

# STOCK EXCHANGE PRACTICES

WEDNESDAY, FEBRUARY 7, 1934

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

The subcommittee met at 10:15 a.m., pursuant to adjournment on yesterday, in room 301 of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Adams, Townsend, and Couzens. Present also: Ferdinand Pecora, counsel to the committee; Julius Silver and David Saperstein, associate counsel to the committee; and Frank J. Meehan, chief statistician to the committee.

The CHAIRMAN. The subcommittee will come to order. I will state for the benefit of those present, as well as for the record, that Mr. Pecora is giving his attention today to the preparation of the bill regarding stock exchange practices and so forth, which will probably be introduced in the Senate on Friday. There has been a great deal of work done in connection with it, and the bill is practically finished, but I feel that Mr. Pecora ought to go over it, and he will go over it, and try to get it in shape today. Therefore, Mr. Pecora will be absent this morning, and Mr. Saperstein will take his place in examining the witness this morning.

You may proceed, Mr. Saperstein.

**TESTIMONY OF WILSON W. MILLS, GROSSE POINTE FARMS,  
DETROIT, MICH.—Resumed**

Mr. SAPERSTEIN. Mr. Mills, prior to the consolidation of the Peoples Wayne and the First National Banks you were the chairman of the board of the Peoples Wayne County Bank for a period of time, were you not?

Mr. MILLS. Yes.

Mr. SAPERSTEIN. When did you become the chairman of the board?

Mr. MILLS. Of the Peoples Wayne County Bank?

Mr. SAPERSTEIN. Yes.

Mr. MILLS. I was elected in January of 1931, with the understanding that I was not to take office or assume any duties or receive any compensation until the 1st of March 1931.

Mr. SAPERSTEIN. And on the 1st of March 1931 did you assume the duties of that office?

Mr. MILLS. Yes.

Mr. SAPERSTEIN. You then became the chief executive officer of the Peoples Wayne Bank, did you not?

Mr. MILLS. Yes.

Mr. SAPERSTEIN. Now, during your incumbency of the office of chairman of the board of the Peoples Wayne County Bank, did that bank acquire control of the stock of the Citizens Savings Bank of Mount Clemens, Mich.?

Mr. MILLS. Control of the stock was deposited with it. But I have a statement on that subject which completely tells the story, if you would like the story.

Mr. SAPERSTEIN. Is that a statement prepared by yourself?

Mr. MILLS. No; but I know that the facts are true. It was prepared by an officer of the bank.

Mr. SAPERSTEIN. What officer of the bank?

Mr. MILLS. Mr. Robert B. Locke.

Mr. SAPERSTEIN. What was his office in the bank?

Mr. MILLS. He was vice president of the bank.

Mr. SAPERSTEIN. Are you prepared to say that the statements contained in that prepared statement are true?

Mr. MILLS. So far as I will read them; yes. I will only read matter of which I had knowledge.

Mr. SAPERSTEIN. Can you state first those matters which are within your knowledge?

Mr. MILLS. That is what I only intended to tell.

Mr. SAPERSTEIN. Will you please do that.

Mr. MILLS. The American State Bank, as I have testified before, was taken over by the Peoples Wayne County Bank under the basis of guaranteeing deposits. The Peoples Wayne County Bank was chosen by the clearing-house banks to undertake the liquidation of the American State Bank. The Peoples Wayne County Bank's interest in the matter was proportionate, as were the proportionate liability of all the other Detroit banks and trust companies.

Mr. SAPERSTEIN. What was the interest of the Peoples Wayne County Bank?

Mr. MILLS. Well, that was the largest interest. I do not recall the percentage, but it was the largest individual interest, as it was the largest bank.

Mr. SAPERSTEIN. How many other banks were involved?

Mr. MILLS. Oh, outside of the Peoples Wayne County Bank there was the First National Bank, the Guardian Bank of Detroit, the National Bank of Commerce as it was then, the Union Guardian Trust Co., the Detroit Trust Co., the Fidelity Trust Co., and I think the Equitable and the Central Trust Cos. That is my recollection of the group. There may have been one or more banks in addition. Oh, yes; the Commonwealth Commercial Bank and the Detroit Savings Bank. All of the Detroit banks and trust companies undertook this guarantee of deposits. It was done through the clearing house, and the liquidation was entrusted to the Peoples Wayne County Bank.

Mr. SAPERSTEIN. When was that?

Mr. MILLS. That was in March of 1931.

Mr. SAPERSTEIN. Now, Mr. Mills, will you go on with your story?

Mr. MILLS. Well, among the assets that we found in the American State Bank was a note of the American Detroit Co. for \$981,000. I am giving you only the round figures and that note was secured by

various collateral, including 8,220 shares of the stock of the Citizens Savings Bank of Mount Clemens. This stock was in the name of the American State Bankers Co. Among the assets of the American State Bank was also a note of three gentlemen named McGill, Dalby, and Rogers, as trustees, for \$141,000, which, in turn, was secured by 2,184 shares of stock of the same Citizens Savings Bank of Mount Clemens. This stock stood in their name as trustees. Eliminating the other collateral of the American Detroit Co. loan, the American State Bank had an investment in the Citizens Savings Bank stock of approximately \$800,000. It was thought, because there was no other work back of the American Detroit Bankers Co., and the guaranteeing banks and trust companies soon recognized that we had nothing to look to except the collateral; and we were naturally, and it was our duty, to be desirous of saving the work of the collateral, the value of the collateral, for the depositors of our bank and for the stockholders of the American State Bank; for it might conceivably have reduced their stockholders' assessment if we could have realized anything upon that stock which we held. So we——

Mr. SAPERSTEIN (interposing). Did the collateral consist principally of the stock in the Citizens Savings Bank that you refer to?

Mr. MILLS. Yes.

Mr. SAPERSTEIN. The 8,220 shares of stock?

Mr. MILLS. The 8,220 shares were the stock held as security for the American Bankers Co. loan, and 2,184 shares on this trustee note of the three gentlemen, who we were satisfied had no other financial responsibility; and those were loans that had been made by the American State Bank entirely outside of our province. So we determined it was our duty to save that investment that the American State Bank had, in effect, in this Citizens Savings Bank of Mount Clemens. The Citizens Savings Bank of Mount Clemens was, like every other bank in Michigan, experiencing substantial withdrawals of deposits; and in May of 1931 a committee of their directors came down to Detroit and said they would have to have financial assistance. We held a meeting of the guaranteeing banks and trust companies.

Now, they were not all at the meeting, because the American State bank's liquidation was handled by a committee that had been appointed by all of them, and the committee consisted of someone from the Detroit Savings Bank, and from the Fidelity Trust Co., and from the First National Bank, and from the Guardian National Bank, and from the Peoples Wayne County Bank. They were called the liquidating committee, and they were given full power on any questions of policy in the matter of the American State Bank liquidation.

Well, we had a meeting with them, and it was determined at that meeting that the management of the Mount Clemens Bank had not been very strong and that we might consider, at a later time, to change that management. We did not know whether we would or not, and by "we" I am speaking of the representatives of the guarantors. And we——

Senator COUZENS (interposing). At that time did you have control of the stock of the bank?

Mr. MILLS. No, sir.

Senator COUZENS. What was the amount of the shares outstanding of the Mount Clemens Bank at that time?

Mr. MILLS. I will come to that in a moment, Senator Couzens.

Senator COUZENS. All right; go ahead.

Mr. SAPERSTEIN. Could you give us the date of this meeting you are now talking about?

Mr. MILLS. It was sometime in May is all that I can now say.

Mr. SAPERSTEIN. In May of 1931?

Mr. MILLS. Yes, sir.

Mr. SAPERSTEIN. All right. You may proceed with your statement.

Mr. MILLS. So a group of those directors came down and met with this committee of guarantors, and they said they must have financial assistance or they would have to close up shop. We told them that we would be willing, and by "we" I mean all the guaranteeing banks and trust companies, would be willing to advance to them up to \$750,000 upon what collateral—and, in the meantime, I might say that we had made a hasty check of what collateral they had out there, and we were satisfied it would go at least to the extent of \$750,000—that we would advance to them up to \$750,000, on their collateral, provided they would put up sufficient additional shares of stock, under an agreement, so to speak, of the Detroit banks and trust companies controlling the bank if they ever desired to exercise it.

The agreement, however, provided that that stock, which they then put up, would be surrendered to the bank at any time upon payment of the advances which the clearing-house banks were talking about making to the American State Bank, and upon the payment of this American Detroit Bankers Co. loan, at any time that those loans were paid, with the rate of interest carried on the face of the notes that not only would the stock which we originally held as collateral be surrendered, but also this additional stock which they were talking about putting up, and which was put up.

Furthermore, the agreement provided—and I haven't the agreement here—but the receiver must have it, that agreement provided that at any time after 5 years we would resell all this stock that we then had by way of collateral or otherwise, at varying prices, for a total of which would pay the loan of the American Detroit Bankers Co. In other words, they had 5 years to pay off those loans.

Then the agreement went on to provide further that if they did not pay it within 5 years, and later we wished to sell it, they would have the first option to purchase that stock at any price that we later determined to sell it for.

The CHAIRMAN. There was no general market for that stock at all, was there?

Mr. MILLS. Oh, Senator Fletcher, there was no market for it at all. The stock was—

The CHAIRMAN (interposing). You would have had to go out and hunt purchasers for it, I take it?

Mr. MILLS. We would have had to go out and hunt purchasers for it, and we almost let the thing go at the time, but we had this large investment in it through the American State Bank, and we recognized that probably times might change and it might be well worth the effort to try to save the investment that the American State Bank had in it.

Mr. SAPERSTEIN. That agreement which you have just referred to was made between the Citizens Savings Bank and the Peoples Wayne County Bank, was it not?

Mr. MILLS. That is my recollection.

Mr. SAPERSTEIN. These other banks which you have referred to as being guaranteeing banks, were not parties to that agreement, were they?

Mr. MILLS. They were not legal parties, but they authorized our going into the agreement.

Mr. SAPERSTEIN. Did they give you that authorization in writing?

Mr. MILLS. Whether they kept minutes, I don't know, but I think they authorized it in writing.

Mr. SAPERSTEIN. Mr. Mills, I show you a paper, dated May 25, 1931, which purports to be an agreement between the Citizens Savings Bank of Mount Clemens, Mich., as party of the first part, and the Peoples Wayne County Bank, of Detroit, Mich., as party of the second part, and ask you whether that is a photostatic copy of the agreement to which you refer.

Mr. MILL: (after looking at the paper). I have no doubt that it is.

Mr. SAPERSTEIN. Mr. Chairman, I ask that that may be made a part of the record.

The CHAIRMAN. Let it be admitted.

(An agreement dated May 25, 1931, between the Citizens Savings Bank of Mount Clemens, Mich., and the Peoples Wayne County Bank was marked "Committee Exhibit No. 153, Feb. 7, 1934", and will be found immediately following where read by Mr. Saperstein.)

Mr. SAPERSTEIN. The agreement, which has been marked in evidence as "Committee Exhibit No. 153", reads as follows:

MEMORANDUM OF AGREEMENT made and entered into this 25th day of May, A.D. 1931, between CITIZENS SAVINGS BANK OF MOUNT CLEMENS, MICHIGAN, a banking corporation organized and existing under the laws of the State of Michigan, of the first part, and PEOPLES WAYNE COUNTY BANK, of Detroit, Michigan, a banking corporation organized and existing under the laws of the State of Michigan, of the second part, WITNESSETH:

WHEREAS, second party now controls through loans upon certain shares of the capital stock of the first party a total of 10,384 of such shares; and

WHEREAS, second party desires to control in addition to the said stock so controlled by it an additional 2216 shares of such capital stock so it will control 12,600 shares of such capital stock, and first party has undertaken to deliver to second party or its nominee such 2216 shares,

NOW THEREFORE, in consideration of the premises, first party hereby agrees to deliver to second party or to its nominee with all convenient speed and within a period of ten (10) days from and after the date hereof, such additional shares of capital stock consisting of 2216 shares endorsed in blank and second party in consideration thereof agrees that it will at any time within five years from and after the date hereof cause to be sold and assigned to first party said 10,384 shares of such capital stock at the following prices: \$80 per share for 8,200 shares and \$63 per share for 2,184 shares, (in each case with interest thereon at the rate of 5 per cent per annum from the date of this agreement, crediting upon such interest any dividends which may have been since the date of this agreement declared and paid upon said 12,600 shares), and in case first party exercises such option and purchases such stock as herein provided, second party will also without further consideration cause to be assigned to first party said 2216 shares of capital stock so to be delivered by first party to second party or its nominee.

IT IS FURTHER AGREED that in case first party does not exercise the option to purchase such stock within five years from and after the date hereof, and second party concludes to sell said stock at a lesser price than provided in said option, then, and in that case, second party agrees before selling said stock to other parties to give to first party the privilege of purchasing said stock at such price as it may be offered by third parties.

AND IN CASE SAID OPTION is not exercised within the time, and pursuant to the terms herein provided, second party or its nominee may retain said 2216 shares absolutely and first party will be foreclosed of all right, title or interest therein. Time is hereby made of the essence of this agreement.

IT IS FURTHER AGREED that, pending exercise of said option by the party of the first part, the party of the second part will extend to the party of the first part a line of credit up to \$750,000 by making loans to first party from time to time provided said first party deposits collateral security for such loans of a value satisfactory to the second party, consisting of notes, mortgages, or other property owned by the first party.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first above written.

CITIZENS SAVINGS BANK OF MOUNT CLEMENS,  
 By (Signed) H. J. MCGILL, *President*, and  
 (Signed) CHARLES S. NIEMETTA, *Chairman*.  
 PEOPLES WAYNE COUNTY BANK,  
 By (Signed) DONALD N. SWEENEY, *Executive President*, and  
 (Signed) A. T. WILSON, *Cashier*.

Mr. SAPERSTEIN. Do you know the name of the cashier at that time? I have trouble deciphering the name here.

Mr. MILLS. Probably it was A. T. Wilson.

Mr. SAPERSTEIN. Yes; it seems to be A. T. Wilson, cashier.

Mr. MILLS. All right.

Mr. SAPERSTEIN. This agreement is dated May 25, 1931. Now, were the additional shares of stock referred to in this agreement, namely, 2,216 shares, delivered to the Peoples Wayne County Bank?

Mr. MILLS. Yes. I was informed that they were delivered, that the agreement was carried out.

Mr. SAPERSTEIN. These shares, together with the ten-thousand-odd shares you had previously held, were sufficient to give you control of that bank, were they not?

Mr. MILLS. They gave control; yes.

Mr. SAPERSTEIN. In other words, they gave you 51 percent of the stock.

Mr. MILLS. Yes; or over 50 percent, anyway.

Mr. SAPERSTEIN. Now, did the Peoples Wayne County Bank make loans to the Citizens Savings Bank?

Mr. MILLS. They did.

Mr. SAPERSTEIN (continuing). Pursuant to the terms of this agreement which I have read?

Mr. MILLS. They did. The first loan they made was on June 1, of \$300,000. That loan was increased at various times until it got up to \$750,000. But I want to call attention to the fact that collateral for that loan consisted of notes, and some bonds, and it also consisted of mortgages, which at that time it was almost impossible to obtain loans upon. We did make loans to them upon various of their mortgages. Finally we went over the \$750,000 by way of loans, in an attempt to save that bank, and gave them the maximum loan in November of 1931, when they owed slightly over \$1,000,000, which was collateralized.

Mr. SAPERSTEIN. What were the conditions which induced the Peoples Wayne County Bank to increase the amount of the loan beyond the commitment set forth in this agreement?

Mr. MILLS. We wanted to save the investment that the Detroit banks had in this Citizens Savings Bank through the American State Bank.

Mr. SAPERSTEIN. Didn't you find the advance of \$750,000 sufficient to remedy the difficulties out there at Mount Clemens?

Mr. MILLS. Deposit withdrawals kept on.

Mr. SAPERSTEIN. And matters continued to grow worse, did they?

Mr. MILLS. Yes; matters continued to grow worse.

Mr. SAPERSTEIN. What was the maximum amount attained by this loan?

Mr. MILLS. The figures I have, which were given to me by Mr. Locke, show \$1,032,000, which included interest.

Mr. SAPERSTEIN. Have you the date when the loan reached that figure?

Mr. MILLS. He tells me that was on November 12; that that was the maximum or total loan.

Mr. SAPERSTEIN. November 12 of what year?

Mr. MILLS. November 12 of 1931.

Mr. SAPERSTEIN. And after the maximum amount loaned by the Peoples Wayne County Bank to this Mount Clemens Bank had been advanced, was the situation better or worse?

Mr. MILLS. Well, you see what was happening. The directors of this Mount Clemens Bank were constantly coming down to Detroit and saying:

We have had tough luck up to this time. We know that we have the situation locked up; and if we can have a few more dollars, we know that we have the situation in hand and that our deposit withdrawals will cease.

And going by this statement, we went over the \$750,000 provided in the agreement.

Senator COUZENS. What were the maximum of deposits? Have you any record of them there?

Mr. MILLS. I have something on that, Senator Couzens. Yes; I think I have those figures. Let me look here. [After looking through his papers.] On March 12, 1931, the statement of the bank showed commercial deposits of \$1,252,000 and savings deposits of \$4,273,000, or a total of \$5,525,000. Now, you understand that one difficulty up there in Mount Clemens was—and, Mr. Chairman, Mount Clemens is only 20 or 25 miles from Detroit, and this bank was regarded as a subsidiary of the American State Bank, and the American State Bank got into difficulty, and so you can readily see what the effect would be in a community so close to Detroit.

Senator COUZENS. To what point had those deposits fallen at the time you made the last loan?

Mr. MILLS. And I think I have that here, too, Senator Couzens. [Witness begins looking through his papers again.]

The CHAIRMAN. You had loaned them enough to take care of their commercial deposits, but the savings deposits were considerably more?

Mr. MILLS (continuing to look through his papers). I know I have that here some place. [After further glancing through his papers.] I do not seem to have that, Senator Couzens. I am sorry. I thought I had it, but I do not seem to have it.

Senator COUZENS. Do you know how much collateral you took out of the bank to take care of those loans, the face value?

Mr. MILLS. The face value? That may be here in this memorandum. I do not know the face value of the collateral, because it

would exceed the total amount of the loan by a substantial amount, because, as pointed out, a large part consisted of mortgages, and mortgages are not a liquid form of collateral. I do not seem to have that record; I thought I did.

Mr. SAPERSTEIN. The original agreement dated May 25, 1931, which has been marked "Committee's Exhibit 153" of this date, provides that "pending exercise of said option by the party of the first part the party of the second part will extend to the party of the first part a line of credit up to \$750,000 by making loans to first party from time to time, provided said first party deposits collateral security for such loans of a value satisfactory to the second party, consisting of notes, mortgages, or other property owned by the first party."

Mr. MILLS. That is just what was done.

Mr. SAPERSTEIN. That was done?

Mr. MILLS. Surely.

Mr. SAPERSTEIN. And as the loan was increased over and above the figure of \$750,000 you got additional collateral?

Mr. MILLS. We had to get some more collateral.

Mr. SAPERSTEIN. Have you any idea what the ratio of collateral was to the amount of the loan?

Mr. MILLS. The face value I do not know. I hate to guess, Mr. Saperstein, because it is only a guess; but I would not be a bit surprised that for this \$1,032,000 they would probably put up face value of one and a half million of mortgages and notes and various other things. It may have been more or it may have been less. That would be my best guess.

Mr. SAPERSTEIN. Are you familiar with the examination that was made by the State banking department of the Citizens Bank of Mount Clemens in July 1931?

Mr. MILLS. No. I know they made one; that is all.

Mr. SAPERSTEIN. Do you know the amount of the charge-offs ordered by the State banking commissioner as a result of that examination?

Mr. MILLS. No; I do not.

Mr. SAPERSTEIN. You know that there were large charge-offs ordered, do you not?

Mr. MILLS. I do not know anything about it. I know that he did not close the bank—the State did not close the bank—until, as I recall it, in 1932. There were large charge-offs in practically all Michigan banks, and I am willing to assume that there were substantial charge-offs. But the Michigan Banking Department did not close the Citizens Bank—here is a record here [indicating]. It was after October 14, 1932, before the State closed it.

Mr. SAPERSTEIN. My information is that it was November 23, 1932.

Mr. MILLS. I would have no argument on that.

Mr. SAPERSTEIN. Did you not know that one of the contributing factors to the increasing difficulties in which this bank found itself was the fact that the State banking department required it to charge off over \$100,000 of bad assets, after this examination in July 1931?

Mr. MILLS. I did not know that. I would not be a bit surprised; I would not be at all surprised.



Mr. SAPERSTEIN. Was the loan that was made by the Peoples Wayne Bank to the Citizens Bank subsequently liquidated?

Mr. MILLS. Yes; but to explain that I must say something else in the meantime that leads up to that. In October the National Credit Corporation started—

Senator COUZENS. That is, October of 1931?

Mr. MILLS. Yes, sir; and my statement here the other day pointed out that the Peoples Wayne County Bank were guaranteeing in effect about one third of the loans made by the National Credit in volume of dollars, of the loans made in Michigan. So we were very careful also about the loans that the National Credit Corporation made, because we did not want to be stuck on our own guarantee. It would not have been a proper thing for the bank to do that. So the Citizens made application to the National Credit Corporation for a loan, and on January 11, 1932, the National Credit Corporation authorized a loan to them, on mortgages again, of \$150,000. Every member of the association were in effect on the back of that note.

Senator COUZENS. Did they get that money?

Mr. MILLS. They got the money; yes, sir.

Mr. SAPERSTEIN. Do you know what they did with it?

Mr. MILLS. They used it to pay their depositors. That is all they used any of their money for—to meet deposit withdrawals.

Mr. SAPERSTEIN. Was any part of that money used for the purpose of reducing the outstanding loans to the Peoples Wayne Bank?

Mr. MILLS. It may have been, but I do not believe that it was. You ask as to the payment of these loans. I am now reading from Mr. Locke's memorandum. I know the facts, except for the dates, are correct. He states that on February 16, 1932, the R.F.C. was started, and in May the R.F.C. approved a loan to the Citizens Bank of \$1,200,000. The collateral to this loan was to be the collateral held by the Peoples Wayne County Bank and by the National Credit Corporation, and the R.F.C. insisted upon having the collateral supplemented by other collateral, which would indicate that the collateral on our own loan and the National Credit loan was not considered by the R.F.C. to be sufficient. So the proceeds of this loan were put out to pay off the Peoples Wayne County Bank and the National Credit Corporation and to leave some additional funds for the Citizens Savings Bank. On May 19 \$924,000 of the loan from the R.F.C. was applied upon the loan of the Peoples Wayne County Bank, and the collateral was surrendered.

Senator COUZENS. Was that all that was owed by the Mount Clemens Bank at that time—\$924,000?

Mr. MILLS. I think not, Senator. I think it was not quite all. On May 20 the balance of a loan of \$7,000 was paid. It was substantially all paid except \$7,000. Between that date and November 23, 1932, when the bank closed, the Peoples Wayne County Bank advanced to the Citizens Savings Bank a total of \$70,000 which was in anticipation of moneys to be received by the Citizens Bank from the R.F.C. The last of these advances was paid on November 12.

The CHAIRMAN. You got back all that money?

Mr. MILLS. We got back all that money, and the National Credit got back their money, and the loans and collateral, plus additional

collateral, were taken over by the R.F.C. The R.F.C. insisted upon having additional collateral over and above what we and what the National Credit Corporation held.

Senator COUZENS. Who passed upon the security for the R.F.C.?

Mr. MILLS. The course of those applications was this, Senator: There was a local committee in Detroit consisting of—I happened to be chairman of it—Mr. Lord; Mr. Chittenden; William Alden Smith; John C. Hicks; Mr. Sherwood, of Grand Haven; Mr. Davidson, of Bay City. The matter came up at a meeting, and everybody at the meeting representing a clearing house bank refused to have anything to do with it. Then the next step was—that was at the local meeting—that the R.F.C. furnished a blank form of recommendation of approvals for loans which had to be signed by two members of the committee. Who signed them I do not know. I know that I did not sign, but who actually signed I do not know. That recommendation was submitted to the R.F.C. in Washington and the loan was then authorized by the Board. Who insisted on the additional collateral, whether in Detroit or in Washington, I do not know.

When the Peoples Wayne County loan was made on those mortgages we had enough collateral. We thought it was a good loan—not liquid, but we thought it was a secured loan when we made it. I am pretty much sold on mortgages, as I have expressed before; not for liquidity, but for security.

Mr. SAPERSTEIN. When did you become chairman of the Detroit advisory council of the R.F.C.?

Mr. MILLS. As soon as one was formed out there, right after the enactment of the R.F.C. law.

Mr. SAPERSTEIN. That would be in January 1932?

Mr. MILLS. January or February.

Mr. SAPERSTEIN. How many members were there on this advisory committee?

Mr. MILLS. I stated; Mr. Lord, Mr. Chittenden, Mr. Davidson, Mr. Reynolds—I forgot him, before—Mr. Sherwood, Mr. Hicks, Senator William Alden Smith, and myself. I think there were about seven of us.

Mr. SAPERSTEIN. And of those seven how many members were connected with Detroit Clearing House banks?

Mr. MILLS. Mr. Lord was; I was; Chittenden was. I don't know whether Mr. Reynolds considered himself as connected with them or not. He was in Jackson and he was in the Guardian Bank of Jackson. I don't know whether he would consider himself connected or not. Mr. Davidson was at Bay City. Mr. Sherwood was in the western part of the State and had no connection at all. Senator Smith did not have any connection in Grand Rapids, nor did Mr. Hicks.

Mr. SAPERSTEIN. What was Mr. Davidson's connection?

Mr. MILLS. He did not have any connection. The First National Co. had a 15- or 20-percent interest in his bank. That shows on your chart. He had no interest in the matter.

Mr. SAPERSTEIN. I show you what purports to be an application for a loan, or a copy of an application for a loan, made by the

he probably thought there was some connection through that. Mr. Citizens Savings Bank to the R.F.C. on March 8, 1932, and I ask you whether you can identify it.

Mr. MILLS. I never saw any application from this bank. I took no part in the local R. F. C. matter at all.

Mr. SAPERSTEIN. Did you take part in the meeting at which the advisory committee discussed this loan?

Mr. MILLS. I took no part; I did not open my mouth on the matter. Naturally I had an interest in it, but I took no part in it whatsoever.

Mr. SAPERSTEIN. You were present at the meeting, were you not?

Mr. MILLS. I do not recall whether I left the room or not. I may have, or I may not; I don't recall.

Mr. SAPERSTEIN. Ordinarily you presided at those meetings, did you not?

Mr. MILLS. Oh, yes; I was chairman and I presided at the meetings.

Mr. SAPERSTEIN. Don't you recall whether you presided at this meeting?

Mr. MILLS. If I was at the meeting at all I presided until this matter came up, and then someone else presided. We were constantly having loans coming up there in which, we will say, Mr. Sherwood or Mr. Hicks might be interested—somebody owed some money, and they would not take any part. Constantly those things were coming up. This one was no different in that respect than probably a majority of the loans.

Mr. SAPERSTEIN. Were you aware, prior to the time when the application was presented, that it was going to be presented?

Mr. MILLS. Oh, yes; I knew they were going to make an application for a loan.

Mr. SAPERSTEIN. What was the source of your information with regard to that?

Mr. MILLS. I do not know; I just knew it. Mr. Locke told me, that is what the R.F.C. was after, to take care of frozen loans.

Mr. SAPERSTEIN. Were you aware, at the time this application was presented at the meeting, that it was proposed by the Citizens Savings Bank to borrow \$1,250,000 and that the proceeds of that loan would be devoted to paying the First National Bank the amount of the indebtedness?

Mr. MILLS. I do not doubt I knew it, because we had the collateral; the collateral was held by us and they could not get it unless the loan was paid. So I think I knew it.

Mr. SAPERSTEIN. The application for the loan which was presented by the Citizens Savings Bank, Mr. Mills, states on its face that the loan—

Herein applied for is desired for the purpose of paying the loan to the National Credit Corporation and First Wayne National Bank of Detroit, the balance to build up reserves.

Mr. MILLS. Yes.

Mr. SAPERSTEIN. And the amount of the loan applied for was \$1,250,000?

Mr. MILLS. Yes, sir.

Mr. SAPERSTEIN. According to the letter of transmittal and recom-

Mr. MILLS. He was manager of the loan agency.

Mr. SAPERSTEIN (continuing). To the Reconstruction Finance Corporation, the loan of \$1,250,000 was applied for upon the following conditions: "That out of the proceeds of this loan the 1929 taxes to be paid on properties covered by mortgages offered as collateral." Do you know, Mr. Mills, whether, after those taxes and other incidental expenses were paid, any amount remained for the purpose of building up the reserves of the Citizens Savings Bank?

Mr. MILLS. I would be unable to state that in detail; I do not know.

Mr. SAPERSTEIN. The recommendation of the advisory committee was signed by Mr. Sherwood and Mr. Hicks?

Mr. MILLS. Yes.

Mr. SAPERSTEIN. They were the two members whom you referred to before as not connected with the clearing house banks at all?

Mr. MILLS. No; they were not connected with the clearing house banks at all. One is from St. Johns, Mich.—a little bank out there, an independent bank—and the other was from Grand Haven. He had an independent bank of his own there.

Mr. SAPERSTEIN. Let me read the recommendation of the advisory committee as it appears on this copy of the application to the R.F.C. [reading]:

The above-mentioned application and recommendation were considered by the following members of the advisory committee of the loan agency at Detroit, Mich.

It gives the names of Messrs. Hicks, Sherwood, and William Alden Smith who voted to recommend this loan. Then there are two asterisks, and the footnote reads [reading]:

Messrs. Wilson W. Mills, Herbert W. Chittenden, James E. Davidson, Robert O. Lord, and Herbert S. Reynolds were present but did not vote because of the affiliation of this bank with the Detroit Clearing House banks.

And then the recommendation continues [reading]:

The undersigned approve a loan in the amount of \$1,250,000 and recommend that the loan be made upon the obligation and security tendered which in their opinion is full and adequate security for the repayment of such loan. Each of the undersigned certifies that to the best of his knowledge and belief he has no personal interest either directly or indirectly or through any corporation, partnership, or association in which he is directly or indirectly interested, in this application or in connection with this application.

Does that recommendation, taken in conjunction with the footnote specifying which of the members of this committee did not vote, indicate that those five men—Mills, Chittenden, Davidson, Lord, and Reynolds—who did not vote, had some personal interest, either directly or indirectly, or through a corporation, in the application?

Mr. MILLS. I think it speaks for itself. I know that my bank and Mr. Lord's bank and Mr. Chittenden's bank—by the way, it by this time had become the First National Bank, you understand—we had an interest in it directly, right through the clearing house. I am not a mind reader, but Mr. Reynolds undoubtedly thought that it would be at least more becoming for him not to take any part, because he was president of the Guardian Bank over in Jackson;

Davidson—I say, I am not a mind reader—also thought it would be more becoming for him not to take any part in the discussion of the matter, as the First National Co. owned a small interest in his bank at Bay City. I assume that is why those two gentlemen did not take any part in the discussion. The first three had an interest, and we did not take any part in it.

Mr. SAPERSTEIN. After those 5 men had disqualified themselves from voting, there remained only 3, which was less than a majority of the committee?

Mr. MILLS. If you are getting at that point, under the rules of the R.F.C. only two members of the advisory board have to sign recommendations and that is all. That is what the form says right on its face.

Mr. SAPERSTEIN. Yes. Do you know whether or not there is any provision for the minimum number of members who shall be present when a recommendation is made?

Mr. MILLS. No. I know that Mr. Fisher told me time and again that it was not even necessary to have meetings; all we had to do was to have two members of the advisory board, who were not interested, sign the recommendation to the R.F.C.

Mr. SAPERSTEIN. The footnote that accompanies this recommendation reads as follows—

Mr. MILLS. Yes; that is only part of the R.F.C. form. That is put on there by Mr. Fisher.

Mr. SAPERSTEIN. I am about to read the printed portion. It provides that the recommendation should bear the signature of a majority of the members of the committee who consider the application, and in no case less than two signatures.

Mr. MILLS. I would say that was the case there. Apparently two members considered it and two of them signed it. Senator William Alden Smith, Mr. Hicks, and Mr. Sherwood considered it and two of them signed it.

Mr. SAPERSTEIN. Had there been any discussion regarding this loan between you and the other members of the committee who considered the application prior to the time when it was actually considered at the meeting?

Mr. MILLS. I do not recall any. This loan was just like hundreds of others that came in to the R.F.C. In almost every loan someone was disqualified because of some type of interest. They were very meticulous about that.

Senator Couzens, I have found, I think, the answer to your question about these figures of deposits. On November 12, when the Citizen's Savings Bank owed us the maximum, their deposits had shrunk, in commercial deposits, to \$771,000, or a shrinkage of \$481,000. Their savings had shrunk to \$5,595,000, or a shrinkage of \$1,678,000, or a total shrink of \$2,159,000. To meet that shrink the Mount Clemens Bank had borrowed \$1,032,000 from us and had raised other funds by other ways, presumably by liquidation of assets.

Mr. SAPERSTEIN. Mr. Mills, prior to the time when this application, which is dated as of March 8, 1932, was made for \$1,250,000, an application had been presented to the committee for \$1,225,000; do you recall that?

Mr. MILLS. No; I do not. As I say, I took no part in these Mount Clemens loans before the R.F.C.

Mr. SAPERSTEIN. You were present at the meeting, were you not?

Mr. MILLS. I was present at most of them, not at all of them.

Mr. SAPERSTEIN. I have before me what purports to be a true and exact copy of the minutes of the Detroit loan agency purporting to be signed by the assistant manager. Will you look at the signature and see whether you can identify it?

Mr. MILLS. I cannot identify signatures—this one at least. I don't even know him.

Mr. SAPERSTEIN. Can you read the signature?

Mr. MILLS. Charles H. Hewett.

Mr. SAPERSTEIN. Was he the assistant manager of the local loan agency?

Mr. MILLS. I don't know whether he was or not. This is in 1934. I don't know. I don't think he was. I resigned in 1933, and I do not believe that Mr. Hewett was assistant manager. He may be now, and undoubtedly is. I have no quarrel with that.

