 13 last.

Mr. PECORA. That is close enough.

Mr. WIGGIN. The amount due was \$3,176,016.69.

Mr. PECORA. What is the value of collateral held by the bank against that loan?

Mr. WIGGIN. As I understand it, the value of the collateral on that date was about \$1,300,000.

Mr. PECORA. Do you know the purposes for which that loan of over \$4,000,000 was made?

Mr. WIGGIN. As I meant to make clear, the loan was made to him individually, and the larger part of it was used in connection with this family corporation.

Mr. PECORA. What was the purpose of making the loan originally to the family corporation?

Mr. WIGGIN. I simply think he believed in the stock thoroughly, and wanted to carry a lot of it.

Mr. PECORA. The stock of the B.M.T.?

Mr. WIGGIN. Yes, sir; and whatever else the collateral was.

Mr. PECORA. Did those loans make him the largest individual borrower from the bank, do you know?

Mr. WIGGIN. I do not think so.

Mr. PECORA. Is he the largest individual borrower from the bank among the officers and directors of the bank?

Mr. WIGGIN. I would have to look and see. We had a long list of directors, and I would have to make a thorough search before I could answer that question. It is only fair to say that undoubtedly when the loan was made it had ample margin. It was a perfectly good loan at the time it was made.

Mr. PECORA. He is still a director of the bank, is he not?

Mr. WIGGIN. No, sir.

Mr. PECORA. When did he cease to be a director?

Mr. WIGGIN. I am not sure, but I think it was January 1932 he ceased to be a director. That I will have to look up. I will have it for you in a minute.

Senator COUZENS. Does your record show the estimated value of the securities that were put up for that loan that you said was good at the time it was made?

Mr. WIGGIN. I do not have it here, but I can trace it back and see. It would not have been made if it had not appeared to be good at the time. He ceased to be a director in January 1933.

Mr. PECORA. January 1933. That was the time you ceased to be the executive head of the bank, was it not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Mr. Wiggins, will you turn to the correspondence files of the Shermar Corporation and see if you find therein reference to, or a copy of a letter addressed to Mr. Howard P. Ingels, care of Theodore Schulze & Co., Inc., 44 Wall Street, New York, dated April 6, 1927, designated as No. 308-A. Do you find it?

Mr. WIGGIN. I am getting that, but while they are getting that, in answer to Senator Couzens' question, let me give you these figures. The first Dahl loan was made December 28, 1927, and was for \$162,000. Then the original amount fluctuated by increases and decreases, and on March 12, 1930, the loan was \$553,978.26, secured by collateral, the market value of which on that date was \$814,100. Then on March 12, 1930, Dahl took over the Waubesa Corporation loan of \$4,244,114.91, and made a total loan of \$4,798,093.17, and the market value of the Waubesa collateral on March 12, 1930, before the transfer of the loan to Dahl, was \$6,208,900, and the market value of the collateral to the Dahl loan March 12, 1930, after the transfer of the Waubesa loan to Dahl, was \$7,023,000. In other words, the collateral was worth \$7,023,000, and the loan was then \$4,798,000.

Senator COUZENS. When you sold these shares that were put up for collateral that reduced the security to the point that it is now.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. But the proceeds of the sale were applied to the reduction of the loan.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Did you find the letter which I asked you about?

Mr. CONBOY. It reduced the number of securities and other things reduced the value of them as well. Have you got the letter you referred to?

Mr. PECORA. Yes.

Mr. CONBOY. Let us see it, if you please. [Mr. Pecora hands paper to Mr. Conboy.]

Mr. WIGGIN. Yes, sir. We have the letter.

Senator COUZENS. Do you want it in the record?

Mr. PECORA. I show you what purports to be a photostatic reproduction of such a letter. Do you recognize it as being a true copy thereof? [Exhibiting paper to the witness.]

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be received.

(The document referred to, letter Apr. 6, 1927, Wiggin to Ingels, was received in evidence, marked "Committee's Exhibit No. 103," Nov. 2, 1933, and the same was subsequently read into the record by Mr. Pecora.)

Mr. PECORA. The letter marked "Committee's Exhibit No. 103" heads as follows [reading]:

APRIL 6, 1927.

DEAR HOWIE:

Thank you very much for including me in the Tobacco syndicate without any responsibility. It is most generous of you. Regards to all. Renewed thanks.

