

# STOCK EXCHANGE PRACTICES

FRIDAY, NOVEMBER 17, 1933

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

The subcommittee met at 10 a.m., pursuant to adjournment on yesterday, 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, associate counsel to the committee; Alfred E. Mudge, Julian L. Hagen, and C. Horace Tuttle of Rushmore, Bisbee & Stern, also William Dean Embree and A. Donald MacKinnon, of Milbank, Tweed, Hope & Webb, counsel representing the Chase National Bank and The Chase Corporation; and Martin Conboy, counsel for Albert H. Wiggin.

The CHAIRMAN. The subcommittee will come to order. Before we proceed with the regular inquiry that is being made now, I should like to have made a part of the record, in order that it may be preserved and considered, a communication from Mr. Henry Goldman, Jr., of 29 Broadway, New York City, a member of the New York Stock Exchange, who makes certain suggestions with regard to some matters in connection with our study of the stock exchange. I think it a very important contribution to the subject. He wrote me on November 3, 1933, and sent a copy of a letter which he had addressed on the same date to Mr. Richard Whitney, who is the President of the New York Stock Exchange. Inasmuch as I consider these suggestions he makes quite valuable to us in our study of the subject, I wish the two letters made a part of the record.

HENRY GOLDMAN, Jr.,  
*November 3, 1933.*

Senator DUNCAN U. FLETCHER,  
*Chairman Committee on Banking and Currency,  
United States Senate, Washington, D.C.*

MY DEAR SIR: In addressing this letter to you, permit me to introduce myself as a member of the New York Stock Exchange, and incidently a specialist on that exchange operating for my own account. So that you may be a little more familiar with who I am, let me say that my father was for many years the senior member of the firm of Goldman, Sachs & Co., having retired and severed all connections with that firm in 1917. And likewise I beg to state that I have had no connection with that firm since 1917, when I was employed there as a clerk.

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The purpose of this letter is to be helpful to you and your committee in formulating a basis upon which the stock exchange of the country may operate without the constant storm of criticism from the Government and the vast public. At the same time let me say that my services are yours for the asking.

In my opinion the banks and bankers and the stock exchange of the country have lost the confidence of the public, and I believe that this confidence must be restored as a part of the general program of recovery.

The Securities Act of 1933 is the direct outcome, in my opinion, of the acts of the banks and the bankers. That reform was necessary, I agree 100 per cent. And likewise I agree that a reform of stock exchange practices is also necessary.

Men that I have contact with in my business life consider you and your committee the enemies of Wall Street. I, for one, do not.

Enclosed herewith I forward you a copy of a letter which I wrote today to Mr. Richard Whitney, President of the New York Stock Exchange, which speaks for itself, and is ample proof of what I stand for.

However, I believe that reform can be brought about without going through many weeks and months of brokers' testimony, answering of questionnaires, unpleasant articles appearing in the newspapers, and all the things which contribute to further undermining confidence.

The method I propose is the following:

1. That the Federal Government appoint a board of six men, call this board what you will, and give it the power to establish on the various stock exchanges rules and regulations for trading in securities which are not only legal, but fair and equitable to all concerned.

2. That this board shall be composed of the following:

Two members of the Committee on Banking and Currency of the United States Senate.

Two members of leading stock exchanges.

Two business or financial men who are known to understand the technique of stock-exchange business.

3. That the duties of this board further shall be to supervise, regulate, and scrutinize the activities of stock exchanges, stock-exchange firms, and stock-exchange members.

4. That the members of this board be appointed for periods of 2 years without regard to their political affiliations.

I beg to remain,

Respectfully,

HENRY GOLDMAN, Jr.

HENRY GOLDMAN, Jr.,  
New York, November 3, 1933.

MR. RICHARD WHITNEY,  
New York City.

DEAR MR. WHITNEY: On July 31 I wrote you a letter, the contents of which you are familiar with, and your kind response made me feel that you would welcome constructive suggestions in regards stock exchange practices, hence this communication.

Not a day has passed in the last few months but what I have felt more and more that changes must be made in stock exchange practices, or the Federal Government will step in and force these changes upon us. And I wish to go on record as saying that unless we, the stock exchange members, initiate and bring about these changes there is no telling how far the Government will go.

Therefore can we not have the courage to take the bull by the horns and make the changes that are necessary to satisfy the Government as well as the vast public?

I think you will agree with me when I say that both the banks and the bankers have lost the confidence of the public, and in my opinion their improprieties were the causes of the Securities Act of 1933.

Rightly or wrongly, I say the stock exchanges of the country have likewise lost the confidence of the public, and I believe this confidence can be restored, the more so if we, rather than the Government, initiate and bring about the changes that are inevitable.

I am as much interested in doing business and making money as the other 1,374 members of the New York Stock Exchange. However, I feel that we are confronted with a great problem, and each one of us must look at the situation

with broad vision, and not in the light of each one's selfish interests. I say this in view of the recommendations I am about to make, which would vastly affect the present set-up of many stock exchange firms and stock exchange members, including specialists, of whom I am one.

Therefore, I propose the following:

1. That the membership of the New York Stock Exchange shall be divided into two classes: (1) brokers, (2) dealers; and that each member shall be registered with the exchange as broker or dealer.

2. That no member of the exchange shall be permitted to change from broker to dealer, or vice versa, in less than 6 months.

3. That any member of the exchange who shall be a member of a firm, said firm shall be regarded in the classification of its stock exchange member; and, furthermore, firms having more than one exchange member, such members must be registered in the same identical classification.

4. That dealers shall be allowed to buy and sell securities for their own account only.

5. That brokers shall be allowed to buy and sell securities for the account of others only; this to be regarded as commission business, and shall apply to all classes of orders whether for nonmembers or for members.

6. That the odd-lot firms shall be registered as dealers and the associate brokers of odd-lot firms shall be registered as brokers.

7. That no firm registered as broker or any member of such firm be permitted to trade directly or indirectly in securities for its or his own account.

8. That no member of the stock exchange be permitted to have an interest in a joint account, pool, syndicate, or any such term as such an account might be given.

9. That no member of the stock exchange be permitted to have an option, a put, or a call on any listed security.

10. That the margin requirement on all accounts be maintained at the rate of 50 percent.

11. That long accounts and short accounts shall be set up on the books of all firms separately and that each such account shall be separately and individually margined.

12. That in the execution of orders on the stock exchange brokers only, and not dealers, shall have the privilege of stopping stock.

13. That stop loss orders, both buy and sell, shall be eliminated from stock exchange practice.

14. That the governing committee of the stock exchange be enlarged to include: Two United States Senators, each to be a member of a different political party, and at least one to be a member of the Committee on Banking and Currency of the United States Senate; two governors of the Federal Reserve Board; two presidents of leading commercial banks; one president of a leading life insurance company; one president of a leading fire insurance company.

In conclusion, let me say that I believe it does us, the stock exchange members, no good and it does the securities business no good to be constantly under a barrage of criticism, and at the same time to be looked upon by the 120 million people of the United States in a light of suspicion. Therefore, let us settle the uncertain ground we are walking upon once and for all. At the same time I believe that if a program along the lines I suggest were followed, the Government, as well as the press would be more aggressive in leaving us alone than in pursuing us as they now are.

This letter is not meant as a criticism of the New York Stock Exchange, of which I am proud to be a member, but quite to the contrary, it is my earnest desire to be helpful, and believe me to be

Very sincerely yours,

(Unsigned carbon copy enclosed to Sen. Fletcher by Mr. Henry Goldman, Jr.)

### TESTIMONY OF HARLEY L. CLARKE—Resumed

Mr. PECORA. Mr. Clarke, have you any statement to make to the committee?

Mr. CLARKE. (Shakes his head.)

Mr. PECORA. Have you been able to produce here this morning the documents or other written evidences that I asked you yesterday to

produce here concerning transactions that you had whereby you acquired as intermediary for General Theatres Equipment, or others, the assets of the four lamp companies and of Mitchell Camera Corporation that were alluded to in your testimony yesterday?

Mr. CLARKE. Yes, sir. We have sent for them and they are supposed to reach here sometime during the morning.

Mr. PECORA. When do you expect them to arrive?

Mr. CLARKE. Not later than 12 o'clock noon.

Mr. PECORA. All right. Now, Mr. Clarke, referring to a document put in evidence yesterday as committee Exhibit No. 135, are you now able to make any explanation, or reconciliation, of the statements and figures incorporated in this exhibit under the caption "Lamp Companies and Grandeur", on the second page thereof, with respect to the transaction whereby, in the first instance, you acquired the stock of the Mitchell Camera Co. and transferred that stock to Grandeur, Inc.?

Mr. CLARKE. I shall be glad to do so.

Mr. PECORA. Well, go ahead; and you have had since yesterday to ponder the subject.

Mr. CLARKE. It is only a matter of restating it, if I can, clearly.

Mr. PECORA. All right.

Mr. CLARKE. The statement of \$3,100,000 cash paid to me for the acquisition of certain properties, was made it is true, and the allocation of value given for the \$1,475,000 paid for the Mitchell Camera Co., plus a value given to the Grandeur interests, patents and so forth, claimed by Mr. Fox and owned by him, that is a purely arbitrary value as I see it, set up on the books of the Grandeur Co., and none of the items put together here will make that \$3,100,000, as far as I am able to see.

Mr. PECORA. Where originally did you get the information, or what knowledge did you originally have of the fact which caused you to say in this statement, and I refer to the paper marked "Committee Exhibit No. 135", that on August 1, 1929, Grandeur bought from you the stock of the Mitchell Camera Co., for \$3,100,000 cash?

Mr. CLARKE. As I explained to you, Mr. Pecora, this memorandum was made up at the request of Mr. Ross of your staff, for your guidance and convenience, from information we had available. We did the best we could, and we put down here what we had. We did not take it from the books of the company, and in so far as any of us knew, the statement was accurate. I find that it was not, as you know in one other matter which I corrected as soon as I found it out. This statement as to the allocation of this value, as far as we know, is still correct. But I have not seen this on the Grandeur books myself. But this was information taken from a memorandum we had in our office, and we put it down just as we had it.

Mr. PECORA. Then you had some memorandum or other record indicating or tending to indicate that in August of 1929 you received from Grandeur, Inc., the sum of \$3,100,000 cash for the stock which you had acquired in the Mitchell Camera Corporation?

Mr. CLARKE. And other things, yes; things that went along with it were allocated to that value, and it was so intended when we made this memorandum, breaking it up.

Mr. PECORA. Did you receive the sum of \$3,100,000 cash from the Grandeur Co. in August of 1929 for something?

Mr. CLARKE. Yes, certainly.

Mr. PECORA. You did?

Mr. CLARKE. Yes, and I also received another—

Mr. PECORA (interposing). That part of the statement is correct?

Mr. CLARKE. That is right.

Mr. PECORA. You did receive \$3,100,000 cash from the Grandeur Co. in August of 1929?

Mr. CLARKE. Yes.

Mr. PECORA. Now, what did you give to the Grandeur Co. for that \$3,100,000 cash?

Mr. CLARKE. We gave them the Mitchell Camera Co. and all of the claims of Mr. Fox, everything that was in dispute with Mr. Fox was given over to the Grandeur Co.

Mr. PECORA. What were those claims of Mr. Fox's that you are speaking about now?

Mr. CLARKE. Well, Mr. Fox claimed that he owned all of the Grandeur Co. at one time, everything that had to do with Grandeur patents, and so forth.

Mr. PECORA. Well, it strikes me that that is somewhat at variance with the testimony you have heretofore given, that you caused the Grandeur Co. to be organized for the express purpose of taking over the assets of the Mitchell Camera Corporation.

Mr. CLARKE. No, it is not at variance at all.

Mr. PECORA. What interest did Mr. Fox have?

Mr. CLARKE. Grandeur is the name of sound apparatus as well; and two people could have sound patents, or many people could have, and Grandeur is simply a name that was given to a certain development in the film business, of film pictures, including sound apparatus, including special machines, including special cameras. And I can best state it to you how special it would be when I say it was estimated that it would cost the entire industry 150 million dollars to replace their equipment with this equipment.

Mr. PECORA. I am afraid now you are talking about something I am not inquiring about.

Mr. CLARKE. Well, I am trying to answer your question.

Mr. PECORA. Well, you answered questions yesterday to the effect that Grandeur, Inc., was a corporation which you caused to be organized. Is that correct?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Now, you also stated yesterday in the course of your testimony that the reason why Grandeur, Inc., was organized by you, was to take over the assets of the Mitchell Camera Co., which you meanwhile had acquired from the Mitchell Camera Co. as an intermediary for Grandeur, Inc., which was about to be organized. Now, was that testimony given by you correct?

Mr. CLARKE. Yes, sir.

Mr. PECORA. All right. Then you acquired for \$1,475,000, as such intermediary for the Grandeur Co. about to be organized, all of the assets of the Mitchell Camera Co., didn't you?

Mr. CLARKE. Yes, sir.

Mr. PECORA. And then you turned those assets over to Grandeur, Inc., upon its organization, didn't you?

Mr. CLARKE. Yes, sir.

Mr. PECORA. And what did you get from Grandeur, Inc., for those assets?

Mr. CLARKE. I got \$3,100,000.

Mr. PECORA. Did you say \$3,100,000?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Well, then, you also testified yesterday, as I recall it, that you received from Grandeur, Inc., the same amount that you had paid for the assets of the Mitchell Camera Co., which amount you said was \$1,475,000.

Mr. CLARKE. That is just one of the items. That is for the Mitchell Camera Co.; yes.

Mr. PECORA. Now, what other assets of the Mitchell Camera Co. did you acquire that you turned over to Grandeur, Inc., but which you have not already mentioned?

Mr. CLARKE. Whatever claims Mr. Fox had. Mr. Fox claimed a great many things, and he also claimed that he had an interest in the Grandeur development made by the Mitchell Camera Co. He made many, many claims. Now, all of those were settled, Mr. Pecora, with Mr. Fox by paying him 2 million dollars, plus the stock.

Mr. PECORA. Did Mr. Fox have any interest in the Mitchell Camera Co. at the time you purchased its assets?

Mr. CLARKE. No. He had no interest that I know of. His claim was on a development that he had made there in those Grandeur cameras. Kindly distinguish between Grandeur as a product and Grandeur as a name, just like a sound machine and sound as we know it in the motion picture business. Grandeur, Inc., was a corporation, and when I have been speaking of Grandeur, perhaps, in my statement heretofore this morning, I was talking of the product, you see, of the products and patents and everything else relating to the development of the Grandeur film.

Mr. PECORA. Did you have any attorney examine into the claims of Mr. Fox, the claims that you have just mentioned?

Mr. CLARKE. Oh, yes. There was plenty of examination.

Mr. PECORA. Who examined that matter?

Mr. CLARKE. Principally Mr. Koegel.

Mr. PECORA. Were those claims of Mr. Fox's based upon patents?

Mr. CLARKE. Yes.

Mr. PECORA. And did Mr. Koegel inquire into the validity of Mr. Fox's claim?

Mr. CLARKE. Of the claims, yes, but I don't know how much he inquired into the validity of the patents.

Mr. PECORA. General Theatres Equipment, Inc., was interested, according to this contract of July 9, 1929, in pursuance of the terms and provisions of which General Theatres Equipment, Inc., was organized, only in acquiring the stock and assets of the Mitchell Camera Co., wasn't it?

Mr. CLARKE. Did you say General Theatres?

Mr. PECORA. Yes.

Mr. CLARKE. No. It was interested in acquiring that, and was interested in acquiring Grandeur, and much more in acquiring Grandeur, and it was necessary to have Mitchell Camera Co. as well.

Mr. PECORA. Where is there anything in this agreement of July 9, 1929, which has been introduced in evidence as committee exhibit no. 133, which obligates General Theatres Equipment, Inc., to purchase from Mr. Fox anything that he had of value by way of claims or anything else?

Mr. CLARKE. I do not know that there is anything in there.

Mr. PECORA. Just show it to me if you can (passing over to the witness, Committee Exhibit No. 133).

Mr. CLARKE. I do not know that there is anything in there. I do not imagine there is.

Mr. PECORA. Just look at it and see, and tell us.

Mr. CLARKE (after looking over the paper). There is nothing here that mentions Mr. Fox.

Mr. PECORA. Is there anything there that mentions purchasing from Mr. Fox or anybody else any claims of the amount of 2 million dollars?

Mr. CLARKE. No; it just speaks of the acquisition of half of the Grandeur stock for 2 million dollars.

Mr. PECORA. Where are the minute books of Grandeur, Inc.?

Mr. CLARKE. I don't know.

Mr. PECORA. Was there a written agreement of any kind entered into between you and Grandeur, Inc., defining or setting forth the terms and provisions and conditions under which you transferred to Grandeur, Inc., the interests or assets of the Mitchell Camera Co., which you had acquired as intermediary?

Mr. CLARKE. It was a settlement we made with Mr. Fox, and I don't think there was any written agreement in advance at all. But probably there was an agreement made at that time.

Mr. PECORA. Now, I haven't asked you anything about Mr. Fox.

Mr. CLARKE. Well, then, I misunderstood you.

Mr. PECORA. You set out to acquire the assets and the stock of the Mitchell Camera Co. originally with a view to turning those assets over to a corporation to be organized by you for that purpose, and which was eventually organized under the name of Grandeur, Inc., didn't you?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Now, at the time or before you transferred the stock and assets of the Mitchell Camera Co. to Grandeur, Inc., was a written agreement of any kind entered into between you or any agent or representative of yours, with Grandeur, Inc., covering the terms and conditions of the purchase by Grandeur, Inc., from you of the assets of the Mitchell Camera Co.?

Mr. CLARKE. I don't recall.

Mr. PECORA. What was that answer?

Mr. CLARKE. I don't recall any such thing.

Mr. PECORA. Well, can you conceive of the possibility that a transaction of that importance, involving as it did about 1½ million dollars or more, could have been carried out without some written agreement defining the rights, interests, and obligations of the parties to the transaction?

Mr. CLARKE. Yes, I can; for the reason that through my efforts Mitchell Camera Co. was acquired for the benefit of General Theaters, and it was put into Grandeur, Inc., for the same reason.

Mr. PECORA. All right. But was all that done on an oral understanding or agreement?

Mr. CLARKE. No. There was a written agreement for the purchase of Mitchell Camera Co.