Mr. SAPERSTEIN. I offer the document in evidence.

The CHAIRMAN. Let it be admitted.

(Copy of minutes of the Detroit loan agency, signed by the assistant manager, dated Mar. 30, 1932, was received in evidence, marked "Committee's Exhibit No. 154, February 7, 1934.")

The CHAIRMAN. Mr. Mills, the affidavits which you submitted yesterday from Mr. Sweeney, Mr. Pecora has examined and the committee concludes to admit the statement dated January 27, 1934. The other statement is somewhat of a summary or duplicate.

Mr. MILLS. Yes.

Mr. PECORA. The statement which the chairman has reference to was marked yesterday for identification as "Committee Exhibit No. 136."

(Statement submitted by the witness, dated Jan. 27, 1934, heretofore marked for identification, was received in evidence as committee exhibit no. 136, and will be found printed in full at the end of today's record.)

Mr. PECORA. They both relate to the same subject, and one is a summary of the other. We are taking the one that is more elaborate in detail.

Mr. SAPERSTEIN. The exhibit which has just been marked in evidence as "Committee's Exhibit 154" of this date, Mr. Chairman, purports to be signed by the assistant manager of the Detroit Advisory Committee of the Reconstruction Finance Corporation and is a true and exact copy of the minutes of the Detroit Loan Agency. It is dated March 30, 1932, and reads as follows (reading):

COMMITTEE EXHIBIT NO. 154

*March 30, 1932.*—Due to lack of necessary information, the loan application of the Citizens Savings Bank, Mt. Clemens, Michigan, was tabled until the following meeting.

*April 6, 1932.*—The application of the Citizens Savings Bank, Mt. Clemens, Michigan, in the amount of \$1,250,000 was held over for further consideration, and it was suggested that the bank offer additional collateral.

*April 13, 1932.*—Upon motion, duly seconded, a loan in the amount of \$1,225,000 was recommended to the Corporation for the Citizens Savings Bank, Mt. Clemens, Michigan, to be secured by collateral, a list of which is in the application. (Messrs. Wilson W. Mills, Herbert L. Chittenden, Jas. E. Davidson, Robert O. Lord and H. S. Reynolds present but not voting.)

Apparently that loan was not approved.

Mr. MILLS. I do not know anything except what it says there.

Mr. SAPERSTEIN. It does not say definitely whether the loan was approved or not; it simply says that upon motion duly seconded a loan in the amount of \$90,000 was recommended to the corporation, to be secured by collateral, and so forth—

Mr. MILLS. I do not know anything about it.

Mr. PECORA. Mr. Mills, I want to interrupt Mr. Saperstein just for a moment. Yesterday afternoon, while you were on the stand, there was put in evidence certain correspondence that you had with Senator Vandenberg and other persons. I want to show you what purports to be a photostatic reproduction of a letter addressed to you by Senator Vandenberg, under date of December 12, 1931, in reply to your letter to him of December 10, which went into the record yesterday. Will you look at this copy and tell me if it is a true and correct copy of such a letter?

Mr. MILLS. I believe that that is without question a letter from Senator Vandenberg to me.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted.

(Copy of letter dated Dec. 12, 1931, addressed to Mr. Wilson W. Mills and signed by A. H. Vandenberg, was received in evidence, marked "Committee Exhibit No. 155, Feb. 7, 1934.")

Mr. PECORA. The letter that has been marked in evidence as "Committee Exhibit 155" in this case is as follows (reading):

COMMITTEE EXHIBIT NO. 155

UNITED STATES SENATE COMMITTEE ON FOREIGN RELATIONS,

December 12, 1931.

Personal and confidential.

Mr. WILSON W. MILLS,

*Chairman Peoples Wayne County Bank,  
Detroit, Michigan*

MY DEAR MR. MILLS: Thank you very much for your letter of December 10th with its intimate information respecting the Bay City situation in particular and the Michigan situation in general. I have been afraid that the repercussion from the Bay City closing would affect the balance of the State. You are of course dead right that Congress should speed up in its banking and credit relief program. It is utterly discouraging to fight the inertia which always pervades this place. Respecting my own bills (with which you are familiar) we are making a spotted progress. On the one hand Senator Glass seems to become more critical day by day and to almost resent my presumption in talking out loud about the inability of the "sacred" Federal Reserve System to function adequately. I say this with the greatest respect, however, for Senator Glass and his right to be considered the major Congressional authority on the Federal Reserve Act. On the other hand I was greatly encouraged this morning by the receipt of a brief note from Under-Secretary of the Treasury Mills which I quote to you confidentially as follows: "My first reaction to the proposal fathered by you and Governor Young is very favorable. I hope to be able to give a definite opinion sometime next week."

If Mills takes a sturdy position it will be a source of tremendous strength and advantage. If this also should mean that Governor Meyer will take a similar position it would be a very formidable support. It seems to me that the President rather backed away from his initial position respecting a broadened rediscount privilege when he wrote his message earlier in the week. But perhaps he merely was trying to put all his emphasis upon the new factors which he has injected into his credit program. The inscrutable thing to me is that I find no one in either branch of Congress who is proposing *anything* by

way of Federal Reserve liberalization except myself. I confess it is an up-hill battle when you are just one among 96 Senators and 435 Representatives.

In the annual shuffle of Senate Committees I understand that Senator Couzens will go on the Committee on Banking and Currency. These appointments are made on the basis of seniority of service and I am still too much of a sophomore to enjoy any of these priority privileges. I have had a number of very earnest talks with Senator Couzens and I think he is coming to have a more friendly understanding of the thing I am trying to do, and the other things in which you are particularly interested. But he is far from convinced respecting either the necessity or the advisability not only of my amendments but of the other proposed instrumentalities. I know, however, that he wants all available information and facts and I am hopeful that he will find some utility in these proposed remedies. I know he has every possible zeal to protect depositors, and the integrity of our fiscal structure.

These comments are all personal to you and confidential. You always give me the unblushing facts from the Michigan end and I want you to have the same facts from this end. I think I should add that I have had two very satisfactory conferences with the Comptroller of the Currency respecting his examiners and his receivers. I am convinced that Mr. Pole wants to do the right thing and so far as possible the helpful things in each individual instance. Whenever a Michigan situation arises which would seem to challenge this rule I feel that I am in a position to contact the Comptroller for a fair and prompt review.

I pray that it may not be long before the skies commence to clear. The National Credit Corporation *must* function to the maximum of its possibilities: and if you find any disposition to the contrary in its high management at New York, I wish you would let me know. Thanks again for your long and illuminating letter.

Good luck!

With warm personal regards and best wishes, I am,

Cordially and faithfully,

A. H. VANDENBERG.

Mr. MILLS. My attention was just called to the fact that I had overlooked that Mr. Davidson was also disqualified from sitting on these loans, and I think unquestionably he did it from a sense of delicacy. But further than that, he was a director of the First National Bank.

Mr. SAFERSTEIN. All of those five men who did not vote at the time this loan application was presented were disqualified by virtue of the fact that they had connections with institutions which were either directly or indirectly affiliated with the Detroit Clearing House?

Mr. MILLS. There may be a question about Mr. Reynolds, but anyway he did not vote. So the record says.

Mr. SAFERSTEIN. Returning to Exhibit No. 154—because we have been away from it for several moments—I want to reread this notation which appears under date of April 13, 1932 [reading]:

Upon motion duly seconded a loan in the amount of \$1,225,000 was recommended to the Corporation for the Citizens Savings Bank, Mount Clemens, Michigan, to be secured by collateral, a list of which is in the application.

And then, under date of April 20, 1932 [reading]:

Upon motion duly seconded a loan application for the Citizens Savings Bank of Mount Clemens, Michigan, which had been recommended at previous meetings in the amount of \$1,225,000, was recommended in the amount of \$1,250,000.

It appears that you were present at both those meetings but were not voting. Do those notations refresh your recollection as to the reason why this loan was increased by \$25,000 during that week?

Mr. MILLS. No; except this: Practically every bank put in an application for more than they could hope to get. I must say that



many of them put it in for more than they thought they would get. It was a case where they could go down but could not go up. The committee would recommend a certain amount and the next day or the next week they would all be down there in force, trying to get it raised upon some basis.

Mr. SAPERSTEIN. Mr. Mills, if this loan had gone through on the basis of \$1,225,000, the loan which was then outstanding from the Citizens Savings Bank to the First Wayne——

Mr. MILLS. And the National Credit.

Mr. SAPERSTEIN (continuing). And the National Credit could not have been paid off in full?

Mr. MILLS. I do not know whether it could or not. I took no part in it. I do not know whether it could or not.

Mr. SAPERSTEIN. You have been referring, during the course of your examination, to the statement of Mr. R. B. Locke?

Mr. MILLS. Yes.

Mr. SAPERSTEIN. Let me refer you to the bottom of page 7 of that statement and the top of the eighth page.

Mr. MILLS. The one that starts "October 14, 1932"?

Mr. SAPERSTEIN. No; the paragraph that begins "The First National Bank needed to maintain its own liquidity."

Mr. MILLS. Oh, yes; here it is.

Mr. SAPERSTEIN. Let me read that paragraph [reading]:

The First National Bank needed to maintain its own liquidity and it had loans with the Mount Clemens Bank of \$932,000. The Reconstruction Finance Corporation was in operation. What was more natural than to ask the Reconstruction Finance Corporation to take this loan and relieve the First National Bank of its burden? Not long after the Mount Clemens Bank made an application to the Reconstruction Finance Corporation for a loan this loan was approved at \$1,200,000. It involved taking from the National Credit Corporation such collateral as it had and from the First National Bank such collateral as it had, and still further additional collateral was taken from the bank's portfolio. Of the loan of \$1,200,000 \$25,000 was withheld by the Reconstruction Finance Corporation for the purpose of taking care of 1929 taxes on property mortgaged to the bank and pledged to the Reconstruction Finance Corporation. \$55,000 was withheld by the Reconstruction Finance Corporation until such time as some collateral items were put in proper shape. \$197,000 was paid to the National Credit Corporation, and \$932,000 would have been paid to the First National Bank if there had been that much left. But the total of these figures makes \$1,209,000. The First National Bank loan was paid with the exception of \$7,000, which was paid a day later. The loan was finally paid on May 20, 1932.

Does that refresh your recollection as to whether after the payment of the loans from the National Credit Corporation and of these other incidental charges which were required to be paid by the Reconstruction Finance Corporation, there was anything left over either to build up the reserves of the Citizens Savings Bank or even to pay off the loan of the First Wayne in full.

Mr. MILLS. It speaks for itself. I would say—if you are asking me as to the truth of the application, which I have not seen—I would say, "yes, it is true." You have not pointed out in this reading that the application was for \$1,250,000. They did not get \$1,250,000. If they had gotten it there would have been something to build up reserves with.

The CHAIRMAN. From this statement it would appear that the application was for \$1,200,000.

Mr. SAPERSTEIN. The application was made for \$1,250,000. It was originally granted for \$1,225,000. It was then reconsidered and \$1,250,000 was ultimately granted.

Mr. MILLS. No; I think that \$1,200,000 was all that was ultimately granted by Washington.

Mr. SAPERSTEIN. The amount was cut down by Washington?

Mr. MILLS. Yes, I believe so. I do not know anything about the details of this thing. I did not sit in on them.

Mr. SAPERSTEIN. Do you know that after the amount of the loan was disbursed by the Citizens Savings Bank there was a deficiency of seven or eight thousand dollars payable to the First Wayne Bank?

Mr. MILLS. I recall that Mr. Locke or Mr. Sweeny told me that the Mount Clemens loan had been repaid except something under \$10,000. That is the way I recall that it was stated to me. It had all been repaid except something under \$10,000, and they were keeping after Mount Clemens to have that repaid.

Mr. SAPERSTEIN. That would indicate that there had been an insufficient amount granted by the R.F.C. to enable this bank to liquidate its obligation to the First Wayne in full?

Mr. MILLS. And the National Credit; and to take care of these other charges, including taxes; yes.

Mr. SAPERSTEIN. During the time when you were chairman of this advisory committee were you also active in the performance of your duties as chairman of the First National Bank?

Mr. MILLS. I was.

Mr. SAPERSTEIN. And as chairman of the First National Bank did you follow the development of this situation in Mount Clemens?

Mr. MILLS. Oh, in general; not in any detail. It was only one of a thousand problems we had. The actual following of the situation—let me put it this way: Mr. Sweeny, president of the bank, was in charge of loans, with the controller of loans that had been established in 1932. I never considered myself a loan officer. I would neither make nor decline loans. I sat on the executive committee. I knew in a general way what was going on, but the detail was handled by Mr. Sweeny, the controller of loans; Mr. Romer; and Mr. Locke. I knew in a general way.

Mr. SAPERSTEIN. At the time that Mr. Ballantyne resigned were not the minutes of the bank amended to provide that the chairman of the board should be the chief loaning officer of the company?

Mr. MILLS. Not the chief loaning officer.

Mr. SAPERSTEIN. He was the chief executive officer?

Mr. MILLS. Yes.

Mr. SAPERSTEIN. Was it not also provided that he would have to pass upon all loans?

Mr. MILLS. Oh, no. Under the resolutions no loan could be made except upon listed collateral, more than \$10,000 or \$15,000, without the approval of the executive committee. If you walked in there and wanted a loan of \$20,000, with all the collateral in the world, I could not give you a loan unless you posted collateral.

Mr. SAPERSTEIN. You kept in close touch with Mr. Sweeny, did you not?

Mr. MILLS. I kept in close touch with all the officers I could, considering the magnitude of the business of our bank. I was working 15 to 18 hours a day, frequently.

Mr. SAPERSTEIN. But to recur to this Mount Clemens loan, you followed the course of that pretty closely, did you not?

Mr. MILLS. I followed it just as I did all the rest of them. It was nothing more or less than any of the others.

Mr. SAPERSTEIN. I want to show you a memorandum which purports to be a memorandum from Wilson W. Mills to Mr. Donald M. Sweeny, dated July 13, 1932, and ask you whether you can identify that memorandum.

Mr. MILLS. Yes. That would require one little explanation.

Mr. SAPERSTEIN. First let me have the memorandum marked.

Mr. MILLS. It is just a matter of wording, nothing more.

The CHAIRMAN. Let it be admitted.

(Memorandum dated July 13, 1932, from Wilson W. Mills to Donald M. Sweeny was received in evidence and marked "Committee Exhibit No. 156, Feb. 7, 1934.")

Mr. SAPERSTEIN. The memorandum which has been marked committee exhibit 156, under this date, is from Wilson W. Mills to Mr. Donald M. Sweeny, dated July 13, 1932, and reads as follows [reading]:

COMMITTEE EXHIBIT NO. 156

FIRST WAYNE NATIONAL BANK, MEMO

To: Mr. Donald N. Sweeny.

From: Wilson W. Mills.

Date: July 13, 1932.

Subject:

Being in charge of the Banking Division, I told Atwood of Mt. Clemens on the telephone today that he would have to talk with you about any loan. You can be as hard-boiled as you wish. He will tell you what they hope to get from the R.F.C., and Chick Fisher can tell you closer what they will get, although I do not want us to rely too much on our loan to them to what even Chick Fisher thinks they will get from the R.F.C.

W. W. MILLS.

Mr. MILLS. I did not use very good English there. Mr. Sweeny was in charge of the bank division. That is why I was addressing the note to him. The construction might be put on it that I was in charge of the bank division. It was just a matter of English, nothing else.

Mr. SAPERSTEIN. Who was Chick Fisher?

Mr. MILLS. He was the manager of the R.F.C.—what was the date of that?

Mr. SAPERSTEIN. July 13, 1932.

Mr. MILLS. I think at that time he was manager of the R.F.C. He subsequently left the R.F.C. and became a vice president of the bank. I think at that time he was manager of the R.F.C.

Mr. SAPERSTEIN. What loan was referred to in this memorandum?

Mr. MILLS. The Citizens Savings Bank were always wanting loans, and Mr. Atwood was running the Citizens Bank at Mount Clemens. He was the best asker of loans I have ever known. He was down there trying to get loans, loans, loans.

Mr. SAPERSTEIN. Do you know the amount of the particular loan he was attempting to get from your bank in July 1932?

Mr. MILLS. I do not—just more loans.

Mr. SAPERSTEIN. Was there any application pending, additional to the one for \$1,250,000, from the Citizens Bank to the R.F.C.?

Mr. MILLS. I do not know. The records of the Detroit agency will show that. I do not know.

Mr. SAPERSTEIN. Did you not know at the time that you referred to in this memorandum when you said in this memorandum:

He will tell you what they hope to get from the R.F.C., and Chick Fisher can tell you closer what they will get.

Mr. MILLS. Yes. Mr. Atwood was quite a confirmed optimist, and what I wanted to caution Mr. Sweeny about was this: Mr. Atwood might say, "I hope to get so-and-so from the R.F.C.", and maybe he had not applied for any loan. He may have; I don't know. But being an optimist I thought he might say, "Well, I will get a million dollars." And I wanted to caution Sweeny that maybe he would not get that and he had better check it up. You will see from this memorandum of Mr. Locke's that the matter is covered, because after our collateral and loan and the National Credit collateral and loan were taken over by the R.F.C., we made further advances to the Mount Clemens Bank on collateral which was later taken by the R.F.C.; and it was probably some of those to which he is referring.

Mr. SAPERSTEIN. What were the amounts of those advances?

Mr. MILLS. I do not know. They are here some place [referring to memorandum]. It says right here, on the bottom of page 3, after they had paid the \$7,000 deficiency—if you understand what I mean by that?

Mr. SAPERSTEIN. Yes.

Mr. MILLS. Mr. Locke's memorandum says that between the date they paid that \$7,000 deficiency and November 23, 1932, when the bank closed, the Peoples Wayne County Bank advanced to the Citizens Savings Bank a total of \$70,000, which was in anticipation of moneys to be received from the R.F.C.

What happened was, as I recall it, that Mr. Atwood, of Mount Clemens stated that the R.F.C. had made certain commitments for certain loans when certain things were done. He wanted the money right away, and apparently our bank was satisfied that those things would be done, so we advanced it.

Senator COUZENS. When you were constantly advancing money to the Citizens Bank did you make any examination of the kind of withdrawals that that bank made?

Mr. MILLS. No, sir; I did not.

Senator COUZENS. It occurs to me, in observing these loans from time to time, advances to banks where deposits are running off and off, that there are many smart withdrawals, that is, those that are on the inside and know of the weakening condition of the bank all the time, and they get the money while the man on the outside is eventually worse off because he is sacrificing collateral back of his deposits, and the preferred creditor is getting the money. It seems to me, as long as you were advancing these large sums, and over quite a long period of time, it would have been to your interest at least to have known who was withdrawing the money all the time.

Mr. MILLS. Now that you remind me, we did this, Senator. I do not like to say this, but I will have to. We checked up on the directors and called them to task and said that they must have confidence in the bank and it was up to them, these gentlemen that lived in Mt. Clemens, to go out and sell that bank to their friends and save that

bank. I went up there one day and had quite a long talk with those directors. We wanted to save that bank. We had an investment in it. If it had not been for that investment we would not have made them these loans. We did not want any loans on mortgages, that is, as collateral. They were not liquid enough. We read several riot acts to those Mount Clemens directors.

I want to state this, in view of everything that transpired. The First National Bank never had a deposit in Mount Clemens, never took any money out. None of this money went to the First National Bank. I was informed that the American State Bank had a \$25,000 certificate of deposit up there which probably the First National Bank did inherit as part of their assets. I asked about that, and that was never cashed and none of this money that went to the First National Bank.

Senator COUZENS. In talking with directors of the R.F.C., many of them are convinced that loans advanced to some of those banks were rather inadvisable because of the insiders knowing of the internal condition of the banks and withdrawing their money through the advancement of R.F.C. money and leaving the rest of the depositors hanging in midair. My particular criticism of this whole transaction on which we have been spending so much time this morning is that your bank was advancing money when there were constant withdrawals, and it seems perfectly obvious to me now that some of the insiders were getting their money while you were advancing more money and further weakening the conditions of those depositors who still had the money left. That is a procedure which you would naturally abhor as much as I do.

Mr. MILLS. I am glad to understand your position in this, Senator, because I had understood that you thought the First National Bank had taken some of its own money out of the bank. That is why I made the statement that I did before.

Senator COUZENS. No; my criticism was that you have been a party to undoubtedly cleaning out all of the best assets of the Citizens Bank of Mount Clemens to pay off yourselves with, which resulted in a weakening of the assets.

Mr. MILLS. You mean of the other depositors who had not taken their money out of the bank?

Senator COUZENS. Yes.

Mr. MILLS. That applies to anybody. Anybody who happened to take their money out of the bank on February 11 was better off than the man that did not. We did read the riot act several times to those directors at Mount Clemens, and we told them that if we ever knew or ever learned of any of their affiliated companies taking any moneys out of that bank themselves something would happen. We never learned that.

Senator COUZENS. Did you ever check up to see whether that was true or not?

Mr. MILLS. Mr. Locke was present when I made that statement to them, and I asked Mr. Locke to bear it in mind and let me know if it happened. I never heard from him, so I presume it did not happen.

Mr. SAPERSTEIN. From the time when the original loan of \$1,250,000 was made by the R.F.C. to this Citizens Savings Bank, its condition continued to grow progressively worse, didn't it?

Mr. MILLS. Well, I presume so. I know that the State of Michigan closed the bank in November.

Senator COUZENS. Well, that is quite obvious.

Mr. SAPERSTEIN. Mr. Mills, I show you a memorandum dated October 14, 1932, from Mr. Locke to E. N. Sweeny, president, and ask you whether this memorandum was ever called to your attention.

Mr. MILLS (after looking at the memorandum). I have no recollection of that, of ever having seen it or heard the matter discussed, except what is stated in this memorandum.

Mr. SAPERSTEIN. But you have no doubt that it is a memorandum made by Mr. Locke addressed to Mr. Sweeny, have you?

Mr. MILLS. Well, it purports to be. It is not signed; but if you state it is, all right. I do not know anything about it, that is all.

Mr. SAPERSTEIN. Mr. Chairman, I wish to offer it in evidence.

The CHAIRMAN. Let it be admitted.

(A memorandum dated Oct. 14, 1932, from Mr. Locke to E. N. Sweeny, president, was marked "Committee Exhibit No. 157, Feb. 7, 1934", and will be found immediately following where read by Mr. Saperstein.)

Mr. SAPERSTEIN. The memorandum which has been marked "Committee Exhibit No. 157", of this date, reads as follows:

OCTOBER 14, 1932.

Mr. D. N. SWEENEY, *President*  
R. B. LOCKE

CITIZENS SAVINGS BANK OF MT. CLEMENS, MICHIGAN

Early this morning, Mr. Atwood called me and wanted to know how quickly I could come out to Mt. Clemens. He did not wish to discuss the need for the call over the telephone but stated that it was very urgent.

I drove out and found that they have just been through their regular state banking department examination and last night the examiner reviewed the examination of the Directors. Atwood stated that the examiner, Wixom, stated to the Board that he had been to Lansing and had a conference with Commissioner Reichert, Deputy Taylor and the Attorney-General and they were all agreed in their desire that the Bank be closed. The Directors objected to this demand, discussed it for a long time and refused to close the Bank. When I arrived there they were all very much upset and were working every possible lead to forestall any such action on the part of the State Banking Department. Mr. Merrill, of Mt. Clemens, the Chairman of the Macomb County Republican Committee, was in the office trying to communicate with Governor Brucker. Merrill stated that the closing of the Bank would have a disastrous effect upon the chances of the Governor in Macomb County. The Governor was not out of bed at that moment and left orders that he not be disturbed. Upon arising, however, he called Merrill at the Bank and after Merrill's explanation, the Governor stated although he had but one hour to stay in Lansing, he would immediately go and consult with Commissioner Reichert.

With the information at hand, it does not seem reasonable for the Banking Department to insist upon closing the Bank at this time. At the time the one-man grand jury proceedings against McGill were instituted, the Bank experienced quite a little run on commercial deposits and the following table will show the progress the bank has made since that time.

Date	Com'l Deposits	Bills Pay- able	Cash on hand
6-1-32.....	\$464,000	\$1,201,000	\$140,000
8-1-32.....	301,000	1,217,000	41,000
10-12-32.....	364,000	1,181,000	119,000

This tabulation shows that from June 1, to August 1, they lost approximately \$165,000 in commercial deposits with an increase of but \$16,000 in their bills payable and a loss of but \$100,000 in cash. However, from August 1 to October 13, they recovered \$63,000 of their deposits, paid out \$36,000 of their bills payable, and gained \$78,000 in cash.

In view of all the circumstances and what they have been through, it seems to me that this showing is encouraging rather than discouraging. The final settlement of the McGill case definitely removes that menace from their picture.

When Atwood first went into the Bank, the public attitude toward him was definitely antagonistic but Merrill told me confidentially that the public now feel that after all Atwood is not as "hardboiled" and unreasonable as he was originally thought to be.

The Mt. Clemens Savings Bank and the Citizens Savings Bank are continually trying to work out some plan for a consolidation which would involve also the First National Bank. Of course with the condition of the three banks as it is, it is not at all certain that any solution other than an entirely new bank can be found. However with conditions as they are, there seems to be everything to be gained and nothing to lose by allowing these banks to continue their endeavor to work out their own salvation.

Senator COUZENS. The bank was not closed until after the election of 1932, is that it?

Mr. MILLS. Apparently. As I recall it, Senator Couzens, Governor Brucker did not carry Macomb County.

Mr. SAPERSTEIN. But the bank was ultimately closed on November 23, 1932.

Mr. MILLS. I think that is correct.

Mr. SAPERSTEIN. Do you know whether there was an assessment imposed upon the stockholders of the Citizens Savings Bank?

Mr. MILLS. I was told there was.

Mr. SAPERSTEIN. And that was a 100-percent assessment, was it not?

Mr. MILLS. I was so informed.

Mr. SAPERSTEIN. So that the holder of the stock which had been turned over to the Peoples Wayne County Bank at the time of the original agreement to make an advance in the sum of \$750,000, was assessed in the amount of 100 percent of the par value of the stock?

Mr. MILLS. Oh, I presume so.

Mr. SAPERSTEIN. Who was the holder of that stock?

Mr. MILLS. The stock was held by—well, I don't know exactly, but I know the name of the party that held a part of it.

Mr. SAPERSTEIN. What was the name of the party who held a part of it?

Mr. MILLS. The C. & D. Holding Co. held a part of it. It was a corporation formed to hold this stock. You see, the stock was held originally by the Peoples Wayne County Bank, but it was in trust for all of the clearing-house banks and the trust companies, and any liability on that stock by way of assessment or otherwise would be, under the agreement, borne proportionately by the other members of the Detroit clearing house banks and the trust companies. Also I was told that some of the shares of the stock were not transferred into the name of that holding company.

Senator COUZENS. What was the C. & D. Holding Co.?

Mr. MILLS. It was just a corporation formed for the purpose of holding this stock.

Senator COUZENS. But what did the letters "C. & D." stand for?

Mr. MILLS. I have heard a lot of stories, but I don't know.

Senator COUZENS. Wasn't it understood on the Street to stand for "The Cats and Dogs Co."? [Laughter.]

Mr. MILLS. That is the story I heard on the street. And I think it might have been a good name for this company as things eventuated.

Mr. SAPERSTEIN. Wasn't the organization of that company your idea, Mr. Mills?

Mr. MILLS. No; I don't believe it was. A lot of us discussed it. It was discussed at a meeting of the officers, and with counsel for the bank.

Senator COUZENS. What did you intend it to mean when you suggested that it be called the C. & D. Holding Co.?

Mr. MILLS. I do not know that I suggested it. I don't know that I have that much humor. It might be that I did, but if so, I do not recall it.

Senator COUZENS. And you do not know what it means now?

Mr. MILLS. Well, off the record, I think that is what it did mean.

The SHORTHAND REPORTER (Mr. Hart). Well, I must make some record here when you make an answer.

Mr. MILLS. Well, I will say that that is probably what it meant.

The CHAIRMAN. Did it have any other stock than the stock of this bank?

Mr. MILLS. I think it had nothing else. I do not know where "the dogs" were. [Laughter.]

Mr. SAPERSTEIN. The sole purpose of the incorporation of this C. & D. Holding Co. was to take over a portion of this stock from the Citizens Savings Bank, so that if an assessment were to be levied it would not be levied upon the Peoples Wayne County Bank; is that correct?

Mr. MILLS. Yes. It was to have it held in that way. And I do not understand why it did not all go under that name. I believe it was understood by the officers that it was all to go under the name of that company. But there is no question that the beneficial interests of the C. & D. Holding Co. represented the guaranteeing banks and trust companies in Detroit.

Mr. SAPERSTEIN. I will suggest a reason, and let us see whether you agree with me. So far as that portion of the stock was concerned which was held as collateral for loans—

Mr. MILLS (interposing). That may have been.

Mr. SAPERSTEIN (continuing). The legal title wasn't actually in the Peoples Wayne County Bank so as to subject it to liability for assessment.

Mr. MILLS. That might be the reason it was not transferred. It had not occurred to me, of course.

Mr. SAPERSTEIN. All the stock which the Peoples Wayne County Bank would otherwise have had legal title to was transferred to the C. & D. Holding Co.?

Mr. MILLS. If it was not done, it should have been done and was intended to have been done.

Mr. SAPERSTEIN. I have before me a copy of what purports to be a letter, which is unsigned but which bears the initials ECPD: WAM, addressed to Donald N. Sweeny. Have you any idea who ECPD is?

Mr. MILLS. Yes. I believe he is a member of Bulkley, Ledyard, Dickinson & Wright.



Mr. SAPERSTEIN. What is his name?

Mr. MILLS. Mr. Davis.

Mr. SAPERSTEIN. This letter is dated June 5, 1933, and reads as follows [reading]:

DONALD N. SWEENEY, Esq.,

LIGHTNER, HANLEY, CRAWFORD, SWEENEY & DODD,

1601 Dime Savings Bank Bldg., Detroit, Mich.

DEAR DON: You will remember that several weeks ago I telephoned you as to C & D Holding Company, which was incorporated at the request of Bill Mills by us and of which one of our employees was sole incorporator. We have never known exactly how the corporation fitted in the bank picture, but assume that it does so. We have just received a copy of an order of Judge Warner, entered April 20th at Mt. Clemens, assessing stockholders of the Citizens Savings Bank one hundred per cent, and a letter dated June 2, 1933 of M. E. Watkins, Receiver, addressed to Henry Sarns and eleven others, including C & D Holding Company, which sets forth that the Receiver intends to hold the persons to whom the letter is addressed liable for stock assessment on 2166 shares, evidenced by certificate number 378 in the name of C & D Holding Company.

We assume that the matter should be turned over to some lawyer to represent C & D Holding Company, or possibly the corporation or persons for whose benefit it held the stock. Not knowing the facts, we are taking the liberty of again calling the matter to your attention, and trust that you will refer it to the proper parties.

Sincerely,

ECPD: WAM

Now, do you agree with the statement contained in this letter that the C. & D. Holding Co. was incorporated at the request of "Bill Mills"?

Mr. MILLS. If Mr. Davis said I asked him to incorporate it, there is no question that I did ask him to incorporate it. The officers of the bank had discussions, and they asked to have it incorporated. And if Mr. Davis says I called him up about it, I did.

Mr. SAPERSTEIN. Do you know whether that assessment was paid?

Mr. MILLS. I don't know. The receiver can tell you. I am not given access to those books and I don't know.

Mr. SAPERSTEIN. Now, Mr. Mills—

Mr. MILLS (continuing). I presume he is contesting it.

Mr. SAPERSTEIN. What was that?

Mr. MILLS. I should assume that the receiver is contesting the assessment, but I don't know.

Mr. SAPERSTEIN. Mr. Mills, would it be fair to say that when the R.F.C. made this loan of \$1,250,000 to the Citizens Savings Bank, and the greater portion of that loan was applied toward the repayment of the outstanding obligation from the Citizens Savings Bank to the Peoples Wayne County Bank, that that was a bailing out of the Peoples Wayne County Bank out of a bad loan?

Mr. MILLS. No.

Mr. SAPERSTEIN. Why not?

Mr. MILLS. In the first place, I don't think it was a bad loan. It was not a quick loan, and I never said it was. But as to the Peoples Wayne County Bank, that loan was only made in 1931—it was made on mortgages, and I think the last part of that loan was made in November of 1931. It was not an old loan, and it was secured by mortgages. I would not by any stretch of the imagination say it was an old loan. It was not the type of loan we were welcoming in

the institution, because not a quick loan, it could not be quickly liquidated, but it was not a bad loan.

Mr. SAPERSTEIN. Looking back on the course of events, and the closing of this bank in Mount Clemens, do you think this loan could have been paid in any other way than through a loan from the R.F.C.?

Mr. MILLS. I haven't any doubt that it would have been paid over a period of time, even looking back, and that is something I do not like to do. It is not a fair thing to ask a man to look back and say what it would be from this viewpoint. But I have no doubt it would have been paid, because it was the cream of the mortgages.

Mr. SAPERSTEIN. It could not have been paid off if the bank, as actually happened, had been closed by the State banking commissioner in 1932, could it?

Mr. MILLS. I do not say it would have been paid off by this time, but I still say it would have been paid off, because it was the very cream of the mortgages up there.

Senator COUZENS. Mr. Mills, there was one question you brought up on yesterday that I have been pondering over. It appears that in 1931 you were urging upon President Hoover and other public officials the enactment of a so-called "home loan mortgage bank" and something like the old War Finance Corporation, is that correct?

Mr. MILLS. I had three things in mind, Senator Couzens, that I thought should be done. First, a home-loan bill, not in the form in which it was finally passed; and, secondly—

Senator COUZENS (interposing). In what form did you desire it to be passed?

Mr. MILLS. I wanted to see an institution very similar to the Federal Reserve banks, that would be set up to rediscount properly amortized and good mortgages. And that was for two reasons; it would help to liquidate our bank and, secondly, I thought it was sound public policy to have such an institution, not for any type of mortgage but for sound mortgages, that had been reasonably paid down, on a man's house, and that type of thing. That was what I was hoping for and asking for in such a bill.