Yours sincerely,

HOWARD P. INGELS, Esq.,

(% Theodore Schulze & Co., Inc., 44 Wall Street, New York, N.Y.)

Was the original of this letter sent by you?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you recall the Tobacco syndicate referred to therein?

Mr. WIGGIN. No, sir.

Mr. PECORA. What did you mean when you referred in the letter to the Shermar Corporation having been included in such a syndicate without any responsibility?

Mr. WIGGIN. I think it means just what it says.

Mr. PECORA. That is, that he gave your company a participation in the syndicate without your company assuming any liability or responsibility?

Mr. WIGGIN. I think so, apparently.

Mr. PECORA. Who is Mr. Ingels, the man to whom this letter is addressed?

Mr. WIGGIN. He is a neighbor of mine in the country.

Mr. PECORA. What was his business?

Mr. WIGGIN. He used to be with W. B. Thompson. Where he was at this time I do not know.

Mr. PECORA. The letter was addressed to him at this time care of Theodore Schulze & Co., 44 Wall Street, New York.

Mr. WIGGIN. He was undoubtedly with Theodore Schulze & Co.

Mr. PECORA. What sort of firm was that?

Mr. WIGGIN. They were a banking firm.

Mr. PECORA. Is there any reason why Mr. Ingels should include your corporation in a syndicate without your corporation assuming any responsibility or liability?

Mr. WIGGIN. Presumably, if it had gone wrong, they would have called on me for my share, but he was a personal friend, and we had done things together a good many times. That is the only reason I know of.

Mr. PECORA. Did you ever let him in on any of your participations without any liability or responsibility on his part?

Mr. WIGGIN. I don't think so.

Mr. PECORA. It was all one way, then.

Mr. CONBOY. You have the letter to which that is a reply.

Mr. PECORA. I show you what purports to be a photostatic copy of a letter addressed to you by Mr. Howard P. Ingels, dated April 6, 1927. Do you recognize it as being a true and correct copy of such a letter that you received on or about that date?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and spread on the record.

(The document referred to letter, Apr. 6, 1927, Ingels to Wiggin, was received in evidence marked "Committee's Exhibit No. 104, Nov. 2, 1933", and the same was subsequently read into the record by Mr. Pecora.)

Mr. PECORA. The letter is marked "Committee's Exhibit No. 104", and is written on the letterhead of Theodore Schulze & Co., Inc., 44 Wall Street, New York, and reads as follows [reading]:

APRIL 6, 1927.

Mr. ALBERT H. WIGGIN,
Care of The Chase National Bank,
New York, N.Y.

DEAR MR. WIGGIN:

You will recall that a couple of days before you left I spoke to you about a small operation that we were undertaking in connection with Universal Leaf Tobacco Co.

Having had you as a participant in every one of our syndicates since we have been in business, we couldn't leave you entirely out of this one, so carried a very modest participation for you. I am glad to enclose herewith the check covering the profits on the same.

We are very much pleased with the way things are going with the Splitdorf Company, especially in connection with the deal we have just made with the Radio Corporation.

Yours very truly,

HOWARD P. INGELS.

Mr. CONBOY. Will you just indicate upon the record that that is the letter to which the letter which you produced was a reply?

Mr. PECORA. Yes. [Addressing Mr. Wiggin.] I show you a type-written statement entitled "Balance sheets of the Chase Securities Corporation and its subsidiary companies as of December 31, 1932", which has been prepared by us, and I understand confirmed or checked by Mr. Hargreaves, of the Securities Corporation. Will

you please look at it and tell us if you recognize it as being a true and correct statement of the consolidated balance sheets of the Chase Securities Corporation and its subsidiary companies shown thereon, as of December 31, 1932? [Handing papers to the witness.] It is not a consolidated balance sheet, but a balance sheet of the parent company and its subsidiaries.

Mr. WIGGIN. Mr. Hargreaves tells me that he has checked this.

Mr. PECORA. And found it to be correct?

Mr. WIGGIN. And found it to be correct.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and spread on the record.

(The document referred to, balance sheets, Chase Securities Corporation and subsidiary companies, Dec. 31, 1932, was received in evidence, marked "Committee's Exhibit No. 105, Nov. 2, 1933", and the same will be found on p. 3040.)

The CHAIRMAN. The committee will stand adjourned now until 10 o'clock next Wednesday morning. The witnesses will all please observe that.