Mr. PECORA. Was there a written contract for the purchase by either Grandeur, Inc., or General Theatres Equipment, Inc., of the assets of Mitchell Camera Co., which you had purchased?

Mr. CLARKE. I say to you that I don't recall.

Mr. PECORA. Well, I ask you, then, can you conceive of the possibility that such a transaction could have been consummated without a written agreement defining the rights, interests, liabilities, and obligations of the respective parties to that transaction?

Mr. CLARKE. Certainly I can, because it was acquired for that purpose and turned right over to them.

Mr. PECORA. Would you enter into a transaction of that magnitude without a written agreement defining the rights and interests of the parties?

Mr. CLARKE. There may be such an agreement. I don't recall one; but I certainly would make such an agreement, and would consider it a good business transaction, on the basis of the contract that was made for the purchase in this case of the Mitchell Camera Co.

Mr. PECORA. When you turned over whatever you had acquired of Mitchell Camera Co. to Grandeur, Inc., did you execute an instrument, deed, conveyance, assignment, bill of sale, or anything?

Mr. CLARKE. Of course, it was in my name, and the documents had to be made.

Mr. PECORA. And were such documents prepared?

Mr. CLARKE. Certainly.

Mr. PECORA. Who prepared them in your behalf?

Mr. CLARKE. I think they were probably prepared by the legal advisors of the bankers.

Mr. PECORA. By the legal advisors of whom?

Mr. CLARKE. Of the bankers, and by Mr. Koegel on behalf of myself.

Mr. PECORA. And by "the bankers" do you mean the syndicate composed of Chase Securities Corporation, Shermar Corporation, West & Co., Pynchon & Co., and W. S. Hammons & Co.?

Mr. CLARKE. Certainly.

Mr. PECORA. Who was their legal representatives?

Mr. CLARKE. Rushmore, Bisbee & Stern were their representatives.

Mr. PECORA. Do you recall which individual member or members of that firm attended to those legal details?

Mr. CLARKE. I do not, Mr. Pecora.

Mr. PECORA. Mr. Mudge, may I ask you off the record—  
(Thereupon Mr. Pecora made an inquiry of Mr. Mudge off the record.)

Mr. PECORA. Now, Mr. Clarke, did you have a written agreement with Mr. Fox under which you paid him, as you claim, the sum of 2 million dollars?

Mr. CLARKE. I don't recall any.

Mr. PECORA. How did you pay him, by check?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Was the check drawn against your individual deposit account?

Mr. CLARKE. The money was deposited, and the check was drawn, yes, sir, against my account.

Mr. PECORA. And you drew it against a deposit account which included this \$3,100,000 cash that you had obtained from Grandeur, Inc.?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Now, have you a memorandum of the date or dates of any such checks that you gave Fox?

Mr. CLARKE. Yes, sir.

Mr. PECORA. What are they?

Mr. CLARKE. There were two checks, both dated August 1, 1929.

Mr. PECORA. Well, go on.

Mr. CLARKE. One for \$1,625,000, and one for \$375,000.

Mr. PECORA. Both drawn by you?

Mr. CLARKE. Drawn by me, on the Chase National Bank of the city of New York.

Mr. PECORA. To the order of William Fox?

Mr. CLARKE. Yes, sir; and certified by the Chase National Bank and given to him.

Mr. PECORA. Did you receive from Fox any instrument of assignment or otherwise transferring to you or to Grandeur, Inc., any claims or property rights of any kind that he had for which you paid him this sum of two million dollars?

Mr. CLARKE. I assume that the proper documents were drawn for the whole transaction.

Mr. PECORA. Do you recall whether any such documents were drawn and delivered?

Mr. CLARKE. I do not recall the document; no, sir.

Mr. PECORA. Do you recall who drew any such documents?

Mr. CLARKE. I do not.

Mr. PECORA. What attorney or attorneys acted for you in those transactions?

Mr. CLARKE. Mr. Koegel acted for me.

Mr. PECORA. Mr. Koegel?

Mr. CLARKE. Yes, sir.

The CHAIRMAN. What were the dates of those checks?

Mr. CLARKE. Both dated the same day, August 1, 1929.

Mr. PECORA. Was that date, August 1, 1929, the date upon which you received the payment of \$3,100,000 from Grandeur, Inc.?

Mr. CLARKE. Probably so, but I don't know. All that I have is a memorandum here that says August of 1929, and this was August 1 that the checks were issued, and so I assume it was the same day.

Mr. PECORA. Now, referring again to committee exhibit no. 135 in evidence, and to page 2 thereof, you will find on your copy thereof the following item:

Paid William Fox August 1, 1929, to be used for the purchase of half of Grandeur stock, \$2,000,000.

Mr. CLARKE. I do find it.

Mr. PECORA. And is that the item that relates to these two payments by check aggregating 2 million dollars?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Well, according to that item, that was paid to Mr. Fox not for anything that Mr. Fox turned over to you, as I understand the phraseology of this item, but it was paid to Mr. Fox to be used by him for the purchase of half of the Grandeur, Inc., stock.

Mr. CLARKE. Yes, sir; that is correct.

Mr. PECORA. And that is correct?

Mr. CLARKE. Yes, sir; that is the way the deal was made.

Mr. PECORA. Well, was Mr. Fox to purchase that half of the Grandeur stock for himself?

Mr. CLARKE. Yes.

Mr. PECORA. Well, how in the world did Grandeur, Inc., get the benefit of anything from Mr. Fox for that 2 million dollars?

Mr. CLARKE. It is a part of the consideration, Mr. Pecora.

Mr. PECORA. What was that answer?

Mr. CLARKE. It was a part of the consideration for what was given Mr. Fox.

Mr. PECORA. A part of the consideration for what?

Mr. CLARKE. For Mr. Fox's interests and claims, and so forth, and so forth. And he claimed nearly everything regarding Grandeur, and this settlement was made with him, and about that time a contract was also made with him to acquire for all the 1,000 theaters owned by Fox Theaters, and the Fox Films, the Grandeur apparatus which I testified about last week.

Mr. PECORA. What benefits did Grandeur, Inc., or General Theatres Equipment, Inc., get for the 2 million dollars which it paid to Fox, which according to the statement you have just made, was to enable Fox to purchase half of Grandeur, Inc., stock?

Mr. CLARKE. We bought all of Mr. Fox's claims of every kind in the Grandeur development. And it also assured us the business of Fox Theaters and Fox Films for Grandeur apparatus.

Mr. PECORA. Who owned Grandeur, Inc., at the time that Fox received the \$2,000,000 to be used for the purchase by him of half of its stock?

Mr. CLARKE. As I testified, it was organized by General Theatres to take over Mitchell Camera Co. and these other things that Mr. Fox claimed, and other claims.

Mr. PECORA. If it was organized by General Theatres Equipment, Inc., it was so organized in pursuance of the agreement and understanding that you had arrived at with the members of the banking syndicate, wasn't it?

Mr. CLARKE. I would say so; yes.

Mr. PECORA. And that agreement was reduced to writing and consists of Committee Exhibit No. 133 heretofore put in evidence, doesn't it?

Mr. CLARKE. Yes.

Mr. PECORA. Why wasn't there anything said in this agreement, then, concerning Mr. Fox and his interests, or as to what he was to acquire in Grandeur, Inc., or what Grandeur, Inc., was to acquire from him?

Mr. CLARKE. I don't know.

The CHAIRMAN. Were half of the shares of Grandeur, Inc., actually issued to Mr. Fox?

Mr. CLARKE. Yes, sir; either to Mr. Fox or his nominees.

The CHAIRMAN. That 2 million dollars was not absolutely given by you to Mr. Fox, or loaned by you to Mr. Fox, but was in payment of Mr. Fox's claims; is that it?

Mr. CLARKE. That is correct.

Mr. PECORA. Now, what is meant by the item that appears also in Committee Exhibit No. 135, on page 2 thereof, under the caption "Lamp Companies and Grandeur", and which reads as follows:

And gave William Fox 25,000 shares of GTE at \$30, with repurchase agreement, \$750,000.

What does that refer to?

Mr. CLARKE. The stock was also a part of the consideration, and the stock was given to him to either keep or dispose of according to that agreement to repurchase.

Mr. PECORA. Was that stock given to him in payment of those claims of his?

Mr. CLARKE. A part of the consideration; yes, sir.

Mr. PECORA. That is, stock worth \$750,000 was given to him in addition to the 2 million dollars in cash?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Well, who gave him those 25,000 shares of General Theatres Equipment, Inc.?

Mr. CLARKE. I don't know. I suppose General Theatres did, or I loaned it to them. I gave it to them.

Mr. PECORA. You did what?

Mr. CLARKE. I gave it to them.

Mr. PECORA. Out of your holdings?

Mr. CLARKE. Yes, sir. Mr. Keller says out of my holdings.

Mr. PECORA. Who says so?

Mr. CLARKE. Mr. Keller advises me that it was given out of my holdings.

Mr. PECORA. Did Mr. Keller, at the time you had this transaction with Fox, represent you?

Mr. CLARKE. No, unfortunately not. [Laughter.]

Mr. PECORA. Then whatever knowledge or information he has about the matter is purely hearsay?

Mr. CLARKE. No. He got that from the records. All this information was information secured from our own records and from other sources, wherever we could get it.

Mr. PECORA. Then, so far as he is concerned, it is all hearsay, isn't it?

Mr. CLARKE. Well——

Mr. PECORA. Did you know Mr. Keller in August of 1929?

Mr. CLARKE. Oh, yes.

Mr. PECORA. Was he employed by you in any capacity whatsoever at that time?

Mr. CLARKE. Mr. Keller came with me April 1, 1930.

Mr. PECORA. Did he have anything to do with the transaction that you had in July and August of 1929 with Mr. Fox?

Mr. CLARKE. No.

Mr. PECORA. And you had to be reminded by Mr. Keller that you were the one who turned over those 25,000 shares of General Theatres Equipment, Inc., stock, worth \$750,000, to Mr. Fox?

Mr. CLARKE. Mr. Pecora, I am trying to give you correct answers.

Mr. PECORA. But, I say, you had to be reminded by Mr. Keller that you were the person who gave that stock to Mr. Fox.

Mr. CLARKE. I was reminded of it; yes.

Mr. PECORA. You had not recalled it until Mr. Keller reminded you of it, had you?

Mr. CLARKE. No; I believe not.

Mr. PECORA. Will you please tell this subcommittee why it was necessary for you, out of your pocket so to speak, to turn over to Mr. Fox, as part and parcel of this deal, \$750,000 of stock? What did you get for it from Mr. Fox or anybody else?

Mr. CLARKE. Well—(and witness ceases speaking while Mr. Keller is whispering to him).

Mr. PECORA. Oh, Mr. Keller, let Mr. Clarke answer the question, please.

Mr. KELLER. All right.

Mr. PECORA. If he cannot answer, let him say so; and if he wants information from you the record will then show he has obtained it from you. But don't whisper anything to him when I put a question to him.

Mr. KELLER. Very well.

Mr. PECORA. Now, answer the question, Mr. Clarke.

Mr. CLARKE. May I have the question read to me, now?

Mr. PECORA. Certainly. The committee reporter will read the question to you. [Which was done.]

Mr. CLARKE. The only consideration I got from it was a benefit that I thought it would be to me for my other stock.

Mr. PECORA. What other stock do you refer to?

Mr. CLARKE. The stock that I owned in General Theatres.

Mr. PECORA. Well, that same benefit would have flowed to the other stockholders, wouldn't it?

Mr. CLARKE. It certainly would.

Mr. PECORA. Why should you, out of your personal shares, turn over to Mr. Fox \$750,000 for benefits that were not flowing to you exclusively but which would flow to all of the stockholders of General Theatres Equipment, Inc.?

Mr. CLARKE. Well, I thought it would—well, I have done many things in my life that would benefit all of the stockholders of a company, and I did this in the same spirit.

Mr. PECORA. You say you did this in the same spirit?

Mr. CLARKE. Yes, sir.

Mr. PECORA. In a spirit of liberality and generosity toward your fellow stockholders of General Theatres Equipment, Inc.?

Mr. CLARKE. I did not use those words.

Mr. PECORA. No, but I am using them, and am asking you if that is the fact.

Mr. CLARKE. Yes, it helped them.

Mr. PECORA. Well, we now have another Santa Claus in the record. [Laughter.]

Mr. CLARKE. Thank you.

Mr. PECORA. Now, in this statement, committee exhibit no. 135, there appears this further item under "Lamp Companies and Grandeur" which I will read:

Commissions to H. E. Van Duyne, \$100,000.

Who paid those commissions?

Mr. CLARKE. Those commissions were to be paid by me, but they are not paid yet. The amount is put in escrow because it is still in dispute.

Mr. PECORA. When did you prepare the statement that has become Committee Exhibit No. 135 for my guidance?

Mr. CLARKE. I did not prepare it. Mr. Keller prepared it.

Mr. PECORA. When did you cause it to be prepared by Mr. Keller or anyone else?

Mr. CLARKE. I don't know the date.

Mr. PECORA. Was it recently?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Within the last month?

Mr. CLARKE. Yes, sir. At the request of Mr. Ross out here in the hall, I had it prepared to try to help you.

Mr. PECORA. Why did you include that item as a payment actually made?

Mr. CLARKE. Because it is an item that has to be paid if we do not settle it for less; and if it is settled for less the money will go back to General Theatres Equipment, Inc.

Mr. PECORA. The money will go back where?

Mr. CLARKE. To the General Theatres.

Mr. PECORA. Did you say to General Sales?

Mr. CLARKE. No; to General Theatres Equipment, Inc.

Mr. PECORA. Oh. When did you get this \$100,000 to be paid to Mr. Van. Duyne but which has not yet been paid?

Mr. CLARKE. I got it out of those funds.

Mr. PECORA. That is, back in August of 1929?

Mr. CLARKE. Yes, sir.

Mr. PECORA. And not a penny of it has been paid to Mr. Van Duyne as yet?

Mr. CLARKE. No, sir.

Mr. PECORA. Is this fund in escrow?

Mr. CLARKE. Yes.

Mr. PECORA. Where?

Mr. CLARKE. In Chicago.

Mr. PECORA. In what account?

Mr. CLARKE. In my account.

Mr. PECORA. Is it a special account?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Is it an escrow account?

Mr. CLARKE. Yes, sir.

Mr. PECORA. When was that account established?

Mr. CLARKE. At that time.

Mr. PECORA. Is there litigation between you and Mr. Van Duyne about this amount?

Mr. CLARKE. It has never got into court; no, sir.

Mr. PECORA. Are there any disputes or controversies pending between you?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Involving the \$100,000?

Mr. CLARKE. Yes, sir.

Mr. PECORA. But they have not gone into court yet?

Mr. CLARKE. No, sir.

Mr. PECORA. What bank in Chicago carries this special account?

Mr. CLARKE. Either the Continental or the Central Trust, and I don't know which.

Mr. PECORA. Don't you recall which bank it is in?

Mr. CLARKE. No. It is just in my account, marked special for Van Duyne.

Senator COUZENS. Is there any escrow agreement?

Mr. CLARKE. There are some letters in existence between myself and Mr. Van Duyne.

Senator COUZENS. So there is no escrow agreement, as a matter of fact?

Mr. CLARKE. But it is considered to be held in escrow for Mr. Van Duyne.

Senator COUZENS. What is there to prevent you from drawing upon it?

Mr. CLARKE. Nothing.

Senator COUZENS. So, in effect, it is not in escrow, if you can draw upon it at any time?

Mr. CLARKE. No.

Mr. PECORA. Did you make an accounting of any kind—did you render an accounting of any kind to General Theatres Equipment, Inc., that made any mention at all of this \$100,000?

Mr. CLARKE. Oh, yes.

Mr. PECORA. When?

Mr. CLARKE. At the time this deal was made.

Mr. PECORA. Was it in writing?

Mr. CLARKE. I assume it was.

Mr. PECORA. Have you a copy of it?

Mr. CLARKE. No, sir.

Mr. PECORA. Did you ever have a copy of it?

Mr. CLARKE. I said I assumed such a thing was done. And I suppose it is in the records of General Theatres Equipment, Inc.

Mr. PECORA. I asked you if you ever had a copy of it.

Mr. CLARKE. Not to my knowledge.

Mr. PECORA. Have you any clear recollection that such a written accounting was rendered by you?

Mr. CLARKE. I think it would be necessary, yes.

Mr. PECORA. Well——

Mr. CLARKE (continuing). But I don't know.

Mr. PECORA. Well, you don't know. Is that the answer to my question?

Mr. CLARKE. Yes, sir.

Mr. PECORA. You said it was in either one or the other of two banks. What are the names of those banks, again, as I want to make a note of them?

Mr. CLARKE. It is either in the City National Bank or——

Mr. PECORA (interposing). Oh, then that is a third bank and you had not mentioned it.

Mr. CLARKE. No. It is a new name for the bank, is all.

Mr. PECORA. Well, what is it?

Mr. CLARKE. Now it is the City National Bank.

Mr. PECORA. Do you mean the City National Bank of Chicago?

Mr. CLARKE. That is right.

Mr. PECORA. Or it is in what other bank?

Mr. CLARKE. The Continental Illinois Bank & Trust Co.

Mr. PECORA. That is in Chicago, too?

Mr. CLARKE. Yes, sir; that is in Chicago, too.

Mr. PECORA. What is that, now?

Mr. CLARKE. The Continental Illinois National Bank & Trust Co., I believe is the name.

Mr. PECORA. You are sure the account is in your name as a special account, in the name of Harley L. Clarke, as a special account I mean, and not in the name of just Harley L. Clarke?

Mr. CLARKE. I say it is in my account marked as a special account by me.

Mr. PECORA. Well, I do not quite understand that. Is it in a general-deposit account that you maintain at either one or other of these banks?

Mr. CLARKE. Yes, sir.

Mr. PECORA. When you say it is marked as a special account, what do you mean by that? Where is it marked in that way?

Mr. CLARKE. It is marked in that way on my records.

Mr. PECORA. Where?

Mr. CLARKE. On my records.

Mr. PECORA. Do you say on your records?

Mr. CLARKE. Yes, sir.

Mr. PECORA. And not on the bank records?

Mr. CLARKE. No, sir.

Mr. PECORA. Then the form of the deposit itself is not a special-deposit account, is it?

Mr. CLARKE. Well, I consider it special; yes.