Senator COUZENS. And that was a part of the liberalization of the Federal Reserve Act that Senator Vandenberg was talking about in his correspondence, was it?

Mr. MILLS. I do not know that it was that, in the matter of the Federal Reserve Act, but it was also thought that something should be done about liberalizing the Federal Reserve Act; whether it would be in one bill or in two bills, I don't recall.

Senator COUZENS. The R.F.C. was another step along the lines of your thought, only you used the suggestion—what was that?

Mr. MILLS. The War Finance Corporation wording.

Senator COUZENS. Yes. Well, I am still unable to understand why you did not use the facilities of the R.F.C. in 1932 at all, when the effect would have been the same. I mean if you had used their facilities the effect would have been the same as though you had rediscounted your mortgages to a Federal Reserve bank, or in a bank of a home-loan banking system.

Mr. MILLS. No, Senator.

Senator COUZENS. Why not?

Mr. MILLS. We had the closing in Detroit—well, I think I can illustrate it better by this method: We had a very substantial amount of eligible paper which we could have taken over to the Federal Reserve bank and on 24 hours rediscounted it with them and obtained the cash. But to do that we would have to pay them interest. Now, we did not have to do that and go to that interest expense until we needed funds. And we had ample funds to see us through, except in the case of such an earthquake as occurred in Detroit. We had at that time approximately \$60,000,000, as I recall it, in cash. We did not need to rediscount, but we wanted the door open so we could rediscount those things. In other words, we wanted to have the right to use those things if and when we should need them.

Senator COUZENS. You testified that you did not use the R.F.C. because you did not want to pay interest charges of 5 percent on a loan you would have gotten from them.

Mr. MILLS. Not until the necessity for using it occurred.

Senator COUZENS. Well, back in 1931 you, apparently, were far-sighted enough to have been planning to set up two agencies for the relief of banks.

Mr. MILLS. We wanted a reservoir, as I think I expressed it, so that if the necessity arose we could go there. I think I said it should be something like having a fire hydrant in front of your building, but do not turn on the water until a fire starts, and yet be ready in case a fire should start.

Senator COUZENS. But in all this correspondence that has been developed here you were pointing out conditions in Michigan.

Mr. MILLS. And nationally.

Senator COUZENS. Yes; and nationally. But particularly you were attracting attention to Michigan, with which I am finding no fault. So eventually these agencies were set up and you did not use those agencies because you thought it was not necessary; is that it?

Mr. MILLS. We did not use them because right up to the time of the bank holiday we had in cash and governments a sum of approximately, as I recall it, 50 or 60 million dollars, which would have seen us through. But if an emergency should come, we wanted this reservoir of credit so that we could use it when the time came. You see, the interest burden is terrific. At that time the R.F.C. interest rate was 5 percent.

Senator COUZENS. Yes; but you were getting interest on your securities all the time.

Mr. MILLS. Yes. But, after all, it was affecting our earnings. Those earnings were being built up, except for the small dividends paid at the end, three small dividends, and they were small; those earnings were being built up for the benefit of the depositors of the bank. I have tried to make it clear, Senator Couzens.

Senator COUZENS. All right.

Mr. SAPERSTEIN. Mr. Mills, at the time when Governor Comstock's proclamation was made, and the First National Bank in Detroit closed its doors, do you know what amount was owed to that bank by officers, directors, and employees of the institution?

Mr. MILLS. No; but I know it was very substantial.

Mr. SAPERSTEIN. How much, according to your recollection, did it amount to?

Mr. MILLS. I haven't access to the records, but it was very substantial. I wish to state this: That the loans—and please understand, Mr. Chairman, that I am not alibiing at all, for the loans were there when I went into the bank, and we were pounding away at them and we were getting them down, but not as fast as we liked, and still we were getting those loans down. The loans were all good, I am informed, when made, but a lot of them were on bank stocks, and you just could not sell them because there was no market for them. But there was a very substantial amount.

Mr. SAPERSTEIN. I have before me some compilations made by the receiver of the First National Bank, Mr. C. L. Thomas, as of the date when the proclamation was made, and these compilations indicate that on February 11, 1933, the First National Bank in Detroit had outstanding, due from officers, directors, and employees, and former officers, directors, and employees of the institution, direct and indirect loans aggregating \$33,296,618.64.

Mr. MILLS. I do not believe it. Now, that is a matter of my belief, but I just don't believe it.

Mr. SAPERSTEIN. Well, now—

Mr. MILLS (continuing). That is, there must be a duplication there. Oh, yes; there must be a duplication there.

Mr. SAPERSTEIN. These loans include loans made directly and indirectly to the officers, directors, and employees of the bank.

Mr. MILLS. May I ask: Does it also include duplications, where various people had gone surety, where two officers had gone surety? Are those included twice?

Mr. SAPERSTEIN. It does not so state.

Mr. MILLS. Well, my statement stands. I cannot believe it. But I have not access to the records. At the same time I do not believe it.

Mr. SAPERSTEIN. Do you know how many shares of Detroit Bankers Co. stock were held by the institution as collateral for loans at the time of the closing?

Mr. MILLS. Why, I heard some testimony here, but my recollection is that it was in the neighborhood of 300,000 shares. That is only a recollection. I heard some testimony here the other day of a figure something like two hundred and fifty-thousand-and-odd shares. I do not know whether it was at the time of the closing or not. But I think it was around 300,000 shares.

Mr. SAPERSTEIN. I have before me a compilation of loans and a schedule of the number of shares of the Detroit Bankers Co. stock pledged as collateral for loans to present and former employees of the Detroit Bankers Co., including employees of the First National Bank in Detroit.

Mr. MILLS. May I ask you a question? I know I am on the stand and you are not, but what does he mean by "former employees"? How many years back? These banks have been going since 1860, and I don't know.

Mr. SAPERSTEIN. I cannot answer that question. But in my question to you I incorporated the factor that these loans were made to former officers, directors, and employees of the bank, as well as to those when the bank closed.

Mr. MILLS. I know that.

Mr. SAPERSTEIN. This schedule indicates that on December 31, 1932, there was owed to the bank by officers and employees the sum.

of \$3,154,546, and that there was pledged as collateral for those loans Detroit Bankers Co. stock, to the extent of 29,905 shares; and that on February 11, 1933, there was outstanding \$3,119,490 of loans, and that there was pledged as collateral in the form of Detroit Bankers Co. stock 29,792 shares.

Mr. MILLS. Well, I don't think we will quarrel about that. That would be about my recollection.

Mr. SAPERSTEIN. That would be about your recollection?

Mr. MILLS. Yes.

Mr. SAPERSTEIN. I also have before me a schedule prepared by the receiver, which indicates that the outstanding loans to directors at the time of the closing totalled \$20,568,554.39, and that there was pledged as collateral in the form of Detroit Bankers Co. stock 59,922 shares. Does that accord with your recollection?

Mr. MILLS. Well, what other collateral was there? There was other collateral besides that.

Mr. SAPERSTEIN. Yes; there is other collateral.

Mr. MILLS. You bet there is.

Mr. SAPERSTEIN. And that collateral is listed with these loans, but included in the collateral which was pledged for these loans aggregating \$20,568,554.39 were 59,922 shares of Detroit Bankers Co. stock. Now, does that accord with your recollection?

Mr. MILLS. Well, it would only be a guess, but I won't quarrel with that. As long as we understand that there was a lot of other collateral up as well.

The CHAIRMAN. That does not quite make up the 30 million dollars.

Mr. MILLS. No.

Mr. SAPERSTEIN. According to the report made by the bank examiner on February 11, 1933, which, I assume, you have not seen—

Mr. MILLS. I certainly have not seen it.

Mr. SAPERSTEIN. There is a list of direct and indirect loans to corporations or enterprises in which any director is largely interested, giving the name and interest of the director or officer, and that list, which includes 18 corporations in which directors of the First National Bank are directors or officers, shows that there were outstanding direct loans of \$9,562,321.67 to those corporations and indirect loans of \$46,251.68. Does that accord with your recollection?

Mr. MILLS. Well, I haven't anything directly on that, except that I am sure there is a large amount of duplication in it. At least I believe there is a large amount of duplication. I know of one loan that was guaranteed by six directors of the bank, a small loan. Now, if they accumulate those guaranties, the figures get quite out of line. It all depends upon what theory he used in those figures. I have never seen the paper.

Mr. SAPERSTEIN. This paper I have read from shows the amount of the loans made to each corporation, so that there is no duplication in that figure, is there?

Mr. MILLS. Well, may I see the document?

Mr. SAPERSTEIN. Yes. Here it is.

Mr. MILLS. Is this the yellow sheet, so-called?

Mr. SAPERSTEIN. That is not the yellow sheet. At least I do not think so. Does it say "Confidential Memorandum" on it?

Mr. MILLS. It does not say about that.

Mr. SAPERSTEIN. That is one of the schedules contained in the regular report.

Mr. MILLS. (Begins looking over the paper.)

Senator COUZENS. I want to say at this point that there is no schedule furnished on the confidential yellow sheet.

Mr. MILLS. There is not?

Senator COUZENS. No. All that is on the confidential yellow sheet is a comment by examiners, plus the report which is furnished to bank officials.

Mr. MILLS (looking over the paper). For instance, here is a line on this paper, which includes the Detroit Bankers Co. with Emory W. Clark's name afterwards, \$4,000,000. I do not know why Emory Clark's name is on that. I think it is a little misleading. We all know what the Detroit Bankers Co. loans were, and how they were incurred.

Mr. SAPERSTEIN. In what respect is that item misleading, Mr. Mills?

Mr. MILLS. It says Emory W. Clark, an officer or director, is largely interested. I do not believe Emory W. Clark had any very large interest in the Detroit Bankers. He was a fair stockholder, but I think the implication here is a little strong, to attempt to hang \$4,000,000 of Detroit Bankers Co. loans and charge it up to Emory Clark.

Mr. SAPERSTEIN. You do not see any evidence of any repetitions there, do you?

Mr. MILLS. No; I do not see any evidence of repetitions. There are some more that might be put on, small ones.

Mr. SAPERSTEIN. You mean loans to other corporations not included in this list?

Mr. MILLS. They may be of no great consequence; nothing of any consequence. With that main exception of the Detroit Bankers Co., as far as I can see, it is probably right. I do not know the interest of these gentlemen in those loans. I think a lot of those loans were also secured. A lot of them had been based upon credit. Some of them I recognize as being perfectly good, paid on the nail. A lot of them were paid the day after the holiday, or some of them were.

Mr. SAPERSTEIN. You know that these loans to officers and directors presented a very serious problem at the time you got into the bank, do you not?

Mr. MILLS. Yes. That was one of the problems we worked on.

Mr. SAPERSTEIN. What steps did you take in an effort to remedy this situation?

Mr. MILLS. We did three things. I explained this the other day, but I will risk repetition and go over it. First, they took employees, as distinguished from the officers. I do not mean first in point of time, but one of the things we did was to take employees, and a committee was appointed consisting, as I recall it, of Mr. Oscar Webber, Mr. Barbour, Mr. Holden, and Mr. Sweeny, and the personnel officer of the bank, Mr. Failor. The personnel records of those employees were gone over—his pay, what he could do, his manner of living, and everything else, and there was deducted from his pay what we thought would be the best thing to deduct, to produce two conditions: First liquidation of the indebtedness to the

bank; and secondly, to keep the employee still in a fair frame of mind, so he would be willing to fight his way out of the difficulties which he and everybody else were in. Then, we did the same thing with the officers. I think we were probably a little stricter with the officers. That same committee functioned with them. Then we came to the directors. A committee was appointed in May 1932 to go over these directors' loans, and to insist on liquidation from directors. Where loans in the past had been made to directors who were not in active business, upon no credit statements and that type of thing, we tried to get one of two things—either collateral or a statement and payment on account of those loans, and to start in on a definite basis of payment of the loan. I made myself very unpopular with certain directors with that in mind. Possibly we went at it too hard. I do not know. But we went right after it, tooth and nail, to do that. That is what we did, and what we tried to do.

Senator COUZENS. Who was Mr. George A. Burns; one of your vice presidents?

Mr. MILLS. He was a vice president who came from the Wayne County and Home Savings Bank.

Senator COUZENS. Do you know what his occupation is now?

Mr. MILLS. I do not.

Mr. SAPERSTEIN. You were aware, Mr. Mills, were you not, that during the year 1931 a rather exhaustive survey was made by Mr. Verhelle for the purpose of ascertaining the policy of other banking institutions with regard to officers' and employees' loans?

Mr. MILLS. I think Mr. Verhelle made a survey of what the institution was doing. I do not know it was in 1931. I thought it was in 1932. I know he did it sometime.

Mr. SAPERSTEIN. Let me read to you a letter written by Mr. Verhelle, dated June 8, 1931, to Mr. Thomas J. Craven, New York representative of the First National Bank, Detroit, 20 Exchange Place, New York City. (Reading:)

DEAR TOM: Would you mind calling a few of your friends around New York, representing, say, about six of the larger institutions, and check with them on their officers' and employees' loan policies.

We are particularly interested in knowing whether or not they permit their officers and employees to borrow, with collateral, at their own institution.

Whether or not they give them a preferred rate or treat them as they would any other customer; i.e., charge regular rate and when margin is insufficient, possibly sell them out.

Whether or not they make emergency loans to their officers and employees, and if so, on what basis.

Whether or not they permit their officers and employees to carry commercial accounts and, if so, do they segregate them from their other customers.

Sincerely yours,

J. V., *Comptroller.*

To which a reply was found, a photostatic copy of which I have before me, from Mr. Craven to Mr. Joseph Verhelle, under date of June 12, 1931, as follows [reading]:

JUNE 12, 1931.

Mr. JOSEPH F. VERHELLE,

*Comptroller Detroit Bankers Company,*

*First National Bank Building, Detroit, Mich.*

DEAR JOE: Glad to hear from you at last and have the chance of being of some help, if possible.

To answer your questions in order: The officers of institutions here are not allowed to borrow with collateral at their own institutions without confirma-

tion from the Board of Directors. This causes a certain amount of embarrassment and delay, which has practically eliminated any such exceptions being made. Employees do not borrow from their own institutions or carry accounts with it.

Some years past, various New York banks had reciprocal arrangements for their employees. In other words the employees of two banks would each carry their accounts at the other institution and preference would be given in cases of small balances, small loans, and certain courtesies which are agreed upon. I do not think this condition exists in very many banks any more. The officers of New York institutions carry their accounts at banks of their own discretion and are not allowed to carry them in either the branches or the main office of the bank by whom they are employed. I understand that collateral is not treated in a preferential way by any New York institutions except in individual cases. For instance several banks have set up a special fund to be handled at the discretion of the personnel department and one loan officer, which is supposed to take care of employees who have gone beyond their means by some unusual circumstances, such as births, deaths, etc. This fund is written out of the surplus of the bank and put into a trust account. However, it is very seldom used in cases where employees have borrowed on the bank's stock for speculation purposes, or other specific personal needs, and I understand the loaning bank is usually pretty strict as far as the margin is concerned.

One New York bank, which I don't doubt you will recognize, has protected in sort of a guarantee, the collateral of its employees whenever the collateral is their own bank's stock. This is not an entirely unusual case, I understand, but such a general rule as this bank has made is an exception.

The officers of the institutions down here who have been borrowing from banks of their own choice, have been pretty roughly treated as a rule. I have personally known several officers who were borrowing on their own bank's stock at other institutions, and the loaning bank gave them no preference or consideration on margin. In the case of banks whose stocks have not been publicly supported by them or manipulated, they have usually let the officer "row his own boat." In the case of employees it is different, and specific arrangements, which are too numerous to go into, have been made in each case of an individual employee.

As far as your last paragraph is concerned, it is entirely contingent upon the by-laws of the institutions. Quite a few of the banks here do not permit their officers or employees to be identified with any corporations or partnerships, and in cases where they allow this, the account is not carried with the bank, unless an unusual case such as a bad loan where the officer is representing his bank.

I hope this answers in a general way what you want. However, if the information is not specific enough, I shall be glad to go into it in detail in another letter, if you will please drop me a memo.

Best regards.  
*Sincerely,*

TOM.

You know, Mr. Mills, that substantially the same letter was written by Mr. Verhelle to the officers of quite a number of banks, and that substantially the same reply was received, do you not? I mean a reply was received which indicated that it was not the policy of those banks to permit loans to be made by employees and officers in their own institutions, as a general rule.

MR. MILLS. I do not know whether I knew that or not. I will say this, that after I took charge of this bank in May, and I believe before that time—I know it was true in the Peoples Wayne—an employee was not even loaned \$10 without it being approved by the executive committee. We would have this in the First National Bank afterward. We would have small employees' loans that were spoken of there. He speaks of it as a great virtue to have the confirmation of the directors. If the wife of an employee was having a child and he had to have \$50, that would come up at the executive committee, and, upon recommendation of the personnel department,



he was given it. Loans of that type were absolutely negligible. No loan, after my day in that bank—and I am informed before, as well—was made to an officer or director of the bank without first going to the executive committee of the board. I know that was true in my day.

Mr. SAPERSTEIN. But, Mr. Mills, what Mr. Craven says is that—

The officers of institutions here are not allowed to borrow with collateral at their own institutions without permission from the board of directors. This causes a certain amount of embarrassment and delay, which has practically eliminated any such exceptions being made. Employees do not borrow from their own institution or carry accounts with it.

Mr. MILLS. All right. In our institution I think the same result was very apparent. As soon as I went in that bank we went after these loans of officers and employees, and there were very few applications for new loans from them. There were some. As I say, there were these necessity or emergency loans for serious illnesses and things that had to be taken care of.

Senator COUZENS. We are not speaking about those.

Mr. MILLS. The substantial loans, Senator, all had to go to the executive committee. Then we started as to directors as well as officers and employees, by insisting on periodical schedules of reductions. We insisted on it.

Now, we had considerable discussion in the bank early in 1932 as to whether it was advisable to even permit officers of the bank to keep their own accounts in the bank. I mean their deposit accounts. That matter was finally settled by having a special ledger, an employees' or officers' ledger carried in the main office, and they were all lumped in that, so that they could be seen at once. They were not spread throughout the entire bank. We thought it was better, and I still think it is better, to have an officer carry his own account, if he desires, in that bank, so long as he has not the privilege of O.K.ing any overdrafts, or something of that sort.

The CHAIRMAN. You speak about taking up these matters with the executive committee, but you did not tell what the executive committee usually did to those applications.

Mr. MILLS. Senator, I hate to say "while I was the head of the bank", but I have to, just to point out the time, because my connection has been comparatively recent with it, although I was a director of the Peoples Wayne County Bank in April or May of 1930. If a matter came up, we will say, on a credit statement for an unsecured loan—let me explain the course of a loan. I think that would be the better way. Every morning, first, there was a group meeting, that is, of the men who were primarily responsible for the loan. If you had a loan there which would fall in a group that carried the letter "F", three or four men would pass upon that first. If it met with their approval, it then went to the general loaning officers' committee. They met every morning at 9 o'clock. If a statement was involved, it also went to the credit department for analysis, and from the credit department it would go to the executive committee, and the officer in charge would stand at one end of the table and he would stand up and state the facts, and why loaning officers had recommended the loan. The members of the executive committee would very frequently question it and ask for more information. They would either approve it, if they were satisfied, or

they would decline it, or they would ask for more information. Have I answered your question, Senator?

The CHAIRMAN. Yes.

Mr. SAPERSTEIN. Mr. Mills, do you recognize that even that policy was out of line with the policy of these banks which you consulted?

Mr. MILLS. No; I do not; and I did not consult with those banks. I do not recognize it at all. I think we were doing as good a job on these loans, under the conditions prevailing, as anybody did.

Mr. SAPERSTEIN. Let me read you an excerpt from a letter which was written to Mr. Verhelle from Mr. C. W. Nelson, vice president of the Northern Trust Co., in response to a letter similar to the one which Mr. Verhelle wrote to Mr. Craven.

Senator COUZENS. What date is that?

Mr. SAPERSTEIN. June 9, 1931. You were then chairman of the Peoples Wayne?

Mr. MILLS. Yes.

Senator COUZENS. Mr. Mills has testified that he did not know anything about those letters. Is that true?

Mr. MILLS. I have no recollection of them, Senator.

Mr. SAPERSTEIN. But I understood him to say that he knew Mr. Verhelle had made an investigation as to what the practice was in other banks.

Mr. MILLS. I knew that at some time Mr. Verhelle told me he had made an investigation.

Mr. SAPERSTEIN. This was in June 1931.

Senator COUZENS. What was the outcome of that investigation, Mr. Mills? What did you do about it?

Mr. MILLS. We did this. One of the questions that came up was whether an employee—including officers—could maintain accounts in the bank.

Senator COUZENS. Is that what you have just described?

Mr. MILLS. Yes.

Senator COUZENS. All these loans, hundreds and hundreds—

Mr. MILLS. I said an account in the bank.

Senator COUZENS. These inquiries were about loans particularly.

Mr. MILLS. They are also about accounts.

Senator COUZENS. Is it not a debatable question among bankers whether it is better to have the employees and officials do business with the bank where it would be known to the officials of the bank or whether it is better for them to do it on the outside, where there would be no knowledge of their activities?

Mr. MILLS. It is a very debatable question.

Senator COUZENS. What is your opinion as to which is the better way?

Mr. MILLS. I think, Senator—you and I are from Detroit. I am inclined to think that borrowings in a place like Detroit, where there are other institutions which are able to take care of them, should probably be from other institutions. But in a small community, where you have only one bank, it can not be done that way. One of these suggested matters of legislation deals with that, and goes into it quite in detail. I think there is no question that there have been certain abuses in the part with respect to directors' loans. I think the testimony before this committee and other matters have shown it. That is my personal opinion.

Senator COUZENS. Your personal opinion is that it is better for a bank officer or a bank employee to do his borrowing from some other bank than his own?

Mr. MILLS. Yes; excluding the small loans on emergency matters.

Senator COUZENS. I understand. Then, is there any way, under those circumstances, to have knowledge of the conduct of an official so far as his financial affairs are concerned, if he does it with some other bank? Is there any interchange of credit information, or knowledge through the banks showing such a condition?

Mr. MILLS. Nothing more than the "grapevine", Senator, and the grapevine sometimes is a pretty good instrument of communication.

The CHAIRMAN. Would it not be a good idea to provide in the law that directors of banks should report to their own boards their operations outside of the bank, such as borrowings, interest, and so forth?

Mr. MILLS. I would say that that would be all right, except in some cases where a man is on a board, and is in active business, and has borrowed on a straight line of credit from another bank, at arm's length. I would doubt the wisdom of reporting that, because there is no inducement to another bank to lend a director of a competing institution money on a general line of credit without security, unless they are satisfied it is a good loan. No, I can see no purpose to be served by reporting that. On collateral loans I might agree with you, Senator.

The CHAIRMAN. The object would be to inform the directors of his own bank as to his financial transactions outside of that bank, so as to show his interest.

Mr. MILLS. To show his interest, and possibly the detail of it. There is a question in my mind as to the advisability of going into too much detail about it as to other institutions.

Mr. SAPERSTEIN. Mr. Mills, I have before me what purports to be a report made on officers' and employees' loans under date of May 25, 1931, from J. F. Verhelle, addressed to Mark A. Wilson. Was this report ever called to your attention?

Mr. MILLS. 1931?

Mr. SAPERSTEIN. May 25, 1931.

Mr. MILLS. I do not recall it. I recall another one very distinctly, a report the directors made up, and this committee I spoke of, Messrs. Webber, Holden, and Barbour, made up as to directors' loans, but that was in 1932.

Senator COUZENS. Have you a copy of that?

Mr. MILLS. Yes; I have, Senator.

Senator COUZENS. Have you it with you?

Mr. MILLS. Yes, sir; I have it here.

Senator COUZENS. We would like to have it.

Mr. SAPERSTEIN. Will you produce that report, Mr. Mills?

Mr. MILLS. Yes, sir. I do not recall ever having heard anything about that [indicating].

Senator COUZENS. While you are looking that up, where is Mr. George J. Pipper, the head auditor we referred to yesterday? Where is he now?

Mr. MILLS. I am informed he is auditor of the Manufacturers National Bank of Detroit.

In pursuance of this policy that was put in in 1932 on these loans, here is a copy of a report to the governing committee from this subcommittee, dated June 14, 1932 [producing paper].

Senator COUZENS. By whom is that signed?

Mr. MILLS. This is a copy. It does not seem to be signed. My recollection of the committee that handled it—and I think I am correct—is Mr. Oscar Webber, Mr. Sweeny, and either or both, Mr. James S. Holden and or W. T. Barbour. It is not signed.

Senator COUZENS. But you identify it as their report, do you?

Mr. MILLS. I am quite certain it is their report. It is a carbon of it. One page is blank. I do not know what that signifies. You will see their recommendations. This kind of thing happened——

Senator COUZENS. This is all confined to employees' loans, is it not?

Mr. MILLS. Is not that officers and employees?

Senator COUZENS (reading). "Your subcommittee appointed to review and report on loans of officers and employees"—Yes.

Mr. MILLS. That is the one.

This kind of thing happened. One of the senior officers of the bank owed the bank some money, and his note was fairly collateralized—not by marketable collateral. This officer's brother owed the bank some money, and went into bankruptcy. This senior officer felt a great responsibility for it, for his family's name, and he assumed the debt of his brother. Otherwise the bank would have lost. That added to an officer's loan. That kind of thing happened more than once.

Mr. SAPERSTEIN. That report which you have produced relates only to officers' and employees' loans, as I understand it.

Mr. MILLS. Yes.

The CHAIRMAN. What bank was that?

Mr. MILLS. That was the First National or the Peoples Wayne. I do not recall, at that particular time, which the bank was.

Mr. SAPERSTEIN. Was there also a report prepared with reference to directors' loans?

Mr. MILLS. There was.

Mr. SAPERSTEIN. Have you a copy of that?

Mr. MILLS. No; I have not a copy of that. That is in the records of the bank, though. The receiver has it, or should have it.

Mr. SAPERSTEIN. May we have this marked in evidence, Mr. Chairman? I do not think it is necessary to spread it on the record.

The CHAIRMAN. It may be marked.

Mr. SAPERSTEIN. I offer in evidence this report to the governing committee, dated June 14, 1932, relating to officers' and employees' loans.

(Report to governing committee from subcommittee, dated June 14, 1932, in re officers' and employees' loans, was received in evidence, marked "Committee's Exhibit No. 158, Feb. 7, 1934," and the same is not printed here for the reasons stated above.)

Mr. SAPERSTEIN. I have before me what purports to be a photostatic copy of the minutes of the regular meeting of the governing committee of the board of directors of the First Wayne National Bank of Detroit, held on April 29, 1932. Will you look at these minutes and see whether you can identify them, Mr. Mills?

Mr. MILLS (after examining paper). Oh, yes. This is the report of the directors' loans that I told you was made.

Mr. SAPERSTEIN. I offer that in evidence.

Mr. MILLS. It looks like a true copy of it. That is when we were getting after these directors' loans.

The CHAIRMAN. Let it be admitted.

(Photostatic copy of minutes, regular meeting, governing committee of the board of directors of the First Wayne National Bank of Detroit, Apr. 29, 1932, was received in evidence, marked "Committee Exhibit No. 159, Feb. 7, 1934", and portions thereof were subsequently read into the record.)

The CHAIRMAN. What is the date of it?

Mr. MILLS. April 29, 1932.

Mr. SAPERSTEIN. Prior to the date when this report was rendered by the committee to the governing committee, had you received a report from Mr. Dwight Douglas, dated January 5, 1932, with regard to directors' and officers' loans, a photostatic copy of which I show you [exhibiting a paper to the witness]?

Mr. MILLS. I have no present recollection of it.

Mr. SAPERSTEIN. The memorandum which is attached to that report is addressed to you from Mr. Douglas.

Mr. MILLS. This purports to have been addressed to me from Mr. Douglas, and I probably received it. I have not any present recollection of it.

Mr. SAPERSTEIN. I ask that that report be marked in evidence. It need not be spread on the minutes.

The CHAIRMAN. Let it be admitted.

(Copy of report, Douglas to Mills, Jan. 5, 1932, in re directors' and officers' loans, was received in evidence, marked "Committee Exhibit No. 160, Feb. 7, 1934", and the same is not printed here for the reason stated above.)

Mr. SAPERSTEIN. Mr. Mills, by referring to that report, which was rendered to you by Mr. Douglas in January 1932, will you give us the amount of the loans outstanding from officers and directors in January 1932, direct and indirect?

Mr. MILLS. All I can read you is what it says, without having had any opportunity to check it or even possibly explain duplications. I am not saying there are any in it. I do not know.

Mr. SAPERSTEIN. Subject to any correction you may want to make later, give us the amount.

Mr. MILLS. It says:

Recapitulation of loans to directors as of December 17, 1931. Direct loans, \$14,274,000; indirect, \$4,643,000; value of collateral, \$13,327,000; mortgage loans, \$1,831,000; land contracts, \$19,000; total loans, \$20,742,000.

Then it says [reading]:

Affiliated borrowings: Direct loans \$18,000,000; indirect, \$447,000; commercial credit, \$170,000; mortgage loans \$2,676,000; land contracts, \$44,000; total \$21,386,000.

Mr. SAPERSTEIN. I believe in the question which I asked you I embodied the fact that those loans had been made to directors and officers. As a matter of fact, if you examine the report, you will find that those loans were made to directors only. The officers' loans are not included. Am I correct in that?

Mr. MILLS. No; you are in error on that. I see that right away, because right here, on the first page—here is one, Dr. Henry Belanger. He is listed as “direct; value of collateral”, and a lot of stuff here. I am certain he was never a director of any of these banks that constituted the First National.

Mr. SAPERSTEIN. Look at the recapitulation on the first page and see what the caption is.

Mr. MILLS (reading). “Recapitulation of loans to directors as of December 17, 1931.”

Mr. SAPERSTEIN. That was prepared by Mr. Douglas, apparently, or prepared for Mr. Douglas, was it not?

Mr. MILLS. I do not know. I presume so. Then here is Calvin T. Bentley, William Blanck, Tom Bosquett. He was not a director of the bank at that time anyway. Here is M. C. Bourassa. A lot of these names I do not know. Some are directors, and I recognize some officers who were not directors, but there are certainly a lot of them that are not directors.

Mr. SAPERSTEIN. May I say, Mr. Mills, according to the records which have been furnished to us by the receiver, the men whose names appear on that list are all directors of the units of the Detroit Bankers Co.

Mr. MILLS. That is a little different. I was thinking of the First National Bank. If they are including these banks where we have a small interest in Lansing or Saginaw, I have not the remotest idea who they are.

Mr. SAPERSTEIN. Of course, that is an exhibit prepared by one of the officers of your own bank, and you are the one who is best qualified to know what they are including.

Mr. MILLS. I am trying to tell you that the majority of these people are not directors of the First National Bank or the Detroit Trust Co. Some of them may be directors. I do not even know who some of them are. I never heard the names of some of them. They may be directors—

Senator COUZENS. You do not question the caption there?

Mr. MILLS. I do not know what it means.

Senator COUZENS. If it includes units of the Detroit Bankers Co. you would have no reason to deny that that caption is correct, would you?

Mr. MILLS. On the assumption that it includes all these units. I do not know what they are.

Senator COUZENS. I think that is a safe assumption. It was prepared by the auditors of the Detroit bankers.

Mr. SAPERSTEIN. The total of those two figures, loans to directors as of December 17, 1931, and affiliated borrowings, is over 41 million dollars, is it not, Mr. Mills?

Mr. MILLS. So this memorandum says.

Mr. SAPERSTEIN. So that, in the light of that exhibit, prepared by one of the officers or auditors of your own bank, do you still contend that you do not believe that the amount of loans outstanding to officers and directors as of the date of the closing of your bank by the governor's proclamation was \$33,296,000?

Mr. MILLS. No; I certainly do not believe it; because it is perfectly obvious on the face of this document that it is not so. This

document lists loans to these various people. Who they were I do not know. Take Eberts, for instance. I never heard of the gentleman. That is the first one I happen to come to on this page.

Mr. SAPERSTEIN. Eberts, may I say for your information, appears to have been a director of the Peoples Wayne County Bank. at Wyandotte.

Mr. MILLS. A little country bank down there. I do not know who he is.

Mr. SAPERSTEIN. It was a unit of the Detroit Bankers Group.

Mr. MILLS. The Detroit Bankers Co. owned it; yes.

Mr. SAPERSTEIN. When you undertake to dispute——

Mr. MILLS. I am not disputing. I am telling you I do not know who these gentlemen are, most of them. I do not know who they are.

Senator COUZENS. As a matter of fact those are small loans in those small subsidiary banks and would not, in the aggregate, affect the whole situation very much.

Mr. MILLS. I do not look at it that way, Senator.

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

(Whereupon, at 1 p.m., Wednesday, Feb. 7, 1934, a recess was taken until 2 p.m. of the same day.)

#### AFTERNOON SESSION

Upon the expiration of the noon recess the hearing was resumed at 2 p.m.

The CHAIRMAN. The committee will come to order.

Mr. Mills, you may resume the witness stand.

#### TESTIMONY OF WILSON W. MILLS, GROSSE POINTE FARMS, DETROIT, MICH.—Resumed

Mr. SAPERSTEIN. Now, Mr. Mills, when I showed you this report made to you on January 5, 1932, by Mr. Douglas——

Mr. MILLS (interposing). Which purports to have been made, you mean?

Mr. SAPERSTEIN. Yes; which purports to have been made to you, and which has been marked "Committee's Exhibit No. 160" of this date, you raised the question as to whether this report did not contain some duplications.

I would like to call your attention to the last page of this exhibit and to the following summaries which appear thereon:

The total loans to directors are listed as \$22,165,461.49. These are the total direct loans.

Then there is a column entitled "Less duplications", \$1,423,438.79.

And the bottom column is "Net total, \$20,742,022.70", appearing under the caption "direct loans."

As for the affiliated borrowings, there is a column entitled "Total loans, \$53,346,276.45; less duplications, \$31,959,293.99"; and "Net total of affiliated borrowings, \$21,386,982.46"; which is the net total appearing under the caption "Affiliated borrowings" in the recapitulation.