(Whereupon, at 3:10 p.m., Thursday, Nov. 2, 1933, the subcommittee adjourned to meet Wednesday, Nov. 8, 1933, at 10 a.m.)

COMMITTEE EXHIBIT No. 98, NOVEMBER 2, 1933

Murlyn stock loaned

Jan. 17, 1927, 3,500 shares Consolidated Textile Corporation loaned to O. L. Gubelman.....	\$12, 250. 00
Jan. 20, 1927, 1,500 shares Consolidated Textile Corporation loaned to O. L. Gubelman.....	5, 250. 00
Mar. 25, 1927, 3,700 shares Consolidated Textile Corporation loaned to O. L. Gubelman.....	12, 950. 00
Apr. 6, 1927, 1,900 shares Consolidated Textile Corporation loaned to O. L. Gubelman.....	6, 650. 00
Apr. 7, 1927, 2,000 shares Consolidated Textile Corporation loaned to O. L. Gubelman.....	7, 000. 00
Apr. 8, 1927, 1,000 shares Consolidated Textile Corporation loaned to O. L. Gubelman.....	3, 500. 00
Apr. 30, 1928, 400 shares Chase loaned to Chase Security Corporation.....	300, 000. 00
July 1, 1930, 2,300 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	231, 600. 00
July 2, 1930, 200 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	18, 400. 00
July 23, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	9, 600. 00
July 30, 1930, 800 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	72, 000. 00
July 31, 1930, 1,500 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	127, 500. 00
Aug. 4, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	8, 600. 00
Aug. 13, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	7, 700. 00
Aug. 18, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	8, 100. 00
Aug. 20, 1930, 200 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	16, 200. 00
Aug. 22, 1930, 200 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	15, 000. 00

Murlyn stock loaned—Continued

Aug. 22, 1930, 62,486 shares Chase loaned to Chase Security Corporation-----	\$35, 538. 91
Sept. 2, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.-----	8, 500. 00
Sept. 2, 1930, 100 shares American Rolling Mills loaned to Gude Winmill & Co.-----	5, 300. 00
Sept. 2, 1930, 200 shares St. Louis-San Francisco Ry. loaned to Gude Winmill & Co.-----	18, 400. 00
Sept. 3, 1930, 500 shares Chase loaned to Chase Security Corporation-----	75, 000. 00
Sept. 5, 1930, 400 shares Southern Ry. Co. loaned to Gude Winmill & Co.-----	33, 600. 00
Sept. 8, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.-----	8, 600. 00
Sept. 10, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.-----	8, 600. 00
Sept. 10, 1930, 200 shares American Rolling Mills loaned to Gude Winmill & Co.-----	10, 000. 00
Sept. 17, 1930, 200 shares American Rolling Mills loaned to Gude Winmill & Co.-----	10, 000. 00
Sept. 19, 1930, 1,900 shares American Rolling Mills loaned to Gude Winmill & Co.-----	88, 000. 00
Sept. 23, 1930, 100 shares American Rolling Mills loaned to Gude Winmill & Co.-----	4, 500. 00
Sept. 26, 1930, 200 shares St. Louis-San Francisco Ry. loaned to Gude Winmill & Co.-----	16, 600. 00
Sept. 26, 1930, 400 shares Southern Ry. Co. loaned to Gude Winmill & Co.-----	32, 000. 00
Oct. 3, 1930, 200 shares Southern Ry. Co. loaned to Gude Winmill & Co.-----	15, 200. 00
Oct. 3, 1930, 100 shares Otis Elevator loaned to Gude Winmill & Co.-----	5, 900. 00
Oct. 6, 1930, 500 shares Southern Ry. loaned to Gude Winmill & Co.-----	35, 000. 00
Oct. 6, 1930, 300 shares Southern Ry. loaned to Gude Winmill & Co.-----	21, 000. 00
Oct. 8, 1930, 100 shares Southern Ry. loaned to Gude Winmill & Co.-----	7, 200. 00
Oct. 9, 1930, 200 shares Southern Ry. loaned to Gude Winmill & Co.-----	14, 400. 00
Oct. 15, 1930, 500 shares U.S. Steel Co. loaned to Gude Winmill & Co.-----	74, 000. 00
Oct. 16, 1930, 1,300 shares Southern Ry. loaned to Gude Winmill & Co.-----	94, 900. 00
Oct. 16, 1930, 700 shares American Rolling Mills loaned to Gude Winmill & Co.-----	27, 300. 00
Nov. 7, 1930, 2,500 shares Standard Oil of Ohio preferred loaned to Chase Security Corporation-----	257, 500. 00
Nov. 24, 1930, 2,100 shares Standard Oil of Ohio preferred loaned to Chase Security Corporation-----	216, 300. 00
Nov. 26, 1930, 400 shares Standard Oil of Ohio preferred loaned to Chase Security Corporation-----	41, 200. 00
Jan. 12, 1931, 200 shares Southern Ry. loaned to Gude Winmill & Co.-----	11, 600. 00
Jan. 13, 1931, 100 shares Otis Elevator loaned to Gude Winmill & Co.-----	5, 700. 00
Jan. 14, 1931, 100 shares Otis Elevator loaned to Gude Winmill & Co.-----	5, 600. 00
Jan. 19, 1931, 100 shares Otis Elevator loaned to Gude Winmill & Co.-----	5, 600. 00
Jan. 29, 1931, 300 shares Underwood Elliott Fisher loaned to Gude Winmill & Co.-----	18, 000. 00
Jan. 29, 1931, 400 shares Otis Elevator loaned to Gude Winmill & Co.-----	22, 400. 00
Feb. 1, 1931, 100 shares Underwood Elliott Fisher loaned to Gude Winmill & Co.-----	6, 100. 00