Mr. PECORA. No matter what you may consider it, what is it in form?

Mr. CLARKE. In form it is a general deposit.

Mr. PECORA. It is a general deposit?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Why didn't you tell me that before?

Mr. CLARKE. I did tell you it was a special account held for the benefit of Mr. Van Duyne.

Mr. PECORA. Didn't I ask you specifically if this money that you said was being held in escrow was a deposit in a special account for that purpose, and didn't you say yes in answer to that question, at least in substance?

Mr. CLARKE. I said that, but on your further questioning—

Mr. PECORA (interposing). No; not on my further questions, now, but this question.

Mr. CLARKE. Oh, yes.

Mr. PECORA. To this question I am referring to didn't you answer yes? Didn't you inform this subcommittee, in substance, when I

put the question to you before as to this \$100,000 which you said was deposited in escrow, didn't you say it was in a special account? [After a pause.] Didn't you say that, Mr. Clarke?

Mr. CLARKE. I think so; yes.

Mr. PECORA. Now, were you mistaken when you said that?

Mr. CLARKE. Yes.

Mr. PECORA. Is that one of the mistakes you referred to on yesterday as of the nature one is permitted to make?

Mr. CLARKE. Well, Mr. Pecora, there was no intention on my part of trying to mislead you in any way.

Mr. PECORA. Well, I am afraid you have, or else I am very stupid in interpreting your testimony. Now, in this account that you say you have marked on your private records as a special account but which is in the form of a general deposit account, have you a balance today of as much as \$100,000?

Mr. CLARKE. Yes; I think so.

Mr. PECORA. Have you always had a balance of \$100,000 or more in that account since you deposited that sum of money there?

Mr. CLARKE. I think so.

Mr. PECORA. Have you more than one deposit account in the bank in which this money was deposited by you? And I will tell you frankly my purpose in asking this question; it is to enable me to ascertain from the bank itself as quickly as possible any facts with regard to such account.

Mr. CLARKE. No; I have not. I have only one account in this bank.

Mr. PECORA. And that account is in your individual name, Harley L. Clarke?

Mr. CLARKE. That is right.

Mr. PECORA. Have you, or do you keep deposit accounts in both of those banks?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Don't you know clearly which one of the two it is in, I mean this \$100,000 that is on deposit?

Mr. CLARKE. I think it is in the Continental Illinois.

Mr. PECORA. Did you make this \$100,000 deposit on August 1, 1929, or thereabouts?

Mr. CLARKE. Of course.

Mr. PECORA. Do you think that Mr. Keller would be able to enlighten us specifically as to which bank this deposit is carried in?

Mr. KELLER. I have no information on that, Mr. Pecora.

Mr. PECORA. Would it be possible for you to find out, Mr. Keller, from any records available to you?

Mr. KELLER. No, I do not have that. I do not believe I could find that out.

Mr. PECORA. Mr. Clarke, is this account an active account of yours?

Mr. CLARKE. Oh, yes.

Mr. PECORA. Now, who is Mr. H. E. Van Duyne?

Mr. CLARKE. H. E. Van Duyne lives in Los Angeles, Calif.

Mr. PECORA. Well, who is he? [After a pause.] Who is he, Mr. Clarke?

Mr. CLARKE. He is a man who has been in the motion picture equipment business for many years.

Mr. PECORA. In business for himself in that field?

Mr. CLARKE. He was; yes, for many, many years; but is not now.

Mr. PECORA. What did he do for this commission of \$100,000? What service did he render?

Mr. CLARKE. He negotiated for the acquisition of the Ashcraft Automatic Arc Co. and the Mitchell Camera Co.

Mr. PECORA. At your request?

Mr. CLARKE. Yes. Mr. Van Duyne was formerly president and owned the Pacific Amusement Co.

Mr. PECORA. Where is that located?

Mr. CLARKE. In Los Angeles.

Mr. PECORA. Has he always been in business there since you have known him?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Where was the Mitchell Camera Co. located?

Mr. CLARKE. In Los Angeles.

Mr. PECORA. Where was the Ashcraft Automatic Arc Co. located?

Mr. CLARKE. At Los Angeles.

Mr. PECORA. Did you have any contract in writing with Mr. Van Duyne whereby he for a commission was to act as agent or broker for you in the acquisition of the assets of the Ashcraft and Mitchell companies?

Mr. CLARKE. I had an exchange of letters with him for it.

Mr. PECORA. Did he render all the services that enabled you to acquire the assets of those two companies?

Mr. CLARKE. No; he did not.

Mr. PECORA. Did anyone assist him?

Mr. CLARKE. Yes.

Mr. PECORA. Who?

Mr. CLARKE. I forget the man's name for the moment. He claimed a commission, and was settled with for an amount which I do not now remember either. That was the reason that there was a dispute.

Mr. PECORA. For value received he claimed whatever commissions he claimed, did he?

Mr. CLARKE. Yes; that is right—no; I don't know that he received whatever he claimed.

Mr. PECORA. Well, he received whatever amount was arrived at by way of adjustment of settlement of his claim, is that it?

Mr. CLARKE. Yes, sir.

Mr. PECORA. In the letters that you have in the exchange of correspondence that you had with Mr. Van Duyne, was reference made to the amount of commission that he was to receive from you for his brokerage services?

Mr. CLARKE. Yes; in percentage, I think.

Mr. PECORA. What was the percentage rate?

Mr. CLARKE. I think it was based on if he obtained it at a certain price that he was to get so much commission, and at another price it was to be so much commission, but I don't recall.

Mr. PECORA. Was Mr. Van Duyne by any chance a stockholder or other party in interest of the Mitchell Camera Co.?

Mr. CLARKE. I think not.

Mr. PECORA. Was he of the Ashcraft Co.?

Mr. CLARKE. I think not.

Mr. PECORA. Was there any arrangement between you and Mr. Van Duyne for any division of his brokerage fees or commissions with you?

Mr. CLARKE. No, sir.

Mr. PECORA. Now, have those records come here as yet?

Mr. CLARKE. I haven't been advised of it yet.

Mr. PECORA. Will you ascertain?

Mr. CLARKE. Mr. Keller has been advised that they are coming down on a train due here at 11:50 a.m.

Mr. PECORA. All right. Meanwhile I will suspend the examination of this witness and ask Mr. Dodge to resume the stand. And, Mr. Clarke, will you be good enough to let me know when those records arrive?

Mr. CLARKE. Certainly.

(Thereupon the witness Clarke temporarily left the committee table.)

The CHAIRMAN. Come around, Mr. Dodge.

#### TESTIMONY OF MURRAY W. DODGE—Resumed

The CHAIRMAN. You have heretofore been sworn, have you, Mr. Dodge?

Mr. DODGE. Yes, sir.

Mr. PECORA. Mr. Dodge, were you in attendance before the subcommittee on yesterday while Mr. Harley L. Clarke, the witness who has just vacated the stand, gave testimony?

Mr. DODGE. Yes, sir.

Mr. PECORA. Did you hear the testimony given by him here this morning?

Mr. DODGE. Yes, sir.

Mr. PECORA. And did you hear his testimony given here on yesterday?

Mr. DODGE. Yes, sir.

Mr. PECORA. Do you recall that among other things Mr. Harley Clarke testified yesterday, in substance, that the agreement dated July 9, 1929, which is in evidence as Committee Exhibit No. 133, was arrived at between the parties thereto after a series of conferences and negotiations which had lasted for a period of two or more months?

Mr. DODGE. Yes, sir; I heard that.

Mr. PECORA. Now, as far as you know, was that testimony correct?

Mr. DODGE. Not quite as long as that, I don't think.

Mr. PECORA. Now, you at that time were connected in some capacity with Chase Securities Corporation, weren't you?

Mr. DODGE. Yes, sir.

Mr. PECORA. And in what capacity?

Mr. DODGE. As a vice president.

Mr. PECORA. And you are still connected with it?

Mr. DODGE. No, sir.

Mr. PECORA. Well, you are connected with the Chase Corporation?

Mr. DODGE. No, sir.

Mr. PECORA. When did you sever your relations with it?

Mr. DODGE. In May of 1933.

Mr. PECORA. In May of this year?

Mr. DODGE. Yes, sir.

Mr. PECORA. The Chase Securities Corporation was one of the parties to this agreement of July 9, 1929, to your knowledge?

Mr. DODGE. Yes, sir.

Mr. PECORA. In the conferences and the negotiations that led to the making of this agreement did you participate as an officer or representative of the Chase Securities Corporation?

Mr. DODGE. Yes, sir.

Mr. PECORA. Were there any other officers or representatives of the Chase Securities Corporation also present in those conferences and negotiations?

Mr. DODGE. I do not believe so.

Mr. PECORA. Do you know anything concerning the facts and circumstances under which, according to the testimony of Mr. Clarke, he paid the sum of \$2,000,000 to Mr. William Fox in connection with the acquisition of assets originally of the Mitchell Camera Co.?

Mr. DODGE. My understanding at the time was that Mr. Fox was to have a half interest in the Grandeur, Inc.

Mr. PECORA. Was he to pay for that half interest?

Mr. DODGE. I don't know how the arrangements were made. All I know is that there was a certain amount of money to be paid to the Grandeur, Inc., which in turn was to own the Mitchell Camera Co.

Mr. PECORA. And all of those things were discussed in the conferences that preceded the execution of this contract on July 9, 1929?

Mr. DODGE. The value of the Grandeur, Inc., after it had acquired the assets of the Mitchell Camera Co. and whatever rights and patents accrued from the International Projector Corporation and whatever rights Mr. William Fox or whatever the patents he might claim, were to be owned by the Grandeur, Inc.

Mr. PECORA. In those conferences was anything said concerning anything that Mr. Fox owned which was to be acquired by the Grandeur Corporation for the ultimate benefit of the General Theatres Equipment, Inc.?

Mr. DODGE. Mr. Pecora, I can only remember that in a general way. I remember that there were discussions by Mr. Clarke; that Mr. Fox had made certain claims both to the prior right to acquire the Mitchell Camera Co., whether it was through an option or not I do not know, and a general settlement had been arrived at by Mr. Clarke; in addition to Mr. Clarke's having acquired this half interest in Grandeur, Inc., there also was a contract entered into with Mr. Fox or with the Fox Film and the Fox Theatres Corporation to purchase a considerable number of the new Grandeur projecting machines.

Mr. PECORA. Have you a copy of that contract?

Mr. DODGE. I don't know whether we have or not. [After conferring with associate:] I am informed that there is a contract between the Grandeur, Inc., and the Fox Theatres. [Aside to an

associate:] The Fox Film also? [After a pause.] And the Fox Theatres—dated June 24.

Mr. PECORA. 1929?

Mr. DODGE. 1929.

Mr. PECORA. What is the general substance of that contract?

Mr. DODGE. I have not read that contract, Mr. Pecora. I have just received it. We just received that from New York.

Mr. PECORA. So far as you were familiar or became familiar through the medium of these conferences and negotiations that preceded the contract of July 9, 1929, what was the Grandeur Co. or the General Theatres Equipment, Inc., to acquire from Mr. Fox?

Mr. DODGE. Whatever rights he had or patents that he claimed to have in either the Mitchell Camera Co. or the Grandeur, Inc.

Mr. PECORA. Was Mr. Fox a participant in any of those conferences and negotiations?

Mr. DODGE. No, sir.

Mr. PECORA. Well, who brought up the subject of Mr. Fox having anything by way of rights, claims, property interests of any kind?

Mr. DODGE. Mr. Clarke.

Mr. PECORA. Mr. Clarke did. What did he say about it?

Mr. DODGE. In a general way, as I say, he told us that it was very essential to the business of the General Theatres Equipment that they should own 50 percent of the Grandeur, Inc., because in turn the Grandeur, Inc., would enter into a contract, with the approval of Mr. Fox, with the Fox Theatres Co.—I thought it was with the Fox Film also, but I am told it was not—the Fox Theatres Co. for the purchase of these projecting machines, which had been patented by the International Projector Corporation. That of course meant business for the International Projector Corporation and additional profits.

Mr. PECORA. Have you a copy of that contract here?

Mr. HAGEN. Which one do you mean?

Mr. PECORA. Made with Fox or any interest or representatives of Fox.

Mr. HAGEN. Yes; I have a contract between Grandeur and Fox Theatres.

Mr. PECORA. May I have it?

Mr. DODGE. I have not looked at it myself.

Mr. PECORA. Will you look at it now while you have it in your hand?

Mr. DODGE. Yes. Look at the whole of it or just a portion?

Mr. PECORA. Will you read enough of it to indicate whether it represents the agreement or refers to the transaction that you told us was discussed in these conferences with Mr. Clarke prior to July 9, 1929?

Mr. DODGE. I will try and do it as soon as I can.

(The witness proceeded to peruse the document.)

Mr. MUDGE. Mr. Pecora, do you want to look at this extra copy [handing document to Mr. Pecora]?

Mr. PECORA. Thank you, sir.

(The witness concluded perusal of the document.)

Mr. DODGE. I think that should be of great interest in connection with this whole investigation. It is a long document, but it goes

clearly into an agreement with Mr. Fox, both for the Fox Theatres Co. and the Fox Film Co., in the purchase of the Grandeur machinery.

Mr. PECORA. Mr. Mudge was kind enough to supply me with a copy of it, which I am now reading.

Mr. DODGE. It goes into it.

The CHAIRMAN. Mr. Dodge, may I ask you as a matter of information and for this record what has happened to the General Theatres?

Mr. DODGE. General Theatres is in the hands of a receiver.

The CHAIRMAN. What has happened to Pynchon & Co.?

Mr. DODGE. They also went into the hands of the receiver.

The CHAIRMAN. What happened to West & Co.?

Mr. DODGE. That also is in the hands of receivers.

The CHAIRMAN. What happened to Hammons?

Mr. DODGE. I understand that Hammons & Co. as formed at the time that we were discussing here—I don't know whether they are in liquidation or not.

The CHAIRMAN. And Fox Theatres and Fox Film?

Mr. DODGE. Fox Theatres, I understand, is in the hands of a receiver. Fox Film is not.

The CHAIRMAN. There has been considerable wreckage all along the line then?

Mr. DODGE. It seems to be so, sir.

Mr. MUDGE. Mr. Pecora, there is another agreement here that you might like to look at.

Mr. PECORA. I would like to look at it. Go ahead and look at it.

Mr. DODGE. It is all right. [Handing document to Mr. Pecora.] It is between the Grandeur, Inc., and the International Projector Corporation.

(Mr. Pecora perused the document handed to him.)

Mr. PECORA. Now, Mr. Dodge, there have been handed to me in the course of your examination what purports to be copies of two certain contracts, one made by and between Grandeur, Inc., a New York corporation, and International Projector Corporation, a Delaware Corporation, dated June 24, 1929, and the other one made by and between Grandeur, Inc., a New York corporation, and Fox Theatres Corporation, a New York corporation, also dated June 24, 1929.

Will you please look at them and tell me if these copies are true and correct copies of such agreements or contracts?

Mr. DODGE (after examining documents). This one I have before me is an original, and I have no reason to believe that it is not accurate.

Mr. PECORA. I do not care to assume responsibility for the original. If you will look at the copies and verify the copies, if you can, as true and correct copies, that will satisfy our purposes.

Mr. DODGE. I have no reason to believe it is not a true copy. It was supplied to us from the files of the International Projector Corporation.

Mr. PECORA. Yes. Now I offer these two instruments in evidence.

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

Mr. PECORA. I ask that they be shown in the order in which I have made reference to them; that is to say, the first one being a contract by and between Grandeur, Inc. and International Projector Corporation, dated June 24, 1929, and the next one by and between Grandeur, Inc., and Fox Theatres Corporation, bearing the same date.

(Agreement by and between Grandeur, Inc. and International Projector Corporation, dated June 24, 1929, was thereupon designated "Committee Exhibit No. 136, November 17, 1933," and appears in full on page 3496.)

(Agreement by and between Grandeur, Inc., and Fox Theatres Corporation, dated June 24, 1929, was thereupon designated "Committee Exhibit No. 137, November 17, 1933," and the same appears in full on page 3497.)

Mr. PECORA. Mr. Dodge, do you know why 2 million dollars was paid to William Fox by Mr. Clarke, as he testified to such agreement this morning and yesterday?

Mr. DODGE. My memory is, Mr. Pecora, that, as I said before, it was paid in settlement of certain claims which Mr. Fox had or said that he had in the ownership or the right to purchase the Mitchell Camera Co., which was the only camera company which could manufacture the cameras to take these wide films which were to be manufactured by the Grandeur, Inc., and certain other patents for sound, and included in that was this contract.

Mr. PECORA. By this contract do you mean the last two contracts offered in evidence, Committee Exhibits Nos. 136 and 137?

Mr. DODGE. I should say the contract in particular between the Fox Theatres and the Grandeur, Inc., in which they received not entirely an exclusive contract, as you will notice from that, but what might be called a preferential contract to purchase these machines. As I remember the story at the time, Mr. Fox felt that this wide screen or wide picture—

Mr. PECORA (Interposing). Wide film?

Mr. DODGE. Wide film—would be as revolutionary as sound, and he was using every endeavor that he could to obtain the preferential rights to take the pictures to supply the demand that he felt would come from the showing, and this was a contract with the Grandeur, Inc., of which he—my impression, if I might say, was that he did not own personally the 50 percent. I thought that it was owned by the Fox interests, but I found later that it was Mr. Fox himself, I believe, that owned 50 percent. At any rate, he caused the contract to be entered into with the Fox Theatres.

Mr. PECORA. In these conferences that preceded the making of the contract of July 9, 1929, which is known as "Exhibit No. 135" in this investigation, Mr. Fox was represented by Clarke?

Mr. DODGE. No.

Mr. PECORA. Was he represented by anybody?

Mr. DODGE. He had nobody there; no.

Mr. PECORA. And he was not a participant at the conferences in any way, shape, or form?

Mr. DODGE. No, sir.

Mr. PECORA. And not a party in any way, shape, or form to the agreement of July 9, 1929?

Mr. DODGE. No, sir.

Mr. PECORA. Well, under what agreement was this \$2,000,000 paid to Fox?

Mr. DODGE. I don't know.

Mr. PECORA. You don't know?

Mr. DODGE. No. It was between Mr. Clarke and Mr. Fox.