Does that obviate from your mind the idea that there may have been duplications in this report?

Mr. MILLS. As far as my knowledge goes, I do not recall ever having seen the report before. I am not denying I received it, you understand, but I have no other recollection of it. I can take it and study it and see. That is all I can do. May I have it just a moment?

Mr. SAPERSTEIN. Yes [handing Mr. Mills the document].

The CHAIRMAN. It appears that duplications have been accounted for in the report.

Mr. MILLS (after examining document). Now, do you know what this means, what this "Affiliated borrowings" means?

Mr. SAPERSTEIN. I assume that it means loans made to corporations or partnerships or other legal entities in which the directors had an interest or were officers or directors.

Mr. MILLS. That would include General Motors or any corporation like that.

Mr. SAPERSTEIN. Well, you can look at the list and see whether it includes any corporation like that. I think they are all listed there, aren't they?

Mr. MILLS. Now, I notice on this note—I am not trying to be capacious about it, but I do not want the wrong impression to go out—Mr. Douglas states that "Enclosed is a recapitulation of directors-officers loans covering the entire institution." I presume that is Detroit Bankers Co.

Mr. SAPERSTEIN. Yes.

Mr. MILLS. So I know nothing about the Detroit Bankers Co. end of it. I can tell in a general way the First National part.

Mr. SAPERSTEIN. But those are loans made by the First National to directors of all the units of the Detroit Bankers, are they not?

Mr. MILLS. It does not say that—

Enclosed is revised recapitulation of directors' and officers' loans covering entire institution—

and it is on the stationery of the Bankers Co., and I presume it is all the units of the Bankers Co. I do not know, but that would certainly be my presumption.

Then he says this:

It still contains a loan of \$1,597,916.62, marked Detroit I. E., duplicated 12 times. This is the First National Co. loan, and it is a corporation matter, and in my opinion should not be included.

Mr. SAPERSTEIN. If you will look at that exhibit you will find that that loan is duplicated 12 times in the body but then deducted from the total.

Mr. MILLS. I see. I think the document speaks for itself is the most I can say for it. I don't know any more about it than that.

Mr. SAPERSTEIN. The chairman suggests that this committee's exhibit no. 160 ought to be spread in full upon the minutes of this hearing, and I will ask the shorthand reporter to see that that is done.

(Exhibit no. 160, received in evidence on p. 1206, will be found in the chairman's copy only, at the end of the day's proceedings.)

Mr. SAPERSTEIN. In Committee's Exhibit 159 of this date, which purports to be a photostatic copy of the minutes of the governing committee of the board of directors of the First Wayne National Bank held on April 29, 1932, there is contained a report of the com-



mittee on directors' loans. You have seen that, haven't you, Mr. Mills?

Mr. MILLS. Is that the one you introduced this morning?

Mr. SAPERSTEIN. That is the one I introduced this morning.

Mr. MILLS. Yes.

Mr. SAPERSTEIN. Now, I want to read a portion of that report [reading]:

The committee previously appointed to consider directors' loans made the following report thereon, which report, after being read, was unanimously adopted.

The report follows:

Your committee appointed to consider and report upon directors' liabilities to the Bank have met. We had before us a list of all direct and indirect liabilities of each director to the Bank, including liabilities by way of mortgages, whether the director still holds the property subject to the mortgage or not. We did not include mortgages on properties owned by directors where there is no legal liability in connection therewith. We are having this list prepared, however, and will report on it at a subsequent date.

In connection with the examination we not only considered the collateral but also the history of the borrowing and the tendency of the same, whether upward or downward, balances of directors, interest rate, and the like.

We make the following general recommendations and thereafter make reference to directors' liabilities where the same are not fully satisfactory.

General Future Policy:

One. All applications for loans by directors shall be made to the chairman of the Board or to such other executive officer as he may designate, or in the absence of the chairman, to the next ranking officer under the by-laws.

I want to suspend the reading for a moment and ask you whether that recommendation was adopted, Mr. Mills.

Mr. MILLS. I think the whole resolution was adopted. I designated Mr. Sweeny as the loaning officer under that. The whole thing was adopted.

Mr. SAPERSTEIN. Was the recommendation followed thereafter?

Mr. MILLS. Oh, yes; it was followed.

Mr. SAPERSTEIN (continuing reading):

Second. The chairman of the Board will assume responsibility with reference to directors' loans and attempt to put them in proper condition where they are not now in proper condition, and will make to the Governing Committee a report semiannually as to the condition of each loan.

Were such reports made by you?

Mr. MILLS. One was in process of preparation when the Michigan holiday intervened. It was in the process of preparation.

Mr. SAPERSTEIN. This meeting was held in April and the recommendation provides for semiannual reports.

Mr. MILLS. Yes.

Mr. SAPERSTEIN. Was no report prepared or rendered in October?

Mr. MILLS. It was not. One was prepared as of the 1st day of November, the end of October, and it was in preparation when the holiday intervened. It took time to get all these records out, and that report was including these mortgages where there was no agreement to pay the mortgage.

Mr. SAPERSTEIN. Have you any draft of such a report?

Mr. MILLS. No; it is in the bank. The receiver has whatever is there. I haven't it.

Mr. SAPERSTEIN (continuing reading):

Three. No loans, either directly or indirectly, are to be made to directors or upon their endorsement or guarantee except where the loan is secured by ample collateral satisfactory to the officer making the loan, or unless backed by a satisfactory current statement of the borrower's financial condition.

Was that recommendation followed?

Mr. MILLS. Yes.

Mr. SAPERSTEIN (continuing reading):

Four. All existing liabilities of directors are to be either covered by collateral and/or supported by a financial statement.

Was that recommendation followed?

Mr. MILLS. Yes; that was followed.

Mr. SAPERSTEIN. Did you get financial statements from all those directors whose loans were not amply secured by collateral?

Mr. MILLS. I got them—I asked all those whom we did not have financial statements from. Understand, on some of them we already had them.

Mr. SAPERSTEIN. Yes.

Mr. MILLS. For financial statements where we did not have them or where the loan was not properly collateraled.

Mr. SAPERSTEIN. Was that request of yours acceded to by the directors?

Mr. MILLS. In most cases; yes. I think probably in all cases. I am not sure, but in most cases. We had some resignations after this report was filed.

Mr. SAPERSTEIN. Did you have any resignations when a request was made for a financial statement?

Mr. MILLS. No.

Mr. SAPERSTEIN. And those financial statements should now be on file in the bank in the possession of the receiver?

Mr. MILLS. They should be there, sure. The receiver ought to have them.

Mr. SAPERSTEIN (continuing reading):

Five. It is the policy of the bank that all directors' loans shall be subject to steady liquidation and not allowed to run for any longer period than is considered reasonable for other commercial or personal loans of persons not directors.

Was that policy put into effect?

Mr. MILLS. We tried to follow that policy.

Mr. SAPERSTEIN. Were you successful to any degree?

Mr. MILLS. Yes; to some degree. Some directors, like some individuals, could not make any immediate payments, but many did make payments. They were treated after that time—this will sum it all up—after that time we treated directors a darned sight stiffer and stronger than we treated outsiders. That is what actually happened.

Mr. SAPERSTEIN. I called your attention this morning, Mr. Mills, to the fact that the summary of the directors' loans outstanding as of the date when the Governor's proclamation went into effect, according to the receiver's records, was \$20,568,544.39. According to committee's exhibit no. 160, which is the report purporting to have been rendered to you by Mr. Douglas in January 1932, the previous year, the amount of direct loans to directors is \$20,742,022.70. Apparently the amount of the decrease in these direct loans was some-

thing less than \$200,000 during the period of a year. Is that in accord with your recollection?

Mr. MILLS. I don't know. I was not a director of the First National Bank in 1931 at all. I don't know anything about their loans in 1931.

Mr. SAPERSTEIN. Well, I haven't said anything about 1931.

Mr. MILLS. Yes; that Douglas report covers all the units. That is 1931, isn't it?

Mr. SAPERSTEIN. I have called your attention to the exhibit which was prepared for us by the receiver as of February 11, 1933.

Mr. MILLS. Oh, yes. And you are comparing that with this—

Mr. SAPERSTEIN. I am comparing that with the one made in January 1932.

Mr. MILLS. Now, there may have been some new good directors' loans made in the meantime.

Mr. SAPERSTEIN. But you cannot say what the amount of the liquidation was?

Mr. MILLS. No; I could not say. I haven't those records. The records will show. The receiver has them all.

Mr. SAPERSTEIN. Then, do you say now that during the year 1932 after the total volume of direct loans to directors amounted to over \$20,000,000 and loans to affiliates amounted to over \$21,000,000, you continued to make new loans to directors?

Mr. MILLS. If they thought they merited it. The name of, for instance, one contractor, who was an individual, to be used for his business to employ labor. We loaned him money and it was paid. We were conducting a banking business. Why shouldn't we?

Mr. SAPERSTEIN. Was that contractor a director of one of the units of the Detroit Bankers Co.?

Mr. MILLS. Yes. He was with the First National Bank. He paid it. I think it was made to Mr. Allbury.

Mr. SAPERSTEIN. Mr. Allbury?

Mr. MILLS. Mr. Mercier. The loan was paid. It was a perfectly proper loan made and paid. We were doing a banking business. A director is not disqualified from borrowing from a bank on a proper statement or on the proper collateral. At least he should not be.

Mr. SAPERSTEIN. Do you remember what the amount of that loan was?

Mr. MILLS. No; I do not.

Mr. SAPERSTEIN. Do you know when it was made?

Mr. MILLS. No.

Mr. SAPERSTEIN. Are you sure it was made in 1932?

Mr. MILLS. Pretty sure. I cannot swear to it. I will do everything except swear to that.

Mr. SAPERSTEIN. You mention that as an illustration of the type of loan made.

Mr. MILLS. Yes; we were doing that type of business, and a director was entitled to a loan either on a collateral for proper purposes or on a statement he made which was sufficient as long as it fell within that resolution that was made.

Mr. SAPERSTEIN. I will resume reading the report:

6. It is expected that the average balances of directors shall be commensurate with any outstanding loans.

Was that policy put into operation?

Mr. MILLS. I instructed the loaning officers to do it. I don't know as I ever checked it up, but I am satisfied that loaning officers did what they were instructed to do.

Mr. SAPERSTEIN. What did you consider a commensurate amount of the average balance as compared with the loan?

Mr. MILLS. It depends on a lot of circumstances. There is no hard-and-fast rule. If an account is dormant, or practically dormant, no expense of handling the account, with a substantial balance, it does not need as much of a balance in such an account like that as a very active balance of a smaller amount which costs the bank money to handle. All those things enter into the picture. It may be 10 percent; it may be as high as 25 percent of the amount of the loan. It varies with circumstances and conditions.

Mr. SAPERSTEIN. Did you say that the name of the contractor whom you mentioned a moment ago was John A. Mercier?

Mr. MILLS. Yes; Mercier, I think.

Mr. SAPERSTEIN. The report made to us by the receiver as of February 11, 1933, shows under John A. Mercier unsecured loans, \$4,000; collateral loans, \$247,356.27; indirect loans, \$28,505.80; mortgages, \$112,617.50; total liability, \$392,479.57, as against which collateral held was 500 shares of J. A. Mercier Co. stock at \$250, with an estimated value of \$125,000. Against Mr. Mercier there was also a stock assessment of \$76,397.22.

Is that the type of loan you made in 1932?

Mr. MILLS. I would like to see the credit statement of Mr. Mercier. Have you that here?

Mr. SAPERSTEIN. You have mentioned this as an illustration of the type of loan that you made?

Mr. MILLS. Yes; based on credit statement.

Mr. SAPERSTEIN. You said nothing about credit statements.

Mr. MILLS. I did say something about credit statements. I beg your pardon; I did.

Mr. SAPERSTEIN. Well, let me ask you about collateral, then. Were these loans made without adequate collateral?

Mr. MILLS. Commercial loans based on credit statements do not have collateral.

Mr. SAPERSTEIN. They do not have collateral?

Mr. MILLS. Not commercial loans based on proper credit statements do not. By commercial loans I mean not on the commercial side but regular commercial loans for a business. They may be collateralized, but not always collateral, at all.

Mr. SAPERSTEIN. Do you know when this loan was paid, Mr. Mills?

Mr. MILLS. Well, it appears on February 11, it is a commercial loan, from what you read, and it was only \$4,000. I would like to know what happened to it afterward. I am sure it was paid.

Mr. SAPERSTEIN. You made the assertion before that this loan has been paid.

Mr. MILLS. I said the loan that had been paid—

Mr. SAPERSTEIN (interposing). You said as of February 11, 1933.

Mr. MILLS. Well, I don't know whether that is relating to that loan or another loan. Might I ask the question, whether this large amount that you have given of the indebtedness of directors includes assessments?

Mr. SAPERSTEIN. Oh, no.

Mr. MILLS. I am glad to have that cleared up. I didn't know whether it did or not, because you read assessments in that case.

Mr. SAPERSTEIN. Certainly, the report prepared in January 1932 could not possibly include assessments.

Mr. MILLS. Oh, no.

Mr. SAPERSTEIN. I will resume the reading of this report:

Seven. It shall be the duty of the chairman of the board promptly to call to the attention of the governing committee any loans of a director which become, for any reason, in an unsatisfactory condition, and it shall be the duty of the governing committee to take whatever action with reference thereto it shall deem wise.

Was that recommendation followed by you as chairman of the board?

Mr. MILLS. It was. I reported on a few loans after that time to the governing committee.

Mr. SAPERSTEIN (resuming reading):

We offer the following comments as to the following individual directors' loans, it being understood that the loans of all directors who are liable to the bank and whose names are not mentioned are, in the opinion of the committee in a satisfactory condition:

Frederick M. Alger:

This director is liable for over \$55,000 of indirect liabilities. One of the liabilities is that of the Polonia Publishing Company for approximately \$30,000. The officers of the bank feel that there is no probability of any payment from the maker of this obligation, and the officers likewise have some question as to the ability to pay of John F. Reynolds, the principal on another obligation of \$24,000. No statement of John F. Reynolds is in the possession of the bank. The committee therefore recommends that the officers of the bank be instructed to look to the endorser and to arrange a liquidation schedule for the indirect liability.

What, if anything, was done in response to that recommendation?

Mr. MILLS. Mr. Sweeney took it up with Colonel Alger, and some arrangement was made. The colonel is now dead. I don't know what arrangement was made, but if it was not satisfactory I would have been advised of it.

Mr. SAPERSTEIN. According to the receiver's record there were outstanding total liabilities against Colonel Alger on February 11, 1933, when the bank closed, of \$57,880.08, which is some \$2,000 in excess of the amount outstanding at the time this report was prepared.

Mr. MILLS. May I see the report, please?

(The document was handed to Mr. Mills.)

Senator COUZENS. Was there any assessment in that amount?

Mr. SAPERSTEIN. No; the assessment is set up separately as \$111,337.83.

Mr. MILLS. How much is the amount given there?

Mr. SAPERSTEIN. \$57,880.08.

Mr. MILLS. All right; I call your attention to this in this matter of Colonel Alger: "This director is liable for over \$55,000." One is for 30 and the other is for 24. Apparently it is 55.

Mr. SAPERSTEIN. This shows indirect loans \$37,880.08 and collateral loans \$20,000, or a total of \$57,880.08.

Mr. MILLS. Well, the indirect then you see has been reduced. This report did not cover, as it states on its face, any items that were

considered to be proper. It says these are the only things where there is any question about it. It says that on the face of it.

Mr. SAPERSTEIN. It does not say that, Mr. Mills; it says on the face of it that it does not cover directors' loans that are satisfactory.

Mr. MILLS. I will read it.

Mr. SAPERSTEIN. Just before that name.

Mr. MILLS. Directors' loans that were satisfactory. Colonel Alger was a director.

Mr. SAPERSTEIN. Yes.

Mr. MILLS. Colonel Alger at the time of this report had indirect liabilities of \$55,000. Did you say in that report there were, how much?

Mr. SAPERSTEIN. There were indirect loans of \$37,880.08 and collateral loans of \$20,000.

Mr. MILLS. Just a moment. I beg your pardon. They had been reduced from \$55,000, the indirect, to some thirty-odd that you read. The collateral loan was apparently in perfect condition, or in satisfactory condition.

Mr. SAPERSTEIN. So you think at the time this comment was made that collateral loan was existent and outstanding but was not mentioned in this report?

Mr. MILLS. For the reason stated, that it was apparently satisfactory. That is my thought of it; yes. So there was a reduction.

Mr. SAPERSTEIN. I will resume the reading of the report:

GEORGE H. BARBOUR.

This loan has been in the bank for a long time, but the liquidation thereon has in recent times been commensurate with the ability of the borrower to pay. Liquidation should continue, and the officers of the bank should be instructed to procure additional collateral.

May I ask whether that recommendation was followed?

Mr. MILLS. I can shorten this by saying that the officers were instructed to carry out every one of those recommendations.

Mr. SAPERSTEIN. Well, as I understand it, the whole matter was placed under your direct control.

Mr. MILLS. Or such officer as I might designate, and I designated Mr. Sweeny.

Mr. SAPERSTEIN. It also says:

It shall be the duty of the board promptly to call to the attention of the governing committee any loans of a director which become, for any reason, in an unsatisfactory condition—

Mr. MILLS (interposing). Yes; and I stated that I did report a few.

Mr. SAPERSTEIN. Do you know whether the loan of Mr. Barbour was reduced between the time when this report was made and the time when the bank was closed?

Mr. MILLS. I don't know. I have no way of telling. I don't know.

Mr. SAPERSTEIN. At the time the bank was closed his total outstanding liability was \$103,750, as against which collateral was held having a value of \$96,096.

Mr. MILLS. Who made the value?

Mr. SAPERSTEIN. Several of these stocks or securities held as collateral seem to be listed stocks.

Mr. MILLS. All right; who made the value of the lease? In other words, I am trying to find out what basis this was done on. I recall there was a lease in there.

Mr. SAPERSTEIN. There does not seem to have been any lease at the time the bank was closed.

Mr. MILLS. Well, I am sure there was a lease, cigar store, and Cadillac store.

Mr. SAPERSTEIN (resuming reading).

JOHN R. BODDE:

This director is liable as an endorser upon three obligations. Deducting the present value of the collateral, it would appear that this director is liable for approximately \$36,000, as the makers of the obligations have but little worth. It is recommended that this director furnish collateral and/or personal statement and that a schedule for liquidation be arranged.

Do you know whether any collateral was procured from Mr. Bodde?

Mr. MILLS. He was unable to furnish any collateral. He furnished a statement.

Mr. SAPERSTEIN. At the time the bank was closed, according to the receivers records, the total liability of Mr. Bodd was as follows:

Unsecured loans, \$5,933.72; indirect loans, \$55,918.90, making a total liability of \$61,852.62.

Mr. MILLS. A lot of those indirect were guarantees of officers of the bank, which was one of the things that made me think that there are a lot of duplications in here.

Mr. SAPERSTEIN (resuming reading):

JULIAN P. BOWEN.

This loan is considered somewhat unsatisfactory with reference to collateral, but the committee is satisfied that the directors and officers of the bank are doing everything possible to put the loan in proper shape. The borrower has agreed to deposit some additional stock which he expects to receive shortly.

Now, was that additional stock ever furnished?

Mr. MILLS. I don't recall.

Mr. SAPERSTEIN. Let me say that at the time of the closing of the bank Mr. Bowen's total liability was \$370,000, as against which there was held as collateral securities owned by Julian P. Bowen in the sum of \$183,120 and securities apparently furnished by Bowen Bros. in the sum of \$111,021, which would make a total of about \$294,000.

Mr. MILLS. Who made the value of the unlisted stock in that case?

Mr. SAPERSTEIN. Well, I assume that the receiver made it, based upon the best information available to him.

Mr. MILLS. I presume so.

Mr. SAPERSTEIN. That is the best that anyone can do in valuing unlisted stock.

Mr. MILLS. I would not quite agree with that statement.

Mr. SAPERSTEIN. There was also a stock assessment against Mr. Bowen amounting to \$52,640.91.

Mr. MILLS. The gentleman is now deceased.

Mr. SAPERSTEIN (resuming reading):

LEO M. BUTZEL.

Most of the indirect liability of this director is secured, but a part of it is not. It is therefore recommended that he furnish collateral and/or personal statement and that a schedule for liquidation be arranged with him.

Was that done with regard to Mr. Butzel?

Mr. MILLS. I don't recall; but his balances were at all times such in the bank that there was no question about any obligations.

Mr. SAPERSTEIN. At the time the bank closed Mr. Butzel was indebted to it in the sum of \$27,776.23.

Mr. MILLS. How much was his deposit?

Mr. SAPERSTEIN. As against which there was no collateral.

Mr. MILLS. How much was his deposit?

Mr. SAPERSTEIN. How much was his deposit?

Mr. MILLS. He had a deposit of over \$100,000 in the bank, my recollection is \$150,000 at the closing of the bank. Now that is my recollection. I can verify that in a moment. [Mr. Mills consulted an associate.] His partner tells me that is correct.

That is the trouble with a lot of these things. They do not tell the real story. Many of these gentlemen had very substantial deposits in the bank. I am certain Colonel Alger had a substantial deposit.

Mr. SAPERSTEIN. There was also a stock assessment against Mr. Butzel in the sum of \$63,829.31.

Mr. MILLS. Yes; and he is not contesting the assessment either.

Mr. SAPERSTEIN. The next director on the list is Henry T. Cole. [Resuming reading:]

The collateral of this director's loan is decidedly shy.

Mr. MILLS. It is decidedly shy.

Mr. SAPERSTEIN (continuing):

The committee is convinced, however, that the bank has all the available collateral which may be obtained; that the borrower is a good moral risk and that eventually the note will be paid. The officers of the bank have done everything possible to put this loan in proper shape.

Mr. MILLS. Mr. Cole voluntarily mortgaged his house. He had various properties owned by him and others jointly, and he did everything, changed his manner of living, and everything else, to pay the indebtedness.

Senator COUZENS. May I comment on your criticism of the receiver. You say it does not tell the whole story. Well, we are reading from the directors' report, and if these balances were much in excess of the loans, why did the directors criticize these loans in their report?

Mr. MILLS. We did not have the balances in mind at the time.

Senator COUZENS. Well, perhaps the receiver did not either.

Mr. MILLS. Obviously he did not.

Senator COUZENS. Let us be fair to both sides then.

Mr. MILLS. I agree with you, Senator.

The CHAIRMAN. The balances may be temporary.

Mr. MILLS. This balance of that gentleman that I mentioned I do not recall.

Senator COUZENS. I am not disputing it at all, but I did not want you to have the record stand that these criticisms were the receiver's criticisms. These are the directors' criticisms of their own colleagues.

Mr. MILLS. What I was criticizing, Senator, was not the directors' report, but when they state that the receiver says at the time of clos-



ing Mr. X owed \$50,000 with no collateral, then I think it is only fair to state something about the balance.

Senator COUZENS. I don't object to that, but you must remember that Mr. Saperstein is reading from a directors' report on their own colleagues.

Mr. MILLS. And a receiver's report.

Senator COUZENS. Yes.

Mr. SAPERSTEIN. Mr. Mills, I understood you to say a moment ago with regard to Mr. Butzel, and you said it very positively as I understood you, that Mr. Butzel's balance at the time that the bank was closed was over a hundred thousand dollars?

Mr. MILLS. That was my recollection. His partner is sitting in the back of the room, and he nodded his head to me. I have those balances some place. I can probably tell you exactly—try to.

Mr. SAPERSTEIN. Will you refer to any data that you have there which may assist you in determining what his balance actually was at the time of the closing?

Mr. MILLS. Memorandum prepared for me during the holiday by Mr. F. Howard Russ, who was in charge of balances, shows that Mr. Butzel on December 31, 1932, had a balance of \$125,913, and on February 11 had \$136,669.

Mr. SAPERSTEIN. How many accounts did he have?

Mr. MILLS. I don't know how many accounts he had. That is how much money he had in the bank. He may have had certificates of deposit or a dozen accounts.

Mr. SAPERSTEIN. That was prepared by whom?

Mr. MILLS. Mr. Russ, who was in charge of relations with customers.

And while we are at it, some of these other gentlemen—Mr. Alger, whose name you read, on February 11—and you understand we chose February 11, that being the last day of banking in Michigan for some time—had a balance in his account of \$41,473.

Mr. SAPERSTEIN. Well, suppose you let me go on with the report, and then if you want to read those balances you may.

Mr. MILLS. I will read this—may I do these gentlemen the justice of reading any that you have already covered?

Mr. SAPERSTEIN. I was going to suggest that after I finish this list you go back and give us all those balances at one time.

Mr. MILLS. Well, whatever you or the chairman wishes.

The CHAIRMAN. I suppose you will pretty soon finish that, won't you?

Mr. SAPERSTEIN. Oh, yes.

The CHAIRMAN. We might as well go on and finish it now.

Mr. SAPERSTEIN. The next director is William M. Dillon. [Resuming reading:]

The loans of this director are decidedly undercollateraled, and it is recommended that collateral and a statement be secured from him and the matter aggressively pressed by the officers of the bank.

Was that done?

Mr. MILLS. Mr. Dillon subsequently resigned as a director, and the matter then handled by the regular channels of the loaning officers of the bank.

Mr. SAPERSTEIN. That was handled through the regular channels?

Mr. MILLS. After he resigned; yes.

Mr. SAPERSTEIN. At the date of the closing Mr. Dillon's total liability was \$33,250, as against which there was collateral evaluated by the receiver at \$32,003. I don't suppose you have any quarrel with that evaluation?

Mr. MILLS. I don't know. I wouldn't be surprised.

Mr. SAPERSTEIN. Just by way of illustration: The first item on the collateral is "Tam O'Shanter Country Club membership, 200 shares Scotten Dillon Co., at 15½, \$3,100." Do you think that that is an unfair valuation?

Mr. MILLS. Well, I don't know. Scotten Dillon is a prosperous concern. I would not be able to state whether it is a proper valuation or not. Some of them I happen to know about.

Mr. SAPERSTEIN. Some of the items of collateral?

Mr. MILLS. Not of his collateral, but some of the gentlemen in particular I knew something about the collateral.

Mr. SAPERSTEIN. All of his collateral is Scotten Dillon except the last item, which is Detroit Bankers Co.?

Mr. MILLS. Yes.

Mr. SAPERSTEIN. Which is listed at 12.

Mr. MILLS. Yes.

Mr. SAPERSTEIN. Next is Edwin J. Eckert:

This director's secured and unsecured obligations amount to considerably more than the value of the collateral. It is therefore recommended that additional collateral and/or a statement be secured. Attention is called to the fact that this director is liable upon several mortgages which have not been reduced as they should have been. It is recommended that these mortgages be watched, but as the value of the property seems to be considerably in excess of the present balances due on the mortgages, that payments from this director be applied upon his general indebtedness after payment of mortgage interest.

Do you know what the condition of that loan was?

Mr. WILSON. Mr. Eckert was a vice president, and later went into the loans covering officers and directors.

Mr. SAPERSTEIN. At the time of the closing of the bank his indebtedness was \$87,452, as against which there was collateral of \$13,625, and that collateral consisted principally of an item of 1,000 shares of Detroit Bankers Co., listed at \$12 a share, a total of \$12,000.

The next item on this list is Allen F. Edwards:

The collateral of this director's loan is decidedly shy. The committee is convinced, however, that the bank has all the available collateral which may be obtained; that the borrower is a good moral risk, and that eventually the loan will be paid. The officers of the Bank have done everything possible to put this loan in proper condition.

Now, at the time of the closing of the bank the total liabilities of Mr. Edwards, as estimated by the receiver, were \$673,498.09, of which the sum of \$11,498.09 had been charged off. The collateral was \$270,493, which leaves a shortage of collateral of something like \$400,000.

Mr. MILLS. It is no longer that way.

Mr. SAPERSTEIN. Had anything been accomplished during the year 1932 toward the liquidation of that loan?

Mr. MILLS. Well, the report said that everything had been done that could be done, as I recall it. Didn't you read it that way?

Mr. SAPERSTEIN. Yes; that everything had been done prior to the rendition of this report. But was anything done subsequently?

Mr. MILLS. There did not seem anything that could be done subsequently. Mr. Edwards was—well, I don't know that anything was done subsequently.

Mr. SAPERSTEIN. It would seem that the amount which appeared to be outstanding against Mr. Edwards as of the date of this report, which was prepared by Mr. Douglas, is identical with the amount which was outstanding at the time when the bank was closed.

Mr. MILLS. He was not in any position at the time to reduce his indebtedness.

Mr. SAPERSTEIN. The next item is John H. Emmert:

The value of the collateral on this director's loan is close. It is recommended that additional collateral and/or a statement be secured.

Now, were either of these steps taken in regard to Mr. Emmert's loan?

Mr. MILLS. The matter was referred to Mr. Sweeny. If he had not followed it up, I would have heard of it.

Mr. SAPERSTEIN. The total liability outstanding against Mr. Emmert at the time of the closing of the bank was \$3,000. There was no collateral, but there was a stock assessment of \$1,947 against him.

Mr. MILLS. I can assure you that he was good for both of them.

Mr. SAPERSTEIN. Next is D. M. Ferry:

It is recommended that a schedule for liquidation be arranged with him on his indirect obligations.

Was such a schedule prepared?

Mr. MILLS. I know that he was seen. I know that. I was at the meeting at which he was seen, and he was talked to. And I think he brought in some kind of a schedule of what he could do. From there on I do not know about it.

Mr. SAPERSTEIN. At the time of the closing of the bank his total liability was \$93,500, as against which collateral was held in the sum of \$43,250; and there was a stock assessment levied against Mr. Ferry in the sum of \$203,698.33.

Mr. MILLS. He had \$42,000 in the bank at the time of the closing.

Mr. SAPERSTEIN. The next item is Fred J. Fisher:

A separate and supplemental report will be furnished at a later date on this director.

Was such report prepared and furnished?

Mr. MILLS. Such report was furnished.

Mr. SAPERSTEIN. Have you a copy of that report?

Mr. MILLS. That was not a prepared report. It was a verbal report.

Mr. SAPERSTEIN. Do you remember the substance of that report?

Mr. MILLS. Why, yes. But I might add that his obligations have all been taken care of since.

Mr. SAPERSTEIN. They were not taken care of up to the time of the closing of the bank.

Mr. MILLS. At the time of the closing they had not been taken care of in full, but they were taken care of in full within 2 months afterwards, I believe. I was so informed by Mr. Fred J. Fisher.

Mr. SAPERSTEIN. At the time of the closing of the bank his outstanding liabilities were \$3,973,000, as against which there was collateral of Prime Securities Corporation, which do not seem to have any value listed, and 1,250 shares of stock of the Detroit Bankers Co.

Mr. MILLS. The Prime Securities Corporation stock had tremendous value. Do you mean it was not evaluated on the sheet?

Mr. SAPERSTEIN. Yes; no valuation is shown on the sheet. It seems only to have a miscellaneous value.

Mr. MILLS. You see that has all been taken care of since the closing, to the best of my knowledge, or so Mr. Fisher informed me.

Mr. SAPERSTEIN. The next one is J. B. Ford, Jr.:

The indirect liability of this director upon the obligation of the Alpha Tau Chapter House Association, and upon the obligation of Wood Williams has been very steady. It is recommended that a definite program for liquidation of these two items be arranged.

Now, the amount of his outstanding liability was \$286,499.01, as against which there was collateral aggregating \$14,125.

Mr. MILLS. Did you say \$14,000?

Mr. SAPERSTEIN. Yes.

Mr. MILLS. Have you the Michigan Alkali stock there?

Mr. SAPERSTEIN. I have 10,000 shares of Universal Cooler Corporation, class A stock, at \$1 a share, \$10,000, and notes of R. F. Wilson of \$4,125. And that is all.

Mr. MILLS. Well, I think there is some error, because Mr. Ford stated to me on Monday of this week that all of his obligations to the bank had been paid; that the receiver got all the collateral there. And I believe he said, but I cannot swear to this, that he had a substantial amount of Michigan Alkali stock that the receiver was hanging on to, but that his obligations had been paid. The receiver is hanging onto them because of the assessment matter.

Mr. SAPERSTEIN. Did your bank at the time you were chairman of the board have any of this Michigan Alkali stock as collateral?

Mr. MILLS. I think we had quite a bit of Michigan Alkali stock. That is my recollection of it.

Mr. SAPERSTEIN. Next is Harry J. Fox:

The condition of this director's loan is entirely unsatisfactory. An attempt should be made to secure fees coming to him as one of the receivers of the Fidelity Trust Company. A further verbal report will be made on this item.

Was such a report made?

Mr. MILLS. It was.

Mr. SAPERSTEIN. Do you remember the substance of it?

Mr. MILLS. I do.

Mr. SAPERSTEIN. What was it?

Mr. MILLS. There was a verbal report that stated Mr. Fox has retired from business, and that he was a most inactive director; that being entirely inactive and not putting in any work like the most of these other directors were in the institution, that it might be better if there was a severance of his relation, and Mr. Fox entirely agreed. In fact, he might have made the suggestion himself, but I do not recall.

Mr. SAPERSTEIN. Now, Mr. Mills, do you know that there was a charge-off on that loan of about \$191,000?

Mr. MILLS. I know that there was some amount of charge-off, but don't know what it was.

Mr. SAPERSTEIN. Was that while he was still a director of the bank?

Mr. MILLS. I don't know.

Mr. SAPERSTEIN. At the time of the closing of the bank Mr. Fox's liability to the receiver was \$107,029 as against which there was collateral of \$44,487, and a stock assessment of \$12,551.80 levied against him.

Next is John H. Hart:

The collateral and the mortgage loans of this director are both unsatisfactory as to value of the collateral and as to the value of the property covered by mortgages. Not only has amortization not been made on the mortgages, but interest on the mortgages is in default. We understand that the latter items will shortly be rectified. It is recommended that this item be referred back to the committee for consultation with the director in an endeavor to help him work out his situation.

Now, did the committee help to work out Mr. Hart's situation?

Mr. MILLS. Yes. The committee told me that he was in difficulties on account of some property he had sold and where the purchasers had not made payments, and that that was why he had delayed in making these payments. I believe that matter has been since adjusted, although I am not certain about it.