COMMITTEE EXHIBIT No. 99, Nov. 2, 1933

Shermar stock loaned

June 2, 1927, 200 shares Utilities Power & Light B loaned to Pynchon & Co.....	\$3, 200. 00
June 19, 1928, 10,000 shares Chase rights loaned to Chase Security Corporation.....	500, 000. 00
July 6, 1928, 500 shares Chase National Bank stock loaned to Chase Security Corporation.....	300, 000. 00
Jan. 3, 1929, 500 shares Chase National Bank stock loaned to Chase Security Corporation.....	450, 000. 00
Aug. 9, 1929, 15,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	3, 325, 000. 00
Aug. 14, 1929, 2,500 shares Chase National Bank stock loaned to Chase Security Corporation.....	562, 500. 00
Aug. 19, 1929, 2,500 shares Chase National Bank stock loaned to Chase Security Corporation.....	562, 500. 00
Aug. 19, 1929, 10,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	2, 300, 000. 00
Aug. 19, 1929, 10,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	2, 350, 000. 00
Aug. 23, 1929, 2,500 shares Chase National Bank stock loaned to Chase Security Corporation.....	600, 000. 00
Aug. 27, 1929, 5,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	1, 066, 666. 67
Sept. 5, 1929, 5,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	1, 066, 666. 67
Sept. 19, 1929, 5,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	1, 150, 000. 00
Sept. 19, 1929, 5,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	1, 175, 000. 00
Sept. 23, 1929, 5,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	1, 225, 000. 00
Sept. 23, 1929, 500 shares Chase National Bank stock loaned to Chase Security Corporation.....	120, 000. 00
Oct. 7, 1929, 500 shares Chase National Bank stock loaned to Chase Security Corporation.....	122, 500. 00
Oct. 8, 1929, 500 shares Chase National Bank stock loaned to Chase Security Corporation.....	122, 500. 00
Oct. 15, 1929, 2,500 shares Chase National Bank stock loaned to Chase Security Corporation.....	612, 500. 00
Oct. 21, 1929, 500 shares Chase National Bank stock loaned to Chase Security Corporation.....	122, 500. 00
Oct. 23, 1929, 1,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	245, 000. 00
July 1, 1930, 1,500 shares New York, New Haven & Hartford R.R. loaned to Gude, Winmill & Co.....	150, 000. 00
July 2, 1930, 600 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	108, 000. 00
July 11, 1930, 1,000 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	189, 000. 00
July 12, 1930, 700 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	132, 300. 00
July 15, 1930, 800 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	150, 400. 00
July 16, 1930, 300 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	56, 400. 00
Sept. 2, 1930, 600 shares Chase National Bank stock loaned to Chase Security Corporation.....	90, 000. 00
Sept. 10, 1930, 100 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	5, 100. 00
Sept. 11, 1930, 300 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	15, 300. 00
Sept. 30, 1930, 100 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	4, 400. 00