Mr. PECORA. But wasn't that money to come, ultimately, out of the General Theatres Equipment?

Mr. DODGE. Yes, sir.

Mr. PECORA. And you were the vice president of one of the bankers in the banking syndicate that financed General Theatres Equipment?

Mr. DODGE. All we were interested in under that contract was that the General Theatres Equipment would own 50 percent of the Grandeur, Inc., which in turn would own the Mitchell Camera Co. and whatever patents or assignment of rights that there were; and how that was obtained was up to the lawyers.

Mr. PECORA. At these conferences it was discussed and eventually agreed upon that a corporation, to be called the General Theatres Equipment, Inc., was to be organized as a holding company?

Mr. DODGE. Yes, sir.

Mr. PECORA. And that corporation or, in other words, that holding company was designed to take over, among other things, the stock of the International Projector Corporation, was it not?

Mr. DODGE. Yes, sir.

Mr. PECORA. Also to take over 50 percent of the capital stock of Grandeur, Inc.?

Mr. DODGE. Yes, sir.

Mr. PECORA. Wasn't it also agreed eventually, as a result of these conferences, that the General Theatres Equipment or the interests they had agreed would organize the General Theatres Equipment was to also cause to be organized another corporation, called Grandeur, Inc., for the purpose of enabling the latter corporation to acquire the assets of another company, called the Mitchell Camera Co.?

Mr. DODGE. Well, that is what I mean when I testify that the General Theatres Equipment was to purchase a half interest in the Grandeur, Inc., and I believe it was set out in that contract exactly what the Grandeur, Inc., was to be, was it not? That is my memory.

Mr. PECORA. I will tell you what the contract sets out in that respect. I will read from Committee Exhibit No. 135 as follows [reading]:

Grandeur, Inc., a corporation of the State of New York, 50 percent of the capital stock of which is to be acquired by the General Theatres Equipment, Inc., will acquire all of the common stock of Mitchell Camera Corporation, a corporation to be organized under the laws of the State of Delaware, which latter corporation will acquire all of the property, business, and assets of the Mitchell Camera Co., a corporation organized and existing under the laws of the State of California, together with the land in Los Angeles, Calif., that has been acquired, the buildings being erected thereon, and the machinery and equipment to be installed thereon, for the corporation to be organized under the laws of the State of Delaware, as aforesaid.

Now, from that provision in this contract, Mr. Dodge, it would seem that the sponsors or organizers of General Theatres Equipment, Inc., of which the Chase Securities Corporation was one, were desirous of acquiring in some form or other all of the property,

business, and assets of another company called the Mitchell Camera Co., which was then organized and existing under the laws of the State of California. Is that right?

Mr. DODGE. That would seem to be so.

Mr. PECORA. Yes. Now, in order to enable the General Theatres Equipment, Inc., to acquire those interests of the Mitchell Camera Co., the California corporation, apparently the sponsors of the General Theatres Equipment Co., devised this method of enabling them to acquire those assets of the Mitchell Camera Co. First, there was to be another company organized, to be called the Mitchell Camera Corporation. That was to be organized under the laws of the State of Delaware. That was the first step. Is that right?

Mr. DODGE. Yes.

Mr. PECORA. Then the Mitchell Camera Corporation, the Delaware corporation, was to acquire all of the property, business, and assets of the Mitchell Camera Co. of California. That was the second step, wasn't it?

Mr. DODGE. I presume so.

Mr. PECORA. And then the next step was to be the incorporation of another corporation to be called "Grandeur, Inc.," and which was to be organized under the laws of the State of New York, and Grandeur, Inc., was to acquire the common stock of the Mitchell Camera Corporation after that corporation had acquired the assets of the Mitchell Camera Co. of California. Is that right?

Mr. DODGE. I presume so, Mr. Pecora. That is all a question of legality.

Mr. PECORA. Then the fourth step was to be for the General Theatres Equipment, Inc., to acquire 50 percent of the common capital stock of the Grandeur, Inc. Is that right?

Mr. DODGE. That would seem to be right.

Mr. PECORA. Well, why was that circuitous route adopted to enable the General Theatres Equipment to acquire any interest in the Mitchell Camera Co.?

Mr. DODGE. I don't know, Mr. Pecora.

Mr. PECORA. Now, you participated as an experienced banker in the conferences that were had by and between the organizers of General Theatres Equipment, did you not?

Mr. DODGE. Yes, sir.

Mr. PECORA. You were a party, your corporation, the one that you represented in these conferences, namely, the Chase Securities Corporation, was a party to this agreement of July 9, 1929, under which General Theatres Equipment was organized. Why don't you know why the things that were done were done in that fashion?

Mr. DODGE. I only know and only knew at the time that when the General Theatres Equipment, Inc., was incorporated and before any securities were purchased by the bank, that it was to own 50 percent of the Grandeur, Inc., which was to be formed, which in turn would own the Mitchell Camera Co. Now, how that was to be carried out legally, not being a lawyer, I did not know, but I did want the opinion of my lawyers before we paid for them.

Mr. PECORA. Now, you actually executed this agreement of July 9, 1929, in behalf of the Chase Securities Corporation as its vice president, did you not?

Mr. DODGE. Yes, sir.

Mr. PECORA. I presume you were guided by legal advice furnished to you or to your company before you actually executed this agreement in behalf of the Chase Securities Corporation?

Mr. DODGE. Yes, sir.

Mr. PECORA. And who gave you such legal guidance and advice?

Mr. DODGE. Messrs. Rushmore, Bisbee & Stern.

Mr. PECORA. Which particular individual or individuals of that firm?

Mr. DODGE (after conferring with associates). It was Mr. Van Ness.

Mr. PECORA. Weren't you, at some time or other before you signed this agreement in behalf of the Chase Securities Corporation, informed or enlightened with regard to the substance of this agreement, the contents of it?

Mr. DODGE. Certainly.

Mr. PECORA. On whose suggestion were these provisions incorporated in this agreement providing for this circuitous method by which General Theatres Equipment, Inc., was to acquire any interest whatsoever in the Mitchell Camera Co. of California?

Mr. DODGE. I presume the lawyers, and I presume it was the lawyers for the General Theatres or for the International Projector or Mr. Clarke's lawyers whoever it was that we were negotiating for the securities with.

Mr. PECORA. Do you know any reason why the General Theatres Equipment, Inc., could not have arranged in this agreement to acquire directly from the Mitchell Camera Co. its property and assets which it desired to acquire?

Mr. DODGE. I do not, Mr. Pecora.

Mr. PECORA. What reason was given by anybody for providing and adopting the method which was adopted to enable the General Theatres Equipment to acquire those assets?

Mr. DODGE. I haven't the slightest recollection of any such thing.

The CHAIRMAN. Do you know, Mr. Dodge, whether the stock of the Mitchell Camera, Inc., of California and the Mitchell Camera Corporation and of the Grandeur Co., whether stock in these different organizations was offered and sold to the public?

Mr. DODGE. No, sir, none of them were. They were acquired by the General Theatres Equipment.

The CHAIRMAN. And they all sold stock to the public?

Mr. DODGE. The General Theatres Equipment stock was offered to the public; yes, sir.

Mr. PECORA. Do you know any reason why Grandeur, Inc., could not directly have acquired for the benefit of General Theatres Equipment the stock, assets, and property of the Mitchell Camera Co., directly, without the intervention of another corporation to be organized under the laws of the State of Delaware and to be called the Mitchell Camera Corporation?

Mr. DODGE. I do not even know whether the Mitchell Camera Corporation of California was a partnership or what kind of a corporation it was.

Mr. PECORA. There was no Mitchell Camera Corporation of California. The California corporation was called the Mitchell Camera Co., but the Mitchell Camera Corporation was to be organized ac-

ording to this agreement under the laws of the State of Delaware to acquire the assets and property of the Mitchell Camera Co. of California, and then the Mitchell Camera Corporation of Delaware in turn was to turn over those assets to the Grandeur, Inc., which in turn was to sell 50 percent of its stock to General Theatres Equipment, Inc.

Mr. DODGE. It would be a question for the lawyers to answer, Mr. Pecora. I really do not know. All I was interested in, as I said, as a banker, was that General Theatres acquired 50 percent of the Grandeur, Inc., which in turn owned the Mitchell Camera Co.

Mr. PECORA. Yes. Now, was it the purpose of the General Theatres Equipment or its sponsors to acquire only a half interest in the property and the assets of the Mitchell Camera Co., of California?

Mr. DODGE. No, sir; a half interest in the Grandeur, Inc.

Mr. PECORA. But by acquiring a half interest in the Grandeur the General Theatres Equipment really acquired only a half interest or what was the equivalent of a half interest, in the Mitchell Camera Co. of California, did it not?

Mr. DODGE. I don't so understand it.

Mr. PECORA. Well, all of the assets of the Mitchell Camera Co. of California were first acquired by the Mitchell Camera Corporation of Delaware, which then turned them over to the Grandeur Co. That put the Grandeur Co. in possession and ownership of all the assets of the Mitchell Camera Co. of California.

Mr. DODGE. That is right.

Mr. PECORA. By the General Theatres Equipment acquiring only 50 percent of the stock of Grandeur, it virtually only acquired the equivalent of 50 percent of the assets of Grandeur, which consisted originally of the assets of the Mitchell Camera Co., did it not?

Mr. DODGE. I would not think so, Mr. Pecora. I would think as to that that they owned 50 percent of the company that owned a 100 percent of the Mitchell Camera Co.

Mr. PECORA. Exactly, but that was in effect giving the General Theatres Equipment an interest that amounted to 50 percent of the Mitchell Camera Co.'s assets, original assets?

Mr. DODGE. It owned 50 percent of any of the assets which were owned by the Grandeur, Inc., whether it was the Mitchell Camera Co. or anything else.

Mr. PECORA. Was it the purpose of the sponsors of the General Theatres Equipment not to acquire outright all of the assets originally owned by the Mitchell Camera Co. of California?

Mr. DODGE. You mean the General Equipment to acquire that direct?

Mr. PECORA. Yes, or to acquire all of those assets, either directly or indirectly?

Mr. DODGE. No. As I understand it, those assets were to be owned by the Grandeur, Inc.

Mr. PECORA. And all of that was in the contemplation of the sponsors of the General Theatres Equipment, Inc.?

Mr. DODGE. And those contracts will show that it was the Grandeur, Inc., which entered into a contract with the International Projector.

Mr. PECORA. Now, the Grandeur, Inc., was to be organized by those interested in organizing the General Theatres Equipment, Inc.?

Mr. DODGE. I didn't get that.

Mr. PECORA. Grandeur, Inc., was to be organized by the sponsors or persons interested in creating or organizing the General Theatres Equipment, Inc. †

Mr. DODGE. Well, it was to be organized by the General Theatres Equipment.

Mr. PECORA. Yes. And was so done?

Mr. DODGE. Yes, sir.

Mr. PECORA. The contract which has been marked "Committee's Exhibit No. 136" in evidence provides, among other things, as follows—it is rather short, so I am going to read the substance of it to you [reading]:

Witnesseth:

Whereas International—

(meaning International Projector Corporation)

has for more than 7 years last past experimented with, and has now developed, a special motion-picture projector, without lamp and lamp house, adapted for use in connection with so-called "Grandeur films" (films wider than the regular 35 millimeters); and

Whereas Grandeur is desirous of securing the exclusive right of handling and selling all such projectors manufactured by International adapted for use in connection with Grandeur films, and International is willing to grant such exclusive right, upon the terms and conditions hereinafter set forth;

Now, therefore, in consideration of the premises and of the mutual covenants herein contained, it is agreed by and between the parties hereto as follows:

1. International agrees that Grandeur shall have the exclusive distribution and sale for all such projectors manufactured by International adapted to the use of Grandeur films, and further agrees that during the period of this agreement it will not manufacture for, or sell, lease, license, or otherwise dispose of to any other person, firm, or corporation, nor permit any other person, firm, or corporation to sell, lease, license, or otherwise dispose of any such projectors or any improvements thereof, or any modifications thereof, or any other projector designed to use films wider than 35 millimeters prescribed and/or developed either directly or indirectly by or under the supervision of or for the benefit of International Projector Corporation, provided always that Grandeur shall use its best efforts to promote the sale and distribution of such projectors.

2. International agrees to manufacture and sell to Grandeur and Grandeur agrees to purchase from International all such projectors desired by Grandeur during the lifetime of this agreement for sale to Fox Film Corporation, Fox Theatres Corporation, and/or their subsidiary or affiliated companies or others upon the terms and conditions set forth.

3. For the first 12 of such projectors Grandeur shall pay International the sum of \$6,000 for each of such projectors. For each projector in excess of the said 12 projectors hereinabove mentioned, Grandeur shall pay International \$4,000 for each projector.

Deliveries shall commence on or before or as soon after February 1, 1930, as practicable.

4. This agreement shall remain in effect until June 1, 1939.

In witness whereof, the parties hereto have caused this agreement to be signed by their respective proper officers on the day and date first above written.

GRANDEUR, INC..

By JACK G. LEO, *President*.

INTERNATIONAL PROJECTOR CORPORATION,

By W. C. MICHEL, *Vice President*.

Now, you will observe, Mr. Dodge, from this agreement that I have just read that the International Projector was engaged in the business of manufacturing special motion-picture projectors adapted for use in connection with films having a width in excess of the regular width of films, which was then 35 millimeters.

Mr. DODGE. That is right.

Mr. PECORA. And that by this contract the International Projector Corporation bound itself to give the Grandeur Corporation the exclusive right to the distribution and sale of all such projectors so manufactured by the International?

Mr. DODGE. That is right.

Mr. PECORA. And for that right Grandeur agreed to pay to the International \$6,000 for each of the first 12 of such projectors and \$4,000 for any of such projectors in excess of 12 in number that the International manufactured and turned over to the Grandeur. Is that right?

Mr. DODGE. Yes, sir.

Mr. PECORA. And this contract was made for a period of about 10 years; that is to say, it was dated June 24, 1929, and it provided that it should remain in effect until June 1, 1939?

Mr. DODGE. That is right.

Mr. PECORA. Now, let me take up with you the second contract, marked "Exhibit No. 137", which is dated also on June 24, 1929, and which was made by and between Grandeur, Inc.; that is to say, the corporation that received this exclusive right to distribute and sell these special projectors in the contract that I have just read from, as licensor, and Fox Theatres Corporation, a New York corporation, hereinafter called Fox, as licensee. Let me read the following provisions of this agreement, Committee Exhibit No. 137, between the Grandeur Co. as licensor and the Fox Theatres Corporation as licensee (reading):

1. (a) Grandeur hereby grants to Fox a nonexclusive, nonassignable license to use in the theaters owned, controlled and/or operated by Fox, Fox Film Corporation and their respective subsidiary and/or affiliated companies—

and so forth.

Mr. DODGE. May I interrupt there? Does that refer to Fox Theatres or Fox personally?

Mr. PECORA. "Fox Theatres Corporation, a New York corporation, hereinafter called Fox."

Mr. DODGE. I beg your pardon. I did not get that.

Mr. PECORA. The word "Fox" is just simply an abbreviation for purposes of convenience.

Mr. DODGE. Yes, sir.

Mr. PECORA. Of the Fox Theatres Corporation, which was a New York corporation.

Mr. DODGE. Yes, sir.

Mr. PECORA. I will read it all. (Reading:)

1. (a) Grandeur here grants to Fox—meaning, of course, Fox Theatres Corporation.

Mr. DODGE. Yes.

Mr. PECORA (continuing reading):

A nonexclusive, nonassignable license to use in the theaters owned, controlled and/or operated by Fox, Fox Film Corporation and their respective subsidiary and/or affiliated companies (subject to all the terms, conditions, limitations, and agreements herein contained) special motion-picture projectors, without lamp or lamphouse, adapted for use in connection with so-called "Grandeur" films (films wider than the regular 35 millimeter) in the quantities and at the times hereafter in this agreement provided and to employ and make use of (to the extent necessarily involved in such use of said projectors) any and all United States patents and applications for United States patents, relating to said

projectors or to such use thereof, which are now owned or controlled, or which may during the term of this agreement be owned or controlled by International Projector Corporation, or in respect of which International Projector Corporation has or may hereafter, during the term of this agreement, have the right to grant such licenses, Grandeur being the licensee of International Projector Corporation, with the right to assign such use of such patents.

Under that clause, Mr. Dodge, you have observed, have you not, that Grandeur, Inc., which was the corporation that the contract of July 9, 1929, provided was to be organized at the instance of and for the benefit of the General Theatres Equipment, Inc.—

Mr. DODGE (interposing). And Mr. Fox.

Mr. PECORA. What?

Mr. DODGE. Mr. Fox owned 50 percent of the Grandeur, Inc.

Mr. PECORA. Well, there is nothing in the contract of July 9, 1929, that relates in any way to Mr. Fox, is there?

Mr. DODGE. No, sir; but it does say that they will only own 50 percent.

Mr. PECORA. I have already alluded to that fact. Now I will go back to my question: Under this contract, or clause 1(a) of this contract, known as "Exhibit No. 137", this Grandeur Co., which had obtained on the same date from the International Projector Corporation under the agreement marked in evidence here as "Exhibit No. 136", the exclusive right to handle and sell these special projectors being manufactured under patents by it, by the International Projector Corporation, grants to the Fox Theatres Corporation a nonexclusive, nonassignable license to use in theaters owned or controlled by the Fox Theatres Corporation these same special motion-picture projectors of the International Projector Corporation?

Mr. DODGE. That is right, sir.

Mr. PECORA. Now let me read clause 1 (b) of this exhibit no. 137 [reading]:

(b) Grandeur agrees to install in such theaters of Fox, Fox Film Corporation and/or their subsidiary or affiliated companies that Fox may from time to time designate, 12 such special motion-picture projectors, for which Fox shall pay Grandeur on installation thereof the sum of \$6,000.

I presume that that \$6,000 payment is for each one of these 12 projectors, although this agreement does not so say?

Mr. DODGE. I would presume so.

Mr. PECORA. Further reading from clause 1 (b):

Grandeur agrees to supply to Fox, and Fox agrees to accept or cause to be accepted from Grandeur under the terms provided in this agreement, during the period commencing approximately February 1, 1930, but in any event as soon as projectors shall be ready for delivery, and ending 10 years thereafter, all motion-picture projectors using films wider than the regular 35 millimeter that may be required or desired by Fox, Fox Film Corporation and/or their subsidiary or affiliated companies during such period, it being the agreement of the parties hereto that Fox shall, during such period, use exclusively such projectors as are manufactured by International Projector Corporation. Where hereinafter referred to, Fox shall include not only Fox Theatres but also Fox Film Corporation and/or their subsidiary or affiliated companies.