Mr. SAPERSTEIN. The total liabilities of Mr. Hart at the time of the closing of the bank were \$178,825, as against which the collateral held was evaluated at \$8,700.

Mr. MILLS. Well, now, were there not also mortgages included in that?

Mr. SAPERSTEIN. There is the Detroit Golf Club membership, class A, which does not seem to have been valued, but—yes; there is a mortgage.

Mr. MILLS. You have not mentioned any of these properties so far.

Mr. SAPERSTEIN. Well, so far there have not been any mortgages, except in one case, and the present one to which I am calling your attention.

Mr. MILLS. Well, here is one now. And there was another gentleman who had a mortgage, because I recall your reading that it was better to apply the principal payments on the indebtedness, instead of on the mortgages.

Mr. SAPERSTEIN. I stated that there was one other case where there was a mortgage held as collateral.

Mr. MILLS. Well, let us include them as you go along, if you have no objection.

Mr. SAPERSTEIN. What was the value of the collateral?

Mr. MILLS. I do not know what the value of the collateral was.

Mr. SAPERSTEIN. All that it says here is:

Mortgage (Recorded).

Land contract.

Do you know what these items refer to?

Mr. MILLS. The land contract is one that I mentioned to you. After he had sold his property on a land contract, he was having some trouble with the vendee in the matter of payments on it, and that was what was causing this delay in interest payments.

Mr. SAPERSTEIN. Next is W. H. Lally:

Balances far from commensurate with the loan, and the borrower should be required to increase such balances. The present schedule of liquidation is satisfactory, provided the same continues. This director, with four other direc-

tors of this bank, is liable in the sum of \$3,500 upon a guaranty of the Oxford Corporation. It is understood that this director and the four other directors will give an additional guaranty in the sum of \$1,000 each, and that total payments of all these guaranties in the sum of \$500 every 90 days, will be arranged.

What about that?

Mr. MILLS. Mr. Lally stepped up the balances, I was informed, and he put up the guaranty. I was one of these other directors.

Mr. SAPERSTEIN. You were one of the directors that guaranteed this Oxford Corporation?

Mr. MILLS. Yes, sir. We all put up guaranties. It was a voluntary act. Mr. Lally made his payments in accordance with the schedule.

Mr. SAPERSTEIN. What was the Oxford Corporation?

Mr. MILLS. It was a small investment company, a private investment company.

Mr. SAPERSTEIN. Was it formed for the purpose of investing in the stock of the Detroit Bankers Company?

Mr. MILLS. It was not. It was formed in 1925 or 1926, long before the Detroit Bankers Co. to my knowledge was even thought of.

Mr. SAPERSTEIN. What was the maximum amount of the loan made to the Oxford Corporation?

Mr. MILLS. Oh, you have me on that. I think it was about \$25,000 or \$26,000 or something of that sort. I do not recall.

Mr. SAPERSTEIN. Mr. Mills, the liability of Mr. Lally as set up by the receiver as of the date of the closing of the bank amounted to \$89,300, as against which there was collateral valued at \$21,840, and an assessment levied against him of \$19,553. Now, do these figures represent any reduction from the date when this report was made, in April of 1932?

Mr. MILLS. They speak for themselves.

Mr. SAPERSTEIN. Well, the report I have just read to you does not contain the figures. Have you any recollection along that line?

Mr. MILLS. I haven't any recollection; no.

Mr. SAPERSTEIN. Next is S. R. Livingstone:

This obligation is considerably under-collateraled, and on account of lack of a statement it is impossible properly to value some of the collateral. Additional collateral and/or a statement or guaranty of the obligations should be secured. There has not been sufficient liquidation. That which is stated regarding Oxford Corporation guaranty above applies to this director.

Were any steps taken toward the liquidation of this loan?

Mr. MILLS. Yes. Mr. Livingstone put up the Oxford Corporation guaranty, and he made the payments suggested that he should make on the Oxford Corporation guaranty. You understand that that was a purely gratuitous act. While he did not reduce his own personal indebtedness, he did apply it toward substantial reductions of partnership indebtedness of his. So we felt that he had certainly done his part because he applied it on his partnership indebtedness. While his own indebtedness was not cut down, his partnership indebtedness was cut down.

Mr. SAPERSTEIN. At the time of the closing of the bank Mr. Livingstone's total liability was \$340,422, as against which there was collateral held valued at \$129,440, together with life insurance of \$30,000.

Next is T. W. P. Livingstone:

That which is stated as to the preceding director applies to this director, except that liquidation on account of this indebtedness has been substantial since January 1, 1931. The recommendations as to the obligations of the preceding director are likewise applicable as to this director, with the exception above noted. This director is also one of the guarantors of a portion of the Oxford Corporation liability, and what has previously been said in that connection applies here.

Mr. MILLS. Well, he signed the guaranty of the Oxford Corporation with us, and he made payments with us according to schedule. He was a director—and I am sorry his name came up, but he was the director I spoke of this morning, who generously accepted his brother's obligation when his brother went into bankruptcy.

Mr. SAPERSTEIN. Mr. Livingstone's account at the time of the closing of the bank was \$140,426, and the collateral against that was \$152,372, which collateral is in excess of the total liability outstanding.

Mr. MILLS. Oh, yes.

Mr. SAPERSTEIN. Next is William J. McAneeny:

This loan is somewhat under-collateraled, but the committee is convinced that the bank has all available collateral that may be obtained; that the borrower is a good moral risk, and that eventually the loan will be paid. The officers of the bank have done everything possible to put the loan in proper condition.

Mr. McAneeny's account at the time of the closing of the bank was \$55,000, and he had up as collateral \$53,975.

Mr. MILLS. Oh, yes.

Mr. SAPERSTEIN. Next is John A. Mercier:

It is recommended that this director furnish collateral and/or a recent personal statement, and that a schedule for liquidation be arranged with him. However, it is understood that a statement will, in the ordinary course, shortly be forthcoming, and there is no reason to ask for it unless it does not appear in due course.

This is the man mentioned before as the one to whom a loan was made in 1932, is he not?

Mr. MILLS. I think he is.

Mr. SAPERSTEIN. How about that report?

Mr. MILLS. It came in due course. It was a good statement, and a line of credit was authorized by the executive committee.

Mr. SAPERSTEIN. I have already read Mr. Mercier's outstanding liability as being \$392,479.57.

Next is Wilson W. Mills:

Remarks with reference to Oxford Corporation apply to this director.

Mr. MILLS. I put up my guaranty on the Oxford Corporation matter and made payments on it. And I have asked the receiver to take it out of my account. At the time of the closing of the bank I had over \$38,000 in the bank, and the total guaranty was less than \$4,500. And while on the subject I will say that I guaranteed a note of \$500 of my sister, and I asked the receiver to take that out of my account. So far as I know, I think I am surety on a mortgage, and that is all.

Mr. SAPERSTEIN. Your total liability here appears to consist of these indirect loans of \$4,729.87, and mortgages of \$5,600, or a total liability of \$10,329.87.

Mr. MILLS. While on these mortgages, I do not know anything about any \$11,200. These mortgages were made years ago, and the properties were sold and the mortgages assumed by other persons.

Mr. SAPERSTEIN. There was also a stock assessment levied against you of \$9,433.46.

Mr. MILLS. Yes; and upon which I have made substantial payments.

Mr. SAPERSTEIN. There is still a balance owing on that?

Mr. MILLS. Yes; there is a balance owing. I have not been able to pay all of it, but I am paying on it, and am not fighting the assessment either.

Mr. SAPERSTEIN. Next is Peter J. Monaghan:

The mortgage of this director has not been amortized and interest is past due. The collateral loan of this director does not have sufficient collateral, and it is recommended that additional collateral and/or a statement be secured and a program for liquidation arranged.

Now, was any further collateral secured from Mr. Monaghan?

Mr. MILLS. I do not know whether any further collateral was secured from him or not, but the indebtedness to the receiver has been paid.

Mr. SAPERSTEIN. According to the receiver's record of February 13—

Mr. MILLS (interposing). I am speaking of after that time.

Mr. SAPERSTEIN (continuing). The total liability of Mr. Peter J. Monaghan was \$45,025, with collateral of \$11,700.

Mr. MILLS. The indebtedness I am informed has subsequently been paid.

Mr. SAPERSTEIN. Has Mr. Monaghan informed you to that effect?

Mr. MILLS. No. Some bank officer who knew about it informed me.

Mr. SAPERSTEIN. Next is Lucien S. Moore, Jr.:

The collateral of this director is decidedly shy. The committee is convinced, however, that the Bank has all available collateral which may be obtained; that the borrowed is a good moral risk, and that eventually the loan will be paid. The officers of the Bank have done everything possible to put this loan in proper condition. The mortgage of this director has not been properly amortized, but it is recommended that all payments be applied upon this indebtedness rather than the mortgage, excepting only interest upon the mortgage.

Now, at the time of the closing of the bank the total liabilities outstanding against this director were \$131,763.60, as against which there was collateral held of \$7,697, together with a life-insurance policy in the sum of \$15,000.

Mr. MILLS. Is that all?

Mr. SAPERSTEIN. That is all.

Mr. MILLS. What about the mortgage?

Mr. SAPERSTEIN. A mortgage does not appear.

Mr. MILLS. Well, there is a mortgage.

Mr. SAPERSTEIN. Next is M. J. Murphy:

The direct and indirect liability of this director is not sufficiently collateraled. It is recommended that this director furnish collateral, and/or personal statement, and that a schedule for liquidation be arranged with him.

Now, did he furnish any collateral subsequent to the rendition of this report?



Mr. MILLS. I think he could not, is my recollection of it.

Mr. SAPERSTEIN. At the time of the closing of the bank——

Mr. MILLS (continuing). He had assumed some obligations of members of his family, and that put his loan in this position, in an attempt to help the position of the bank.

Mr. SAPERSTEIN. Did he furnish a statement?

Mr. MILLS. I do not recall.

Mr. SAPERSTEIN. The receiver's record shows total liabilities of \$395,294.90, with collateral held against it of \$129,350, of which the largest item was 7,800 shares of Detroit Bankers Co. stock, listed at \$12 a share, totaling \$93,600, and there wasn't much in that collateral, was there?

Mr. MILLS. Well, now, I am satisfied that that loan will be paid, Mr. Saperstein, without any question.

Mr. SAPERSTEIN. Well, have you any information as to whether or not any part of that loan has been paid?

Mr. MILLS. No. But I have every reason to believe that the loan will be paid.

Mr. SAPERSTEIN. Next is George Harrison Phelps:

The collateral of this director's loan is decidedly shy. The committee is convinced that the bank has all available collateral which may be obtained; that the borrower is a good moral risk, and that eventually the loan will be paid. The officers of the bank have done everything possible to put this loan in proper condition. It is understood a schedule of liquidation has been agreed upon.

Now, was there any liquidation of this loan?

Mr. MILLS. A schedule was agreed upon, and I believe he followed it. I know that it was agreed on.

Mr. SAPERSTEIN. Mr. Phelps' outstanding liability at the time of the closing of the bank was \$80,418.17, and his collateral was \$105,000. So, apparently, that loan was adequately collateralized.

Mr. MILLS. It was more than that. And I think it was reduced.

Mr. SAPERSTEIN. Next is U. Grant Race.

It is recommended that this director furnish collateral, and/or personal statement, and that a schedule for liquidation be arranged.

Was that done with regard to Mr. Race?

Mr. MILLS. He furnished a statement.

Mr. SAPERSTEIN. His outstanding liability at the time of the closing of the bank was \$57,445, as against which there was collateral held of \$14,400.

Next is W. C. Rands:

It is recommended that this director furnish collateral, and/or personal statement, and that a schedule for liquidation be arranged.

Was any further collateral procured from him?

Mr. MILLS. I do not recall.

Mr. SAPERSTEIN. Well, the receiver's record shows that his outstanding liability was \$8,031.56, without any collateral.

Mr. MILLS. Well, he is good for it.

Mr. SAPERSTEIN. And there was an assessment against him also of \$49,267.53.

Mr. MILLS. Well, he is good for that, too.

Mr. SAPERSTEIN. Next is Fred J. Robinson:

It is recommended that this director furnish collateral, and/or personal statement, and that a schedule for liquidation be arranged.

Was any further collateral procured from him?

Mr. MILLS. I don't know. Mr. Robinson resigned about that time, and it went into the regular loaning group for handling. I don't know whether there was any additional collateral furnished or not.

Mr. SAPERSTEIN. His total liability at the time of the closing of the bank was \$234,531.26, and the collateral held had an estimated value of \$133,070, plus a first real-estate mortgage with a face value of \$80,000.

Mr. MILLS. I thank you for that.

Mr. SAPERSTEIN. Well, I have been reading the mortgages, except in the case of the first one.

Mr. MILLS. Oh, I understand.

Mr. SAPERSTEIN. You are at perfect liberty to look through this at any time you want to do so.

Mr. MILLS. I understand.

Mr. SAPERSTEIN. Next is W. Dean Robinson:

It is recommended that this director furnish collateral, and/or personal statement, and that a schedule for liquidation be arranged.

Now, was any collateral procured from this man subsequent to the report?

Mr. MILLS. I do not believe that he was in a position to furnish any at that time, although I am not certain.

Mr. SAPERSTEIN. Well, his total liabilities at the time of the closing of the bank were \$117,275, as against which there was held as collateral 442 shares of the Detroit Hume Pipe Co., with no market value, and 1,085 shares of Mellen Wright Lumber Co., with no market value.

Mr. MILLS. Those were both, or at least one of them is a rather profitable concern. It was worth money although not so listed.

Mr. SAPERSTEIN. Next is Walter S. Russell:

It is recommended that this director furnish collateral and/or personal statement, and that a schedule for liquidation be arranged.

Now, was any further collateral procured from him?

Mr. MILLS. The same kind of schedule was arranged for, and I was informed the other day that the loan had been paid in full.

Mr. SAPERSTEIN. At the time of the closing of the bank his outstanding liability was \$221,315, and collateral held was evaluated at \$119,812. Did Mr. Russell inform you that the loan had been paid in full?

Mr. MILLS. No. But Judge Murfin informed me of that, as I recall it.

Mr. SAPERSTEIN. Next is Mr. Wesson Seyburn.

The collateral supporting this director's loans is considerably less than the loans. This director also has a large amount of indirect liability, a large portion of which it appears to the committee will have to be liquidated by this guarantor. It is recommended that more collateral be secured from this director, and/or a financial statement; that financial statements be secured upon certain of the indirect liabilities in which companies this director is interested, and that a program of liquidation, both on his direct and indirect obligations, be arranged.

Were any of those things done?

Mr. MILLS. I think all of them were done. I saw Mr. Seyburn myself and told him I wanted a statement. I secured a statement

from him. I also told him that he must start liquidating on this indirect and he almost immediately made some payments on the indirect loans. He either gave them or we were in process of getting them at the time of the holiday, I mean additional mortgage security.

Mr. SAPERSTEIN. You never did get any additional collateral from him from the time this report was rendered, did you?

Mr. MILLS. Well, I said we either got it or were in process of getting it.

Mr. SAPERSTEIN. His total liability at the time of the closing of the bank was \$380,270.67, as against which the only collateral held was 6,004 shares of Detroit Bankers Co. stock, at \$12 a share, or a total of \$72,048.

Mr. MILLS. Well, I had up with him the matter of a mortgage on some property. And that matter was a rather involved transaction. It was not simply a straight mortgage. And that matter was under way at the time of the bank holiday. Mr. Seyburn told me that his direct loans had all been taken up since.

Mr. SAPERSTEIN. No effective steps had been taken between April of 1932 and February of 1933 with regard to this loan, had there?

Mr. MILLS. Why, certainly; we got a statement. I told you that. I think that is doing something.

Mr. SAPERSTEIN. But no collateral for the loan?

Mr. MILLS. You said "effective steps." He made liquidation of some of the loan. He liquidated some of the indirect loan.

Mr. SAPERSTEIN. Was his statement satisfactory?

Mr. MILLS. The statement was, as I recall it, not a bad statement. It was not a quick statement at all. There was nothing quick about it. It was a slow real-estate statement.

Mr. SAPERSTEIN. Next is Donald N. Sweeny.

Certain mortgages of this director have not been properly amortized. It is recommended that liquidation of these mortgages be immediately commenced in accordance with our mortgage requirements.

Was that done in regard to Mr. Sweeny?

Mr. MILLS. Yes. I told him about it, and I am informed that the mortgages have been reduced at least since the holiday by a very substantial sum. You see in the old days on these mortgages, Mr. Haass' policy was that any mortgage which had a certain amount of amortization, it was better not to amortize it any further, because money at that time was free in Detroit, and he considered that a demand mortgage note, and this was after 3 years had passed, was better than a new mortgage. And very frequently, until the clearing house put in a rule, they did not insist upon amortization.

Mr. SAPERSTEIN. Between the date when the report was prepared by Mr. Douglas, and February 11, 1933, the total amortization seems to be as follows: Mr. Sweeny's mortgage loans in January of 1932 were \$65,467.50, and in February of 1933 they were \$60,629.32.

Mr. MILLS. Well, you see, here is what is wrong with some of these records: You stop in these liabilities with his mortgage, and as to a lot of them the receiver has no way of checking, except to go to the office of the register of deeds to see about them. A lot of those records have been gotten up by the receiver putting down a person's name as the liability, and he is the person to whom he sends notice. And yet in many cases he is not liable for them, because that person has not assumed to pay the mortgage.

Mr. SAPERSTEIN. The first figure I read to you was the figure I got from the record made by Mr. Douglas.

Mr. MILLS. Well, Mr. Douglas is just as human as the receiver about these mortgages. He may not have known about that, either.

Mr. SAPERSTEIN. Next is Herbert B. Trix.

The mortgage of this director has not been properly amortized. It is recommended that liquidation of this mortgage be immediately commenced in accordance with our mortgage requirements.

Was that done?

Mr. MILLS. It was taken up with him. I do not know what happened. I cannot recall. Mr. Chittenden took it up with him.

Mr. SAPERSTEIN. His total liabilities at the time of the closing of the bank were \$30,194.27, with collateral of \$24,340.

Next is Orla B. Taylor.

This director, with several others, is liable as guarantor of Sigma Chi Building Company in a total amount of \$3,500. It is not considered necessary to obtain a financial statement or other collateral, although it is suggested that the Building Company arrange to take steps to liquidate its obligation.

Next is W. M. Walker:

The mortgage of this director has not been properly amortized. Arrangements should be made to place it on a proper basis, provided this can be done without jeopardy to the other obligations of this director, which also are under-collateraled. Although the officers have been close to this situation and are doing all that can be done to secure additional collateral, statement and liquidation, the situation is unsatisfactory.

Were any effective steps taken subsequent to this report in regard to Mr. Walker's loan?

Mr. MILLS. That matter was referred to Mr. Chittenden, and I do not recall what the result was.

Mr. SAPERSTEIN. At the time of the closing of the bank his total liabilities were \$146,349.75, as against which the collateral held was \$2,400.

The next one is Oscar Webber:

This director is liable jointly and severally with other individuals, three of whom are presumed to be good, for a substantial obligation of the Tam-O-Shanter Country Club. As there appears to be no probability of the Club's being able to liquidate the indebtedness directly, it is recommended that steps be taken to arrange liquidation of this particular item by the guarantors. The balance of the obligations are in proper condition.

What steps, if any, were taken with regard to this loan?

Mr. MILLS. Well, I had a talk with Mr. Webber about it. Mr. Webber was on the committee that prepared this report, as was I, and we discussed it right at the time. Mr. Webber agreed to liquidate. He had liquidated on other loans, and the last time I saw him he told me everything had been paid in full, all liabilities to the bank.

Mr. SAPERSTEIN. At the time of the closing of the bank his outstanding liabilities were \$578,400, as against which collateral was held, consisting of 30,000 shares of J. L. Hudson Co. stock, at \$15 a share, or an estimated value of \$450,000. Do you say that the entire amount has been paid in full?

Mr. MILLS. He told me that all liabilities to the bank had been paid in full.

Mr. SAPERSTEIN. The next one is Mark A. Wilson:

It is recommended that this director furnish collateral and/or personal statement, and that a schedule for liquidation be arranged.

Was anything done with regard to Mr. Wilson's loan?

Mr. MILLS. Yes; Mr. Wilson paid his loan.

Mr. SAPERSTEIN. Mr. Wilson's outstanding liabilities at the time of the closing of the bank were \$7,275. You say that loan has since been paid?

Mr. MILLS. I think it was paid before the closing. Mr. Wilson can tell you about that.

Mr. SAPERSTEIN. Of which \$900 was in the form of unsecured loan, and \$6,375 was in the form of a mortgage loan.

Mr. MILLS. Well, the mortgage I did not include.

Mr. SAPERSTEIN. The last director on the list is DuBois Young.

The collateral of this director is decidedly shy. The committee is convinced, however, that the Bank has all available collateral which may be obtained; that the borrower is a good moral risk, and that eventually the loan will be paid. The officers of the bank have done everything possible to put this loan in proper condition.

Was that loan liquidated to any degree subsequent to this report?

Mr. MILLS. I do not recall.

Mr. SAPERSTEIN. At the time of the closing of the bank Mr. Young's total outstanding liability was \$427,500, as against which the securities held as collateral aggregated \$232,627.

Mr. MILLS. Well, now, Mr. Chairman, may I read, on account of these total indebtednesses of directors of the bank, the comparative balances as of December 31 and February 11, because I think it is due to those directors?

The CHAIRMAN. Yes.

Mr. MILLS. On December 31, 1932, there was standing in the names of five directors of the bank \$1,468,149, and the balances as of February 11 were \$1,562,979. Practically all of them show increases. Now, I do not wish to embarrass them by reading them, and yet I have no objection to doing it.

Senator COUZENS. I was wondering, in that connection, whether or not you had any knowledge of any of the directors, or directors' companies, withdrawing any what was called "smart" money from December 31, 1932, until the closing of the bank.

Mr. MILLS. I have no such knowledge, and I do not believe that it occurred.

Senator COUZENS. You know there was a drop-off in deposits from December 31, 1932, to February 11, 1933, of a very large sum of money?

Mr. MILLS. Yes, sir; a very substantial amount.

Senator COUZENS. Have you got those?

Mr. MILLS. I think I better read this, then.

Senator COUZENS. Well, I do not think it necessary for you to read any except those that have been criticized.

Mr. MILLS. Colonel Albrecht had a balance at the close of \$41,473.

John R. Bodde had a balance of \$196.

J. P. Bowen had a balance of \$391.

Leo M. Butzel had a balance of \$136,669.

D. M. Ferry, Jr., had a balance of \$42,732.

These all show pretty substantial increases from December to February. And I will be glad to read them both if you would like to have them.

The CHAIRMAN. All right.

Mr. MILLS. Fred J. Fisher had a balance of \$96,711.

J. B. Ford, Jr., had a balance of \$69,837.

Mr. T. W. P. Livingstone had a balance of \$2,454.

Mr. McAneeny had a balance of \$1,401.

Mr. Wesson Seyburn increased his balance from \$91,537 to \$170,978.

Mr. SAPERSTEIN. Might I suggest, Senator Couzens, that so long as Mr. Mills is reading those directors who increased their balances he also give us those who decreased their balances?

Mr. MILLS. I will read them all if you desire.

Mr. SAPERSTEIN. You have been reading those who have increased their balances.

Mr. MILLS. Colonel Alger's was reduced from \$121,000 to \$41,000. Mr. Bodde's was reduced from \$1,500 to \$196. Mr. Bowen's was reduced from \$1,708 to \$391. Mr. Butzel's was increased from \$126,000 to \$136,000. Mr. Ferry's was increased from \$21,000 to \$42,000. Mr. Fisher's was increased from \$85,000 to \$96,000. Mr. Ford's was decreased from \$78,000 to \$69,000. Mr. Livingston's was decreased from \$2,900 to \$2,400. Mine was increased from \$30,000 to \$38,000. Mr. Seyburn's was increased from \$91,000 to \$170,000.

Now, there is one I should like to read which was not mentioned in your list, and with your permission I will read it.

The CHAIRMAN. Very well. You may proceed.

Mr. MILLS. E. D. Stair increased his from \$64,000 to almost \$103,000; in fact, it was \$102,988. Mr. Sweeny increased his from \$4,600 to \$5,100. Mr. Taylor increased his from \$1,800 to \$14,400.

Mr. SAPERSTEIN. Mr. Mills, have you now finished your list?

Mr. MILLS. Yes.

The CHAIRMAN. I do not quite understand why a man should owe the bank, say, \$25,000, and have a balance in the bank to his credit of, say, \$50,000.

Mr. MILLS. Well, that frequently happens in our experience. For instance, we were speaking about Mr. Seyburn a while ago owing something like \$500,000, and here he had \$170,000 in the bank at the time of the closing.

Senator COUZENS. I suppose that was due to the fact that he had an operating business and had to have a balance.

Mr. MILLS. I suppose that was the reason.

Mr. SAPERSTEIN. Mr. Mills, I show you what purports to be a photostatic copy of a letter addressed to you from Mr. Thomas, dated March 2, 1933, and ask whether you can identify that letter as having been received by you.

Mr. MILLS (looking at the paper). I received substantially that letter from Mr. Thomas. I presume this is a copy of it. But I do not recall it.

Mr. SAPERSTEIN. Senator Couzens, I wish to offer it in evidence.

Senator COUZENS (presiding). The same will be admitted to evidence.

(A letter dated Mar. 2, 1933, from Mr. Thomas to Mr. Mills, was marked "Committee Exhibit No. 161, Feb. 7, 1934", and will be found immediately following where read by Mr. Saperstein.)

Mr. SAPERSTEIN. The letter which has been marked "Committee's Exhibit No. 161" of this date is dated March 2, 1933, addressed to Mr. William B. Mills, chairman of the board of directors, First National Bank, Detroit, Mich.

I assume that you are sometimes known as "William"; is that right?

Mr. MILLS. Never at all.

Mr. SAPERSTEIN. Well, it starts out by calling you "Dear Bill."

Mr. MILLS. That is myself.

Mr. SAPERSTEIN [reading]:

DEAR BILL: Can't help from writing you, knowing what you are going through, and remembering what I went through two years ago. The reason I am writing is because you were so willing to help me when I was having my troubles.

You, of course, do not hear what is being said on the outside, and whatever I say I trust you will keep absolutely confidential.

Unfortunately, you have such a large board that it is almost impossible to control them. Every time you have a meeting some of them leave and tell some friend confidentially what has transpired, and that starts the gossip. You know as well as I do that a number of your directors called up their friends before the holiday, intimating that they had better protect themselves. All you have to do is to look over your records and see who cashed in before February 11th. I can't help but feel that directors are the cause of a great many banks being in the condition they are in today. I say this because I know from experience, and most of them have no business sitting on a bank board as they do not know the first principle about banking.

You, no doubt, have one of the hardest propositions to face of any banker in the country, but you have got it in you to lick it. You were brought up in a section where men were men, and had to fight, so just let that old western spirit carry you on to success.

In these days, one has to forget friendships in business. The head of any institution must rule with an iron hand, and must have men around him that are fully qualified—whether they be friends or enemies. You know now, as well as I do, that you have been carrying a lot of excess baggage, both from an officer's standpoint and a director's. If your bank goes on, which I hope to God it does (and not under the Ford plan), take a broom and sweep your institution clean, retaining only those for officers and directors that you know can run a bank. Forget about the family ties on your board. The majority of them could not make a success in business; that being the case, how are they going to dictate the policy of the bank?

Some day, Bill, I am going to ask you who on your board insisted that suit be brought against me, after they were advised not to bring suit, knowing that some day I would pay everything I owed if suit were not brought. One of your directors made the remark that "if Luther Thomas could have a reception for his daughter, he could pay what he owes the bank." That is enough to prove to me some of the weak brains you have on your board. Some day I will tell you who paid for the small reception and the small amount it cost.

I hope you will take all I have said as from a friend to a friend, and treat it as for your own private information, and use it as you like. I am now under no obligation to anyone, and for that reason if I can do anything for you on the outside, do not fail to call upon me.

I am getting a great "kick" out of this new business I am in, and thank God I am out of the banking business.

Success to you, Bill, old boy, and again assuring you I am for you from the start to the finish, I am,

Yours very truly,

(Signed) LUTHER D. THOMAS.

Who is the Mr. Thomas who signed this letter?

Mr. MILLS. He was formerly president of the Fidelity Trust Co. of Detroit.

Mr. SAPERSTEIN. And he was indebted to your bank, apparently, judging from the—

Mr. MILLS (interposing). Judging from the letter, at least. He had sued the bank, too, although he said that he was a friend of mine.

Mr. SAPERSTEIN. Did you know that his loan had been charged off by the bank?

Mr. MILLS. I don't recall it, but that would not stop suit being brought against him anyway. We had large recoveries on charge-offs.

Mr. SAPERSTEIN. Aside from this obligation which he owed to the First National, did he have any relations with it?

Mr. MILLS. You mean on the board or anything of that sort?

Mr. SAPERSTEIN. Yes.

Mr. MILLS. No, no.

Mr. SAPERSTEIN. Now I want to refer you particularly to this portion of Mr. Thomas' letter:

Unfortunately, you have such a large board that it is almost impossible to control them. Every time you have a meeting some of them leave and tell some friend confidentially what has transpired, and that starts the gossip. You know as well as I do that a number of your directors called up their friends before the holiday, intimating that they had better protect themselves. All you have to do is to look over your records and see who cashed in before February 11.

Do you concur in that statement of Mr. Thomas?

Mr. MILLS. I certainly do not concur in that statement. I concur to this extent only: We had until January 1 or the meeting in January an enormous board. It was one of the problems that I inherited in this thing, this enormous board of over 70 men. It is too large a board. The governing committee at various of our meetings considered it, and finally that board was cut down. Evidently Mr. Thomas did not know it was cut down. In January it was cut down to, roughly, about 30. I don't recall the exact number. From then on the bank had a more reasonable number on their board.

I recall receiving that letter, and it came in during the holiday some time, as I recall it, and I telephoned Thomas and asked him who he had in mind about this "smart" money, and he said, "Oh, I won't tell you. I can't tell you. I won't tell you." And he stalled on telling me, and I gave instructions to Mr. Russ, who was in charge of all accounts, to check everything and see if he could find any "smart" money out of that bank, and we have not been able to find any that we can label as "smart money" at all, none at all.

Now I want to point this out: These directors' balances showed increases in almost every case; and some of them very substantial increases. A few decreases, but nothing more than normally could be expected. Practically all of their companies of which they were directors showed substantial increases during this period.

God knows, if I had known there was going to be a holiday, I would not have taken any money out, but I certainly would not have permitted corporations in which I was interested to increase their balances. The record is perfectly clear as to what happened on various corporations of which I was a director, which showed very substantial increases in balances, and that same type of thing goes all through the directors.

Thomas heard some talk and wrote the letter, apparently.

Senator COUZENS. That suggests me to ask, Mr. Mills, concerning a letter that you wrote to Mr. Leyburn in January 1933, which I think was either read or put into the record of the grand jury in Detroit.



Mr. MILLS. I think you put it in. I believe you did.

Senator COUZENS. Yes. What did you have in mind when you wrote that letter?

Mr. MILLS. I had this in mind: Our bank did not have the liquidity that I wanted it to have. That bank should have had more liquidity. We would have had it if it had not been for these heavy withdrawals which I talked about in the last 18 months.

I heard of the Dawes loans, by which certain banks got loans, and that bank overnight became almost 100 percent liquid. I wanted to get everything, all the information that I could, for the benefit of the bank.

Senator COUZENS. Well, of course, the Dawes plan, I understand, was the organization of a new bank.

Mr. MILLS. I didn't know what it was when I wrote Mr. Leyburn. I wanted to get all the dope. I knew the result was that that bank had become almost, if not entirely, 100 percent liquid. I wanted to get all the dope I could.

Senator COUZENS. The old bank is still liquid?

Mr. MILLS. So I learned, but I didn't know at the time. I wanted to find out how it was done. I conceived it was my duty to get everything, all the dope I could. That is why I wrote Mr. Leyburn, and I asked him what was done in the Dawes situation and how it was done.

Senator COUZENS. Were you contemplating doing something along the same line?

Mr. MILLS. If it could be gotten. I didn't know what it was, you see, Senator, until I received the answer, but if I could have found a way to have made this bank more liquid, increased its liquidity by from 50 percent to 60 or 70 or 100 percent, unless it seemed to be a suicidal thing to me, I would have done it, because we did not have the liquidity we wanted. I never had a question of the soundness at all.

Senator COUZENS. You could have become more liquid, of course, by putting up some mortgage with the R.F.C., could you not?

Mr. MILLS. No; because we would have had a bill payable on the other side.

Senator COUZENS. Yes; but you would have been able to pay out your deposits instead of having these frozen assets. I mean the R.F.C. loan would not have been a frozen asset?

Mr. MILLS. Yes; but I do not believe it would have affected our liquidity, Senator.

Senator COUZENS. What did these banks borrow from the R.F.C. for if it was not to enable them to pay out their deposits?

Mr. MILLS. That was what it borrowed for, but we had, as I said this morning, at the time of the holiday 40 or 50 million dollars. Forty or fifty million dollars would not carry us through up to that time.

Mr. SAPERSTEIN. I want to ask him two questions. Mr. Mills, we have taken a great deal of testimony before this committee with regard to the events leading up to the Governor's proclamation. I assume that you have heard some of that testimony and have read the newspaper reports with regard to it.

Mr. MILLS. I have read the newspaper reports of it.

Mr. SAPERSTEIN. I do not want to take up the committee's time by having a repetition of all that, but do you think that there is anything that you can add from your point of view to round out the record with regard to the events leading up to the proclamation?

Mr. MILLS. Well, I stated in my prepared statement that we did not wish the holiday, finally reluctantly voted for it in the clearing house, and I stated why we voted for it, on account of the Ford situation, on account of Mr. Leyburn's statement.

Mr. Leyburn opened the meeting to the Governor, and it was understood that it was not to be a permanent thing. He certainly said it was just going to be a holiday for a few days. I remember his words, I would like to say here—we were in a small room there—and he said “We are in a hell of a mess, and it is going to be necessary to have a holiday, in my judgment, here for a few days in order to get things straightened out.” And I think, if his testimony was substantially as I read it in the press, I haven't any particular quarrel with it.