Shermar stock loan—Continued

Oct. 1, 1930, 100 shares of New York, New Haven & Hartford R.R. loaned to Gude, Winmill & Co.	\$9, 700. 00
Oct. 3, 1930, 300 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.	13, 800. 00
Oct. 10, 1930, 300 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.	12, 900. 00
Oct. 14, 1930, 100 shares New York, New Haven & Hartford R.R. loaned to Gude, Winmill & Co.	9, 300. 00
Oct. 15, 1930, 1,100 shares New York, New Haven & Hartford R.R. loaned to Gude, Winmill & Co.	103, 400. 00
Jan. 12, 1931, 400 shares Crucible Steel loaned to Gude, Winmill & Co.	23, 200. 00
Jan. 12, 1931, 900 shares Hudson Manhattan R.R. loaned to Gude, Winmill & Co.	34, 200. 00
Jan. 13, 1931, 1,000 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.	41, 000. 00
Jan. 13, 1931, 100 shares Crucible Steel loaned to Gude, Winmill & Co.	5, 700. 00
Jan. 22, 1931, 100 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.	4, 200. 00
Jan. 23, 1931, 100 shares American Smelting & Refining second preferred loaned to Gude, Winmill & Co.	9, 700. 00
Jan. 28, 1931, 100 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.	4, 500. 00
Jan. 28, 1931, 100 shares American Smelting & Refining second preferred loaned to Gude, Winmill & Co.	10, 000. 00
Feb. 16, 1931, 800 shares Southern Ry. Co. loaned to Gude, Winmill & Co.	49, 600. 00
Feb. 26, 1931, 100 shares Southern Ry. Co. loaned to Gude, Winmill & Co.	6, 100. 00
Mar. 3, 1931, 100 shares, Southern Ry. Co. loaned to Gude, Winmill & Co.	5, 400. 00
Mar. 5, 1931, 100 shares Southern Ry. Co. loaned to Gude, Winmill & Co.	5, 300. 00
Mar. 9, 1931, 100 shares Southern Ry. Co. loaned to Gude, Winmill & Co.	5, 300. 00
Mar. 13, 1931, 400 shares, Southern Ry. Co. loaned to Gude, Winmill & Co.	20, 800. 00
Mar. 17, 1931, 100 shares, Southern Ry. Co. loaned to Gude, Winmill & Co.	5, 200. 00
Mar. 26, 1931, 400 shares Southern Ry. Co. loaned to Gude, Winmill & Co.	21, 200. 00
Mar. 26, 1931, 100 shares Crucible Steel loaned to Gude, Winmill & Co.	5, 000. 00
Apr. 22, 1931, 1,300 shares Western Union Telegraph loaned to Gude, Winmill & Co.	152, 100. 00
Apr. 23, 1931, 100 shares Western Union Telegraph loaned to Gude, Winmill & Co.	11, 600. 00
Apr. 23, 1931, 100 shares Southern Ry. Co. loaned to Gude, Winmill & Co.	5, 500. 00
Apr. 27, 1931, 900 shares Southern Pacific Ry. loaned to Gude, Winmill & Co.	75, 600. 00
Apr. 27, 1931, 100 shares Western Union Telegraph loaned to Gude, Winmill & Co.	11, 400. 00
Apr. 28, 1931, 100 shares Western Union Telegraph loaned to Gude, Winmill & Co.	11, 500. 00
Apr. 28, 1931, 100 shares Southern Ry. Co. loaned to Gude, Winmill & Co.	8, 300. 00
Feb. 1, 1932, 2,000 shares Western Union Telegraph loaned to Gude, Winmill & Co.	76, 000. 00
Feb. 8, 1932, 200 shares Western Union Telegraph loaned to Gude, Winmill & Co.	7, 600. 00

COMMITTEE EXHIBIT No. 105, Nov. 2, 1933

Balance sheets of the Chase Securities Corporation and its subsidiary companies as of Dec. 31, 1932