Grandeur agrees that Fox shall have the first call on any such projectors that Grandeur is able to supply, and Grandeur agrees that so long as any orders for such projectors from Fox are unfilled that no orders for such projectors from others than Fox will be accepted except on the condition that such orders shall be accepted subject to prior deliveries for Fox as herein provided.

Now you understand the general intendment of that provision, don't you, Mr. Dodge? In substance, it provides that Grandeur agrees to install and is to install in such theaters of Fox as Fox may desire from time to time for a period of 10 years, which is a period co-terminus with the period provided for in the exhibit no. 137 as the life of that contract, these special motion-picture projectors, which were being manufactured by International Projector Corporation, and Fox was to pay \$6,000 each for the first 12 of those projectors, those machines, and it further provides in substance that Fox shall have first call upon Grandeur for any of these special projectors.

It further provides that so long as there are any unfilled orders given by Fox to Grandeur, Grandeur shall not sell or supply or deliver any of those special projectors to any other concern, doesn't it?

Mr. DODGE. I would say so.

Mr. PECORA. Yes. Which may or may not be a monopolistic agreement. We won't say anything about that now.

The second clause of this agreement I will read to you, Mr. Dodge, and you please follow me [reading]:

Fox agrees that it will use and employ the projectors only in theaters owned, controlled, or operated by Fox, and that it will at all times during the period of this license keep and maintain the projectors in good condition.

Well, that is easily understood. You understand that.

Third clause:

Grandeur agrees to make periodical inspection and minor adjustments in the projectors after they shall have been installed. Grandeur may from time to time install such spare and renewal parts as may, in its opinion, be necessary to the satisfactory operation and maintenance of the projectors.

4. For each such projector in excess of the twelve (12) projectors mentioned in paragraph 1 (b) hereof, Fox agrees to pay to Grandeur in New York Exchange an installation charge of four thousand dollars (\$4,000) for each such projector, payable upon the shipment of each such projector and the further payments hereinafter provided. In the event that the established installation charge made by Grandeur for such projectors is less than \$4,000 at any time during the life of this contract, Fox shall be given the benefit of any such decreased charge from the effective date thereof.

There is no doubt as to the meaning of that in your mind, is there?

Mr. DODGE. No.

Mr. PECORA. Now, I want to call your attention especially to the next clause, which is no. 5 in this contract, and which reads as follows [reading]:

In addition to any other payments required to be made by Fox hereunder, Fox agrees to pay to Grandeur throughout the term of the license hereby granted, a monthly payment of \$175,000 in advance.

Mr. MUDGE. \$175.

Mr. HAGEN. \$175 a month.

Mr. MUDGE. It is zero one hundred, no cents.

Mr. PECORA. Well, as I see that in this copy, the figures are dollar sign one hundred seventy-five, comma—

Mr. MUDGE. Zero.

Mr. PECORA. Three zeros, an oblique line, then 100.

Mr. HAGEN. The original contract shows \$175 a month.

Mr. PECORA. Well, that one I don't know. \$175,000—I would so read it. Wouldn't you, Senator Couzens?

Mr. MUDGE. Here is the original—monthly payment of dollar sign 175, zero, then two zeros and a line under it.

Senator COUZENS. You might take it either for 175,000 or 175,000,000.

Mr. PECORA. Certainly not \$175.

Mr. MUDGE. There is the original

Mr. DODGE. Mr. Pecora, I take it for granted that that was a copy of this.

Mr. PECORA. You got me all excited.

Mr. MUDGE. I am sorry, but we did not make the copy. You better have that copy corrected if that is marked in evidence.

Mr. PECORA. The original clearly reads \$175 in numerals, but the copy you gave me, Mr. Mudge, just as clearly reads \$175,000.

Mr. MUDGE. Well, I am very sorry.

Mr. PECORA. Only the difference of one cipher.

Mr. DODGE. We did not have time to look them over, Mr. Pecora. They came in this morning.

The CHAIRMAN. Which is correct?

Mr. DODGE. The original is correct, Senator.

The CHAIRMAN. \$175 per month?

Mr. DODGE. Yes, sir.

Mr. PECORA. I do not want to appear like a natural ignoramus. Will you look at the copy that I was furnished with and see how you would read that figure in clause 5. Just look at it, Mr. Dodge.

Mr. DODGE. I did see it, but I have not had time to read it over.

Mr. PECORA. Look at it now.

Mr. MUDGE. That could be almost anything.

Mr. PECORA. Oh, no; it could not be almost anything.

Senator GOLDSBOROUGH. That is more than 175,000, is it not?

Mr. DODGE. Yes; that could be almost anything.

Mr. PECORA. As you would read it, what would you say it was, if you had no knowledge of the contents of the original?

Mr. DODGE. I would say exactly what you said, Mr. Pecora. I would say \$175,000 a monthly payment; yes. That is what it would be.

Mr. PECORA. All right. I feel happier.

Mr. DODGE. Sorry.

Mr. PECORA. I had better leave that copy out of the way for the time being and be guided by the original. Put it aside. I don't want to make any more references to it. [Continues reading:]

"Such payments"—I am reading further from clause 5.

Senator COUZENS. Of the original this time?

Mr. PECORA. The original this time, or duplicate original.

Such payments shall continue for 120 months for each projector. Such monthly payment to be made by Fox to Grandeur, however, shall never be in excess of the amount in effect as the established monthly payment at the time when such monthly payment is due. The first six machines furnished, however, shall be free from such monthly payment.

Was this monthly payment of \$175 fixed for each projector furnished to Fox by Grandeur?

Mr. DODGE. I understand so.

Mr. PECORA. The contract does not say definitely on that either.

Mr. DODGE. It is a service charge. I believe it is a service charge.

The CHAIRMAN. It did not apply to the first six?

Mr. DODGE. No, sir; because I understand from that that the cost of the first six was \$6,000 and the others were \$4,000.

Mr. PECORA. The International Projector Corporation, which was a party to the contract marked "Exhibit No. 136" in evidence here, is also a corporation that was to be wholly owned or acquired by General Theatres Equipment, according to the contemplation of the sponsors or creators of General Theatres Equipment?

Mr. DODGE. Yes, sir.

Mr. PECORA. Why was Grandeur, Inc., set up between the International Projector Corporation, which manufactured these special motion-picture projectors, and any users or customers that might be in the market for the use or purchase of those special projectors?

Mr. DODGE. If I understand your question correctly, Mr. Pecora, I would answer it this way, that the General Theatres Equipment was only to own 50 percent of Grandeur, Inc.

Mr. PECORA. But the General Theatres was to own all of International Projector Corporation?

Mr. DODGE. That is right.

Mr. PECORA. And the International Projector Corporation, under patents that it had, were manufacturing these special projectors, were they not?

Mr. DODGE. Yes.

Mr. PECORA. If the General Theatres Equipment was, in the contemplation of its organizers, to acquire all of the stock of International Projector Corporation, why did those same sponsors cause to be created and set up the Grandeur, Inc., as a corporation to acquire the exclusive right to sell and distribute these special projectors of International Projector Corporation?

Mr. DODGE. The benefit of those contracts was to go to the International Projector Corporation, who were to manufacture and sell, presumably at a profit, projecting machines. The projecting machines were of no value unless there was a camera which could take the pictures, which would synchronize with the projecting machine, and the Grandeur, Inc., purchased the Camera Co., which could produce the cameras.

So that in that way they had all, or it was presumed they would have all, of the company which was producing the projecting machine, and they would have a 50 percent interest in the Camera Co. that was taking the pictures.

Mr. PECORA. But under this agreement marked "Exhibit No. 136" the International Projector Corporation granted to the Grandeur Corporation the exclusive right for 10 years from June 1929 to handle and sell all of these special projectors that were manufactured by the International?

Mr. DODGE. That is right. They were to handle them; not to manufacture, but to handle.

Mr. PECORA. The International reserved the right of manufacture and had that right under its patent?

Mr. DODGE. Yes.

Mr. PECORA. But it gave the exclusive right to sell and handle those projectors to the Grandeur Co.?

Mr. DODGE. Yes, sir.

Mr. PECORA. Now the Grandeur Co. was to sell only 50 percent of its stock to the General Theatres Equipment?

Mr. DODGE. Yes, sir.

Mr. PECORA. So that any profits that accrued to the Grandeur Co. from the exclusive right that it received under this contract marked "Exhibit No. 136" would be divided equally between General Theatres Equipment as owner of 50 percent of the stock and whoever owned the other 50 percent of Grandeur?

Mr. DODGE. That is correct.

Mr. PECORA. That is correct. All of that was in contemplation of the sponsors of General Theatres Equipment?

Mr. DODGE. Yes, sir.

Mr. PECORA. Now, this right to the exclusive use and handling and this right to the exclusive handling and sale of these special projectors which Grandeur acquired directly from the International Projector Corporation under this agreement marked "Exhibit No. 136" was a valuable right commercially, was it not?

Mr. DODGE. We thought so, sir, at the time.

Mr. PECORA. And it has proved to be, has it?

Mr. DODGE. No, sir.

Mr. PECORA. But you thought it was going to be quite a valuable right?

Mr. DODGE. Yes, sir.

Mr. PECORA. Well then, if you thought so, and if the International Projector, which had the patents to manufacture these projectors, was to be acquired wholly by the General Theatres, why in the world did the sponsors of the General Theatres Equipment devise an arrangement whereby only half of the profits would accrue from the exclusive sale and handling of those projectors manufactured by the International were to go to the stockholders of General Theatres Equipment? Why was it done that way, Mr. Dodge?

Mr. DODGE. You have not yet brought into the testimony, if I may be permitted to say it, the other owner.

Mr. PECORA. Who was the other owner?

Mr. DODGE. It was William Fox or his interest. William Fox owned I don't know how many theaters; I think 500 possibly, throughout the country.

Mr. PECORA. Yes.

Mr. DODGE. I think he was the largest owner of theaters at the time. The projecting machines were to be sold to theaters.

Mr. PECORA. Yes.

Mr. DODGE. And the quickest way for the International Projector Co. to get its projectors sold to the theaters was through somebody who would be willing to buy them, and Mr. Fox was in control of the company and was willing and anxious to buy them.

Mr. PECORA. In control of what company?

Mr. DODGE. Of the Fox Theatres.

Mr. PECORA. Of the Fox Co.?

Mr. DODGE. Fox Theatres, and was willing to buy and was anxious to buy at that time.

Mr. PECORA. Well, if he was anxious to buy he was anxious, I presume, because he regarded this special projector as a device far in advance of anything that was in the field then to compete with it?

Mr. DODGE. Correct.

Mr. PECORA. Then shouldn't he have been willing to pay for that advantage in behalf of his own theaters?

Mr. DODGE. Under this contract he was.

Mr. PECORA. Under any arrangement whereby he could acquire the right to use that special projector?

Mr. DODGE. Under that contract I understand the theaters were to pay.

Mr. PECORA. His theaters were to pay, but he acquired in Grandeur Co. half of the stock in some way or other, did he not?

Mr. DODGE. Yes, sir.

Mr. PECORA. And the Grandeur Co. got from the International the exclusive right to sell and handle all of these projectors?

Mr. DODGE. Yes, sir.

Mr. PECORA. And by Fox having a 50 percent interest in the Grandeur Co., he was put in the position, or his company, Fox Theatres Co., was put in the position where virtually they could have handled the exclusive use of this special projector that marked an advance over any other projector in the field?

Mr. DODGE. Up to all they wanted; yes.

Mr. PECORA. Up to all they wanted, and he could continue to want just enough to keep the International from supplying anybody else, could he not, under this agreement?

Mr. DODGE. Well, that is a question I don't know. But it was what you would call a preferential contract. That is what I would read from that.

Mr. PECORA. Well, that is rather a mild way of designating it, is it not, a preferential contract?

Mr. DODGE. Well, I don't know. It states it is a nonexclusive contract.

Mr. PECORA. Why was Fox permitted to acquire by the sponsors of General Theaters Equipment a half interest in the Grandeur Co., which was in turn the company that received from the International Projector the exclusive right to sell these special projectors? What advantages, in other words, did you, as one of the sponsors of General Theaters Equipment, think would flow to the stockholders of General Theaters Equipment from that arrangement with Grandeur and with Fox?

Mr. DODGE. If my memory serves me correctly, Mr. Pecora, Mr. Fox had heard about this projecting machine. He immediately set about to get his foot in the door as far as the camera was concerned, knowing—

Mr. PECORA (interposing). With Harley Clarke's help?

Mr. DODGE. I don't know. I don't think so.

Mr. PECORA. Well, now, Mr. Clarke has been testifying here today and testified yesterday that he set out to acquire the Mitchell Camera Co. in behalf of the General Theatres.

Mr. DODGE. I think he found competition in Mr. Fox.

Mr. PECORA. Well, that is being said here for the first time, that he found competition with Mr. Fox.

Mr. DODGE. That is to the best of my memory he found competition with Mr. Fox.

Mr. PECORA. Who succeeded in this competition in acquiring the Mitchell Camera Co. stock and assets?

Mr. DODGE. I should think they both did, because a settlement was reached by which Mr. Fox owned 50 percent of the common stock.

Mr. PECORA. Of Grandeur?

Mr. DODGE. Of Grandeur.

Mr. PECORA. Were the sponsors of the General Theatres Equipment a party to any such agreement with Fox?

Mr. DODGE. I don't think so.

Mr. PECORA. Doesn't it look to you, to use the vernacular, as though somebody tried to get half of the so-called "gravy" for themselves and keep it away from the stockholders, the ultimate stockholders of the General Theatres Equipment?

Mr. DODGE. No, sir. I may add there that I think, refreshing my memory on that contract, that the so-called "gravy", or the profits, was going to go to the International Projector Co. from the sale of the machines. Mr. Fox probably, or the theaters, would have gotten some of it through using it.

Mr. PECORA. Just let us see if that is so. All that the International Projector Corporation was to get was what it was entitled to receive from the contract marked "Exhibit No. 136", was it not?

Mr. DODGE. That is right.

Mr. PECORA. And that was simply \$6,000 each for the first 12 projectors installed or which it sold to Grandeur, and \$4,000 for all such special projectors over and above 12 in number. But the Grandeur Co., which got the exclusive right to sell and handle those machines under this contract with International, we find according to the contract marked "Exhibit No. 137" was to receive those same units, \$6,000, \$4,000, respectively, for these machines, plus a monthly payment of \$175 for each machine used by anyone that it sold or granted the right to the use of such machines to.

Mr. DODGE. It looks to me as though the only profit to the Grandeur Corporation would be in \$175 a month.

Mr. PECORA. Which is not a mean profit, is it?

Mr. DODGE. No, sir.

Mr. PECORA. And that profit, only half of that profit under the agreement or arrangement which was effected here in July 1929, was to go to the stockholders of General Theatres Equipment?

Mr. DODGE. Half of it.

Mr. PECORA. The other half was to go to those who owned the capital stock of Grandeur?

Mr. DODGE. That is correct.

Mr. PECORA. And those owners of the other 50 percent of that stock were who?

Mr. DODGE. William Fox.

Mr. PECORA. Just William Fox—not Clarke?

Mr. DODGE. No, sir. Not that I know of.

Mr. PECORA. And you, as one of the sponsors representing the Chase Securities Corporation for General Theatres Equipment, according to the arrangement—

Mr. DODGE. Yes, sir.

Mr. PECORA. Did you have any stock in Grandeur, Inc., at any time?

Mr. DODGE. No, sir.

Mr. PECORA. Did you have any stock in the International Projector Corporation?

Mr. DODGE. Yes, sir.

Mr. PECORA. How much of it?

Mr. DODGE. Oh, I think my holdings at that time were between 20 and 25 thousand shares of the common stock.

Mr. PECORA. At the time that the stock of International Projector Corporation was exchanged for the stock of the General Theatres Equipment Co. I understand you owned 20,000 shares of the International Projector Corporation stock?

Mr. DODGE. At least that.

Mr. PECORA. And you received in exchange for that stock 25,000 shares of the General Theatres Equipment?

Mr. DODGE. Yes, sir.

Mr. PECORA. Which would be on a ratio or basis of one and one quarter shares of the latter for one share of the former?

Mr. DODGE. Right.

Mr. PECORA. How did you acquire those 20,000 shares of International Projector originally?

Mr. DODGE. Part of it was acquired at the formation of the company and part of it was acquired by personal investment in the market.

Mr. PECORA. How much of it did you acquire at the time of the formation of International Projector?

Mr. DODGE. I don't remember, Mr. Pecora. The Shermar Corporation had an interest in the original syndicate which put out the International Projector, and I had an interest in that.

Mr. PECORA. What consideration did you pay for that stock or the portion of it that you originally acquired?

Mr. DODGE. That was profit.

Mr. PECORA. That was what?

Mr. DODGE. A profit.

Mr. PECORA. Do you mean by that that you paid no consideration for it?

Mr. DODGE. Well, we originally paid for the commitment in the preferred stock of the International Projector Corporation and a certain amount of common stock.

Mr. PECORA. When you say "we", are you referring to someone other than yourself?

Mr. DODGE. I just testified that I had an interest with the Shermar Corporation in that purchase.

Mr. PECORA. What interest did the Shermar Corporation have? What was the extent of the Shermar Corporation's interest out of which you received the subparticipation?

Mr. DODGE. There were 25,000 shares of preferred stock of that company, as I remember it. [After conferring with associate.] I had a 25 percent interest.

Mr. PECORA. The Shermar Corporation did?

Mr. DODGE. Yes.

Mr. PECORA. In the purchase of the preferred stock issue of International—

Mr. DODGE. Projector, in 1925.

Mr. PECORA. Now, the total number of shares of preferred stock that International issued was 25,000, was it not?

Mr. DODGE. Yes, sir.

Mr. PECORA. And the Sherinar had a 25-percent interest in that?

Mr. DODGE. Yes, sir.

Mr. PECORA. And what interest of the Shermar's interest did you acquire?

Mr. DODGE. Eighteen percent.