Mr. SAPERSTEIN. You said at the beginning of your testimony that you had some suggestions you would like to offer for legislation.

Mr. MILLS. I have.

Mr. SAPERSTEIN. Have you those in written or typewritten form?

Mr. MILLS. I have.

Mr. SAPERSTEIN. May we have a copy of those?

Mr. MILLS. I would like to discuss them with the committee if I may. I will try to make it as short as I can.

Senator COUZENS. Well, I think, Mr. Mills, it would be much better for the record, because the chairman has to go down to the White House at 4:30 and there is only myself left, so I think for the benefit of the whole committee you can either read them or put them in the record if you choose.

Mr. MILLS. I would prefer, then, Senator, if I may read them.

Senator COUZENS. Yes; you may.

Mr. SAPERSTEIN. Have you a copy of them, Mr. Mills?

Mr. MILLS. Yes (handing paper to Mr. Saperstein).

One: Legislation to prohibit any bank member of the Federal Reserve System to have its stock held by any corporation. They are probably constitutional and other objections to prohibiting existing corporation stockholders, but as to such future stockholders I believe there can be none. There is going on in Detroit now lawsuits involving between thirty and forty millions of dollars of bank assessments, all thirty or forty million being held by two corporations. Incidentally, these suits were brought not because the banks were insolvent, but because they had been closed by the Government. That is the theory of the plaintiff. There is in my mind no question of the utmost of good faith in the litigation—personally I am not a party to it, preferring to pay on account of my assessment—but the fact remains that corporate ownership of member banks is one cause of this litigation, which promises to be both expensive and long drawn out—all to the detriment of the depositor. Such suggested legislation, if adopted would of course do away with the creation of any future group banking systems, but it would not affect existing ones.

I do not believe I have anything more to say on that one. I think it speaks for itself. I think the present legislation has taken care of conditions that existed at the time these groups were formed.

Senator COUZENS. But it has not taken care of that particular problem?

Mr. MILLS. Not this problem. And there is again the individuals who formed corporations and attempted to have their corporation

own bank stock and get away from any bank assessment. Yet I think the courts generally look through those things. But it at least stops that.

Senator COUZENS. Of course, double assessment is done away with now anyway for the future.

Mr. MILLS. Yes; for the future. I am glad you said that.

Two: A bank should by law compel its directors to bona fide liquidate any indebtedness to the directors' bank, at least every 18 months under penalty of forcing the bank to charge-off such unliquidated loan from its acceptable assets. Possibly the comptroller should be vested, upon good cause being shown, to extend this time a year, and the director should remain out of debt to his bank for at least a period of 120 days after the debt is first paid off. We of the local R.F.C. board in Michigan saw in probably 80 percent of bank applications for aid, directors' loans which had run for years with practically no liquidation thereon. In so far as I know, all these loans were good loans when made, but Directors, in common with all other persons, disliked to liquidate on a falling market and many officers who in large banks frequently handle these loans are often over-awed and not insistent enough upon director liquidation.

I do not believe a bank should be prohibited from loaning to its directors at all, as this would in the smaller communities work a great hardship where there is only one bank available in the community, but I do believe that a bank director should not stand in a favored class but must definitely be required to liquidate his obligation within the above period, or else have the bank charge the same off its assets. This provision probably should not apply to first mortgage savings loans made to directors, where the loan is not in excess of 50 percent of the real estate and improvements thereon—this for the reason that it is not customary to require payment of such mortgage loans from people in general within any such short period of time.

I think that is self-explanatory. We have found, and you found that through your records here, the case where a director's loan has gone for a long period of time, and I think if they had been compelled, the banks had been compelled, to charge them off, say, within 18 months after they were made or collect them, that there would have been collections made on many of them. I think it generally was better for the directors.

Senator COUZENS. Don't you think we ought to prohibit loans on unimproved real estate too?

Mr. MILLS. Well, I think that depends on the location of the real estate. For instance, Senator, there are some parking lots in Detroit upon which I would darned sight rather have mortgages than I would upon some of the improved real estate. I think you agree with me to that extent.

Senator COUZENS. Yes. Well, is there no way of discerning between—

Mr. MILLS (interposing). I would say income-producing real estate possibly, or that a mortgage might only be made upon real estate having substantial income production.

Senator COUZENS. Of course, these parking lots do not have substantial income production.

Mr. MILLS. Well, of course, that gets back again to the question of what "substantial" is.

Senator COUZENS. What I had in mind was this, platting of farm lands out in the suburbs and lending money on them, which I think ought to be prohibited, especially in a commercial bank, or even in a bank with deposits of any kind.

Mr. MILLS. There was not much of that at first. Practically all of it was on homes. I think that could be met by a provision upon income upon which there is not a substantial, in relation to the

value of the property, income, if it is vacant property, unimproved property. Some of these parking lots are valuable property, and I think the owners, while they cannot get mortgages in Detroit now for love or money, but if things ever do change they should have the opportunity of securing mortgage loans from the bank on that type of property.

Senator COUZENS. What for; for the purpose of improving it or for any other purpose?

Mr. MILLS. For any purpose that they wish, because I think it should be presumed that they probably would not throw it away. I do not believe in too much governmental or bank—well, I will put it governmental inquiry as to the purposes of loans, so long as a loan is proper in the first instance and is properly kept hold of.

Mr. SAPERSTEIN. Mr. Mills, I note that the suggestion that you make in paragraph no. 2 relates exclusively to loans to directors.

Mr. MILLS. Yes.

Mr. SAPERSTEIN. Nothing is said about loans to officers or employees. Have you any suggestions with regard to them?

Mr. MILLS. I think the same thing should apply to officers who are not directors of banks. But the same tendency occurs to the same extent, because an officer who is not a director of a bank is so far down in the scale that he does not have much influence in influencing the bank officials in not requiring payments from him. I think it might be perfectly proper to include bank officers and employees, but I do not think it is as important as it is directors, for the reason I stated, because the director after all directs the institution, and an officer who is not a director is not very high in the hierarchy of the bank's organization.

Mr. SAPERSTEIN. Did you find instances in your bank, for example, where it was inadvisable or sometimes even impossible to dispense with the services of an officer or employee because of the heavy line of credit which he had at the bank and the large amount outstanding?

Mr. MILLS. No; we did not do that. The consideration of indebtedness to the bank was never taken into consideration whether we kept a man or not. If he was doing good work, he was kept, and the fact that he was not indebted to the bank or was indebted to the bank did not enter into it. Neither did it enter into his salary. That was the general policy that we tried to follow.

Senator COUZENS (presiding). You may proceed.

Mr. MILLS (continuing):

Three: It is axiomatic that a bank should be of service to its community. Nowadays how many banks are? When a bank shows 75 per cent or 80 per cent liquidity it is not being of proper service. While I fully recognize the difficulty, nevertheless it seems to me that safety has been made a fetish to the exclusion of service. A safe deposit box does no good to the community and neither does a bank which is in such condition. The very justification for its existence ceases. What is the remedy? I have three things to suggest:

(a) The R.F.C. might prohibit any part of the avails of loans made by it to railroads or other institutions to be used to liquidate indebtedness of such railroad or other institutions to a bank having a higher degree of liquidity than, say, 40 per cent.

(b) An enlarging of the rediscount privileges of the Federal Reserve banks.

(c) —and this is rather different—To encourage banks to again undertake their natural loaning functions in the community, it is submitted that the law might be amended so as to give to a bank making a loan, let us say, to a manufacturer, a prior lien on all quick assets of that manufacturer. I fully

realize that this latter suggestion would tighten credit which the manufacturer might receive from other than banking sources, but it is within the power of the manufacturer's suppliers to protect themselves by title-retaining contracts and the like and I believe this would result in liberalizing bank credit. A bank should fully and adequately serve the legitimate credit demands of its community or else go out of business.

Senator COUZENS. That is the Canadian system?

Mr. MILLS. Somewhat along the lines of the Canadian system. It is not identical, but somewhat along those lines.

Four: Bank receiverships today are by law shrouded in secrecy. What liquidation is being secured on loans, on mortgages, on bond portfolios, fees paid to attorneys and the like, are in general shrouded in secrecy, and this by law, although the funds that are being used are the funds of depositors. In Detroit today, for instance, there are the most extravagant rumors as to fees being paid counsel for the receivers, of low rentals of valuable main office and branch sites, sale of participation in notes where interest is guaranteed by the receiver, and a spirit which is well nigh that of suspicion is pointing its finger at these receiverships. Why cannot the transactions in a bank receivership be given the same degree of publicity as are the transactions in any Federal Court Receivership, where the files in the court are open for public inspection?

I believe, therefore, the statute might be amended so as to either give by law more publicity to the proceedings, the fees, the operations, etcetera, by periodically issuing a public statement, or else for the law to provide for the election by depositors of a depositors' committee, to whom the receivers shall periodically report as to expenses, general condition of liquidation, and the like. In other words, where the money which is being dealt with, to change the statute so as to throw more light on what is being done than the law now permits.

Senator COUZENS. Would you say, Mr. Mills, that there was any more secrecy under the receivership than there was under the operation of the banks under their prior management?

Mr. MILLS. I do not think that is a fair test, Senator.

Senator COUZENS. Just why not? The depositors' money is still being dealt with, and I think the relations are identical.

Mr. MILLS. You take a manufacturing corporation: That manufacturing corporation consists of other peoples' money, stockholders' money that is in there. When that company goes into hands of receiver, any Federal court receivership, or any receivership, anybody that has any interest may examine the files and ascertain what is being done with those funds. I do not see why there should be a different rule for receiverships in banks than there is for receiverships in any other kind of a business. That is my position.

Senator COUZENS. I am perfectly willing to go that length, if the banks will do the same when they are operating. I am unable to visualize any difference between the handling of half a billion dollars of the depositors' money by private interests and handling 500 million dollars by governmental agencies.

Now, you know there has been printed in the press recently a statement from the receiver of the First National Bank and also a statement from the receiver of the Guardian National Bank of Commerce.

Mr. MILLS. I have seen the press reports.

Senator COUZENS. Yes; and I have the signed reports of the receivers of both these banks, and they indicate the cost of liquidation to be about  $1\frac{1}{2}$  percent; and in view of that and these published statements and the estimated value of the remaining assets it seems to me quite a good deal of information has been furnished to the public, and I am unable to visualize how there can be all of these rumors as to extravagance, when, in the case of the Guardian Na-

tional Bank of Commerce, the cost of receivership has been 1.49 per cent of moneys collected, and in the case of the First National 1.53 in the case of collections.

So I think there is hardly any foundation for all those rumors about the expense of receivership.

Mr. MILLS. Well, Senator, you have not been in Detroit in the last 2 or 3 months, but I can assure you——

Senator COUZENS. I am not talking about rumors; I am talking about facts.

Mr. MILLS. I am not exaggerating when I say that the cry has gone up they are dealing with other peoples' money and there should be publicity and that there is no way that anybody can find out what is being paid to anybody, what rentals they are securing for any of their properties that they are administering.

Senator COUZENS. I am not criticizing that, but I want to say that if the depositors in these closed banks are entitled to that information—and I am not saying they are not entitled to it—then they are entitled to the same information when their deposits are handled by private interests.

Mr. MILLS. I will agree with that.

Senator COUZENS. Then all right, we agree. We do not disagree at all, because I comprehend that if both of those banks, the Guardian National Bank of Commerce and the First National Bank, had been opened with the open door, as you are suggesting for receivers, this collapse would not have occurred.

Mr. MILLS. That I cannot agree with at all.

Senator COUZENS. Well, I don't expect, but that is my opinion.

Mr. MILLS. I cannot agree at all. I cannot see where the lack of an open door—in fact, I didn't know the door was closed—but I cannot see where if it were that would have made any difference.

Five. It developed at Detroit last summer that it had been the secret practice of the preceding Comptroller of the Currency to have examiners make two reports upon the same examination. One of these reports, called the "white sheets", was given to the bank and to the directors; the other, called the "yellow sheets", went to the Comptroller. Frequently the two sheets were very different, and the contents of the "yellow sheets" were never revealed to the bank. Banks must frequently have been lulled into what later became a false sense of security as to the actual position of the Comptroller's Office. Again, which report is to be believed?

Also, by making a secret report to the Comptroller, the bank's officers and directors are not afforded the opportunity of meeting the charges or of correcting the situation. In fact, they knew nothing of them. It is a terrible type of bureaucracy. The truth, and the full truth as it is seen, should be told both parties.

I stated here that I had no doubt as to the solvency of the First National Bank. Since actions speak louder than words, I pointed out that my own and connected deposits at the time of the institution of the Michigan bank holiday had balances which were probably at their very peak. I also pointed out that the chief national bank examiner had permitted the payment of dividends by the bank right up to the Michigan holiday and that such dividends were the very negations of insolvency. The examiner—in my mind; I have not stated that—is precluded from stating that these dividends were permitted by him to enable the Detroit Bankers Co. to meet payments upon its debt, because the evidence herein shows that the First Detroit Co., a subsidiary of the Detroit Bankers Co., might have been liquidated, and that its net assets were sufficient to take care of all of the outside indebtedness of the Detroit Bankers Co.

To prove insolvency there has been read into the testimony almost daily excerpts from the so-called "yellow sheets", being confidential reports from the examiner to the Comptroller of the Currency, and which were not sub-

mitted to members of the board of the bank or to its officers, and it is upon information contained in these "yellow sheets" that the claim is made that the First National Bank was insolvent. These "yellow sheets" show, when taken in connection with the testimony of the examiner, that as early as September of 1931, or certainly in May of 1932, the examiner had no real belief in the solvency of the First National Bank. Under his own testimony neither he nor the Comptroller could have had any belief in its solvency, because he stated his classifications were exceedingly lenient upon the bank and any strict examination would have undoubtedly shown that the bank was then insolvent. That is what he stated. Note this was in May of 1932.

Examinations of national banks are made not for bankers but to protect the public. The public rely upon them, and under the testimony that has been introduced in this hearing, and in view of the fact that the "yellow sheets" have been treated as scripture and as the tablets of Moses, the Comptroller's office must stand upon them. If the Comptroller believed in May of 1932 that this bank was insolvent, it was his duty to have closed the bank at that time and not permitted the hundreds of millions of dollars of losses which followed from his permitting deposits to be made in the bank after that date.

I respectfully insist with all the force I can that an examination by this committee should be made of the Comptroller's office and of the actions of the Comptroller in this respect, which, if the "yellow sheets" are to be accredited, has caused this tremendous loss to hundreds of thousands of depositors in Michigan. It seems to me that the principal must be held liable for the acts of his agent, to wit, that the Government of the United States should make these depositors whole for the negligence of the then Comptroller. That is upon the assumption that these "yellow sheets" are correct.

Senator COUZENS. I want to say that the yellow sheets contain no figures other than were submitted to the officers of the bank, and a study of the so-called "white sheets" and the "yellow sheets" will clearly disclose there was no difference in the figures, but there was difference in the comments; and I submit that credit managers like Mr. Ballantyne, who was a credit manager for year—he was a credit manager when I first became a bank director—frequently did not discuss with the credit applicant the condition of the management of the business that was applying for the credit, but he did appear before bank boards and bank managers and submit private and personal criticism concerning the management and the prospective management and what the prospects of the institution were, and the comptroller in this connection acted very much in the same capacity, and I want to say, as one member of this committee, that I know of no member that does not condemn the comptroller's office all during 1930, 1931, and 1932 for not taking action, and vigorous action, in connection with the reports that were filed by his examiners.

Mr. MILLS. Evidently we agree again.

Mr. SAPERSTEIN. Mr. Mills, in that connection may I refer back to the statement at the top of the next to the last page, where you say, "I have no doubt as to the solvency of the First National Bank." Do you mean to imply by that that you have no doubt about it at this time?

Mr. MILLS. No; I haven't even now.

Mr. SAPERSTEIN. You think that the bank was entirely solvent at the time that it closed, do you?

Mr. MILLS. I do. I certainly do.

Mr. SAPERSTEIN. How do you reconcile that position with your insistence that the comptroller's office ought to be held liable for not having announced that the bank was insolvent a year or a year and a half ago?

Mr. MILLS. The statement is perfectly clear. I state that these yellow sheets have been read, these confidential memorandums, from the examiner to the Comptroller, in which he states, as I recall one of them, "there is no question in my mind that this bank is insolvent."

Now, if that is correct, it was the Comptroller's duty to have closed the institution—if it was correct. If it was not correct, then the bank was solvent.

Senator COUZENS. Testimony has been introduced before this committee by Mr. Leyburn—and I have not checked it up—to the effect that the Comptroller did not have adequate power under the statutes to close the bank. All he could have done was to assess the stockholders to make good any deficiency in the capital.

Mr. MILLS. I think the statute is perfectly clear.

Senator COUZENS. Well, we will not discuss that, because I am not a lawyer.

Mr. MILLS. I think it is perfectly clear.

Senator COUZENS (presiding). Is that all, Mr. Mills?

Mr. MILLS. That is all.

Senator COUZENS. Mr. Mark Wilson.

**TESTIMONY OF MARK A. WILSON, DETROIT, MICH., RECEIVER OF THE UNION INDUSTRIAL TRUST & SAVINGS BANK, FLINT, MICH.**

Senator COUZENS (presiding). Mr. Wilson, do you swear the testimony you are about to give to this committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WILSON. I do.

Senator COUZENS. Will you please give the reporter your name and address and occupation?

Mr. WILSON. Mark A. Wilson, Detroit, Mich.; receiver of the Union Industrial Trust & Savings Bank, Flint, Mich.

Mr. SAPERSTEIN. Mr. Wilson, you were formerly connected with the Detroit Bankers Co., were you not?

Mr. WILSON. Yes, sir.

Mr. SAPERSTEIN. From what date to what date?

Mr. WILSON. I was elected vice president of the Detroit Bankers Co. in January 1930 and resigned, I believe, the first of 1932.

Senator COUZENS. What was your occupation before you went to the Detroit Bankers Co.?

Mr. WILSON. Clearing-house examiner of Detroit.

Senator COUZENS. Clearing-house examiner?

Mr. WILSON. Yes, sir.

Senator COUZENS. In Detroit?

Mr. WILSON. Yes, sir.

Senator COUZENS. How long?

Mr. WILSON. Around July the first, 1922.

Senator COUZENS. And prior to that?

Mr. WILSON. Prior to that I was an examiner for the Federal Reserve Bank of Chicago and the national bank examiner for the Comptroller of the Currency.

Senator COUZENS. And when did you begin that banking experience? Do you know when you began that banking experience?



Mr. WILSON. Well, I think the latter part of 1918 and ran up to July 1, 1922, I was with the Federal Reserve Bank at Chicago and the national examiner.

Mr. SAPERSTEIN. From January 30 to May 1, 1932, did you act as vice president of the Detroit Bankers continuously?

Mr. WILSON. Those are the approximate dates; yes, sir.

Mr. SAPERSTEIN. Were you a director?

Mr. WILSON. I was not.

Mr. SAPERSTEIN. And what duties were assigned to you as vice president of the company?

Mr. WILSON. I don't know as there were any specific duties.

Senator COUZENS. Did the bylaws provide any?

Mr. WILSON. No, sir; not to my knowledge.

Mr. SAPERSTEIN. What duties did you perform generally?

Mr. WILSON. During the year of 1930 I was more or less handling the merging of the banks that took place during that year, banks that were owned by the Detroit Bankers Co. The greater part of my time was spent in that work.

Mr. SAPERSTEIN. You refer to those banks which were taken into the group during the year 1930, do you not?

Mr. WILSON. Yes; all that were owned by the Detroit Bankers Co. and located within Wayne County, metropolitan district of Detroit.

Mr. SAPERSTEIN. During that period who was your superior officer?

Mr. WILSON. Mr. Julius Haass, president.

Mr. SAPERSTEIN. And after Mr. Haass' death who became your superior officer?

Mr. WILSON. Mr. John Ballantyne.

Mr. SAPERSTEIN. In your capacity as vice president of the Detroit Bankers Co. did you acquire any information as to the status of the units of the Detroit Bankers Co. and of their activities?

Mr. WILSON. Yes, sir.

Mr. SAPERSTEIN. Did you know while you were vice president of the Detroit Bankers Co. of a transaction whereby the First National Bank, which had theretofore held a note of the Wayne Body Corporation, marked off some \$64,000 of that obligation?

Mr. WILSON. I didn't know at the time of the inception of it. I learned about it afterwards.

Mr. SAPERSTEIN. How did you learn about it, Mr. Wilson?

Mr. WILSON. Overhearing the conversation between Mr. Ballantyne and Mr. Chittenden. Mr. Ballantyne at that time was chairman of the board of the First National Bank. Mr. Chittenden was president of the First National Bank at that time.

Mr. SAPERSTEIN. When did that conversation take place?

Mr. WILSON. About the 1st of June of 1931.

Mr. SAPERSTEIN. Will you give us the substance of the conversation?

Mr. WILSON. As I recollect the conversation, it was at the time on the train en route to Chicago and, as I recollect it, Mr. Ballantyne mentioned the loan to Mr. Chittenden in my presence, and there was some discussion, and I entered into the discussion, because it was news to me. I didn't know of the existence of the loan. And I took a rather definite position in regard to that loan.

Mr. SAPERSTEIN. Tell us what was said as nearly as you can remember with regard to this loan.

Senator COUZENS. Perhaps you can approach it in a different way.

Mr. WILSON. It is very difficult for me to recall the conversation going back that far.

Senator COUZENS. I think if you will disregard the conversation and tell us what you know about the loan and its final disposition, it will answer the committee's purpose just as well.

Mr. WILSON. I took this position, as I recollect, and it is the best of my memory, with Mr. Chittenden and Mr. Ballantyne at that time: That that loan should not have been made; in my opinion it was no legal loan at the time it was made.

Senator COUZENS. You mean the time it was made to the Wayne Body Corporation?

Mr. WILSON. I believe at the time the trustee's loan that I am not speaking about.

Senator COUZENS. That is what I want you to, if you can, tell the committee what happened and the disposition of the Wayne Body Corporation loan that was afterwards turned into a trustee's loan, because I do not think that that is on the record.

Mr. WILSON. Senator, I haven't the facts.

Mr. SAPERSTEIN. Perhaps I can refresh your recollection as to the facts, Mr. Wilson. I have before me what purports to be a photostatic copy of a memorandum prepared by Mr. H. A. Leitner on October 27, 1931. Who was Mr. Leitner?

Mr. WILSON. He was an officer of the First National Bank, loaning officer.

Mr. SAPERSTEIN. The memorandum reads as follows [reading]:

#### WAYNE BODY CORPORATION

Referring to our records in this matter, I notice that our loan to the above company totaled \$276,439.71 in the early part of the year, and that this loan was secured with the following items:

1,012 shares Detroit Bankers Co. common stock in the name of Mary K. Robertson and pledged by this party for the payment of the above loan.

\$39 C/D on the First National Bank, Detroit, #20230.

\$275,000 mortgage dated May 19, 1926, between the Gotfredson Land Co. and Wm. J. Gray, covering 1,100 acres of land recorded in Liber 1722, pages 616 to 633, Wayne County Records.

Negotiations for the settlement of this item were entered into some time in February 1931. Mr. George M. Frischkorn, acting for an undisclosed principal, offered to buy this loan for a cash price of \$200,000. That offer was refused, and subsequently it was raised to \$212,000. We accepted the offer of \$212,000 and on February 26 received George M. Frischkorn's check for that amount drawn on the Dearborn State Bank; and on February 28 charged off the balance of the loan, \$64,439.71.

Subsequently, on the approval of the senior committee, this \$212,000 in cash was reinvested in Detroit Bankers stock, with the hope of recovering the \$64,000 loss charged off, and at this date, therefore, we hold 2,483 shares of Detroit Bankers Co. common stock, the average purchase price per share being \$38. It will be necessary for this stock to reach a price of \$112 per share within the next 2 years to fully recover our investment in this instance.

Mr. Hart and the writer sat in on all the negotiations with Mr. Frischkorn, and after the deal was finally closed it was suggested that Mr. Blessed and the writer act as trustees for the bank on the stock purchase. At this time, therefore, we have in our records a note signed by Mr. Blessed and the writer, as trustees, for \$212,000 secured by 2,483 shares Detroit Bankers stock and the beneficiary under the plan is the First National Bank in Detroit. All divi-

dends received from the stock are to be charged against the loan as a carrying charge. In other words, whatever dividends we get will represent whatever interest return we get on the loan. Incidentally, whatever profits or losses there are will accrue to the bank itself, the trustees getting no compensation or consideration for acting in this capacity.

(Signed) H. A. LEITNER.

Was the conversation that you overheard between Mr. Ballantyne and Mr. Chittenden substantially in accord with this memorandum that I have read?

Mr. WILSON. Substantially in accord. Of course, I could not vouch as to the date and the figures.

Senator COUZENS. That is the one that you said that you concluded was an illegal loan?

Mr. WILSON. I believe that it was.

Senator COUZENS. That is to those two trustees, Blessed and Leitner?

Mr. WILSON. Yes, sir; correct.

Mr. SAPERSTEIN. What was the basis of your statement that it was an illegal loan, Mr. Wilson?

Mr. WILSON. I asked Mr. Chittenden who the trustees represented.

Mr. SAPERSTEIN. What did he say?

Mr. WILSON. Said "The bank, I guess."

Mr. SAPERSTEIN. Did he say by whose authority the loan had been made?

Mr. WILSON. I think he said it had been reviewed by several of the officers of the bank and had been also approved by the executive committee. I believe that loan was made in the earlier part of 1931.

Mr. SAPERSTEIN. I have before me what purport to be the minutes of a meeting of the executive committee held on February 10, 1931 [reading]:

Executive committee meeting, Tuesday, February 10, 1931.

Present, Messrs. Gilchrist, Holliday, Flinn, Ferry, McMillan, Stair, Ballantyne, Chittenden, Brown, Hart.

Mr. Hart—the question of the offer for the Wayne Body Co.—Gotfredson claim—was again discussed, and it was decided that \$212,000 be fixed as the minimum for which we could sell our claim.

Then follow the minutes of the executive committee for Thursday, February 26, 1931, when Messrs. Holliday, Flinn, McMillan, Ballantyne, Chittenden, Brown, and Hart were present. [Reading]:

Mr. Hart reported the sale and adjustment of our claim against Wayne Body Co., endorsed by Benjamin Gotfredson, in principal sum of \$268,388.07, and accrued interest to October 15, 1930, \$8,031.64, for a cash consideration of \$212,000, resulting in a deficit of \$64,439.71 charged to profit and loss account.

There was no indication in those minutes as to the purpose to which the \$212,000 was to be devoted, was there, Mr. Wilson?

Mr. WILSON. I do not know about those minutes, Mr. Saperstein. I was not a member of the board or a member of the executive committee at the time.

Senator COUZENS. Does the reading of that, Mr. Wilson, refresh your mind as to what happened on the train when you discussed this with Mr. Ballantyne or Mr. Chittenden?

Mr. WILSON. Well, nothing happened on the train, Senator, except the general discussion with regard to the loan, the trustee loan of about \$212,000, and I suggested to Mr. Chittenden then that he

should not have acted on the executive committee on his return to Detroit.

Senator COUZENS. Did Mr. Ballantyne and Mr. Chittenden argue in favor of the loan in the discussion with you when you said you thought it was an illegal loan?

Mr. WILSON. No; they both had a great deal of apprehension about having made the loan.

Senator COUZENS. Both Mr. Ballantyne and Mr. Chittenden had considerable apprehension about the legality of the loan?

Mr. WILSON. That is my recollection; yes, sir.

Mr. SAPERSTEIN. Now I want to read a photostatic copy of a memorandum which appears in the files of the First National Bank, signed by Mr. H. A. Leitner, under date of February 27, 1931, re Wayne Body Corporation [reading]:

Yesterday afternoon Mr. Hart, Mr. Butzel, and I closed the open matter by obtaining a check for \$212,000 from Mr. George M. Frischkorn, for which we turned over a note of the Wayne Body Corporation endorsed by Benjamin Gotfredson for \$268,388.07, together with its security, consisting of 1,012 shares of Detroit Bankers in the name of Mary Robertson and C. D. of \$39 in the name of Mary Robertson, and an assignment of a \$275,000 mortgage on which Mr. Hart is trustee. The Detroit Bankers stock is in the name of Mary Robertson and not accompanied by any assignment except the general assignment by our attorneys, and the C. D. had to be endorsed by Mr. Gotfredson before Mr. Frischkorn could cash it.

All of these papers were turned over to Mr. George M. Frischkorn and his attorney, Mr. Remus. Mr. Hart executed the second assignment of the mortgage to accomplish all the details necessary in this transaction. The check for \$212,000 was drawn on the Dearborn State Bank by George M. Frischkorn and was applied to the credit of the Gotfredson loan. The balance was applied to the charge-off.

As far as has been determined, the \$212,000 realized from this sale is to be invested in Detroit Bankers Co. stock to be purchased somewhere between 85 and 89. Mr. Blessed told me today that if invested on this basis Detroit Bankers would have to reach 111 per share before we could recover our loss fully. The stock is going to stand in the name of Mr. Blessed and myself as trustees for the bank.

Does that indicate to your mind, Mr. Wilson, that it was the intention of the directors of the First National Bank at the time this loan was sold for \$212,000 to devote that amount when it was received toward the purchase of additional shares of Detroit Bankers stock?

Mr. WILSON. It is my recollection that it was their intention at the time of that compromise about this loan, but it was later decided that they would use the funds received through this trustee note for the purpose of buying Detroit Bankers stock.

And I might add this: Mr. Chittenden and Mr. Ballantyne in the conversation which we have previously referred to stated that they believed at the time the loan was made that it was a legal loan.

Mr. SAPERSTEIN. That it was a what?

Mr. WILSON. A legal loan.

Mr. SAPERSTEIN. A legal loan?

Mr. WILSON. At the time it was made; yes. After our discussion they had apprehension in regard to the legality of the loan.

Mr. SAPERSTEIN. You mean as a result of what you said to them?

Mr. WILSON. Yes.

Mr. SAPERSTEIN. They changed their minds, or at least they were apprehensive as to whether or not it was a legal loan?

Mr. WILSON. Yes; that is my recollection.

Mr. SAPERSTEIN. Now, you know, do you not, that this \$212,000 was devoted between March 5, 1931, and March 17, 1931, entirely toward the purpose of acquiring 2,483 shares of Detroit Bankers stock?

Mr. WILSON. I did not know that as a fact.

Mr. SAPERSTEIN. Did you gather that from the discussion that you had with Mr. Chittenden and Mr. Ballantyne?

Mr. WILSON. Only from the conversation with Mr. Chittenden and Mr. Ballantyne.

Mr. SAPERSTEIN. I may say for the record, Mr. Wilson, that we have here photostatic copies of exhibits indicating that 2,483 shares of Detroit Bankers stock was purchased by these trustees and that the sum of \$212,000 was expended therefor.

Senator COUZENS. Does the record show that the trustee loan was paid, or is it still unpaid?

Mr. SAPERSTEIN. The record does not show that as yet.

Do you know whether that trustee loan was paid, Mr. Wilson?

Mr. WILSON. I do not know; no. I have no record of it. I believe the records of the receiver will indicate whether that loan has been paid. I remember that there was a specific reserve set up on that loan at the time of the consolidation later in 1931.

Senator COUZENS. You mean, set up because it was a contemplated loss?

Mr. WILSON. That is right, Senator, for the amount it was set up.

Senator COUZENS. Yes.

Mr. WILSON. Yes.

Senator COUZENS. I mean when you set up these reserves you used your best judgment as to the probable loss and fixed the reserve for that amount?

Mr. WILSON. The reserve was supposed to conform to the shrinkage in the value of the collateral, and, as I recollect, it was about eighty-five or eighty-six thousand dollars.

Mr. SAPERSTEIN. I have before me what purports to be a photostatic copy of the records of the First National showing items charged off February 29, 1932, and under the caption "Specific reserves" and alongside the names "Blessed and Leitner, trustees" there is an item of \$86,000. Is that the reserve to which you have just referred?

Mr. WILSON. It is my recollection; yes. At the time of the consolidation, the national examiner, Mr. Hopkins, requested a specific reserve of whatever the figure is there, about 85 or 86 thousand dollars, and later on during 1932 that specific reserve was applied.

Mr. SAPERSTEIN. Alongside the item which I have just read "Specific reserves" appears under the caption "Claims" the sum of \$125,965, which I take it is the entire balance of this loan. What is indicated by the fact that that item of \$125,965 appears under "Claims"?

Mr. WILSON. Well, I would presume that that that loan had been transferred to the so-called "claims" or "special-loan" department.

Senator COUZENS. When that was done it was contemplated that the loan was not very good at least—is that not true?

Mr. WILSON. It was transferred there for special action for that purpose, yes.

Senator COUZENS. And when it is transferred for special action the assumption is that it is not entirely right, isn't it?

Mr. WILSON. That is correct.

Mr. SAPERSTEIN. Mr. Wilson, did you ever have occasion in the performance of your duties as vice president of the group to examine the bank examiner's reports of the condition of the First National Bank of Detroit?

Mr. WILSON. Yes, sir; up to the time I had resigned as vice president of the Bankers Co.

Mr. SAPERSTEIN. I have before me what purports to be a photostatic copy of the examiner's report of condition of the First National Bank of Detroit on September 25, 1931, and under the caption "Slow and doubtful paper and losses on loans" appears the following: "\$211,965, Clarence D. Blessed, Herman A. Leitner, trustees", and in the margin under the caption "Loss" appears the figure "\$86,000."

And I am quoting from the examiner's comment:

This loan was apparently made for the purpose of speculating in stock of the Detroit Bankers. The margin is now short in the amount classified, and there is nothing in evidence to support this deficit. Additional information needed.

Do you know whether any steps were taken by the Detroit Bankers Co. or by the Peoples Wayne Bank to make good the deficit in the collateral?

Mr. WILSON. I did not know of any steps that were taken.