	Subsidiary companies							
	Pine Realty Co.	Kobdo Securities Corporation	The Board-ermare Corporation	Chase National Executors & Trustees Corporation, Ltd.	Chase Harris Forbes Cos.	Chase Harris Forbes subsidiaries		
						Chase Harris Forbes Corporation—New York	Chase Harris Forbes Corporation—Boston	Public Utility Associates, Inc. ¹
ASSETS								
Cash	\$2,095.06	\$40,456.95		\$330,079.20		\$1,829,132.33	\$368,119.95	
Bills and accounts receivable	3,504,062.50	31,081.49		19,112.71	\$207,114.97	7,933,791.64	727,665.11	\$513.15
Securities			No assets.			6,496,755.31	4,990,766.06	9,346,429.86
Investments in subsidiaries ¹			No assets.		18,353,667.27	515,561.56		
Land and buildings		4,943,265.21						
Leasehold		42,349.20						
Other assets		2,525.68				14,892.84	23,782.28	898.06
Total	3,506,187.56	5,059,678.53		349,191.91	18,560,782.24	16,790,133.68	6,110,333.40	9,347,841.07
LIABILITIES								
Bills and accounts payable		5,521,914.75		19,119.04			2,282,629.91	
Secured	3,388,000.00					6,400,000.00		
Unsecured	3,969.17					5,969,559.07		
Taxes and other reserves	423.86				11,108,258.45	1,191,794.80	162,796.88	8,638,996.82
Capital	100,000.00	150.00		330,000.00	6,125,600.00	3,000,000.00	1,500,000.00	150,000.00
Surplus and profits	13,764.53	462,386.22		72.87	1,326,923.79	228,779.81	2,164,906.61	558,844.25
Total	3,506,187.56	5,059,678.53		349,191.91	18,560,782.24	16,790,133.68	6,110,333.40	9,347,841.07
Capital and surplus of subsidiaries	113,764.53	462,386.22		330,072.87	7,452,523.79	3,228,779.81	3,664,906.61	708,844.25
Book value of investments in respective subsidiaries	100,000.00	150.00	1.00	330,000.00	24,094,742.62			

	Chase Securities Corporation	Subsidiary companies					
		American Express Co.	Equitable Trust Co. (new)	Garfield National Corporation	Harris-Forbes Building, Inc.	Metpotan Securities Corporation	49 Exchange Place Corporation
ASSETS							
Cash.....	\$307,067.14	\$3,471,645.00	\$633,760.75	\$24,326.55	\$546.13	\$17,877.50	\$57,648.86
Bills and accounts receivable.....	4,282,442.82	21,923,197.00	449,354.64			3,426,356.24	23,845.01
Securities.....	23,304,474.19	20,624,730.00	3,689,261.11	13,767,730.64		1,541,374.07	
Investments in subsidiaries ¹	68,036,522.37	10,516,500.00					
Land and buildings.....		6,057,129.00			1,448,880.66		3,894,149.20
Leasehold.....							279,873.00
Other assets.....		268,063.00	10,210.94		877.87		7,440.46
Total.....	95,930,506.52	62,861,264.00	4,782,587.44	13,792,057.19	1,450,304.66	4,985,607.81	4,262,957.53
LIABILITIES							
Bills and accounts payable.....		26,298,266.00	1,384,221.38		750,071.25	3,854,403.68	4,968,176.23
Secured.....	17,916,810.67						
Unsecured.....	2,330,292.38						
Due subsidiaries and Chase Securities Corporation.....	16,600,000.00	11,670,891.00		13,050,000.00			
Suspense.....	208,513.06					4,356.67	
Taxes and other reserves.....	3,874,890.41	1,010,088.00	68,070.26	63,617.94	12,500.00	1,101,847.46	1,336.92
Other liabilities.....		77,241.00	6,655.99				89.22
Capital.....	37,000,000.00	18,000,000.00	2,000,000.00	50,000.00	418,700.00	25,000.00	150.00
Surplus and profits.....	18,000,000.00	5,804,778.00	1,323,639.81	628,439.25	269,033.41		706,794.84
Total.....	95,930,506.52	62,861,264.00	4,782,587.44	13,792,057.19	1,450,304.66	4,985,607.81	4,262,957.53
Capital and surplus of subsidiaries.....		23,804,778.00	3,323,639.81	678,439.25	687,733.41	25,000.00	706,644.84
Book value of investments in respective subsidiaries.....	68,036,522.37	40,031,677.85	2,976,000.00	1.00	478,800.00	25,000.00	150.00

¹ American Express Co. stock pledged as security for loans.² $\frac{1}{4}$ interest in this company owned by Chase Harris Forbes companies.