Mr. PECORA. You don't mean 18 of the 25; you mean 18 percent of whatever interest the Shermar Corporation had?

Mr. DODGE. Eighteen of the 25 percent.

Mr. PECORA. Oh, 18 of the 25 percent?

Mr. DODGE. Yes.

Mr. PECORA. Not 18 percent of the whole?

Mr. DODGE. No, sir.

Mr. PECORA. Did you pay that 18 percent interest to the Shermar Corporation?

Mr. DODGE. I signed an agreement to buy.

Mr. PECORA. That had reference to the preferred stock. I am talking about the common stock. You had 20,000 shares of the common stock of the International at the time it was taken over on an exchange-of-stock basis by General Theatres. How did you acquire that common stock?

Mr. DODGE. As I remember the transaction, Mr. Pecora, I think I testified last Friday that the Shermar Corporation took an interest in this because the Chase Securities Co. did not consider it seasoned enough—

Mr. PECORA. I remember.

Mr. DODGE. In the original syndicate there were 25,000 shares of preferred stock and 75,000 shares of common stock.

Mr. PECORA. Was not that 75,000 shares of common really bonus stock?

Mr. DODGE. They were purchased together.

Mr. PECORA. Was it not really bonus stock? Let us be specific about it.

Mr. DODGE. If you want to call it that.

Mr. PECORA. I would call it that. Would you disagree with that designation of it?

Mr. DODGE. I do not think I should like to be allowed to put it on my books that way for tax purposes.

Mr. PECORA. Regardless of your preferences in that respect—

Mr. DODGE. It would not be my preference.

Mr. PECORA. Let us get right down to the A, B, C of it. Was it not bonus stock?

Mr. DODGE. I think it would be what you would call bonus stock.

Mr. PECORA. In order that you may have no misgivings about that, let me show you a photostatic copy of what purports to be a memorandum obtained by us from the office of Pynchon & Co., which,

referring to the International Projector Corporation, says among other things as follows—this is Committee's Exhibit No. 129 which was put in evidence on November 10:

Terms: Will be sold in the form of allotment certificate which allotment certificate will represent 1 share of preferred and 1 share of common. Balance of common stock will go as bonus, 37,500 shares to purchase group and 12,500 shares to syndicate.

Suppose you look at that exhibit and see if it enlightens you or refreshes your recollection in regard to any of the matters set forth.

Mr. DODGE (after examining the paper referred to). Thank you. Mr. Pecora, Pynchon & Co., from their records, evidently agree with you as to what you would call it. I do not know whether there is such a thing as bonus stock, but in common parlance I should think it would probably be correct. But there was so much preferred and so much common sold for so much money. The preferred and a certain part of the common stock was sold for so much money and the balance was a profit.

The CHAIRMAN. The committee will take a recess now until 2 o'clock.

(Whereupon, at 1:05 p.m., a recess was taken until 2 o'clock of the same day.)

#### AFTER RECESS

The subcommittee resumed at 2 p.m. on the expiration of the recess.

The CHAIRMAN. The subcommittee will come to order. Mr. Dodge, I believe, is on the stand.

#### TESTIMONY OF MURRAY W. DODGE—Resumed

Mr. PECORA. Mr. Dodge, I was questioning you just prior to the recess today about the circumstances under which you had acquired 20,000 shares of the common stock of International Projector Corporation, which you owned when that stock was exchanged for 25,000 shares of General Theatres Equipment, Inc., stock. I do not believe you had fully told us what consideration you paid for those 20,000 shares, and how you acquired them.

Mr. DODGE. May I give it to you from memory?

Mr. PECORA. Surely.

Mr. DODGE. I haven't my books here.

Mr. PECORA. Give it the best way you can.

Mr. DODGE. As I was saying, the interest which the Shermar Corporation had in the original financing was 25 percent of 25,000 shares of stock—

Mr. PECORA (interposing). Twenty-five thousand shares of preferred stock?

Mr. DODGE. Of preferred stock, yes; with which went 75,000 shares of common, which, as I stated, was a purchase of two blocks together, and which, you stated, as to the common stock, was a bonus; and I did not enter into any argument with you about it. [Smiling.]

Mr. PECORA. All right.

Mr. DODGE. At any rate, Mr. Pecora, the Shermar Corporation was in that, not as a distributor of securities, as they had no way

of distributing securities, and therefore did not join in the purchase group, which purchased allotment certificates of preferred stock, which was 1 share of preferred and 1 share of common stock, at 93. The original purchase of preferred stock and the 75,000 shares of common was at 90, as you will remember, and accrued dividends. So that the profits to the Shermar Corporation were \$3 a share in cash on that 25 percent interest and 25 percent of—

Mr. PECORA (interposing). Of 75,000 shares of common stock?

Mr. DODGE. No; of 50,000 shares of common—no; of 37,500 shares of common. There were 25,000 shares in the allotment certificates, and 12,500 shares—and I have refreshed my memory—were given with the purchase syndicate at 93. So that the original group got 37,500 shares as a profit and 25 percent of that was 9,377 shares of stock, I think. Is that correct? And my share of that was 18 percent. So that, roughly speaking, I acquired of the whole amount of stock of the International Projector Corporation 1,687 or 1,688 shares, whatever the amount was, of common stock as a profit.

Mr. PECORA. At the outset?

Mr. DODGE. At the outset in 1925. And with the split-up of 5 to 1 that would have been equivalent to somewhere around 8,450 shares of International Projector stock. The balance of the stock I purchased in the market at prices ranging, I imagine, from \$10 to \$15 a share for the old stock. I don't remember just what the amount was. It was done prior to 1928, as I remember, or prior to 1929.

Mr. PECORA. Did you actually pay anything for your participation of 18 percent in the interest which the Shermar Corporation had in the original group?

Mr. DODGE. The Shermar Corporation allotted to me an 18 percent interest through an exchange of letters, and I accepted the liability.

Mr. PECORA. You accepted a liability which you were never called upon to meet as events turned out?

Mr. DODGE. Correct; as events turned out.

Mr. PECORA. So as a matter of actual fact those eight thousand four hundred odd shares of common stock of International Projector Corporation which you acquired as a result of the split-up were acquired by you without the payment of a single dollar?

Mr. DODGE. Well, I can say that—

Mr. PECORA (interposing). Oh, you assumed a liability, but one that you were never called upon to meet because it never arose.

Mr. DODGE. I consider that that is a fair way to put it, in the circumstances, the way you have just put it. But I assumed a liability, which I considered the same thing as payment. An obligation to pay is the same thing as payment.

Mr. PECORA. Well, I wish every creditor thought so.

Mr. DODGE. Well, that is the way I have always felt.

Mr. PECORA. Then every debtor would have his debt discharged, merely because the creditor feels that he is under obligation to pay. But the fact of the matter is that you never paid anything for those 8400-odd shares of stock.

Mr. DODGE. The Shermar Corporation carried me for them.

Mr. PECORA. As a matter of fact you never paid anything for those 8400-odd shares of stock, did you?

Mr. DODGE. No; I was never called upon to pay anything.

Mr. PECORA. When those conferences that resulted in the agreement of July 9, 1929, were being held, did Mr. Harley L. Clarke report from time to time on the progress that he had met with or had made in acquiring the assets or stock of the various other companies that were to be acquired in turn by the General Theatres Equipment, Inc.?

Mr. DODGE. If my memory is correct, and I should like to say this subject to checking it, that I think at the time we were having the conferences he already had them in hand. That is, that he either had them under option or had purchased them.

Mr. PECORA. Did he indicate that to you among the others present at the time those conferences commenced?

Mr. DODGE. I would think that he did, otherwise the conferences would not have been of a serious character. He was discussing with bankers about entering into a serious liability, and if he had not been able to deliver it would not have occurred.

Mr. PECORA. Did he report at any of those conferences what consideration he had paid for the acquisition of those assets?

Mr. DODGE. He reported exactly what was in the final contract.

Mr. PECORA. What do you mean by "the final contract"? Which contract are you referring to?

Mr. DODGE. Well, the prices to be paid for the different lamp companies and the half interest in Grandeur, Inc.

Mr. PECORA. Are you referring to the contract of July 9, 1929?

Mr. DODGE. I think I am. [After conferring with an associate.] That is the one, yes. Now, Mr. Pecora, did you mean to ask me if he had told us what he had paid for the property?

Mr. PECORA. Yes.

Mr. DODGE. I always understood that they were going to be turned in at cost to him.

Mr. PECORA. A few moments ago you stated that Mr. Clarke must have acquired or placed under his control for such acquisition, all assets and property interests of the various other corporations that General Theatres Equipment, Inc., in turn was to acquire, didn't you?

Mr. DODGE. Yes, sir.

Mr. PECORA. You also said that Mr. Harley L. Clarke must have so acquired these rights and assets before those conferences—

Mr. DODGE (interposing). Yes, sir.

Mr. PECORA (continuing). Were commenced that led to the making of the agreement of July 9, 1929?

Mr. DODGE. Yes, sir.

Mr. PECORA. Well, if that is so, didn't he report to the sponsors or creators of General Theatres Equipment, Inc., what those assets had cost him?

Mr. DODGE. Unquestionably.

Mr. PECORA. What did he report that they had cost him?

Mr. DODGE. I want to get this right, Mr. Pecora: Are the costs shown in that contract?

Mr. PECORA. I do not think so. [After looking' at the contract] No; they are not.

Mr. DODGE. May I take time to check this up?

Mr. PECORA. Surely.

Mr. DODGE. The contract of July 9, 1929, which you are referring to, at page 4, states that it is to cost General Theatres Equipment—

Mr. PECORA (interposing). A little louder, please. I cannot hear you.

Mr. DODGE. I say, the contract of July 9, 1929, at page 4, paragraph 5, states:

to cause said General Theatres Equipment, Inc., to acquire 50 percent of the entire issue of outstanding capital stock of said Grandeur, Inc., at a cost of not to exceed \$2,000,000.

Then under paragraph 6 it says:

To cause said General Theatres Equipment to acquire the capital stock of Hall & Connolly, Inc., and the capital stocks of corporations to be organized to acquire the property, business, and assets of The Strong Electric Co., and J. E. McAuley Manufacturing Co., and Ashcraft Automatic Arc Co., as hereinbefore set forth, at a cost of not to exceed \$3,000,000.

Mr. PECORA. Well, that merely states what General Theatres Equipment was to pay for those assets.

Mr. DODGE. I understand that that was the cost to him.

Mr. PECORA. Did he tell you that?

Mr. DODGE. Yes.

Mr. PECORA. Did he put that in writing at any time?

Mr. DODGE. I don't think so.

Mr. PECORA. Did you as one of the executive officers of Chase Securities Corporation agree to pay those prices in behalf of General Theatres Equipment without having had before you any proof, other than Clarke's oral statement to you, of the amount he had paid for those assets?

Mr. DODGE. I don't remember that we did.

Mr. PECORA. Would you be likely as a business man to do it in that way?

Mr. DODGE. I absolutely had every confidence in Mr. Clarke.

Mr. PECORA. Do you still have that confidence in him?

Mr. DODGE. Yes, sir.

Mr. PECORA. Now, Mr. Clarke testified here that he received in cash \$3,100,000 for the stock of Mitchell Camera Co., which he turned over to Grandeur, Inc. You heard that testimony, did you?

Mr. DODGE. Yes, sir.

Mr. PECORA. Was that paid to him out of funds raised by the General Theatres Equipment, Inc., from a sale of its securities?

Mr. DODGE. I understood that Mr. Clarke testified that that was the way he handled the transaction on his own books. The only thing that we were interested in was in the actual payment of the funds according to the schedule, the proceeds of funds from the sale of debentures, and from the sale of the stock, by the bankers. That schedule I had. What Mr. Clarke did with the money, and how he allocated it, I don't know. This is the first time I have seen this statement (holding up a paper). I mean, the other day I saw a copy of it.

Mr. PECORA. Well, apparently, according to the contract of July 9, 1929, all that General Theatres Equipment, Inc., was to pay was 3 million dollars, or a sum not to exceed 3 million dollars, for all the assets of Hall & Connolly, Inc., Strong Electric Co., J. E.

McAuley Manufacturing Co., and Ashcraft Automatic Arc Co.; and a sum not to exceed 2 million dollars for 50 percent of the stock of Grandeur, Incorporated.

Mr. DODGE. Yes, sir.

Mr. PECORA. According to Mr. Clarke's testimony he received in cash \$6,100,000 for those combined assets, all told. Now, did he receive more than 5 million dollars, or did the General Theatres Equipment, Inc., pay out more than the 5 million dollars it was obligated to pay under this agreement of July 9, 1929?

Mr. DODGE. Not to my knowledge.

Mr. PECORA. Where did Clarke get this \$6,100,000 that he still admits he received?

Mr. DODGE. I don't know. As a banker I was only interested in seeing that the contract was carried through, and that the proper sums of money were paid according to the contract.

Mr. PECORA. Now, under the contracts marked in evidence today as Committee Exhibits 136 and 137, Grandeur, Incorporated, was to receive from the Fox Theatres Corporation, in addition to a sum of \$6,000 and \$4,000 for the installation of special projector machines, the sum of \$175 per month for each projector so acquired from Grandeur, Incorporated, by Fox Theatres.

Mr. DODGE. Yes, sir.

Mr. PECORA. How many Fox theaters did you say there were at that time? I think you said about 500, didn't you?

Mr. DODGE. I think I said there were about 500. That is a generalization, and I don't know.

Mr. PECORA. Assuming that there were 500 Fox theaters at that time, that meant that if every one of those Fox theaters used one each of these special projectors, Grandeur, Inc., would have received by means of these monthly payments of \$175 per machine, around \$1,050,000 a year for the use of them.

Mr. DODGE. That would be the minimum. Most theaters, as I understand them, have to have at least two machines, and the larger ones have to have three machines.

Mr. PECORA. Well, then, that is limiting the use of those machines only to Fox theaters, and assuming that the number of Fox theaters was 500 at that time.

Mr. DODGE. Yes, sir.

Mr. PECORA. Didn't you consider as one of the sponsors of General Theatres Equipment, Inc., that that was a valuable business for the Equipment Co. to control? I mean the business of leasing these special projector machines that were manufactured by the International Projector Corporation.

Mr. DODGE. Well, as the story was told to me at the time, the profits in the matter of volume of business of International Projector Corporation was in the manufacture of projector machines; that that was the most profitable end of the business.

Mr. PECORA. Which was the most profitable, the return from cost of installation of machines or the rental of \$175 per month?

Mr. DODGE. The manufacture of the machines.

Mr. PECORA. Then the rental of \$175 per month was a byproduct, or it could be so regarded?

Mr. DODGE. As I explained this morning, Mr. Pecora, Grandeur, Inc., owned the camera which was to take the picture. If they did

not have the camera which would take the picture, then the projecting machine of course could not be sold, and there was competition for the purchase of the Mitchell Camera Co. between William Fox and Mr. Clarke. And the final settlement arrived at, if my memory serves me right, was that the Mitchell Camera Co. would be purchased by Grandeur, Inc., and that General Theatres Equipment would own 50 percent and Mr. Fox would own 50 percent. Now, I also testified this morning that at the time I didn't know it was Mr. Fox personally.

Mr. PECORA. When did you first learn that?

Mr. DODGE. Sometime afterwards.

Mr. PECORA. Well, when?

Mr. DODGE. I would say a month afterwards.

Mr. PECORA. Then you learned of it back in 1929?

Mr. DODGE. In 1929 or 1930.

Mr. PECORA. Did you learn that before all of the financing was done by the Chase National Bank for General Theatres Equipment, I mean before that had been completed?

Mr. DODGE. Do you mean in 1929?

Mr. PECORA. At any time, either in 1929 or in 1930.

Mr. DODGE. Yes, sir.

Mr. PECORA. How many theaters did you think were in existence in July of 1929 that could have used or might have been potential users of this special projecting machine? Didn't you have some information on that subject?

Mr. DODGE. If I have I will have to look it up. I could not answer a question like that from memory. It would only be a generalization. I do not even know how many theaters there were in the country. I do know this, that in the first instance the larger theaters would be the only ones that could afford to pay for it, and then gradually the smaller theaters.

Mr. PECORA (at 2:40 p.m.). Is Mr. Clarke here yet? (A pause, without response.) Where is Mr. Clarke?

Mr. R. L. SMITH, Jr. Mr. Clarke went to his hotel, Mr. Pecora.

Mr. PECORA. But he said he would be about 15 minutes late. Is he here yet?

Mr. SMITH. I have not seen him.

Mr. PECORA. How about the contracts and other documents that, I understood, were available to us?

Mr. SMITH. He had them this morning. I understood that he showed them to Mr. Ross, of your staff, and Mr. Clarke had them.

Mr. PECORA. We have not seen them since recess. Mr. Clarke promised to be back here at a quarter past 2 o'clock and make them available to us. Are they here for that purpose now?

Mr. SMITH. I assume that he has those with him. I will call and make certain when he will be here, if you wish.

Mr. PECORA. Will you be good enough to call over the phone and find out when Mr. Clarke will be here?

Mr. SMITH. Certainly.

Mr. PECORA. Mr. Dodge, do you know whether or not Mr. Fox paid anything for the 50 percent interest that he had in the stock of Grandeur, Inc.?

Mr. DODGE. I don't know.

Mr. PECORA. What was that answer?

Mr. DODGE. I don't know, sir.

Mr. PECORA. We will wait a few minutes to hear from Mr. Clarke.

Mr. SMITH (at 2:50 p.m.). Mr. Clarke has left his hotel, some time ago, and should be here now, Mr. Pecora.

Mr. PECORA. Well, I hope he will be here soon. Now, Mr. Dodge, let us get down to the organization of General Theatres Equipment on July 11, 1929. Were you one of the directors of that company from its very inception?

Mr. DODGE. I don't think I was at the time the actual transaction took place. I was elected later, and what date I don't remember.

Mr. PECORA. Do you recall that there was a board of 11 directors formed for the General Theatres Equipment Corporation?

Mr. DODGE. How was that?

Mr. PECORA. That its board consisted of 11 members.

Mr. DODGE. Ultimately; yes, I think it did.

Mr. PECORA. Weren't all those 11 members persons who were connected as partners or officers in the various members of the banking syndicate that financed General Theatres Equipment, Inc.?

Mr. DODGE. I don't think so. There were the officers of the General Theatres Equipment, Inc., and I don't know just how many banking members there were.