Mr. SAPERSTEIN. I have before me what purports to be a photostatic copy of several charge tickets of the Peoples Wayne County Bank indicating that on March 3, 1932, 1,143 shares of Detroit Bankers' Co. stock were added by the bank as collateral to this loan in order to bolster the margin. Was that transaction ever called to your attention, Mr. Wilson?

Mr. WILSON. I believe that transaction was handled by Mr. Sweeny. I don't recollect it having been called to my attention.

Mr. SAPERSTEIN. Do you know where the 1,143 shares of Detroit Bankers Co. stock which were added to this account as margin came from?

Mr. WILSON. I have not all the details on that. I cannot remember the details, but as I remember, it originated in the Wayne Home Office of the Peoples Wayne County Bank.

Mr. SAPERSTEIN. Do you know whether that stock had previously been held as collateral for another loan?

Mr. WILSON. That is my recollection; yes, sir.

Mr. SAPERSTEIN. And that other loan had been made to Edwin J. Eckert and John R. Bodde as trustees in the sum of \$144,950—is that correct, Mr. Wilson?

Mr. WILSON. In substance that is my recollection. I don't remember the figures.

Mr. SAPERSTEIN. So in substance what occurred was that these 1,143 shares of Detroit Bankers Co. stock which theretofore had been held as security for a loan made to Edwin J. Eckert and John R. Bodde as trustees for the Peoples Wayne Bank, were transferred to this loan which the bank examiner had criticized as being under water and were thereafter used as collateral for the loan made to Blessed and Leitner as trustees—that is correct, isn't it?

Mr. WILSON. I don't recollect knowledge of that transaction at the time.

Mr. SAPERSTEIN. The records of the bank show that that is so.

Mr. WILSON. I understand it is substantially correct.

Mr. SAPERSTEIN. Now I want to call your attention to the following memorandum under date of March 14, 1932, from Mr. John H. Hart to Mr. John Ballantyne. Let me show it to you and ask you whether this was called to your attention [handing document to Mr. Wilson].

Mr. WILSON (after perusing document). I don't recall ever having seen that communication.

Mr. SAPERSTEIN. I offer it in evidence.

Senator COUZENS. The same will be marked.

(Letter dated March 14, 1932, from John H. Hart to John Ballantyne was thereupon designated "Committee Exhibit No. 162, Feb. 7, 1934", and same appears in full immediately following, where read by Mr. Saperstein.)

Mr. SAPERSTEIN. The letter which has been marked "Committee's Exhibit 162", dated March 14, 1932, to Mr. John Ballantyne from Mr. John H. Hart, re Clarence D. Blessed, Herman A. Leitner, Trustee Loan [reading]:

I am attaching excerpt from the minutes of the Executive Committee of the First National Bank, January 29th, 1931, February 10th, 1931 and February 26th, 1931, the dates upon which action was taken concerning our claim against the Wayne Body Company, from which it is noted the officers were authorized to sell our claim in the principal sum of \$268,388.07 to the Frischkorn interests for \$212,000.

When this matter was presented to the Executive Committee on February 10th, 1931, and February 26th, 1931, the proposed plan previously discussed and approved by the Senior Officers of re-investing the cash received in Detroit Bankers Company stock at the then existing market of approximately 85 was presented to the Executive Committee and left with the officers with power. It was not specifically stated in writing up the minutes, but it was fully discussed and approved.

In presenting the proposition, the points brought out were substantially as follows:

Our claim against the Wayne Body Co., endorsed by Benjamin Gotfredson, was secured by the deposit of 1012 shares Detroit Bankers Company stock and deed in trust covering approximately 1152 acres Farm property near Ypsilanti, then under foreclosure proceedings.

The pledge of Detroit Bankers Company stock was contingent upon the Bank enforcing its claim against the real estate first and secondarily against the stock for any deficiency.

While this property was originally appraised by our representatives at \$250.00 per acre, Mr. Quirk of Ypsilanti now placed a value of from \$100.00 to \$125.00 per acre upon it with no apparent market and in lieu of going through with the foreclosure proceedings which would require 12 to 15 months further delay and the assumption of an annual carrying charge of approximately \$16,000.00, the officers were inclined and did sell the claims for \$212,000.00, re-investing the amount in 2,483 shares Detroit Bankers Company at an average cost of \$85.38, in the belief that a moderate recovery in the market estimated at \$111 would have offset the loss of \$64,439 which then existed.

This memorandum is written to record the fact that the entire transaction, including the purchase of Detroit Bankers Company stock, was done with the knowledge and approval of the executive Committee and the Senior Officers.

Then follow some notations in pencil which I do not think are important.

Senator COUZENS. Who is that signed by?

Mr. SAPERSTEIN. It is not signed, Senator Couzens, but it is addressed to Mr. John Ballantyne from Mr. John H. Hart.

Who was Mr. Hart, Mr. Wilson?

Mr. WILSON. Mr. Hart was an executive loaning officer of the First National Bank.

Mr. SAPERSTEIN. Now, with reference to Senator Couzens' question as to the present status of that loan I want to read for the record an exhibit furnished to us by A. C. Thomas, receiver of the First National Bank of Detroit, dated September 14, 1933; subject, H. A. Leitner and C. D. Hoppin, trustees.

Was there a change made in the trustees, do you know?

Mr. WILSON. What is the date of your memorandum there, now?

Mr. SAPERSTEIN. That is September 14, 1933.

Mr. WILSON. That is quite possible, because Mr. Blessed resigned as an officer of the bank and left the employment of the bank.

Senator COUZENS. And Mr. Hoppin took his place as trustee?

Mr. WILSON. That is possible. I don't know.

Senator COUZENS. I think that appears in the record before.

Mr. SAPERSTEIN. Yes. This memorandum obviously relates to the same loan, because it says:

According to our records, the loan in the name of Clarence D. Blessed and H. A. Leitner, trustees, originated March 5, 1931, in the amount of \$212,000; \$35 was paid on this loan on July 14, 1931, leaving a balance of \$211,965.

On February 29, 1932, \$86,000 of this loan was charged off to specific reserve, leaving a balance of \$125,965. The liability ledger shows this loan changed to H. A. Leitner and G. S. Hoppin, trustees, July 8, 1932. This loan was collateralized with 3,626 shares of Detroit Bankers Co. stock.

I am enclosing photostatic copy of the notes, the collateral card, and the old liability ledger card.

C. A. THOMAS,  
*Receiver First National Bank, Detroit.*  
By E. R. LATIMER.

That indicates, does it not, Mr. Wilson, that no part of that note except \$35, was paid down to the time of the appointment of the receiver?

Mr. WILSON. I think so; yes, sir.

Mr. SAPERSTEIN. Do you know whether any steps whatever were taken with a view to salvaging any part of this loan by either Mr. Ballantyne or Mr. Chittenden or any other of the officers of the bank who were responsible for its inception after you called their attention to the fact that the loan was in your opinion illegal?

Mr. WILSON. Well, I can only follow what I know.

Mr. SAPERSTEIN. Tell us what you know.

Mr. WILSON. Mr. Chittenden on his return to Detroit from Chicago presented the matter to the executive committee. At that time I was a member of the executive committee of the First National Bank. Mr. Chittenden explained the conversation Mr. Ballantyne, himself, and I had had with regard to the loan, and my viewpoints, fully, to the committee. And I stated to the committee that if any liability was incurred on that loan those responsible for it would have to pay it.

Mr. SAPERSTEIN. When the losses occurred?

Mr. WILSON. If any losses eventually occurred on that loan, that it was my belief that those responsible for the loan would have to personally pay.



Mr. SAPERSTEIN. When the sum of \$86,000 was charged of were any steps taken for the purpose of enforcing that liability?

Mr. WILSON. Not to my recollection.

Senator COUZENS. Who advised this executive committee, Mr. Chittenden? What was the action of the executive committee?

Mr. WILSON. I don't recall, Senator, of any action, specific action, having been taken, or any record of the conversation having been entered into the minutes.

Senator COUZENS. You think they just let it ride?

Mr. WILSON. That is my recollection; yes, sir.

Mr. SAPERSTEIN. Some mention has been made during the course of my examination of you regarding the Leitner and Blessed loan, of the collateral which was transferred from another loan made to John R. Bodde and E. J. Eckert as trustees of the Peoples Wayne.

Senator COUZENS. Do you happen to know anything about that transaction, Mr. Wilson?

Mr. WILSON. Senator, I do not know the origination of that transaction. I know and knew at one time that there was such a note, and it is my belief that it originated in the Wayne County office.

Senator COUZENS. How? Do you know how it originated?

Mr. WILSON. Well, you will have to go—it originated following old practices going back 15 or 20 years. My recollection is that Detroit bank stocks were not listed in the exchange, and the most of the purchases and sales of those stocks were made over the counter in the respective institutions, and these shares were accumulated by the bank probably upon orders or indication or desires of old stockholders or depositors that they would like to buy some Detroit bankers stock, or they had previously come into the bank and wanted to buy some bank stock, and I think they kept a record of those desiring to purchase and those desiring to sell and took care of them as best they could. I think this followed from that old-established practice running 15 or 20 years in Detroit.

Senator COUZENS. And then when this trusteeship was formed that was an accumulation of purchases and sales that left the debit balance in the bank for the amount of the trusteeship; is that correct?

Mr. WILSON. I think you will find that this accumulation of the trustee note, of the Bodde and Eckert trustee note, was the result of those purchases and sales, and it was the accumulation.

Senator COUZENS. Yes.

Mr. WILSON. That is what I think it was, although it is possible that—

Senator COUZENS (interposing). They probably bought more stock than they sold.

Mr. WILSON. Yes; but I believe in most cases that is what they thought was an honest commitment to buy.

Senator COUZENS. Yes; and those whom they thought committed themselves to buy reneged on the purchase?

Mr. WILSON. That is exactly as I recollect.

Senator COUZENS. Yes.

Mr. WILSON. There was one large order.

Senator COUZENS. Who was that large order supposed to be?

Mr. WILSON. I don't know as I can supply that name. I am not positive, but I believe you could ascertain that name. There was one large order given.

Mr. SAPERSTEIN. I have before me what purport to be the minutes of a meeting of the executive committee of the Peoples Wayne on November 13, 1930, in which the following statement appears under the caption "Detroit Bankers Co. Stock" (reading):

Authority was granted to any two of the three following officers: John R. Bodde, president; E. J. Eckert, and George A. Burns, vice presidents; to borrow as trustees an amount not to exceed \$145,000 secured by 1,143 shares of Detroit Bankers Co. stock, representing an average of \$126.65 per share. These shares have accumulated through odd purchases, representing an original investment of approximately \$145 per share, which has been reduced by subsequent sales to the present average price of \$126.65 per share.

Does that refresh your recollection as to the origin of the stock which was on hand at the time this loan was made?

Mr. WILSON. I do not believe I could add any more to what I have said. It was carrying through an old-established policy with regard to purchases and sales of the stock, which originated in that office.

Mr. SAPERSTEIN. I have before me what purports to be a photostatic copy of the collateral loan register of the Peoples Wayne County Bank as of November 21, 1930, and among the items which appear on this collateral loan register are the following: "No. 16856, November 21"—120 days, the time of the note is 120 days—"due March 23, Edwin H. Eckert, George A. Burns, 1,143 shares of Detroit Bankers stock" under the caption "Collateral."

Under the caption "Principal and interest" appears \$144,950. Under the caption "Collateral loans" appears \$144,950. Under the caption "Balance" appears \$144,950.

Does that indicate that the amount of \$144,950 was loaned to these two gentlemen as trustees for the bank collateralized by 1,143 shares of Detroit Bankers Co. stock?

Mr. WILSON. I presume that such a loan was made for the purpose of picking up that overage or accumulation.

Senator COUZENS. How did they carry those items in the bank before this trusteeship? I am curious. Did they carry it as cash?

Mr. WILSON. I would assume that they carried it as cash.

Senator COUZENS. There was no other way to carry it because they could not cash in the stock direct.

Mr. WILSON. None that I know of.

Mr. SAPERSTEIN. I show you what purports to be a photostatic copy of a letter from George A. Burns, vice president, to the Detroit Bankers Co., attention Mr. Mark A. Wilson, vice president, and ask you whether you can identify that letter.

Mr. WILSON (after perusal of the document). Probably I received such a letter.

Mr. SAPERSTEIN. I offer it in evidence.

Senator COUZENS (presiding). The same may be entered in the record.

(Letter dated Jan. 20, 1931, from George A. Burns to Detroit Bankers Co., attention Mark A. Wilson, was thereupon designated "Committee Exhibit No. 163, Feb. 7, 1934", and appears in the record immediately following where read by Mr. Saperstein.)

Mr. SAPERSTEIN. The letter which has been marked "Committee Exhibit No. 163" of this date is as follows [reading]:

DETROIT, MICHIGAN,  
*January Twentieth, 1931.*

DETROIT BANKERS COMPANY,  
*Detroit, Michigan*

(Attention Mr. Mark A. Wilson, Vice President.)

GENTLEMEN: Wish to inform you that we are holding in the Discount Department note for \$144,950 in the names of John Bodde, Edwin J. Eckert and George A. Burns, as trustees authorized by the Board of Directors.

This note is secured by 1143 shares of Detroit Bankers stock which was purchased at higher levels. The average price of this stock is \$127 a share. Dividends accrued January 1st, 1931 were credited to said note. The date of this note is November 21st, 1930.

Trusting this is the desired information, I remain

Yours very truly,

(Signed) GEORGE A. BURNS,  
*Vice President.*

This was apparently written in response to a request by you for information.

Mr. WILSON. I think that is correct; yes, sir.

Mr. SAPERSTEIN. What was your purpose in requesting that information, Mr. Wilson.

Mr. WILSON. I presume my attention had been called to that loan, either by the examiners or the auditing department, and I had phoned and wanted a letter from Mr. Burns in regard to that transaction. I think after that then I requested the auditing department, as I recollect, of the Bankers Co. to cause to be made an audit with regard to those transactions, as to how those shares were accumulated.

Senator COUZENS. Then the accumulation of those shares under this Bodde and Eckert trusteeship and under the Blessed and Lightner trusteeship was the accumulation of bank shares by depositors' money in violation of the law; at least that was your judgment, was it not?

Mr. WILSON. Yes, sir. Although there is one point there: There is a possible difference between those two trustee notes.

Senator COUZENS. Will you explain the difference.

Mr. WILSON. The First National trustee note of Blessed and Lightner, as I understood it, they were trustees acting for the First National Bank, which, in my judgment, was an illegal loan.

Now, the other is possibly—and I do not know, and you have the records to show, that Mr. Bodde and Mr. Eckert acted as trustees for the Detroit Bankers Co.

Senator COUZENS. But in both cases they used the bank's money?

Mr. WILSON. Yes, sir.

Mr. SAPERSTEIN. Do I understand that your opinion about this Bodde-Eckert loan was that it was not legal?

Mr. WILSON. I would not want to hazard a guess upon that.

Mr. SAPERSTEIN. Did you ever express any opinion to that effect?

Mr. WILSON. I don't remember that I ever did.

Mr. SAPERSTEIN. I have before me what purports to be a letter from the State Department of banking to the Peoples Wayne County Bank, Detroit, Mich., under date of April 3, 1931, signed by L. D. Rose, examiner. I will not read the entire letter, but I want to call

your attention particularly to the following paragraph in the letter [reading] :

5. Detroit Bankers Company stock held as collateral :

On date of examination you held as collateral 62,646 shares of this company's stock, having an aggregate value of \$5,324,910. This, together with a direct loan of \$863,441.76 to the Detroit Bankers Company, is in our opinion a heavy concentration, and we view with apprehension this policy and recommend that loans of this nature be curbed.

6. \$144,950, Edwin J. Eckert, et al, Trustee. Collateral 1143 shares Detroit Bankers Company, value \$91,440.

And directly beneath that :

\$13,944.30, cash item, Wayne-Home office. Collateral 155 shares Detroit Bankers Company, value \$12,400.

It is our understanding that the item for \$13,944.30 was eliminated during the course of our examination. We also request that the trustee loan, which represents an accumulation of Detroit Bankers Company stock for resale, be eliminated from your assets and the loss charged off. It is thoroughly understood that items of this nature will not again be placed in the assets of your bank.

Do you know whether that loan was charged off pursuant to the request of the State banking department?

Mr. WILSON. My recollection is it was charged off; yes, sir.

Mr. SAPERSTEIN. I have before me a letter addressed to the Hon. R. E. Reichert, Commissioner State Banking Department, Lansing, Mich, under date of May 9, 1931, which is not signed but which apparently was sent by the executive vice president.

Mr. WILSON. That would have been Mr. Sweeny—Donald N. Sweeny.

Mr. SAPERSTEIN. I will not read the entire letter. I merely want to refer to items 5 and 6 therein contained (reading) :

5. Detroit Bankers Co. stock held as collateral :

The directors and officers of this bank concur in your conclusion that concentration of Detroit Bankers Co. stock as collateral to loans should be avoided. To this end future loans against this collateral will be strictly watched.

6. Detroit Bankers Co. stock held by trustees :

Items mentioned of \$144,950 and \$13,944.30 are being eliminated.

That would conform with your recollection that those items were eliminated?

Mr. WILSON. That is my recollection. I do not believe that the large loan was eliminated until the latter part of the year. I cannot answer as to the small items.

Mr. SAPERSTEIN. Now I want to call your attention to a memorandum signed by Arthur S. Knudson. Who was Arthur S. Knudson?

Mr. WILSON. He was examiner of the Detroit Bankers Co. working directly under me.

Mr. SAPERSTEIN. Working under you?

Mr. WILSON. Yes.

Mr. SAPERSTEIN. Was the original of this memorandum ever exhibited to you?

Mr. WILSON (after perusing document). It is quite possible it was. It is quite possible I asked for it.

Mr. SAPERSTEIN. I offer that in evidence.

Senator COUZENS (presiding). The same may be entered in the record.

(Memorandum headed "E. J. Eckert, John R. Bodde & Geo. A. Burns, Trustees", signed "Arthur S. Knudson", was thereupon designated "Committee Exhibit No. 164, February 7, 1934," and appears in the record, immediately following where read by Mr. Saperstein.)

Mr. SAPERSTEIN. The memorandum which has been marked "Committee Exhibit No. 164", of this date, is as follows (reading):

E. J. Eckert, John R. Bodde, & Geo. A. Burns, Trustees.

Status of loan as of 5-6-31 at Peoples Wayne County Bank.

Amount of loan----- \$144,950.

Number of shares held

1,143 shares----- 81,153.—Market value  
5-6-31

Deficiency----- \$63,797.

Dividends as received are applied on note as interest.

I understand it was the consensus of opinion of the officers reviewing the loans at the Peoples Wayne County Bank, that no charge-off was to be made on this item.

(Signed) ARTHUR S. KNUDSON.

Apparently there was some objection on the part of the officers of the bank with regard to that charge-off, was there not?

Mr. WILSON. I don't recollect the objections at that time. They agreed with the State examiner previously during the year to eliminate the item, and later on, prior to the consolidation of the First National Bank, the item was charged off or eliminated entirely. That is my recollection.

Mr. SAPERSTEIN. It was written down to \$1 on December 16, 1931; is that correct?

Mr. WILSON. Well, probably \$1, yes. I believe that is correct.

Mr. SAPERSTEIN. That is the account where these 1,143 shares of Detroit Bankers Co. stock which you said before were transferred to the Lightner and Blessed account came from?

Mr. WILSON. That would be my deduction, the two banks having been consolidated December 31, 1931.

Mr. SAPERSTEIN. Senator Couzens, before we adjourn, may I say that this witness, in response to a subpoena duces tecum served upon him, has, I see, brought to the hearing room several notebooks. I should like to ask that he produce those notebooks at this time and surrender them into the custody of counsel to the committee so that we may examine them before the hearing tomorrow morning.

Senator COUZENS (presiding). That will be done.

Mr. WILSON. That is perfectly all right.

Senator COUZENS (presiding). The committee will adjourn until 10:15 tomorrow morning.

(Accordingly, at 5 o'clock p.m., the committee adjourned until 10:15 o'clock on the following morning.)

COMMITTEE EXHIBIT FOR No. 136, FEBRUARY 6, 1934

JANUARY 27, 1934.

## MEMORANDUM TO WILSON W. MILLS

You have asked me for a memorandum of the principal subjects covered by J. F. Verhelle's criticism of the officers of the bank, dated May 18, 1932, insofar as they relate to my own conduct. While there is little order in the arrangement of subjects in the original criticism, they seem to fall under certain subject groupings which I shall follow as nearly as possible.

## CONTROL OF NOTES

The first implication is that a system to effect control of the paper of the bank was opposed by the loaning officers of the Peoples Wayne County Bank (the implication being that I particularly opposed such improved system) for the purpose of concealing "numerous errors and other questionable items from being brought up for discussion". I need only call your attention to the fact that the block system of handling notes was established first in the Peoples Office, of any of the units of the Detroit Bankers Company, largely under my direction and initiative, and was not established in the First National Office until after the consolidation of the Peoples and the First.

Allied to this charge is also the one that a report was addressed to the Executive Committee on November 17, 1931, on American State Bank Commercial loans intending to prove that the method in use by the Peoples Wayne County Bank Claims Department was more efficient than that employed by the Special Loan Department operated by the Detroit Bankers Company. I am sure you will recall this report because it was submitted to you before being presented to the Committee and had your specific approval, and if I am to be hanged for recognizing greater efficiency in one method of departmental operation than in another method, even though the latter is especially approved by J. F. V., then I must have been the subject of hanging in the conduct of my duty long ago.

## WISE CHROME PRODUCTS COMPANY

My relations with this company are as follows: In January 1929, I purchased \$4,000.00 par value preferred stock and \$2,000.00 par value common stock paying therefor \$6,000.00 cash; on November 8, 1930, I purchased \$1,000.00 par value common stock paying therefor \$1,000.00 cash. This stock I still own although it is wholly valueless now. No dividends were ever paid on the common stock; on the preferred stock, which carried an 8% dividend rate, I received three (3) semi-annual dividends of \$160.00 each, one in 1929 and two in 1930. I was never an officer or director and at no time were my stock-holdings more than a small fraction of the entire capital of the company, so that it should not even be intimated that I was in any sense a majority stockholder.

I do not have at hand a record of the commercial borrowings of the company, but I am quite sure that of the \$25,000.00 which the company owed the bank at the time of the criticism, \$15,000.00 was owing before my stock ownership. Mr. Maxwell Wise, the head of the company, had a long and successful record in the chrome plating business, having built up and sold at a very handsome profit the Wise Industries, and this fact induced Mr. John Bodde (whose interest was the same as mine) and me to invest in the company with the hope of profit. At no time did I ever have anything to do with the mortgage on the plant, and my impression is that it was made a considerable time before I bought my stock. I have no recollection whatever of the statement attributed to me concerning the foreclosure of the mortgage; at that time as you know there was a marked lack of contact between the mortgage and commercial departments, and it is very unlikely that any such conversation took place. The charge is made that I authorized chronic overdrafts on the account of the company at the Canton-Gratoit Office.

I did authorize some temporary overdrafts on occasions when I was assured that during the day or not later than the next morning, a covering check would be deposited; but on the subject of chronic overdrafts may I refresh your

memory that you called in Clayton Porter, the Manager of the Branch, who admitted that these chronic overdrafts were allowed on his own responsibility and contrary to my explicit instructions. On February 14, 1931, the company being in need of funds, and in my judgment entitled to no more bank credit, I loaned them \$3,000.00 drawing a check on my commercial account which was deposited in their commercial account. This is the incident from which by innuendo J. F. V. appears to make into something heinous. For this loan I took the promissory note for \$3,000 of Wise Chrome Products Co. endorsed by Maxwell M. Wise, and on which I subsequently received five (5) quarter-annual installments of interest at 6% per annum. I still hold the note which is, of course, entirely valueless. Reviewing the entire matter briefly, I was not an officer, director or employee of the company; I was not responsible in any way for more than \$10,000 of loans, if for that, which loans were regularly made in the ordinary course of business, reported to and approved by the executive committee, and upon statements duly filed with the Credit Department. I was not responsible in any way for the mortgage or its foreclosure or failure to foreclose it; I was not responsible for chronic overdrafts on its account, which in any event could not have profited me in any way, and in the end I lost my entire investment in stock and note in the amount of \$10,000.00.

#### MORTGAGE LIABILITY

J.F.V. at the beginning of this criticism of me states:

"Donald N. Sweeny has 21 mortgages as his own direct obligation, with a present balance of \$55,640.00, all of which are in arrears as to principal payments."

Later he states:

"It is understood that when the Credit Department was asked to prepare a statement of the Directors' and Officers' loans on April 13, 1932, they furnished the information that the legal liability in connection with mortgages of Mr. Donald N. Sweeny was limited to five mortgage loans totalling \$14,830.00 in addition to the five mortgages described in the report in the hands of Mr. Mills, there appears to be an unquestionable legal liability in connection with seven other mortgages totaling approximately \$44,000.00."

Both of these statements are untrue. I have in my possession a schedule made up for me by the Mortgage Department dated January 12, 1932, showing all of the items covering properties to which I then held title and so far as I know no change was made in this schedule between its date, January 12, 1932, and the date of the Verhelle report, May 18, 1932, except possibly minor payments upon principal. This schedule shows 20 mortgages totaling in principal \$56,000.00. This figure does not balance either with J. F. P.'s first statement of \$55,640.00 nor with his second statement (incidentally inconsistent with his first) of \$58,830.00. You will recall that you submitted the matter of legal liability on those mortgages to Mr. Archer Ritchie who advised you fully thereon. Of the entire list I was found to be liable on only three mortgages as follows:

No. 5459, for \$8,500.00, covering the premises at 2056 Atkinson Avenue, which is my home. This mortgage was signed by myself and my wife and is our direct obligation. (Incidentally, it has not been reduced to \$2,600.00).

No. 8824, covering a dwelling house and lot at 1338 Hubbard Avenue for \$2,100.00. I did not make this mortgage which was executed by Georginia Mather, but title was transferred to me by a deed in which I assumed and agreed to pay the mortgage.

No. 50945, covering a dwelling house on Lauder Avenue, \$3,000.00. This mortgage was made by me and the property was conveyed to Leo Welch on November 15, 1931, so that on the date of the report it was an indirect and not a direct obligation.

As to the remainder of the mortgages, while I own the property in fee, covered thereby, I did not assume or agree to pay the obligation of the mortgage, and therefore, have no legal liability therefor. Inasmuch as these mortgages were all made long before my connection with the properties they cover could possibly have been known to the bank, the bank cannot in any way assume that the loans were made in the slightest reliance upon my credit. For this reason the bank has no more right to assume a moral obligation on my part to pay the mortgages than a bondholder of the Pennsylvania Railroad would be en-

titled to assume a moral obligation on my part to pay his bond merely because I happen to be a stockholder of the railroad.

J. F. V. gets all mixed up on the question of moral liability. The utmost that can be said to be the moral liability of the owner of the property, the mortgage on which he has not assumed, is that he will devote such funds as come from the property to the payment of the debt, in other words, that he will not milk the property. If he had intended to undertake any greater liability he would have definitely assumed it in his deed of conveyances. Every one of the mortgages upon the schedule of properties owned by me was in perfect and up-to-date condition as respects interest, and so far as I know as respects taxes. Further than this most of the mortgages had already been very substantially reduced from their original amounts. It is admitted that they were technically overdue, in fact all except two were entirely due by reason of the three year terms having expired. This, as you know, was the condition with the great majority of our mortgage loans, and was in the old days cited as a virtue, i.e., that 85 or 90% of our mortgage loans were past due and subject to call on demand.

Except for my illness, which confines me to the most limited activity in bed, I had expected to be able to present in tabular form the picture of these mortgage loans, showing the original amount, the amount on January 12, 1932, and especially the bank at which they were originally made. It is my belief, although without access to the scattered records unprovable, that a substantial portion of these mortgages was made at banks other than the Peoples State or Peoples Wayne County Bank, and, therefore, without any possibility of my having influenced their being made. I state to you unqualifiedly, as I previously stated to the Investigation Committee of which you were a member, that I have never asked the bank to make a mortgage loan with the intention of thereafter assuming it.

In addition to the above mortgages commented on by J. F. V. he mentions a joint liability with A. H. Moody upon mortgage of \$30,000.00. This is not a direct but an indirect liability, and the circumstances are as follows:

Prior to 1923, the Peoples State Bank was the owner of a building lot on the northeast corner of Nevada and John R Streets, upon which it expected in the future to erect a branch. Before the branch was built, the Wayne County & Home Savings Bank built a branch on the southwest corner of Nevada and John R Streets, making it undesirable for The Peoples State Bank to go ahead with its project to build. In 1923, therefore, the bank sold the lot to one Louis Stoll, and as part of the consideration for making the sale agreed to take back a construction mortgage on the building to be erected by Stoll, for \$30,000.00, to run for five years straight without principal payments. This transaction was handled by Henry P. Borgman, Vice President, and it is hardly necessary to state that I, then a junior officer of the bank, knew nothing whatever of the purchase or sale. Later (I think it was in 1925) Stoll having sold the property on land contract offered the vendor's interest in the contract to Arnott H. Moody and me, at a discount, and we purchased it subject to the mortgage which (unfortunately for us) we assumed and agreed to pay. Over a course of a few years the vendee's interest was transferred two or three times and eventually came into possession of one Albert J. Boyer. While he owned it the amount of the contract was reduced to the amount of the mortgage, and in accordance with his agreement in the contract, he took a deed wherein he assumed and agreed to pay the mortgage. From the records he has not done this, and at the time of the Verhelle report, as well as at the present time, the mortgage is under foreclosure by the bank. The appraisal of the property made last year as reported to me by one of the members of the bank's legal department, indicates that even now the property is worth fairly the amount of the mortgage and all accruals thereon, but if and when a deficiency judgment is obtained Mr. Moody and I will undoubtedly be liable for the amount of this deficiency which we can then proceed to collect, if we can, from Mr. Boyer. Please note, however, two very obvious facts: (a) We are not yet liable for the mortgage but are merely sureties therefor, and will remain such until it is proved that a deficiency exists. (b) As to the old question of moral liability, there can be no doubt whatever that we have no moral liability whatsoever for the payment of this debt since Henry Borgman in 1923 could not possibly have foreseen our con-



nection with the mortgage in 1925, and further there is nothing we can do legally in the matter until our liability is determined, our hands being entirely tied until a decree is taken.

GENERAL BUILDING CORPORATION—STANDARD HOME BUILDING COMPANY

I became associated with the General Building Corporation as its secretary about 1922. Prior to this time I had done some small legal work for the company in the way of examination of abstracts, etc., and in 1922, was asked to take the place of, nominally, of the then retiring secretary. I was not an organizer of the company as stated in the J.F.V. report. At first I owned 10 shares of stock at \$10.00 par value, paid for at par. In 1923, I purchased 10 more shares at par, \$100.00 total. In 1924, upon an increase of capital of the company, I bought 700 additional shares at par, \$7,000.00 total; and these purchases, a total of 720 shares of a par value of \$7,200.00, constitutes my present holding. I have received but one dividend, \$720.00, in 1928. As secretary I drew a salary in 1924 of \$2,500.00, in 1925 of \$2,500.00, and in 1929 of \$1,000.00; in other years I drew no salary. The total capitalization was \$44,000.00, so that my holding was less than one sixth of the whole. At the time I became a loaning officer of the bank I had been both an officer and director of this company for several years, and therefore, I asked that the loans of this company be handled by Mr. Richard T. Chadmore, then a senior officer of the bank. At a later period the handling of these loans was taken over by Arnott H. Moody, through whom a line of credit was granted to the company at a time when I was absent from the bank on a vacation. I have never had anything to do whatever with the mortgages of the company or the management of its affairs, and I resigned as a director December 30, 1932.

Standard Home Building Company is a subsidiary of General Building Corporation, and I was one of the organizers and secretary and director from its inception. In order to remove its financial activities from the bank by which I was employed, it did its business entirely with the Dime Savings Bank, later the bank of Michigan, until the merger of the latter bank with the Peoples Wayne County Bank forced the account and borrowing into the latter bank. I held only one share of common stock of this company, but on November 16, 1928, I purchased \$5,000.00 par value of preferred stock, 7%, upon which I received regular semi-annual dividends until it was redeemed in 1931, at which time I took the par value of the stock in land contracts, paying a substantial amount in cash to help the company. I have never had anything to do with the management or operation of this company, nor did I ever receive any salary.

J. F. V. says that I appear to be indirectly connected or affiliated with four other companies. I cannot imagine what these companies are, since the only directorships or officerships which I ever held prior to leaving the bank (other than in units of the Detroit Bankers Company) were as a director in Cope Swift Company and in the American Products Company, in neither of which did I have any financial interest whatsoever, nor receive any remuneration of any kind therefrom, being merely a director nominated by and holding office for the benefit of the bank as a creditor of these companies. To the best of my recollection I have had no other corporate connections.

MISCELLANEOUS

I am entirely at a loss to understand why he fills so many pages with the names of people with whom I have had no personal dealings whatsoever, except that he may suppose that thus by innuendo his accusations may gain weight. I know Bernard A. Lipson slightly but would not be able to recognize him on the street if I saw him. I knew Milford Stern, who is now dead. I knew Louis Chernoff slightly. I know Charles M. Leyton and have given him some insurance business. I know Leo Kolodin, who is a young lawyer, and has handled one or two minor matters for me in the Circuit Court Commissioner's Office, since the closing of the bank. I used to know John C. Hopp, but never intimately, and have not seen him for a long time. I do not know Sara Rosenzweig, Gertrude Wahlstein, Oscar Adelman or Harold N. Harris, Abener C. Rosenzweig. I have no faint idea why the Palace Garden Company is dragged in by the ears. I know E. A. O'Connor who is a certified public accountant of

repute. I know M. A. Lipsitz whom I understand to be very well to do. I do not know Jesse B. Brown or Edward H. Webb or Henry Nussbaum or L. Oppenheim. Why these names were brought into the report, or what is intended to be proved or insinuated thereby, I do not know.