Mr. PECORA. Now, according to my information the president of the corporation at the outset was Harley L. Clarke, and he was also a member of the board.

Mr. DODGE. Yes, sir.

Mr. PECORA. The other members of the board were yourself, Mr. Ingold, Mr. Hammons, Mr. Niver, Mr. Watson, Mr. Michel, Mr. Koegel, Mr. Higley, Mr. Green, and Mr. Burns. Does that accord with your recollection?

Mr. DODGE. I think so.

Mr. PECORA. Now, of those gentlemen, were not Mr. Ingold, Mr. Hammons, Mr. Niver, Mr. Watson, and Mr. Higley, and yourself representatives of members of the banking syndicate?

Mr. DODGE. All but Mr. Higley. As I remember it, there were five banking firms, and each one had a representative on the board.

Mr. PECORA. What was the amount of the capital stock the General Theatres Equipment Corporation was authorized to issue under its charter?

Mr. DODGE. Five million shares.

Mr. PECORA. Did you say five million shares?

Mr. DODGE. Yes, sir.

Mr. PECORA. Of common stock?

Mr. DODGE. Of common stock.

Mr. PECORA. And any preferred stock?

Mr. DODGE. No, sir.

Mr. PECORA. You have heretofore seen this paper which has been marked "Committee Exhibit No. 128", and which I again show you, haven't you, this memorandum dated July 3, 1929, from you and addressed to Mr. Wiggin?

Mr. DODGE. Yes, sir.

Mr. PECORA. Wasn't it proposed originally to have General Theatres Equipment issue 60,000 shares of preferred stock, which was to

have a conversion privilege of three shares of common for one of preferred?

Mr. DODGE. That was Mr. Clarke's suggestion, yes.

Mr. PECORA. And that was the suggestion that you passed on to Mr. Wiggin in this memorandum, committee exhibit no. 128.

Mr. DODGE. Yes, sir.

Mr. PECORA. And that was never carried out, was it?

Mr. DODGE. No, sir.

Mr. PECORA. Why was it abandoned?

Mr. DODGE. I suggested to Mr. Wiggin that that was what Mr. Clarke had proposed, and Mr. Wiggin took it up with the officers of Chase Securities Corporation, and they decided that the preferred stock was something it should not handle. We did not go into many kinds of stock at that time; we handled obligations.

Mr. PECORA. Like bonds and debentures?

Mr. DODGE. Yes; bonds and debentures.

Mr. PECORA. How many of those 5,000,000 shares of common stock that it was authorized to issue were actually issued?

Mr. DODGE. Was that at the beginning?

Mr. PECORA. Yes; at the beginning.

Mr. DODGE. It was 1,644,510 shares.

The CHAIRMAN. And later there were other shares issued?

Mr. DODGE. Yes, sir; other shares were issued later. Also reserved as against conversion of the 6 million dollars of debentures, 180,000 shares; and an additional amount, I think, under the offers made to some of the stockholders of subsidiary companies.

Mr. PECORA. Now, in addition to the issuance of that stock the company was authorized to issue and sell 6 million dollars par value of 6 percent gold debenture bonds due in 1944, was it not?

Mr. DODGE. Yes, sir.

Mr. PECORA. And were those debentures issued?

Mr. DODGE. Yes, sir.

Mr. PECORA. On what terms?

Mr. DODGE. By the company.

Mr. PECORA. And to whom?

Mr. DODGE. The company received 90.

Mr. PECORA. You say the company received 90?

Mr. DODGE. Yes, sir.

Mr. PECORA. To whom were they issued? To the bankers?

Mr. DODGE. To the bankers.

Mr. PECORA. And the bankers in turn offered them to the public?

Mr. DODGE. Yes, sir.

Mr. PECORA. And distributed them among the public by sale?

Mr. DODGE. Yes, sir.

Mr. PECORA. In connection with such issuance and sale of those debentures by the bankers to the public, do you recognize the document which I now show you to be a true and correct copy of the prospectus that accompanied the offering to the public?

Mr. DODGE. Yes, sir.

Mr. PECORA. Mr. Chairman, I offer it in evidence, and ask that it may be made a part of the hearing.

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

(A photostatic copy of a prospectus of \$6,000,000 General Theatres Equipment, Inc., 15-year 6 percent convertible gold debentures, dated July 1, 1929, and to become due July 1, 1944, was marked "Committee Exhibit No. 138, November 17, 1933", and will be found on page 3499.)

The CHAIRMAN. At what price were those debentures sold to the public?

Mr. DODGE. Ninety-nine.

Mr. PECORA. There was a 9-point spread?

Mr. DODGE. Yes, sir.

Mr. PECORA. Did those debentures have any conversion privilege?

Mr. DODGE. Yes, sir; three shares of common stock.

Mr. PECORA. What was that?

Mr. DODGE. Thirty shares of common stock for each \$1,000 debenture.

Mr. PECORA. It was 33 $\frac{1}{3}$  shares, wasn't it?

Mr. DODGE. No; 30 shares. That would be 180,000 shares of stock.

Mr. PECORA. Oh, all right. Now, what did you say was the reason why the original proposal to have an issue of preferred stock as well as an issue of common stock, was not carried out?

Mr. DODGE. Mr. Clarke was anxious to have Chase Securities Corporation join in the undertaking, and—

Mr. PECORA (interposing). Yes.

Mr. DODGE (continuing). Personally I was, too, because I thought it was good business for Chase Securities Corporation.

Mr. PECORA. Yes.

Mr. DODGE. And I then suggested to Mr. Wiggin that if Mr. Clarke would issue instead of preferred stock a debenture with a sinking fund and convertible into common shares, that I felt it would be a security that the Chase Securities Corporation could handle.

Mr. PECORA. But you did not think the Chase Securities Corporation could or should handle an issue of common stock?

Mr. DODGE. No; this was preferred stock.

Mr. PECORA. Or of preferred stock?

Mr. DODGE. Of preferred stock. You are now talking about the six million dollars?

Mr. PECORA. I am now talking about the six million dollars of debentures.

Mr. DODGE. Yes, sir.

Mr. PECORA. In Committee Exhibit No. 128, which was offered in evidence last week, and which consists of your memorandum to Mr. Wiggin, under date of July 3, 1929, you say, among other things, as follows:

As to the preferred stock, Mr. Clarke is very insistent that for the good of the whole business the Chase Securities Corporation join in the purchase and offering of this stock. Having in mind your objections to appearance, and after consultation with Halstead Freeman, I have suggested that this preferred stock be changed into a convertible debenture; and Ingold of Pynchon & Co. and Clarke had made up their minds to invite Halsey. Stuart into the picture.

What did you have in mind when you said in this memorandum to Mr. Wiggin:

Having in mind your objections to appearance.

Mr. DODGE. As I testified before, I told Mr. Wiggin that Mr. Clarke's plan involved 60,000 shares of preferred stock, and after consultation we decided that Chase Securities Corporation, because of appearance, would not purchase or, that is, make a public offering of preferred stock.

Mr. PECORA. You thought that for the sake of appearances it would be better if the Chase Securities Corporation were to join in this financing, that instead of preferred stock being issued by GTE it should issue debentures having the privilege of conversion into common stock?

Mr. DODGE. Well, I meant by the word "appearance" there that the debenture or obligation of the company, surrounded by certain provisions which would protect, and which would be redeemable through a sinking fund, would be a better security for the public to buy than a preferred stock.

Mr. PECORA. Wasn't it really to avoid the appearance of Chase Securities Corporation bringing out and offering to the public an issue of stock that that change was made?

Mr. DODGE. No, sir.

Mr. PECORA. Do you know why Halsey Stuart were invited into the picture?

Mr. DODGE. They were a banking house of national prominence and we thought a wider distribution, a better distribution would be obtained.

Mr. PECORA. Is my recollection correct that Halsey Stuart & Co. are the company for which the "Old Counselor" appeared on the radio every Monday night? That is the same concern, is it not?

Mr. DODGE. Yes.

Mr. PECORA. In this memorandum that you addressed to Mr. Wiggin on July 3, 1929, you wind up with the following statement:

As between Shermar and Chase Securities Corporation, if the latter take the debentures, it might be fair to give Chase Securities Corporation 50 percent of Shermar's participation, without, however, prejudicing Shermar's position in any future financing in the common stock, where no senior financing is involved.

What prompted you to make that suggestion to Mr. Wiggin?

Mr. DODGE. The Chase Securities Corporation had had no interest whatsoever in the subsidiary companies, that is, the International Projector Corporation or the National Theatre Supply. The risk of the business there had been carried by the Shermar Corporation. The Chase Securities Corporation sometimes went into common-stock syndicates.

It did not sell to the public common stocks, but sometimes went into a syndicate; and it seemed to Mr. Freeman and myself, Mr. Freeman being the president of the company, that this was a common stock which had merit and that the Chase Securities Corporation should have a position in it—not a large position in it, but a position in it.

Mr. PECORA. Well, as a matter of fact, during all these conferences which you were having for the weeks preceding the contract of July 9, 1929, you participated in those conferences as vice president of the Chase Securities Corporation, did you not?

Mr. DODGE. Up to the time that the suggestion was made that the Chase Securities Corporation should enter into the business I did not.

Mr. PECORA. Prior to that time were you a participant in those conferences as a representative of the Shermar Corporation or as a representative of the Chase Securities?

Mr. DODGE. As a representative of the Shermar Corporation.

Mr. PECORA. Were you an officer of the Shermar Corporation?

Mr. DODGE. No, sir.

Mr. PECORA. You were an officer of the Chase Securities Corporation?

Mr. DODGE. Yes.

Mr. PECORA. What were you doing in those conferences as a representative of the Shermar Corporation?

Mr. DODGE. Because the Shermar Corporation was initially in 1925 and 1926—

Mr. PECORA. We know about that.

Mr. DODGE. I am explaining it.

Mr. PECORA. Was there any community of interest between the Shermar Corporation and the Chase Securities Corporation?

Mr. DODGE. No.

Mr. PECORA. None whatever, was there?

Mr. DODGE. No, sir.

Mr. PECORA. The Shermar was the personal property of the Wiggins family?

Mr. DODGE. Yes.

Mr. PECORA. And you knew that?

Mr. DODGE. Yes.

Mr. PECORA. The Chase Securities Co. was the property of the stockholders of the Chase National Bank, was it not?

Mr. DODGE. Yes.

Mr. PECORA. Were you devoting any of your time while you were an executive officer of the Chase Securities Corporation and receiving a salary for your time and services from that corporation, to the interests of the Shermar Corporation?

Mr. DODGE. Not much.

Mr. PECORA. Some?

Mr. DODGE. Some; yes. In this particular case; yes. I did devote some time to it, because, as I explained last week, Mr. Pecora, the Shermar Corporation went into this thing partly because and largely because I thought that sometime this company might reach a stage where the financing would be valuable to the Chase Securities Corporation. The Shermar Corporation took an interest in it, and I went on the board of the International Projector Corporation as a director.

Mr. PECORA. Representing the Shermar Corporation's interests?

Mr. DODGE. Representing the Shermar Corporation's interests.

Mr. PECORA. So that for 2 years you served as a director of the International, while you were vice president of the Chase Securities Corporation, for the Shermar Corporation?

Mr. DODGE. I would say so; yes.

Mr. PECORA. When you prepared this memorandum of July 3, 1929, that you addressed to Mr. Wiggin, at what point did you stop looking out for the best interests of the Shermar Corporation and commence looking out for the best interests of the Chase Securities Corporation?

Mr. DODGE. The minute the Chase Securities Corporation became interested in the business.

Mr. PECORA. Who brought the matter to the attention of the Chase Securities Corporation?

Mr. DODGE. I did.

Mr. PECORA. You did?

Mr. DODGE. Yes.

Mr. PECORA. You did so because at one time you reached the stage where you thought the Chase Securities Corporation might profitably participate in this financing?

Mr. DODGE. Profitably; yes.

Mr. PECORA. Why did you not, as the vice president of the Chase Securities Corporation, try to keep intact the interest which was divided between the Chase Securities Corporation and the Shermar?

Mr. DODGE. Didn't want it all.

Mr. PECORA. Who didn't want it all—you?

Mr. DODGE. The Chase Securities Corporation.

Mr. PECORA. Did you propose that they take it over?

Mr. DODGE. Yes.

Mr. PECORA. And the directors turned that down?

Mr. DODGE. No, sir; not the directors—the officers.

Mr. PECORA. Mr. Freeman?

Mr. DODGE. Freeman, myself, and others. There was a 22½ per cent interest there, I think it would work out, and all the risk that the Chase Securities Corporation was to take in it was 11¼ percent.

Mr. PECORA. Ultimately, before the General Theatres Equipment went into receivership, can you tell this committee how much money the Chase Bank or any of its security affiliates furnished by way of loans or otherwise to the General Theatres Equipment or to any syndicate trading in its securities, all told?

Mr. DODGE. I was not an officer of the Chase National Bank. If you want me to get that from the Chase National Bank—

Mr. PECORA. Do you know?

Mr. DODGE. I do not know of my own knowledge, but I can get it.

Mr. PECORA. Have you not ever been told?

Mr. DODGE. I have seen memoranda; yes.

Mr. PECORA. According to whatever information you have derived, how much did the Chase Bank or its investment affiliates put into the financing of General Theatres Equipment, all told?

Mr. DODGE. The gross amount or the net?

Mr. PECORA. The gross amount. Give us that first.

Mr. DODGE. I do not think we have it here now. I can get it for you.

Mr. PECORA. Can you not give us an approximation of the gross amount?

Mr. DODGE. No, sir.

Mr. PECORA. How much do you think it was?

Mr. DODGE. I do not think you should ask me to say how much I think it was.

Senator COUZENS. What was on the memoranda you said you saw?

Mr. DODGE. I have seen memoranda. I also read it in newspapers.

Mr. PECORA. What have you seen?

Mr. DODGE. I am not an officer of the Chase National Bank, and I do not wish to give you anything that is not the facts. Should you ask me what I think and should I answer—I want to help you, but I do not think I should give you an answer to that, when I can get the facts.

Mr. PECORA. How long would it take you to get the facts?

Mr. DODGE. I don't know, sir. Mr. Aldrich says I can say we can supply those facts by Tuesday.

Mr. PECORA. In what proportions did the members of this banking syndicate subscribe for these six million par value of debentures?

Mr. DODGE. Chase Securities Corporation, 20 percent; Pynchon & Co., 28 percent; West & Co., 16 percent; W. S. Hammons & Co., 16 percent; Halsey Stuart & Co., 20 percent.

Mr. PECORA. Mr. Dodge, I want to suspend with you now. I see that Mr. Clarke is in the room.

(Witness temporarily excused.)

#### TESTIMONY OF HARLEY L. CLARKE—Resumed

Mr. PECORA. Mr. Clarke, have you now available the documents and records relating to your acquisition of the stock, assets, and property of the four so-called Lamp Companies and the Mitchell Camera Co.?

Mr. CLARKE. I have.

Mr. PECORA. Will you produce them?

Mr. CLARKE. Yes, sir [handing papers to Mr. Pecora]. I think I have given you one you did not ask for.

Mr. PECORA. Which one is that?

Mr. CLARKE. The Mitchell Camera Co.

Mr. PECORA. Yes; I asked for that.

I offer in evidence the five documents produced by the witness. The first one is in the form of a letter addressed to J. E. McAuley, Esq., dated June 30, 1929, signed by H. L. Clarke.

The CHAIRMAN. It will be admitted.

(The letter referred to, dated June 30, 1929, addressed to J. E. McAuley, Esq., and signed by H. L. Clarke, was received in evidence, marked "Committee's Exhibit No. 139, Nov. 17, 1933", and will be found on page 3564.)

Mr. PECORA. The second one produced by the witness consists of a duplicate original of an agreement dated April 27, 1929, by and between Clarence S. Ashcraft and Mary C. Ashcraft, his wife, and H. E. Van Dyne.

The CHAIRMAN. Let it be admitted.

(The document referred to, being duplicate original of an agreement dated Apr. 27, 1929, between Clarence S. Ashcraft and Mary C. Ashcraft, his wife, and H. E. Van Dyne, was received in evidence, marked "Committee's Exhibit No. 140, Nov. 17, 1933", and will be found on page 3565.)

Mr. PECORA. The third document produced by the witness consists of a duplicate original of a letter addressed to Mr. Harry H. Strong, dated July 14, 1929, signed by H. L. Clarke, accepted by Harry H. Strong.

The CHAIRMAN. Let it be admitted.

(The document referred to, being duplicate original of a letter dated July 14, 1929, from H. L. Clarke to Harry H. Strong, was received in evidence, marked "Committee Exhibit No. 141, Nov. 17, 1933", and will be found on page 3566.)

Mr. PECORA. The fourth document produced by the witness consists of an agreement made by and between Theodore Hall and Joseph Connolly, called the sellers, and J. E. McAuley, of Chicago, called the buyer, dated April 12, 1929.

The CHAIRMAN. Let it be admitted.

(The document referred to, being agreement between Theodore Hall and Joseph Connolly, sellers, and J. E. McAuley, buyer, dated Apr. 12, 1929, was received in evidence, marked "Committee's Exhibit No. 142, Nov. 17, 1933", and will be found on page 3567.)

Mr. PECORA. The fifth document produced by the witness is what purports to be a copy of an agreement made by and between H. F. Bogart and George A. Mitchell, as sellers, and H. L. Clarke, buyer, dated June 6, 1929.

The CHAIRMAN. Let it be admitted.

(The document referred to, being copy of an agreement between H. F. Bogart and George A. Mitchell as sellers, and H. L. Clarke, buyer, dated June 6, 1929, was received in evidence, marked "Committee's Exhibit No. 143, Nov. 17, 1933", and will be found on page 3570.)

Mr. PECORA. These five documents just offered in evidence and marked with exhibit numbers 139, 140, 141, 142, and 143 in evidence, constitute all the documents evidencing the agreements under which you acquired or under which there was acquired for the ultimate use and benefit of the General Theatres Equipment Co., all the various properties and assets referred to?

Mr. CLARKE. Yes, sir. I think one of them is a copy.

Mr. PECORA. Mr. Chairman, these documents have come to me now for the first time, and before proceeding to further examine this witness with respect to them I would like to have an opportunity of familiarizing myself with their contents.

The CHAIRMAN. Very well.

Senator COUZENS. Let me ask the witness a few questions.

How long prior to the conception of the General Equipment, Inc., were those agreements entered into?

Mr. CLARKE. Before the General Theatres was formed?

Senator COUZENS. Yes; or before you conceived idea of forming it?

Mr. CLARKE. I think the idea was conceived for a long time.

Senator COUZENS. It was conceived before these contracts were entered into?

Mr. CLARKE. Yes.

Senator COUZENS. So you had in mind acting as agent for the General Theatres Equipment company when you were making these contracts?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Mr. Chairman, it is about 3:30, and I suggest that we adjourn at this time.

The CHAIRMAN. The subcommittee will now take a recess until 10 o'clock next Tuesday morning.

(Whereupon, at 3:25 p.m., the subcommittee adjourned until Tuesday, Nov. 21, 1933, at 10 a.m.)

COMMITTEE EXHIBIT No. 136, NOVEMBER 17, 1933

This agreement, made this 24th day of June 1929, by and between Grandeur, Inc., a New York Corporation, first party hereto, hereinafter generally referred to as "Grandeur", and International Projector Corporation, a Delaware corporation, second party hereto, hereinafter generally referred to as "International",

Witnesseth:

Whereas, International has for more than 7 years last past experimented with, and has now developed a special motion-picture projector, without lamp and lamp house, adapted for use in connection with so-called "Grandeur" films (films wider than the regular 35 mm); and

Whereas, Grandeur is desirous of securing the exclusive right of handling and selling all such projectors manufactured by International adapted for use in connection with "Grandeur" films, and International is willing to grant such exclusive right, upon the terms and conditions hereinafter set forth;

Now, therefore, in consideration of the premises and of the mutual covenants herein contained, it is agreed by and between the parties hereto as follows:

1. International agrees that Grandeur shall have the exclusive distribution and sale for all such projectors manufactured by International adapted to the use of "Grandeur" films, and further agrees that during the period of this agreement it will not manufacture for, or sell, lease, license, or otherwise dispose of to any other person, firm, or corporation, nor permit any other person, firm, or corporation, to sell, lease, license, or otherwise dispose of any such projectors or any improvements thereof, or any modifications thereof, or any other projector designed to use films wider than 35 mm prescribed and/or developed either directly or indirectly by or under the supervision of or for the benefit of International Projector Corporation, provided always that Grandeur shall use its best efforts to promote the sale and distribution of such projectors.

2. International agrees to manufacture and sell to Grandeur and Grandeur agrees to purchase from International all such projectors desired by Grandeur during the life of this agreement for sale to Fox Film Corporation, Fox Theatres Corporation and/or their subsidiary or affiliated companies, or others upon the terms and conditions hereinafter set forth.

3. For the first 12 of such projectors Grandeur shall pay International the sum of \$6,000 for each of such projectors. For each projector in excess of the said 12 projectors hereinabove mentioned, Grandeur shall pay International \$4,000 for each projector.

Deliveries shall commence on or before or as soon after February 1, 1930, as practicable.

4. This agreement shall remain in effect until June 1, 1939.

In witness whereof, the parties hereto have caused this agreement to be signed by their respective proper officers on the day and date first above written.

GRANDEUR, INC.,  
By JACK G. LEO,  
*President.*

Attest:  
C. S. LEVIN,  
*Assistant Secretary.*

[SEAL] INTERNATIONAL PROJECTOR CORPORATION.  
By W. C. MICHEL, *Vice President.*

Attest:  
C. D. HARMSEN,  
*Assistant Secretary.*

*Vice President.*

COMMITTEE EXHIBIT No. 137, NOVEMBER 17, 1933

This agreement, made in triplicate in the City of New York, State of New York, this 24th day of June, 1929, by and between Grandeur, Inc., a New York corporation (hereinafter called "Grandeur"), licensor, and Fox Theatres Corporation, a New York corporation (hereinafter called "Fox"), licensee,

Witnesseth that, for and in consideration of the covenants, stipulations and representations herein set forth, the respective parties hereto agree as follows:

1. (a) Grandeur hereby grants to Fox a non-exclusive, non-assignable license to use in the theaters owned, controlled and/or operated by Fox, Fox Film Corporation and their respective subsidiary and/or affiliated companies (subject to all the terms, conditions, limitations and agreements herein contained) special motion picture projectors, without lamp or lamphouse, adapted for use in connection with so-called "Grandeur" films (films wider than the regular 35 m.m. in the quantities and at the times hereafter in this agreement provided and to employ and make use of (to the extent necessarily involved in such use of said projectors) any and all United States patents and applications for United States patents, relating to said projectors or to such use thereof, which are now owned or controlled, or which may during the term of this agreement be owned or controlled by International Projector Corporation, or in respect of which International Projector Corporation has or may hereafter during the term of this agreement have the right to grant such licenses, Grandeur being the licensee of International Projector Corporation, with the right to assign such use of such patents.

(b) Grandeur agrees to install in such theaters of Fox, Fox Film Corporation, and/or their subsidiary or affiliated companies that Fox may from time to time designate, 12 such special motion-picture projectors, for which Fox shall pay Grandeur on installation thereof the sum of \$6,000.

Grandeur agrees to supply to Fox, and Fox agrees to accept or cause to be accepted from Grandeur under the terms provided in this agreement, during the period commencing approximately February 1, 1930, but in any event as soon as projectors shall be ready for delivery, and ending 10 years thereafter, all motion-picture projectors using films wider than the regular 35 mm that may be required or desired by Fox, Fox Film Corporation, and/or their subsidiary or affiliated companies during such period, it being the agreement of the parties hereto that Fox shall, during such period, use exclusively such projectors as are manufactured by International Projector Corporation. Where hereinafter referred to, Fox shall include not only Fox Theatres but also Fox Film Corporation and/or their subsidiary or affiliated companies.

Grandeur agrees that Fox shall have the first call on any such projectors that Grandeur is able to supply, and Grandeur agrees that so long as any orders for such projectors from Fox are unfilled that no orders for such projectors from others than Fox will be accepted except on the condition that such orders shall be accepted subject to prior deliveries for Fox as herein provided.

2. Fox agrees that it will use and employ the projectors only in theaters owned, controlled, or operated by Fox, and that it will at all times during the period of this license keep and maintain the projectors in good condition.

3. Grandeur agrees to make periodical inspection and minor adjustments in the projectors after they shall have been installed. Grandeur may from time to time install such spare and renewal parts as may, in its opinion, be necessary to the satisfactory operation and maintenance of the projectors.

4. For each such projector in excess of the 12 projectors mentioned in paragraph 1 (b) hereof, Fox agrees to pay to Grandeur in New York exchange an installation charge of \$4,000 for each such projector, payable upon the shipment of each such projector and the further payments hereinafter provided. In the event that the established installation charge made by Grandeur for such projectors is less than \$4,000, at any time during the life of this contract, Fox shall be given the benefit of any such decreased charge from the effective date thereof.

5. In addition to any other payments required to be made by Fox hereunder, Fox agrees to pay to Grandeur throughout the term of the license hereby granted, a monthly payment of \$175 in advance. Such payments shall continue for 120 months for each projector. Such monthly payment to be made by Fox to Grandeur, however, shall never be in excess of the amount in effect as the

established monthly payment at the time when such monthly payment is due. The first six machines furnished, however, shall be free from such monthly payment.

6. Fox agrees to pay the cost of transporting the projectors from the place of shipment to the theater and to accept delivery thereof from the common carrier and make payment directly to the common carrier of the charges thereon. Fox will also arrange for any necessary loading, trucking, and unloading to put the projectors down inside the theater, and will directly defray the cost thereof.

7. Fox agrees to comply with all local laws and ordinances relating to the use and operation of the projectors and with any fire insurance underwriter's requirements.

8. Title to and ownership of any and all projectors at any time furnished hereunder shall remain vested in Grandeur.

9. Fox shall bear and discharge promptly any and all personal property taxes which may be charged or levied in connection with the projectors.

10. Fox will permit Grandeur, through its designated agents, engineers, and mechanics, to have access to the theaters of Fox at all reasonable hours for the purpose of installing and from time to time for the purpose of examining, inspecting, and servicing the projectors, and will grant to Grandeur full opportunity to make such adjustments therein and repairs thereto as, in the opinion of Grandeur, are necessary or desirable.

11. This agreement and the license hereby granted and/or to be granted shall, at the option of Grandeur, terminate and come to an end upon the happening of any of the following events, hereby designated to be events of default, to wit:

(a) Upon the failure or refusal of Fox for any reason to pay any of the sums herein agreed to be paid by Fox within 30 days after such sum is or may become due.

(b) Upon a breach by Fox or any of the covenants herein contained relative to the use or maintenance of the projectors continued for more than 30 days after notice thereof by registered mail from Grandeur.

In the event of a default in any of the provisions of this agreement at any time during the first 2 years of the term of this license, the entire balance of monthly payments for the first 5 years shall be due and payable forthwith at the option of Grandeur and whether or not it terminates this license or removes the projectors as hereinafter provided. The license hereby granted and all obligations imposed upon Grandeur by virtue of this agreement shall be suspended during the continuance of any event of default.

12. Upon termination of or expiration of this license by lapse of time or otherwise, Fox will surrender up and deliver possession of the projectors to Grandeur in good order and condition, reasonable wear and tear and obsolescence due to proper use thereof only excepted, and Grandeur may repossess the projectors and may, for the purpose of reducing the same to possession, enter the theaters of Fox or any other premises where said projectors may be and, without any legal proceedings whatever, possess and remove said projectors, and Fox will cooperate in such removal. If this license shall be terminated by default Grandeur shall thereupon have the right without notice to take immediate possession of said projectors, and for that purpose may pursue the same wherever they may be found and may take and seize the same to its own proper use forever, free from any right of Fox under this agreement. Fox covenants that in any such event no claim will be made for damages on account of removal or otherwise and Fox further agrees that it will hold and save harmless Grandeur from and against any and all claims for damages by any parties whatsoever on account of such removal.

13. In the event of the partial or total destruction of a projector during the term of this license by fire or any other cause, without fault or neglect on the part of Fox, provided Fox shall not be in default under this agreement, and provided Fox shall continue to operate the theater or after any necessary repairs to the theater shall resume its operation, Grandeur will at its own expense repair the projector, or if in the sole judgment of Grandeur such destruction is so extensive as to render the repair impracticable, Grandeur will at its own expense install in the theater a projector as nearly similar as possible to the one destroyed.

14. Grandeur agrees that subject to the provisions hereof it will, at its own expense, defend any and all actions and suits which may during the term

hereof be brought against Fox for infringement of patents by reason of the use by Fox of projectors furnished by Grandeur hereunder, and will pay or satisfy all judgments and decrees for profits, damages and/or costs which may be finally awarded against Fox by a court of last resort in any such action or suit on account of any such infringement provided that Fox shall give Grandeur prompt notice of such action or suit, full information and all reasonable cooperation in connection therewith and full opportunity to defend the same and provided further that this agreement shall not extend to any infringement or claim of infringement arising from the use of any projector in combination with any sound apparatus or in combination with anything not furnished by Grandeur, and that the liability of Grandeur under this agreement shall in no case exceed the total amount paid hereunder by Fox to Grandeur.

15. This agreement shall not be assigned by Fox without the written consent of Grandeur. It shall, however, subject to such restriction upon assignment by Fox, be binding upon the parties and their respective successors, assigns, and legal representatives and shall be interpreted according to the laws of the State of New York.

16. These licenses to be granted hereunder in respect to each projector shall be for a term of 10 years from the day upon which the installation of each respective projector shall have been completed and the projector made available to Fox for use, the last term to expire 5 years from the date of installation in 1939 of the last projector provided for in paragraph 1 of this agreement.

17. The parties hereto expressly stipulate that this agreement as herein set forth contains the entire understanding of the respective parties with reference to the subject matter hereof, and that there is no other understanding, agreement, or representation, expressed or implied, in any way limiting, extending, defining, or otherwise relating to the provisions hereof or any of the matters to which the present agreement relates. No waiver by either party, whether express or implied, of any of the provisions of this agreement shall be construed as constituting a waiver of any other provision or provisions of this agreement or as estopping either party from its right to enforce any provision or all provisions hereof.

In witness whereof, the parties hereto have caused these presents to be executed by their duly authorized officers in their behalf the day and year first above written.

[SEAL]

GRANDEUR, INC.,  
By H. L. CLARKE,  
*President.*

Attest: S. R. BURNS.

*Secretary.*

[SEAL]

FOX THEATRES CORPORATION,  
By AARON FOX, *Vice President.*

Attest:

C. S. LEVIN, *Secretary.*

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COMMITTEE EXHIBIT No. 138, NOVEMBER 17, 1933

New issue

July 18, 1929

\$6,000,000 General Theatres Equipment, Inc., 15-year, 6 percent convertible gold debentures, to be dated July 1, 1929, to be due July 1, 1944

Interest payable semiannually January 1 and July 1, in New York or Chicago without deduction for Federal income tax not exceeding 2 percent. New Hampshire 3 percent tax on interest, Pennsylvania and Connecticut 4 mills taxes, Maryland 4½-mills tax, California and Kentucky 5-mills taxes, Massachusetts 6-percent income tax on interest, and any similar taxes hereafter imposed by Maine not exceeding 5 percent personal-property tax or 6 percent income tax, refundable upon proper and timely application. Redeemable on or after July 1, 1930, as a whole at any time or in part on any interest date, on 40-days published notice, at 110 percent of their principal amount and accrued interest. Coupon debentures in interchangeable denominations of \$1,000 and \$500, registerable as to principal only.

## THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK, TRUSTEE

**Convertibility:** These debentures will be convertible at any time after January 1, 1930, at the option of the holders, into the common stock of the company (or, at the option of the company, voting trust certificates therefor) on the basis of 30 shares of such stock as now constituted for each \$1,000 principal amount of debentures. In the event of redemption of these debentures prior to maturity, such conversion privilege may be exercised up to and including the tenth day prior to the redemption date.

From his letter Mr. H. L. Clark, president of the General Theatres Equipment, Inc., summarizes as follows:

**Organization and business.**—General Theaters Equipment, Inc., a Delaware corporation, will own in excess of 60 percent of the outstanding common stocks of International Projector Corporation and National Theater Supply Co., and all of the outstanding common stock of Theatre Equipment Acceptance Corporation. Upon acceptance of the exchange offers now being made, General Theatres Equipment, Inc., will own all of the outstanding common stocks of these companies. The proceeds of present financing will provide funds with which to acquire all of the outstanding funded debt and preferred stocks of these companies. The company will also acquire 50 percent of the outstanding capital stock of Grandeur, Inc., which will acquire through a wholly owned subsidiary, all of the business and assets of Mitchell Camera Co. General Theatres Equipment, Inc., will also acquire all of the capital stock of Hall & Connolly, Inc., and through wholly owned subsidiaries, the properties, businesses, and assets of The Strong Electric Co., J. E. McAuley Manufacturing Co., and Ashcraft Automatic Arc Co.

International Projector Corporation manufactures in excess of 75 percent of the motion-picture projectors used throughout the world, many of its products also being used by churches, schools, and large industrial concerns. The company has adapted its products to the sound picture very successfully and has developed new types of projector machines which are expected to revolutionize the industry.

National Theatre Supply Co. maintains a nation-wide distributing organization which sells all types of equipment used in theatres. It operates 30 stores and warehouses in principal cities of the United States, and has exclusive selling arrangements for products of International Projector Corporation, except those held by Grandeur, Inc.

Grandeur, Inc., was organized to distribute and service the new types of motion-picture projectors which have been developed by International Projector Corporation. It has entered into a contract under which Fox Theatres Corporation, or any affiliated company, agrees to lease from Grandeur, Inc., all projecting equipment of the new type required by it or any subsidiary or affiliated company.

Mitchell Camera Company manufactures professional cameras for both the silent and sound pictures, its products being used by the foremost producers of motion picture films.

Theatre Equipment Acceptance Corporation finances commercial paper taken for theater equipment and secured by contracts of conditional sale, chattel mortgages, etc.

J. E. McAuley Manufacturing Co., Hall & Connolly, Inc., The Strong Electric Co., and Ashcraft Automatic Arc Co. manufacture projection lamps used in theaters. Sound and talking pictures require larger and more powerful light sources resulting in a wide-spread demand for more of the efficient lamps of the types manufactured by these companies.

General Theatres Equipment, Inc., will constitute a complete unit for the manufacture, distribution, installation and servicing of all types of equipment and supplies used in the operation of motion picture and general theaters.

**Capitalization.**—(Upon completion of the present financing, and upon consummation of the exchanges of securities offered to stockholders.)

	Authorized	Outstanding
Fifteen year 6% convertible gold debentures due 1944 (this issue).....	\$6,000,000	\$6,000,000
Common stock, no par value shares.....	5,000,000	1,026,250

<sup>1</sup> Of this total 376,250 shares are reserved for exchange offers to stockholders.

*Earnings.*—For the twelve months period ended on May 31, 1929, the above mentioned companies and businesses reported a combined net income before Federal income taxes, of \$2,283,530. The maximum annual interest requirements on this issue of \$6,000,000 15-year 6-percent convertible gold debentures are \$360,000.

*Sinking fund.*—The indenture under which these debentures will be issued will provide for an annual sinking fund of \$300,000, beginning July 1, 1933.

*Purpose of issue.*—The proceeds of this issue of \$6,000,000 15-year 6-percent convertible gold debentures will provide funds for the purchase of businesses, properties and/or stocks of Grandeur, Inc., and the projection lamp companies, and for other corporate purposes.

All information given herein is from sources which we regard as reliable; but in no event are the statements herein contained to be regarded as representations of the undersigned.

We offer these debentures, when as and if issued and accepted by us and subject to the approval of our counsel, and to prior sale. Legal details in connection with the issuance of these debentures will be subject to the approval of Messrs. Rushmore, Bisbee & Stern and Messrs. Davison & Manice, New York City, for the bankers and Messrs. Matthews & Koegel, Chicago, for the company. It is expected that delivery of temporary debentures will be made on or about August 1, 1929.

Price 99 and interest to yield over 6.10 percent.

CHASE SECURITIES CORPORATION.  
PYNCHON & Co.  
HALSEY, STUART & Co., INCORPORATED.  
WEST & Co.  
W. S. HAMMONS & Co.

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