C. ROY DAVIS

I find that I have omitted mention of C. Roy Davis and Marie S. Davis. About 1915, Dr. C. Roy Davis, who is my close friend, began the purchase of vendor's interests in land contracts as a form of investment. At that time I started looking after these investments for him, entirely without charge to him, and have continued in this supervisory work until the present time. I did not actually keep his books which work was done for him by a certified public accountant who rendered annual reports directly to him, but I did oversee the collection of payments and disbursements of funds upon mortgages and for other purposes.

In this connection it was necessary for me to maintain an account separate and segregated from any of my own, and I have maintained such an account, designated "Donald N. Sweeny, Trustee" from about 1915, down to the time of the closing of the bank. This account frequently ran into substantial figures and until early in 1932 was maintained at the Delray branch where it was started many years before. In the spring of 1932, in order to avoid the difficulty of transferring credits from the main office to the branch, the account was removed to the main office. At the time of the monthly disbursements, about the first of May, 1932, by mistake Delray checks were used instead of checks drawn on the main office, checks so drawn totalling \$947.59. On May 6, 1932, I was advised by Theodore F. Torney, Manager of the Delray Branch, that the account of Donald N. Sweeny, Trustee, was overdrawn between \$400.00 and \$500.00, and unwilling that this amount should remain as an overdraft over night, I instructed that an amount necessary to balance the account \$947.59, be transferred by telephone. There can be no question whatever as to the propriety of this, and as to the further question of kiting, since there was on deposit in the main office in the same name several thousand dollars (I believe between \$3,000.00 and \$5,000.00) there could be no reasonable excuse whatsoever for the overdraft at Delray except an inadvertent use of the wrong check book. I state here as I stated before the Examining Committee, that I have nor have had no personal interest whatsoever in this account nor in the land contracts or mortgages of C. Roy Davis or Marie S. Davis.

Criticism has been made of the commercial loans of C. Roy Davis, J. F. V. has omitted to mention (inadvertently I hope), but cannot believe that these loans were at all times supported by adequate collateral of the highest marketability, both stocks and bonds, with ample margin and well fortified by the secondary support of adequate and substantial account balances. These loans are entirely paid, having been liquidated within a few weeks after the closing of the bank. The incident of the River Rouge account of C. Roy Davis is in error. He never did have an account of \$15,000.00 in Peoples Wayne County Bank of River Rouge, but did have a \$5,000.00 certificate of deposit which to his sorrow he has been unable to collect because of the closing of that bank.

(Sgd) DONALD N. SWEENEY

STATE OF MICHIGAN,  
County of Wayne, ss:

DONALD N. SWEENEY, being first duly sworn deposes and says; that the foregoing statement dated January 27, 1934, entitled "Memorandum to Wilson W. Mills" and by him subscribed, is true of his own knowledge, except as to matters therein stated to be on information and belief, and as to those matters he believes it to be true.

(Sgd) DONALD N. SWEENEY

Subscribed and sworn to before me this 3rd day of February, 1934.

[SEAL]

(Sgd.) DAISY C. HOYETT,

Notary Public, Wayne County, Michigan.

My commission expires June 26, 1937.

## COMMITTEE EXHIBIT No. 160 (Feb. 7, 1934)

## EXHIBIT No. 15 A

## DETROIT BANKERS COMPANY, MEMO

To Mr. Wilson W. Mills  
 From D. Dwight Douglas  
 Date January 5, 1932  
 Copy to Mr. Ballantyne  
 Subject:

Enclosed is a revised recapitulation of directors' and officers' loans covering the entire institution, which can replace the one previously sent you. It still contains a loan of \$1,597,916.62 marked D 12, i.e., duplicated twelve times. This is the First National Company loan and is a corporation matter, and in my opinion should not be included.

Also enclosed is a list which I have made of the loans that are reported in Mr. Verhelle's figures as under water, which I told you I would send.

D.D.D.

## EXHIBIT No. 15 B

*Recapitulation of loans to directors as of Dec. 17, 1931*

Direct loans.....	\$14, 247, 297. 50
Indirect loans.....	4, 643, 124. 41
Value of collateral.....	13, 327, 397. 25
Mortgage loans.....	1, 831, 878. 64
Land contracts.....	19, 722. 15

Total loans.....	20, 742, 022. 70
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## Affiliated borrowers:

Direct loans.....	18, 049, 067. 06
Indirect loans.....	447, 321. 02
Commercial credit.....	170, 000. 00
Mortgage loans.....	2, 676, 181. 00
Land contracts.....	44, 413. 38

Total loans.....	21, 386, 982. 46
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## EXHIBIT No. 15 C

Name	Direct loans	Indirect loans	Value of collateral	Mortgage loans	Land contract loans	Total loans
A. A. Albrecht	\$5,062.50		\$50,000.00			\$5,062.50
Frank H. Alfred						
F. M. Alger	55,363.22	\$55,855.84	53,750.00	\$11,855.07		123,074.13
Ayers, Chas. H.	(1)					
Standish Backus						
Ford Ballantyne	121,455.81		174,500.00			121,455.81
John Ballantyne	(1)					
George H. Barbour	127,583.34		60,225.00			127,583.34
Wm. T. Barbour	108,551.55		179,350.00			108,551.55
Dr. Henri Belanger	3,354.70		892.50	12,400.00		15,754.70
Calvin P. Bentley						
Wm. Blanck	(1)					
John R. Bodde		27,561.91	2,250.00			27,561.91
Warren S. Booth	47,598.03		135,000.00			47,598.03
Thos. J. Bosquett	28,900.00	3,496.88	41,670.00			32,396.88
M. C. Bourassa	294.99	3,371.00		11,653.12		15,319.11
Edgar W. Bowen	394,148.89		417,325.00			394,148.89
Julian P. Bowen	152,084.66 D		163,545.00 D			152,084.66
	391,870.94		551,590.00			391,870.94
	152,084.66 D		163,545.00 D			152,084.66
Lacey S. Brown		1,321.25				1,321.25
McPherson Browning	25,600.00		26,100.00			25,600.00
A. H. Buhl	500,000.00					500,000.00
C. Henry Buhl	(1)					
Lawrence D. Buhl	40,000.00	230,000.00	55,750.00			270,000.00
Howard W. Bulkley	28,576.13		4,890.00		\$19,532.76	48,108.89
F. C. Burden	34,203.33	429.30	41,715.00			34,632.63
F. X. Burke	1,218.00		1,190.00			1,218.00
H. C. Burke	52,969.22		27,390.00	66,850.00		119,819.22
Clarence M. Burton		28,526.19				28,526.19
Lawrence K. Butler	7,097.32		12,800.00			7,097.32

Name	Direct loans	Affiliated borrowings				Total loans
		Indirect loans	Commercial credit	Mortgages	Land contracts	
A. A. Albrecht	\$35,236.80	\$4,367.37			\$40,000.00	\$79,604.17
Frank H. Alfred	406,243.95			\$11,700.00		417,943.95
F. M. Alger	1,597,916.62					1,597,916.62
	1,597,916.62 D12					1,597,916.62

Ayers, Ohas H.	188,250.00	48,020.59	299,624.63	505,895.22
Standish Backus	188,250.00 D3	48,020.59 D3	294,774.63 D2	505,895.22
			4,850.00 D3	
Ford Ballantyne				
John Ballantyne				
George H. Barbour			5,000.00	5,000.00
Wm. T. Barbour			5,000.00 D3	5,000.00
Dr. Henri Belanger				
Calvin P. Bentley	140,000.00			140,000.00
Wm. Blanck				
John R. Bodde			28,393.43	28,393.43
			28,393.43 D	28,393.43
Warren S. Booth	200,000.00		299,419.00	499,419.00
Thos. J. Bosquett	250,903.86			250,903.86
	185,000.00 D3			185,000.00
M. C. Bourassa				
Edgar W. Bowen	150,843.74	170,000.00		320,843.75
	75,843.75 D2	170,000.00 D2		320,843.75
	75,000.00 D2			
Julian P. Bowen	150,843.75	170,000.00		320,843.75
	75,843.75 D2	170,000.00 D2		320,843.75
	75,000.00 D2			
Lacey S. Brown				
McPherson Browning				
A. H. Buhl	603,431.19		5,600.00	609,031.19
	188,250.00 D3		750.00 D	609,031.19
	185,000.00 D3		4,850.00 D3	
	45,000.00 D2			
C. Henry Buhl	215,181.19 D			
Lawrence D. Buhl	855,652.47		750.00	856,402.40
Howard W. Bulkley	185,000.00 D3		750.00 D	856,402.40
	45,000.00 D2			
	215,181.19 D			
F. C. Burden	410,471.28 D3			
F. X. Burke				
H. C. Burke				
Clarence M. Burton	420,874.01			420,874.01
Lawrence K. Butler				

1 Nothing.

## EXHIBIT No. 15 D

Name	Direct loans	Indirect loans	Value of col- lateral	Mortgage loans	Land contract loans	Total loans
Leo M. Butzel		\$92,211.81				\$92,211.81
Henry E. Candler	(1)					
David S. Carter						
John Cassidy	\$507.50	60.84		\$10,240.00		10,808.34
Herbert L. Chittenden	26,000.00	572.30	\$20,230.00	18,550.00		45,122.30
Emory W. Clark						
Chas. F. Clippert	126,940.10	26,573.43	107,425.00			153,513.53
Henry T. Cole	137,000.00		47,030.00			137,000.00
Chas. F. Collins				5,534.00		5,534.00
E. F. Connely	8,497.97		3,000.00			8,497.97
R. P. Connor	4,835.95	808.70	2,400.00	3,500.00		9,144.65
D. W. Daker	36,496.85		22,375.00			36,496.85
James E. Dansher				8,730.00		8,730.00
R. E. Dansher				15,000.00		15,000.00
Jas. E. Davidson	95,000.00	365,000.00	116,250.00			460,000.00
M. B. Davis	1,218.50		2,257.00			1,218.50
Wm. M. Dillon	37,337.28		25,059.00	26,000.00		63,337.28
Horace E. Dodge, Jr.	7,055.50		8,325.00			7,055.50
John M. Donaldson	(1)					
D. Dwight Douglas	(1)					
S. T. Douglas	95,085.54	1,000.00	107,527.00			96,085.54
Geo. W. Drennan	12,165.00		15,000.00	12,950.00		25,115.00
Walter L. Dunham	46,500.00	31,500.00	35,000.00			78,000.00
E. J. Durocher	1,544.88					1,544.88
John M. Dwyer	594,094.81					594,094.81

Name	Direct loans	Affiliated borrowings				Total loans
		Indirect loans	Commercial credit	Mortgages	Land con- tracts	
Leo M. Butzel	\$5,273,254.61	\$48,020.59		\$28,393.43		\$5,349,668.63
	1,155,000.00 D	48,020.59 D3		28,393.43 D		5,342,572.38
	81,355.56 D2					
	1,597,916.62 D12					
	410,471.28 D3					
	865,000.00 D					
	867,342.40 D					
	289,072.50 D					
Henry E. Candler						
David S. Carter	9,500.00					9,500.00

John Cassidy.....					
Herbert L. Chittenden.....					
Emory W. Clark.....	3,617,916.62	48,020.59		294,774.63	3,960,711.84
	1,155,000.00 D	48,020.59 D3		294,774.63 D2	3,960,711.84
	1,597,916.62 D12				
	865,000.00 D				
Chas. F. Clippert.....		798.50			798.50
Henry T. Cole.....	15,000.00				15,000.00
Chas. F. Collins.....					
E. F. Connely.....					
R. P. Connor.....					
D. W. Baker.....					
James E. Danaher.....					
R. E. Danaher.....					
Jas. E. Davidson.....	321,600.00				321,600.00
M. B. Davis.....					
Wm. M. Dillon.....					
Horace E. Dodge, Jr.....					
John M. Donaldson.....					
D. Dwight Douglas.....	1,609,222.83			5,000.00	1,614,222.83
	1,597,916.62 D12			5,000.00 D3	1,602,916.62
S. T. Douglas.....					
Geo. W. Drennan.....	9,026.91				9,026.91
Walter L. Dunham.....	104,132.61				104,132.61
E. J. Durocher.....					
John M. Dwyer.....					

1 Nothing.

## EXHIBIT No. 15 E

Name	Direct loans	Indirect loans	Value of collateral	Mortgage loans	Land contract loans	Total loans
T. T. Dysarz.....	\$21,577.41	\$659.97	\$1,450.00	\$4,400.00	-----	\$26,637.38
H. A. Eberts.....	4,081.22	-----	6,550.00	-----	-----	4,081.22
Edwin J. Eckart.....	66,650.00	655.85	30,000.00	19,300.00	-----	86,605.85
C. G. Edgar.....	-----	150,000.00	-----	-----	-----	150,000.00
Allen F. Edwards.....	660,399.28	-----	374,696.00	-----	-----	660,399.28
John H. Emmert.....	19,500.00	4,200.00	26,100.00	-----	-----	23,700.00
D. M. Ferry, Jr.....	-----	76,678.25	-----	79,150.00	-----	155,828.25
Hugh J. Ferry.....	-----	-----	-----	4,420.00	-----	4,420.00
Chas. T. Fisher.....	2,788,416.67	862,460.01	1,750,000.00	-----	-----	3,650,876.68
Fred J. Fisher.....	1,271,354.13	-----	-----	-----	-----	1,271,354.13
Jas. H. Flinn.....	1,274,179.76	-----	1,565.00	-----	-----	1,274,179.76
J. B. Ford, Jr.....	1,271,354.13	-----	-----	-----	-----	1,271,354.13
Robert W. Ford.....	190,000.00	-----	233,600.00	37,478.72	-----	227,478.72
Harry J. Fox.....	328,893.75	44,261.27	579,668.00	250,000.00	-----	623,165.02
R. P. Fraser.....	91,537.84	5,072.30	15,000.00	-----	-----	96,610.14
J. C. Friedel.....	223,392.69	130,444.40	244,620.00	-----	-----	353,837.09
John A. Fry.....	28,955.94	-----	10,920.00	-----	-----	28,955.94
Chas. Gartner.....	28,411.25	-----	26,800.00	2,000.00	-----	30,411.25
Ralph Gilchrist.....	195,419.50	-----	71,098.75	13,600.00	-----	209,019.50
Wm. J. Gray.....	5,076.50	11,586.38	2,330.00	19,000.00	-----	35,662.88
Albert E. Green.....	(1)	-----	-----	-----	-----	-----
Walter F. Haass.....	2,500.00	1,500.00	6,720.00	-----	-----	4,000.00
Hamilton Hadden.....	11,971.26	-----	13,300.00	-----	-----	11,971.26
Henry A. Haigh.....	95,073.64	26,835.82	81,350.00	17,900.00	-----	139,809.46
-----	(1)	-----	-----	-----	-----	-----
-----	40,183.33	-----	44,400.00	-----	-----	40,183.33

Name	Direct loans	Affiliated borrowings				
		Indirect loans	Commercial credit	Mortgages	Land contracts	Total loans
H. A. Eberts.....	\$9,527.82	\$1,624.19	-----	-----	-----	\$11,152.01
C. G. Edgar.....	6,989.49 D	401.00 D	-----	-----	-----	7,390.49
Allen F. Edwards.....	2,033,041.62	-----	-----	-----	-----	2,033,041.62
-----	260,125.00 D	-----	-----	-----	-----	1,858,041.62
-----	1,597,916.62 D12	-----	-----	-----	-----	-----
-----	14,857.65	-----	-----	-----	-----	14,857.65
-----	14,857.65 D	-----	-----	-----	-----	14,857.65



D. M. Ferry, Jr.	1,945,438.62	48,020.59	\$170,000.00	\$412,002.68	2,576,056.24
	75,843.75 D 2	48,020.59 D3	170,000.00 D2	294,774.63 D2	2,381,555.59
	1,597,916.62 D12				
	120,000.00 D 2				
	75,000.00 D 2				
Chas. T. Fisher	2,533,575.00				2,533,575.00
	2,073,575.00 D				2,533,575.00
	460,000.00 D				
Fred J. Fisher	2,533,575.00				2,533,575.00
	2,073,575.00 D				2,533,575.00
	460,000.00 D				
Jas. H. Flinn	280,000.00			956,146.79	1,236,146.79
	180,000.00 D			298,957.95 D	1,236,146.79
	100,000.00 D2			2,813.00 D	
				654,875.84 D	
J. B. Ford, Jr.	188,009.31				188,009.3
Robert W. Ford					
Harry J. Fox	1,679,272.18				1,679,272.18
	1,597,916.62 D12				1,679,272.18
	81,355.56 D2				
J. O. Friedel					
John A. Fry					
Chas. Gartner	11,008.40				11,008.40
Ralph Gilchrist					
Wm. J. Gray	30,000.00				30,000.00
Albert E. Green					
Walter F. Haass	913.65	4,310.80			5,224.45
Hamilton Hadden					
Henry A. Haigh					

## EXHIBIT No. 15 F

Name	Direct loans	Indirect loans	Value of col- lateral	Mortgage loans	Land-contract loans	Total loans
Julian H. Harris.....	\$603,431.15		\$258,001.00			\$861,432.15
Henry Hart.....				\$6,525.00		6,525.00
John H. Hart.....	83,900.00	\$9,831.33	66,670.00	99,600.00		199,401.33
Oren S. Hawes.....	3,000.00		5,800.00			8,800.00
C. L. Helde.....	1,750.00			5,710.54		7,460.54
Christian H. Hecker.....						
Edward J. Hickey.....	25,192.03		54,155.00			79,347.03
James Holden.....	(1)					
Fred W. Hodges.....	32,981.25		66,500.00			99,481.25
Wm. P. Holliday.....		456.82				456.82
Edwin K. Hoover.....	5,914.96		2,700.00			8,614.96
Chas. J. Horger.....		600.00		63,762.00		64,362.00
Warren J. Hoystradt.....	(1)					
F. Langdon Hubbard.....	1,167.60					1,167.60
Frank W. Hubbard.....	1,530.75	1,567.58	5,000.00	4,725.00		12,823.33
J. C. Hutchins.....	3,548.50		6,000.00			9,548.50
Raymond A. Jacobs.....	40,373.79		8,825.00			49,198.79
Geo. H. Johnstone.....	5,055.64	91.36	450.00	26,100.00		31,707.00
Lewis H. Jones.....						
Myline Keena.....	46,773.95		28,175.00			74,948.95
Wm. H. Kirn.....	(1)					
Chas. Krause.....	2,550.84		1,785.00			4,335.84
E. O. Krentler.....	10,544.00		27,750.00			38,294.00
E. R. Labadie.....		1,274.60				1,274.60
F. X. Lafferty.....	1,200.00	126.00				1,326.00

Name	Direct loans	Affiliated borrowings				
		Indirect loans	Commercial credit	Mortgages	Land con- tracts	Total loans
Julian H. Harris.....	\$423,913.03			\$4,850.00		\$428,763.03
Henry Hart.....	158,250.00 D8			4,850.00 D3		163,100.00
John H. Hart.....				9,500.00		9,500.00
Oren S. Hawes.....	333,063.33	\$860.65		980,488.79		1,314,402.77
	180,000.00 D			288,957.95 D		468,957.95
	100,000.00 D2			654,375.84 D		1,233,333.79
C. L. Helde.....						
Christian H. Hecker.....	154,815.70			15,408.41		170,224.11
	45,000.00 D2			2,813.00 D		47,813.00

Edward J. Hickey.....	118,674.09			65,000.00		183,674.09
James Holden.....	103,547.00 D			65,000.00 D		168,547.00
Fred W. Hodges.....	168,260.00			4,860.00	\$4,413.38	167,513.38
Wm. P. Holliday.....	168,260.00 D3			4,860.00 D3		163,100.00
Edwin K. Hoover.....	279,469.82			3,500.00		282,969.82
Chas. J. Horger.....	279,469.82 D					279,469.82
Warren J. Hoysradt.....	1,597,916.62					1,597,916.62
F. Langdon Hubbard.....	1,597,916.62 D12					1,597,916.62
Frank W. Hubbard.....						
J. C. Hutchins.....	906,175.12					906,175.12
Raymond A. Jacobs.....	867,342.40D					867,342.40
Geo. H. Johnstone.....						
Lewis H. Jones.....	1,597,916.62			2,425.00		1,600,341.62
Myline Keena.....	1,597,916.62D12					1,597,916.62
Wm. H. Kirm.....						
Chas. Krause.....						
E. O. Krentler.....						
E. R. Labadie.....						
F. X. Lafferty.....						

1 Nothing.

## EXHIBIT No. 15 G

Name	Direct loans	Indirect loans	Value of collateral	Mortgage loans	Land contract loans	Total loans
W. H. Lalley	\$93,785.33		\$166,785.00			\$93,785.33
Henry Ledyard	6,067.75		5,000.00			6,067.75
Peter J. Leszczynski	26,644.67	\$1,691.98	17,864.00	\$74,538.16		102,774.81
Edwin C. Lewis	290,120.50		234,435.00	1,362.50		291,483.00
Eugene W. Lewis	144,237.45		158,240.00			144,237.45
Eugene R. Lewright	25,243.90		10,180.00	6,400.00		31,643.90
S. R. Livingstone	106,807.59		125,778.00			106,807.59
T. W. P. Livingstone	71,822.50		73,402.00			71,822.50
Arthur E. Loch	87,069.76	4,700.26	50,750.00	33,000.00		124,770.02
Robert B. Locke	33,839.53		12,210.00	7,975.00		41,914.83
R. J. Lynch	2,850.52		1,165.00			2,850.52
Ernest K. Matlock		456.83		11,000.00		11,456.83
Wm. B. Mayo						
Edward C. Mahler	( <sup>1</sup> )			2,075.00		
Herbert W. Mason	3,045.50					5,120.50
Wm. J. McAneny	127,118.02		127,000.00			127,118.02
Wm. H. McGlenahan	16,110.23		13,387.50	5,150.00		21,260.23
N. F. H. McLeod	194,476.96		217,890.00			194,476.96
C. W. McCall	( <sup>1</sup> )					
James T. McMillan						
John A. Mercier	255,279.78	17,246.50	125,000.00	158,550.00		431,076.28
Sidney T. Miller	( <sup>1</sup> )					
Wilson Mills				6,655.00		6,655.00

Name	Direct loans	Affiliated borrowings				
		Indirect loans	Commercial credit	Mortgages	Land contracts	Total loans
W. H. Lalley	\$27,681.48			\$35,000.00		\$62,681.48
Henry Ledyard	27,681.48 D 2			35,000.00 D 2		62,681.48
Peter J. Leszczynski						
Edwin C. Lewis	54,321.50			63,256.67		117,578.17
Eugene W. Lewis	646,471.73					646,471.73
	410,471.28 D 3					586,471.28
Eugene R. Lewright	176,000.00 D					

S. R. Livingstone.....	869,684.91	2,474.72	60,330.00	982,489.63
	84,590.14 <sup>1</sup> D		35,000.00 D 2	147,271.62
	27,681.48 D 2			
	388,407.99		35,000.00	423,407.99
T. W. P. Livingstone.....	84,590.14 D		35,000.00 D 2	409,228.99
	27,681.48 D 2			
	141,957.87 D			
	120,000.00 D 2			
Arthur E. Loch.....				
Robert B. Locke.....				
R. J. Lynch.....	8,125.32			8,125.32
	8,125.32 D			1,825.32
Ernest K. Matlock.....				
Wm. B. Mayo.....	5,941.64			5,941.64
Edward C. Mahler.....				
Herbert W. Mason.....				
Wm. J. McAneeny.....				
Wm. H. McClenahan.....				
N. F. H. McLeod.....	1,597,916.62			1,597,916.62
	1,597,916.62 D12			1,597,916.62
C. W. McCall.....				
James T. McMillan.....	1,597,916.62		5,000.00	1,602,916.62
	1,597,916.62 D12		5,000.00 D3	1,602,916.62
John A. Mercier.....				
Sidney T. Miller.....				
Wilson Mills.....				

<sup>1</sup> Nothing.

EXHIBIT No. 15-H

5692

STOCK EXCHANGE PRACTICES

Name	Direct loans	Indirect loans	Value of col- lateral	Mortgage loans	Land contract loans	Total loans
Peter J. Monaghan.....	\$43,593.42	\$2,017.45	\$24,750.00	\$11,000.00		\$56,610.87
A. V. Moninger.....	8,987.50		14,990.00			8,987.50
Arnott H. Moody.....	16,078.02		11,600.00	88,175.00		104,253.02
Lucian S. Moore.....	21,509.93	100,136.50		68,328.50		189,974.93
F. G. Morley.....	8,613.70		30,000.00	8,900.00		17,518.70
J. O. Murfin.....	15,189.60		17,925.00			15,189.60
M. J. Murphy.....	97,195.83	136,500.00	86,250.00			233,695.83
Frank J. Navin.....	(1)					
W. J. Nesbitt.....	52,220.74		28,087.00	32,847.28		85,068.02
Truman H. Newberry.....	761,625.00		1,100,000.00			761,625.00
John T. Nichols.....	25,000.00		45,000.00			25,000.00
Willard Ohliger.....	(1)					
Nelson L. Olson.....	21,863.31	3,559.79	40,000.00			45,423.10
George Ostus.....	82,547.33	3,945.33	56,040.00	1,375.00		87,867.66
Henry Otis.....	97,456.00	470.30	98,510.00	6,700.00		104,626.30
James V. Ortohy.....	10,128.29		12,500.00			10,128.29
C. E. Partridge.....				19,675.00		19,675.00
Julius C. Peter.....				14,625.00		15,625.00
Geo. Harrison Phelps.....	126,713.75		140,163.00			126,713.75
Julius Porath.....	15,719.34			1,800.00		17,519.34
Daniel L. Quirk, Jr.....	(1)					
U. Grant Race.....	12,775.18	355.33	17,250.00	34,000.00		47,130.66
Horace H. Rackham.....	(1)					
W. C. Rands.....	1,795.21	91,570.64	1,900.00			93,365.85
Fred J. Robinson.....	84,825.00		239,160.00			84,825.00

Name	Direct loans	Indirect loans	Affiliated borrowings			
			Commercial credit	Mortgages	Land con- tracts	Total loans
Peter J. Monaghan.....	\$477,563.62	\$21,447.43				\$499,011.05
A. V. Moninger.....		21,447.43 D				21,447.43

Arnott H. Moody.....					
Lucian S. Moore.....	76, 145. 83	42, 435. 93			118, 581. 76
F. G. Morley.....		21, 447. 43			21, 447. 43
J. O. Murfin.....		21, 447. 43 D			21, 447. 43
M. J. Murphy.....	92, 814. 66				92, 814. 66
Frank J. Navin.....					
W. J. Nesbitt.....					
Truman H. Newberry.....	40, 400. 00			\$5, 000. 00	45, 400. 00
John T. Nichols.....				5, 000. 00 D3	5, 000. 00
Willard Ohliger.....					
Nelson L. Olson.....	3, 559. 79				3, 559. 79
George Ostus.....					
Henry Otis.....					
James V. Oxtoby.....					
C. E. Partridge.....					
Julius C. Peter.....					
Geo. Harrison Phelps.....					
Julius Porath.....					
Daniel L. Quirk, Jr.....					
U. Grant Race.....	292, 319. 00	3, 247. 07			295, 566. 07
	289, 072. 50 D				289, 072. 50
Horace H. Rackham.....					
W. C. Rands.....	2, 189, 743. 46	14, 123. 90			2, 203, 876. 36
	81, 355. 56 D2				2, 089, 743. 46
	410, 471. 28 D3				
	1, 597, 916. 62 D12				
Fred J. Robinson.....	289, 992. 36	92, 410. 28		61, 301. 37	443, 714. 01
	67, 500. 00 D	11, 477. 75 D			78, 977. 75

<sup>1</sup>Nothing.

EXHIBIT No. 15 I

5694

STOCK EXCHANGE PRACTICES

Name	Direct loans	Indirect loans	Value of col- lateral	Mortgage loans	Land contract loans	Total loans
W. Dean Robinson .....	\$50,000.00	\$57,500.00	\$103,070.00			\$107,500.00
Chas. M. Roehm .....				\$20,200.00		20,200.00
Henry Roehrig .....	50,315.86	3,999.19	37,047.50	17,065.00		71,380.05
E. H. Rogers .....	11,112.33		7,800.00	24,500.00		35,612.13
Walter S. Russell .....	302,829.20		230,395.00			302,829.20
F. Howard Russ, Jr. ....	(1)					
Dr. Roman Sadowski .....	8,704.76	2,727.45	6,528.00	14,400.00		25,832.21
Carter Sales .....	(1)					
I. J. Salliotte .....	1,218.20	2,800.00	1,800.00			4,018.20
John H. Schaefer .....	1,421.00	12,793.34				14,214.34
Jos. B. Schlotzman .....	5,063.19	304.95	57,000.00			5,368.14
Emery Schonfeld .....	(1)					
Walter Scotten .....						
Wessen Seyburn .....	507,205.03	598,835.84	590,120.00			1,106,040.87
Henry Shearer .....	(1)					
Henry Shelden .....		119,000.00		3,656.25		122,656.25
John C. Shields .....	(1)					
Robert Shiell .....						
Howard F. Smith .....	5,069.51		11,750.00			5,069.51
Chas. P. Spicer .....	9,700.00		8,960.00			9,700.00
E. D. Stair .....		14,441.30				14,441.30
Henry G. Stevens .....	(1)					
Ralph Stone .....	2,000.00		4,350.00	23,500.00		25,500.00
Emil Stroh .....	(1)					
Donald N. Sweeney .....				65,467.50		65,467.50

Name	Direct loans	Indirect loans	Affiliated borrowings			Total loans
			Commercial credit	Mortgages	Land con- tracts	
W. Dean Robinson .....	\$67,500.00	\$11,477.75				\$78,977.75
Chas. M. Roehm .....	67,500.00 D	11,477.75 D				78,977.75
Henry Roehrig .....	14,857.65					14,857.65
	14,857.65 D					14,857.65
	15,114.81	401.00				15,515.81
	8,125.32 D	401.00 D				15,515.81
	6,989.49 D					
E. H. Rogers .....						
Walter S. Russell .....						
F. Howard Russ, Jr. ....						



Dr. Roman Sadowski.....	2,727.45				2,727.45
Carter Sales.....					
L. J. Salliotte.....					
John H. Schaefer.....					
Jos B. Scholtman.....					
Emery Schonfeld.....					
Walter Scotten.....	52,487.50				52,487.50
Wesson Seyburn.....	68,933.46	587.93		\$89,500.00	159,026.39
Henry Shearer.....					
Henry Shelden.....	64,300.00	15,684.32		442,700.00	522,774.32
John C. Shields.....					
Robert Shiell.....	341,576.94				341,576.94
Howard F. Smith.....					
Chas. P. Spicer.....					
E. D. Stair.....	2,043,041.62	14,490.60			2,057,541.22
	1,597,916.62 D12				2,043,042.62
	280,126.00 D				
	185,000.00 D3				
Henry G. Stevens.....					
Ralph Stone.....					
Emil Stroh.....					
Donald N. Sweeny.....					

STOCK EXCHANGE FRACTIONS

5695

# EXHIBIT No. 15 J

5696

STOCK EXCHANGE PRACTICES

Name	Direct loans	Indirect loans	Value of col- lateral	Mortgage loans	Land contract loans	Total loans
Orla B. Taylor	(1)					
Albert P. Ternes	\$22,503.33	\$75.00	\$8,437.00	\$19,200.00		\$41,778.33
L. S. Trowbridge	7,977.80	10,629.60		110,625.00	\$189.39	129,421.79
Herbert B. Trix	23,153.38		23,852.00	14,250.00		37,403.38
Stephen Trybus	11,524.44		9,524.00	16,525.00		28,049.44
C. B. Van Dusen	105,000.00	84,012.00	233,420.00			189,012.00
B. G. Vernor	24,360.00		12,000.00			24,360.00
Wm. M. Walker	38,037.81		6,000.00	25,000.00		63,037.81
H. B. Ward				7,000.00		7,000.00
Fred Wardell	425,000.00	1,488.39	1,396,250.00			426,488.39
John W. Watling	30,412.50		76,400.00			30,412.50
Oscar Webber	376,213.41	400,000.00	550,000.00			776,213.41
Richard H. Webber						
George Wiley	7,123.75		14,600.00			7,123.75
Mark Wilson	1,150.37			6,375.00		7,525.37
Chas. Wright, Jr.	17,582.63	775,000.00	15,840.00	13,050.00		805,632.63
Dubois Young	478,245.20		423,384.00			478,245.20
Less duplications	15,670,736.29	4,643,124.41	13,490,942.25	1,831,878.64	19,722.15	22,165,461.49
	1,423,438.79		163,545.00			1,423,438.79
Net total	14,247,297.50	4,643,124.41	13,327,397.25	1,831,878.64	19,722.15	20,742,022.70

Name	Direct loans	Affiliated borrowings				Total loans
		Indirect loans	Commercial credit	Mortgages	Land con- tracts	
Orla B. Taylor						
Albert P. Ternes	\$129,019.22	\$45,854.31		\$17,772.15		\$192,645.68
L. S. Trowbridge	25,423.61			3,412.50		28,836.11
Herbert B. Trix						
Stephen Trybus						
C. B. Van Dusen	2,035,000.00					2,035,000.00
B. G. Vernor						
Wm. M. Walker	218,260.84			101,000.00		319,260.84
	103,547.00 D			65,000.00 D		272,094.00
H. B. Ward						
Fred Wardell	379,471.82					379,471.82
	100,000.00 D2					379,471.82
	279,471.82 D					

John W. Watling.....	661,957.37					661,957.37
	141,957.37 D					261,957.37
	120,000.00 D2					
Oscar Webber.....	10,309.68			64,300.00		74,609.68
				64,300.00 D		64,300.00
Richard H. Webber.....				64,300.00		64,300.00
				64,300.00 D		64,300.00
George Wiley.....						
Mark Wilson.....						
Chas. Wright, Jr.....	214,500.00			1,175.00		215,675.00
	176,000.00 D					176,000.00
Dubois Young.....						
	47,783,324.80	528,667.79	\$510,000.00	4,479,870.48		53,846,276.45
Less duplications.....	29,734,257.74	81,346.77	340,000.00	1,803,689.48		31,956,293.99
Net total.....	18,049,067.06	447,321.02	170,000.00	2,676,181.00	\$44,413.38	21,386,982.46

<sup>1</sup> Nothing.

